

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, December 8, 1927 at 10:30 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 December 6th were read and approved.

At this point, Mr. McIntosh joined the meeting.

The Governor stated that special order of business for this meeting would be consideration of the reports of the various District Committees, with respect to the appointment of Class C Directors, the designation of Chairmen and Federal Reserve Agents and the appointment of directors at Branch Federal Reserve banks. He suggested that at the same time the Board designate Deputy Chairmen at the various banks.

Reports of Committee on District #1, dated December 2nd and 7th, with respect to the appointment of a Class C Director and the designation of a Federal Reserve Agent at the Federal Reserve Bank of Boston.

Upon motion, Mr. Allen Hollis was reappointed as Class C Director of the Federal Reserve Bank of Boston for a term of three years, beginning January 1, 1928.

Upon motion, Mr. Frederic H. Curtiss was redesignated as Federal Reserve Agent and Chairman of the Board of Directors of the Federal Reserve Bank of Boston for the year 1928, Mr. Miller not voting.

Mr. Miller stated as his reason for requesting to be recorded as not voting that a year ago appointments of Class C Directors and designations of Chairmen and Federal Reserve Agents at some four or five of the Federal Reserve banks were made after prolonged discussion and after an understanding was reached, as partly set forth in the minutes of the meet-

12/8/27

-2-

ing held on December 15, 1926, that the Board would drop at the end of 1927 some of the incumbents redesignated. Mr. Miller stated that the vote just taken seemed to imply abandonment of that program. He said he was in favor of adhering to it in principle, the only question in connection with it, in his mind, being whether all of the changes in contemplation a year ago should be made in one year or spread over a period of two years.

Upon motion, Mr. Allen Hollis was redesignated as Deputy Chairman of the Board of Directors of the Federal Reserve Bank of Boston for the year 1928.

Report of Committee on District #2, dated December 6th, with respect to the appointment of a Class C Director at the Federal Reserve Bank of New York, the designation of a Federal Reserve Agent and the appointment of a director of the Buffalo Branch of that bank.

Upon motion, Mr. Clarence M. Woolley was reappointed as a Class C Director of the Federal Reserve Bank of New York for a term of three years beginning January 1, 1928.

Upon motion, Mr. Gates W. McGarrah was redesignated as Federal Reserve Agent and Chairman of the board of directors of the Federal Reserve Bank of New York for the year 1928.

Upon motion, Mr. Owen D. Young was redesignated as Deputy Chairman of the Board of Directors of the Federal Reserve Bank of New York for the year 1928.

Upon motion, Mr. Arthur G. Hough was reappointed as Director of the Buffalo Branch of the Federal Reserve Bank of New York for a term of three years beginning January 1, 1928.

The Governor then referred to the consideration which has previously been given to the transfer of Mr. Alba B. Johnson, who recently resigned as Class B Director of the Federal Reserve Bank of Philadelphia, to a Class C Directorship to succeed Mr. Charles C. Harrison, whom the Board has been advised will be unable to continue as a director because of ill health.

Upon motion, Mr. Alba B. Johnson was appointed as a Class C Director of the Federal Reserve Bank of Philadelphia for a term of three years beginning January 1, 1928.

12/8/27

-3-

Upon motion, Mr. Richard L. Austin was redesignated as Federal Reserve Agent and Chairman of the board of directors of the Federal Reserve Bank of Philadelphia for the year 1928, Messrs. Miller and McIntosh not voting.

Upon motion, Mr. Alba B. Johnson was designated as Deputy Chairman of the board of directors of the Federal Reserve Bank of Philadelphia for the year 1928.

Report of Committee on District #4, dated December 6th, with respect to the appointment of a Class C Director at the Federal Reserve Bank of Cleveland, the designation of a Federal Reserve Agent and the appointment of directors at the Cincinnati and Pittsburgh Branches of that bank.

Upon motion, Mr. W. W. Knight was reappointed as a Class C Director of the Federal Reserve Bank of Cleveland for a term of three years beginning January 1, 1928.

Upon motion, Mr. George DeCamp was redesignated as Federal Reserve Agent and Chairman of the board of directors of the Federal Reserve Bank of Cleveland for the year 1928.

Upon motion, Mr. L. B. Williams was redesignated as Deputy Chairman of the board of directors of the Federal Reserve Bank of Cleveland for the year 1928.

Upon motion, Mr. George M. Verity was reappointed as Director of the Cincinnati Branch of the Federal Reserve Bank of Cleveland for a term of three years beginning January 1, 1928.

Upon motion, Mr. Joseph R. Naylor was reappointed as Director of the Pittsburgh Branch of the Federal Reserve Bank of Cleveland for a term of three years beginning January 1, 1928.

Reports of Committee on District #5, dated November 14th and December 5th, with respect to the appointment of a Class C Director at the Federal Reserve Bank of Richmond, the designation of a Federal Reserve Agent, and the appointment of a director at the Baltimore Branch of that bank.

Upon motion, Mr. Frederic A. Delano was reappointed as a Class C Director of the Federal Reserve Bank of Richmond for a term of three years beginning January 1, 1928.

12/8/27

-4-

Upon motion, Mr. W. W. Hoxton was redesignated as Federal Reserve Agent and Chairman of the board of directors of the Federal Reserve Bank of Richmond for the year 1928, Mr. Miller not voting.

Upon motion, Mr. Frederic A. Delano was redesignated as Deputy Chairman of the board of directors of the Federal Reserve Bank of Richmond for the year 1928.

Upon motion, Mr. Norman James was appointed as Director of the Baltimore Branch of the Federal Reserve Bank of Richmond for a term of three years beginning January 1, 1928.

Reports of Committee on District #6 dated November 12th and December 1st and 3rd, with respect to the appointment of a Class C Director at the Federal Reserve Bank of Atlanta, the designation of a Federal Reserve Agent and the appointment of directors at the New Orleans, Nashville, Birmingham and Jacksonville Branches of that bank.

Upon motion, Mr. George S. Harris was appointed as a Class C Director of the Federal Reserve Bank of Atlanta for a term of three years beginning January 1, 1928.

During the discussion which preceded the above action, Governor Young and Messrs. Hamlin and McIntosh submitted to the Board communications addressed to them, requesting the reappointment of Mr. Lindsey Hopkins as Class C Director of the Atlanta bank.

Upon motion, Mr. Oscar Newton was redesignated as Federal Reserve Agent and Chairman of the board of directors of the Federal Reserve Bank of Atlanta for the year 1928.

Upon motion, Mr. W. H. Kettig was redesignated as Deputy Chairman of the board of directors of the Federal Reserve Bank of Atlanta for the year 1928.

Upon motion, Mr. Albert P. Bush was reappointed as Director of the New Orleans Branch of the Federal Reserve Bank of Atlanta for a term of three years beginning January 1, 1928.

Upon motion, Mr. W. P. Ridley was reappointed as Director of the Nashville Branch of the Federal Reserve Bank of Atlanta for a term of three years beginning January 1, 1928.

12/8/27

-5-

Upon motion, Mr. E. F. Allison was appointed as Director of the Birmingham Branch of the Federal Reserve Bank of Atlanta for a term of three years beginning January 1, 1928.

Upon motion, Mr. S. O. Chase was appointed as Director of the Jacksonville Branch of the Federal Reserve Bank of Atlanta for a term of three years beginning January 1, 1928.

Report of Committee on District #7, dated December 2nd, with respect to the appointment of a Class C Director at the Federal Reserve Bank of Chicago, the designation of a Federal Reserve Agent and the appointment of a Director at the Detroit Branch of that bank.

Upon motion, Mr. W. A. Heath was reappointed as Class C Director of the Federal Reserve Bank of Chicago for a term of three years, beginning January 1, 1928, Mr. Miller voting "no".

Mr. McIntosh stated that he joined in the Committee's suggestion for the reappointment of Mr. Heath for the reason that the program which the Board had had in contemplation with respect to changes in the position of Federal Reserve Agent at several of the Federal Reserve banks had not been consummated. He stated that he understood Mr. Heath's resignation as Class C Director could be obtained any time it might be desired by the Board.

Upon motion, Mr. W. A. Heath was redesignated as Federal Reserve Agent and Chairman of the board of directors of the Federal Reserve Bank of Chicago for the year 1928.

Upon motion, Mr. James Simpson was redesignated as Deputy Chairman of the board of directors of the Federal Reserve Bank of Chicago for the year 1928.

Upon motion, Mr. David McMorran was reappointed as Director of the Detroit Branch of the Federal Reserve Bank of Chicago for a term of three years beginning January 1, 1928.

Report of Committee on District #8, dated November 29th, with respect to the appointment of a Class C Director at the Federal Reserve Bank of St. Louis, the designation of a Federal Reserve Agent and the appointment of Directors at the Louisville, Little Rock and Memphis Branches of that bank.

12/8/27

-6-

Upon motion, Mr. Wm. McC. Martin was reappointed as Class C Director of the Federal Reserve Bank of St. Louis for a term of three years, beginning January 1, 1928.

Upon motion, Mr. Wm. McC. Martin was redesignated as Federal Reserve Agent and Chairman of the board of directors of the Federal Reserve Bank of St. Louis for the year 1928.

Upon motion, Mr. John W. Boehne was redesignated as Deputy Chairman of the board of directors of the Federal Reserve Bank of St. Louis for the year 1928.

Upon motion, Mr. E. H. Woods was reappointed as Director of the Louisville Branch of the Federal Reserve Bank of St. Louis for a term of three years beginning January 1, 1928.

Upon motion, Mr. Hamp Williams was reappointed as Director of the Little Rock Branch of the Federal Reserve Bank of St. Louis for a term of three years beginning January 1, 1928.

Upon motion, Mr. E. L. Anderson was appointed as Director of the Memphis Branch of the Federal Reserve Bank of St. Louis for a term of three years beginning January 1, 1928.

Report of Committee on District #9, dated December 15th, with respect to the appointment of a Class C Director at the Federal Reserve Bank of Minneapolis, the designation of a Federal Reserve Agent and the appointment of a Director at the Helena Branch.

Upon motion, Mr. Homer P. Clark was reappointed as Class C Director of the Federal Reserve Bank of Minneapolis for a term of three years beginning January 1, 1928.

Upon motion, Mr. John R. Mitchell was redesignated as Federal Reserve Agent and Chairman of the board of directors of the Federal Reserve Bank of Minneapolis for the year 1928.

Upon motion, Mr. Homer P. Clark was redesignated as Deputy Chairman of the board of directors of the Federal Reserve Bank of Minneapolis for the year 1928.

12/8/27

-7-

Upon motion, Mr. Henry Sieben was reappointed as Director of the Helena Branch of the Federal Reserve Bank of Minneapolis for a term of two years beginning January 1, 1928.

At this point, Mr. McIntosh left the meeting.

Report of Committee on District #10, dated November 15th, with respect to the appointment of a Class C Director at the Federal Reserve Bank of Kansas City, the designation of a Federal Reserve Agent and the appointment of Directors at the Denver, Oklahoma City, and Omaha Branches of that bank.

Upon motion, Mr. E. M. Brass was appointed as Class C Director of the Federal Reserve Bank of Kansas City for a term of three years beginning January 1, 1928.

Upon motion, Mr. M. L. McClure was redesignated as Federal Reserve Agent and Chairman of the board of directors of the Federal Reserve Bank of Kansas City for the year 1928.

Upon motion, Mr. William L. Petrikin was designated as Deputy Chairman of the board of directors of the Federal Reserve Bank of Kansas City for the year 1928.

Upon motion, Mr. Merritt W. Gano was reappointed as Director of the Denver Branch of the Federal Reserve Bank of Kansas City for a term of three years beginning January 1, 1928.

Upon motion, Mr. E. J. Murphy was reappointed as Director of the Oklahoma City Branch of the Federal Reserve Bank of Kansas City for a term of three years beginning January 1, 1928.

Upon motion, Mr. Wayland Magee was reappointed as Director of the Omaha Branch of the Federal Reserve Bank of Kansas City for a term of three years beginning January 1, 1928.

Reports of Committee on District #11, dated December 7th and 8th, with respect to the appointment of a Class C Director at the Federal Reserve Bank of Dallas, the designation of a Federal Reserve Agent and the appointment of Directors at the Houston and El Paso Branches of that bank.

Upon motion, Mr. S. B. Perkins was reappointed as Class C Director of the Federal Reserve Bank of Dallas for a term of three years, beginning January 1, 1928.

12/8/27

-8-

Upon motion, Mr. C. C. Walsh was redesignated as Federal Reserve Agent and Chairman of the board of directors of the Federal Reserve Bank of Dallas for the year 1928.

Upon motion, Mr. Clarence E. Linz was redesignated as Deputy Chairman of the board of directors of the Federal Reserve Bank of Dallas for the year 1928.

Upon motion, Mr. E. A. Peden was reappointed as Director of the Houston Branch of the Federal Reserve Bank of Dallas for a term of three years beginning January 1, 1928.

Upon motion, Mr. A. J. Crawford was appointed as Director of the El Paso Branch of the Federal Reserve Bank of Dallas for a term of three years beginning January 1, 1928.

Report of Committee on District #12, dated November 29th, with respect to the appointment of a Class C Director of the Federal Reserve Bank of San Francisco and the designation of a Federal Reserve Agent at that bank.

Upon motion, Mr. Walton N. Moore was reappointed as a Class C Director of the Federal Reserve Bank of San Francisco for a term of three years beginning January 1, 1928.

Upon motion, Mr. Isaac B. Newton was redesignated as Federal Reserve Agent and Chairman of the board of directors of the Federal Reserve Bank of San Francisco for the year 1928.

Upon motion, Mr. Walton N. Moore was redesignated as Deputy Chairman of the board of directors of the Federal Reserve Bank of San Francisco for the year 1928.

The Governor then announced that no appointments of directors at the branches of the Federal Reserve Bank of San Francisco are necessary, in view of the fact that the recently authorized reductions in the size of the Branch Directorates are being affected by permitting the retirement of those directors whose terms expire with the current year.

Attention was also called to the fact that in the cases of the recently established Branches at San Antonio and Charlotte no appointments are necessary as at the time the Directors were originally appointed their terms were made to run from January 1, 1928.

Memorandum dated December 7th from the Director of the Division of Research and Statistics, submitting and recommending acceptance of the

12/8/27

-9-

resignation of Mrs. Lena G. Carpenter, Statistical Clerk in the Division, effective at the close of business December 20, 1927.

Accepted.

Report of Committee on Salaries and Expenditures on letter dated December 1st from the Chairman of the Federal Reserve Bank of San Francisco, requesting approval of the action of the board of directors of that bank in voting to grant leave of absence of three months from December 1, with pay, to Mr. Wilbur P. Pexton, an employee of the Salt Lake City Branch; the Board's Committee recommending approval of the salary payment involved.

Approved.

Report of Committee on Salaries and Expenditures on letter dated December 1st from the Chairman of the Federal Reserve Bank of San Francisco, requesting approval of the action of the board of directors of that bank in voting to grant leave of absence for two months from December 1st, with pay, to Mr. J. J. Knudson, an employee of the Los Angeles Branch; the Board's Committee recommending approval of the salary payment involved.

Approved.

Report of Committee on Salaries and Expenditures on letter dated December 1st from the Chairman of the Federal Reserve Bank of San Francisco, requesting approval of the action of the board of directors of that bank in voting to grant leave of absence of two months from December 1st, with pay, to Mr. Lee L. Lane, guard at the head office; the Board's Committee recommending approval of the salary payment involved.

Approved.

Report of Executive Committee on letter dated November 30th from

12/8/27

-10-

the Assistant Federal Reserve Agent at Cleveland, recommending approval of a reduction in the reserve requirements of the Forbes National Bank of Pittsburgh, Pa.; an outlying institution, from 10% to 7% of demand deposits; the Board's Committee recommending approval provided that the Forbes National Bank, which has not yet opened for business, is not to receive deposits from other banks.

Approved.

Telegrams dated December 7th from the Chairmen of the Federal Reserve Banks of Boston, Philadelphia and St. Louis, advising that the boards of directors at meetings on that date made no changes in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Letter dated November 29th from the Chairman of the Federal Reserve Bank of Minneapolis, advising of the action of the board of directors of that bank at their last meeting in voting that, with the approval of the Federal Reserve Board, the officers be authorized on December 31st to charge out of surplus account the sum of \$500,000 for the purpose of reducing the head office building account of the bank; together with a memorandum relative to the proposed reduction in building account prepared by the Chief of the Division of Bank Operations. The Secretary stated that the letter and memorandum had been circulated among all members of the Board and that the Committee on Salaries and Expenditures recommends approval of the action of the Minneapolis directors.

Approved.

The Secretary then submitted memorandum from Counsel dated November

12/8/27

-11-

30th, with regard to letter addressed to Mr. Hamlin under date of November 22nd by the Governor of the Federal Reserve Bank of Philadelphia with respect to the language used by the Board in its press announcements with respect to the establishment of rediscount rates and in its recent circular letter to all banks regarding the submission of proposed salaries of officers and employees.

The above letter and memorandum having been circulated among all members of the Board was referred to the Governor for consideration in connection with the revision he has under way of the Board's procedure in the matter of acting upon reports received from the Federal Reserve banks regarding their rate schedules.

At this point, Mr. McIntosh re-entered the meeting.

Mr. Vest, Assistant Counsel, was called into the room and the Governor called attention to the action of the Board on December 6th in deferring, until a meeting attended by the Comptroller, the question of including in the new Regulation F, Series of 1927, the provision of Section 10 of Regulation F, Series of 1924 whereby the Board reserved the right "to revoke permits granted under the provisions of Section 11 (k), as amended, in any case where in the opinion of the Board a bank has willfully violated the provisions of the Federal Reserve Act or of these Regulations or the laws of any state relating to the operations of such bank when acting in any of the capacities permitted under the provisions of Section 11 (k), as amended."

After discussion, it was upon motion, voted that the provision referred to be omitted from Regulation F, Series of 1927.

Mr. Vest then called attention to Section 5 of Regulation D relating to "Loans and Dividends while Reserves are Deficient", as adopted by the

12/8/27

-12-

Board on November 14th.

Upon his recommendation, the Board reconsidered the Section in question and voted to adopt same in the following amended form:

"Section V. Loans and Dividends While Reserves are Deficient.

It is unlawful for any member bank the reserves of which are at any time deficient to make any new loans or pay any dividends unless and until the total reserves required by law are fully restored, and the payment of penalties for deficiencies in reserves does not exempt member banks from this prohibition of law. As provided above, penalties for deficiencies in reserves are computed on the basis of the average reserve balances for semiweekly, weekly or semimonthly periods; but this prohibition of law applies whenever the reserves are deficient for one day or more, regardless of whether or not the average reserve balances for the semiweekly, weekly or semimonthly period are deficient."

Mr. James then moved that the Board adopt and make effective at the earliest possible date the entire Regulations, Series of 1927, as heretofore agreed upon.

Carried.

Mr. Hamlin then moved that the question of the effective date of the new Regulations be referred to the Governor with power and with authority to arrange for as prompt printing thereof as possible through the payment, if necessary, of a special printing rate.

Carried.

REPORTS OF STANDING COMMITTEES:

- Dated, December 6th, Recommending a change in stock at a Federal Reserve bank as set forth in the Auxiliary Minute Book of this date.
Recommendation approved.
- Dated, December 7th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.
- Dated, December 5th, Recommending action on 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.

The meeting adjourned at 12:00 noon.

Approved:

Al Young
Governor.

Ken V. Eddy
Secretary.