

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, March 17, 1927 at 11:00 a.m.

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

Telegram dated March 16th from the Chairman of the Federal Reserve Bank of Philadelphia, 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 March 16th from the Chairman of the Federal Reserve Bank of St. Louis, 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 March 15th from the Secretary of the Federal Reserve Bank of Minneapolis, advising that the board of directors on March 14th made no change in the bank's existing schedule of rates of discount and purchase.

Noted.

Memorandum dated March 12th from the Director of the Division of Research and Statistics, transmitting and recommending acceptance of the resignation of Mrs. Merle R. Eicke, stenographer in the Division, effective April 9th.

Accepted.

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Memorandum dated March 12th from the Director of the Division of Research and Statistics, recommending the appointment of Miss Gladys Cockerille as stenographer in the Division, at a salary of \$1560 per annum effective March 15th; the Director stating that provision for this appointment is contained in the budget of the Division.

Approved.

Letter dated March 14th from the Federal Reserve Agent at Cleveland, recommending approval of the appointment of Mr. H. E. J Smith as Examiner and Mr. H. H. Renz as Assistant Examiner; both employees to be transferred from the Fiscal Agency Department of the bank without change in salary.

Approved.

Letter dated March 11th from the Secretary of the Federal Reserve Bank of New York, advising that the board of directors of the bank has voted, subject to the approval of the Board, to extend until April 30, 1927, with full pay, the leave of absence granted to Governor Strong.

Approved.

Memorandum from Counsel dated March 16th, suggesting publication in the next issue of the Federal Reserve Bulletin of the recent opinion of the Attorney General, sustaining the position heretofore taken by the Board to the effect that Joint Stock Land banks are "banks" within the meaning of Section 8 of the Clayton Act.

Approved.

Memorandum dated March 11th from the Chief of the Division of Bank Operations, submitting statement of expenditures of the Federal

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Reserve banks for educational and welfare work, etc. during the month of January.

Ordered circulated.

Letter dated March 11th from Mr. Gates W. McGarrah, acknowledging receipt of the letter addressed to him by the Governor in accordance with the action of the Executive Committee at its meeting on March 10th; Mr. McGarrah stating that in view of the situation he will undertake to complete his present term of service as a member of the General Council of the Reichsbank but that if at any time indications point to the fact that it would be better for him, as a matter of general policy, to retire, there will be no hesitation on his part to act promptly.

Noted.

Memorandum from Counsel dated March 15th, submitting a summary of the provisions of the McFadden Act with reference to the establishment of branches by national and state member banks.

Noted and ordered circulated.

Letter dated March 12th from the Assistant Federal Reserve Agent at New York, advising that the Midwood Trust Company of Brooklyn has been authorized by the State Banking Department to open a branch at 240 Flushing Avenue, Brooklyn.

Noted.

Report of Committee on Examinations on letter dated March 8th from the Federal Reserve Agent at San Francisco, transmitting and recommending approval of an application of the Security Trust and Savings Bank of

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Los Angeles for permission to establish a branch at the intersection of Wilshire Boulevard and Westwood Avenue, Los Angeles; the Committee also recommending approval.

Approved.

Letter dated March 14th from the Federal Reserve Agent at Cleveland, recommending approval of an application of the Citizens Trust and Savings Bank, Columbus, Ohio, for permission to establish a branch at the corner of Parsons Avenue and Livingston, Columbus.

Referred to the Committee on Examinations.

Letter dated March 14th from the Federal Reserve Agent at Atlanta, transmitting copy of a statement of condition issued by the Citizens and Southern Bank of Savannah, Ga. as of February 19th, the date of the examination of that bank made under the Federal Reserve Agent's supervision; the statement bearing reproduction of a letter addressed by the Federal Reserve Agent to the President of the bank stating that the examination shows the bank to be "in a sound, solvent and liquid condition".

Following a discussion, it was voted to refer the above matter to the Law Committee for the preparation of a draft of a statement of policy with respect to the publication by the Federal Reserve Agents or Federal Reserve banks of their findings in examinations of member banks made under their supervision.

It was also voted that this question of policy be referred to the next meetings of the Federal Advisory Council, the Governors of the Federal Reserve banks and the Federal Reserve Agents.

The Governor reported that in accordance with the instructions of the Board at its meeting on February 24th he made inquiry into the conditions

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surrounding the recent failure of the Central National Bank of Marietta, Ohio. The Federal Reserve Bank of Cleveland, he said, has been aware for several years of the unsatisfactory condition of the bank but was unable to do anything because of the refusal of the bank to act upon criticisms and suggestions made by the National Bank examiners. The Governor stated that he has discussed this situation with the Comptroller of the Currency and believes that arrangements can be made whereby in cases of this kind, where the criticisms of the National Bank Examiners are ignored, the Comptroller of the Currency will report the matter to the Federal Reserve Board for consideration as to the propriety of taking action to bring about the forfeiture of the bank's charter.

Mr. Hamlin submitted a memorandum from Counsel dated March 17th, with reference to an application filed by the Merchants and Manufacturers National Bank, Newark, New Jersey, on behalf of the Merchants Trust Company of Newark for membership in the Federal Reserve System and for 1620 shares of stock in the Federal Reserve Bank of New York. Mr. Hamlin stated that the Merchants and Manufacturers National Bank is converting into a state bank on March 19th under the title "Merchants Trust Company of Newark", and desires that there shall be no lapse in its membership in the Federal Reserve System. He called attention to the fact that an amendment to Section 9 of the Federal Reserve Act contained in the McFadden Act was obviously designed to restrict in some way the Board's power to prescribe conditions of membership, but that the Law Committee would not be able to report definitely to the Board on this matter in time for it to act upon the Newark bank's application before March 19th. He suggested,

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therefore, that the Board approve the application subject to the nine conditions of membership now contained in the Board's Regulation "H", and advise the bank that this has been done in order, if the conditions are acceptable, that the bank's membership in the System may not lapse. He suggested also that the Board advise the bank that it is now considering the question of what changes should be made in conditions of membership in the light of the provisions of the McFadden Act and if any changes in the present conditions are found necessary, the Merchants Trust Company will be subject to such changes and the acceptance by the Merchants and Manufacturers National Bank on behalf of the Merchants Trust Company of the conditions now being imposed will be deemed to be acceptance of any changes in those conditions which the Board finds to be necessary in view of the amendments to the Federal Reserve Act contained in the McFadden Act.

Upon motion, it was voted to approve Mr. Hamlin's suggestions, and the application on behalf of the Merchants Trust Company of Newark was approved, effective upon liquidation of the Merchants and Manufacturers National Bank, subject to the nine conditions of membership contained in Regulation "H", and the further condition that the directors of the Merchants Trust Company will ratify the action of the Merchants and Manufacturers National Bank in applying for and accepting membership in the System in its behalf.

Letter dated March 12th from Mr. R. M. Farrar, Director of the Houston Branch, with reference to the present policy of the Federal Reserve System in the matter of the establishment and operation of branches of Federal Reserve banks.

Ordered circulated.

Letter from Mr. A. B. Trowbridge, Consulting Architect, submitting

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a report on the plans, specifications and bids for a proposed building to house the Baltimore Branch of the Federal Reserve Bank of Richmond.

Referred to the Executive Committee.

Letter dated March 11th from the Chairman of the Federal Reserve Bank of Richmond, advising that, subject to the approval of the Federal Reserve Board, the directors of that bank have approved the plans and specifications for the proposed Baltimore branch building and the acceptance of the lowest bid for its construction; the Chairman stating that the Building Committee of the bank would like to place the entire matter before the Federal Reserve Board as early as convenient.

Upon motion, the Secretary was directed to advise that the Board will be glad to receive the Richmond committee tomorrow.

Letters dated March 11th and 12th from the Chairman of the Federal Reserve Bank of Richmond, advising that the directors of that bank have unanimously adopted a plan of organization for the Charlotte Branch, defining the member banks to be served and the scope of the functions to be exercised; the Chairman stating that this plan has been adopted subject to the approval of the Board and that the Governor of the bank and he desire to submit it to the Board.

Upon motion, it was voted to discuss this matter with the Richmond representatives tomorrow following consideration of the Baltimore branch building project.

Memorandum from Counsel dated March 9th, submitting replies to letter addressed by the Board to the Governors of all Federal Reserve banks with respect to the inquiry of the Federal Reserve Bank of Kansas City as to the

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eligibility for rediscount through member banks of paper endorsed by officers of nonmember banks; the Board having inquired as to the experience of the respective banks with paper of this kind.

After discussion, it was voted to refer the question of the rediscount of the paper in question to the next Conference of Governors which will be held on May 9th.

The minutes of the meeting of the Federal Reserve Board held on February 25th were read and approved.

The Board then ratified the actions recorded in the minutes of the meetings of the Executive Committee held on March 1st, 3rd, 4th, 8th, 9th, 10th and 15th.

The minutes of the meeting of the Federal Reserve Board held on March 16th were then read and approved as amended.

REPORTS OF STANDING COMMITTEES:

Dated, March 15th, Recommending changes in stock at Federal Reserve banks
16th, as set forth in the Auxiliary Minute Book of this date.

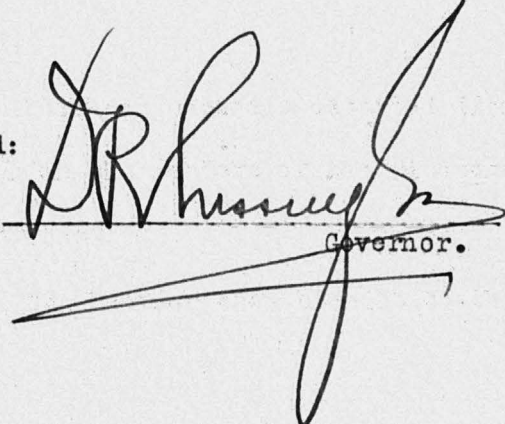
Approved.

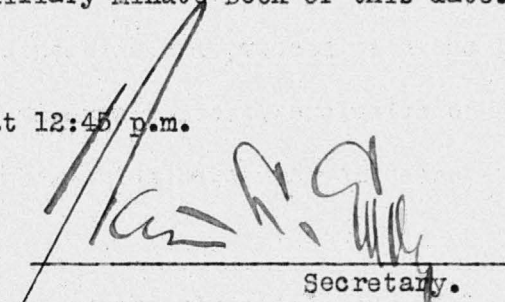
Dated, March 15th, Recommending action on applications for fiduciary powers
as set forth in the Auxiliary Minute Book of this date.

Approved.

The meeting adjourned at 12:45 p.m.

Approved:


Governor.


Secretary.