

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, February 23, 1927 at 11:10 a.m.

PRESENT: Governor Crissinger
 Mr. Platt
 Mr. Hamlin
 Mr. Miller
 Mr. McIntosh
 Mr. Eddy, Secretary
 Mr. McClelland, Asst. Secretary

The reading of the minutes of the meetings of the Federal Reserve Board held on February 14th, 16th, 17th, 18th and 19th was dispensed with.

Letter dated February 17th from the Secretary of the Federal Reserve Bank of New York, 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 21st from the Secretary of the Federal Reserve Bank of Minneapolis, advising of the following schedule of rates for purchases of acceptances in effect at that bank:

1 to 60 days	-	3 1/2%
61 to 90 days	-	3 3/4%
91 to 180 days	-	4%
Trade Bills	-	4%

Noted.

Telegram dated February 17th from the Chairman of the Federal Reserve Bank of San Francisco, 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.

Memorandum dated February 17th from the Chief of the Gold Settlement Division, advising that Mr. A. W. Dunn, part time employee on the night

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force of the Division was dropped from the rolls effective January 16th, and recommending that Mr. C. W. Joyce now serving as extra man on the night force be regularly employed effective February 21st at the rate of \$1.50 to \$3.00 per evening and that Mr. Oscar Stutler be employed as extra man, vice Mr. Joyce.

Approved.

Letter dated February 16th from the Chairman of the Federal Reserve Bank of Philadelphia, advising of the action of the board of directors of that bank in authorizing the payment from January 1, 1927 of salaries at the rate of \$25,000 and \$16,000 per annum, respectively, to Mr. George W. Norris, Governor, and Mr. W. H. Hutt, Deputy Governor.

Noted.

Mr. McIntosh then presented to the Board telegrams addressed to him by the Chief National Bank Examiner of the 12th District, with reference to efforts being made to have the Pacific Southwest Trust and Savings Bank of Los Angeles take over the Dinuba National Bank of Dinuba, Cal. He recommended that because of the emergency conditions existing the Board approve of the Pacific Southwest Trust and Savings Bank taking over the Dinuba Bank and operating it as a branch and stated that the Superintendent of Banks of California has approved.

After discussion, Mr. Platt moved that the Board approve the taking over of the Dinuba Bank and its operation as a branch by the Pacific Southwest Trust and Savings Bank.

Carried.

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Upon motion, it was further voted that the following telegram be transmitted to the Federal Reserve Agent at San Francisco:

"Chief National Bank Examiner Harris has advised Board that he is making arrangements to have national bank at Dinuba taken over because of emergency conditions by Pacific Southwest and operated as a branch. Because of impending emergency and necessity for prompt action Board has approved of these arrangements and operation of the Dinuba bank as a branch of the Pacific Southwest on understanding that State Superintendent has approved. You will govern your action accordingly."

The Governor then stated that special order for this morning's meeting was consideration of the applications before the Board for the establishment of Branch Federal Reserve banks at San Antonio, Texas and Charlotte, N. C. He presented the matter ordered circulated at the meeting on February 14th, namely, letter dated February 11th from the Chairman of the Federal Reserve Bank of Dallas advising of approval by the board of directors of that bank of the application for the establishment of a branch at San Antonio.

A detailed discussion of both applications then ensued, during which it was pointed out that the Board, or certain members, had sometime ago announced its intention not to approve the establishment of additional branches of Federal Reserve banks until, at least, the question as to whether or not it had authority to discontinue branch Federal Reserve banks had been determined and that if it should act favorably upon the applications under consideration it should do so with the understanding that such action is contingent upon the President signing the so-called McFadden Bill, Section 19 of which confers upon the Board the power to require any Federal Reserve Bank to discontinue any branch of such Federal Reserve bank established under Section 3 of the Federal Reserve Act.

Mr. Hamlin then moved that -

"The Federal Reserve Board herewith grants the petition of the Federal Reserve Bank of Dallas for permission to establish a branch at San Antonio, Texas, reserving the right to discontinue same on reasonable notice at any time; this approval to take effect upon the signing of the so-called McFadden Bill by the President."

After a further discussion, Mr. Hamlin's motion was put by the Chair and carried, the members voting as follows:

Governor Crissinger, "aye"
Mr. Platt, "aye"
Mr. Hanlin, "aye"
Mr. McIntosh, "aye"
Mr. Miller, "no"

Mr. Hanlin then moved that action on the application for a branch at Charlotte, N. C., approved by the directors of the Federal Reserve Bank of Richmond, be postponed until the meeting of the Board on Friday, February 25th.

Carried.

Mr. McIntosh then left the meeting and the members remaining proceeded, as an Executive Committee, to consider the Board's regular business.

Report of Committee on Salaries and Expenditures on letter dated February 16th from the Chairman of the Federal Reserve Bank of Richmond, requesting approval of the action of the Executive Committee of that bank in granting to Mr. John T. Lenhart of the Baltimore Branch, on account of illness, leave of absence with full pay for a period of thirty days from February 19th, or as much thereof as may be necessary; the Committee also recommending approval.

Approved.

Report of Committee on Salaries and Expenditures on letter dated February 17th from the Chairman of the Federal Reserve Bank of Philadelphia, advising that Mr. Cornelius Volkert, of the Currency Department, has returned to his duties after an absence on account of illness of 86 days, during which he received full salary; the Committee recommending approval of the salary payment.

Approved.

Report of Committee on Salaries and Expenditures on letter dated February 19th from the Federal Reserve Agent at St. Louis, requesting approval of an extension of 30 days from February 20th with full pay in leave of absence on account of illness granted Miss Clara Gross, an employee of the Fiscal Agency Department; the Committee recommending approval.

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Approved.

Report of Executive Committee on letter dated February 19th from the Comptroller of the Currency, recommending approval of a salary of \$3,000 per annum for National Bank Examiner Frank S. Nelson, assigned to the 10th Federal Reserve District; the Committee also recommending approval.

Approved.

Report of Executive Committee on letter dated February 19th from the Comptroller of the Currency, recommending approval of an increase from \$3,000 to \$3,600 per annum in the salary of National Bank Examiner F. R. Denton; the Committee also recommending approval.

Approved.

Memorandum dated February 19th from Counsel, recommending that the Board authorize the publication in the next issue of the Federal Reserve Bulletin of the text of the so-called McFadden Bill in the form in which it became a law, together with a brief introductory statement.

Approved.

Report of Executive Committee on letter dated February 11th from the Federal Reserve Agent at San Francisco, recommending approval of an application of the Security State Bank of Ashton, Idaho, for permission to reduce its capital stock from \$50,000 to \$25,000, on condition that the \$25,000 thus released be used to reduce furniture and fixtures account and other real estate and to eliminate doubtful notes to the amount of \$10,000, the balance to be transferred to surplus and undivided profits accounts; the Committee also recommending approval.

Approved.

Report of Executive Committee on memorandum dated February 16th from the Acting Comptroller of the Currency, recommending approval of an application

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of the Farmers and Merchants National Bank of Venus, Texas, for permission to reduce its capital from \$50,000 to \$25,000, on condition that no money be returned to the shareholders, but that the reduction be used to charge off all of the bank's worthless assets and "other real estate" and \$5,886.90 of doubtful paper; the Committee recommending approval.

Approved, subject to condition recommended by the Acting Comptroller.

Letter dated February 17th from the Federal Reserve Agent at San Francisco, transmitting and recommending approval of an application of the American Trust Company of San Francisco for permission to move the branch now operated at Telegraph Avenue and Bancroft Way, Berkeley, to a new location at the intersection of Del Norte, Eldorado and Hopkins Streets, Berkeley.

Approved.

Letter dated February 21st from the Assistant Federal Reserve Agent at New York, advising that the Corn Exchange Bank, New York City, has been authorized to open on or after February 17th a branch at 167 Fifth Street, New Dorp, Staten Island, Borough of Queens.

Noted.

Letter dated February 18th from the Chairman of the Federal Reserve Bank of Philadelphia, advising that at close of business February 11th The Colonial Trust Company and the Peoples Bank and Trust Company, both member institutions in Philadelphia consolidated under the title of The Colonial Trust Company; the Federal Reserve Agent advising that The Colonial Trust Company and the Excelsior Trust Company, another member bank of Philadelphia the controlling interest in which was acquired by the Peoples Bank and Trust

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Company some time ago with the Board's permission, will later consolidate as the final step in the program for the combination of the three institutions.

Noted, with approval.

Report of Committee on Examinations on letter dated February 15th from the Federal Reserve Agent at San Francisco, transmitting and recommending approval of an application of the James M. Peterson Bank, Richfield, Utah, for approval of its action of February 7th in taking over the State Bank of Escalante; the Committee also recommending approval.

Approved.

Telegram dated February 18th from the Federal Reserve Agent at Chicago, advising that the Bay City Bank, Bay City, Michigan has assumed the deposits and liabilities to the Federal Reserve Bank of the Farmers State Savings Bank of Bay City, another member bank.

Referred to the Committee on Examinations.

Letter dated February 15th from the Executive Committee of the Federal Reserve Bank of Atlanta, recommending approval of the merger of the Citizens State Bank of Reynolds, Georgia, a member bank, and the Citizens State Bank of Butler, Georgia, a non-member, and the operation of the Bank at Butler as a branch of the Citizens State Bank of Reynolds; the Committee advising that the State Superintendent of Banks has approved the merger, but recommending that permission for the operation of the branch be made effective if and when authority for same is given by the State Superintendent.

After discussion, Mr. Platt moved that the Board approve the proposed merger and the operation of a branch of the Citizens State Bank of Reynolds at Butler if and when authority for such branch is given by the State Superintendent of Banks.

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Mr. Platt's motion being put by the Chair was carried, Mr. Hamlin voting "no".

Report of Committee on Examinations on letter dated February 18th from the Assistant Federal Reserve Agent at Cleveland, recommending approval of applications of the Union Trust Company of Cleveland for permission to establish branches near the corner of Madison Avenue and Hilliard Road, Lakewood, Ohio, and near the corner of Turney Road and Richland Avenue, Garfield Heights, Ohio; Mr. Platt, Chairman of the Committee, recommending approval.

Approved.

Memorandum dated February 19th from the Assistant Secretary, submitting letter dated February 16th from the Secretary of the Board of Directors of the Federal Reserve Bank of Atlanta, advising of amendments to the by-laws of that bank relating particularly to the creation of a discount committee, a revision of the powers of the Executive Committee and a revision of the duties of the Secretary of the bank.

Referred to the Law Committee.

Memorandum dated February 21st from the Law Committee with reference to the matter referred to the Law Committee at the meeting on February 9th, namely, payment by the Federal Reserve Bank of Cleveland to the widow of Mr. D. C. Wills, former Federal Reserve Agent, of Mr. Wills' salary from the date of his death, October 22, 1925, to December 31, 1925; the Committee reporting that the payment was unauthorized and illegal and that steps should be taken to restore the money to the Federal Reserve Bank.

After discussion, it was voted to request the Law Committee to prepare a letter to the Federal Reserve Bank of Cleveland again calling

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attention to the illegality of the payment and asking what steps have been taken by the board of directors of the bank pursuant to the Board's previous letter dated March 29, 1926.

Report of the Committee on Salaries and Expenditures on letters dated February 15th and 16th from the Federal Reserve Agent at Dallas, requesting approval of changes in the salaries, which are reimbursable, of special agents in the Insolvent Banks Department which were omitted from the salary schedules furnished at the end of the year; the Board's committee recommending approval of the proposed salaries as follows:

R. H. Alexander	-	\$3300
C. P. Rogers	-	3000
W. B. Gilbert	-	2400

Approved.

Letter dated February 18th from the Chairman of the Federal Reserve Bank of San Francisco, enclosing copies of agreements filed with him by the Bancitaly Corporation and the Bank of Italy, which were quoted in his telegram to the Board of February 17th.

Noted.

Letter dated February 15th from the Chairman of the Federal Reserve Bank of San Francisco, confirming his telegram to the Board of that date, and transmitting application of the Bank of Italy, San Francisco, for permission to take over the Liberty Bank of America, San Francisco, together with its branches, and to establish 172 branches in its premises; the Federal Reserve Agent stating that the Bank of Italy at the time of consolidation will have 103 branches, which, together with the 172 to be established in the premises of the Liberty Bank of America will give the con-

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solidated bank 275 branches.

Noted.

Report of Executive Committee on letter dated February 17th from the Chairman of the Federal Reserve Bank of Philadelphia, transmitting and recommending approval of an application of the Franklin-Fourth Street National Bank, Philadelphia, Pa. for permission, under Section 13 of the Federal Reserve Act to accept drafts or bills of exchange drawn upon it in an amount up to 100% of its capital and surplus and to accept drafts for the purpose of furnishing dollar exchange in foreign countries; the Committee recommending approval of the application.

Approved.

Telegram dated February 17th from the Chairman of the Federal Reserve Bank of Kansas City, inquiring whether a director of that bank can accept appointment to a racing commission which would be created under a bill now pending before the State Legislature of Colorado; the Federal Reserve Agent stating that appointments to the commission would be made by the Governor of the State, that the appointees would draw no salary from the State and could not be discharged by the State.

Referred to the Law Committee.

Memorandum dated February 17th from Counsel, with reference to cases which the Department of Justice now has pending in the Supreme Court of the United States, involving the constitutionality of Section 9 of the Federal Reserve Act; Counsel advising that the cases are of vital importance to the Federal Reserve System, and that the Governor of the

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Board has taken the matter up with the Solicitor General who agreed to refer the briefs to the Board's law office for criticism and comment, following which a conference regarding the cases will be held between the Solicitor General and the Board's law office.

Ordered circulated.

Memorandum from Counsel dated February 10th, with reference to the Clayton Act application of Mr. C. E. Toberman involving the Commercial National Trust and Savings Bank and the Federal Trust and Savings Bank, both of Los Angeles, California, together with a memorandum from the Comptroller of the Currency, dated February 18th, advising that the Commercial National Trust and Savings Bank has been furnished liquidation papers as a result of its having been purchased by the Liberty Bank of America of San Francisco and suggesting that under the circumstances action on the Clayton Act application might well be held in abeyance pending further developments in connection with the liquidation.

Upon motion, it was voted to defer action on the application.

Memorandum from Counsel dated February 8th, with reference to the Clayton Act application of Mr. S. Y. Ramage, involving the Oil City National Bank, the First National Bank and the Citizens Banking Company, all of Oil City, Pa.; Counsel recommending that the Board refuse the application temporarily, advise the applicant that on the evidence before it it cannot permit him to serve the banks, and request him to furnish the Board with additional information, and further that unless the applicant within thirty days advises the Board of his desire to submit such additional information, the Board's

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refusal become final.

Upon motion, Counsel's recommendations were approved and the application temporarily refused, with opportunity to the applicant to furnish additional information.

Memorandum from Counsel, dated February 7th, with regard to a suggestion of the Federal Reserve Agent of St. Louis, contained in his letter to the Board of January 24th, that there be included in the Board's regulations a provision to take the place of the requirement heretofore imposed upon national banks in the State of Kentucky that before being granted permission to exercise trust powers they furnish the Board with a statement as to the manner in which they propose to exercise such powers, with particular reference to the investment of trust funds, the accounting for income derived therefrom and to the segregation of assets held in a fiduciary capacity; Counsel stating that such a requirement in the regulations would apply not only to national banks in Kentucky, but to all other national banks receiving trust powers and would thus automatically take care of the problem which exists in Kentucky in case it should arise in some other state.

Upon motion it was voted to request the Law Committee to prepare for submission to the Board an amendment to the regulations along the lines of the Federal Reserve Agent's suggestion.

Memorandum from Counsel, dated February 10th, submitting drafts of letters to the Federal Reserve Agent at Cleveland and the First National Bank of Lawrence County, New Castle, Pa., with respect to the desire of the member bank to surrender its power to act in fiduciary capacities.

Ordered circulated.

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The Governor then presented a letter dated February 4th, from the Deputy Governor of the Federal Reserve Bank of New York, with reference to the action of the Board at its meeting on December 28, 1926, in voting to change the form of the Board's weekly statement of condition of Federal Reserve banks so as to segregate under the caption "Bills bought in the Open Market", those "Payable in Dollars" and those "Payable in Foreign Currencies".

Following a discussion, it was voted that the proposed change should not be made effective until the volume of bills held by the Federal Reserve banks payable in foreign currencies should amount to \$5,000,000.

REPORTS OF STANDING COMMITTEES:

Dated, February 17th, 18th, 23rd, Recommending changes in stock at Federal Reserve banks, as set forth in the Auxiliary Minute Book of this date.

Approved.

Dated, February 12th, 14th, 16th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

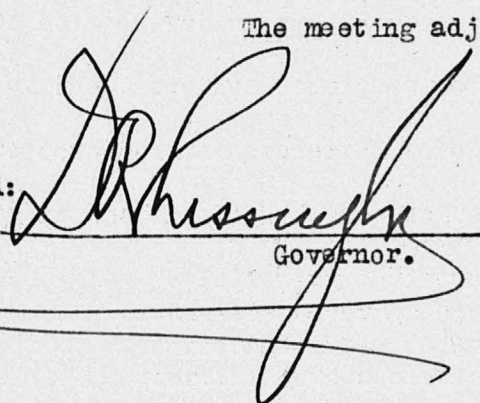
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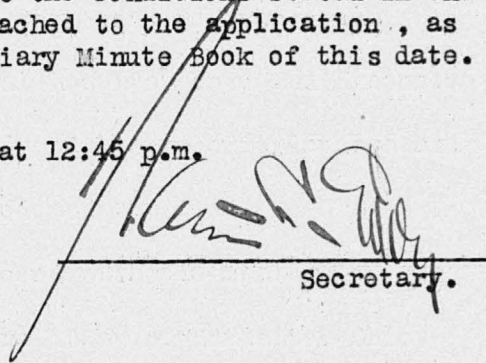
Dated, February 17th, 18th, 19th, Recommending action on application for admission of state banks, subject to the conditions stated in the individual reports attached to the application, as set forth in the Auxiliary Minute Book of this date.

Approved.

The meeting adjourned at 12:45 p.m.

Approved:


Governor.


Secretary.