

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, October 5, 1927 at 11:00 o'clock a.m.

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

The minutes of the meeting of the Federal Reserve Board held on September 8th were read and approved.

The minutes of the meetings of the Executive Committee of the Federal Reserve Board held on September 14th, 20th and 23rd were read and upon motion the actions recorded therein were ratified.

The minutes of the meeting of the Federal Reserve Board held on September 27th were read and approved.

Matter approved on initials on September 29th, namely, application of the Third Northwestern National Bank, Minneapolis, Minn. for original stock (132 shares) in the Federal Reserve Bank of Minneapolis, effective if and when the bank is authorized by the Comptroller of the Currency to commence business.

Formally approved.

The Secretary then presented an order dated October 4th, signed by the President of the United States, as follows:

"Under the provisions of the Federal Reserve Act (Section 10), approved December 23, 1913, as amended, Roy A. Young is hereby designated as Governor of the Federal Reserve Board from October 4, 1927, until otherwise directed."

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The Secretary then called attention to the fact that the term of Mr. James as a member of the Executive Committee expired September 30th, and thereupon Mr. Cunningham was appointed to serve on the Committee for the quarter ending December 31st.

Letter dated September 29th from the Assistant Secretary of the Federal Reserve Bank of New York, advising that the board of directors at its meeting on that date made no change in the bank's existing schedule of rates of discount and purchase.

Noted, with approval.

Memorandum dated October 4th from the Chief of the Division of Bank Operations, approved by the Secretary, recommending the appointment of Mr. Thomas E. Ramsey at an annual salary of \$1320 for a probationary period ending December 31, 1927, with the understanding that his appointment will be made permanent if his services prove satisfactory.

Approved.

Report of Committee on Salaries and Expenditures on letter dated September 26th from the Deputy Governor of the Federal Reserve Bank of New York, transmitting list of employees for whom the directors of that bank have approved leaves of absence with pay on account of illness during the month of August, where the total of such absences since January 1, 1927 has exceeded thirty days; the Board's Committee recommending approval of the salary payments authorized by the New York directors.

Approved.

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Report of Executive Committee on letter dated October 1st from the Comptroller of the Currency, recommending approval of an increase from \$2400 to \$2700 per annum in the salary of National Bank Examiner J. W. Austin; the Board's Committee also recommending approval.

Approved.

Report of Executive Committee on letter dated October 1st from the Comptroller of the Currency, recommending approval of a salary of \$3,000 per annum for National Bank Examiner Louis H. Sedlacek, assigned to the Ninth Federal Reserve District; the Board's Committee also recommending approval.

Approved.

Report of Executive Committee on letter dated October 1st from the Comptroller of the Currency, recommending approval of a salary of \$2700 per annum for National Bank Examiner Joseph M. Dougherty, assigned to the Ninth Federal Reserve District; the Board's Committee also recommending approval.

Approved.

Report of Executive Committee on memorandum dated September 30th from the Acting Comptroller of the Currency, recommending approval of an application of The Farmers National Bank of Ludlow, Mo. for permission to reduce its capital from \$60,000 to \$30,000 on condition that no money be returned to the shareholders but that the surplus account be increased to \$10,000 or \$15,000 and that the difference between the amount of the reduction and the amount placed to the credit of surplus be placed in

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undivided profits; the Board's Committee also recommending approval, subject to the condition recommended by the Acting Comptroller.

Approved.

Letter dated October 3rd from Mr. A. B. Trowbridge, referring to the building to be erected to house the San Antonio Branch of the Federal Reserve Bank of Dallas and inquiring whether the Board will wish him to submit a report on the plans and specifications of the building.

The Secretary reported that the latest information which the Board has received from the Federal Reserve Bank of Dallas is that a local architect has been employed to prepare plans and specifications for the San Antonio building and was instructed to visit the El Paso and Houston Branches for an inspection before undertaking to make plans and specifications for the San Antonio structure.

It was the consensus of opinion that it is unnecessary for the Board to determine at this time whether or not it will desire the services of Mr. Trowbridge in connection with the San Antonio project, and accordingly the Secretary was instructed to acknowledge Mr. Trowbridge's letter and advise him that the Board will communicate with him later regarding the matter.

Telegram dated October 1st from the Assistant Federal Reserve Agent at New York, advising that at close of business September 30th The Springfield Avenue Trust Company of Newark, N. J. merged into the Federal Trust Company of Newark, under the title of the latter institution.

Noted.

Letter dated October 4th from the Assistant Federal Reserve Agent at New York, advising that on October 1st The First Trust and Deposit Company of Syracuse, N. Y. opened the branch at 1510 West Genesee Street,

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Syracuse, which was approved by the Board on January 25, 1927 and for the establishment of which the Board on July 28, 1927 granted an extension of time.

Noted.

Letter dated October 4th from the Assistant Federal Reserve Agent at New York, advising that the American Trust Company, New York, N. Y. on October 17th will open the branch at 373 East 149th Street, Borough of Bronx, which was approved by the Board on June 3, 1927.

Noted.

Letter dated September 27th from the Assistant Federal Reserve Agent at New York, referring to previous advice to the Board that the Clinton Trust Company of Newark, N. J. has been authorized by the State Banking Commissioner to establish a local branch; the Assistant Federal Reserve Agent advising that the branch was to be opened on October 3rd at the corner of Lyons Avenue and Aldine Street, Newark.

Noted.

Report of Committee on Examinations on letter dated September 30th from the Federal Reserve Agent at St. Louis, recommending approval of an extension in the period in which The Liberty Insurance Bank, Louisville, Ky., may establish the branch approved by the Board on April 12, 1927 for Broadway between Twenty-sixth and Thirty-fifth Streets, Louisville; the Board's Committee recommending approval of an extension of six months from October 12th.

Upon motion, the recommendation of the Committee was approved.

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Bond of Mr. William H. Dillistin, Assistant Federal Reserve Agent at New York, executed under date of October 3, 1927, in the amount of \$50,000.

Approved.

The Secretary then presented a memorandum dated October 3rd from the Director of the Division of Research and Statistics, approved by the Executive Committee, submitting charts covering the physical volume of industrial production and factory employment and payrolls from 1922 to date, requested by the financial editor of the Associated Press; the Director recommending that the Board authorize him to furnish these charts, with an accompanying text, to the Associated Press and to furnish from time to time other charts and descriptions of a similar character, keeping in mind the principle that nothing should be furnished that is not an original product of the Board, and, of course, nothing that is not public information.

Upon motion, the recommendation of the Director was approved.

The Secretary then presented telegram addressed under date of September 28th, upon initials of members of the Board, to the Federal Reserve Agent at Kansas City in reply to telegraphic inquiry whether the Board would pass upon an application for membership in the Federal Reserve System on behalf of a state bank to be formed by the conversion of the First National Bank of Rock Springs, Wyoming, without the necessity of an examination of the institution by the Federal Reserve bank, relying on statements in the application and on examinations by national

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and state authorities made as of August 24th and 26th, which he believes to be sufficient; the Board's reply stating that it sees no necessity for a new examination and will consider the application for membership in the light of the condition of the institution as disclosed by the recent national and state examinations.

Formally approved.

Memorandum from Assistant Counsel dated September 29th, approved by the Law Committee, with reference to the Clayton Act application of Mr. N. A. K. Bugbee, involving service as director of the Mechanics National Bank and as President of the Hanover Trust Company, both of Trenton, N. J.; Counsel recommending (1) That the Board refuse the application temporarily and advise the applicant that on the evidence before it it can not permit him to serve the institutions involved, but that he may, if he wishes to do so, furnish the Board with additional information in support of his application; and (2) That the time within which the applicant shall notify the Board whether he desires to furnish additional information be limited to twenty days, with the understanding that if the Board is not notified within that time that he desires to submit such information, its refusal will become final.

Upon motion, Counsel's recommendations were approved and Mr. Bugbee's application was temporarily refused in accordance therewith.

Memorandum from Assistant Counsel dated October 1st, with reference to the Clayton Act application of Mr. Albert R. Granger, involving the Delaware County National Bank and the Delaware County Trust Company, both of Chester, Pa., which application was temporarily refused by the

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Board on June 21, 1927 with the usual opportunity to the applicant to furnish additional information; Counsel stating that the additional evidence submitted does not seem to be sufficient to show that the banks involved are not in substantial competition and recommending that the Board definitely refuse the application.

Upon motion, in accordance with Counsel's recommendation, it was voted to refuse finally the application filed by Mr. Granger.

Memorandum from Assistant Counsel dated September 27th, with reference to the Clayton Act application of Mr. Henry C. Thornton, involving the Continental National Bank and the Bankers Trust Company, both of Indianapolis, Ind., which at the meeting of the Executive Committee on August 17th was temporarily refused; Counsel stating that in accordance with a request made at that meeting the Vice Governor addressed a special letter to the Federal Reserve Agent at Chicago on the question whether the two banks involved were actually in substantial competition in view of the fact that one of them, the Bankers Trust Company, apparently had no commercial loans, in reply to which the Federal Reserve Agent stated that he is still of the opinion, expressed at the time the application was forwarded to the Board, that the two banks are in substantial competition, although the competition as to commercial loans is, in his opinion, rather nominal. In his memorandum, Counsel suggested if the Board feels that the temporary refusal of this application should remain effective that Mr. Thornton be advised accordingly and be given an opportunity to submit any further information he wishes, tending to show whether the banks are actually in substantial competition.

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Discussion ensued during which Messrs. Platt and Hamlin, members of the Law Committee, advised that they were inclined to the opinion that on the basis of information now before the Board Mr. Thornton's application should be approved. However, it was the consensus of opinion that further information should be secured and accordingly the suggestion of Counsel referred to above was approved.

Memorandum from Assistant Counsel dated September 28th, with reference to the Clayton Act application of Mr. Marshal Hale, involving the California National Bank of Sacramento, Cal. and The Bank of Italy National Trust and Savings Association of San Francisco, which on August 24, 1927 was temporarily refused by the Board, with the usual opportunity to the applicant to furnish additional information; Counsel stating that Mr. Hale expects to be in the East some time during the winter and requests that further action on his application be withheld until he can be heard by the Board at that time.

After discussion, it was voted to approve Mr. Hale's request for a hearing and to defer further action on his application pending his visit to Washington.

Memorandum from Assistant Counsel dated September 28th, with reference to the Clayton Act application of Mr. John A. Goodwin, involving the Tioga National Bank and the Tioga Trust Company, both of Philadelphia, Pa.; Counsel recommending (1) That the Board temporarily refuse the application and advise the applicant that on the evidence before it the Board can not permit him to serve these institutions, but that he may, if he wishes to do so, furnish the Board with additional information in support of his application; and (2) That the time within which he shall notify the Board whether he desires to furnish additional informa-

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tion be limited to twenty days, with the understanding that if the Board is not notified within that time its refusal will become final.

Upon motion, Counsel's recommendations were approved, and Mr. Goodwin's application was temporarily refused in accordance therewith.

Memorandum from the Secretary dated September 29th, with regard to inquiry received by the Board some time ago from the Governor of the Federal Reserve Bank of Kansas City as to whether notes held by a member bank, bearing the endorsement of officers of non-member banks, are eligible for rediscount at Federal Reserve banks; the Secretary stating that this matter was referred to the Spring Conference of Governors which was of the opinion that there is no need for a ruling by the Board as there is nothing in such an endorsement to impair the eligibility of the paper and was also referred to the Federal Advisory Council at its last meeting, resulting in a recommendation that the mere fact that paper has been endorsed by an individual who happens to be an officer of a non-member bank should not be considered as making such paper ineligible.

Discussion ensued, during which it was the consensus of opinion that no ruling on the subject should be made by the Board as there seems to be no question as to the eligibility on such paper under the law but that a letter should be addressed to the Governor of the Federal Reserve Bank of Kansas City calling attention to the fact that the practice may, unless carefully guarded, result in abuse by some member banks of the rediscount privilege of the Federal Reserve Bank in that it might be used as a subterfuge to secure the rediscount of paper originating in non-member banks.

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Following the discussion, the Governor was requested to prepare for submission to the Board a letter to the Governor of the Federal Reserve Bank of Kansas City along the lines of the discussion.

Telegram dated September 27th from the Chairman of the Federal Reserve Bank of Minneapolis, advising that the salary of Mr. W. B. Geery, recently appointed Governor of that bank to succeed Mr. Young, will continue at \$17,500 per annum until the end of the year.

Noted, with approval.

Letter dated September 26th from the Chairman of the Federal Reserve Bank of Minneapolis, advising that due to election of Mr. W. B. Geery as Governor of the bank, Mr. B. V. Moore automatically becomes senior Deputy Governor, and the directors have voted to elect as Deputy Governor Mr. Harry Yaeger, who has been serving as Assistant Deputy Governor; the Chairman also stating that salary adjustments incident to these changes will be deferred until the end of the year.

Noted, with approval.

Memorandum dated September 27th from Assistant Counsel, with reference to the Clayton Act case of Mr. J. E. Fishburn, involving the Merchants National Trust and Savings Bank of Los Angeles, The California Bank of Los Angeles and the First National Bank of Long Beach, Cal. on which the Executive Committee at a meeting on March 8, 1927, voted to defer action pending the filing of an application involving the two Los Angeles banks by Mr. W. D. Woolwine, of whose death the Board has since been advised; Counsel stating that the Board in 1919 authorized Mr. Fishburn to serve The Merchants National Bank of Los Angeles, The Home Savings Bank of

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Los Angeles and the First National Bank of Long Beach, but that since that time The Home Savings Bank consolidated with the California Bank and the Merchants National Bank consolidated with the Hellman Commercial Trust and Savings Bank to form The Merchants National Trust and Savings Bank of Los Angeles. In his memorandum Counsel inquired whether the Board now desires to revoke the permit granted Mr. Fishburn in 1919 because of substantial competition between the banks which he is now serving, or whether it desires to permit him to continue to serve these banks under that permit.

After a full discussion, Mr. Hamlin moved that the Federal Reserve Board advise Mr. Fishburn that it is considering revocation of the permit granted him in 1919 but that if he wishes he may present additional information tending to show that the consolidations since the issuance of his permit have not effected the competitive status of the institutions involved in such a way as to make service thereon subject to the prohibitions of the Clayton Act or contrary to the spirit of that Act.

After discussion, during which the Governor stated he would like to familiarize himself with the history of the above case, action on Mr. Hamlin's motion was deferred.

Mr. Platt, member of the Committee on District #2, then recommended that the Board appoint Mr. Edward A. Duerr, President of the Community National Bank of Buffalo as a director of the Buffalo Branch of the Federal Reserve Bank of New York for the unexpired term of Mr. John A. Kloefer, ending December 31, 1928.

Upon motion, Mr. Duerr was appointed a director of the Branch for the unexpired term of Mr. Kloefer.

Governor Young then referred to the proposed new regulations, which have been under consideration by the Board and the officers of the Federal

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Reserve banks for some time past and expressed the opinion that they should be brought up for final action without delay, at least those portions regarding which there seems to be no disagreement. Accordingly, he stated that a meeting of the Board will be held tomorrow morning at 10:00 o'clock at which the new regulations will be special order of business.

REPORTS OF STANDING COMMITTEES:

- Dated, September 29th, Recommending changes in stock at Federal Reserve
October 1st, banks as set forth in the Auxiliary Minute Book
 3rd, of this date.
 4th, Recommendations approved.
- Dated, September 28th, Recommending action on applications for fiduciary
 30th, powers as set forth in the Auxiliary Minute Book
October 1st, of this date.
 3rd, Recommendations approved.
- Dated, September 28th, Recommending approval of the application of Mr.
Arthur H. Perfect for permission to serve at the
same time as director of the Lincoln National Bank,
Fort Wayne, Ind. and as director of the Lincoln
Trust Company, Fort Wayne, Ind.
Recommendation approved.
- Dated, September 28th, Recommending approval of the application of Mr.
Henry Beadell for permission to serve at the same
time as director of the Lincoln National Bank, Fort
Wayne, Ind. and as director of the Peoples Trust
and Savings Company, Fort Wayne, Ind.
Recommendation approved.
- Dated, September 28th, Recommending approval of the application of Mr.
George Stuart Patterson for permission to serve
at the same time as director of the Central National
Bank, Philadelphia, Pa. and as director of the
International Acceptance Bank, Inc., New York,
N. Y.
Recommendation approved.
- Dated, September 30th, Recommending approval of the application of Mr.
Edward Bauer for permission to serve at the same
time as director of the Citizens National Bank,
Rahway, N. J. and as director of the Elizabeth
Trust Company, Elizabeth, N. J.
Recommendation approved.
- Dated, September 30th, Recommending approval of the application of Mr.
Frederic Coriell for permission to serve at the
same time as director of the Citizens National
Bank, Rahway, N. J. and as director of the Elizabeth
Trust Company, Elizabeth, N. J.
Recommendation approved.

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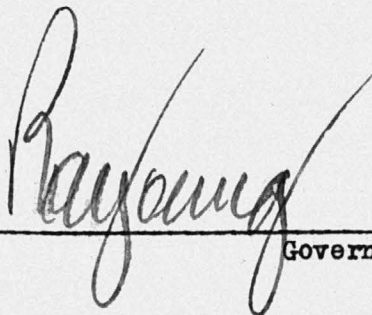
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REPORTS OF STANDING COMMITTEES: (Cont'd)

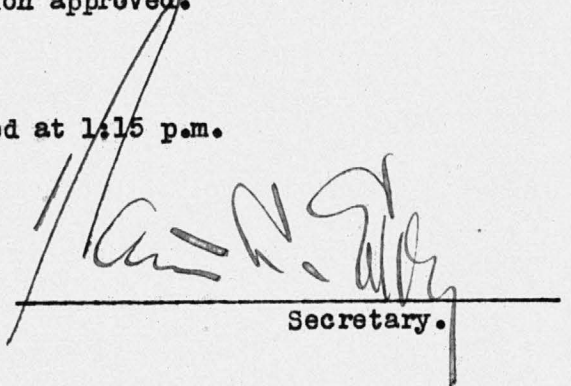
- Dated, October 1st, Recommending approval of the application of Mr. William B. Schiltges for permission to serve at the same time as officer of the Fletcher Savings and Trust Company, Indianapolis, Ind. as director and officer of the Fletcher Joint Stock Land Bank, Indianapolis, Ind. and as director and officer of the Broad Ripple State Bank, Indianapolis, Ind.
Recommendation approved.
- Dated, October 1st, Recommending approval of the application of Mr. Alfred Kauffmann for permission to serve at the same time as director of the Fletcher Savings and Trust Company, Indianapolis, Ind. and as director of the Fletcher Joint Stock Land Bank, Indianapolis, Ind.
Recommendation approved.
- Dated, October 1st, Recommending approval of the application of Mr. George A. Miller for permission to serve at the same time as officer of the Fletcher Savings and Trust Company, Indianapolis, Ind. and as officer of the Fletcher Joint Stock Land Bank, Indianapolis, Ind.
Recommendation approved.
- Dated, October 1st, Recommending approval of the application of Mr. Almus G. Ruddell for permission to serve at the same time as director of the Fletcher Savings and Trust Company, Indianapolis, Ind. and as director of the Fletcher Joint Stock Land Bank, Indianapolis, Ind.
Recommendation approved.
- Dated, October 3rd, Recommending approval of the application of Mr. A. E. Bowers for permission to serve at the same time as director of the First National Bank, Medford, Okla. and as director of the First National Bank, Wichita, Kans.
Recommendation approved.

The meeting adjourned at 1:15 p.m.

Approved:



Governor.



Secretary.