

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, December 14, 1927 at 10:40 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 13th were read and approved as amended.

The Governor reported that Mr. Gilbert, Supervisor of Examinations, has received back from the printer the standard form of report of examination prepared in his office by direction of the Board and that he had suggested to Mr. Gilbert that the form might be given a trial in connection with the investigations which are to be made by the Federal Reserve Bank of Richmond in connection with the proposed consolidation of the Bank of Cheraw, S. C. and the Bank of Chesterfield County, Chesterfield, S. C., which consolidation was brought to the attention of the Board at its meeting yesterday, and also in connection with an examination of the Commercial and Savings Bank of Florence, S. C., if made by the Federal Reserve Bank of Richmond in connection with the proposed reduction in its capital, also considered by the Board at yesterday's meeting.

A discussion ensued as to whether or not it would be necessary for the Federal Reserve Bank of Richmond to assess the cost of these investigations against the institutions examined, in view of the fact that they will be used by the Board to determine the utility of its proposed new examination report form.

Following the discussion, Mr. Hamlin moved that the Board approve Governor Young's suggestion that the report

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form prepared by Mr. Gilbert be used in connection with the proposed Richmond investigations and that the cost of such investigations be not assessed against the state member banks.

Carried.

Mr. James then moved that the Board in its forthcoming Annual Report recommend to Congress an amendment of the provision of Section 9 of the Federal Reserve Act that expenses of all Federal Reserve examinations of state member banks shall be assessed against and paid by the banks examined.

Carried.

Mr. Hamlin then moved that the Law Committee be instructed to prepare for submission to the Board a form of amendment to Section 9 in accordance with the above action.

Carried.

At this point, Mr. Cunningham joined the meeting.

Report of Committee on Examinations on application of The Cohocton State Bank, Cohocton, N. Y. for membership in the Federal Reserve System and for 45 shares of stock in the Federal Reserve Bank of New York. Attention was called to the fact that the Federal Reserve Bank of New York and the Board's Sub-committee both recommend approval of the application subject to the conditions of membership set out in the Board's Regulation H, Series of 1924, while Counsel suggests that the Board may, if it wishes, impose the conditions of membership which are to be included in its new Regulation H, Series of 1927.

Following the discussion, upon motion by Mr. James, it was voted to approve the application subject to the following conditions:

(1) Except with the permission of the Federal Reserve Board, such bank or trust company shall not cause or permit any change to be made in the general character of its business or in the scope of the corporate powers exercised by it at the time

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of admission to membership.

(2) Such bank or trust company shall at all times conduct its business and exercise its powers with due regard to the safety of its depositors.

(3) Except after applying for and receiving the permission of the Federal Reserve Board, such bank or trust company shall not acquire an interest in any other bank or trust company, through the purchase of stock in such other bank or trust company.

(4) Such bank or trust company shall maintain its loans within the limits prescribed by the laws of the State in which it is located.

(5) Such bank or trust company shall reduce to an amount equal to 10 per cent of its capital and surplus all balances in excess thereof, if any, which are carried with banks or trust companies which are not members of the Federal Reserve System, and shall at all times maintain such balances within such limits.

(6) Such bank or trust company may accept drafts and bills of exchange drawn upon it of any character permitted by the laws of the State of its incorporation; but the aggregate amount of all acceptances outstanding at any one time shall not exceed the limitations imposed by section 13 of the Federal Reserve Act, that is, the aggregate amount of acceptances outstanding at any one time which are drawn for the purpose of furnishing dollar exchange in countries specified by the Federal Reserve Board shall not exceed 50 per cent of its capital and surplus, and the aggregate amount of all other acceptances, whether domestic or foreign, outstanding at any one time shall not exceed 50 per cent of its capital and surplus, except that the Federal Reserve Board, upon the application of such bank or trust company, may increase this limit from 50 per cent to 100 per cent of its capital and surplus: Provided, however, That in no event shall the aggregate amount of domestic acceptances outstanding at any one time exceed 50 per cent of the capital and surplus of such bank or trust company.

(7) The board of directors of said bank or trust company shall adopt a resolution authorizing the interchange of reports and information between the Federal reserve bank of the district in which such bank or trust company is located and the banking authorities of the State in which such bank is located.

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The Secretary then presented a memorandum dated December 12th from the Director of the Division of Research and Statistics, submitting in accordance with the resolution adopted by the Board on November 18th a table showing for quarterly dates beginning with January 1921 the total stock of monetary gold in the United States, the amounts held by the Treasury, by the Federal Reserve banks and in circulation and the amounts held earmarked for foreign account, as well as a table showing net gold imports and exports since 1921.

Upon motion, copies of the above memorandum were ordered distributed among all members of the Board.

Report of Committee on Salaries and Expenditures on letter dated December 9th from the Federal Reserve Agent at Kansas City, requesting approval of the action of the Executive Committee of that bank in voting to extend for a period of three months from December 1st, with full pay, leave of absence on account of illness granted Mr. R. P. Smith, special officer and watchman at the bank; the Board's Committee recommending approval of the salary payment involved.

Approved.

Memorandum from Counsel dated December 5th, with reference to the Clayton Act application of Mr. August H. Tuechter for permission to serve at the same time as a director of the Lincoln National Bank of Cincinnati, Ohio, the First National Bank of Norwood, Ohio and the Oakley Bank of Cincinnati; Counsel stating that Mr. Tuechter is also serving as a director of the Morris Plan Bank of Cincinnati, from which he is willing to resign if the Board approves his application to serve the three other banks

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with which he is connected. In his memorandum, Counsel suggested that if the Board approves Mr. Tuechter's application to serve these three banks it do so on condition that he sever his connection with the Morris Plan Bank of Cincinnati.

Upon motion, it was voted to approve Mr. Tuechter's application and the matter of advising him was referred to the Governor with power.

In connection with the above application, Mr. James referred to the amendment to the Clayton Act desired by the Board which would permit the Board's authority in the matter of granting interlocking directorates to rest upon the question of the public interest, rather than upon the absence of competition between banks involved in such interlocking directorates, and would also extend the Board's authority with regard to interlocking directorates so as to include non-member institutions. He moved that the Law Committee prepare for submission to the Board a recommendation to Congress covering the proposed amendment.

Carried.

The Secretary then presented schedules submitted by all Federal Reserve banks except New York setting forth salaries proposed by the boards of directors to be paid during the year 1928 to all employees of the banks and their branches who do not hold official positions, including adjustments made by the directors during the year 1927 in the salaries of employees receiving less than \$2500 per annum. He presented a summary of the adjustments at each bank, setting forth the total number and amount of increases proposed, both for employees receiving less than \$2500 per annum and those receiving \$2500 or more per annum, as well as a comparison of the proposed unofficial payroll of each bank for the year 1928 with the actual amount of salaries paid to employees during the years 1924 to 1927. He stated that each schedule has been submitted to the members

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of the Board's Committee on Salaries and Expenditures and that no objections were raised to any of the proposed salaries.

The summaries presented by the Secretary were considered individually, and upon separate motion it was voted in the case of each Federal Reserve bank to approve all adjustments made by the directors during the year 1927 in the salaries of employees receiving less than \$2500 per annum and all the salaries proposed, effective January 1, 1928, both for employees receiving less than \$2500 per annum and for those receiving \$2500 or more per annum.

The Secretary stated that a schedule of salaries fixed by the directors of the Federal Reserve Bank of New York for employees of that bank and the Buffalo Branch will be submitted to the Board within a few days.

Letter dated December 13th from the Chairman of the Federal Reserve Bank of New York, advising that the Brooklyn Trust Company, Brooklyn, N. Y. is arranging to take over as a branch the Bank of Coney Island, now owned by the National American Company, and advising also that the Terminal Trust Company which is also controlled by the National American Company may later be taken over by the International Germanic Trust Company.

Noted.

The Governor then presented a letter dated November 21st, addressed to him by the Governor of the Federal Reserve Bank of New York, transmitting and commenting upon a memorandum prepared at that bank with respect to the amount of gold which could be exported from this country without causing a shortage of gold in the United States. The Governor also presented a memorandum addressed to him by Mr. Smead, to whom he had referred Governor Strong's letter because of the estimate of \$993,000,000 of surplus gold contained in that letter as compared with an estimated surplus of \$782,000,000 given in a memorandum prepared by Mr. Smead under date of November 4th.

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Upon motion, it was voted that a copy of Governor Strong's letter and enclosure and a copy of Mr. Smead's memorandum of November 28th should be furnished to each member of the Board for his information.

The Governor then referred to the discussion at the meeting of the Board on December 5th, with respect to a memorandum submitted by Counsel under date of November 30th regarding an inquiry made by the Old Colony Trust Company of Boston as to whether it may establish and operate a branch in a foreign country without affecting its status as a member bank, in which memorandum Counsel expressed the opinion that a state member bank of the Federal Reserve System may not, since the enactment of the McFadden Act, lawfully establish and operate a branch in a foreign country and continue to hold stock in a Federal Reserve bank. He referred to a suggestion made during the discussion that the matter might be referred to the Attorney General of the United States, and submitted draft of a letter to the Secretary of the Treasury requesting him to secure an opinion of the Attorney General. Attention was called to the fact that the Board has not yet taken definite action on Counsel's memorandum which on December 5th was referred back to the Law Committee.

Accordingly, Mr. Cunningham moved that the opinion of Counsel be adopted as the opinion of the Board.

Mr. Cunningham's motion was put by the Chair and the roll being called, was lost the members voting as follows:

Mr. Cunningham, "aye"
Mr. James, "aye"
Governor Young, "no"
Mr. Platt, "no"
Mr. Miller, "no"
Mr. Hamlin, "no"

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Mr. Hamlin stated that he would like to have transmitted to the Attorney General, in connection with the request for the opinion, a memorandum which he expects to receive from Counsel to the Federal Reserve Bank of Boston to the effect that a state member bank may lawfully establish a branch in a foreign country. It was also suggested that the Attorney General should be advised of the attitude of the Board in the matter as disclosed by the vote just taken.

Upon motion, it was voted that the matter of preparing a revised letter to the Secretary of the Treasury, requesting him to secure an opinion from the Attorney General, be referred to Mr. Hamlin with power.

Letter dated December 13th from the Deputy Governor of the Federal Reserve Bank of New York, advising that exports and earmarkings of gold on the present movement have now reached an aggregate of \$148,000,000, with further anticipated shipments this week of \$14,000,000, and that no additional offsetting purchases of government securities have been made for the System account beyond the \$45,000,000 previously reported. In his letter, Mr. Case also referred to the probable money market situation over the period of the December 15th Treasury operations, and advised that the opinion of the board of directors of the Federal Reserve Bank of New York is that it might be well to let the member banks borrow any additional funds that may be needed, which it is estimated may run as high as from \$100,000,000 to \$150,000,000, rather than to undertake to ease the situation by making further purchases of government securities.

Upon motion, the Governor was authorized in acknowledging the above letter to express the Board's concurrence in the opinion of the directors of the New York bank referred to therein.

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At this point, Mr. Wyatt, the Board's Counsel, entered the room. He advised the Board that it would be impossible to arrange for the issuance of its new Regulations until after the first of the year, and suggested, therefore, that the Board formally designate the Regulations as "Series of 1928" rather than "Series of 1927" as they have heretofore been referred to.

Upon motion, Counsel's suggestion was approved.

Mr. Wyatt then submitted a proposed introductory statement for incorporation in the printed Regulations commenting briefly upon the changes which have been made from the 1924 Series.

Upon motion, the proposed introductory statement was referred to the Governor with power.

REPORTS OF STANDING COMMITTEES:

- Dated, December 14th, 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 10th, 12th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.
- Dated, December 10th, Recommending approval of the application of Mr. George C. Lee for permission to serve at the same time as director of the First National Bank, Boston, Mass., as a member of the firm of private bankers Lee, Higginson and Company, Boston, Mass. and as director and officer of the Lee, Higginson Trust Company, Boston, Mass.
Recommendation approved.
- Dated, December 10th, Recommending approval of the application of Mr. N. Penrose Hallowell for permission to serve at the same time as director of the Merchants National Bank of Boston, Mass., as a member of the firm of private bankers Lee, Higginson and Company, Boston, Mass. and as director and officer of the Lee, Higginson Trust Company, Boston, Mass.
Recommendation approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

- Dated, December 10th, Recommending approval of the application of Mr. Edward H. Osgood for permission to serve at the same time as director of the Atlantic National Bank, Boston, Mass., as a member of the firm of private bankers Lee, Higginson and Company, Boston, Mass. and as director of the Lee, Higginson Trust Company, Boston, Mass.
Recommendation approved.
- Dated, December 10th, Recommending approval of the application of Mr. John Kadel for permission to serve at the same time as director of the Bronx National Bank, New York, N. Y., and as director of the Cosmopolitan Bank, New York, N. Y.
Recommendation approved.
- Dated, December 12th, Recommending approval of the application of Mr. John C. Buck for permission to serve at the same time as director of the Woburn National Bank, Woburn, Mass. and as director of the Woburn Co-operative Bank, Woburn, Mass.
Recommendation approved.
- Dated, December 12th, Recommending approval of the application of Mr. Leo S. Chandler for permission to serve at the same time as director of the California National Bank, Beverly Hills, Cal. and as director and officer of the California Bank, Los Angeles, Cal.
Recommendation approved.
- Dated, December 13th, Recommending approval of the application of Mr. Charles R. Keogh for permission to serve at the same time as officer of the Fletcher American National Bank, Indianapolis, Ind., as director of the Belmont State Bank, Indianapolis, Ind., and as director of the Virginia Avenue State Bank, Indianapolis, Ind.
Recommendation approved.
- Dated, December 13th, Recommending approval of the application of Mr. Melvin A. Traylor for permission to serve at the same time as director and officer of the First National Bank, Chicago, Ill., as director and officer of the First Trust Joint Stock Land Bank, Chicago, Ill. and as director and officer of the First Trust Joint Stock Land Bank, Dallas, Texas.
Recommendation approved.
- Dated, December 13th, Recommending approval of the application of Mr. Harold V. Amberg for permission to serve at the same time as officer of the First National Bank, Chicago, Ill. and as director and officer of the First Trust Joint Stock Land Bank, Chicago, Ill.
Recommendation approved.

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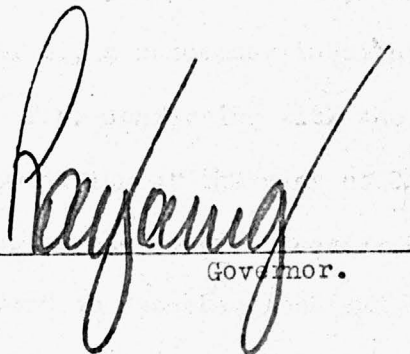
REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, December 14th, Recommending approval of the application of Mr. Frank M. Gordon for permission to serve at the same time as officer of the First National Bank, Chicago, Ill. as director and officer of the First Trust Joint Stock Land Bank, Chicago, Ill. and as director and officer of the First Trust Joint Stock Land Bank, Dallas, Texas.

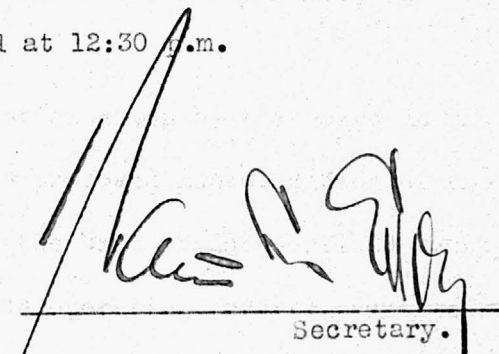
Recommendation approved.

The meeting adjourned at 12:30 p.m.

Approved:



 Governor.



 Secretary.