

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, April 14, 1927 at 11:15 a.m.

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

The Governor announced that special order of business for this morning's meeting, as previously fixed by the Board, would be consideration of a report submitted under date of March 7, 1927 by Mr. Gilbert, Supervisor of Examinations, with reference to the examination function as conducted by the Federal Reserve Agent's Department at the Federal Reserve Bank of St. Louis. In his report the Supervisor discussed in detail the examination policy and practice at the St. Louis bank and the efficiency of the staff of examiners employed in the Federal Reserve Agent's Department. In his letter transmitting the report the Supervisor set out eighteen general recommendations, each of which was considered by the Board.

During the discussion, reference was made to a memorandum from Counsel dated March 6th, regarding the powers and duties of the Board, the Federal Reserve Agents and the Federal Reserve banks with respect to examinations of state member banks.

Following the discussion, Mr. Hamlin submitted the following memorandum:

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"After reading the report of the survey made by Mr. Gilbert of the work of examining state member banks as conducted by the Federal Reserve Bank of St. Louis, I am prepared to recommend that the Board continue the examination function as at present under the direct supervision of the Federal Reserve Agents; that the Board authorize the establishment of a division in its organization, the work of which will be to gradually develop under the supervision of a committee of members of the Board, routine operations designed to enable the Board to keep itself informed of the condition of individual state member banks, and whether or not such banks are observing the conditions of membership imposed upon them at the time of admittance to the System, and are conducting their business within the confines of those provisions of the Federal Reserve Act relating to state member banks. The initial steps in the work of such a division, as I conceive it, would be the preparation of a form of analysis to be used by the Federal Reserve Agents and by the division covering each report of examination, and the preparation for submission to the Board, for its approval, of a standard report form to be used by the examiners in the field."

Following a brief discussion of Mr. Hamlin's memorandum, the meeting recessed at 1:00 p.m.

At 2:30 p.m. the meeting reconvened, the same members being present as attended the morning session.

Mr. Hamlin referred to the memorandum which he submitted at the morning session and stated that he desired to present it and move its adoption in the following form:

In connection with the report of the survey made by Mr. Gilbert of the work of examining state member banks, I move that the Board continue the examination function as at present, under the direct supervision of the Federal Reserve Agent; that the Board establish a division in its organization, the work of which will be gradually to develop routine operations designed to enable the Board to keep itself informed of the condition of state member banks, and whether or not such banks are observing the conditions of membership imposed upon them at the time of admittance to the System, and are conducting their business within the provisions of the Federal Reserve Act relating to state member banks; that the initial steps in the work of such a division should be the preparation of a form of analysis to be used by the respective

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Federal Reserve Agents and by the proposed division covering each report of examination, and the preparation for submission to the Board, for its approval, of a standard report form to be used by examiners in the field under the direction of the Federal Reserve Agents.

Mr. Cunningham presented and moved adoption of the following as a substitute for Mr. Hamlin's motion:

In connection with the report of the survey made by Mr. Gilbert of the work of examining state member banks, I move that the Board continue the examination function as at present, under the direct supervision of the Federal Reserve Agent; that the Supervisor of Examinations, subject to the approval of the Federal Reserve Board, be instructed to make such arrangements as will develop the detailed routine operations designed to enable the Board to keep itself informed as to the condition of State Member Banks, and whether or not such banks are observing the conditions of membership imposed, and whether or not they are conducting their business within the provisions of the Federal Reserve Act relating to State Member Banks; that the initial steps in this work should be the preparation of a form of analysis to be used by the respective Federal Reserve Agents covering each report of examination, and the preparation for submission to the Board, for its approval, of a standard report form to be used by examiners in the field under the direction of the Federal Reserve Agents."

Following a further discussion, it was decided that the matters referred to in the motions submitted by Mr. Hamlin and Mr. Cunningham should be considered separately and accordingly the motions in question were withdrawn.

Mr. Hamlin then moved -

" In view of the recommendations contained in the report of the survey made by Mr. Gilbert of the work of examining state member banks, the Board continue the examination function as at present, under the direct supervision of the Federal Reserve Agents."

Mr. Hamlin's motion being put by the Chair was carried.

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Mr. Cunningham then moved -

"That the Supervisor of Examinations, subject to the approval of the Federal Reserve Board, be instructed to make such arrangements as will develop the detailed routine operations designed to enable the Board to keep itself informed as to the condition of State Member Banks, and whether or not such banks are observing the conditions of membership imposed, and whether or not they are conducting their business within the provisions of the Federal Reserve Act relating to State Member Banks."

Mr. Cunningham's motion being put by the Chair was carried.

Mr. Hamlin then moved -

"That the Supervisor of Examinations be instructed to prepare a form of analysis to be used by the respective Federal Reserve Agents covering each report of examination, and to prepare for submission to the Board for its approval, a standard report form to be used by examiners in the field under the direction of the Federal Reserve Agents."

Mr. Hamlin's motion being put by the Chair was carried.

At this point, Mr. Yohe of the Department of Agriculture entered the room. The Governor stated that Mr. Yohe had been requested to appear in connection with the recommendation of the last Governors' Conference that the Board's Regulation A be so amended as to make eligible for rediscount or purchase by Federal Reserve banks bankers' acceptances drawn by an elevator or warehouse company and secured by terminal warehouse receipts of the elevator or warehouse company that draws the draft. Mr. Yohe discussed with the members of the Board the conditions under which registered warehouse receipts are issued by terminal elevator and warehouse companies operating in Minnesota under the supervision of the Railroad and Warehouse Commission of the State of Minnesota, basing his discussion upon a recent visit to

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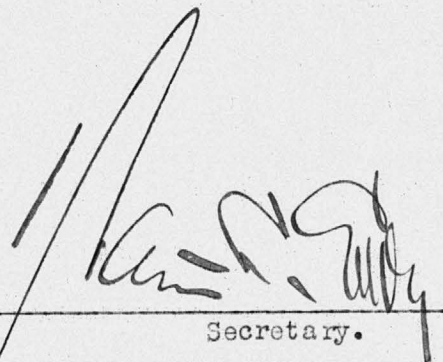
Minneapolis and a report submitted to him by an operative of the Department of Agriculture at Minneapolis.

Following the discussion, Mr. Yohe left the room.

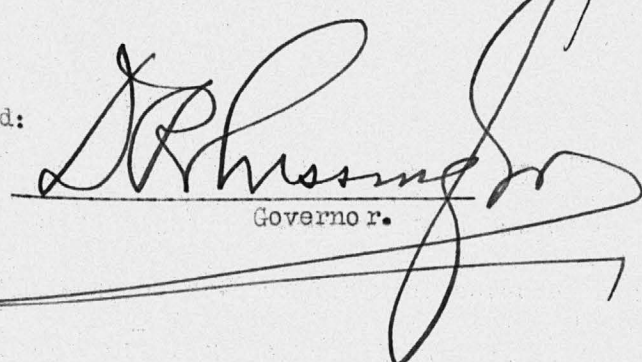
Letter dated April 13th from the Federal Reserve Agent at Boston, requesting approval by the Board of a salary of \$4,000 per annum for Mr. Elliot Boardman, to be appointed Statistician of the Boston bank to succeed Mr. Robert A. Warren, whose resignation becomes effective on May 1st.

Upon motion, the proposed salary was approved.

The meeting adjourned at 4:30 p.m.


Secretary.

Approved:


Governor.