

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, October 12, 1927 at 10:30 a.m.

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

The minutes of the meeting of the Federal Reserve Board held on October 11th were read and approved.

The Governor stated that special order of business for this morning's meeting would be the motion submitted at the meeting yesterday by Mr. Hamlin, with regard to reporting apparent violations of Federal law by officials of the former Pacific Southwest Trust and Savings Bank, a motion by Mr. McIntosh to amend, and a substitute motion made by Mr. James, all of which were discussed at the meeting yesterday with the result that action was deferred. He stated that the first motion to be considered by the Board would be the substitute motion by Mr. James:

"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."

Mr. McIntosh stated that adoption by the Board of the motion submitted by Mr. James would be entirely agreeable to him.

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Mr. Hamlin stated that after giving the matter further consideration, he was prepared to vote for Mr. James' substitute motion with the understanding, of course, that the Federal Reserve Agent will be careful not to delay reporting the violations until such time as they will be affected by the statute of limitations.

Mr. Cunningham stated that while he had voted "no" on the resolution adopted by the Board on July 5th and would prefer at this time to vote on the resolution offered yesterday by Mr. McIntosh, as a majority of the members of the Board appear to favor the motion submitted by Mr. James he will vote in favor of that motion.

Mr. Platt also stated that he would prefer to vote for Mr. McIntosh's motion but would vote for Mr. James' substitute as it appears that the same end can be accomplished thereunder.

The Secretary then read again the motion by Mr. James which was put to a vote and, the roll being called, was unanimously carried.

Telegram dated October 11th from the Chairman of the Federal Reserve Bank of St. Louis, advising that Mr. John T. Reynolds has resigned as County Treasurer of Muhlenberg County, Ky. in order to qualify as a director of the Louisville Branch of the Federal Reserve Bank of St. Louis,

Noted.

Letter dated October 10th from the Assistant Federal Reserve Agent at Cleveland, referring to the authority granted by the Board on March 22nd to the Citizens Trust and Savings Bank, Columbus, Ohio for permission to establish a branch at Parsons and Livingston Avenues, Columbus; the Assistant

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Agent stating that the permission granted by the Board expired on September 22nd and that the Citizens Trust and Savings Bank has decided to postpone indefinitely the establishment of a branch.

Noted.

The Governor then brought up the matter on which action was deferred at the meeting yesterday, namely, memorandum dated August 5th from the Comptroller of the Currency, recommending approval of an application of The First National Bank of Wausau, Wis. for permission to reduce its capital from \$350,000 to \$300,000, provided the released capital is used to eliminate an equal amount of doubtful assets. For the information of Mr. McIntosh, he stated that action on the application was deferred because of a divided report by the Executive Committee, one member thereof favoring the recommendation of the Comptroller of the Currency and the other approving a suggestion of the Federal Reserve Agent at Chicago that consent to reduce capital be withheld for the present.

At the request of the Comptroller, the above application was referred back to him for further consideration.

Mr. McIntosh then left the meeting.

The Governor then presented the formal recommendations of the Federal Advisory Council to the Board, made at the meeting of the Council held here on September 16th as follows:

"TOPIC No. 1. Should Federal Reserve banks require audited statements in connection with the paper which they discount for member banks?

RECOMMENDATION: The Council would consider it impractical to make a rule requiring audited statements in connection with bills discounted for member banks.

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"TOPIC No. 2. Question of eligibility of notes endorsed by officers of non-member banks.

RECOMMENDATION: The Council does not consider the mere fact that paper has been endorsed by an individual who happens to be an officer of a non-member bank as making such paper ineligible for rediscount."

Mr. Cunningham then presented the following resolution:

"WHEREAS, on the occasion of the joint meeting between the Federal Advisory Council and the Federal Reserve Board on September 16, 1927, in Washington, D. C., there was read a resolution purporting to express disapproval of the action taken by a vote of the Federal Reserve Board on September 6, in reducing the rediscount rate of the Federal Reserve Bank of Chicago; which had been adopted by a majority vote of the Federal Advisory Council then in session;

WHEREAS, the established custom of the Federal Advisory Council is to submit printed or written recommendations to the Federal Reserve Board;

WHEREAS, the official recommendations adopted by the Federal Advisory Council at its meeting on September 16th have been received by the Federal Reserve Board;

WHEREAS, such recommendations do not include the text of the above mentioned resolution regarding the Board's action on discount rates or any reference thereto;

WHEREAS, neither the Federal Reserve Board nor any member thereof has yet been furnished with a copy of said resolution;

NOW, THEREFORE, BE IT RESOLVED, that the Governor of the Federal Reserve Board be requested to address a formal communication to the Chairman of the Federal Advisory Council requesting that the Federal Reserve Board be furnished with a copy of the above mentioned resolution, in order that it may be incorporated in the records of the Federal Reserve Board."

After discussion, action was deferred on the resolution submitted by Mr. Cunningham, with the understanding that it will be brought up within thirty days at a meeting of the full Board to be arranged by the Governor in consultation with the Chairman of the Board.

In this connection, Mr. James referred to the fact that frequent misunderstandings have arisen in the past, due to the fact that a detailed record is not kept by the Board of conferences which it holds with the Federal Advisory Council, the Open Market Investment Committee and others. He stated that he desired to submit for consideration at the appropriate time the following motions:

"That in the future an official stenographer be present whenever the Federal Advisory Council meets with the Federal Reserve Board and that a record be made of proceedings at such meetings as is done in the case of Conferences with the Governors of the Federal Reserve banks and the Federal Reserve Agents."

"That in the future an official stenographer be present whenever the Open Market Investment Committee, or any member thereof, meets with the Federal Reserve Board, and a verbatim record be made of the proceedings."

It was understood that the above motions would be considered at the same time the resolution submitted by Mr. Cunningham comes up for action.

The formal recommendations submitted by the Federal Advisory Council, as quoted above, were upon motion noted.

REPORTS OF STANDING COMMITTEES:

Dated, October 8th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Recommendations approved.

Dated, October 7th, Recommending approval of the application of Mr. John M. Mendenhall for permission to serve at the same time as employee of the Merchants National Bank, Indianapolis, Ind. and as director of the Brightwood State Bank, Indianapolis, Ind.

Recommendation approved.

Dated, October 7th, Recommending approval of the application of Mr. Otto N. Frenzel, Jr. for permission to serve at the same time as officer of the Merchants National Bank, Indianapolis, Ind. as director of the Fountain Square State Bank, Indianapolis, Ind. and as director of the Brightwood State Bank, Indianapolis, Ind.

Recommendation approved.

The meeting adjourned at 12:00 o'clock noon.

Approved:

Raymond

Governor.

Ken N. G. G.

Secretary.