

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Friday, April 1, 1927 at 11:00 a.m.

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

The minutes of the meeting of the Federal Reserve Board held on March 30th were read and approved.

Letter dated March 31st 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.

Memorandum from the Secretary dated March 30th, submitting a suggestion made by Mr. Miller that the Board consider the advisability of asking the Federal Advisory Council to make a careful review of the open market policy of the Federal Reserve System since the organization of the Open Market Investment Committee and to submit any recommendations the Council may desire to make with regard to changes in the method or objectives of the open market policy.

Upon motion, it was voted to request the Council to consider the matter referred to at its next meeting.

Memorandum from Counsel submitting letter dated March 28th from the Secretary and Treasurer of the First Federal Foreign Investment Trust certifying that the \$200,000 installment of capital stock of the corporation due on or before April 26, 1927 has been paid in full; Counsel stating that

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no action by the Board is required.

Noted.

Memorandum from Counsel dated March 30th with regard to letter dated March 23rd from the Assistant Federal Reserve Agent at New York, transmitting application of the First National Bank of Unionville, N. Y. for permission to purchase 40 shares of stock in the First Federal Foreign Investment Trust of New York City at \$110 a share; Counsel stating that approval or refusal by the Board is not required, as the Board has taken the position that it is no longer necessary for national banks to make application to it for permission to subscribe to the stock of Edge Corporations. He called attention, however, to the fact that the capital and surplus of the First National Bank of Unionville aggregates \$40,000, whereas the amount it wishes to invest in stock of the First Federal Foreign Investment Trust is \$4,400, and suggested that the bank be advised that the amount of its proposed investment exceeds the limitation of 10% of capital and surplus prescribed by law.

Upon motion, it was voted to approve Counsel's suggestion.

Report of Committee on Examinations on letter dated March 28th from the Federal Reserve Agent at Boston, transmitting and recommending approval of an application of the Rhode Island Hospital Trust Company, Providence, for permission to establish a branch at the corner of Thayer and Angell Streets, Providence; the Committee recommending approval.

Noted, with approval.

Report of Committee on Examinations on letter dated March 30th from the Federal Reserve Agent at Boston, transmitting and recommending approval

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of an application of the Rhode Island Hospital Trust Company, Providence, for permission to establish a branch on Weybosset Street at the corner of Empire Street, in the city of Providence; the Committee recommending approval.

Noted, with approval.

Report of Committee on Examinations on letter dated March 25th from the Federal Reserve Agent at San Francisco, transmitting and recommending approval of an application of the American Trust Company, San Francisco, for permission to move the branch now operated at 16th and Wood Streets, Oakland, to a new location at Market and 15th Streets (1440 Market Street) Oakland; the Committee recommending approval.

Noted, with approval.

Memorandum from the Secretary on letter dated March 28th from the Federal Reserve Agent at Atlanta, with further reference to the absorption of the Peoples Bank and Trust Company, Ville Platte, La., by the Evangeline Bank and Trust Company of Ville Platte; the Agent stating that the Evangeline Bank and Trust Company has filed notice of its intention to withdraw from the Federal Reserve System, and inquiring in view of this fact whether he should proceed with an examination of the bank for the purpose of recommending action on the absorption. The Secretary in his memorandum called attention to the action taken by the Board several days ago in a similar case of the Grenada Bank, Grenada, Mississippi.

Upon motion, it was voted to advise the Federal Reserve Agent that it will not be necessary for him to submit a recommendation regarding the absorption affected by the Evangeline Bank and Trust Company.

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Letter dated March 29th from the Federal Reserve Agent at Cleveland, calling attention to a provision of the McFadden Act by which a national bank consolidating with a state bank or trust company may retain all of the rights and privileges of the state bank or trust company, including the right to act in fiduciary capacities, which heretofore could only be secured under a permit issued by the Board in accordance with Section 11(k) of the Federal Reserve Act; the Agent also calling attention to the fact that the Board apparently would have no power of revocation of the right to exercise fiduciary powers gained through such consolidations.

Upon motion, the above letter was referred to the Law Committee.

The Comptroller of the Currency stated for the information of the Board that if a consolidation of the kind referred to which would result in the exercise of trust powers by a national bank should be submitted to him he would before taking action bring the matter to the attention of the Board.

The Governor then brought up special order of business for this morning's meeting, namely, letter dated March 22nd from the Federal Reserve Agent at Dallas, requesting an expression of the Board's views in regard to the credit policies of the Federal Reserve Bank of Dallas, as outlined in detail in his letter of February 10th, with which were transmitted several exhibits, including an article by the Governor of the bank on the subject "Subsidizing Agriculture".

Mr. Platt submitted the following draft of a letter to the Federal Reserve Agent:

"Referring to your letter of February 10th, members of the Board have each read, and some of them have given

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"considerable study to the principles outlined on pages 24, 25 and 26 and to the cases used as illustrations of the way the officers of the Federal Reserve Bank of Dallas seek to prevent banks from getting into dangerous condition, and to correct serious errors in management. The Board believes the principles well stated and sound, and appreciates the difficulties you have had in applying them. It is impossible at this distance to discuss or to express a definite opinion upon all the details covered in your letter, but, in general, the Board is confident that you are doing a valuable work in the District in seeking to curb the recklessness of some few bankers who operate their banks without sufficient regard for the safety of the deposits entrusted to their care."

Thereupon ensued a detailed discussion of the credit policies of the Federal Reserve Bank of Dallas, as outlined in the Federal Reserve Agent's letter of February 10th and his enclosures, and as to the desirability of the Board expressing itself either in favor of or against the policies being followed by the Federal Reserve Bank.

Following the discussion, Mr. Platt moved approval of the form of letter submitted by him.

Mr. Platt's motion being put by the Chair was lost, the members voting as follows:

Mr. Platt, "aye"
Mr. James, "aye"
Governor Crissinger, "no"
Mr. Hamlin, "no"
Mr. McIntosh, "no"
Mr. Miller, "not voting"

Mr. Hamlin stated that while he was not prepared to deny the correctness of the principles set forth in the letter of the Federal Reserve Agent and the article by Governor Talley, he thought it would be unwise for the Board at this time to express itself in favor of these principles, as to do so would be to establish the Board's approval of the credit policy which is to be pursued by the Federal Reserve Bank of Dallas in individual cases.

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Thereupon ensued a further discussion as to the form of reply which the Board should make to the Federal Reserve Agent's inquiry following which Mr. Platt was requested to submit formally draft of a reply along the lines of a verbal suggestion by him.

The Secretary then advised the Board of an inquiry received orally from the Department of Commerce as to whether there would be any objection to that Department publishing excerpts from the article prepared by Governor Talley of the Dallas Bank on the subject "Subsidizing Agriculture", stating that the article had been furnished to the Department by a director of one of the other Federal Reserve banks to whom it was sent. He presented a telegram received from Governor Talley advising that the article was written primarily for use in the Dallas bank's organization and while some consideration was given to its publication, only in the event the Federal Reserve Board would approve, the weight of opinion was against publication and the article has not been published.

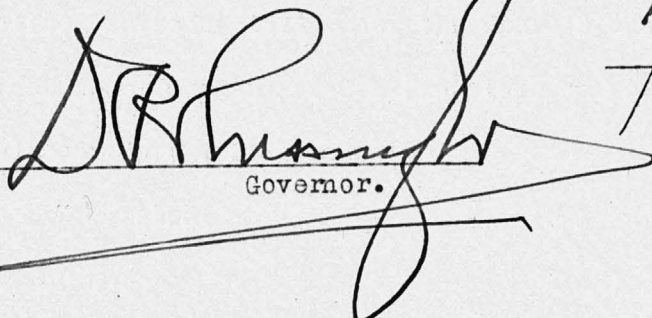
Upon motion, the Secretary was directed to advise the Department of Commerce accordingly.

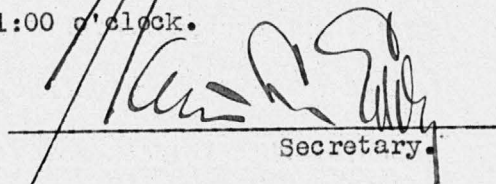
REPORTS OF STANDING COMMITTEES:

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| Dated, March 31st, | Recommending changes in stock at Federal Reserve Banks as set forth in the Auxiliary Minute Book of this date. Recommendations approved. |
| Dated, March 29th, 30th, | Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date. Recommendations approved. |

The meeting adjourned at 1:00 o'clock.

Approved:


Governor.


Secretary.