

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, May 3, 1927, at 11:15 a.m.

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

The minutes of the meeting of the Federal Reserve Board held on April 27th were read and approved.

Matter approved on initials on April 29th, namely, application of the First National Bank, Big Sandy, Tennessee for stock in the Federal Reserve Bank of St. Louis (17 shares), effective if and when the Comptroller of the Currency issues a certificate of authority to commence business.

Formally approved.

Letter dated April 28th from the Assistant Secretary of the Federal Reserve Bank of New York, advising that the board of directors at their meeting on that day made no change in the bank's existing schedule of rates of discount and purchase.

Noted.

Telegram dated April 28th from the Chairman of the Federal Reserve Bank of Kansas City, advising that the board of directors at their meeting on that day made no change in the bank's existing schedule of rates of discount and purchase.

Noted.

Report of Executive Committee on memorandum dated May 2nd from the Director of the Division of Research and Statistics, recommending the

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appointment of Miss Aryness Joy as clerk in the Division for a period of two months from July 1st to August 31st, at a salary of \$200 a month; the Committee also recommending approval.

Approved.

The Vice Governor then submitted application of the Bank of Hoquiam, Hoquiam, Washington, for membership in the Federal Reserve System and for 90 shares of stock in the Federal Reserve Bank of San Francisco; together with recommendations of the Board's sub-committee: (1) That prior to approval of the application the bank be required to charge to undivided profits \$2500 of the unsecured line amounting to \$10,000 to the Washington Door and Manufacturing Company (now in voluntary liquidation) being the portion estimated by the examiner as a loss and to charge to undivided profits an overdraft of the Washington Door and Manufacturing Company, amounting to \$621.82, estimated by the examiner as doubtful; (2) That when these adjustments have been made the application be granted subject to the nine regular conditions of membership contained in the Board's Regulation H, and the further condition that before any dividends are paid an amount be set aside each year as a reserve fund sufficient to eliminate at the expiration of the bank's lease, namely, five years, the cost of remodeling its quarters now carried at \$15,898.99; and (3) That the bank be advised that the Board is now considering what changes should be made in the regular 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 bank will be subject to such changes and acceptance by the bank of the conditions now being imposed will be deemed to be acceptance of any changes in those conditions which the Board finds to be

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necessary in view of the amendments contained in the McFadden Act.

Upon motion, it was voted to approve the application of the Bank of Hoquiam, subject to the conditions recommended by the sub-committee.

Letter dated April 27th from the Assistant Federal Reserve Agent at San Francisco, advising that the Pacific Southwest Trust and Savings Bank on April 23rd established the branch at 6825 South Western Avenue, approved by the Board on February 16th.

Noted.

Letter dated May 2nd from the Federal Reserve Agent at Boston, advising that the Rhode Island Hospital Trust Company of Providence on May 2nd opened the branch at the corner of Weybosset and Empire Streets, Providence, approved by the Board on April 1st.

Noted.

Memorandum from Counsel dated April 26th with reference to the Clayton Act application of Mr. Bruce F. Failey, involving the Terre Haute National Bank and the United States Trust Company, both of Terre Haute, Indiana; Counsel suggesting that no definite action be taken on the application but that a reasonable time be allowed for the completion of arrangements now under way for the consolidation of the two institutions involved.

Upon motion, Counsel's recommendation and a proposed letter to the Federal Reserve Agent at Chicago advising accordingly were approved.

Memorandum from Counsel dated April 26th with reference to the application of Mr. Victor S. Fisher for permission to serve at the same time as Vice President and director of the Pacific Avenue National Bank, and as director of the Atlantic Safe Deposit and Trust Company, both of Atlantic

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City, N.J., which on September 29, 1926, was temporarily refused by the Board with an opportunity to the applicant to present additional information in support of his application; Counsel stating that the evidence submitted by the applicant is not sufficient to show that the two banks involved are not in substantial competition and recommending, therefore, that the application be definitely refused.

Upon motion, Counsel's recommendation was adopted.

Letter dated April 25th from Mr. F. E. Scobey accepting appointment by the Board as a director of the San Antonio branch of the Federal Reserve Bank of Dallas.

Noted.

Letter dated April 26th from Mr. Reagan Houston accepting appointment as a director of the San Antonio branch of the Federal Reserve Bank of Dallas.

Noted.

Letter dated April 27th from the Federal Reserve Agent at Boston, recommending the designation as an examiner without change in salary of Mr. James D. MacDonald, now an assistant examiner, and the designation as assistant examiner without change in salary of Mr. Joseph J. Holland, now clerk in the Collection Department of the Federal Reserve Bank of Boston.

Approved.

Report of Executive Committee on memorandum dated April 29th from the Comptroller of the Currency, recommending approval of an application of the First National Bank of Kennebec, S. D., for permission to reduce its capital from \$50,000 to \$25,000, and stating it is proposed to rearrange

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the stock ownership of the bank, using the released capital and approximately \$14,000 of new money to be paid in by two new stockholders, to remove losses and certain other assets aggregating approximately \$36,000, and to establish a surplus fund of \$2500, thus leaving the bank with a capital of \$25,000 and a surplus of \$2500; the Committee also recommending approval.

Approved.

Report of Committee on Examinations on letter dated April 28th from the Assistant Federal Reserve Agent at New York, transmitting and recommending approval of an application of the Fidelity Union Trust Company, Newark, N.J., for permission to establish six branches in Newark at the locations of existing banks which are to be taken over; the Committee also recommending approval.

Noted with approval.

Report of Committee on Examinations on letter dated April 30th from the Federal Reserve Agent at St. Louis, transmitting and recommending approval of an application of the First National Bank, Memphis, Tennessee, for permission under Section 13 of the Federal Reserve Act to accept drafts and bills of exchange up to 100% of its capital and surplus; the Committee recommending approval and pointing out that the application was filed at the request of the Board following the consolidation with the First National Bank of the Central - State National Bank of Memphis to which the Board on October 22, 1918 had granted authority to accept up to 100%.

Approved.

Memorandum from the Secretary dated April 27th, advising that he discussed with the Chairman of the board of directors of the Federal

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Reserve Bank of Atlanta the question of whether or not the directors of the Atlanta bank would want to employ Mr. A. B. Trowbridge as Consulting Architect in connection with the installation of a vault at the Cuban Agency, and that the Chairman expressed the opinion that Mr. Trowbridge's employment would not be necessary so far as the bank was concerned, but stated that if the Board desired to employ Mr. Trowbridge to go over the specifications there would be no objection on the part of the Atlanta bank to paying a portion of his fee.

After discussion, the Secretary was instructed to communicate with Mr. Trowbridge and ascertain what his fee would be if employed by the Board merely for the purpose of inspecting plans and specifications covering the installation of the vault at the Cuban Agency after their preparation and submission by the Federal Reserve Bank of Atlanta.

Letter dated April 27th from the Federal Reserve Agent at Chicago, transmitting written notice of intention to withdraw from the Federal Reserve System, filed with him on that date by the Farmers State Bank, Veil, Iowa; the Federal Reserve Agent inquiring whether the bank's six months' notice may begin as of April 18th, on which date he was verbally advised of the intention of the bank to withdraw from the System.

The Vice Governor stated that in the opinion of the Board's Counsel, the six months' period can only begin as of the date of the filing of written notice with the Federal Reserve Agent, and upon motion the Secretary was instructed to advise the Federal Reserve Agent accordingly.

Matter approved on initials on April 30th, namely, memorandum dated April 30th from the Chief of the Division of Bank Operations, suggesting that the Board authorize an earlier release of its weekly statement of the condition of member banks during the period in which daylight savings

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arrangements are in effect.

Formally approved.

Letter dated April 25th from the Governor of the Federal Reserve Bank of Minneapolis, referring to an inquiry from a member bank in that city and inquiring as to the reasons for the Board's recent ruling with reference to the eligibility of bankers acceptances secured by terminal grain elevator or warehouse receipts issued by the borrower.

After discussion, the above letter was referred to the Secretary for the preparation of a reply stating that in the opinion of the Board the principle laid down in its Regulations requiring that warehouse receipts to be eligible as collateral for acceptances must be issued by a warehouse independent of the customer, to which the Board has consistently adhered, is essential to the maintenance of the high standard of bankers acceptances, and that any action by the Board setting aside this principle would in all probability establish a precedent for future action which would result in the lowering of such standard.

Memorandum from Counsel dated March 24th, prepared in accordance with the instructions of the Board at the meeting on March 4th, and submitting for the confidential information of the members of the Board an analysis of the provisions of the McFadden Act.

Ordered circulated.

Letter dated April 29th from the Governor of the Federal Reserve Bank of Richmond, who is Chairman of the Advisory Committee appointed by the Board some time ago to consider legislative matters; the Governor inquiring whether the Board has anything for the consideration of the Committee which will require a meeting at the time of the forthcoming Governors' Conference when five of the six members of the Committee will be in Washington.

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In this connection, the Vice Governor submitted a memorandum addressed to Mr. Hamlin under date of February 3rd by the Board's General Counsel listing various proposed amendments to the banking laws which the Board has recommended to Congress or planned to recommend, but on which further action was postponed until the McFadden Bill could be disposed of.

He suggested that the various amendments covered in Counsel's memorandum might be referred to the Committee.

At this point, Mr. McIntosh joined the meeting.

Following the discussion, Mr. Hamlin moved that the Committee be requested to submit to the Board any suggestions or recommendations which it may care to make for amendments to the Federal Reserve Act.

Mr. Hamlin's motion being put by the Chair was lost on a tie, the members voting as follows:

Mr. Platt, "aye"  
Mr. Hamlin, "aye"  
Mr. James, "aye"  
Mr. McIntosh, "no"  
Mr. Miller, "no"  
Mr. Cunningham, "no"

The Secretary was then instructed to advise the Chairman of the Committee that the Board has no matters to submit to the Committee at this time.

The Vice Governor then submitted memoranda from Counsel dated March 30th, 1926, and May 22nd, 1926, on the subject of the necessity for the deposit of securities in the trust department of a national bank to secure trust funds deposited in another institution; Counsel in his last memorandum suggesting an amendment to the Board's Regulation F providing that if funds received or held in the trust department of a national bank awaiting investment or distribution are deposited in another bank, they shall be deposited to the credit of the said national bank as trustee or other fiduciary, and the said national bank shall first require the bank in



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which the funds are deposited to deliver to the said national bank collateral security owned by the depository bank which shall at all times be equal in market value to the amount of funds so deposited. The Vice Governor stated that Counsel's memoranda has for some time past been under consideration in the office of the Comptroller of the Currency and he presented a memorandum from the Comptroller dated April 29th suggesting that the matter be held in abeyance, as he does not regard the question raised as of any considerable technical importance and would prefer to see no action taken on it at this time as it would merely be another restriction on national banks to their disadvantage in competing with state banks.

A discussion ensued following which it was voted that no action should be taken by the Board at this time.

Letter dated April 27th from the Federal Reserve Agent at San Francisco, referring to a recent examination of the Pacific Southwest Trust and Savings Bank of Los Angeles conducted by the State Banking Department and transmitting copies of certain documents and correspondence disclosing a transaction involving several of the officers and employees of the bank in connection with the financing of a merger of the Julian Petroleum Corporation and Marine Corporation with the Eastern Oil Company, which, the Agent reported, was carried on without the knowledge of the Chairman or President of the bank until subordinate officers had committed the institution to such an extent that it became necessary to finance the deal to a conclusion in order to save the bank from a very heavy loss.

Ordered circulated.

The Secretary then advised the Board of an inquiry received from Mr. Sargent, local representative of the Wall Street Journal, as to the extent

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and cost of any telegraph wires or cables leased by the Federal Reserve System. He inquired whether the Board could see any objection to his furnishing a sketch of the Federal Reserve Leased Wire System together with information as to the aggregate cost of the System to the Federal Reserve banks and Board.

After discussion, the Secretary was authorized to furnish the data referred to by him.

REPORTS OF STANDING COMMITTEES:

Dated, April 27th, Recommending changes in stock at Federal Reserve Banks,  
28th, as set forth in the Auxiliary Minute Book of this date.  
29th, Recommendations approved.  
30th,

May 2nd,  
Dated, April 26th, Recommending action on applications for fiduciary  
28th, powers as set forth in the Auxiliary Minute Book of  
this date.

Recommendations approved.  
Dated, April 29th, Recommending approval of the application of Mr. William  
D. Schramm for permission to serve at the same time as  
director of the Eighth National Bank, Philadelphia, Pa.,  
and as director of the Central Trust and Savings  
Company, Philadelphia, Pa.

Recommendation approved.  
Dated, April 29th, Recommending approval of the application of Mr. E. S.  
Jones for permission to serve at the same time as Vice  
President of the Marquette National Bank, Minneapolis,  
Minn., and as director and Vice President of the  
Chicago-Lake State Bank, Minneapolis, Minn.

Recommendation approved.  
Dated, April 29th, Recommending approval of the application of Mr. John  
F. Tinsley for permission to serve at the same time  
as director of the Second National Bank, Boston, Mass.,  
and as director of the Merchants National Bank,  
Worcester, Mass.

Recommendation approved.  
Dated, April 29th, Recommending approval of the application of Mr. A. P.  
Hull for permission to serve at the same time as  
director of the Farmers & Citizens National Bank,  
Montgomery, Pa., and as director of the Lycoming  
Trust Company, Williamsport, Pa.

Recommendation approved.

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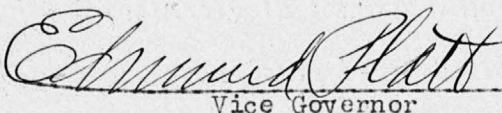
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REPORTS OF STANDING COMMITTEES: (Cont'd)

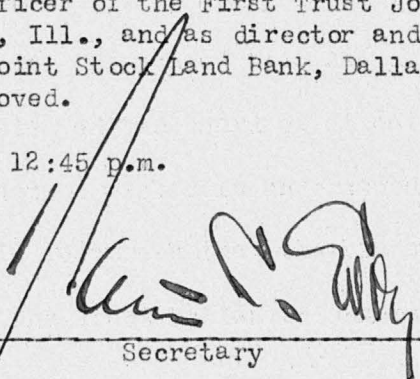
- Dated, April 30th, Recommending approval of the application of Mr. F. M. Moseley for permission to serve at the same time as director of the American National Bank, Pensacola, Fla., and as President and director of the American National Bank, Union Springs, Ala.  
Recommendation approved.
- Dated, April 30th, Recommending approval of the application of Mr. Walter J. Staats for permission to serve at the same time as director of the First National Bank, Philadelphia, Pa., as director of the West Jersey Trust Company, Camden, N. J., and as director of the First National Bank and Trust Company, Merchantville, N. J.  
Recommendation approved.
- Dated, April 30th, Recommending approval of the application of Mr. G. H. Malone for permission to serve at the same time as director of the American National Bank, Pensacola, Fla., as President and director of the First National Bank, Dothan, Ala., and as President and director of the First National Bank, Headland, Ala.  
Recommendation approved.
- Dated, April 30th, Recommending approval of the application of Mr. W. C. Sherman for permission to serve at the same time as director of the American National Bank, Pensacola, Fla., and as Vice President and director of the First National Bank, Panama City, Fla.  
Recommendation approved.
- Dated, April 30th, Recommending approval of the application of Mr. Charles A. Faircloth for permission to serve at the same time as President and director of the National City Bank, Tampa, Fla., and as director of the American National Bank, Pensacola, Fla.  
Recommendation approved.
- Dated, April 30th, Recommending approval of the application of Mr. Edward E. Brown for permission to serve at the same time as director and officer of the First National Bank, Chicago, Ill., as director and officer of the First Trust Joint Stock Land Bank, Chicago, Ill., and as director and officer of the First Trust Joint Stock Land Bank, Dallas, Tex.  
Recommendation approved.

The meeting adjourned at 12:45 p.m.

Approved:



Edmund Platt  
Vice Governor



Secretary