

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, February 9, 1927, at 11:15 a.m.

PRESENT: Governor Crissinger

Mr. Platt

Mr. Hamlin

Mr. Miller

Mr. James

Mr. Cunningham

Mr. Eddy, Secretary

Mr. McClelland, Asst. Secretary

PRESENT ALSO: Mr. Samuel W. Reyburn, Director of the Federal Reserve Bank of New York.

Mr. James, Chairman of the Committee on Salaries and Expenditures, submitted and read to the Board the following Committee report:

"Mr. Samuel Reyburn, one of the Directors and representing the Board of the Federal Reserve Bank of New York, today presented a memorandum which is attached hereto covering leaves of absence of employees exceeding thirty days during the year 1926. Having gone over this list with Mr. Reyburn, I am of the opinion that since the list has the full approval of the Board of the New York bank that the payments made and enumerated thereon should be approved by the Federal Reserve Board. Exhibit "A".

"Mr. Reyburn also presented a list of employees whose services as guards had been dispensed with owing to age, etc., and asks for approval of the action of the Board of Directors of the New York bank in making final salary payments and adjustments as set out in the list attached, said list being marked Exhibit "B".

Following the reading of the Committee report, Mr. Reyburn was invited to discuss the subject thereof. He stated that through inadvertence there had not been submitted to the Federal Reserve Board for its approval action taken by the board of directors of the New York bank during 1926 with respect to granting extended leaves of absence with pay to a number of employees of the bank on account of illness, and in extending leave with pay to twenty-nine guards who were being retired, because of physical incapacity, in connection with the reorganization of the protective force of the bank. Mr. Reyburn stated that at the time action was taken with respect to the guards, he understood Governor Strong had expected to take

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the matter up personally with the Board, but that due to his absence from this country and his illness following his return, he had not done so. Mr. Reyburn stated that the directors and officers of the bank are aware of the fact that their action in these matters was not in accord with the ruling of the Board with which they are all familiar. In this connection, he suggested the advisability of the Board entering into some arrangement with the directors of the New York bank whereby it would not be necessary for the directors in granting to employees extended leave of absence on account of illness to report each case to the Board for approval before their action became effective, and stated his reasons therefor. He suggested that perhaps a monthly report of all such absences granted by the directors would suffice for the Board's purposes with the understanding, of course, that in the event any abuse became apparent, the Board would question the policy of the bank and act accordingly.

At this point, Mr. Reyburn left the room and the Board proceeded with its regular business.

The reading of the minutes of the meetings of the Federal Reserve Board held on February 4th, 5th and 7th was dispensed with.

Telegram dated February 4th from the Secretary of the Federal Reserve Bank of Cleveland, advising that the board of directors on that day made no change in the bank's existing schedule of rates of discount and purchase.

Noted.

Telegram dated February 7th from the Chairman of the Federal Reserve Bank of Dallas, advising that the board of directors on that day made no change in the bank's existing schedule of rates of discount and purchase.

Noted.

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Report of Committee on Salaries and Expenditures on letter dated February 8th from the Federal Reserve Agent at Philadelphia, requesting approval of the appointment of Mr. Thomas F. Maude as Assistant to Examiners with salary at the rate of \$3,300 per annum, effective March 3, 1927; the Committee also recommending approval.

Approved.

Letter dated February 4th from the Assistant Federal Reserve Agent at San Francisco, advising that the Bank of Italy on February 7th would move the branch formerly operated at 3246 Mission Street, San Francisco, to a new location at 3236 Mission Street.

Noted, without objection.

Memorandum dated February 7th from the Assistant Chief of the Division of Bank Operations, recommending that Mrs. Flora S. Devereux, an employee of that Division, be granted sick leave for a period of thirty days from January 6th to February 4th, inclusive.

Approved.

Matter approved on initials on February 7th, namely, letter dated February 4th from the Assistant Federal Reserve Agent at New York, suggesting March 16, 1927, as the date for opening the polls in a special election of a Class B Director of that bank for the unexpired term of Mr. Owen D. Young, ending December 31, 1928.

Formally approved.

Letter dated February 4th from the Chairman of the Federal Reserve Bank of Cleveland, advising of the election of Mr. Harris Creech, President of the Cleveland Trust Company, as member of the Federal Advisory Council from the Fourth District for the year 1927.



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Noted.

Letters dated February 4th and 7th from the Federal Reserve Agent at Boston, recommending the designation as Assistant Examiner without change in salary, of Mr. Herbert F. Gramstorff who has been employed in another department of the bank at the rate of \$2,220 per annum.

Approved.

Letter dated January 31st from the Federal Reserve Agent at San Francisco, advising that the American Trust Company on February 14th will move the branch previously operated at Sixth Street and Macdonald Avenue (528 Macdonald Avenue) to a new location at Tenth Street and Macdonald Avenue (1001-7 Macdonald Avenue).

Noted, without objection.

Letter dated February 3rd from the Assistant Federal Reserve Agent at Cleveland, recommending approval of an application of the Lake Erie Trust Company of Cleveland for an extension of the time in which it may open the branch at Superior Avenue and Addison Road, Cleveland, approved by the Board on September 2, 1926.

Upon motion, it was voted to grant an extension of six months from March 2, 1927.

Letter dated February 5th from the Department Adjutant of the United Spanish War Veterans, requesting that veterans of all wars employed by the Board be dismissed from their duties on the afternoon of February 15th in order to attend memorial exercises on the anniversary of the destruction of the battleship Maine.

The Secretary recommended that the Board follow the same procedure as the Treasury Department does in the matter and upon motion his recommendation was approved.

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Letter dated February 2nd from the Federal Reserve Agent at San Francisco, transmitting the resignation of Mr. Charles E. Gaches, one of the Board's appointees to the directorate of the Seattle Branch; the Federal Reserve Agent stating that he will within a short time forward to the Board suggestions as to a successor to Mr. Gaches.

Upon motion, Mr. Gaches' resignation was accepted and the matter of recommending his successor was referred to the Committee on District #12.

Memorandum dated February 5th from the Chief of the Division of Bank Operations, submitting statements of expenditures by the Federal Reserve banks for educational and welfare work, etc., during the month of December and for the year ending December 31st.

Ordered circulated.

Report of Committee on Salaries and Expenditures on letter dated February 2nd from the Governor of the Federal Reserve Bank of Minneapolis, requesting approval of payment of full salary until April 1, 1927, to Mr. C. Perry Kintz, a messenger in the Transit Department, to whom the Executive Committee of the bank has granted leave of absence on account of illness; the Board's Committee also recommending approval.

Approved.

Report of Committee on Salaries and Expenditures on letter dated February 2nd from the Federal Reserve Agent at Kansas City, requesting approval of the appointment of Mr. N. B. Oberwortmann as Examiner at a salary of \$4,800 per annum, effective March 1, 1927; the Committee also recommending approval.

Approved.

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Report of Committee on Examinations on letter dated February 3rd from the Federal Reserve Agent at Atlanta, with reference to the action of the Bank of Locust Grove, Locust Grove, Ga., in absorbing the Citizens Bank of Locust Grove and stating that before making recommendation in the matter it is desired to have an examination of the Bank of Locust Grove made jointly with the State Banking Authorities; the Committee recommending that action on the matter be deferred pending further report and recommendation from the Federal Reserve Agent.

Upon motion, the recommendation of the Committee was approved.

Report of Committee on Examinations on letter dated February 7th from the Assistant Federal Reserve Agent at New York, transmitting and recommending approval of an application of the First Bank and Trust Company of Utica, New York, for approval of its action in taking over the Merchants Bank of Utica and operating it as a branch; the Committee also recommending approval.

Approved.

Report of Committee on Examinations on letter dated February 2nd from the Federal Reserve Agent at Atlanta, with reference to the action of the Evangeline Bank and Trust Company, Ville Platte, La., in absorbing the Peoples Bank and Trust Company of Ville Platte and stating that before making recommendation in the matter it is desired to have an examination of the Evangeline Bank and Trust Company made jointly with the State Banking Authorities; the Committee recommending that action be deferred pending further report and recommendation by the Federal Reserve Agent.

Upon motion, the recommendation of the Committee was approved.



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Report of Executive Committee on letter dated February 4th from the Federal Reserve Agent at Chicago, recommending approval of an application of the Lawrence Avenue National Bank of Chicago for a reduction in its reserve requirements from 13 to 10% of demand deposits; the Committee also recommending approval.

Approved.

Mr. James then referred to the matter discussed with the Board earlier in the meeting by Mr. Reyburn, Director of the Federal Reserve Bank of New York, and moved approval of the report of the Committee on Salaries and Expenditures submitted at the beginning of the meeting.

Mr. James' motion being put by the Chair was carried.

Mr. Miller then moved that in reporting the Board's action to the Federal Reserve Bank of New York a special letter of advice be prepared.

Carried.

The Governor appointed Messrs. Miller and Platt as a committee to prepare the letter in question.

The Governor then presented the matter on which action was deferred at the meeting on February 4th, namely, letter dated February 2nd from the Assistant Federal Reserve Agent at New York, recommending that Mr. Herbert S. Downs, Manager of the Bank Relations Department, be appointed as Assistant Federal Reserve Agent, without change in salary; the Governor stated that he brought this letter to the attention of Mr. McGarrah, Chairman elect of the New York bank, who has noted thereon his approval of the appointment.

Upon motion, Mr. Downs was appointed Assistant Federal Reserve Agent at the New York

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bank for the balance of the year.

The Governor stated that he had also been advised by Mr. McGarrah of his approval of the matters on which action was deferred at the meeting on February 3rd, namely, request of the directors of the Federal Reserve Bank of New York for reconsideration by the Board of its action of December 22, 1926 in disapproving an increase from \$7,500 to \$9,000 per annum in the salary of Mr. J. H. Philbin, Assistant Counsel and Secretary of the Bank, and in disapproving an increase from \$10,000 to \$15,000 per annum in the salary of Mr. W. R. Burgess, Assistant Federal Reserve Agent, approving for him instead a salary of \$13,000.

After discussion, it was moved that the Board reconsider its action of December 22nd above referred to.

Carried.

It was then moved that the Board approve for Messrs. Philbin and Burgess, salaries of \$9,000 and \$15,000 per annum, respectively, both effective January 1, 1927.

Carried.

Draft of a letter to the Chairman of the Federal Reserve Bank of Cleveland, prepared in accordance with the action of the Board at its meeting on February 1st, with regard to the failure of the board of directors of that bank to take action on a letter addressed to the Chairman under date of March 29, 1926, advising that the Federal Reserve Board could find no warrant of law for the continuance of the salary of Mr. D. C. Wills, Federal Reserve Agent, from the date of his death to December 31, 1925, and the payment of same to Mrs. Wills.

After discussion, the above letter was referred back to the Law Committee.



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At 1:00 p.m. the Board recessed.

At 2:40 p.m., the meeting reconvened, the same members being present as attended the morning session with the exception of Mr. Platt.

Memorandum from Counsel dated February 7th, submitting draft of reply to letter dated February 4th from the Chairman of the Committee on Standardized Banking Forms of the District of Columbia Bankers Association, inquiring as to the eligibility for rediscount by a Federal Reserve bank of a form of note enclosed therewith; the proposed reply suggesting that the form of note be forwarded to the Federal Reserve Bank of Richmond for advice whether it would be eligible for rediscount with that bank, as the matter of whether a given instrument conforms to the requirements of negotiability depends upon the construction of the particular local law applicable thereto.

Upon motion, the proposed reply was approved, as well as a form of letter to the Federal Reserve Bank of Richmond submitting copies of the correspondence.

Report of Law Committee on the matter referred back to it at the meeting on January 27th, namely, inquiry of the Seaboard National Bank, Los Angeles, California, as to whether it could qualify for permission to exercise trust powers without increasing its surplus, which now amounts to less than twenty per cent of its capital as generally required by the Board of national banks exercising trust powers; the Committee submitting a memorandum of cases in which the twenty per cent requirement has been waived by the Board and stating that it believes the principles involved in these decisions warrant similar action in the case of the Seaboard National Bank.

After discussion, it was voted that the Sea-

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board National Bank be advised that the requirement of a surplus equal to twenty per cent of capital is not a hard and fast rule, and that the Board, following the next examination of the bank, will be glad to consider an application from it for permission to exercise trust powers.

The Secretary then submitted to the Board for its approval the following office procedure adopted with reference to the filing of applications for permission to accept up to 100% and to accept for the purpose of creating dollar exchange by national banks formed through the consolidation of banks, one or both of which have been previously granted the necessary authority:

(1) Where two banks, both of which have power to accept, consolidate, a new application will not be requested.

(2) Where two banks consolidate, and only one has power to accept, a new application will be requested in cases where the bank not having the power absorbs the bank with the power.

(3) Where the bank having power to accept absorbs the bank not having such power, no new application will be requested.

Approved.

Memorandum from Committee on Examinations on the matter referred to it at the meeting on February 2nd, namely, letter dated January 31st from the Federal Reserve Agent at Cleveland, with respect to the City Deposit Bank, the Highland National Bank and the First National Bank of Etna, three outlying institutions of Pittsburgh, which through inadvertance have been carrying against their demand deposits a reserve of only seven per cent, without specific authority from the Board under the provisions of Section 19 of the Federal Reserve Act.

After discussion, the above file was referred back to the Committee on Examinations.

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Letters dated February 3rd and 4th from the Chairman of the Federal Reserve Bank of San Francisco, submitting amendments to the by-laws of that bank made in order to conform the by-laws to the provisions of the Federal Reserve Act.

Noted.

Memorandum from Counsel dated February 5th, submitting draft of a new power of attorney conferring authority for the operation of the Havana Agency of the Federal Reserve Bank of Atlanta, revised in line with the Board's resolution of January 27th, defining the functions and powers of the Agency.

Upon motion, the power of attorney was approved as submitted.

Memorandum from Counsel dated February 2nd submitting draft of reply to letter dated November 27th from the Assistant Federal Reserve Agent at San Francisco, inquiring whether duplicate copies of Clayton Act permits issued by the Board should not be furnished to the banks involved in the applications, in order that they may have them to display to examiners; the proposed reply stating that the Board is of the opinion that such a practice is not necessary.

Approved.

At the point Mr. Platt joined the meeting.

Letter dated February 3rd from the Federal Reserve Agent at Chicago, requesting the advice of the Board on the question of the propriety of complying with a request from the Manager of the Des Moines Clearing House Association for a copy of report of credit investigation of the Iowa Loan and Trust Company of Des Moines made by the Federal Reserve



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bank examiners, for use in connection with a suit being brought by depositors of the bank, which has since closed.

Referred to the Law Committee.

Memorandum from the Chief Examiner dated February 7th, submitting report of examination of the Atlantic Corporation, Boston, Mass., made as at the close of business April 30, 1926.

Referred to Committee on Examinations.

Memorandum from the Chief Examiner, dated February 7th, submitting report of examination of the First National Corporation of Boston, made as at the close of business May 14, 1926.

Referred to Committee on Examinations.

Memorandum from the Chief Examiner dated February 7th submitting report of examination of the Shawmut Corporation, Boston, Mass., made as at the close of business April 16, 1926.

Referred to Committee on Examinations.

Memorandum from Counsel dated February 3rd submitting draft of reply to letter dated January 15th from the Governor of the Federal Reserve Bank of Kansas City, with reference to the eligibility for rediscount through member banks of certain paper endorsed by officers of non-member banks; the proposed reply having been revised in accordance with the discussion had by the Board at the meeting on February 1st. A further discussion then ensued, during which certain members of the Board expressed the opinion that additional information should be requested of the Federal Reserve Bank of Kansas City regarding the transactions giving rise to the paper before the Board attempts to pass upon the question of its eligibility.

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Accordingly, the file was referred back to the Law Committee with the request that it procure such additional information.

The minutes of the meetings of the Federal Reserve Board held on February 4th were then read and approved as amended.

The minutes of the meetings of the Federal Reserve Board held on February 5th and 7th were read and approved.

REPORTS OF STANDING COMMITTEES:

Dated, February 4th, Recommending changes in stock at Federal Reserve  
5th, Banks as set forth in the Auxiliary Minute Book  
7th, of this date.  
8th, Approved.

Dated, February 1st, Recommending action on applications for fiduciary  
3rd, powers as set forth in the Auxiliary Minute Book  
4th, of this date.  
5th, Approved.

Dated, February 5th, Recommending action on applications for fiduciary  
powers as set forth in the Auxiliary Minute Book  
of this date.  
Ordered held.

Dated, February 4th, Recommending approval of the application of Mr.  
James G. Blaine for permission to serve at the same  
time as Director of the Wheatley Hills National  
Bank, Westbury, N.Y., and as President and Director  
of the Fidelity Trust Company, New York, N.Y.  
Approved.

Dated, February 5th, Recommending approval of the application of Mr.  
F. E. Pratt for permission to serve at the same time  
as President of the First National Bank, New  
Kensington, Pa., and as Vice President of the  
National Deposit Bank, Arnold, Pa.  
Approved.

Dated, February 5th, Recommending approval of the application of Mr.  
H. Burns Smith for permission to serve at the same  
time as Vice President of the First National Bank,  
New Kensington, Pa., and as Director of the National  
Deposit Bank, Arnold, Pa.  
Approved.

Dated, February 5th, Recommending approval of the application of Mr.  
George W. Treat for permission to serve at the same  
time as Director of the Atlantic National Bank,  
Boston, Mass., and as member of the firm of private  
bankers of E. H. Rollins and Sons, Boston, Mass.  
Approved.

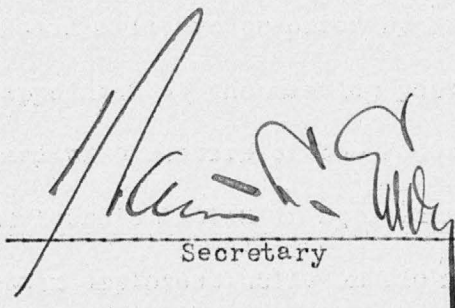
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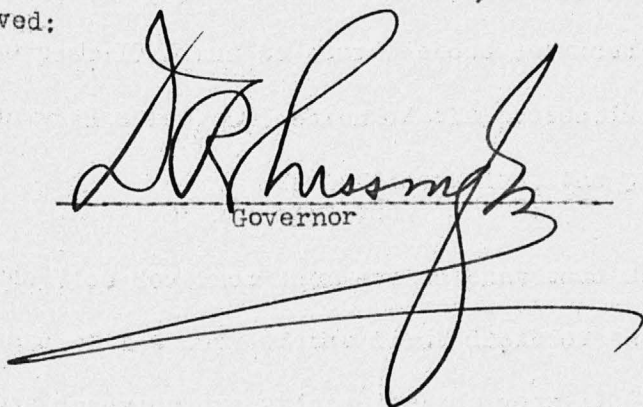
REPORTS OF STANDING COMMITTEES (Cont'd):

Dated, February 7th, Recommending approval of the application of Mr. Alfred Cowles for permission to serve at the same time as Director of the Continental & Commercial National Bank, Chicago, Ill., and as Director of the Congress Trust & Savings Bank, Chicago, Ill.  
Approved.

The meeting adjourned at 3:30 p.m.

  
Secretary

Approved:

  
Governor