

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Friday, June 24, 1927 at 11:45 a.m

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

Letter dated June 23rd from the Assistant Secretary of the Federal Reserve Bank of New York, advising that the board of directors at the meeting on that date made no change in the bank's existing schedule of rates of discount and purchase.

Noted.

Telegram dated June 23rd from the Chairman of the Federal Reserve Bank of Kansas City, advising that the board of directors at the meeting on that date made no change in the bank's existing schedule of rates of discount and purchase.

Noted.

Memorandum from the Secretary dated June 23rd, requesting authority to employ a stenographer with salary at the rate of \$1500 to \$1600 per annum, for a period of from 60 to 90 days, for the purpose of affording vacation relief to the various offices of the Board and its members.

Approved.

Memorandum from the Secretary dated June 23rd, advising that on June 22nd Mr. William T. Heflin, telegraph operator, resigned and as it was necessary to fill the vacancy immediately the vacation relief operator authorized by the Board on June 1st was instructed to report for duty on

6/24/27

-2-

June 23rd; the Secretary recommending that the employment of this operator, Mr. Bruce M. Unger, be made permanent at the rate of \$165 per month and that authority be granted for the temporary employment of another operator to serve for the next two or three months as vacation relief.

Upon motion, the recommendations of the Secretary were approved.

Memorandum dated June 21st from the Chief of the Division of Bank Operations, transmitting statement of expenditures by the Federal Reserve banks for educational and welfare work, etc. during the month of May and for the five months' period ending May 31st.

Ordered circulated.

Report of Committee on Salaries and Expenditures on letter dated June 16th, from the Chairman of the Federal Reserve Bank of San Francisco, requesting approval of the action of the directors of that bank in voting to extend for a period of three months beginning July 1st, with full pay, leave of absence on account of illness previously granted to Mr. Hans Flo, an employee of the Salt Lake City Branch; the Committee recommending approval of the salary expenditure involved.

Approved.

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 the action of the directors of that bank in voting to increase, effective July 1, 1927, the salaries of the following employees:

F. C. Bold, Asst. Cashier	- \$4200 to \$4500 per annum
H. F. Iverson, Salt Lake City Branch	- \$3000 to \$3300 per annum
W. H. High, Salt Lake City Branch	- \$2640 to \$2820 per annum
W. M. Scott, Salt Lake City Branch	- \$2640 to \$2820 per annum

6/24/27

-3-

Upon motion, the salary increases set out above were approved.

The Secretary then referred to the report made at the meeting on June 21st by the special committee consisting of Messrs. Hamlin and James, and inquired whether in view of this report the Board wishes to advise the Federal Reserve Bank of Atlanta of its recent action in approving the proposal of that bank to carry a stock of unissued Federal Reserve notes at its Havana Agency.

After discussion, the Secretary was instructed to withhold for the time being advice of the Board's action.

Letter dated June 22nd from the Chairman of the Federal Reserve Bank of Richmond, advising that the board of directors of the bank has voted to rescind the recommendation of the Executive Committee, contained in the Committee's letter to the Board of May 4, 1927, and to recommend that the Federal Reserve Board authorize the Richmond bank to accept the low bid of the Mosler Safe Company for the construction of a vault in the building being erected to house the Baltimore Branch, covering the use of the standard commercial metals called for in the vault specifications- said bid amounting to \$188,652.

After discussion, upon motion by Mr. James, it was voted to approve the recommendation of the Richmond directors and to authorize the acceptance of the bid of the Mosler Safe Company totaling \$188,652.

The Secretary then presented statement of Mr. A. B. Trowbridge in the amount of \$200 for consultation service and report on the plans and specifications of the vault to be constructed for the Havana Agency of the Federal Reserve Bank of Atlanta.

Upon motion, payment of the amount due Mr. Trowbridge was approved.

6/24/27

-4-

Memorandum dated June 21st from the Chief of the Division of Bank Operations, transmitting resolutions adopted by the directors of all Federal Reserve banks except Chicago and Kansas City, authorizing the payment of the regular semi-annual dividend on June 30, 1927; the memorandum stating that the Chicago and Kansas City resolutions have not yet been received but will be submitted to the Board immediately upon receipt. With his memorandum the Chief of the Division of Bank Operations submitted a statement showing the estimated current net earnings and dividend requirements of the ten banks covered for the first six months of 1927 and the present probable losses on paper of over-extended and failed banks and the reserves held to take care of such losses. The statement referred to indicated that of the ten banks covered all with the exception of the Federal Reserve Bank of Richmond had estimated current net earnings for the first six months of the year sufficient to cover estimated dividend requirements for the period, and leave a balance available for depreciation charges, reserves, etc.; the current net earnings of the Richmond bank, however, being \$62,000 short of its estimated dividend requirements.

After discussion, Mr. James moved that the Board approve payment out of current net earnings of the usual semi-annual dividend by the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Atlanta, St. Louis, Minneapolis, Dallas and San Francisco.

Carried.

He then moved that in view of the fact that the dividend requirements of the Federal Reserve Bank of Richmond are but slightly in excess of its current net earnings for the first six months of the year, the Board approve of that bank paying the usual semi-annual dividend on June 30th charging any deficit created thereby to its surplus account.

Carried.

6/24/27

-5-

Letter dated June 16th addressed to the Secretary of the Treasury by Mr. G. MacCollum of Los Angeles, expressing the opinion that the Federal Reserve banks are in large measure governmentally controlled institutions and requesting an expression of views on this point. The Secretary stated that this letter had been referred to the Board for the preparation of a reply for the signature of the Secretary of the Treasury.

Upon motion, the Governor was requested to prepare a form of reply to the above letter.

Memorandum dated June 22nd from Mr. James, referring to recent reports of examinations of the Federal Reserve banks of Atlanta and Richmond and to the large number of banks in those districts reported to be in an extended condition; Mr. James expressing the opinion that the Board has a real responsibility in knowing whether or not these banks are maintaining legal reserves.

A detailed discussion then ensued as to the information received by the Board regarding reserve deficiencies of member banks and the action which should be taken by the Board upon receipt of this information in bringing the cases of national banks to the attention of the Comptroller of the Currency and in the case of state banks taking other appropriate action.

After discussion, the Governor of the Board and the Comptroller of the Currency were requested to work out for submission to the Board a proposed revision of the present procedure with respect to reporting deficiencies in the reserves of member banks.

Memorandum from Mr. James dated June 22nd, calling attention to recommendations contained in the report of the last examination of the Federal Reserve Bank of Atlanta as follows:

(1) "So much of the paper presented to the Reserve bank is in small amounts that it appears desirable to respectfully recommend to the Board that the Atlanta bank be requested to secure statements on all agricultural paper in amounts of \$500 and over. With-

6/24/27

-6-

"out statements on paper of this type the Reserve bank must rely almost entirely on the member bank's endorsement"; and

(2) "In view of the increase in truck farming and citrus fruit growing in Florida, your Examiner suggests the advisability of preparing special statement forms and forwarding them to the member banks engaged in financing these industries in order that the Reserve bank may have such information as will enable it to properly handle this type of business which is comparatively new to them".

After discussion, it was voted that the Board recommend to the Federal Reserve Bank of Atlanta that in the exercise of the discretion granted in the Board's Regulation A, the bank require financial statements on all agricultural paper in amounts of \$500 or more.

It was further voted that the Secretary of the Board and Mr. Gilbert, Supervisor of Examinations, investigate and report to the Board on the matter of preparing special statement forms for the use of member banks engaged in financing truck farming and citrus fruit growing in Florida.

The Committee on District #10, as a report on the matter referred to it at the meeting on June 20th, submitted copy of a letter addressed to the Federal Reserve Agent at Kansas City, with reference to the candidacy for Governor of the State of Nebraska of Mr. A. J. Weaver, one of the Board's appointees to the directorate of the Omaha Branch; the letter requesting the Federal Reserve Agent to direct Mr. Weaver's attention to the resolution adopted by the Board on December 27, 1915, with respect to directors of Federal Reserve banks and branches holding or becoming candidates for political office, and stating that it is expected that Mr. Weaver will act in accordance with the intent and purpose of the resolution in question.

Noted, with approval.

Memoandum dated June 23rd from the Special Committee appointed at

6/24/27

-7-

the meeting on May 5th, submitting a memorandum dated June 22nd from the Supervisor of Examinations with reference to his analysis of the report of credit investigation made by the Federal Reserve Bank of San Francisco of the Pacific Southwest Trust and Savings Bank of Los Angeles; the Committee advising that as the information contained in this memorandum will undoubtedly be of interest to the members of the Board it is submitted in advance of the analysis of the complete report of the examination made by the State Banking Department of California which has not as yet been received.

Ordered circulated.

The Governor then presented the matter on which action was deferred at the meeting on June 20th, namely, memoranda dated June 14th and 15th from Counsel commenting on and submitting draft of reply to letter dated June 9th from the Assistant Federal Reserve Agent at Cleveland, inquiring whether first mortgage loans on city real estate may be regarded as having a readily marketable value and as eligible for the security of trust funds deposited in the commercial department of a national bank.

After discussion, the above matter was referred to the Comptroller of the Currency.

The Governor then presented a letter dated June 21st from the Chairman of the Federal Reserve Bank of New York, advising that the figures of brokers loans by member banks in New York City, which are released by the Board each Monday as of the close of business the preceding Wednesday, were known last Monday afternoon before the hour of the Board's regular release of its weekly statement and were used to influence the stock market; the Chairman suggest-

6/24/27

-8-

ing that these figures be given out by the Federal Reserve Bank of New York either Thursday or Friday afternoon, together with other figures as to the condition of member banks in New York City.

The Secretary then presented a form of resolution for adoption by the Board, prepared in accordance with instructions given him during an informal discussion of the matter had with Governor Strong a few days ago.

After discussion, the resolutions were amended and adopted in the following form:

"WHEREAS, it has been reported to the Board that advice of the amount of brokers loans made by reporting members in New York has on certain occasions become known to others than members of the organizations of the Federal Reserve Board and the Federal Reserve Bank of New York prior to their public release being made by the Federal Reserve Board,

WHEREAS, reports from member banks in New York City of the amount of their loans to brokers and dealers secured by stocks and bonds are made as of the close of business on Wednesday of each week, are received by the Federal Reserve Bank of New York the next day and communicated to the Federal Reserve Board by the New York Bank on Saturday,

WHEREAS, it is desirable to prevent said figures from becoming known to outside sources prior to public announcement thereof being made by the Federal Reserve Board, and

WHEREAS, this end can best be accomplished by the Federal Reserve Board releasing them for publication at as early a date as practicable after they are received by the Federal Reserve Bank of New York and by limiting the number of individuals in the Federal Reserve organization which have access to these figures before their publication;

NOW THEREFORE BE IT RESOLVED, that on and after June 30th the Federal Reserve Board, the Federal Reserve Bank of New York and the Federal Reserve Bank of Chicago release for publication on Thursday of each week at four o'clock New York time, or as early thereafter as practicable, a statement of the condition of all reporting member banks located in New York and Chicago, the statement to include the amount of loans made by reporting member banks in New York City to brokers and dealers secured by stocks and bonds in the same form as now contained in the weekly statement released by the Federal Reserve Board showing the condition of all weekly reporting banks,

BE IT FURTHER RESOLVED, that hereafter on Thursday of each week the so-called brokers loans figures be not communicated to the

6/24/27

-9-

"Board by the Federal Reserve Bank of New York until after three o'clock New York time, and

BE IT FURTHER RESOLVED, that no releases of the statement including the so-called brokers loans figures are to be made by either the Federal Reserve Bank of New York or the Federal Reserve Bank of Chicago prior to the time of release thereof by the Federal Reserve Board."

The minutes of the meetings of the Federal Reserve Board held on June 21st and 22nd were read and approved as amended.

REPORTS OF STANDING COMMITTEES:

- Dated, June 23rd, Recommending changes in stock at Federal Reserve Banks, as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.
- Dated, June 16th, 17th, 18th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.
- Dated, June 19th, Recommending approval of the application of Mr. Richard D. Wood for permission to serve at the same time as director of the Millville National Bank, Millville, N. J. as director of the Philadelphia-Girard National Bank, Philadelphia, Pa. and as director of the Provident Trust Company, Philadelphia, Pa.
Recommendation approved.
- Dated, June 21st, Recommending approval of the application of Mr. Charles J. Knowles for permission to serve at the same time as director of the Easton National Bank, Easton, Pa. and as director and President of the Pen Argyl National Bank, Pen Argyl, Pa.
Recommendation approved.
- Dated, June 21st, Recommending approval of the application of Mr. Eugene H. Robinson for permission to serve at the same time as director of the First National Bank and Trust Company, Merchantville, N. J. and as director of the Merchants Trust Company, Camden, N. J.
Recommendation approved.
- Dated, June 21st, Recommending approval of the application of Mr. John E. McCully for permission to serve at the same time as director of the Peoples National Bank and Trust Company, Langhorne, Pa. and as president of the Republic Trust Company, Philadelphia, Pa.
Recommendation approved.
- Dated, June 21st, Recommending approval of the application of Mr. Frank M. Schardt for permission to serve at the same time as director of the Frontier National Bank, Buffalo, N. Y. and as Vice President, Cashier and Director of the Genesee National Bank, Buffalo, N. Y.
Recommendation approved.

6/24/27

-10-

REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, June 21st, Recommending approval of the application of Mr. Peter P. Hagan for permission to serve at the same time as director of the Broad Street National Bank, Philadelphia, Pa. and as director of the Oak Lane Trust Company, Philadelphia, Pa.

Recommendation approved.

Dated, June 21st, Recommending approval of the application of Mr. John A. Datz for permission to serve at the same time as director of the Quaker City National Bank, Philadelphia, Pa. and as director of the Girard Avenue Title and Trust Company, Philadelphia, Pa.

Recommendation approved.

Dated, June 21st, Recommending approval of the application of Mr. S. H. Plummer for permission to serve at the same time as Vice President of the Northwestern National Bank, Minneapolis, Minn. and as director of the Fourth Northwestern National Bank, Minneapolis, Minn.

Recommendation approved.

Dated, June 21st, Recommending approval of the application of Mr. C. R. Chaney for permission to serve at the same time as Assistant Cashier of the Northwestern National Bank, Minneapolis, Minn. and as director of the Fourth Northwestern National Bank, Minneapolis, Minn.

Recommendation approved.

Dated, June 21st, Recommending approval of the application of Mr. J. C. Thomson for permission to serve at the same time as Vice President of the Northwestern National Bank, Minneapolis, Minn. and as director of the Fourth Northwestern National Bank, Minneapolis, Minn.

Recommendation approved.

Dated, June 23rd, Recommending approval of the application of Mr. Herbert G. Black for permission to serve at the same time as director of the Live Stock National Bank, Sioux City, Iowa and as director of the National Bank of Huron, Huron, South Dakota and as director of the Stockyards National Bank, Fort Worth, Texas.

Recommendation approved.

Dated, June 23rd, Recommending approval of the application of Mr. John G. Pew for permission to serve at the same time as director of the Oakland Savings & Trust Company, Pittsburgh, Pa. and as director of the Delaware County National Bank, Chester, Pa.

Recommendation approved.

6/24/27

-11-

REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, June 23rd, Recommending approval of the application of Mr. Oscar Keeline for permission to serve at the same time as director and Vice President of the City National Bank, Council Bluffs, Iowa and as director of the State Bank of Omaha, Omaha, Nebr.

Recommendation approved.

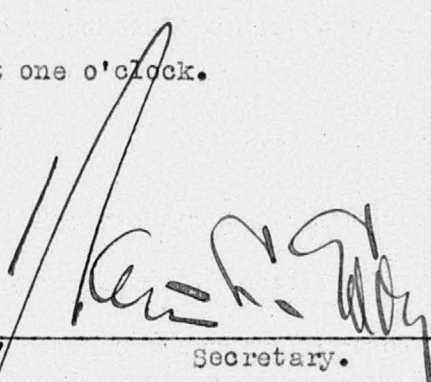
Dated, June 23rd, Recommending approval of the application of Mr. Joseph H. Durham for permission to serve at the same time as director of the National Bank of Kentucky, Louisville, Ky., as director of the Louisville Trust Company, Louisville, Ky. and as director of the Franklin Title and Trust Company, Louisville, Ky.

Recommendation approved.

Dated, June 23rd, Recommending approval of the application of Mr. Richard S. Reynolds for permission to serve at the same time as director of the National Bank of Kentucky, Louisville, Ky., as director of the Louisville Trust Company, Louisville, Ky. and as director of the Southern Trust Company, Louisville, Ky.

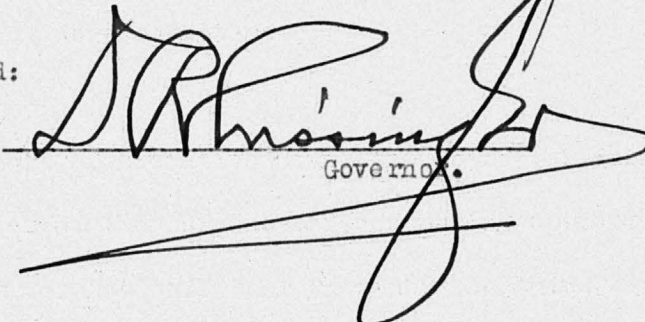
Recommendation approved.

The meeting adjourned at one o'clock.



 Secretary.

Approved:



 Governor.