

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, May 10, 1927 at 11:00 a.m.

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

The Governor presented application of The Pigeon State Bank, Pigeon, Michigan, for membership in the Federal Reserve System and for 18 shares of stock in the Federal Reserve Bank of Chicago; together with recommendations of the Board's sub-committee: (1) That the application be approved subject to the nine general conditions of membership contained in the Board's Regulation H, and the further condition that prior to the payment of a dividend the bank shall carry to surplus account not less than one-tenth part of its net profits for the preceding dividend period until its surplus fund shall amount to \$25,000 and (2) That the Bank be advised that the Board is now considering the question of what changes should be made in 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 necessary in view of the amendments contained in the McFadden Act.

Upon motion, it was voted to approve the application in accordance with the recommendations of the sub-committee.

The Governor also presented application of the Bank of Avoca, Avoca, N. Y., for membership in the Federal Reserve System and for 60 shares of

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stock in the Federal Reserve Bank of New York, together with recommendations of the Board's sub-committee: (1) That the application be approved subject to the regular conditions of membership contained in the Board's Regulation H and (2) That the bank be advised that the Board is now considering the question of what changes should be made in 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 necessary in view of the amendments contained in the McFadden Act.

Upon motion, it was voted to approve the application in accordance with the recommendations of the sub-committee.

Letter dated May 5th from the Assistant 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.

Telegram dated May 6th from the Secretary of the Federal Reserve Bank of Cleveland, 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 9th from the Secretary of the Federal Reserve Bank of Minneapolis, advising that the board of directors on that day made no change in the bank's existing schedule of rates of discount and

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purchase.

Noted.

Telegram dated May 7th from the Chairman of the Federal Reserve Bank of Dallas, 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 5th from the Chairman of the Federal Reserve Bank of San Francisco, 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.

The Governor then presented telegrams exchanged under date of May 6th with the Assistant Federal Reserve Agent at Cleveland, with reference to the possibility of the organization of an Edge Act Corporation by Otis and Company of that city.

Noted.

Letter dated May 5th from the Secretary & Treasurer of the First Federal Foreign Investment Trust of New York City, advising of the payment on that date of the final installment on the capital stock of the corporation.

Noted.

Letter dated May 6th from the Federal Reserve Agent at Chicago, with reference to application for membership in the System filed by the Center Line State Savings Bank, Center Line, Michigan; the Agent advising that at the present time the condition of the bank does not warrant favorable recommendation on the application and that the management of the bank

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realizing that fact has filed a request that the application lie without action until after another examination can be made at the end of several months. The Agent in his letter requested instructions from the Board in the matter.

Referred to the Committee on District #7.

Report of Executive Committee on letter dated May 6th from the Secretary of the Federal Reserve Bank of Cleveland, requesting approval of the action of the Executive Committee of that bank in voting to extend for a period of 45 days from April 8th, with full pay, leave of absence on account of illness granted Mr. William E. Evans, an employee of the Pittsburgh Branch; the Committee recommending approval.

Approved.

Report of Committee on Salaries and Expenditures on letter dated May 7th from the Governor of the Federal Reserve Bank of Minneapolis, requesting approval of the action of the Executive Committee of that bank in voting to extend until June 1st, with full pay, leave of absence on account of illness previously granted Mrs. Myrtle Peters Fletcher, an employee of the Auditing Department; the Committee recommending approval.

Approved.

Report of Committee on Salaries and Expenditures on letter dated May 4th from the Chairman of the Federal Reserve Bank at Boston, advising of the action of the directors of that bank in voting, subject to the approval of the Federal Reserve Board, to extend leaves of absence on account of illness to Mr. Joseph Buckley of the Transit Department, Miss Olive Glover of the Bookkeeping Department, Miss Ruth Warren of the Transit

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Department, Miss Mary Quealy of the Transit Department, and Miss Elizabeth MacNeil of the Money Department; the Committee recommending approval.

Approved.

Report of Committee on Salaries and Expenditures on letter dated May 6th from the Controller of Administration of the Federal Reserve Bank of Chicago, advising of payments in the amount of \$584.05 and \$175.10, respectively, made to Snell Brothers, attorneys at Ida Grove, Iowa, and to the Clerk of the District Court at Ida Grove, for services and court costs in connection with claims against the failed Citizens State Bank of Arthur, Iowa; the Committee recommending that the payments be noted with approval.

Noted with approval.

Letters dated May 5th and 9th from the Assistant Federal Reserve Agent at New York, with reference to branch banking developments in New Jersey; the Assistant Agent advising that the State Banking Commissioner has issued permits for the establishment of branches to the Central Home Trust Company of Elizabeth, the Elizabethport Banking Company of Elizabeth, Bayonne Trust Company of Bayonne, Clinton Trust Company of Newark, Guardian Trust Company of Newark and the Perth Amboy Trust Company of Perth Amboy.

Noted.

Report of Committee on Examinations on letter dated May 7th from the Federal Reserve Agent at Cleveland, recommending approval of an application of the City Trust and Savings Bank of Youngstown, Ohio, for per-

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mission to purchase the South Side Savings Bank Company of Youngstown, located at 1507 Market Street, and to operate same as a branch, in lieu of the branch recently approved by the Board for establishment at 1702 Market Street; the Committee also recommending approval.

Approved.

Report of Committee on Examinations on letter dated May 7th from the Federal Reserve Agent at Minneapolis, transmitting and recommending approval of an application of the Fourth Northwestern National Bank of Minneapolis, an outlying institution, for a reduction in its reserve requirements from 10% to 7% of demand deposits; the Committee stating that the Fourth Northwestern National Bank was formerly a branch of the Northwestern National Bank of Minneapolis, and that it can see no reason for refusing the application.

Upon motion by Mr. Platt, the application was approved, Mr. Miller voting "no".

Letter dated May 5th from Mr. Alexander B. Trowbridge, advising that he will report to the Board upon the plans and specifications for the vault to be installed at the Havana Agency for the sum of \$200, provided the study is made in his own office, as a trip to Atlanta, which he does not believe would be necessary, would involve an additional per diem fee plus the cost of the trip.

After discussion, Mr. Miller moved that the Governor be authorized to employ Mr. Trowbridge, in accordance with the terms of his letter, if in his judgment it seems advisable.

Carried.

At this point, Mr. McIntosh entered the meeting.

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Report of Committee on District #5 on letter dated May 4th and telegram dated May 5th from the Executive Committee and the Governor, respectively, of the Federal Reserve Bank of Richmond, requesting approval of the acceptance by the bank of bid of the Mosler Safe Company, aggregating \$204,499.00 for the installation of the vault in the new Baltimore Branch Bank building; the Committee recommending approval, provided the vault specifications are approved by Mr. Trowbridge who is acting as consulting architect in connection with the construction of the Baltimore building.

Upon motion by Mr. Hamlin, the recommendation of the Committee was approved.

Letter dated May 3rd from the Chairman of the Federal Reserve Bank of Dallas, advising of the rejection of the offer of \$225,000 made by that bank under the authority recently granted by the Board for the purchase, as quarters for the proposed San Antonio branch, of the building now occupied by the San Antonio National Bank.

Noted.

The Secretary then presented a telegram addressed by the Chairman of the Federal Reserve Bank of Dallas under date of May 9th to the Governor of the Bank who is now in Washington, advising of the action of the board of directors of that bank in voting, subject to the approval of the Board, to lease temporary quarters for the San Antonio Branch in the Frost National Bank building at a monthly rental of \$850 until permanent quarters become available and requesting that the Federal Reserve Board reconsider its recent action in voting that the branch should not be established until permanent quarters are secured.

After discussion, Mr. James moved that the

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Board reconsider its action of April 18th in voting that the branch of the Federal Reserve Bank of Dallas at San Antonio shall not be opened until permanent quarters are available.

Mr. James' motion being put by the Chair was carried.

Mr. James then stated that he would submit to the Board at its next meeting a formal resolution authorizing the immediate opening of the branch in temporary quarters.

At this point, Mr. McIntosh withdrew from the meeting.

The Governor then submitted a memorandum from Counsel dated May 4th, with reference to the action of the Board at its meeting on December 22, 1924, in authorizing The Chase National Bank of the City of New York to establish branches in Havana, Cuba, Panama City and Cristobal, Canal Zone; Counsel stating that the Board's formal order was issued incorrectly in the name of the Chase National Bank of New York and submitting a form of nunc pro tunc order desired by the Chase National Bank of the City of New York.

Upon motion, the order submitted by Counsel was adopted nunc pro tunc and ordered spread upon the minutes as follows:

"WHEREAS, on or about December 19, 1924, the Chase National Bank of the City of New York applied to the Federal Reserve Board for an order authorizing said bank to establish branches in the City of Havana, Republic of Cuba, the City of Panama, Republic of Panama, and the City of Cristobal, Canal Zone, Isthmus of Panama;

WHEREAS, by action taken at its meeting on December 22, 1924, the Federal Reserve Board, acting pursuant to the said application of the Chase National Bank of the City of New York, adopted the following order:

'The Chase National Bank of New York, having on or about December 19, 1924, filed an application with this Board for the purpose of obtaining authority to establish Branches in the City of Havana, Republic of Cuba, the City of Panama, Republic of Panama, and the City of Cristobal,

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Canal Zone, Isthmus of Panama, and the said application having been considered; and it appearing that the said application is properly made under the laws of the United States of America and should be granted, Now, therefore, it is

ORDERED, that the said application be and it hereby is approved, and that the said Bank be and it hereby is authorized to establish Branches in the City of Havana, Republic of Cuba, the City of Panama, Republic of Panama, and the City of Cristobal, Canal Zone, Isthmus of Panama."

WHEREAS, the said order refers to the said bank as the 'Chase National Bank of New York' but the correct title of said bank is 'The Chase National Bank of the City of New York';

WHEREAS, the Federal Reserve Board in adopting said order, was acting upon the application of the Chase National Bank of the City of New York and intended by its action to grant permission to the Chase National Bank of the City of New York to establish the branches named in said order and applied for by that bank;

WHEREAS, the omission of the words 'of the City' from the corporate title of the bank was a clerical mistake;

NOW, THEREFORE, IT IS ORDERED that the said order of the Federal Reserve Board adopted on the 22nd day of December, 1924, and fully set out above, be and it hereby is corrected in accordance with the intention of the Federal Reserve Board in adopting said order to read as follows, to take effect as of December 22, 1924:

The Chase National Bank of the City of New York, having on or about December 19, 1924, filed an application with this Board for the purpose of obtaining authority to establish Branches in the City of Havana, Republic of Cuba, the City of Panama, Republic of Panama, and the City of Cristobal, Canal Zone, Isthmus of Panama, and the said application having been considered and it appearing that the said application is properly made under the laws of the United States of America and should be granted, Now, therefore, it is

ORDERED, that the said application be and it hereby is approved, and that the said Bank be and it hereby is authorized to establish Branches in the City of Havana, Republic of Cuba, the City of Panama, Republic of Panama, and the City of Cristobal, Canal Zone, Isthmus of Panama."

Memorandum from Counsel dated May 7th submitting application of the National City Bank of New York for permission to establish branches in

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Aguadilla, Bayamon, Caguas, Fajardo, Guayama, Humacao, Juncos and Rio Piedras, all in Porto Rico; Counsel stating that the application is in proper form and that he knows of no legal reason why it should not be granted.

After discussion, it was voted to refer the above application to the Comptroller of the Currency for an expression of his opinion as to the advisability of its approval.

Matter ordered circulated at the meeting on May 5th, namely, letter dated May 2nd from the Chairman of the Committee on Banking and Currency of the House of Representatives with reference to the reported development of chain banking in the United States. The Governor also submitted a memorandum from Mr. James with reference to the preparation of a reply to Mr. McFadden's letter.

After discussion, the above letter was referred to the Law Committee for the preparation of a reply.

The Governor then submitted memorandum from Counsel on letter dated April 30th from the Federal Reserve Agent at St. Louis, enclosing copy of a trust agreement between the National Bank of Kentucky and the Louisville Trust Company, both of Louisville, Ky., through which it is proposed to bring about joint control of the institutions, at the same time preserving their corporate entities.

The Governor stated that the Federal Reserve Agent at St. Louis and representatives of the two banks involved in the agreement are in Washington today for conference with the Comptroller of the Currency, and would like to present the matter verbally to the Board or a Committee.

After a brief discussion, Mr. Platt moved that it is the sense of the Board that it has

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no authority over the proposed trust agreement.

Mr. Cunningham moved as a substitute for Mr. Platt's motion that the Board receive the Louisville representatives referred to by the Governor.

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

Mr. Martin, Federal Reserve Agent at St. Louis and the Louisville representatives then entered the meeting and discussed their proposition with the Board.

Following the discussion, Mr. James moved that the Federal Reserve Board interpose no objection to the arrangement entered into by the National Bank of Kentucky and the Louisville Trust Company.

Mr. James' motion being put by the Chair was carried.

Mr. Martin, Federal Reserve Agent at St. Louis and the Louisville Committee then withdrew from the room.

The Board's Counsel then entered the meeting and submitted a letter addressed to him under date of May 6th by Judge Ueland, Counsel for the Federal Reserve Bank of Minneapolis, with reference to the par clearance suit brought against that bank in 1925 by the First State Bank of Hugo, Minn., a nonmember. For the information of the Board members, Counsel reviewed the matter, stating that the suit was for damages alleged to have been suffered by the plaintiff: (1) Through loss of exchange charges, (2) Through being compelled to carry a larger cash reserve thereby losing interest on the money, and (3) Through injury to its reputation growing out of the counter collection of checks by the Federal Reserve bank. He stated that the damages sought by the plaintiff aggregated \$19,105 - \$15,000 punitive damages and \$4,105 actual, and that verdict in the case, which

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was tried in the State Court, was in favor of the plaintiff and awarded damages amounting to \$1,229.99. He inquired whether the Board desired to arrange for the employment of special counsel to assist in further proceedings in the case.

After a full discussion, Mr. Miller moved that it is the opinion of the Board that the issues in the par clearance case of the First State Bank of Hugo, Minnesota, against the Federal Reserve Bank of Minneapolis are of interest to every Federal Reserve bank and that arrangements should, therefore, be made for a competent presentation of the System's interests; and further that for this purpose the Board recommend the employment of Honorable Newton D. Baker as special counsel on behalf of the Federal Reserve banks, the cost of his employment to be prorated among the Federal Reserve banks.

Carried.

The minutes of the meeting of the Federal Reserve Board held on May 5th were then read and approved.

REPORTS OF STANDING COMMITTEES:

Dated, May 6th, 7th, 9th, 10th, Recommending changes in stock at Federal Reserve Banks, as set forth in the Auxiliary Minute Book of this date. Recommendations approved.

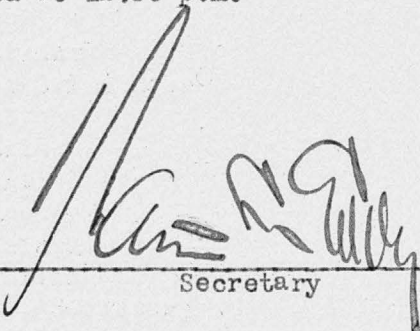
Dated, May 3rd, 9th, 10th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date. Recommendations approved.

Dated, May 5th, Recommending approval of the application of Mr. George S. Silzer for permission to serve at the same time as President and Director of the Interstate Trust Company, New York, N.Y., as Chairman of the Board and director of the New Brunswick Trust Company, New Brunswick, N. J., and as Chairman of the Board and director of the Broad & Market National Bank, Newark, N.J. Recommendation approved.

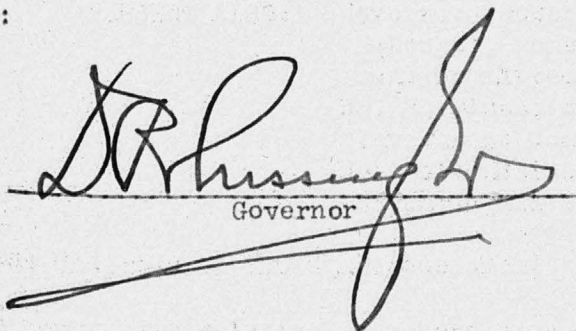
Dated, May 5th, Recommending approval of the application of Mr. Harry Scullin for permission to serve at the same time as director of the First National Bank in St. Louis, Mo. and as director of the St. Louis Union Trust Company, St. Louis, Mo. Recommendation approved.

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The meeting adjourned at 12:30 p.m.


Secretary

Approved:


Governor