

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, June 8, 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
 Mr. Wyatt, General Counsel

PRESENT ALSO:

The minutes of the meeting of the Federal Reserve Board held on June 7th were read and approved.

The Governor then stated that he had received from Mr. Harrison, Secretary of the Governors' Conference, a report regarding the recommendations made by the last Conference which require action by the Federal Reserve Board. He called attention to the fact that several members are soon leaving Washington and inquired whether the Board desired to take up the recommendations of the Conference in the regular manner, by reference to appropriate committees.

After discussion, the Secretary was instructed to submit to each member of the Board a copy of all recommendations of the Conference, following which they are to be made special order of business for some future meeting of the Board.

The Governor then referred to a recent letter received from the Federal Reserve Agent at Dallas, requesting that the Board be represented at the meeting of stockholders of that bank to be held in Dallas on June 15th.

After discussion, the Secretary was directed to advise the Federal Reserve Agent that the members of the Board regret that it will be impossible for any of them to attend the meeting.

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Report of Committee on Examinations on letter dated June 6th from the Federal Reserve Agent at Philadelphia, transmitting and recommending approval of an application of the Lock Haven Trust Company, Lock Haven, Pa., for approval of its recent action in acquiring 343 shares of the stock of the Mill Hall State Bank, Mill Hall, Pa.; the Committee recommending approval.

Approved.

Report of Committee on Examinations on letter dated June 6th from the Federal Reserve Agent at New York, transmitting application of the Interstate Trust Company, New York, N. Y., for permission to take over as branches the banking business now conducted by Bloomingdale Brothers in their department store at 59th Street and Lexington Avenue, Manhattan, and the Franklin National Bank located at Franklin and Hudson Streets, Manhattan; the Committee recommending approval of the recommendation of the Federal Reserve Agent that the establishment of the Bloomingdale branch be approved unconditionally and that the merger of the Franklin National Bank into the Interstate Trust Company be approved effective if and when formal approval is issued by the New York Banking Department.

Upon motion, the recommendation of the Federal Reserve Agent was approved.

Memorandum dated June 6th from the Chief of the Division of Bank Operations, approved by the Executive Committee, recommending that the Board arrange to telegraph to the Federal Reserve Bank of Chicago each week the consolidated figures showing the condition of all member banks

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as they appear in the Board's weekly statement to the press; the telegram to be dispatched at the same time the statement itself is released to the press by the Governor's office. In his memorandum, the Chief of the Division of Bank Operations referred to the release of certain of the figures which the Board has permitted the New York bank to make regularly at the same time the statement is released here to the press.

Upon motion, the recommendation of the Chief of the Division of Bank Operations was approved.

Letter dated June 2nd from the Deputy Governor of the Federal Reserve Bank of Chicago, requesting a ruling by the Board as to the classification as time deposits by the Harris Trust and Savings Bank of Chicago of amounts "due to banks and bankers subject to thirty days' notice."

Referred to the Law Committee.

Letter dated June 6th from the Federal Reserve Agent at Chicago, requesting the views of the Board as to his accepting an invitation extended him to prepare for publication in local newspapers an article commendatory of the State Bank and Trust Company of Evanston, Illinois, which is about to move into a new bank building.

Referred to the Governor with power.

Letter dated June 6th from the Governor of the Federal Reserve Bank of Richmond, transmitting copy of letter received from their architects relating to the vault to be installed in the new building being erected for the Baltimore Branch.

Noted.

The Governor stated that special order of business for this morning's

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meeting was the proposed revision of the Board's Regulation K, prepared by the Board's General Counsel, in consultation with Mr. Albert Rathbone, Special Counsel, and submitted in Mr. Rathbone's letter to the Board of June 6, 1927. He called attention to the motion made by Mr. Hamlin at the meeting yesterday "That the Board adopt the revised Regulation K as submitted, and that it be promulgated immediately, superseding Regulation K, Series of 1924.

Mr. Hamlin withdrew the motion made by him yesterday and discussion ensued as to the advisability of Subsection (a) of Section 11 of the proposed new regulation as set forth in the draft submitted in Mr. Rathbone's letter.

Mr. Hamlin moved that Subsection (a) of Section 11 be not amended.

Mr. Miller moved as a substitute for Mr. Hamlin's motion that Subsection (a) of Section 11 be eliminated and that there be inserted in lieu thereof a statement as follows:

"A corporation is not required by law or by this regulation to make application to or obtain the approval of the Federal Reserve Board before making an issue of its debentures, bonds, notes or other obligations, but corporations issuing their debentures, bonds, notes or other obligations must comply with the rules, regulations and conditions hereinafter set forth."

Mr. Miller's substitute motion being put by the Chair was carried, Mr. Hamlin voting "no".

Mr. Platt then referred to the last provision of Subsection (c) of the draft of Section 11 that "The documents filed with the Federal Reserve Board in accordance with the requirements of this subsection shall be open to the inspection of the public."

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He moved that this sentence be changed to read "The documents filed with the Federal Reserve Board in accordance with the requirements of this subsection shall be open to inspection at the discretion of the Federal Reserve Board."

Mr. Hamlin moved as a substitute for Mr. Platt's motion that the sentence be changed to read "The Federal Reserve Board reserves the right to make public whenever it believes it to be necessary in the public interest any documents filed with it under this subsection."

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

Mr. James then referred to the provision of Paragraph (a) 2 of Subsection (c) of the draft of Section 11 that within ten days after an issue by a corporation the corporation shall file with the Board a statement, verified by affidavit, of "The aggregate amount of the debentures, bonds, notes or obligations issued under the Trust Indenture and the net price received by the corporation therefor".

He moved that the words "and the net price received by the corporation therefor" be stricken from the paragraph.

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

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

Mr. James then referred to the provisions of Paragraph (f) of Subsection (c) of the draft of Section 11, relating to statements to be filed with the Board in connection with substitutions or changes in the securities behind an issue.

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He moved that these provisions be stricken from the paragraph.

After discussion, at one o'clock the Board recessed until 2:30 p.m.

At 2:30 p.m., the Board reconvened, the same members being present as attended the morning session.

Mr. James withdrew the motion made by him at the morning session that there be stricken from Paragraph (f) of Subsection (c) of the draft of Section 11 the provisions relating to statements to be filed with the Board in connection with substitutions or changes in the securities behind an issue.

He moved in lieu thereof that the provisions in question be amended to read as follows:

"In case there shall be any substitution of or change in the securities at any time held under any such Trust Indenture securing an issue of debentures, bonds, notes or other obligations the Corporation, each time it makes a report to the Federal Reserve Board pursuant to the provisions of Section XVI, shall file with the Federal Reserve Board a statement verified by the affidavit of the President or a Vice President and the Treasurer, Cashier or Comptroller of the Corporation.

A. Giving the details of such substitution or change; and

B. Certifying that at the time of such substitution or change the additional collateral transferred to the Trustee under the Trust Indenture had a market value at least equal to the market value of the collateral security released from the lien of such Trust Indenture.

Such statement shall be accompanied by an acknowledgement by the Trustee under the Trust Indenture that there has been delivered to it and that it holds as such Trustee the additional collateral specified in such statement."

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

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Mr. James then referred to Paragraph 3 (b) of Subsection (b) of the draft and moved that it be amended to read as follows:

"(b) Have an aggregate market value equal at all times to not less than one hundred and ten per cent of the aggregate principal amount of the obligations issued or to be issued against such securities; and"

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

Discussion then ensued as to Subsection (d) of the draft of Section 11, and Mr. James moved approval of the subsection as submitted.

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

Mr. Platt then moved adoption by the Board of the draft of Regulation K submitted in Mr. Rathbone's letter to the Board of June 6th, as amended at this meeting, and that it be promulgated immediately, superseding Regulation K, Series of 1924.

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

The Board's Counsel then submitted a letter dated June 6th from the Vice President of the First Federal Foreign Investment Trust of New York City, calling attention to the fact that in connection with the corporation's proposed issue of notes, it is desired to issue to the purchasers of such notes stock purchase warrants giving the holders thereof an option to purchase the stock of the First Federal Foreign Investment Trust during the three years' period following the issue, and that all necessary corporate action has been taken to authorize such increase in the capital stock of the corporation as may be necessary to enable the corporation to issue shares

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of stock to the holders of such warrants; the letter stating that the corporation desires to have some assurance from the Federal Reserve Board that, if and when the holders of such stock purchase warrants exercise their options to purchase stock, the Federal Reserve Board will approve the necessary increases in the capital stock of the corporation.

After discussion, Mr. Platt moved that the Board approve any and all increases in the capital stock of the First Federal Foreign Investment Trust which may be necessary to enable the corporation to issue the additional stock called for by the warrants in question in an aggregate amount not to exceed \$1,500,000, such approval to take effect if, as and when the holders of such stock purchase warrants exercise their options to purchase stock, provided that such options are exercised within three years from the date of the issuance of the warrants, and provided further that the corporation shall certify to the Board the date and amount of each such increase in its capital stock.

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

The Board's Counsel then withdrew from the room with instructions to prepare a letter to the First Federal Foreign Investment Trust, transmitting a copy of the revised Regulation K, just adopted, and advising of the Board's action with reference to increases of the corporation's capital stock.

Mr. Hamlin, on behalf of the special committee appointed at the meeting on May 27, 1927, reported an interview between the Committee and Mr. Dewey, Assistant Secretary of the Treasury, regarding the proposal of the Federal Reserve Bank of Atlanta, approved by the Board, to carry a stock of unissued Federal Reserve notes at its Cuban Agency. He stated that Governor Strong of the Federal Reserve Bank of New York has prepared a plan as a substitute for the present agency arrangement, which, however,

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would involve a change in the existing treaty of the United States with the Republic of Cuba, which Mr. Dewey advised the Committee informally the State Department apparently does not favor.

Mr. Dewey stated that Assistant Secretary of State Castle and Mr. White of the State Department had advised him that in no event would the State Department be willing to take the matter up with the Cuban Government until after the assembling of the Pan American Financial Congress in Cuba in December of this year.

Mr. Hamlin reported that Mr. Dewey had stated that as to the carrying of unissued Federal Reserve notes at the Agency he wished to take the matter under further consideration and may wish to secure an opinion from the Attorney General. Mr. Hamlin reported further that Mr. Dewey had stated that the Secretary of the Treasury would address a formal letter to the State Department asking its opinion on Governor Strong's plan and that Mr. Dewey had stated while he thought the Board should withhold notification to the Federal Reserve Bank of Atlanta of its approval of plans for carrying unissued notes at the Agency until he could further examine into the matter, he saw no reason why the Board should not in regular course take up the matter of the proposed vault at the Agency.

Mr. Hamlin also referred to the proposal which has been discussed by the Board informally of issuing a pamphlet containing questions and answers on the Federal Reserve System along the lines of the pamphlet issued by the Federal Reserve Bank of Richmond, which, however, deals largely with the Fifth Federal Reserve district.

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A discussion of the matter ensued, during which some members of the Board expressed the opinion that it would be difficult to frame for publication replies to some controversial questions which might be raised. The discussion ended without formal action being taken.

The Board's Counsel then entered the room and submitted draft of letter to the First Federal Foreign Investment Trust of New York City, prepared in accordance with the instructions given him and reporting the action taken by the Board at its meeting today in promulgating a new Regulation K, effective immediately, and also its action with respect to increases in the capital stock of the corporation in connection with stock purchase warrants being issued in conjunction with the issue of notes to be made by the corporation.

Upon motion by Mr. Platt, the proposed letter was approved.

REPORTS OF STANDING COMMITTEES:

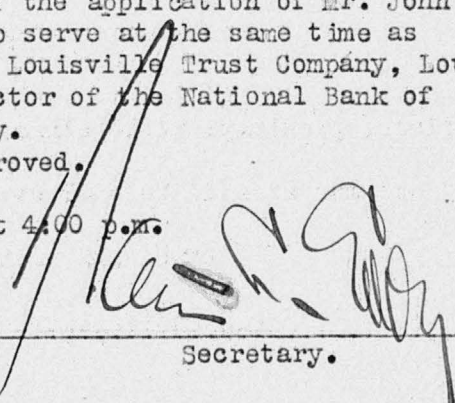
Dated, June 6th, Recommending approval of the application of Mr. H. Stacy Smith for permission to serve at the same time as Vice President of the North Ward National Bank, Newark, N. J., and as President of the Equitable Trust Company, Newark, N. J.

Recommendation approved.

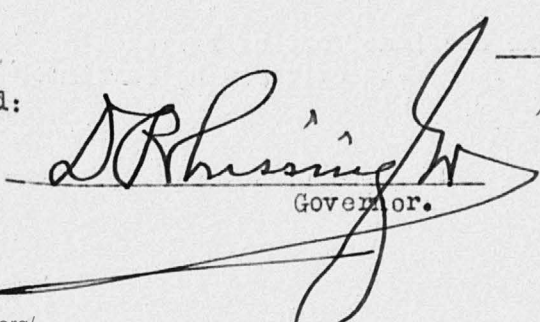
Dated, June 7th, Recommending approval of the application of Mr. John Stites for permission to serve at the same time as director-officer of the Louisville Trust Company, Louisville, Ky., and as director of the National Bank of Kentucky, Louisville, Ky.

Recommendation approved.

The meeting adjourned at 4:00 p.m.


Secretary.

Approved:


Governor.