

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, April 19, 1927 at 12:00 o'clock noon.

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

The minutes of the meeting of the Federal Reserve Board held on April 15th were read and approved and the minutes of the meeting of the Federal Reserve Board held on April 18th were read and approved as amended.

Memorandum dated April 18th from the Division of Examination referring to the Board's action of March 15th in approving an application on behalf of the Bedford National Bank and Trust Company of Brooklyn for 450 shares of stock in the Federal Reserve Bank of New York, effective if and when the bank was authorized by the Comptroller of the Currency to commence business; the memorandum stating that trust powers have not as yet been granted to the bank and that the Comptroller of the Currency has authorized it to begin business under the title "The Bedford National Bank of Brooklyn, New York."

Noted.

Report of Committee on Examinations on letter dated April 18th from the Chairman of the Federal Reserve Bank of Philadelphia, recommending approval of an application of the West Philadelphia Title and Trust Company for ratification of its action in establishing a branch at 36th and Walnut Streets, Philadelphia; the Committee recommending that the application be noted with approval.

Upon motion, the Committee's recommendation was approved.

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Report of Committee on Salaries and Expenditures on letter dated April 15th from the Federal Reserve Agent at Kansas City, requesting approval of an increase from \$2800 to \$3100 per annum, effective April 1, 1927, in the salary of Mr. C. L. Ellers of the Bank Relations Department; the Committee recommending approval.

Approved.

Report of Committee on Salaries and Expenditures on letter dated April 15th from the Chairman of the Federal Reserve Bank of Richmond, requesting approval of the action of the Executive Committee of that bank in voting to extend with full pay for a period of 30 days, or so much thereof as may be necessary, from April 12th, leave of absence on account of illness granted Miss Lula T. Schremp, an employee of the bank; the Committee also recommending approval.

Approved.

Letter dated April 14th from the Deputy Governor of the Federal Reserve Bank of New York, transmitting copy of letter from the President of the National City Bank of New York in which is quoted advice received from the Manager of that Bank's Cuban Branches with reference to conditions on the Island.

Noted.

Letter dated April 14th from the Deputy Governor of the Federal Reserve Bank of New York, transmitting copy of a confidential letter addressed to the Governors of all Federal Reserve banks, advising that the Bank of England will make no use of the \$2,000,000 credit extended to it by the Federal Reserve banks between April 14th and May 14th, when the credit will automatically expire.

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Noted.

Letter dated April 14th from the Governor of the Federal Reserve Bank of Atlanta, transmitting a statement published by the First National Bank of Orlando, Fla. containing a letter addressed by the Governor of the Federal Reserve Bank to the President of the institution, complimenting him upon the bank's condition.

Noted.

Letter dated April 13th from the Chairman of the Federal Reserve Bank of Dallas, referring to the Board's letter of March 31st (X-4820) on the subject "Changed Procedure in Elections of Class A and B Directors", and submitting certain questions with reference to the plan outlined in the report transmitted with that letter.

The Secretary stated that the matters referred to in the Chairman's letter would be investigated and a report submitted to the Board later.

Letter dated April 14th from the Vice President of the First National Bank of Jefferson City, Mo. complaining against the present practice of the Federal Reserve Bank of Minneapolis in the matter of handling non-cash collection items.

Ordered circulated.

Memorandum from Counsel dated April 15th on letters dated March 24th and 25th from the Governor of the Federal Reserve Bank of Boston and the Federal Reserve Agent at Atlanta, with reference to a practice recently adopted by the First National Bank of Hartford, Alabama, of stamping on its cashier's checks the phrase "Not payable through the Federal Reserve Bank of Atlanta"; Counsel recommending: (1) That this

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subject be put on the program for discussion at the next Governors' Conference;

(2) That prompt action should be taken with a view of putting an end to the practice outlined; (3) That whatever action is taken should be taken with a view of obtaining a final decision by the Supreme Court of the United States on the legal questions involved; (4) That before determining the form of its legal action in the premises, the Board decide whether or not it desires to retain special counsel to handle the matter; (5) That if the Board decides to retain special counsel he be retained immediately and be consulted before the Board determines upon its form of legal action, in order that he might have an opportunity to frame the legal issues which he is to argue before the Supreme Court in accordance with his own views; and (6) That if the Board decides to retain special counsel, it retain Honorable Newton D. Baker, in order to have the benefit of his recent experience in the Pascagoula case.

After discussion, Mr. Hamlin moved that the Board authorize the employment of Honorable Newton D. Baker, and that the question under consideration be referred to him for an opinion as to whether the points involved could be successfully contested in the courts and on what grounds; such opinion to be submitted, if possible, in time for reference to and discussion at the next Conference of Governors of the Federal Reserve banks to be held in Washington on May 9th.

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

Memorandum from Counsel dated April 14th with reference to the action of the Bank of Locust Grove, Ga. in merging with the Citizens Bank of Locust Grove, without the approval of the Federal Reserve Board; Counsel stating

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that the action of the Bank of Locust Grove violates the provisions of the Board's Regulations and subjects it to expulsion from membership in the System after a formal hearing by the Board, under the provisions of Section 9 of the Federal Reserve Act. Counsel referred to recommendation received from the Executive Committee of the Federal Reserve Bank of Atlanta that the bank should be expelled from the System unless the directors and/or the stockholders remove certain worthless and doubtful assets and suggested that before any formal steps are taken looking toward the expulsion of the Bank of Locust Grove the Federal Reserve Agent at Atlanta be requested to communicate with the directors and/or stockholders of the bank and ascertain whether or not they will remove the estimated losses and doubtful assets mentioned in the recommendation of the Executive Committee of the Federal Reserve bank.

After a discussion, upon motion by Mr. James, it was voted to request Counsel to prepare formal notice to the Bank of Locust Grove requesting it to appear before the Board for the purpose of showing cause why its membership in the Federal Reserve System should not be forfeited.

Letter dated April 15th from the Secretary of the Federal Advisory Council, requesting if possible that prior to the next meeting of the Council all members be furnished with copies of certain memoranda relating to the establishment and operation of the Cuban Agency, submitted to the Board by the Federal Reserve Bank of New York and by the Governor of the Federal Reserve Bank of Boston. The Secretary stated that the memoranda in question were read into the record at the time of the hearing on the Cuban Agencies held by the Board on November 11, 1926, that of the Governor

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of the Federal Reserve Bank of Boston being in the form of a personal letter to Mr. Hamlin.

After discussion, the Secretary was directed to furnish copies of the memoranda to the members of the Federal Advisory Council.

Memorandum from the Secretary dated April 15th, submitting draft of letter to the Federal Reserve Agent at Minneapolis, requesting certain information with regard to a proposed reorganization of the Bank of Boulder, Boulder, Montana, involving a reduction in the capital of the bank from \$75,000 to \$25,000 and the charging off of \$100,000 of bad assets after \$25,000 of new capital is paid in.

Upon motion, the proposed letter to the Federal Reserve Agent was approved.

The Governor announced that he had intended to bring up at this meeting the question of changes which the Board may desire to make during the year, effective January 1, 1928, in the office of Federal Reserve Agent at several of the Federal Reserve banks. He stated, however, that he would not call up this matter because of the illness of Dr. Miller.

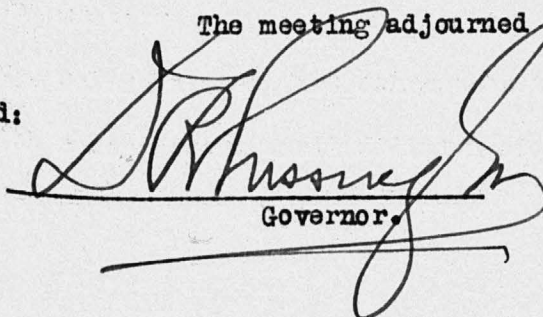
Upon motion, the question of making this matter special order of business for a later meeting was left in the hands of the Governor.

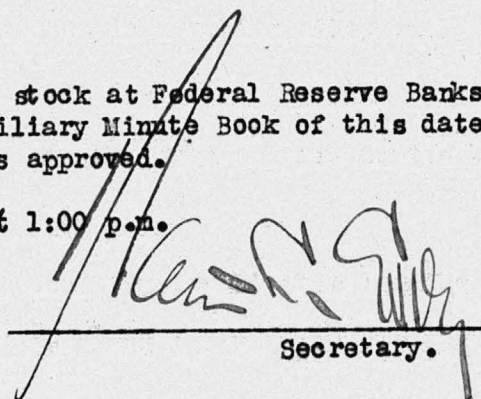
REPORTS OF STANDING COMMITTEES:

Dated, April 18th, Recommending changes in stock at Federal Reserve Banks, 19th, as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.

The meeting adjourned at 1:00 p.m.

Approved:


Governor.


Secretary.