

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, November 17, 1927 at 10:30 a.m.

PRESENT: Governor Young
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 15th were read and approved.

At this point, Mr. Platt joined the meeting.

There was considerable discussion of the question of revising the procedure of the Board in the matter of acting upon telegrams received from the Federal Reserve banks regarding rate schedules.

It was voted that the Governor should prepare for the consideration of the Board a tentative draft of a revised procedure along the lines of the suggestions made during the discussion.

The Secretary reported that the proposed letter to the Secretary of the Treasury, requesting that he secure an opinion of the Attorney General with regard to the authority of the Board in connection with the contemplated action of the State-Planters Bank and Trust Company of Richmond, Va. in purchasing the entire capital stock, except directors' qualifying shares, of a new bank to be organized at Hopewell, Va. has been dispatched and that the Acting Secretary of the Treasury, Mr. Mills, has transmitted to the Attorney General the request for the opinion.

The Secretary then presented application of The First National Bank of Russiaville, Ind. for supplementary fiduciary powers, together with a

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recommendation by Messrs. Hamlin and McIntosh, members of the Law Committee, that the application be approved and a statement by Mr. Platt favoring refusal of the application in view of the fact that the applicant bank has a capital of but \$25,000.

After discussion, it was voted to authorize The First National Bank of Russiaville, in addition to powers previously granted it, to act as guardian of estates, assignee, receiver, committee of estates of lunatics and in any other fiduciary capacity in which state banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Indiana.

On this motion, Messrs. Platt and Miller requested to be recorded as voting "no".

Bond of Mr. Robert L. Shepherd, Acting Assistant Federal Reserve Agent at the Federal Reserve Bank of Richmond, executed under date of November 12, 1927 in the amount of \$50,000.

Approved.

Telegram dated November 16th from the Chairman of the Federal Reserve Bank of Philadelphia, telegram dated November 16th from the Chairman of the Federal Reserve Bank of St. Louis and telegram dated November 15th from the Chairman of the Federal Reserve Bank of Kansas City, all advising that the boards of directors of the banks at meetings on the dates stated made no changes in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Memorandum from Counsel dated November 15th, with reference to the Clayton Act application of Mr. Scott F. Ennis involving the California National Bank and the Farmers and Mechanics Bank, both of Sacramento, Cal.

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which the Board on August 12, 1927 refused temporarily with the understanding that the applicant might submit additional information tending to show that the banks named are not in substantial competition; Counsel submitting draft of a letter to Mr. Ennis stating that in accordance with a request made by him the Board will be glad to defer taking any further action on his application for a reasonable time, until he can appear before the Board when he comes to Washington during the winter.

Upon motion, the letter submitted by Counsel was approved.

Memorandum from Counsel dated November 11th with reference to the Clayton Act application of Mr. N. A. K. Bugbee, involving the Mechanics National Bank and the Hanover Trust Company, both of Trenton, N. J. which the Board on October 5, 1927 temporarily refused with the usual opportunity to the applicant to present additional information in support of his application; Counsel stating that it appears from the additional evidence submitted by Mr. Bugbee that the relations between the two banks involved in his application are cooperative rather than competitive, and that he is of the opinion that the two banks are not in substantial competition and the Board may, if it so desires, approve the application.

Upon motion, it was voted to approve service by Mr. Bugbee as director of the Mechanics National Bank and as President of the Hanover Trust Company, both of Trenton, N. J.

Letter dated November 16th from the Chairman of the Federal Reserve Bank of Philadelphia, advising of the adoption of an amendment to the By-laws of that bank to provide for the annual appointment of officers and the

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fixing of their salaries at the first meeting held after January 1 each year.

Noted, with approval.

Letter dated November 16th from the Chairman of the Federal Reserve Bank of Philadelphia, advising that the board of directors of the bank at their meeting on that date considered a request of Governor Norris for a three months' leave of absence without pay, to begin about the first of December; the Chairman stating that the request for leave of absence was granted unanimously, but that his board of directors declined to act on the matter of salary.

Referred to the Committee on Salaries and Expenditures.

Letter dated December 16th from the Controller of the Federal Reserve Bank of Richmond, transmitting schedule showing proposed interdistrict time between Richmond, Baltimore and Charlotte and the other Federal Reserve banks and Branches, which will become effective upon the opening of the Charlotte Branch on December 1, 1927, and advising that this schedule has been approved by all other Federal Reserve banks.

Upon motion, the time schedule was approved, as follows:

| | <u>Richmond</u> | <u>Baltimore</u> | <u>Charlotte</u> |
|----------------------|-----------------|------------------|------------------|
| Boston | 2 | 2 | 2 |
| New York | 1 | 1 | 2 |
| Buffalo | 2 | 1 | 2 |
| Philadelphia | 1 | 1 | 2 |
| Cleveland | 2 | 2 | 2 |
| Cincinnati | 2 | 2 | 2 |
| Pittsburgh | 2 | 1 | 2 |

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| | <u>Richmond</u> | <u>Baltimore</u> | <u>Charlotte</u> |
|--------------------------|-----------------|------------------|------------------|
| Atlanta | 2 | 2 | 1 |
| New Orleans | 3 | 3 | 2 |
| Birmingham | 2 | 2 | 2 |
| Jacksonville | 2 | 2 | 2 |
| Nashville | 2 | 2 | 2 |
| Chicago | 2 | 2 | 2 |
| Detroit | 2 | 2 | 2 |
| St. Louis | 2 | 2 | 2 |
| Louisville | 2 | 2 | 2 |
| Memphis | 2 | 2 | 2 |
| Little Rock | 3 | 3 | 2 |
| Minneapolis | 3 | 2 | 3 |
| Helena | 5 | 4 | 5 |
| Kansas City | 3 | 2 | 3 |
| Omaha | 3 | 3 | 3 |
| Denver | 4 | 3 | 3 |
| Oklahoma City | 3 | 3 | 3 |
| Dallas | 3 | 3 | 3 |
| El Paso | 4 | 4 | 4 |
| Houston | 3 | 3 | 3 |
| San Antonio | 3 | 3 | 3 |
| San Francisco | 5 | 5 | 5 |
| Seattle | 5 | 4 | 5 |
| Spokane | 5 | 4 | 5 |
| Portland | 5 | 4 | 5 |
| Salt Lake City | 4 | 4 | 5 |
| Los Angeles | 5 | 5 | 5 |

The Governor then presented the matter ordered circulated at the meeting on November 8th, namely, detailed report prepared by the Chief of the Division of Bank Operations with respect to the amount of float, both inter and intra-district, being carried by the various Federal Reserve banks and the states or districts on which the items causing the float are drawn.

At the suggestion of the Governor, it was voted that the report prepared by Mr. Smead be sent out

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to all Federal Reserve banks for their study and recommendations.

Letter dated November 10th from the Governor of the Federal Reserve Bank of New York, as Chairman of the Open Market Investment Committee, with respect to purchases of government securities made by the Committee to offset current earmarking and exports of gold, which run the open market investment account up to \$411,500,000; the Chairman advising that purchases to offset \$19,500,000 of the earmarked and exported gold are being delayed awaiting market developments.

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

Memorandum from Counsel dated November 7th, with reference to letter dated November 3rd from the First Federal Foreign Investment Trust, inquiring whether an agency arrangement maintained by that corporation in Mexico City is to be regarded as a branch and therefore subject to approval by the Federal Reserve Board, and also requesting approval, if necessary, of the organization of a subsidiary in Brazil to assist in the operations of the corporation in that country; Counsel stating that on the basis of the information submitted the First Federal Foreign Investment Trust is not operating a branch in Mexico City but is merely conducting an agency there and under the terms of the Regulations of the Board it does not seem necessary to obtain the Board's approval; and furthermore, that it seems doubtful whether under the Regulations the Board's approval is necessary to the organization of the proposed subsidiary in Brazil, unless

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the First Federal Foreign Investment Trust desires to invest more than 15% of its capital and surplus in the Brazilian corporation, in which event the Federal Reserve Act requires that the Board's approval be obtained.

After discussion, upon motion by Mr. Platt, it was voted that a letter be addressed to the First Federal Foreign Investment Trust along the lines of Counsel's memorandum.

Report of Committee on Salaries and Expenditures on letter dated November 15th from the Federal Reserve Agent at St. Louis, requesting approval of the action of the Executive Committee of that bank in voting to extend for a period of not to exceed thirty days, with full pay, leave of absence on account of illness previously granted Mr. Walter Foehler, assistant teller in the Money Department of the bank; the Board's Committee recommending approval of the salary payment involved.

Approved.

Draft of reply prepared by Counsel to letter dated November 15th from the Chairman of the Federal Reserve Bank of Boston, inquiring whether a ballot cast in an election of Federal Reserve bank directors should be considered invalid when there are only two candidates for office and the second choice is not marked, the first choice only being indicated, and also, whether a ballot for Class B Director should be invalidated where there is only one candidate for the office and the voting officer has not placed a cross opposite his name; the reply submitted by Counsel stating that under the provisions of the Federal Reserve Act ballots in both instances would be invalid.

Upon motion, the proposed letter was approved.

The Governor then reported that the directors of the Federal Reserve

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Bank of Atlanta have adopted a resolution authorizing the Chairman of that board to proceed to Havana, Cuba in connection with negotiations regarding the tax levied by the Cuban Government on the operations of the Havana Agency, and requesting that the Secretary of the Board be authorized to accompany Mr. Newton, his expenses to be paid by the bank.

The Governor stated that the matter of the Cuban tax has been referred to him with power, but that he wished to report to the Board that under the present circumstances he does not believe that the Secretary of the Board should make the trip.

Mr. Miller then submitted and moved adoption of the following motion:

That the Director of the Board's Division of Research and Statistics be requested to prepare for the Board a memorandum setting forth quarterly during the years 1921 to date the total amount of gold imports and exports, as well as gold withdrawn for earmarking, the total amount of gold in this country, the total amount of gold in Federal Reserve banks and the total amount of gold in circulation.

Carried.

Discussion then ensued as to any topics which the Board may wish to submit to the Federal Advisory Council which is now in informal session and will meet with the Board tomorrow.

Following the discussion, the Secretary was instructed to advise the Council that the Board has no formal program to refer to it, but will welcome any discussion of the open market and discount policy of the Federal Reserve System or any other subject.

REPORTS OF STANDING COMMITTEES:

Dated, November 15th, Recommending changes in stock at Federal Reserve
16th, banks as set forth in the Auxiliary Minute Book
17th, of this date.

Recommendations approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, November 14th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Recommendations approved.

Dated, November 14th, Recommending approval of the application of Mr. P.M. Held for permission to serve at the same time as director and officer of the Central Savings and Trust Company, Akron, Ohio and as director and officer of the National Bank of Hudson, Hudson, Ohio.

Recommendation approved.

Dated, November 15th, Recommending approval of the application of Mr. Walter C. Heath for permission to serve at the same time as director and Vice President of the National State Bank, Newark, N. J. and as director of the Summit Trust Company, Summit, N. J.

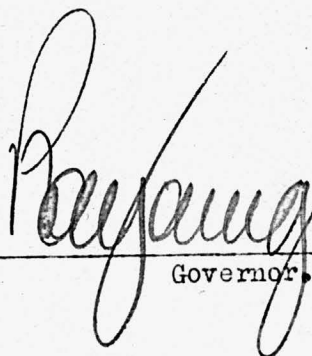
Recommendation approved.

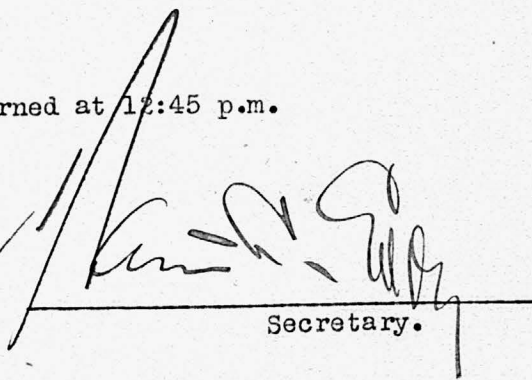
Dated, November 15th, Recommending approval of the application of Mr. Francis W. Sullivan for permission to serve at the same time as director of the Northern National Bank, Duluth, Minn., as director of the Duluth National Bank, Duluth, Minn., and as director of the Western National Bank, Duluth, Minn.

Recommendation approved.

The meeting adjourned at 12:45 p.m.

Approved:


Governor.


Secretary.