

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, May 5, 1927 at 11:30 a.m.

PRESENT: Governor Crissinger
 Mr. 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 May 3rd were read.

Mr. Platt referred to the entry in the minutes relating to the letter received from the Federal Reserve Agent at San Francisco, regarding a certain transaction disclosed by a recent examination of the Pacific Southwest Trust and Savings Bank of Los Angeles, and stated that in his opinion the minute entry regarding this matter should be revised.

He moved that the minutes be amended by striking from the entry in question the statement that the transaction referred to "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".

Mr. Platt's motion was put by the Chair and lost, Mr. Platt voting "aye".

Mr. Hamlin then moved that the minutes be approved as read.

Carried.

Mr. Miller then brought up the question of what action should be taken by the Board with regard to the subject matter of the Federal Reserve Agent's letter and moved that following its circulation among the members of the Board, in accordance with the action taken at the meeting on May 3rd, the Agent's letter be referred for report and recommendation to a special committee consisting of the members of the Board's Committee on Examinations and the Governor.

Carried.

5/5/27

-2-

The minutes of the meeting of the Federal Reserve Board held on May 4th were then read and approved.

Telegram dated May 5th from the Chairman of the Federal Reserve Bank of Boston, 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 May 4th 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 May 4th 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.

Letter dated May 2nd from the Assistant Secretary of the Federal Reserve Bank of New York, transmitting oaths of office executed on that day by Mr. Gates W. McGarragh, as Chairman and Federal Reserve Agent and as Class C Director of the Federal Reserve Bank of New York.

Noted.

Memorandum dated May 3rd from the Chief of the Division of Bank Operations, recommending that the temporary appointment of Mr. Alfred W. Manning as clerk in the Division at a salary of \$1200 per annum, be extended for two months from May 15th to July 14th.

Approved.

5/5/27

-3-

Report of Committee on Salaries and Expenditures on letter dated May 4th from the Chairman of the Federal Reserve Bank of Philadelphia, advising of the action of the board of directors of that bank in voting to extend with full pay, until July 1, 1927, leave of absence on account of illness granted Miss Mary J. Bozarth, an employee of the Currency Department; the Committee recommending approval.

Approved.

Letter dated May 3rd from the Assistant Federal Reserve Agent at New York, advising that on May 2nd the Central Mercantile Bank and Trust Company moved its main office from Fifth Avenue at 14th Street to Fifth Avenue and 44th Street, continued the former main office as a branch and discontinued the branch office at 8 West 40th Street, which was formerly the main office of the National American Bank.

Noted.

Letter dated May 4th from Messrs. Shearman and Sterling, attorneys for the National City Bank of New York, advising of the intention of that bank to close the branch heretofore maintained at San Francisco de Macoris, Dominican Republic.

Noted.

Letter dated May 2nd from Honorable Louis T. McFadden, Chairman of the Committee on Banking and Currency of the House of Representatives, transmitting copy of a letter addressed to the Comptroller of the Currency relative to the reported development of a comparatively new method of chain banking in the United States through the purchase by holding companies or

5/5/27

-4-

investment trusts of the controlling stock interests of banks; the Chairman stating that while the Comptroller has supervisory power over national banks, the Board has the same powers over member banks of the System and that he desires to have applied to the Federal Reserve System suggestions as to national banks contained in his letter to the Comptroller.

Upon motion, the above letter was ordered circulated for the information of the members of the Board and re-docketed.

Draft of reply prepared by Counsel to letter dated April 11th from the Assistant Federal Reserve Agent at Cleveland, advising that the National Bank of Tarentum, Pa., which has not received permission from the Board to exercise trust powers, is to consolidate under the provisions of the McFadden Act with the Safe Deposit Bank and Trust Company of Tarentum, and inquiring whether under the provisions of the McFadden Act trust powers possessed by The Safe Deposit Bank and Trust Company pass by virtue of the consolidation to The National Bank of Tarentum; the proposed reply stating that under the provisions of the McFadden Act referred to, it seems clear that the trust powers possessed by a state institution will pass to a national bank by a consolidation of the state institution with the national bank, but that the Comptroller of the Currency, under whose jurisdiction the administration of the provisions of the Act relating to consolidations comes, has not yet published a ruling as to the construction his office will put upon the provision and that, in view of these facts, it is believed that a national bank which desires to exercise trust powers, after its consolidation under

5/5/27

-5-

the provisions of the McFadden Act with a state institution which possesses trust powers, should apply to the Board for permission to exercise the powers enumerated in Section 11 (k) of the Act.

Upon motion, the proposed letter was approved.

The Governor then presented for special consideration by the Board application of The Miners National Bank of Ishpeming, Michigan, for permission to act as executor, administrator, guardian of estates and committee of estates of lunatics, and called attention to the fact that while Messrs. Hamlin and McIntosh of the Law Committee recommend approval, Mr. Platt recommends disapproval because of the fact that while the bank has a capital sufficient for a state bank in Michigan exercising limited trust powers, it has not the capital required for a trust company exercising general powers. The Governor then read to the Board a letter addressed by the Board to the Commissioner of Banking of Michigan under date of February 9th, after an exchange of correspondence with him, advising that in considering future applications of national banks in Michigan for trust powers it will take the position that it is authorized to grant to any national bank located in the state and having a capital stock equal to or greater than the capital required for the organization of state banks in the place in which it is located, the right to act as executor, administrator, guardian of estates and committee of estates of lunatics.

After discussion, Mr. Platt moved that the application be refused.

Mr. Hamlin moved, as a substitute for Mr. Platt's motion, that the application be approved.

5/5/27

-6-

Mr. Hamlin's substitute motion being put by the Chair was carried, the members voting as follows:

Governor Crissinger, "aye"
Mr. Hamlin, "aye"
Mr. James, "aye"
Mr. Cunningham, "aye"
Mr. Platt, "no"
Mr. Miller, "no"

At this point, Mr. McIntosh joined the meeting.

The Governor also presented application for permission to exercise general fiduciary powers filed by The Seaside National Bank of Long Beach, Cal. He called attention to the fact that the application has twice before been held by the Board and that the bank, which has been in operation for a little more than a year, does not have a surplus equal to 20% of its capital as generally required by the Board. He called attention to a recommendation of Messrs. Hamlin and McIntosh that the application be approved and an adverse recommendation by Mr. Platt. He also read to the Board the recommendation of the Executive Committee of the Federal Reserve Bank of San Francisco that action on the application be deferred until after the next examination of the bank.

After discussion, Mr. Hamlin moved approval of the application.

Mr. James moved, as a substitute for Mr. Hamlin's motion, that in accordance with the recommendation of the Executive Committee of the Federal Reserve Bank of San Francisco action on the application be deferred until the next examination.

Mr. James' substitute motion being put by the Chair was carried, the members voting as follows:

5/5/27

-7-

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

At this point, Governor Strong of the Federal Reserve Bank of New York, entered the room and advised the Board that the Bank of France had contemplated and made arrangements to ship \$90,000,000 of gold to the American Exchange Irving Trust Company of New York City, that \$12,000,000 of the gold had been received by the member bank and \$18,000,000 is now in transit. He stated that the Federal Reserve Bank of New York has about completed an arrangement whereby the balance of the gold not yet shipped (\$60,000,000) would be sold to it by the Bank of France and held for the Federal Reserve Bank, properly earmarked, by the Bank of England. He also referred to a telephone conversation this morning with Deputy Governor Harrison of the Federal Reserve Bank of New York, regarding impending arrangements for stabilization of the Polish currency. He stated that matters have progressed to a point where request for a credit might be received at any time and that Mr. Harrison would be in Washington within the next few days to furnish the members of the Board with detailed information.

Governor Strong then left the meeting.

Messrs. Goldenweiser and Parry, Director and Assistant Director of the Division of Research and Statistics, then entered the room and submitted to the Board page proof of the forthcoming issue of the Federal Reserve Bulletin, calling attention to certain changes in the arrangement of material,

5/5/27

-8-

the most important of which are the following: (1) Omission of the standardized text, in place of which it is contemplated the Bulletin will carry every two or three months special articles covering a longer period than is now reviewed; (2) A change in the method of presenting the discount rates prevailing at the Federal Reserve banks and the introduction of a table showing buying rates for acceptances at the Federal Reserve Bank of New York.

After discussion of the revised makeup of the Bulletin, Mr. Hamlin moved general approval of the changes.

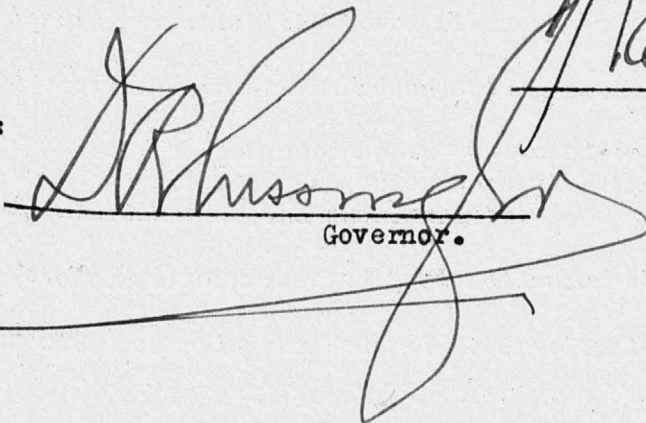
Mr. Hamlin's motion being put by the Chair was carried.

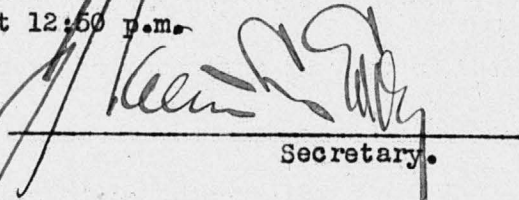
REPORTS OF STANDING COMMITTEES:

- Dated, May 3rd, Recommending change in stock at Federal Reserve bank, as set forth in the Auxiliary Minute Book of this date.
Recommendation approved.
- Dated, April 30, Recommending action on applications for fiduciary powers May 2nd, as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.
- Dated, April 30, Recommending action on application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Held.
- Dated, April 30, Recommending approval of the application of Mr. J. W. Malone for permission to serve at the same time as Vice President and Director of the American National Bank, Pensacola, Fla. and as director of the American National Bank, Union Springs, Ala.
Recommendation approved.

The meeting adjourned at 12:50 p.m.

Approved:


Governor.


Secretary.