

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, June 16, 1927, at 10:30 a.m.

PRESENT: Governor Crissinger

Mr. Hamlin

Mr. Miller

Mr. James

Mr. Cunningham

Mr. Eddy, Secretary

Mr. McClelland, Asst. Secretary

PRESENT ALSO: Governor Seay, of the Federal Reserve
Bank of Richmond

Mr. Hoxton, Chairman, Federal Reserve
Bank of Richmond

Mr. Graham, Director, Federal Reserve
Bank of Richmond

Mr. A. B. Trowbridge, Consulting Architect

Mr. Smead, Chief, Division of Bank Operations

The Governor stated that the meeting had been called for the purpose of discussing with the Richmond Committee the report submitted to the Board under date of June 6th by Mr. Trowbridge, Consulting Architect, with regard to the specifications and drawings prepared by the Richmond bank's engineers covering vault to be erected in the building being constructed for the Baltimore Branch. The Governor pointed out that on the basis of these specifications and drawings bids were submitted by only two of the five firms invited to enter the competition, namely, the York Safe and Lock Company and the Mosler Safe Company, the basic bid of the York Safe and Lock Company being \$214,800 and that of the Mosler Safe Company, \$188,652, while the Mosler Safe Company also quoted a price for substituting proprietary metals - Donsteel in the doors and Donlite for the lining - in place of the metals called for in the specifications, their alternate figure being \$204,499. He stated that the York Safe and Lock Company also had a proprietary metal, Infusite, on which they state

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they did not submit an alternate bid due to an indication in the specifications that such material might be put to test under direction of the bank's engineers - The Hollar Company - whom the York Safe and Lock Company allege favor the Mosler Safe Company. The Governor stated that the Board had also requested Mr. Trowbridge to report upon the advisability of eliminating the metal lining, securing added protection through an increase in the thickness of the concrete walls of the vault, but that Mr. Trowbridge had reported that due to lack of space for increasing the size of the walls this procedure would be impossible and any added protection desired would have to be secured through the use of lining. He stated that the question open for discussion was whether or not the bid of the Mosler Safe Company should be accepted, and if their alternate bid is to be accepted, whether the proprietary metals to be used should not be submitted to a test, to be conducted preferably by the United States Bureau of Standards. A further question, he stated, was whether there was any irregularity in the plans or specifications on the basis of which new bids should be called for.

At this point Mr. Platt entered the room.

A detailed discussion ensued, during which the Richmond Committee advised the Board that no complaint against the plans and specifications as drawn by their engineers had been received by them, either before or since the bids were received, although said plans and specifications were in the hands of all firms invited into the competition for some time prior to the date the bids were filed. The Committee also stated that if the Board desired to have a test made of the proprietary metals owned by the

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Mosler Safe Company, whose alternate bid the bank has voted to accept, such a test could be arranged. The Committee concurred in the belief that any test to be conducted should be made at the Bureau of Standards. The Committee further advised that until this meeting they were not aware of the Infusite metal made by the York Safe and Lock Company.

In reply to a question, Mr. Trowbridge expressed the opinion that a substitute bid by the York Safe and Lock Company, based upon the use of Infusite, might possibly be lower than their bid on the standard materials called for in the specifications, and might even be lower than the bid of the Mosler Company. This was possible, he explained, by the fact that a large amount of copper plate, a very expensive material, is used in the standard lining specified by the engineers.

Following the discussion, Mr. Trowbridge left the meeting.

Mr. James, as Chairman of the Board's Committee on Salaries and Expenditures, and a member of the Committee on District #5, then discussed with the Richmond Committee various matters connected with the opening of the proposed branch at Charlotte. He referred to certain provisions of the by-laws of the branch, particularly that providing for a directorate of five members, and expressed his individual opinion that a directorate of seven would be preferable. He then referred to the arrangements for housing the branch, including the installation of a vault in quarters to be leased and submitted a comparison of the cost involved to the cost of quarters for other branches. He stated that he considered the proposed expense at the Charlotte Branch to be greatly out of line with similar

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costs at other branches. He also commented unfavorably upon the number of employees which it is proposed to assign and employ at the branch, which by comparison is greater than the number at certain existing branches which conduct as much or even more business than it is contemplated will be done at the Charlotte Branch. He also expressed the opinion that the salaries proposed for the Manager and Cashier of the Branch are excessive.

At 1:00 o'clock the meeting recessed, and reconvened at 3:00 p.m., the following being present:

Governor Crissinger
Mr. Platt
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Trowbridge

The Board then discussed further with Mr. Trowbridge the matter of the vault for the proposed Baltimore Branch, and Mr. Hamlin inquired of Mr. Trowbridge whether, based upon analysis of the plans, specifications and drawings prepared by The Hollar Company for the Baltimore vault, such plans, specifications and drawings favor the Mosler Safe Company, as against other possible competitors. Mr. Trowbridge stated that he could not say whether the specifications were unfair, although there were suspicious circumstances which, however, would be difficult if not impossible to prove. After further discussion, Mr. Trowbridge stated that he had about come to the conclusion, in view of the difficulties which would be involved in setting aside the present bids and the unfavorable results which might come from any tests conducted by the Board, that the best procedure for the Board to follow would be to approve the acceptance of the bid of the

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Mosler Safe Company based upon the standard metals set out in the specifications, rather than the proprietary metals as recommended by the Richmond directors.

Mr. Trowbridge then left the meeting.

Following a further discussion, Mr. Miller moved that the Federal Reserve Bank of Richmond be advised that the Board has had under further consideration the letter of its Executive Committee, dated May 4, 1927, regarding bids received on the vault to be installed in the Baltimore Branch bank building, and that the Board is not willing to approve the acceptance of alternate bid of the Mosler Company involving the substitution of Donsteel and Donlite metals as recommended, unless on test open to all companies interested in proprietary metals, and on terms to be fixed by the Board, it shall appear to be for the best interests of the Federal Reserve bank.

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

The Governor then presented a telegram dated June 16th from the Chairman of the Federal Reserve Bank of Dallas, advising of the results of the meeting of the stockholders of that bank held on June 15th, at which it was unanimously voted to form a permanent stockholders association to meet regularly each year.

Noted.

The Governor then left the meeting.

Mr. Hamlin referred to the fact that the Board's Counsel has prepared and submitted to each member of the Board a new revision of the Board's Regulations, and has also submitted a detailed memorandum commenting upon the various changes from the present regulations contained in the revision. He suggested that in view of the fact that Mr. Platt is leaving tomorrow the Board might discuss some of the more controversial points involved in

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the new regulations.

Mr. Wyatt, the Board's Counsel, was then called into the meeting.

A discussion ensued as to the proposed new Regulation D, which provides that "deficiencies in reserve balances of all member banks will be computed on the basis of actual net deposit balances, the required reserve balance of each member bank at the close of business each day being based on its net deposit balances at the close of business on the preceding business day." Counsel stated that the provision as set out in the regulation was approved by four Federal Reserve banks, that certain practical objections raised by four others had been met, while four banks did not approve.

Mr. James stated that in his opinion the reserves of member banks located in central reserve and reserve cities should be computed on a daily basis and reserves of country member banks on a weekly basis, and that each Federal Reserve bank should be required to assess progressive penalties for reserve deficiencies on all member banks, computations in the case of banks in reserve and central reserve cities to be based on net deposit balances at the close of business on the preceding day.

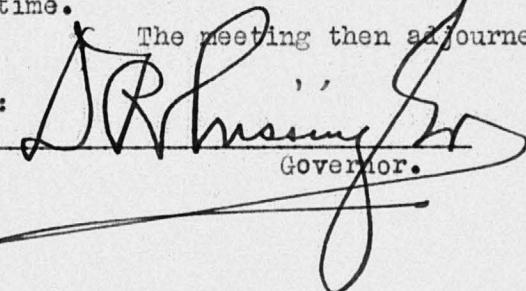
Subject to the casting of a vote by the Governor, he moved that the proposed Regulation D be amended in accordance with his suggestion.

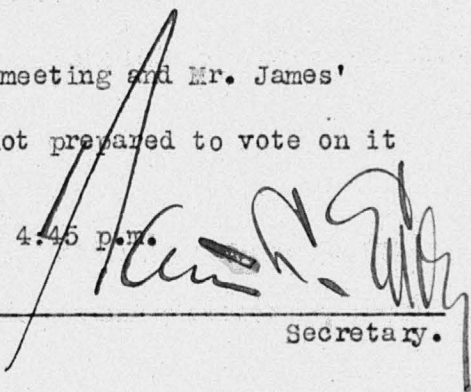
The four members present voted in favor of the motion.

Governor Crissinger then reentered the meeting and Mr. James' motion being read to him, stated that he was not prepared to vote on it at this time.

The meeting then adjourned at 4:45 p.m.

Approved:


Governor.


Secretary.