

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Friday, June 10, 1927 at 11:30 a.m.

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

The reading of the minutes of the meetings of the Federal Reserve Board held on June 8th and 9th was dispensed with.

Memorandum dated June 8th from the Director of the Division of Research and Statistics, submitting the resignation of Miss Demma Shumate, an employee of the Division, and recommending that it be accepted as of July 19th and that Miss Shumate be granted the customary thirty days leave of absence.

Upon motion, the recommendation of the Director was approved.

Letter dated June 9th 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.

Letter dated June 9th from Shearman and Sterling, attorneys for the National City Bank of New York, advising that the branch which the bank has maintained at San Francisco de Macoris in the Dominican Republic will be closed as of the close of business June 11, 1927.

Noted.

Telegram dated June 9th from the Federal Reserve Agent at Kansas City,

6/10/27

-2-

advising that a credit investigation is to be made of The Commerce Trust Company on June 11th in conjunction with a regular examination by the State Banking Department and Clearing House Association and requesting authorization to designate certain employees of the bank as Assistant Examiners and detail workers in connection with the investigation; together with a proposed telegraphic reply, prepared by the Secretary, authorizing the Federal Reserve Agent to designate certain employees of the bank as Assistant Examiners and requesting that he later telegraph to the Board the names of those designated, following which the Board will wire formal approval.

Upon motion, the proposed telegraphic reply was approved.

Report of Committee on Salaries and Expenditures on letter dated May 25th from the Governor of the Federal Reserve Bank of Kansas City, requesting approval of a contribution by the bank to the Chamber of Commerce of Kansas City of \$500 a year for a period of five years in connection with a survey to be made of the possibilities of industrial expansion in and around Kansas City; the Committee recommending approval.

Approved.

Memorandum from Counsel dated June 1st, approved by the Executive Committee, submitting draft of reply to letter dated May 20th from the Auditor of the Mississippi Valley Trust Company of St. Louis, inquiring whether a dividend declared on May 11th payable on July 1st to stockholders of record on June 20th is subject to reserve requirements from May 11th to June 30th, inclusive; the proposed reply answering the inquiry in the

6/10/27

-3-

negative and stating that while the declaration of a dividend creates a liability it does not create a deposit liability against which reserves must be maintained.

Upon motion, the proposed reply was approved.

Memorandum from the Governor dated June 7th, approved by the Executive Committee, with reference to a proposal of the Federal Reserve Bank of Minneapolis to offer to its employees the privilege of taking out additional life insurance in an amount equal to that provided by the bank at its own expense, which additional insurance would be purchased by the bank and resold to the employees at a rate of fifty cents a month per \$1,000; the Governor recommending approval of the proposal of the Minneapolis bank, stating that a recent survey of employees' insurance in effect at the Federal Reserve Banks shows that the Federal Reserve Bank of Kansas City absorbs annually about \$1,400 in connection with additional insurance issued to its employees - the rate at which the Federal Reserve bank sells the insurance being the same as that proposed by the Minneapolis bank which estimates that it will be called upon to absorb annually from \$1,200 to \$1,800, depending upon the number of employees who elect to take the additional insurance.

Upon motion, it was voted to approve the proposal of the Federal Reserve Bank of Minneapolis as stated in the Governor's memorandum.

Report of Committee on Examinations on letter dated May 28th from the Federal Reserve Agent at Minneapolis, transmitting and recommending approval of an application of the State Bank of Madelia, Minn. for ap-

6/10/27

-4-

proval of the absorption by that bank of the First National Bank of Madelia; the Committee submitting analyses of the condition of the two banks involved prepared by Mr. Gilbert and his recommendation that the consolidation, which was effected several days ago, be not approved by the Board; the two members of the Committee submitted individual reports, Mr. Platt recommending approval of the consolidation and Mr. Cunningham disapproval.

After discussion, Mr. Cunningham moved that in view of the analyses prepared by Mr. Gilbert and his adverse recommendation, copies of the analyses be forwarded to the Federal Reserve Agent at Minneapolis with a request for his further recommendations as to whether the State Bank of Madelia should be permitted to continue as a member of the Federal Reserve System.

The Governor called attention to the fact that the Comptroller of the Currency was undoubtedly aware of the proposed consolidation and suggested that no action be taken until the Comptroller returns from a short absence from the city which will probably be on Monday.

By unanimous consent, action on Mr. Cunningham's motion was deferred until a meeting at which Mr. McIntosh will be present.

Letter dated June 9th from the Chairman of the Federal Reserve Bank of Richmond, advising of the action of the board of directors of that bank in electing as directors of the proposed Charlotte Branch Mr. Hugh Leach, who is at present Auditor of the Bank, Managing Director, Mr. W. H. Wood, President of the American Trust Company of Charlotte, and Mr. W. J. Roddey, Sr., Chairman of the Columbia National Bank of Columbia, S. C.; the Chairman also advising that subject to the approval of the Board the salary of Mr. Leach as Managing Director has been fixed at \$7500 per annum, an increase from \$6500, and that of Mr. W. T. Clements as Cashier of the Branch

6/10/27

-5-

at \$4500, an increase from \$3900, which salary he now receives as a member of the Bank Relations Department.

After discussion, the above letter was referred to the Committee on District #5 for recommendation.

Memorandum dated June 9th from the Secretary, submitting report prepared by Mr. A.B. Trowbridge, Consulting Architect, in accordance with the request made of him by the Board on May 24th, relating to the plans and specifications of the proposed vault to be installed in the Baltimore Branch Building and to certain apparent irregularities in connection with bidding on the proposed vault.

Upon motion, the above report was ordered circulated and made special order of business for a meeting to be held on Monday.

The Governor then submitted a letter dated June 9th addressed to him by the Chairman of the Open Market Investment Committee containing a resume of open market transactions since the last meeting of the committee and commenting on the outlook over the midyear period. The Governor stated that Governor Strong advised him yesterday over the telephone that the Federal Reserve Bank of New York has purchased from the Reichsbank and earmarked abroad \$2,600,000 additional of gold, making a total of gold earmarked abroad of between \$62,000,000 and \$63,000,000. The Governor stated that Governor Strong this morning advised him that conditions are so shaping themselves as to probably make it necessary for the Federal Reserve System to convert this earmarked gold into earning assets through the purchase of bills abroad.

The Governor then presented a letter dated June 7th from Mr. John J. O'Connor, Manager of the Finance Department of the Chamber of Commerce of

6/10/27

-6-

the United States, transmitting copy of letter addressed to Honorable Louis T. McFadden, Chairman of the Committee on Banking and Currency of the House of Representatives, with reference to the provision of Section 9 of the McFadden Act that "no such state bank may retain or acquire stock in a Federal Reserve Bank except upon relinquishment of any branch or branches established after the date of the approval of this act beyond the limits of the city, town, or village in which the parent bank is situated", which apparently makes it unlawful for a State bank member of the Federal Reserve System to establish foreign branches except upon forfeiture of membership in the System, and likewise, makes a State bank nonmember ineligible for membership except upon relinquishment of any foreign branches which may have been established subsequently to February 25, 1927; the letter to the Chairman stating that such a result was not intended by Congress in enacting the McFadden Act and suggesting an amendment excepting foreign branches from the provision referred to.

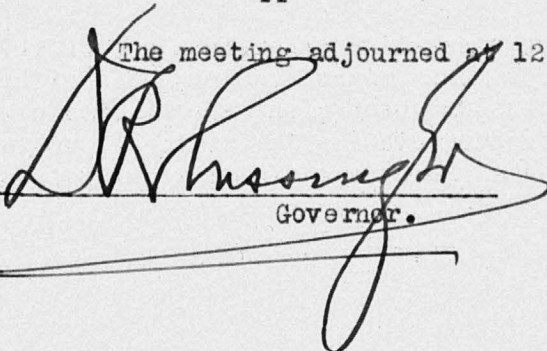
Referred to the Law Committee.

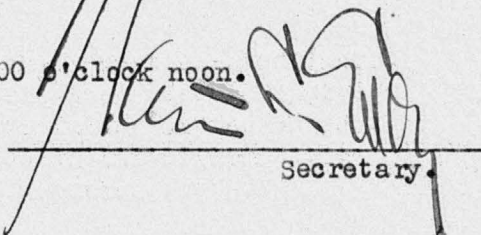
REPORTS OF STANDING COMMITTEES:

Dated, June 9th, Recommending approval of the application of Mr. Alvan Macauley for permission to serve at the same time as director of the National Bank of Commerce, Detroit, Mich., as director of the Guardian Trust Company, Detroit, Mich., and as director of the Guardian Detroit Bank, Detroit, Mich.
Approved.

The meeting adjourned at 12:00 o'clock noon.

Approved:


Governor.


Secretary.