

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, June 21, 1927 at 11:00 a.m.

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

Memorandum from Counsel dated June 20th on the matter referred to the Law Committee at the meeting on June 10th, namely, letter dated June 7th from the Manager of the Finance Department of the Chamber of Commerce of the United States, transmitting copy of a letter addressed to the Chairman of the Committee on Banking and Currency of the House of Representatives, suggesting a further amendment to Section 9 of the Federal Reserve Act, as amended by the McFadden Act, so as to permit state member banks to establish branches in any foreign country or dependency or insular possession of the United States; Counsel stating that there would seem to be no necessity for the Board taking action on the question at this time, although there is no reason why the Board should be opposed to the amendment inasmuch as national banks are authorized by Section 25 of the Act to establish foreign branches.

Noted.

Report of Committee on Salaries and Expenditures on letter dated June 16th from the Chairman of the Federal Reserve Bank of San Francisco, recommending approval of an increase from \$350 to \$375 per month, effective July 1st, in the salary of Mr. John M. Osmer appointed Assistant Cashier of the bank, and advising of the appointment of Mr. Ralph T. Hardy as

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Auditor to succeed Mr. Osmer, without change in salary; the Committee recommending approval of the increase in salary recommended for Mr. Osmer.

Approved.

Letter dated June 20th from the Federal Reserve Agent at Richmond, referring to previous correspondence with the Board wherein he was advised that it is unlawful under the provisions of Section 22 (a) of the Federal Reserve Act, for a state member bank to make a loan to a bank examiner appointed by the state and charged with the examination of state banks; the Agent inquiring whether the Board would have any objection to his so notifying state member banks in the Fifth District, which in his opinion are not generally aware that such action on their part might be a violation of Federal law.

After discussion, it was voted that there should be published in the Federal Reserve Bulletin a general ruling by the Board with respect to the applicability to state member banks of the criminal provisions of the Federal Reserve Act and the Revised Statutes.

Memorandum dated June 20th from the Chief of the Division of Bank Operations, referring to the recent action of the Board in approving a recommendation that the Board telegraph to the Federal Reserve Bank of Chicago each week the consolidated figures showing the condition of all member banks as they appear in the Board's weekly statement to the press; the memorandum recommending that the Division also be authorized to include brokers' loans figures in the telegram to be sent to Chicago each week, and that the telegram be not dispatched until the figures are released in the Governor's office.

Upon motion, the recommendations were approved.

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Memorandum dated June 20th from Counsel with reference to the application of Mr. A. R. Granger for permission to serve at the same time as director of the Delaware County National Bank and as director of the Delaware County Trust Company, both of Chester, Pa; Counsel recommending that the Board temporarily refuse the application and advise the applicant that on the evidence before it it can not permit him to serve the two institutions but that he may, if he wishes to do so, furnish the Board with additional information; the Board's refusal to become final unless it is notified within twenty days that it is the desire of the applicant to furnish such additional information in support of his application.

Upon motion, the application was temporarily refused in accordance with Counsel's recommendation.

Memorandum from Counsel dated June 16th, submitting draft of reply to letter dated May 25th from the Federal Reserve Agent at Boston, quoting certain instructions given to the Credit Department of that bank with reference to the administration of the requirement contained in the Board's Regulation A regarding financial statements of corporations or firms closely affiliated with or subsidiary to the borrower.

Upon motion, the proposed reply was approved.

Letter dated June 16th from the Federal Reserve Agent at Minneapolis, with further reference to the membership in the Federal Reserve System of the First State Bank of Philipsburg, Montana; the Agent advising that at the meeting of his board of directors held on June 13th it was the consensus of opinion that an effort should be made to have the bank voluntarily withdraw from the System, and stating that if this can not be accomplished within a



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reasonable time proceedings should be instituted for the forfeiture of membership under Section 9 of the Act.

Noted.

Letter dated June 17th from the Federal Reserve Agent at Cleveland, referring to the action of the Board at the beginning of the year in re-appointing for a period of six months the Assistant Federal Reserve Agents at the Cincinnati and Pittsburgh Branches; the Agent stating that it has been found practical to discontinue the position of Assistant Agent at the Cincinnati Branch but that it is the consensus of opinion that the retention of the Assistant Agent at Pittsburgh is desirable. He recommended, therefore, that Mr. Thomas M. Jones be reappointed as Assistant Federal Reserve Agent at the Pittsburgh Branch for the balance of the year at his present salary.

Thereupon ensued a discussion during which it was pointed out that in the event the Board should approve the recommendation of the Federal Reserve Agent, the Pittsburgh Branch after June 30th will be the only branch at which there will be an Assistant Federal Reserve Agent, with the exception of Jacksonville and New Orleans where the Board has approved three month extensions in the designation of assistants in order to afford time for a further study as to the advisability of carrying all currency at the Branches in the form of bank cash. It was the consensus of opinion that while the Board might approve the continuance of an Assistant Federal Reserve Agent at Pittsburgh for the balance of the year arrangements should be made thereafter to discontinue the office, especially in view of the fact that such arrangements have been made at Detroit and other prominent branches.

After discussion, the Secretary was requested to prepare a letter to the Federal Reserve Agent at Cleveland advising of the Board's approval of a six months' extension in the designation of the Assistant Federal Reserve Agent there but stating, in line with the discussion at this meeting, that the Board believes that arrangements should be made to discontinue the position at the end of the year.

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Letter dated June 18th from the Federal Reserve Agent at Dallas, enclosing copy of resolution adopted by the Executive Board of the West Texas Chamber of Commerce in which the Federal Reserve Board is requested to adopt more flexible rules in dealing with member banks located in sections of the country where local conditions are unfavorable.

Noted.

Mr. Hamlin then presented a letter from the Governor of the Federal Reserve Bank of Richmond, dated June 20th, with regard to the installation of a vault at the Baltimore Branch; the Governor transmitting copy of a letter on the subject addressed to him under date of August 12, 1926 by Mr. A. B. Trowbridge.

Ordered circulated.

Draft of letter to the Governor of the Federal Reserve Bank of New York, advising of the action taken by the Board at the meeting yesterday in voting to defer until not later than July 13th the separate publication in the Board's weekly statement of "Bills Payable in Dollars" and "Bills Payable in Foreign Currencies".

Upon motion, the proposed letter was approved.

The Governor then presented a letter dated June 20th from the Governor of the Federal Reserve Bank of New York, to the expected receipt of which reference was made at the meeting yesterday; the letter supplementing previous communications addressed to the Board under date of June 9th and 16th on the subject of the present position of the money market and the possibility of further purchases of securities for System account.

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A detailed discussion ensued during which Mr. Miller read to the Board the proposed letter to Governor Strong prepared by him on which action was deferred at the meeting yesterday. He also submitted to the Board certain suggestions for changes in the proposed letter in light of information contained in Governor Strong's communication of June 20th.

During the discussion which ensued, Governor Crissinger was called from the meeting and upon his return stated the call was from Governor Strong who suggested that if members of the Board desired more detailed information regarding present conditions than is contained in his letters, he would be glad to come to Washington tomorrow for an interview.

At the request of the members of the Board, Governor Crissinger expressed to Governor Strong the desire of the members that he come to Washington.

Action by the Board was thereupon deferred.

At this point, Mr. Wyatt, the Board's General Counsel, entered the room and in accordance with instructions at the meeting yesterday submitted draft of a letter to the Governors and Chairmen of all Federal Reserve banks transmitting draft of the revision of the Board's Regulations, as tentatively approved by the Board, including the proposed new Regulation on the subject of non-cash collections, together with a copy of Counsel's memorandum explaining proposed changes from the old Regulations and various alternative proposals which have been considered but not adopted by the Board; the letter stating that the Board has set July 20th as the date upon which it will take final action on these regulations and that in order to receive consideration it will be necessary for suggestions and comments to be received not later than July 15th.

After discussion, Mr. Hamlin moved approval of the form of letter submitted by Counsel.

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



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Mr. Hamlin then reported that he and Mr. James had a further conference with Mr. Dewey, Assistant Secretary of the Treasury, with regard to the Cuban Agency and that Mr. Dewey stated that from the point of view of the Treasury, although the matter would receive further consideration, there is no reason why the Board should not go ahead with plans to continue the Agency as at present and if it is deemed advisable to arrange for the carrying of a supply of unissued Federal Reserve notes in Havana.

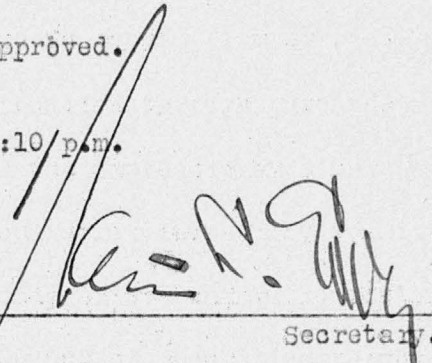
The minutes of the meeting of the Federal Reserve Board held on June 20th were then read and approved.

REPORTS OF STANDING COMMITTEES:

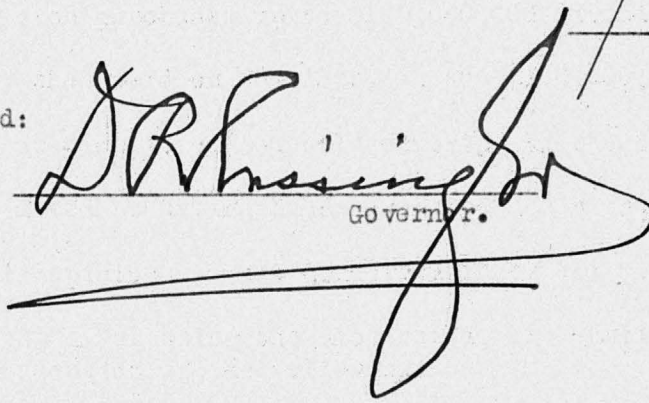
Dated, June 21st, Recommending a change in stock at a Federal Reserve Bank, as set forth in the Auxiliary Minute Book of this date.

Recommendation approved.

The meeting adjourned at 1:10 p.m.

  
Secretary.

Approved:

  
Governor.