

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Friday, June 17, 1927 at 11:15 a.m.

PRESENT: Governor Crissinger
Mr. Hamlin
Mr. Miller
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 10th, 13th, 14th, 15th and 16th was dispensed with.

Telegram dated June 15th from the Chairman of the Federal Reserve Bank of Boston, 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 June 15th from the Chairman of the Federal Reserve Bank of St. Louis, 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.

Letter dated June 16th from the Assistant Secretary of the Federal Reserve Bank of New York, 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.

Matter approved on initials this morning, namely, telegram to the Federal Reserve Agent at Chicago, referring to the Board's letter to him of

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December 10, 1926, requesting a report on an experiment to be conducted during the first six months of 1927 at the Detroit Branch of carrying Federal Reserve notes as bank cash; the telegram inquiring whether he can file prior to July 1st a report covering the first five months of 1927 in order that the Board may determine before that date what is to be the status of the position of Assistant Federal Reserve Agent at the Branch.

Formally approved.

Report of Committee on Salaries and Expenditures on letter dated June 13th from the Federal Reserve Agent at Cleveland, requesting approval of the transfer of Mr. F. L. Brunley from the Member Bank Relations Department to the Examination Department at a salary of \$3400 per annum, effective July 1, 1927, and approval of an increase from \$3000 to \$3400 per annum in the salary of Mr. H. F. Snyder of the Examination Department; the Committee recommending approval.

Approved.

Report of Committee on Salaries and Expenditures on letter dated June 13th from the Federal Reserve Agent at Minneapolis, requesting approval of an increase from \$3,000 to \$3,500 per annum, effective July 1st, in the salary of Mr. O. S. Powell of the Federal Reserve Agent's Department; the Committee recommending approval.

Approved.

Report of Committee on Salaries and Expenditures on letter dated June 15th from the Federal Reserve Agent at Philadelphia, requesting approval of an increase from \$6,000 to \$7,000 per annum, effective July 1st, in the

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salary of Mr. Ernest C. Hill, Assistant Federal Reserve Agent and Chief Examiner, and the appointment as Examiners of Mr. Zell G. Fenner at a salary of \$3,300 per annum, and Mr. Thomas F. Maude at a salary of \$3,600 per annum both effective July 1st, the Committee recommending approval.

Approved.

Telegram dated June 16th from the Chairman of the Federal Reserve Bank of San Francisco, advising that Mr. William M. Hale has been appointed Managing Director of the Los Angeles Branch to succeed Mr. R. B. Motherwell, resigned, and that subject to the approval of the Board his salary has been fixed at \$8,000 per annum, effective July 1, 1927.

Upon motion, the salary proposed was approved.

Report of Executive Committee on letter dated June 16th from the Comptroller of the Currency, recommending approval of a salary of \$5100 per annum for National Bank Examiner Jacob Embry, assigned to the Eleventh Federal Reserve District; the Committee also recommending approval.

Approved.

Letter dated June 15th from the Chairman of the Federal Reserve Bank of Philadelphia, advising that arrangements have been made to pay half salary beginning June 1st to Miss Mary J. Bozarth, an employee of the bank, who has been granted leave of absence on account of illness until July 1st; the Chairman also advising that it is unlikely she will be able to return to the bank on the first of July and that the board of directors of the bank will extend her leave of absence for another thirty days from July 1st.

Upon motion, the Secretary was directed to advise the Chairman that the Board will approve a recommendation of his board of directors for another extension of thirty days from July 1st with half pay.

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Letter dated June 14th from the Federal Reserve Agent at New York, advising of arrangements which are under way by the Bank of Manhattan Company of New York City to take over the Bank of Washington Heights.

Noted.

Memorandum dated June 14th from the Board's Counsel, submitting copy of letter addressed to him under date of June 11th by Mr. Robert S. Parker, Counsel of the Federal Reserve Bank of Atlanta, advising that none of the national banks which have adopted the procedure of stamping on their cashiers' checks the phrase "Not payable through Federal Reserve Bank" are refusing to pay the checks when they are presented through the Federal Reserve bank; the letter stating that as to whether or not the banks propose to abandon the practice there is no information, since none of the three to whom letters have been sent have replied to the communications, but that it would appear that the banks do not propose to make any contest with the Federal Reserve bank. The Secretary referred to the action of the Board at the meeting on June 13th in directing that the Chairman of the Federal Reserve Bank of Atlanta be requested to report on the present status of the practice above referred to, and stated that the request had not been communicated to the Chairman in view of the above letter which appeared to give information along the lines desired by the Board.

After discussion, the Secretary was directed to communicate with the Chairman of the Atlanta bank inquiring as to what steps have been taken to have the practice discontinued.

Letter dated June 13th from the Federal Reserve Agent at Atlanta, with reference to the experiments being made at the Jacksonville and New Orleans

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Branches of that bank during the first six months of the current year to determine the practicability of having the necessary supply of Federal Reserve notes carried as bank cash and the report on the experiments which the Board requested at the end of the period; the Agent recommending the redesignation of Mr. Fulton Saussy as Assistant Federal Reserve Agent and Mr. C. P. Kendall as alternate at the Jacksonville Branch and the designation of Mr. William E. Miller as Assistant Federal Reserve Agent and Mr. James R. Stevens as alternate at the New Orleans Branch for a further period of three or six months, so that a proper study of the results of the experiments may be made.

After discussion, upon motion it was voted to approve the redesignation of Messrs. Saussy, Kendall, Miller and Stevens, as recommended, for a period of three months, Mr. Cunningham voting "no".

Memorandum from Counsel dated June 11th with reference to an application of the National Shawmut Bank of Boston for permission to make an additional investment in the stock of the Shawmut Corporation; Counsel stating (1) That on May 5, 1919 the Board approved an investment by the National Shawmut Bank of \$1,800,000 in the common stock of the Shawmut Corporation, which investment was subsequently increased to slightly more than \$2,000,000; that due to losses to the Corporation in 1921 the amount of the investment of the National Shawmut Bank was charged down to \$646,000 with the approval of the Board and that subsequently the National Shawmut Bank invested an additional \$1,000,000, so that its present holdings in the Shawmut Corporation are 10,000 shares at a value of \$1,646,000; (2) That the National Shawmut Bank now has an aggregate capital and surplus of \$25,000,000 and proposes to make an additional invest-

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ment of \$854,000, bringing the total amount of its investment in the Shawmut Corporation up to the maximum limit of \$2,500,000 or 10% of its capital and surplus; and (3) That there appears to be no legal reason why the present application should not be approved as the Board has heretofore held that the limitation upon an amount of stock which a national bank may take in foreign banking corporations refers to the amount which may be invested by the national bank rather than to the book or par value of the stock.

In this connection, the Governor presented a memorandum addressed to the Comptroller of the Currency by the Deputy Comptroller, stating that this position is not in accord with the position of the Comptroller's office.

At the request of Mr. Hamlin, the above file including the memorandum from the Deputy Comptroller was referred back to the Law Committee.

The Governor then presented a letter dated June 2nd from the President of the Farmers National Bank, Bedford, Pa., requesting approval of that bank's application for permission to exercise fiduciary powers which at the meeting of the Board on January 19th was held and which the Board on April 26th advised the Federal Reserve Agent at Philadelphia it was thought best not to give further consideration to until the bank had established itself in the confidence of the people of Bedford by obtaining a sufficient volume of business to indicate that it has their confidence; the letter pointing out the substantial growth of the institution and requesting that its application for trust powers receive favorable consideration. The Governor reported that the Comptroller of the Currency has made a personal investigation of the institution and favors approval of its application for permission to exercise fiduciary powers.

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After discussion, Mr. Hamlin moved that the Board approve the application of the Farmers National Bank of Bedford, Pa. for permission to exercise general fiduciary powers.

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

Letter dated June 15th from the Chairman of the Federal Reserve Bank of Atlanta, referring to the proposal of that bank to install a vault in the new quarters being leased to house its Havana Agency; the Chairman stating that a set of plans and specifications prepared by the bank's architect, with changes suggested by the Board's Consulting Architect, is being forwarded and advising that the board of directors of the bank is anxious to proceed as soon as possible with the carrying out of the plans.

After discussion, Mr. Hamlin moved that the matter of the vault at the Havana Agency be referred to the Executive Committee with power.

Carried.

The Governor then presented a letter dated June 16th from the Governor of the Federal Reserve Bank of New York, advising that there has been some change in the position of the money market due to the unexpectedly large overdraft of the Treasury in connection with June 15th transactions, and commenting upon the position of the market and prospective purchases by the Open Market Investment Committee; the letter stating "One hundred million dollars of the securities now held in the open market account were purchased to offset the loss of that amount of gold earmarked for foreign account as described in my letter of June 9th, so we have only realized about \$15,000,000 of the increase in the account which was contemplated when the Committee and the Board discussed the matter at the May

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meeting" and "So that, to realize fully the aims that we had in mind at that time, we might still purchase an additional \$100,000,000 between now and August 1st".

Discussion then ensued as to the action of the Board at its meeting on May 13th in approving a recommendation of the Open Market Investment Committee "That it shall be the policy of the Committee between now and August 1st next, gradually to acquire, if possible to do so without undue affect upon the money market, sufficient additional short time government obligations to bring the total of the Committee's investment account up to \$250,000,000.

Attention was called to the fact that the System account now amounts to approximately \$235,000,000 and that regardless of the manner in which the account was built up the authority granted by the Board has been exercised and the aims which the Board had in mind have been realized.

After discussion, it was understood that there would be prepared and submitted to the Board at its next meeting draft of a letter to Governor Strong along the lines of the discussion at this meeting.

Letter dated June 16th from the Governor of the Federal Reserve Bank of New York, referring to the Board's letter of February 23, 1927, advising that when the volume of bills payable in foreign currencies held by the Federal Reserve banks shall amount to \$5,000,000 or more bills bought in the open market will be segregated and reported separately in the weekly statement as "Bills payable in dollars" and "Bills payable in foreign currencies"; Governor Strong advising that in the opinion of the board of directors of his bank their responsibility is such that they are justified in requesting the Board to make no disclosures of the transactions in foreign

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bills at present except what will appear by: (1) The increase in the total amount of bills purchased in the open market; (2) The reduction in the reported amount of gold held abroad and, if necessary (3) In the statement in the Federal Reserve Bulletin at the end of the month when the amount of bills owned which are payable in foreign currencies is shown separately. In his letter, Governor Strong also stated that a visit is expected within two weeks from the Governor of the Bank of England and the Vice Governor of the Bank of France, and expressed the hope that in view of this approaching visit a decision as to the form of report can be deferred until views can be exchanged personally.

After discussion, action on the above matter was deferred until the next meeting of the Board.

REPORTS OF STANDING COMMITTEES:

- Dated, June 16th, Recommending changes in stock at Federal Reserve Banks, as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.
- Dated, June 14th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.
- Dated, June 15th, Recommending approval of the application of Mr. Norman A. Perry for permission to serve at the same time as director of the Indiana National Bank, Indianapolis, Ind., as director of the Union Trust Company, Indianapolis, Ind. and as director of the Farmers Trust Company, Indianapolis, Ind.
Recommendation approved.
- Dated, June 16th, Recommending approval of the application of Mr. John L. Kelly for permission to serve at the same time as director of the Ventnor City National Bank, Ventnor City, N. J. and as director and president of the Marine Trust Company, Atlantic City, N. J.
Recommendation approved.
- Dated, June 16th, Recommending approval of the application of Mr. William Riddle for permission to serve at the same time as director of the Ventnor City National Bank, Ventnor City, N. J. and as director of the Marine Trust Company, Atlantic City, N. J.
Recommendation approved.

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Meeting of the Board of Directors - 10- ...

The meeting adjourned at one o'clock.

[Handwritten Signature]
Secretary.

Approved:

[Handwritten Signature]
Governor.