

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, October 11, 1927 at 10:30 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 October 7th were read and approved.

Telegrams dated October 7th from the Secretary of the Federal Reserve Bank of Cleveland and from the Chairman of the Federal Reserve Bank of Dallas, both advising that the boards of directors of the banks at their meetings on that date made no change in the banks' existing schedules of rates of discount and purchase.

Noted, with approval.

Telegram dated October 10th from the Chairman of the Federal Reserve Bank of Atlanta, advising of the election of Mr. Luke Lea of Nashville, Tenn. as Class B Director of the Federal Reserve Bank of Atlanta, for the unexpired term of Mr. W. H. Hartford, deceased, ending December 31, 1928.

Noted.

Letter dated October 6th from the Federal Reserve Agent at San Francisco, transmitting and recommending approval of an application of the American Trust Company of San Francisco, for permission to move the branch now operated at 725 Market Street, Oakland to a new location

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at the southeast corner of Park Boulevard and Glenfield, Oakland.

Approved.

Report of Executive Committee on letter dated October 6th from the Comptroller of the Currency, recommending approval of a salary of \$3,000 per annum for National Bank Examiner H. E. Stewart, assigned to the Second Federal Reserve District; the Committee also recommending approval.

Approved.

Report of Committee on Salaries and Expenditures on letter dated October 5th from the Chairman of the Federal Reserve Bank of Atlanta, advising of the action of the Executive Committee of that bank in voting to extend for a period of fifteen days with pay, leave of absence on account of illness previously grant Mrs. Sarah Bayly, an employee of the Transit Department; the Board's Committee recommending approval of the salary payment involved.

Approved.

Report of Executive Committee on memorandum dated August 5th from the Comptroller of the Currency, recommending approval of an application of The First National Bank of Wausau, Wisconsin, for permission to reduce its capital stock from \$350,000 to \$300,000 on condition that the released capital be used to eliminate an equal amount of doubtful assets; the Committee submitting a divided report, Mr. Platt concurring in the recommendation of the Comptroller and Mr. Cunningham in a suggestion of the Federal Reserve Agent at Chicago that the consent to reduce capital be withheld for the present and that at the next examination the Examiner be instructed to make a closer analysis of slow and undesirable paper and

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collateral, and in addition thereto to give further comments relative to the management, as it appears that a new cashier, without banking experience, has just been added to the official force.

Discussion ensued during which it was the consensus of opinion that the above matter should not be acted upon in the absence from the meeting of the Comptroller of the Currency, and consideration was therefore deferred.

Memorandum dated October 10th from the Chief Examiner, advising that under authority previously granted by the Board, arrangements have been made to secure the services of Mr. M. R. Wilkes, as an Assistant Examiner, on October 16, 1927.

Noted.

Memorandum from Counsel dated October 6th, submitting statement in the amount of \$2515 rendered by Honorable Newton D. Baker, for services in connection with the effort of certain member banks in the Sixth Federal Reserve District to prevent the par collection of checks drawn on such banks by stamping them "Not payable through a Federal Reserve bank"; Counsel also submitting draft of a letter to the Federal Reserve Bank of Atlanta transmitting Mr. Baker's bill for payment and stating that if the Federal Reserve bank feels that the fee should be pro-rated among all the Federal Reserve banks the Board will take the matter up in the usual way.

Discussion thereupon ensued during which attention was called to the fact that the employment of Mr. Baker in the case above referred to was authorized as a System matter, and accordingly, it was, upon motion, voted that while the Federal Reserve Bank of Atlanta should be requested to remit to Mr. Baker the amount of his statement, the expense should at once be pro-rated among all Federal Reserve banks.

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Report of Committee on District #3 as follows:

"The undersigned Committee on the Philadelphia District begs leave to report that it has been advised by Mr. Austin, Chairman and Federal Reserve Agent, that Mr. Chas. C. Harrison, Class C Director of the Bank for the term expiring December 31, 1927, has been and is seriously ill. The indication is that he will not be able to go on as Director of the Federal Reserve Bank.

It is the opinion of the Committee, following the precedent set a year ago when Mr. Owen D. Young, then a Class B Director of the Federal Reserve Bank of New York, was tendered and accepted appointment as a Class C Director, that the Board might well appoint in the place of Mr. Harrison - Mr. Alba B. Johnson, a Class B Director since the organization of the Bank in 1914, and one of the outstanding figures in the business life of Pennsylvania and an outstanding citizen of Philadelphia.

The Committee believes that this would be an excellent move and recommends that it be authorized to communicate with Mr. Austin with the view of ascertaining whether Mr. Johnson would be favorable to the shift and in that case arrange to secure Mr. Harrison's resignation as promptly as possible, in order that the Class B vacancy created by Mr. Johnson's shift to a Class C Directorship might be filled at the forthcoming election of Directors."

Upon motion, the authority requested by the Committee was granted.

At this point, Mr. McIntosh joined the meeting and the Governor stated that Mr. Henry M. Robinson, President of the Los Angeles First National Trust and Savings Bank and Mr. Newton, Federal Reserve Agent at San Francisco, are in Washington. He referred to the action of the Board at its meeting on October 5th in voting to afford to Mr. Robinson an opportunity to advise the Board of steps which have been taken in connection with the reorganization of the Pacific Southwest Trust and Savings Bank and its consolidation with the First National Bank of Los Angeles under the title "Los Angeles First National Trust and Savings Bank", and to request Mr. Newton to come to Washington for the purpose of discussing with the Board, in the light of the

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information he now has or may obtain during the course of Mr. Robinson's interview with the Board, the question of exercising the discretion vested in him by the Board in the matter of reporting apparent violations of law on the part of certain officials of the Pacific Southwest Trust and Savings Bank. Mr. Robinson and Mr. Newton were then called into the room.

At the request of the Board Mr. Robinson reviewed the steps which have been taken in the capital reorganization of the Pacific Southwest Trust and Savings Bank, resulting in its consolidation with the First National Bank of Los Angeles. He stated that the capital reorganization having been successfully accomplished he is now directing his attention to the reorganization of the official personnel of the new institution which, however, he stated would require considerable time. He stated that he understood the question before the Board relates to reporting to the Department of Justice and the local United States District Attorney the apparent violations of law by officers of the former Pacific Southwest Trust and Savings Bank, some of whom are still connected in an official capacity with the Los Angeles First National Trust and Savings Bank. He stated that he did not wish to offer any plea in extenuation of the acts of these officers, but that he did wish to request consideration from the Board in the matter of reporting the alleged violations to the end that no action may be taken at a time when the result might be detrimental to the new bank.

Mr. Robinson then left the room and Mr. Newton engaged in a discussion with the Board regarding the possible results of filing at this time a report of the alleged violations. Mr. McIntosh explained

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the procedure of the Comptroller's office with respect to reporting violations of law by officers and employees of national banks in cases where immediate action by Federal authorities might jeopardize efforts being made to reorganize the institutions concerned. He stated that the same procedure could undoubtedly be followed by the Board in the present case, and that at the same time the Board's responsibility would be fulfilled if a letter to the Attorney General reporting the alleged violations were delivered to the Attorney General personally by the Governor and some other member or members of the Board, the situation with respect to the reorganization of the Los Angeles-First National Trust and Savings Bank explained to the Attorney General and a request made for his cooperation. Mr. Newton stated that he could see no possible objection to reporting the matter to the Attorney General in accordance with Mr. McIntosh's suggestion. He stated, however, if the Board preferred it would be entirely satisfactory to him if the matter were left in his hands under the discretion conferred upon him by the Board on July 5th.

Following the discussion, Mr. Hamlin moved that the Governor of the Board be directed to send to the Attorney General of the United States a report of the apparent violations of Federal law disclosed by the report of the last examination of the Pacific Southwest Trust and Savings Bank.

Mr. McIntosh moved that Mr. Hamlin's motion be amended to read as follows - "That a letter be prepared to the Attorney General of the United States, reporting the apparent violations of Federal statutes on the part of officials of the Pacific Southwest Trust and Savings Bank, and that the Governor, with a committee of members of the Board, and if he desires, Mr. Newton, present this letter personally to the Attorney General, or one of his assistants, and explain fully the circumstances surrounding the reorganization of the Los Angeles-First National Trust and Savings Bank."

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Mr. James moved as a substitute for the motion of Mr. Hamlin, as amended by the motion of Mr. McIntosh, that the Board having discussed the matter with Mr. Newton, and having had an interview with Mr. Robinson on the subject, make no change in the present status of the matter of reporting the apparent violations of Federal statutes by officials of the Pacific Southwest Trust and Savings Bank as fixed by the resolution adopted at the meeting on July 5, 1927, namely, that with the distinct understanding that the apparent irregularities and criminal violations shall be reported to the United States District Attorney and the Department of Justice, the time at which such reports are made be left to the discretion of the Federal Reserve Agent and his associates at the Federal Reserve Bank of San Francisco.

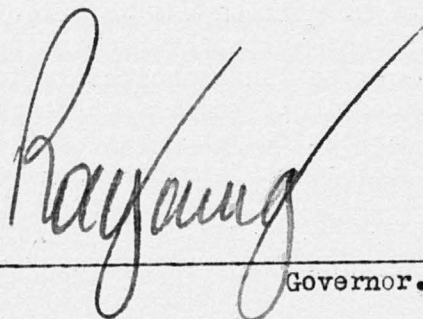
Following a further discussion, it was voted to defer action on the above resolutions until the next meeting of the Board.

REPORTS OF STANDING COMMITTEES:

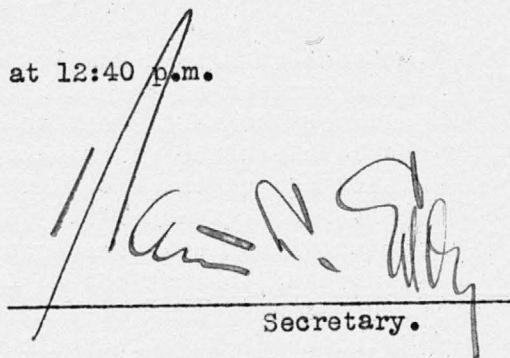
- Dated, October 10th, 11th, Recommending changes in stock at Federal Reserve Banks as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.
- Dated, October 10th, Recommending approval of the application of Mr. M. W. Borders for permission to serve at the same time as director of the National Stock Yards National Bank, National City, Ill. and as director of the Fidelity National Bank and Trust Company, Kansas City, Kans.
Recommendation approved.

The meeting adjourned at 12:40 p.m.

Approved:



Governor.



Secretary.