A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, September 6, 1927 at 11:00 a.m.

PRESENT: Governor Crissinger
Mr. Platt
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Cunningham
Mr. McIntosh
Mr. Noell, Asst. Secretary
Mr. McClelland, Asst. Secretary

The Governor stated that special order of business for this morning's meeting would be consideration of the situation with respect to rediscount rates at the Federal Reserve Banks of Chicago and San Francisco, where the Boards of Directors at their last meetings voted to continue the 4½ rates now in effect.

The Secretary read to the Board the minutes of the meetings of the Board's Executive Committee held on August 30th and 31st and on September 1st with respect to the action of the Chicago directors and the minutes of the Committee meeting of September 2nd, in which reference is made to the San Francisco rate. He also read telegrams exchanged with the Chairman of the two banks and at the request of the Governor read a letter from the Chairman of the Federal Reserve Bank of Chicago with reference to the attitude of various members of his board of directors in the matter of a change in the bank's rate and stating that he believes a reduction in the rate may be made at a meeting of the bank's executive committee to be held on Friday, September 9th.

Mr. James moved that the minutes of the Executive Committee just read be approved, and that the actions recorded therein be ratified.
Mr. Platt made the point of order that the Executive Committee had no authority to disapprove any rate at present in existence, or any rate change. Its authority was limited to the approval of a reduction to 3 1/2 per cent when made by any Federal Reserve bank - this authority having been delegated by the Federal Reserve Board merely to save time in case the directors of any Federal Reserve bank should notify the Board of a reduction at a time when no quorum of the Board happened to be present. The Board's minutes show that the only action of the Board delegating authority with relation to rates was the action of July 25, 1927, recorded in the Board's minutes as follows:

"Mr. Hamlin moved that authority be delegated to such member or members of the Board as may be present to give approval to any recommendation received from any Federal Reserve bank for a reduction in its rediscount rate to 3 1/2."

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

Mr. Platt made the further point of order that the Executive Committee on August 30th had nothing before it with relation to rates on which it could express formally either approval or disapproval. The records of the Board show that the monthly and weekly reports of meetings of directors or of executive committees of Federal Reserve banks have uniformly been treated as matters merely of information, when no change of rates have been reported. The Board has never voted either approval or disapproval of rates reported unchanged.

The points of order raised by Mr. Platt were overruled by the Chair and Mr. James' motion was then carried, the members voting as follows:
Thereupon ensued a discussion, during which the various members of the Board expressed their individual opinions as to what action, if any, should be taken by the Board today with regard to the rate of the Federal Reserve Bank of Chicago.

During the discussion, Mr. Cunningham submitted and moved adoption of the following resolutions:

"Whereas, the board of directors of the Federal Reserve Bank of Chicago at their meeting on August 26th voted that no change be made in the bank's existing rediscount rate of 4%, and so advised the Federal Reserve Board;

Be it resolved, that the Federal Reserve Board is of the opinion that the present rediscount rate of the Federal Reserve Bank of Chicago should be reduced; and

Be it further resolved, that the Federal Reserve Board in the exercise of its power of review and determination fixes a rediscount rate for the Federal Reserve Bank of Chicago of 3 1/2% on all classes of paper of all maturities, effective at the close of business today."

Mr. Hamlin moved as a substitute for the resolutions submitted by Mr. Cunningham, that the Federal Reserve Bank of Chicago be advised that the Federal Reserve Board has approved of the continuance by that bank of a rediscount rate of 4% through to the close of business on Friday, September 9th.

Following the discussion, Mr. Hamlin's substitute motion was put by the Chair and lost, the members voting as follows:

Mr. Platt, "aye"
Mr. Hamlin, "aye"
Governor Crissinger, "no"
Mr. James, "no"
Mr. Cunningham, "no"
Mr. McIntosh, "no"
Mr. Miller, "not voting"

By unanimous consent Mr. Kamlin then moved that action on Mr. Cunningham's motion be deferred until after the meeting of the executive committee of the Federal Reserve Bank of Chicago, which is to be held on Friday.

Mr. Kamlin's motion being put by the Chair was lost, the members voting as follows:
Mr. Platt, "aye"
Mr. Hamlin, "aye"
Mr. Miller, "aye"
Governor Crissinger, "no"
Mr. James, "no"
Mr. Cunningham, "no"
Mr. McIntosh, "no"

Mr. Cunningham's motion was then put to a vote and carried, the members voting as follows:
Governor Crissinger, "aye"
Mr. James, "aye"
Mr. Cunningham, "aye"
Mr. McIntosh, "aye"
Mr. Platt, "no"
Mr. Hamlin, "no"
Mr. Miller, "no"

The Governor then referred to the rate situation at the Federal Reserve Bank of San Francisco, and Mr. James moved:

"That the Chairman of the Federal Reserve Bank of San Francisco be advised that the Federal Reserve Board is of the opinion that the rediscount rate of that bank should be reduced and requests that the board of directors or executive committee of the bank reconsider the action reported in the Chairman's telegram to the Board of September 1st."

Mr. James' motion was put by the Chair and carried, the members voting as follows:
Governor Crissinger, "aye"
Mr. James, "aye"
Mr. Cunningham, "aye"
Mr. McIntosh, "aye"
Mr. Platt, "no"
Mr. Hamlin, "no"
Mr. Miller, "no"

Mr. James then referred to an application for membership in the Federal Reserve System filed by The Dollar State Bank and Trust Company, Scranton, Pa., which was received by the Board with a recommendation from the Executive Committee of the Federal Reserve Bank of Philadelphia that it be approved, subject to the usual conditions of membership. Mr. James, however, called attention to certain conditions in the bank, particularly the fact that approximately 50% of the resources of the bank are in the form of bonds and securities and that a large part of the bank's net earnings come from the purchase and sale of securities. He stated that information furnished the Board indicates that the Cashier of the bank, who is its administrative officer, devotes practically all of his attention to the bank's bond account and expressed doubt as to the desirability of the institution being admitted to membership.

Upon motion, it was voted that the above application be referred back to the board of directors of the Federal Reserve Bank of Philadelphia for further consideration and a new recommendation.

At this point, Mr. McGarrah, Federal Reserve Agent and Chairman of the Federal Reserve Bank of New York, entered the meeting and discussed with the Board informally the action of the directors of his bank in voting to recommend the appointment of Mr. W. H. Dillistin as Assistant Federal Reserve Agent and Manager of the Bank Examinations Department at a salary of $13,500 per annum, effective October 1st. Mr. McGarrah advised the Board of Mr. Dillistin's qualifications and expressed the hope that the
appointment and the salary proposed by the New York directors will be approved by the Board.

At 12:30 p.m. the Board recessed and reconvened at 3:15 p.m., the same members being present as attended the morning session.

The Governor then brought up the matter which was discussed with Mr. McGarrah at the morning meeting, namely, the recommendation of the board of directors of the Federal Reserve Bank of New York that Mr. W. H. Dillistin be appointed Assistant Federal Reserve Agent and Manager of the Bank Examination Department of the Federal Reserve Bank of New York at a salary of $13,500 per annum, effective October 1, 1927.

Mr. James moved that Mr. Dillistin be designated as Assistant Federal Reserve Agent at New York for the remainder of the present calendar year and that the Board approve for him salary at the rate of $13,500 per annum, effective October 1st.

Carried.

The Governor brought up the matter which on August 30th was made special order of business for today, namely, application for permission to exercise fiduciary powers filed by the First National Bank of Perry, Fla. He stated that this application has been in the hands of the Board for some time, but that action has been deferred due to the fact that a former Commissioner of Banking of the state adopted a policy of requiring a capital of $100,000 and a paid-in surplus of $50,000 for state institutions exercising trust powers. The applicant bank, he stated, has the capital required by state law for the exercise of such powers but would not be eligible to exercise them should the Board decide to follow the policy adopted by the State Commissioner.
Following a discussion, upon motion by Mr. McIntosh, who stated that the applicant bank is an exceptionally strong institution, it was voted to approve the application of the First National Bank of Perry.

The Governor then presented a proposed statement for the press announcing the reduction made this morning in the rediscount rate of the Federal Reserve Bank of Chicago.

Approved.

The minutes of the meeting of the Federal Reserve Board held on August 12th were then read and approved.

The minutes of the meetings of the Executive Committee held on August 17th and 24th were then read and, upon motion, the actions recorded therein were ratified.

Mr. Miller, on behalf of the Committee on District #12, then recommended the appointment of Mr. Peter McGregor as director of the Spokane Branch of the Federal Reserve Bank of San Francisco for the unexpired term of Mr. William Duling, deceased, and requested that the Committee be authorized to communicate with Mr. McGregor and ascertain whether or not he will accept such appointment.

Upon motion, Mr. McGregor was appointed a director of the Spokane branch for the term expiring December 31, 1928 and the Committee was authorized to communicate with Mr. McGregor as requested.

The meeting adjourned at 4:10 p.m.

Approved:

[Signatures]