A meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, March 8, 1927 at 10:40 a.m.

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

Telegram dated March 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.

Memorandum from the Secretary dated March 8th, requesting authority to employ an additional messenger with salary at the rate of $1,000 per annum.

Approved.

Report of Executive Committee on letter dated March 7th from the Acting Comptroller of the Currency, recommending approval of a salary of $2,700 per annum for National Bank Examiner Harold Nomland, National Bank Examiner, assigned to the 10th Federal Reserve District; the Committee also recommending approval.

Approved.

Memorandum from Counsel dated March 7th with reference to the Clayton Act application of Mr. S. Y. Ramage which on February 23rd was temporarily refused with an opportunity to the applicant to present additional evidence to show whether or not the banks involved in his application are in substantial competition; Counsel stating that Mr. Ramage has advised he will be unable to furnish such information within the usual period of thirty days, and recommend-
that he be given an additional sixty days in which to do so.

Approved.

Letter dated March 5th from the Assistant Federal Reserve Agent at New York, advising that the Corn Exchange Bank has been authorized to open, on or after March 3, 1927, a branch at 397 Flatbush Avenue, Brooklyn.

Noted.

Letter dated March 5th from the Assistant Federal Reserve Agent at New York, advising that the Globe Exchange Bank of Brooklyn has been authorized, on or after April 1, 1927, to change its place of business from 36 Graham Avenue, Brooklyn, to 813-817 Broadway, Brooklyn.

Noted.

Memorandum from Counsel on letter dated February 25th from the Treasurer of the First Federal Foreign Investment Trust, New York City, certifying that payment of the $200,000 installment on the capital stock of that Corporation due on or before February 25, 1927, has been duly made; Counsel stating that no action by the Board is required.

Noted.

Letter dated February 28th from the Federal Reserve Agent at San Francisco, advising that the American Trust Company of San Francisco on February 19th opened a branch in the vicinity of 20th Street and Broadway, Oakland, in lieu of the branch formerly located at 16th Street and San Pablo Avenue; the Federal Reserve Agent recommending that this change in location be approved by the Board.

Approved.
Report of Committee on Salaries and Expenditures on the matter referred to the Committee at the meeting on March 4th, namely, letter dated March 3rd from the Deputy Governor of the Federal Reserve Bank of New York, submitting a list of employees granted extended leaves of absence with pay on account of illness between January 1 and February 28, 1927; the Committee recommending approval of the salary payments made.

Approved.

Telegram dated March 5th from the Federal Reserve Agent at Chicago, advising of the passage by the legislature of the State of Indiana of the Reserve law referred to in his letter on January 21st, which was presented to the Board at its meeting on January 25th.

Noted.

At this point Governor Young of the Federal Reserve Bank of Minneapolis entered the room and discussed with the Committee the desire of the Minneapolis bank to reduce the book value of its building by charging same directly against the bank's surplus account. He stated that the original cost of the land and buildings was about $3,400,000 and that it is now carried on the books at a value of $2,600,000. The bank, he said, is paying an annual real estate tax of $61,000 on its property which was recently appraised by the real estate board at a value of $1,386,000, and that the present book value of the property would probably handicap the bank in a petition filed by it for a reduction in the assessed value on the basis of which the taxes are levied. He stated that the bank now has a surplus of about $7,500,000 whereas its present capital is around $3,000,000.
leaving a balance in surplus of $1,500,000 in excess of 200% of the bank's paid-in capital and that it is his belief that a charge of $1,000,000 should be made against this surplus in order to reduce in a like amount the book value of the bank's building.

Following a discussion, Governor Young was informed that the Board would take the matter under consideration and the Secretary was directed to refer it to the Board's Counsel for an opinion as to the legality of such a charge by the Minneapolis bank and to the Chief of the Division of Bank Operations for an expression of his opinion regarding it.

Governor Young then stated that he had just come from New York where he attended a meeting of the Committee appointed by the Board some time ago to study the safekeeping function of the Federal Reserve banks. He discussed this function informally with the members of the Committee.

Governor Young also referred informally to the present procedure of the Federal Reserve Bank of Minneapolis in the matter of handling the collection of non-cash items payable in Minneapolis and Helena.

Governor Young then left the room.

Letter dated March 3rd from the Federal Reserve Agent at Chicago, recommending, with the concurrence of the Executive Committee of that bank, that the Board take steps to cancel the membership of the Farmers State Bank, Vail, Iowa; the Agent stating that there are two outstanding and long continued violations of the Federal Reserve Act and the Board's Regulations on the part of the institution; (1) Failure to maintain required reserves, and (2) Failure to file promptly reports of earnings and dividends.
Upon motion, it was voted to require the bank named to show cause why it should not be expelled from membership in the System and to direct Counsel to prepare the usual notice to the bank of a formal hearing for that purpose.

Memorandum from Counsel on the matter referred to the Law Committee at the meeting on February 23rd, namely, memorandum from the Secretary dated February 19th with regard to amendments to the By-laws of the Federal Reserve Bank of Atlanta adopted by the board of directors of that bank; Counsel calling attention to the fact that both the Executive Committee of the bank and the Discount Committee, provided for in one of the amendments, have authority to initiate and conduct open market transactions and to buy and sell securities.

After discussion, the Secretary was directed to communicate with the Federal Reserve Bank of Atlanta calling attention to the evident conflict of authority referred to.

Letter dated March 3rd from the Federal Reserve Agent at Chicago, with reference to excess holdings of stock in the Federal Reserve bank by member banks whose surpluses have been reduced, the Agent stating that if the Board approves he will suggest a reduction of such holdings by certain banks mentioned. The Secretary called attention to a circular letter issued by the Board on November 1, 1923 (X-3874) stating that in the opinion of the Board there is no provision of law which requires the surrender of capital stock of Federal Reserve banks upon the reduction of surplus by member banks and that, therefore, the member banks may exercise their option in the matter.

Upon motion, the Secretary was directed to communicate with the Federal Reserve Agent at Chicago, advising him along the lines of the Board's circular referred to.
Letter dated March 4th from Mr. A. B. Trowbridge, Consulting Architect, advising that at the meeting of the board of directors of the Federal Reserve Bank of Richmond on March 10th final action will probably be taken to accept bids for the construction of a building to house the Baltimore Branch and to instruct the Governor to arrange for a meeting with the Board for the purpose of securing final approval to the plans, specifications and bids. Mr. Trowbridge advising that at the time he will be spending his vacation in Florida and inquiring whether a written report on the Baltimore Branch project will be acceptable to the Board in lieu of his personal appearance at the meeting with the Richmond directors.

Referred to the Committee on District #5.

Letter dated March 3rd from the Citizens State Bank, Jamestown, Ind., complaining against the refusal of the Federal Reserve Bank of Chicago to hold securities deposited by the member bank for safekeeping unless furnished with a statement that such securities are the property of the member bank.

After discussion, it was voted to refer the above letter to the Federal Reserve Bank of Chicago for report.

Memorandum from Counsel dated March 4th on the matter referred to him at the meeting on March 1st, namely, correspondence with the Federal Reserve Agent at San Francisco regarding the establishment by the American Trust Company of San Francisco of a branch in Redwood City; Counsel stating that since it appears that the branch was actually established and in operation prior to the approval of the McFadden Bill, the American Trust Company may under the provisions of this Act retain the Branch while remaining a
member of the System even though it did not obtain the approval of the Board prior to the approval of the McFadden Bill.

Upon motion, it was voted to advise the Federal Reserve Bank of San Francisco along the lines of Counsel's memorandum and to interpose no objection to the operation of the Branch.

Memorandum from Counsel dated March 2nd on the matter referred back to the Law Committee at the meeting on March 1st, namely, memoranda from Counsel and the Comptroller of the Currency regarding the Clayton Act cases of Messrs. J. E. Fishburn and W. D. Woolwine.

Following a discussion, it was voted that action by the Board on the cases of Messrs. Fishburn and Woolwine be deferred.

The Governor then read to the Board an excerpt from the report of the last examination of the First National Bank, Milford, Ills. in which the examiner criticizes the attitude taken by the Federal Reserve Bank with respect to the rediscounts of this institution shortly after it had taken over for liquidation. The First National Bank of Freeland Park, Ind. which was found to be in an insolvent condition.

Upon motion, it was voted to request the Federal Reserve Bank to furnish the Board with a report regarding its relations with the Milford bank.

The Governor then announced that a meeting of the Open Market Investment Committee has been arranged for Monday, March 21st.

In this connection the Vice Governor submitted a letter dated March 5th from the Deputy Governor of the Federal Reserve Bank of New York, replying to the Board's letter of March 2nd, with respect to the recommendation of the Federal Advisory Council at its last meeting concerning the present
discount and open market policy of the System; the letter stating that it is the view of the directors of the Federal Reserve Bank of New York that it would be well to let run off March 15th maturities in the Open Market Investment Account, amounting to about $30,000,000, thus removing the funds from the market for a few days, and that the time and manner of replacing these maturities should be determined upon later as it becomes possible to visualize the situation more clearly.

After discussion, Mr. Platt moved that the procedure outlined in Deputy Governor Case's letter be approved.

Carried.

Mr. Miller then suggested that the following letter be addressed to the Deputy Governor of the Federal Reserve Bank of New York:

"The Board is gratified to have your letter of March 5th expressing the view of the directors of your bank that, if the Open Market Investment Committee concurs, it would be well to let run off the March 15th maturities in the System's special investment account. The Board had this in mind when it cancelled the meeting of the Open Market Investment Committee called for March 7th and in order that the record may be in proper form I am writing to say that the Board approves of the Committee allowing these maturities to run off. At the meeting called for March 21st it can be determined if and when it will be advisable to replace them."

REPORTS OF STANDING COMMITTEES:

Dated, March 7th, recommending changes in stock at Federal Reserve Banks 8th, as set forth in the Auxiliary Minute Book of this date.

Approved.

Dated, March 4th, recommending action on applications for fiduciary powers 7th, as set forth in the Auxiliary Minute Book of this date.

8th, Approved.
REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, March 5th, recommending approval of the application of Mr. Fred I. Kent for permission to serve at the same time as director of the Scarsdale National Bank and Trust Company, Scarsdale, N. Y. and as director and officer of the Bankers Trust Company, New York, N. Y.

Approved.

Dated, March 5th, recommending approval of the application of Mr. Archibald F. Maxwell for permission to serve at the same time as director of the Central National Bank, New York, N.Y. and as officer of the Guaranty Trust Company, New York, N.Y.

Approved.

Dated, March 5th, recommending approval of the application of Mr. R. E. Olds for permission to serve at the same time as President and director of the Capital National Bank, Lansing, Mich. and as director of the Union Trust Company, Detroit, Mich.

Approved.

Dated, March 4th, recommending approval of the application of Mr. H. L. Birney for permission to serve at the same time as director of the State National Bank, El Paso, Texas, as director of the First National Bank, Hatch, New Mexico and as President and director of the First National Bank, Fabens, Texas.

Approved.

Dated, March 7th, recommending approval of the application of Mr. Arthur T. Lyman for permission to serve at the same time as Member of the firm of private bankers of Richardson, Hill & Company, Boston, Mass. and as director of The Atlantic National Bank, Boston, Mass.

Approved.

The meeting adjourned at 12:40 p.m.

Approved:

[Signature]

Secretary.

[Signature]

Governor.