

A meeting of the Federal Reserve Board was held in the office of the Governor on Friday, November 4, 1927 at 10:00 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 November 1st were read and approved.

The minutes of the meeting of the Federal Reserve Board with the Open Market Investment Committee held on November 2nd were read and approved as amended.

Letter dated November 3rd from the Assistant Secretary of the Federal Reserve Bank of New York, telegram dated November 2nd from the Chairman of the Federal Reserve Bank of Philadelphia, telegram dated November 2nd from the Chairman of the Federal Reserve Bank of St. Louis and telegram dated November 3rd from the Acting Chairman of the Federal Reserve Bank of San Francisco, all advising that the boards of directors of the banks, at meetings on the dates stated, made no change in their existing schedules of rates of discount and purchase.

Noted, with approval.

Report of Executive Committee on letter dated October 31st from the Acting Comptroller of the Currency, recommending approval of a salary of \$3,600 per annum for National Bank Examiner A. F. Tolton, assigned to the Twelfth Federal Reserve District; the Board's Committee also recommending approval.

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Approved.

Memorandum from Counsel dated November 3rd, submitting draft of reply to letter dated November 1st from Mr. Ormsby McHarg of New York City, requesting the Federal Reserve Board to permit the use of the word "banking" in the title of a corporation to be organized under Section 25 (a) of the Federal Reserve Act; the proposed reply advising that the Board's Regulations state that no Edge corporation which issues its own bonds, debentures or other such obligations will be permitted to have the word "bank" as a part of its title, that the use of the word "banking" would have substantially the same effect as the use of the word "bank" and that accordingly the Board will not permit the use of that word in the title of a corporation to be organized under Section 25 (a) of the Federal Reserve Act.

Upon motion, the proposed letter was approved.

Letter dated October 31st from the Secretary of the Federal Reserve Bank of Minneapolis, advising that in accordance with the suggestion contained in the Board's letter of August 16, 1927 (X-4928) Section 9 of Article III of the By-laws of that bank has been amended so as to provide for the election of officers and the fixing of their salaries at the first meeting of the board of directors after January 1st of each year.

Noted, with approval.

Letter dated October 31st from the Secretary of the Federal Advisory Council, stating that the next meeting of the Council will be held in Washington on Friday, November 18th and requesting a list of the topics which the Board desires the Council to discuss.

Referred to the Executive Committee.

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Report of Law Committee dated November 2nd, with further reference to service by Mr. J. E. Fishburn as a director of the Merchants National Trust and Savings Bank of Los Angeles, The California Bank of Los Angeles and The First National Bank of Long Beach under a permit granted by the Board in 1919 covering the Merchants National Bank of Los Angeles and the Home Savings Bank of Los Angeles which have since been involved in consolidations resulting in the formation of the two Los Angeles banks he is now serving, and The First National Bank of Long Beach; the Law Committee recommending that Mr. Fishburn be advised that he may continue as a director of the three banks he is now serving, and stating that the matter has been discussed with the Federal Reserve Agent at San Francisco, who is now in Washington, and that the Agent sees no reason why Mr. Fishburn should be disturbed, understanding as he does previous rulings of the Board that when an application has been granted, there being no competition, the Board is not bound to revoke the permit merely because competition has later set in.

Upon motion, in accordance with the recommendation of the Law Committee, it was voted that no action should be taken by Board toward the revocation of the permit granted Mr. Fishburn in 1919.

Report of Law Committee dated November 2nd, with reference to the Clayton Act application of Mr. Joseph C. Specht involving the National City Bank and the German American Savings Bank, both of Los Angeles, Cal.; the Committee recommending approval of the application and stating that the Federal Reserve Agent at San Francisco has advised the Committee that the only competition between the banks involved in Mr. Specht's application is competition for savings deposits and if that is not to be considered substantial competition in this case because of the fact that the German

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American Savings Bank is strictly a savings institution, while the savings deposits of the National City Bank are merely incidental to its commercial business, he knows of no reason so far as the public interest is concerned why Mr. Specht should not be permitted to serve the banks named in his application.

Upon motion, it was voted to approve service by Mr. Specht as a director of the two banks named in his application.

The Governor then reported advice received from the State Department that the Cuban Ambassador has taken up with the President of Cuba the matter of the tax levied by the Cuban Government on the operation of the Havana Agency and has received a reply from the President that the matter would be attended to and the tax would not be levied.

The Governor then presented memorandum dated November 1st from the Board's Counsel, submitted in accordance with directions given him at the meeting on October 31st, with further reference to letter dated October 22nd from the President of the State-Planters Bank and Trust Company, Richmond, Va. inquiring whether it would be considered by the Board as a violation of any provision of the Federal Reserve Act or any Regulation of the Board if that institution should purchase the entire capital stock (except directors qualifying shares) of a new bank to be organized at Hopewell, Va.; Counsel stating (1) The proposed transaction does not violate that provision of the Federal Reserve Act which forbids state member banks to establish branches beyond the limits of the city, town or village in which the parent bank is situated; (2) It would, however, be a clear evasion of such prohibition; and (3) The Board has a right to express its objections to any member engaging in a transaction which

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constitutes an evasion of the law but in this case has no lawful authority to prevent the consummation of the transaction.

Discussion ensued during which certain members of the Board expressed the opinion that the proposed transaction is a clear evasion of the provisions of the Federal Reserve Act, and that in view of this fact the Board should express disapproval of the proposed transaction.

Following the discussion, Mr. Hamlin moved that the question be referred to the Attorney General of the United States and that in addition to the opinions rendered by the Board's Counsel the Attorney General be furnished with a statement of the view of some members of the Board that the proposed transaction is inconsistent with the intent of the law, particularly the amendments to the Federal Reserve Act and the National banking Act adopted at the last session of Congress.

Mr. Hamlin's motion being put by the Chair was carried.

The Governor stated that draft of a letter to the Attorney General would be submitted at a later meeting of the Board.

The Governor then submitted and distributed among the members of the Board copy of a memorandum on the subject of finance companies specializing in bank stock investments, submitted to the Governors' Conference which is now in session by Deputy Governor Case of the Federal Reserve Bank of New York.

REPORTS OF STANDING COMMITTEES:

Dated, November 1st, Recommending changes in stock at Federal Reserve  
2nd, Banks as set forth in the Auxiliary Minute Book  
3rd, of this date.

Recommendations approved.

Dated, November 2nd, Recommending action on applications for fiduciary  
3rd, powers as set forth in the Auxiliary Minute Book  
of this date.

Recommendations approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, November 2nd, Recommending approval of the application of Mr. Fred P. Condit for permission to serve at the same time as director of the National Bank of Westfield, Westfield, N. J., as director of the Title Guarantee and Trust Company, New York, N. Y. and as director of the Westchester Title and Trust Company, White Plains, N. Y.

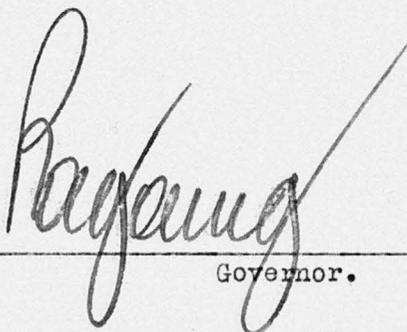
Recommendation approved.

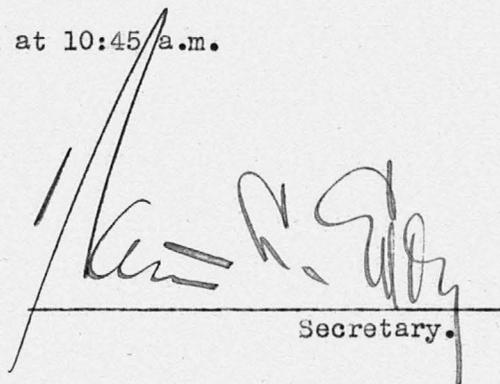
Dated, November 2nd, Recommending approval of the application of Mr. Richard K. Mellon for permission to serve at the same time as director of the Mellon National Bank, Pittsburgh, Pa., as director of the Union Trust Company, Pittsburgh, Pa. and as President and director of the Forbes National Bank, Pittsburgh, Pa.

Recommendation approved.

The meeting adjourned at 10:45 a.m.

Approved:

  
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 Governor.

  
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 Secretary.