

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Saturday, November 26, 1927, at 10:00 a.m.

PRESENT: Governor Young
Mr. Platt
Mr. Miller
Mr. Cunningham
Mr. McIntosh
Mr. Eddy, Secretary
Mr. McClelland, Asst. Secretary

The Governor stated that the meeting had been called to consider a memorandum from Counsel on a letter dated November 23rd from the Chairman of the Federal Reserve Bank of Boston, requesting reconsideration by the Board of the opinion contained in its letter to the Chairman of November 17th to the effect that in balloting upon elections of Class A and B directors both first and second choices must be indicated upon the ballot even though there are only two candidates for the directorship; the Chairman advising that in the present election of a Class A director of the Boston bank there are only two candidates and it appears that the election will be very close, that it has been reported to him that some voting officers of member banks have expressed an unwillingness to make a second choice for the candidate who is opposing their real choice for the office, and that there is possibility of court action in case one of the candidates should lose owing to disqualification of some ballots because second choice is not marked. The Secretary read to the Board Counsel's memorandum pointing out that the position expressed in the Board's letter of November 17th has been consistently adhered to by the Board in the past and that all member banks have been put on notice through the election circular of the Federal Reserve Bank of Boston that if they

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do not comply therewith their ballots will be invalidated.

During the discussion which ensued, the Governor left the meeting to answer a telephone call from the Chairman of the Boston bank, and upon his return advised the Board of a suggestion made by the Chairman that a letter be addressed by him to all voting member banks advising of the Board's ruling and stating that any ballot incorrectly cast may be validated by the casting of a second ballot correctly marked.

Following further discussion, it was voted that the Chairman of the Federal Reserve Bank of Boston should be advised by telegraph as follows:

"Pursuant to request contained in your letter November 23 Board has given reconsideration to opinion expressed in its letter of November 17. Board reaffirms opinion expressed in that letter to the effect that in cases where there are only two candidates for a directorship a ballot which contains only a first choice and not a second choice must be considered invalid. Board is also of opinion that ballots which have already been cast should not be permitted to be withdrawn for purposes of correction nor should second or substitute ballots be permitted to take the place of those already cast."

The minutes of the meeting of the Federal Reserve Board held on November 25th were then read and approved.

The Secretary recommended approval by the Board of intra-district transit time of one day both ways between Charlotte and Richmond and Baltimore.

Approved.

The Secretary submitted formal recommendations of the Federal Advisory Council made to the Federal Reserve Board at the Council's meeting on November 18, 1927, as follows:

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"TOPIC No. 1. At present a tax of 13 1/2 per cent is imposed upon the discount received by any foreign corporation from American bankers acceptances.

"RECOMMENDATION: On September 17, 1926, the Council made the following recommendation: 'The tax of 13 1/2 per cent imposed upon the discount received by any foreign corporation from American bankers acceptances restricts the market for American bankers acceptances. The Federal Advisory Council requests the Federal Reserve Board to use its good offices to have the law and/or regulations of the present income tax law amended so that the income derived from American bankers acceptances by foreign holders may not be subjected to an income tax.'

"In view of the recommendation by the Secretary of the Treasury to the Congress that the discount received from American bankers acceptances by foreign banks of issue be exempted from taxation by our Government the Federal Advisory Council wishes to reiterate its recommendation cited above.

"TOPIC No. 2. New ruling in reference to acceptances.

"RECOMMENDATION: The Federal Advisory Council approves the proposed new rulings in reference to acceptances submitted by the Federal Reserve Board but suggests that the Federal Reserve Board either amend the ruling or advise the Acceptance Committee so to administer the ruling that due care be taken that no duplication of financing occur and that a second acceptance be in effect merely an extension of an already existing credit."

Noted.

Letter addressed to the Secretary of the Treasury by the Attorney General of the United States under date of October 29th, calling attention to the fact that Sections 5208 and 5209 of the Revised Statutes make the offense of misapplying funds a misdemeanor, while the same offense under the Federal Farm Loan Act and the War Finance Corporation Act is made a felony under Section 335 of the Criminal Code.

The Secretary stated that the Secretary of the Treasury wished to have prepared for his signature, as Chairman of the Board, a letter to the Attorney General expressing the Board's opinion as to the advisability of amendments suggested by the Attorney General to Sections 5208 and 5209 of the Revised Statutes which would have the effect of making misapplication

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of funds a felony in all cases.

Referred to the Law Committee.

REPORTS OF STANDING COMMITTEES:

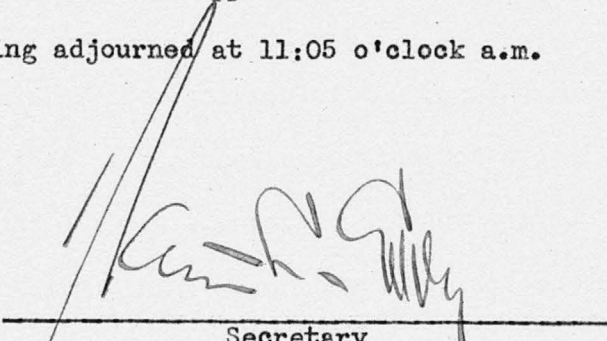
Dated, November 25th, Recommending a change in stock at a Federal Reserve bank as set forth in the Auxiliary Minute Book of this date.

Recommendation approved.

Dated, November 25th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Recommendations approved.

The meeting adjourned at 11:05 o'clock a.m.



Secretary

Approved:



Governor