

A meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, June 1, 1927, at 10:45 a.m.

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

Matter approved on initials on May 28th, namely, application of the Citizens National Bank, Olvia, Minn., for original stock (21 shares) in the Federal Reserve Bank of Minneapolis, effective if and when authorized by the Comptroller of the Currency to commence business.

Formally approved.

Matter approved on initials on May 31st, namely, application of The First National Bank of Springfield, Ohio, for permission to exercise general fiduciary powers.

Formally approved.

Report of Committee on Examinations on letter dated May 28th from the Federal Reserve Agent at St. Louis, transmitting application of the Bank of Maplewood, Maplewood, Mo., for permission to exercise trust powers - a broadening of the bank's functions under the general condition of its admission to membership in the System; the Committee concurring in a recommendation of the Federal Reserve Agent that the application be approved upon condition that the Bank Commissioner of Missouri confers fiduciary powers on the institution.

Upon motion, the application was approved in accordance with the recommendation of the Federal Reserve Agent.

Memorandum from Counsel dated May 28th with reference to the appli-

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cation of the Wright Banking Company of Bellevue, Ohio, for membership in the Federal Reserve System; Counsel submitting draft of a letter to the Federal Reserve Agent at Cleveland requesting further information, supported by affidavits, with reference to the population of the town of Bellevue, in connection with the eligibility of the bank for membership under its present capitalization of \$50,000.

Upon motion, the proposed letter was approved.

Telegram dated June 1st from the Chairman of the Federal Reserve Bank of Philadelphia, advising that the board of directors at their meeting on that date made no change in the bank's existing schedule of rates of discount and purchase.

Noted.

Telegram dated May 27th from the Chairman of the Federal Reserve Bank of Chicago, advising that the board of directors at their meeting on that date made no change in the bank's existing schedule of rates of discount and purchase.

Noted.

Report of Executive Committee on letter dated May 31st from the Comptroller of the Currency, recommending approval of a salary of \$2,700 per annum for National Bank Examiner Field F. Cunningham, assigned to the Sixth Federal Reserve District; the Committee recommending approval.

Approved.

Memorandum dated May 27th from the Chief Examiner advising that Mr. C. S. Barker, who under authority previously granted by the Board was appointed Assistant Federal Reserve Examiner at a salary of \$4,000

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per annum, reported for duty May 16, 1927.

Noted.

Memorandum dated June 1st from the Board's Chief Telegraph Operator, requesting authority for the employment of a vacation relief operator during July and August.

Upon motion, the authority requested was granted.

Letter dated May 26th from the Federal Reserve Agent at New York, advising of negotiations by the Merchants Trust Company of Newark for the merger of the Newark Trust Company, which is a nonmember bank; the Agent stating that in his opinion the merger will not represent any change in the general character of the assets of the Merchants Trust Company nor in the scope of its functions, such as will tend to affect materially the standard maintained at the time of its admission to the Federal Reserve System.

Noted, without objection.

Memorandum from the Secretary dated May 31st suggesting that a circular letter be addressed to all Federal Reserve Agents, based upon the Board's letter of May 27th to the Federal Reserve Agent at Dallas, advising that the Board is of the opinion that it still has power under the McFadden Act to prescribe for a state bank admitted to membership a condition that the applicant bank shall eliminate certain losses or objectionable assets within a specified period.

Upon motion, the suggestion of the Secretary was approved.

Letter dated May 26th from The Provident Savings Bank and Trust

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Company, Cincinnati, Ohio, requesting the names of all banks that have withdrawn from the Federal Reserve System since its organization. The Secretary reported that a list such as is desired has never been prepared but could, of course, be worked up from the data in the Board's files.

After discussion, the Secretary was directed to have prepared for submission to the Board a list of all banks which have withdrawn from the System and it was understood that the request of the Provident Savings Bank and Trust Company would be considered further after the data has been compiled.

At this point, Mr. McIntosh joined the meeting and after discussion upon motion by Mr. Hamlin the various actions taken by the Executive Committee were ratified. The Board then proceeded in regular session.

Report of Committee on Examinations on letter dated May 17th from the Federal Reserve Agent at Minneapolis, with further reference to a proposed reduction in the capital of the Bank of Boulder, Boulder, Montana, from \$75,000 to \$25,000 in connection with the reorganization of the institution wherein \$100,000 of bad assets would be charged off, after \$25,000 of new capital is paid in; the Committee submitting a memorandum regarding the condition of the Bank of Boulder prepared by Mr. Gilbert, Supervisor of Examinations, and recommending that the reduction in capital be approved by the Board.

Upon motion, the recommendation of the Committee was adopted and the reduction was approved.

Memorandum dated May 26th from the Committee on Examinations, sub-

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mitting draft of letter to the Federal Reserve Agent at St. Louis regarding report of an examination of the Mound City Trust Company of St. Louis, Mo., made as at the close of business January 31, 1927; the letter calling attention to apparent criminal violations of the Federal Reserve Act by officers and employees of the bank and requesting further information with regard to certain matters disclosed by the examination.

Upon motion, the proposed letter was approved.

Report of Committee on Examinations on the matter referred to it at the meeting on May 23rd, namely, letter dated May 21st from the Federal Reserve Agent at Chicago advising that the First State Bank of Mt. Carroll, Ill., has qualified for the exercise of trust powers under charter and statutory authority; the Committee reporting that the bank was authorized to exercise trust powers at the time of its admission to the System and expressing the opinion that the case should not have been referred to the Board.

After discussion, the Secretary was directed to prepare for submission to the Board a letter to the Federal Reserve Agent at Chicago along the lines of the discussion.

Memorandum from Counsel dated May 3rd with reference to the action of the directors of the Federal Reserve Bank of Atlanta in authorizing the officers of the bank to enter into an agreement by which the Federal Reserve bank will undertake to indemnify the Federal Reserve Agent, the Comptroller of the Currency and the Treasurer of the United States against any loss which may accrue to them or either of them in the handling of unissued Federal Reserve notes at the Cuban Agency of the Atlanta bank;

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Counsel expressing the opinion that a contract of the kind proposed is illegal or at least ineffective, pointing out that the statute provides that unissued Federal Reserve notes shall be held in the joint custody of the Federal Reserve Agent and the Federal Reserve bank and it is believed to be contrary to the intention of the statute for the Federal Reserve bank to assume the entire responsibility.

Mr. Hamlin referred to the action of the Board at a recent meeting in appointing him and Mr. James as a special committee to confer with the Assistant Secretary of the Treasury regarding the proposal to carry unissued Federal Reserve notes at the Agency. It was thereupon voted that action regarding the agreement proposed by the Atlanta bank should be deferred for the time being.

Report of Committee on Examinations on telegrams dated May 17th and 31st from the Federal Reserve Agent and Assistant Federal Reserve Agent at the Federal Reserve Bank of New York regarding a merger of the Peoples Bank of Buffalo with the Manufacturers and Traders Trust Company of Buffalo, which was effected on May 16th under the title "Manufacturers and Traders - Peoples Trust Company"; the telegram from the Assistant Federal Reserve Agent stating that the merger does not constitute any change in the general character of assets or in scope of functions such as would tend to affect materially the standard maintained at the time of the admission to the Federal Reserve System of the Fidelity Trust Company of Buffalo under whose charter the bank continues.

Upon recommendation of the Board's Committee on Examinations, the merger was noted without objection.

The Secretary then presented copy of a letter addressed to the

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Chairman of the Federal Reserve Bank of Atlanta under date of May 31st by Mr. A. B. Trowbridge, Consulting Architect, advising that he has carefully gone over the plans and specifications for the proposed vault for the Havana Agency and that with certain exceptions noted in his letter he approves the plans and specifications.

Mr. McIntosh again called attention to the recent action of the Board in appointing a special committee to confer with the Assistant Secretary of the Treasury regarding the proposal to carry unissued Federal Reserve notes at the Agency and expressed the opinion that action looking toward the construction of a vault at the Agency should be deferred until the results of this conference are made known to the Board.

He moved that a letter be addressed to the Chairman of the Federal Reserve Bank of Atlanta advising of receipt by the Board of a copy of Mr. Trowbridge's report on the vault plans and specifications, and requesting that no action be taken toward the letting of contracts for the construction of the vault pending receipt of further advice from the Board.

Carried.

The Secretary then presented letters dated May 26th and 28th from the Federal Reserve Agent at San Francisco, transmitting and commenting upon an analysis of report of credit investigation of the Pacific Southwest Trust and Savings Bank of Los Angeles made by the Federal Reserve bank as of February 5th. He stated that the report in question in two volumes and a supplement thereto has also been received.

After discussion, Mr. Cunningham moved that the report of the investigation made by the Federal Reserve Bank of San Francisco be referred to Mr. Gilbert, Supervisor of Examinations, for the prepara-

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tion of an analysis to be submitted to the special committee appointed by the Board at the meeting on May 5th, to which committee was referred certain correspondence from the Federal Reserve Agent at San Francisco with regard to disclosures made by the investigation and the concurrent examination of the State Banking Department.

Carried.

The Vice Governor then reported that Mr. Castle, Vice President and General Manager of the First Federal Foreign Investment Trust of New York City was in Washington yesterday to confer with the Board and that no meeting being held it had been suggested that he remain over until today. He stated that Mr. Castle wishes to see the Board regarding the proposed bond issue of the First Federal Foreign Investment Trust. The Board's Counsel was called into the meeting and discussion ensued as to the action taken by the Board at the meetings on May 27th and 28th in considering the matter referred to by the Vice Governor.

Mr. Hamlin then moved that an immediate report as to the revision of the Board's Regulation K be made by the Law Committee.

This motion being put by the Chair was carried, the members voting as follows:

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

Mr. McIntosh then moved that action by the Board on the application of the First Federal Foreign Investment Trust be deferred until after report by the Law Committee on the revision of Regulation K.

Mr. McIntosh's motion being put by the Chair was carried, Mr. Platt voting "no".

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There was discussion regarding the revision of Regulation K, during which it was the consensus of opinion that there should be no delay in the preparation of a preliminary redraft of the regulation by Counsel's office.

The reading of the minutes of the meetings held on May 27th and 28th was dispensed with.

REPORTS OF STANDING COMMITTEES:

- Dated, May 28th, 31st, June 1st, Recommending changes in stock at Federal Reserve Banks, as set forth in the Auxiliary Minute Book of this date. Recommendations approved.
- Dated, May 26th, 27th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date. Recommendations approved.
- Dated, May 23rd, 27th, Recommending action on applications for admission of state banks, subject to the conditions stated in the individual reports attached to the applications, as set forth in the Auxiliary Minute Book of this date. Recommendations approved.
- Dated, May 27th, Recommending approval of the application of Mr. J. N. Peyton for permission to serve at the same time as officer and director of the Pioneer National Bank, Duluth, Minn., and as officer and director of the Minnesota National Bank, Duluth, Minn. Recommendation approved.
- Dated, May 27th, Recommending approval of the application of Mr. Walter B. Stewart for permission to serve at the same time as director of the Joliet National Bank, Joliet, Ill., and as Vice President and director of the First National Bank, Wilmington, Ill. Recommendation approved.
- Dated, May 31st, Recommending approval of the application of Mr. Lewis Barnum for permission to serve at the same time as director of the First National Bank, Pueblo, Colo., as director of the First National Bank, Lamar, Colo., and as director of the First National Bank, Clarendon, Tex. Recommendation approved.
- Dated, May 31st, Recommending approval of the application of Mr. M. T. Everhart for permission to serve at the same time as director of the First National Bank, Pueblo, Colo., and as director of the First National Bank, Florence, Colo. Recommendation approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

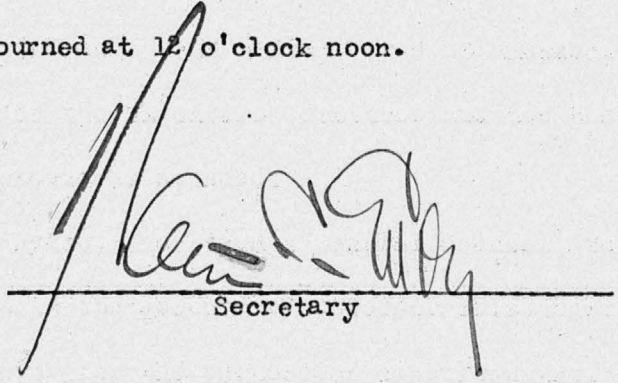
Dated, May 31st, Recommending approval of the application of Mr. C. B. Carlile for permission to serve at the same time as director and officer of the First National Bank, Pueblo, Colo., as director of the First National Bank, Lamar, Colo., and as director of the First National Bank, Silverton, Colo.

Recommendation approved.

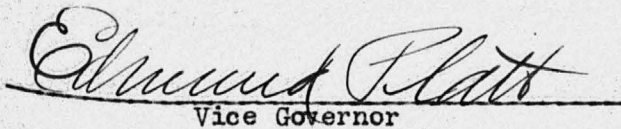
Dated, May 31st, Recommending approval of the application of Mr. George Q. Calderwood for permission to serve at the same time as director of the First National Bank, Kane, Pa., and as director of the Peoples Bank and Trust Co., Erie, Pa.

Recommendation approved.

The meeting adjourned at 12 o'clock noon.


Secretary

Approved:


Vice Governor