A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Monday, October 24, 1927 at 11:00 a.m.

PRESENT: Governor Young
Mr. Platt
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 20th were read and approved.

Letter dated October 20th from the Assistant Secretary of the Federal Reserve Bank of New York, 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.

Telegram dated October 20th from the Deputy Chairman of the Federal Reserve Bank of San Francisco, advising of no change in the bank's existing schedule of rates of discount and purchase, as due to lack of a quorum no meeting of the board of directors was held on that date.

Noted.

Report of Committee on Salaries and Expenditures on letter dated October 19th from the Secretary of the Federal Reserve Bank of Atlanta, advising that the board of directors at the meeting on October 14th voted to extend for a period of two months from October 1st, with full pay, leave of absence on account of illness previously granted Mr. R. A. Sims, Assistant Cashier; the Committee recommending approval of the salary payment involved.

Approved.

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Report of Committee on Salaries and Expenditures on letter dated October 19th, from the Secretary of the Federal Reserve Bank of Atlanta, advising of the action of the board of directors of that bank in voting to extend for a period of thirty days, with full pay, leave of absence on account of illness previously granted Mr. J. W. Christian, an employee of the Mail Department of the Bank; the Board's Committee recommending approval of the salary payment involved.

Approved.

Report of Committee on Salaries and Expenditures on letter dated October 20th from the Federal Reserve Agent at St. Louis, advising of the action of the Executive Committee of that bank in voting to extend for a period of thirty days from October 19th, with full pay, leave of absence on account of illness, previously granted Mr. James Bowles of the Failed Banks Department; the Board's Committee recommending approval of the salary payment involved.

Approved.

Report of Committee on Salaries and Expenditures on letter dated October 20th from the Deputy Governor of the Federal Reserve Bank of New York, recommending the promotion of Mr. Harry M. Boyd, effective October 17th, from grade G2 to grade Ch. A., in order to permit of his appointment as Chief of the Bond Division, Government Bond and Safekeeping Department, to succeed Mr. F. Harrison Kammerer, resigned; the Board's Committee recommending approval.

Approved.

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Memorandum dated October 21st from the Chief of the Division of Bank Operations, submitting statement of expenditures by the Federal Reserve Banks for educational and welfare work, etc. during the month of September and for the nine month period ending September 30th.

Ordered circulated.

Report of Committee on Examinations on letter dated October 18th from the Assistant Federal Reserve Agent at Chicago, recommending approval of an application of the United State Bank of Chicago for permission, under its conditions of membership, to organize and operate a trust department; the Committee also recommending approval of the application.

Approved.

Letter dated October 19th from the Secretary of the Federal Reserve Bank of Atlanta, advising of action of the board of directors of that bank in adopting amendments to the By-laws of the New Orleans Branch, relating to the duties of the Cashier and Assistant Manager of the Branch.

Referred to the Committee on District #6.

Mr. Miller, Chairman of the Committee on District #3 then submitted letter addressed to the Board by the Chairman of the Federal Reserve Bank of Philadelphia, transmitting letter addressed to him by Mr. Charles C. Harrison, Jr. advising that on account of the continued and serious illness of his father, Class C director of the bank, it seems best that his association with the Federal Reserve Bank of Philadelphia should cease at this time or upon the expiration of his term on December 31st, next.

Noted, it being understood that Mr. Harrison's term will be permitted to continue until its expiration.

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Letter dated October 19th from the Chairman of the Federal Reserve Bank of Dallas, advising that Mr. J. P. Williams, President of the First National Bank of Mineral Wells, Texas, who has been active in a campaign directed against the administration and policies of the Federal Reserve Bank of Dallas, has been invited to appear before the board of directors of the Federal Reserve bank for a hearing on various matters complained of; the Agent stating that in case the hearing to be afforded Mr. Williams should conflict with the dates of the forthcoming Conferences of Governors and Federal Reserve Agents, it is possible that both he and Governor Talley will be unable to attend the Conferences.

Referred to the Governor with power.

Letter dated October 20th from the Deputy Governor of the Federal Reserve Bank of New York, replying to a letter addressed to him under date of October 19th by the Governor of the Board, referring to informal discussion at a recent meeting of the Board as to whether the offer of the Federal Reserve Bank of New York to purchase up to $10,000,000 of guilders from the Nederlandsche Bank is considered to be open for acceptance at the pleasure of that bank; the Deputy Governor advising that their original communication to the Nederlandsche Bank was in the nature of an inquiry rather than an offer, and that there was at no time a commitment to make purchases and none exists at the present time.

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

Discussion then ensued during which it was pointed out that the informal discussion at the recent meeting of the Board related not so

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much to the question whether the offer of the New York bank remains open to the Nederlandsche Bank, as to whether the Board's authority to the New York bank to make the offer continues open to the Federal Reserve Bank of New York. It was the consensus of opinion that the proposed transaction with the Nederlandsche Bank referred to is a closed incident, and the discussion centered around what should be the policy of the Federal Reserve Board with respect to future transactions of the same kind.

> Mr. Platt suggested that the Board might take action expressing its opinion that it would be a good plan for the Federal Reserve banks under present conditions to accumulate a portfolio of bills abroad as opportunity offers.
>
> This suggestion was not, however, concurred in by the other members of the Board. The discussion ended with the understanding that the subject thereof would be brought up for consideration at some future meeting.

The Governor then presented the matter recently circulated among all members of the Board, namely, letter dated October 14th from the Governor of the Federal Reserve Bank of Atlanta, advising that customers of certain member and par remitting nonmember banks in the Sixth Federal Reserve District have adopted the practice of issuing, in lieu of ordinary bank checks, drafts drawn on themselves and payable through the local bank with which they do business; the Governor of the Atlanta bank stating that the practice is admittedly being resorted to in order that the banks in question may obtain a small revenue from the exchange which they exact for paying the drafts, and that it appears that the Federal Reserve bank

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will have no option except to handle such drafts as noncash collection items, which plan will be followed unless contrary instructions or advice are given by the Board.

Referred to Counsel.

Memorandum from Counsel dated September 21st, submitting draft of reply to letter dated August 11th from the Commissioner of Banking of the state of Wisconsin on the subject of the procedure to be followed in connection with the surrender of securities deposited with State authorities by a national bank desiring to terminate its fiduciary activities; the proposed reply stating that no such procedure is outlined in the Federal Reserve Act and the question of requirements to be made by the State authorities is one primarily for the decision of such authorities. In the proposed letter, it is stated, however, that it would seem to be sufficient if the officers of the national bank make affidavit that the bank is not exercising any fiduciary powers and has no trusts of any nature and that the bank will not undertake to exercise any fiduciary powers without depositing securities with the State authorities as required by Section 11 (k) of the Federal Reserve Act.

Upon motion, the proposed letter was approved.

In accordance with instructions given him at the meeting on October 20th, the Secretary then submitted a resume of action taken by the Board with regard to the letting of contracts for the installation of a vault in the new building being erected to house the Baltimore Branch of the Federal Reserve Bank of Richmond, resulting in its action of June 24, 1927 in authorizing the acceptance of the bid of the Mosler Safe Company

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totaling $188,652.00, covering the use of standard commercial metals called for in the vault specifications.

Discussion then ensued of the proposal made by the Mosler Safe Company, referred to in letter dated October 13th addressed to the Board by the Governor of the Richmond bank, to equip the two doors of the Baltimore vault with plates made of a proprietary metal, Donsteel, at a special price of $4,000.

Mr. Platt moved that the Board advise the Governor of the Federal Reserve Bank of Richmond that the proposal of the Mosler Safe Company referred to in his letter is one for determination by the board of directors of the Richmond bank.

Mr. James moved, as a substitute for Mr. Platt's motion, that the Governor of the Federal Reserve Bank of Richmond be advised that the Board sees no reason for reconsidering its action of June 24th in authorizing the acceptance of the bid of the Mosler Safe Company, covering the use of standard commercial metals.

Mr. James' substitute motion, being put by the Chair, was carried.

Governor Young requested that he be recorded as "not voting" on Mr. James' motion.

Mr. Platt then submitted a letter addressed to him under date of October 20th by the Governor of the Federal Reserve Bank of New York, commenting upon the general situation with respect to the present position of Sterling exchange.

Ordered circulated.

The Governor then reported receipt of advice from the Federal Reserve Bank of Atlanta of a decision rendered by the Secretary of the Treasury of Cuba in connection with the appeal made by the Atlanta bank from the tax alleged to be due the Cuban Government from the Havana Agency of the

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Atlanta bank upon exports of currency from Cuba. The Governor stated that the Cuban Secretary of the Treasury under date of October 15th demanded payment of the tax in question within ten days from October 20th, but that it is understood that the Federal Reserve Bank of Atlanta will have ninety days within which to file an appeal in the case. He referred to the fact that the Atlanta bank some time ago filed a memorandum with the President of Cuba requesting him to issue a decree which would cover not only the existing case but also definitely establish the exemption of the Havana Agency from all taxation by the Cuban Government. He stated that no word has been received from the President of Cuba and that following a conference on Saturday morning with the State Department, a dispatch was forwarded to the Embassy at Havana instructing that an immediate interview be sought with the President for the purpose of urging action by him. The Governor suggested that the Board might communicate with the Federal Reserve Bank of Atlanta and authorize the payment of the tax with the understanding that immediate steps will be taken in an effort to secure its refund.

Following a discussion of the matter, the question was referred to the Governor with power.

REPORTS OF STANDING COMMITTEES:

Dated, October 21st, 22nd, 24th, Recommending changes in stock at Federal Reserve banks, as set forth in the Auxiliary Minute Book of this date. Recommendations approved.

The meeting adjourned at 12:50 p.m.

Secretary.

Approved:

Governor.

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