

A meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, July 12, 1927, at 11:30 a.m.

PRESENT: Mr. James
Mr. Hamlin
Mr. Miller
Mr. Cunningham
Mr. Eddy, Secretary
Mr. Noell, Asst. Secretary

Telegram dated July 8th from the Secretary of the Federal Reserve Bank of Cleveland, advising that the board of directors on that date made no change in the bank's existing schedule of rates of discount and purchase.

Noted.

Letter dated July 7th from the Secretary pro tem of the Federal Reserve Bank of New York, advising that the board of directors on that date made no change in the bank's existing schedule of rates of discount and purchase.

Noted.

Telegram dated July 8th from the Chairman of the Federal Reserve Bank of Atlanta, advising that the board of directors on that date made no change in the bank's existing schedule of rates of discount and purchase.

Noted.

Telegram dated July 6th from the Chairman of the Federal Reserve Bank of St. Louis, advising that the board of directors on that date made no change in the bank's existing schedule of rates of discount and purchase.

Noted.

Telegram dated July 7th from the Deputy Chairman of the Federal Reserve Bank of San Francisco, advising that the board of directors on that date made no change in the bank's existing schedule of rates of discount and purchase.

Noted.

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The Secretary reported that in accordance with instructions given on June 29, 1927, he had prepared and had submitted to the Board's Committee on the Cuban Agency a letter addressed to the State Department setting forth the history of the establishment of the Cuban Agency of the Federal Reserve Bank of Atlanta, the purpose thereof and a brief description of its various functions, the information contained therein to be used by the State Department in such a manner as that Department might see fit in making representations to the Cuban Government relative to the taxation of the Agency's operations. He stated that with respect to the tax levied by the Cuban Government on certain currency transactions of the Agency made during the fiscal year ending June 30, 1926, the Atlanta bank had prepared a memorandum or brief addressed to the Secretary of the Cuban Treasury, copy of which had been forwarded to the Board and which memorandum or brief he desired to submit to the State Department, together with the proposed letter from the Board to that Department, for an informal discussion of the form thereof before same is officially presented by the Board.

The Secretary was directed to submit the documents in question to the State Department informally and to present same to the Board for formal action at its meeting tomorrow.

Bond in the amount of \$50,000, executed on July 1, 1927, by Mr. S. G. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco.

Approved.

Memorandum dated July 12th from the Secretary, requesting authority to employ an additional messenger on the Board's staff, with salary at the rate of \$1,100 per annum; the Secretary stating that at the present time

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there is a vacancy on the messengers' staff and that the services of an additional messenger are needed at this time in order to afford vacation leave to the other members of the messengers' staff.

Approved.

Memorandum dated July 11th from the Chief of the Division of Bank Operations, requesting that the temporary appointment of Mr. Alfred W. Manning as a clerk in his division with salary at the rate of \$1,200 per annum, which expires on July 14, 1927, be extended for an additional month; the Secretary recommending approval.

Approved.

Memorandum dated July 11th from the Secretary recommending that Mr. A. L. Houghton, an employee in the Gold Settlement Division, be granted a leave of absence for a period of ninety days, without pay, beginning July 18th; the Secretary stating that the position occupied by Mr. Houghton on the staff of the Gold Settlement Division can be filled temporarily by the detail of an experienced employee from one of the other divisions of the Board's organization but that it may be necessary to take on a temporary employee in the division from which such transfer is made, and requesting authority to employ such temporary clerical assistance, if needed, with salary at the rate of not to exceed \$1,500 per annum.

Upon motion, the recommendation of the Secretary was approved, and he was authorized to employ an additional clerk, if needed, with salary at the rate of not to exceed \$1,500 per annum.

Memorandum dated July 12th from the Chief of the Gold Settlement Division, advising that Mr. John I. Boone, an employee on the night force of the Gold Settlement Division, has tendered his resignation effective

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today, and that Mr. C. W. Joyce, also employed on the night force of the Division has been ordered away from Washington for an indefinite period; and recommending (1) that the resignation of Mr. Boone be accepted effective today, (2) that the name of Mr. Joyce be dropped from the Board's rolls, (3) that Mr. Oscar C. Stutler, now employed as extra man on the night force be placed on the regular force, with compensation at the rate of \$1.50 to \$3.00 per evening depending on the number of hours of service, and (4) that Mr. B. J. Finn be employed as extra man, with the same rate of compensation.

Upon recommendation of the Secretary, it was voted to approve the recommendations contained in the memorandum.

Letter dated July 6th from the Assistant Federal Reserve Agent at San Francisco, transmitting and recommending approval of the application of the Security Trust and Savings Bank, Los Angeles, for approval of its action in moving its branch formerly located at 3200 West Washington Street, Los Angeles, to a new location at 3400 West Washington Street, Los Angeles.

Upon motion, it was voted to approve the removal of the branch to the new location.

Letter dated July 11th from the Assistant Federal Reserve Agent at New York, advising that the Central Home Trust Company of Elizabeth, N.J., would on that date open the branch at 780 Newark Avenue, Elizabeth, which was authorized by the Board on June 3rd.

Noted.

Memorandum from Counsel dated July 6th, with reference to the Clayton Act application of Mr. Louis R. Page, involving the Corn Exchange National Bank and the Bank of North America and Trust Company, both of Philadelphia,

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Pa., and the Delaware County National Bank of Chester, Pa.; Counsel recommending that the Board temporarily refuse the application as between the Corn Exchange National Bank and the Bank of North America and Trust Company, advise the applicant that on the evidence before it it can not permit him to serve the two institutions mentioned and request him within twenty days to notify the Board whether he desires to furnish any additional information in support of his application with the understanding that if notice is not given within that time the Board's refusal will be considered final; Counsel also recommending that the applicant be advised that the Board can grant him permission to serve the Delaware County National Bank and either the Corn Exchange National Bank or the Bank of North America and Trust Company if he resigns his position with one of them.

Upon motion, Counsel's recommendations were adopted and Mr. Page's application was temporarily refused.

Memorandum from Counsel dated July 6th, with reference to the Clayton Act application of Mr. Victor S. Fisher, involving the Pacific Avenue National Bank and the Atlantic Safe Deposit & Trust Company, both of Atlantic City, N.J., which was definitely refused on May 3, 1927, after he had been afforded a hearing by the Board's Law Committee; Counsel submitting letter dated May 26th from Mr. Fisher, and draft of reply stating that the Board will be glad to give him an opportunity to present additional evidence in the matter and that such evidence may be filed in writing, or if Mr. Fisher prefers, the Board will grant him another hearing; Counsel suggesting that if the Board reopens the case and allows Mr. Fisher to file additional information that the Federal Reserve Agent at Philadelphia be furnished with the information filed by Mr. Fisher and be request-

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ed to review the case and advise the Board whether he is still of the opinion that the two banks involved are in substantial competition.

Upon motion, the proposed letter and suggestion of Counsel were approved.

Letter dated July 7th from the Treasurer of the United States, advising that his office has received no applications from National banks during the quarter ending June 30, 1927, for the sale of bonds under Section 18 of the Federal Reserve Act.

Noted.

Letter dated July 7th from the Federal Reserve Agent at Boston, advising that the auditing department of his bank has discovered that Mr. E. C. Dirksmeier, a clerk in the auditing department, through a system of petty thievery in connection with the cafeteria's cash, has stolen something in the neighborhood of \$60; the letter stating that Mr. Dirksmeier was dismissed from the bank's force on July 7th and that the matter is being brought to the attention of the local United States District Attorney.

Upon motion by Mr. Hamlin, it was voted to refer the letter to Counsel for preparation of an appropriate letter of advice to the Department of Justice.

Letter dated July 6th from the Federal Reserve Agent at Minneapolis requesting that the Board approve of the designation of Mr. Fred M. Bailey, chief bank examiner in his department, to act as his representative or, when necessary, as alternate to those so acting at the present time in the issuance and receipt of new and fit Federal Reserve notes and in handling gold coin and gold certificates.

Upon motion, the above letter was referred to

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Mr. Miller, with the understanding that he will take the matter up with Mr. Mitchell while he is in Minneapolis and report back to the Board.

Matter approved on initials on July 6th, namely, letter transmitted under that date to the Federal Reserve Agent at St. Louis, stating that in view of the Agent's statement that his examiners spent more than three weeks investigating apparent criminal violations in the Mound City Trust Company of St. Louis and that in his opinion an audit by competent and disinterested outside auditors is not necessary for determining the bank's solvency, the Board will not suggest, in the absence of further untoward developments in the case, the making of an independent audit, although it believes such audits to be desirable when bank officers and employees are found to be engaged in questionable manipulations.

Upon motion, the above letter was formally approved.

Memorandum dated July 12th from Counsel with reference to the matter referred to him at the meeting on June 17th, namely, application of the National Shawmut Bank of Boston for permission to make an additional investment of \$854,000 in the stock of the Shawmut Corporation, a foreign banking corporation operating under agreement with the Board under the Provisions of Section 25 of the Federal Reserve Act; Counsel stating that he has given further consideration to the question which arises in connection with this application - whether an amount formerly invested and later charged off should now be considered as a part of the bank's investment in the stock of the Shawmut Corporation - and is of the opinion that the amount of a former investment which has been charged off in good faith should not be considered in determining the amount of a national bank's

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present investment in the stock of a foreign banking corporation and that there is no legal reason why the Federal Reserve Board may not approve the application of the National Shawmut Bank of Boston to make an additional investment of \$854,000 in the stock of the Shawmut Corporation, thus bringing its total investment up to the maximum 10% limit. Counsel submitted with his memorandum a letter dated July 12th from the Deputy Comptroller of the Currency stating his agreement with the opinion expressed therein.

Upon motion by Mr. Hamlin, the application of the National Shawmut Bank of Boston to make an additional investment of \$854,000 in the stock of the Shawmut Corporation was approved.

Memorandum dated July 1st, from Counsel, submitting application of the Bay City Bank of Bay City, Michigan, on behalf of the Farmers State Savings Bank of Bay City, for cancellation of 105 shares of stock in the Federal Reserve Bank of Chicago owned by the latter bank; Counsel stating that since it appears that the Farmers State Savings Bank has been placed in liquidation in accordance with the laws of Michigan, and that the Bay City Bank has been duly authorized to apply for the cancellation of the Federal Reserve bank stock owned by the Farmers State Savings Bank on behalf of that bank, he is of the opinion that there is no legal reason why the Board should not approve the application made by the Bay City Bank on behalf of the Farmers State Savings Bank for the cancellation of the Federal Reserve bank stock owned by the Farmers State Savings Bank.

Upon motion, it was voted to approve the application filed by the Bay City Bank of Bay City, Michigan, on behalf of the Farmers State Savings Bank of Bay City, for the surrender of 105 shares of stock in the Federal Reserve Bank of Chicago owned by the Farmers State Savings Bank.

Discussion then ensued of the action of the Board at its meeting on July 6th in voting that it be the sense of the Federal Reserve Board that

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the authority conferred upon it by Sections 13 and 14 of the Federal Reserve Act, with respect to the purchase and sale of bills of exchange and acceptances, applies to such purchases and sales made abroad as well as at home, and that the Board rule that such purchases and sales are subject to its regulation and approval.

Following the discussion, Mr. Cunningham moved that Counsel be instructed to prepare and submit to the Board in due course a regulation such as contemplated by the Board's action.

Carried.

The Secretary advised the Board that Mr. Gilbert, Supervisor of Examinations, had completed the preparation of a standard form of report of examination and a standard form of analysis of examination reports to be used by the Federal Reserve Agents in the conduct of examinations of State member banks.

After discussion of various phases of the report form, it was voted to request Mr. Gilbert to prepare a memorandum to the Board setting forth in detail the variance between the several items in the proposed standard form of report and those in the form of report now being used by the Comptroller of the Currency, and to set forth in detail certain features of the standard form of report described as "experimental".

It was also voted that following the submission of the memorandum by Mr. Gilbert, the proposed standard form of report should be submitted to each Federal Reserve Agent with a request for an expression of the Agent's views as to the practicability of its use in his district.

REPORTS OF STANDING COMMITTEES:

- Dated, July 6th, Recommending changes in stock at Federal Reserve Banks
- 8th, as set forth in the Auxiliary Minute Book of this date.
- 9th, Recommendations approved.
- 11th,
- Dated, July 2nd, Recommending action on applications for fiduciary powers
- 6th, as set forth in the Auxiliary Minute Book of this date.
- 8th, Recommendations approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, July 6th, Recommending approval of the application of Mr. Daniel P. Curry for permission to serve at the same time as director of the First National Bank, West New York, N.J., and as director of the Liberty National Bank, Guttenberg, N.J.

Recommendation approved.

Dated, July 6th, Recommending approval of the application of Mr. Oscar L. Auf der Heide for permission to serve at the same time as director of the First National Bank, West New York, N.J., and as director of the Liberty National Bank, Guttenberg, N.J.

Recommendation approved.

Dated, July 7th, Recommending approval of the application of Mr. John C. Martin for permission to serve at the same time as director of the Union National Bank, Philadelphia, Pa., and as director of the Land Title & Trust Company, Philadelphia, Pa.

Recommendation approved.

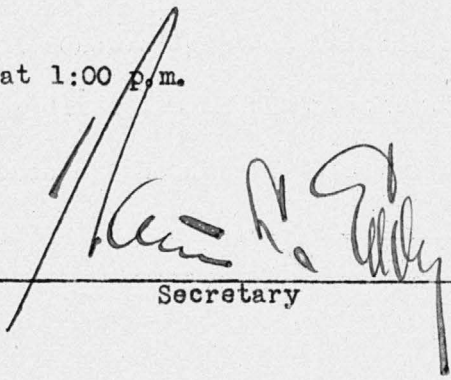
Dated, July 7th, Recommending approval of the application of Mr. George W. Shisler for permission to serve at the same time as director of the Southwark National Bank, Philadelphia, Pa., and as director of the Southwark Title & Trust Company, Philadelphia, Pa.

Recommendation approved.

Dated, July 8th, Recommending approval of the application of Mr. Ernest T. Trigg for permission to serve at the same time as director of the Union National Bank, Philadelphia, Pa., and as director of the Bankers Trust Company, Philadelphia, Pa.

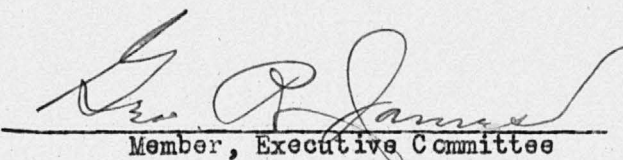
Recommendation approved.

The meeting adjourned at 1:00 p.m.



Secretary

Approved:



Member, Executive Committee