

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, October 20, 1927 at 11:00 a.m.

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

The minutes of the meeting of the Federal Reserve Board held on October 18th were read and approved as amended.

The Governor then presented letter dated October 18th from the Governor of the Federal Reserve Bank of New York, transmitting copy of stabilization decree promulgated by the President of Poland on October 13th, and advising that the stabilization loan, which was issued October 18th, was in the amount of \$72,000,000, rather than \$70,000,000 as had been originally expected, owing to some late changes in the negotiations relative to the price of the loan. In his letter, Governor Strong also advised of the receipt of a cable from the Bank of Poland stating that the Council of the bank at its meeting last week voted to elect Mr. Charles S. Dewey, now Assistant Secretary of the Treasury, as a director of the Bank of Poland and Adviser under the stabilization program.

The above letter, having been circulated among all members of the Board, was noted.

Telegram dated October 19th from the Chairman of the Federal Reserve Bank of St. Louis, advising that the board of directors at their meeting on that date made no change in the bank's existing schedule of rates of discount and purchase.

Noted, with approval.

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Memorandum dated October 19th from the Governor, advising that until he can make a permanent arrangement with respect to his office force, he has temporarily appointed Mr. S. R. Carpenter as his Private Secretary with salary over the period of the temporary appointment at the rate of \$2,000 per annum, effective October 16, 1927; the Governor stating that Mr. Carpenter has been employed in the office of the Board's Secretary at a salary of \$1,600 per annum, and that it is understood that if he decides to terminate Mr. Carpenter's detail to his office, Mr. Carpenter's salary will revert to the amount which he has been receiving.

Noted, with approval.

Memorandum dated October 19th from the Secretary, requesting authority for the temporary employment of a stenographer in his office at a salary of not to exceed \$1,800 per annum; the Secretary stating that the temporary appointment is made necessary by the detail of Mr. S. R. Carpenter to the office of the Governor, but recommending that if the services of the temporary employee prove satisfactory it be understood that his services may be made permanent.

Approved.

Letter dated October 17th from the Secretary of the Federal Reserve Bank of Atlanta, quoting resolution adopted by the board of directors of that bank inquiring as to the present status of negotiations with the President of the Republic of Cuba, regarding the claim for taxes made by the Cuban Government against the Havana Agency of the Atlanta bank. The Secretary reported that the President of Cuba has not yet advised the Board

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of his attitude in the matter, but that he, the Secretary, has been in communication with the State Department which has promised to make inquiry regarding the matter through the Embassy at Havana.

Upon motion, the Secretary was directed to advise the Federal Reserve Bank of Atlanta in accordance with his report.

Report of Committee on Examinations on letter dated October 5th from the Federal Reserve Agent at Dallas, with respect to the action of the Junction State Bank, Junction, Texas in consolidating on September 29, 1927 with the First National Bank of Junction, under the name of "Junction State Bank"; the Agent stating that under the general condition of membership imposed upon the state bank its failure to obtain the Board's approval before entering into the consolidation did not constitute a violation of the condition unless as a matter of fact the consolidation caused a material change in the general character of the bank's assets.

Upon recommendation of the Committee, it was voted to approve the suggestion of the Federal Reserve Agent that he examine carefully the next examination report of the bank, and, in case he finds any evidence of a violation of the condition of membership, call the attention of the Board thereto.

Letter dated October 18th from the Assistant Federal Reserve Agent at New York, advising that on October 15th The Municipal Bank of Brooklyn, New York, took over the business of the Kensington Bank, located at 743 Church Avenue, Brooklyn, which is being maintained as a branch of the Municipal Bank.

Noted.

Letter dated October 18th from the Deputy Comptroller of the Currency, with reference to a recent ruling of the Federal Reserve Board

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that a state member bank need not maintain a reserve against a dividend declared during the period intervening between the date of declaration and the date of payment of such dividend; the Deputy Comptroller stating that while a contrary position has previously been taken by the Comptroller's office with respect to dividends declared by national banks, the position of that office is now in accord with that of the Board.

Noted.

Memorandum from Counsel dated October 18th on letter dated October 10th from the Governor of the Federal Reserve Bank of Minneapolis, with reference to the practice of the Iron Exchange Bank of Hurley, Wis., a nonmember clearing bank, in advertising that it is a correspondent of the Federal Reserve Bank of Minneapolis; Counsel stating that it seems very doubtful if a court would hold that the bank is guilty of violating the statute with reference to advertisements when, in fact, it has a nonmember clearing account with the Federal Reserve bank and carries a balance in accordance with the provisions of the Federal Reserve Act. In his memorandum, Counsel also stated that under the circumstances it would not seem necessary to regard the advertisement as an apparent violation of the criminal statutes which should be reported to the Department of Justice.

Upon motion, it was voted that a letter should be addressed to Governor Geery along the lines of Counsel's memorandum.

Further discussion then ensued of the matter on which action was deferred at the meeting yesterday, namely, letter dated October 13th from the Governor of the Federal Reserve Bank of Richmond, with regard

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to a proposal made by the Mosler Safe Company, which is installing the vault in the new Baltimore Branch building, to equip the vault doors with plates made of their proprietary metal, Donsteel, at a special price of \$4,000. The discussion referred primarily to the previous consideration which has been given by the Board to the matter of specifications for the Baltimore vault and the letting of contracts therefor.

The Secretary was directed to prepare and submit to the Board, at its next meeting, a report of the Board's previous consideration of the matter.

Letter dated October 18th from the Assistant Treasurer of the United States, advising that no applications were received from national banks during the quarter ending September 30, 1927 for the sale of bonds under Section 18 of the Federal Reserve Act.

Noted.

Report of Committee on District #6 on letter dated October 17th from the Secretary of the Federal Reserve Bank of Atlanta, advising of the action of the board of directors of that bank in voting, subject to the approval of the Board, to award to the Johnson-Woolley Construction Company of Birmingham, contract to build a tunnel connecting the Birmingham Branch and the Birmingham Postoffice, for the sum of \$13,951.00, the figure to be adjusted in the event rock is encountered in the excavation work by the addition of a cost of \$6.00 per cubic yard; the Committee recommending approval of the contract.

Approved.

At this point, Mr. Charles S. Caldwell, President, and Mr. E. W. Freeman, Vice President and Trust Officer of the Corn Exchange National

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Bank of Philadelphia, were called into the meeting and Mr. Wyatt, General Counsel of the Board and Messrs. Vest and Wingfield, Assistant Counsel also entered the room. Mr. Wyatt advised the Board that the Conference had been requested by the representatives of the Corn Exchange National Bank for the purpose of discussing with the Board the proposed Subsection (c), Section VIII of the Board's new Regulation F, providing that if funds received or held in the trust department of a national bank awaiting investment or distribution are deposited in another bank, they shall be deposited to the credit of the said national bank as trustee or other fiduciary and the said national bank shall first require the bank in which such funds are deposited to deliver to it collateral security of kinds described in the Regulation. He explained to the Board the reasons for the proposal to incorporate this provision in the Regulation and stated that Messrs. Caldwell and Freeman wished to present to the Board difficulties which would be encountered under the provision by national banks in the state of Pennsylvania.

Mr. Freeman then advised the Board of the practical disadvantages which the proposed new Regulation would give to Pennsylvania national banks. Briefly, he stated that conditions in the state of Pennsylvania make it expedient for national bank trustees in that state to comply with a regulation of the State Bank Commissioner that uninvested trust funds should not be retained in the commercial department of the trustee bank, but should be deposited with other banking institutions. He stated that the class of depositaries used by his and other leading national banks in Pennsylvania is unwilling to give security for such deposits and that if

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the proposed regulation were promulgated the effect would be to force deposits of trust funds by national banks into less desirable depositories. He stated that if the national banks, as an alternative, decide to deposit trust funds in their own commercial departments, against the pledge of securities, they would be handicapped by unfavorable public opinion which is strongly in favor of the ruling of the State Banking Commissioner requiring such deposits to be made in other institutions. Mr. Freeman also raised some question as to whether such a provision is authorized by Section 11 (k) of the Federal Reserve Act and the legality of the proposed regulation was the subject of considerable discussion.

REPORTS OF STANDING COMMITTEES:

Dated, October 17th, Recommending action on application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Recommendation approved.

Dated, October 18th, Recommending action on an application for admission of a state bank, subject to the conditions stated in the individual reports attached to the application as set forth in the Auxiliary Minute Book of this date.

Recommendation approved.

Dated, October 17th, Recommending approval of the application of Mr. Philip D. Armour for permission to serve at the same time as director of the Continental and Commercial National Bank, Chicago, Ill., as director of the Peoples Trust and Savings Bank, Chicago, Ill. and as director of the First National Bank, Lake Forest, Ill.

Recommendation approved.

Dated, October 18th, Recommending approval of the application of Mr. A. A. Horne for permission to serve at the same time as officer and director of the City National Bank, Galveston, Texas and as officer and director of the City National Bank, Cleburne, Texas.

Recommendation approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, October 18th, Recommending approval of the application of Mr. W. L. Moody, III, for permission to serve at the same time as officer and director of the City National Bank, Galveston, Texas and as director of the City National Bank, Cleburne, Texas.

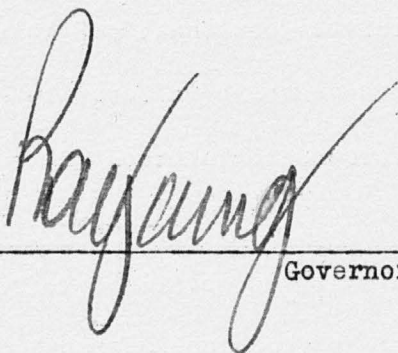
Recommendation approved.

Dated, October 19th, Recommending approval of the application of Mr. Jansen Noyes for permission to serve at the same time as director of the Chemical National Bank, New York City, as director of the Montclair Trust Company, Montclair, N. J. and as member of the firm of private bankers doing business under the name of Hemphill, Noyes and Company, New York, N. Y.

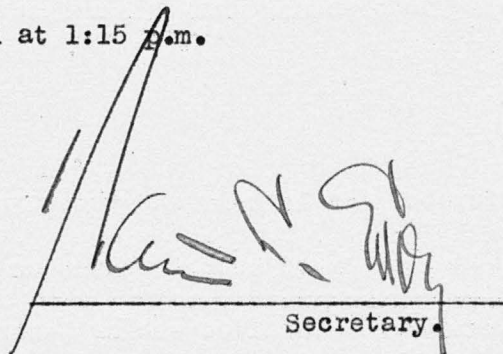
Recommendation approved.

The meeting adjourned at 1:15 p.m.

Approved:



Governor.



Secretary.