

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Saturday, December 17, 1927, at 11:45 a.m.

PRESENT: Governor Young  
Mr. Platt  
Mr. Hamlin  
Mr. Miller  
Mr. James  
Mr. Cunningham  
Mr. Eddy, Secretary  
Mr. McClelland, Assistant Secretary

The minutes of the meetings of the Federal Reserve Board held on December 16th were read and approved.

The Governor called attention to the requirement of Section IV of Regulation D, Series of 1926, that computations of reserve deficiencies of member banks shall be made as at the close of business on days to be fixed by the Federal Reserve banks with the approval of the Federal Reserve Board. He submitted draft of telegram to the Chairmen of all Federal Reserve banks except Cleveland referring to this requirement and advising that the Board will approve of such dates as the banks may fix.

Upon motion, the proposed telegram was approved and ordered transmitted.

The Governor also stated that a telegraphic request has been received from the Federal Reserve Bank of Cleveland that the Board approve Tuesdays and Fridays as closing days for semi-weekly periods for computation of reserve balances of member banks in Cleveland, Pittsburgh and Cincinnati, and submitted draft of a telegram to the Chairman of the Cleveland bank advising of the Board's approval.

Approved.

The Secretary then referred to the fact that the Board on February 17, 1927, approved an application of the State National Bank of Marfa,

12/17/27

-2-

Texas, for original stock (61 shares) in the Federal Reserve Bank of Dallas, effective if and when the Comptroller of the Currency issued a certificate of authority to commence business. He presented a telegram from the Federal Reserve Agent at Dallas advising that the Comptroller has not issued the charter because of a request from the state bank converting for further time in which to meet the Comptroller's requirement as to surplus, and inquiring if there is any objection to compliance with a request from the state bank for a return of its capital stock payment.

Upon recommendation of the Secretary, it was voted to advise the Federal Reserve Agent that there is no objection to the return of the stock payment in question.

The Governor then submitted a telegram from the Deputy Governor of the Federal Reserve Bank of New York, reading as follows:

"The Bank of Italy has advised us through Governor Strong who as you know is now in London that they desire to obtain from the various banks of issue an arrangement for one year for the sale or in some cases the pledge of prime commercial bills up to the equivalent of \$75,000,000 in connection with the Italian program to stabilize on a gold exchange basis.

"The Directors of the Federal Reserve Bank of New York have in considering this matter both before and since Governor Strong's departure expressed a desire to aid the efforts of Italy to return to a gold basis and they have now authorized the officers of the bank to arrange for a period of one year for the purchase of not to exceed the equivalent of \$30,000,000 of prime commercial bills bearing at least two names and indorsed or guaranteed by the Bank of Italy.

"In view of the need for haste which I have explained to you over the telephone we should very much appreciate the Board's approval of the action of our directors as early as it may be convenient for them to consider the matter. In order to supplement the general information which we have already given you the arrangement of the Federal Reserve bank with the Bank of Italy if approved would be substantially along the lines of the arrangements with the Bank of Poland and the National Bank of Belgium."

The Governor also reported a telephone conversation this morning with Deputy Governor Harrison, during which he was advised that fourteen central

12/17/27

-3-

banks of issue have tentatively agreed to enter into the arrangement referred to and that in addition to the \$75,000,000 credit being arranged with the central banks, the plan for stabilization of the lira also involves a \$50,000,000 loan to the Banca d'Italia by private bankers in the United States and England in which continental bankers have been asked to participate.

The Governor then read the letter addressed by the Board to the Federal Reserve Bank of New York under date of June 6, 1927, authorizing the purchase of prime commercial bills from the Bank of Poland under a stabilization program similar to that which it is understood is contemplated by Italy.

Following discussion, Mr. Miller moved that the Governor prepare for submission to the Board this afternoon draft of letter to the Federal Reserve Bank of New York advising that the Board will approve of the arrangement, with the safeguards provided in similar arrangements with other foreign central banks and with the understanding that when the plan is consummated all Federal Reserve banks will be given an opportunity to participate in any purchases made under the arrangement.

Carried.

Mr. Hamlin referred to the previous action of the Board in connection with the payment of the salary of the late David C. Wills during the period from the date of his death on October 22, 1925, to December 31, 1925 and moved adoption of the following resolution:

"WHEREAS the Federal Reserve Board was advised that the salary of the late David C. Wills as Federal Reserve Agent of the Federal Reserve Bank of Cleveland was continued by the board of directors of that bank from October 22, 1925, the date of his death, up to December 31, 1925, and payment covering this period was made to his widow;

12/17/27

-4-

"WHEREAS the Federal Reserve Board upon being advised of this fact, notified the board of directors of the Federal Reserve Bank of Cleveland that it could find no warrant of law for the continuance of Mr. Wills' salary after his death until December 31, 1925, and that it could not approve the action taken by the board of directors of the Federal Reserve Bank of Cleveland;

"WHEREAS the Federal Reserve Bank of Cleveland has requested the Federal Reserve Board to give reconsideration to this matter;

"WHEREAS the payment above referred to is not prohibited by law;

"WHEREAS the Federal Reserve Board is advised by its Counsel that the payment of Mr. Wills' salary for the period above mentioned subsequent to his death was ultra vires the Federal Reserve Bank but that the question is a close and doubtful one and there is no specific provision of law making such payment ultra vires;

"WHEREAS the Federal Reserve Board understands that it is the custom among commercial banks to make payments of this kind under similar circumstances to widows or dependents of deceased officers;

"WHEREAS the Federal Reserve Board has been advised by the Treasury Department that it will make no objection to the payment of Mr. Wills' salary for the period above mentioned subsequent to his death; and

"WHEREAS the Federal Reserve Board considers that the best interests of the Federal Reserve System will be served if it offers no further objection to the payment which was made to Mr. Wills' widow for the period above mentioned subsequent to his death;

"NOW, THEREFORE, BE IT RESOLVED, That the Federal Reserve Board, without establishing any precedent but leaving each case to be determined on its merits, will offer no further objection to the aforementioned action of the Federal Reserve Bank of Cleveland in paying to Mr. Wills' widow his salary as Federal Reserve Agent from October 22, 1925, the date of his death, until December 31, 1925."

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

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

The meeting recessed at 1:10 p.m., and reconvened at 3:00 o'clock p.m., the same members being present as attended the morning session.

12/17/27

-5-

The Governor submitted draft of a letter to the Deputy Governor of the Federal Reserve Bank of New York, prepared in accordance with instructions at the morning session, which, after discussion, was amended and upon motion was adopted in the following form:

"Reference is made to our telephone conversation this morning and your subsequent telegram of this date, advising the Board that the Banca d'Italia has advised your bank, through Governor Strong who is now in London, that it desires to obtain from various banks of issue an arrangement for one year for the sale, or in some cases the pledge, of prime commercial bills up to the equivalent of \$75,000,000, in connection with a plan to stabilize the lira, and stating that the directors of the Federal Reserve Bank of New York considered this matter, both before and since Governor Strong's departure for London, and have since the receipt of the advice from the Banca d'Italia above referred to, authorized the officers of your bank to arrange for a period of one year for the purchase of not to exceed the equivalent of \$30,000,000 of prime commercial bills bearing at least two names and endorsed or guaranteed by the Banca d'Italia.

"At the meeting of the Board this morning I presented the substance of the information you gave me over the telephone and read your telegram. The Board voted to approve of the Federal Reserve Bank of New York entering into an arrangement, for a period of one year, to purchase from the Banca d'Italia not to exceed at any one time the equivalent of \$30,000,000 of prime commercial bills, conforming to the eligibility requirements of the Federal Reserve Act and bearing at least two names and endorsed or guaranteed by the Banca d'Italia, if and when tender is made of such bills by the Banca d'Italia following consummation of the plan for stabilizing the lira to which you refer in your telegram.

"It is understood that the guarantee of the Banca d'Italia will contain a provision similar to that contained in your bank's agreement with the National Bank of Belgium, whereby the Banca d'Italia will take up the bills at maturity in gold and the Federal Reserve Bank of New York will be permitted to withdraw the gold so accruing to its credit from the Banca d'Italia and that the Italian Government will interpose no objection or obstacle to such withdrawal.

"It is also understood that if and when the arrangement is completed, any of the other Federal Reserve banks desiring to do so will be given an opportunity to participate to the usual extent in any purchases made."

The Secretary then presented drafts of letters addressed to the First State Bank, Philipsburg, Montana, and to the Federal Reserve Agent at Minneapolis,

12/17/27

-6-

advising of a hearing to be held by the Board at which representatives of the member bank are requested to appear to show cause why the institution should not be required to surrender its stock in the Federal Reserve Bank of Minneapolis and to forfeit all rights and privileges of membership in the Federal Reserve System; the proposed letters setting out various violations by the bank of the Federal Reserve Act and the conditions under which it was admitted to membership in the Federal Reserve System, and stating also that if the bank desires to waive its right to appear before the Board, it may appear before the Federal Reserve Agent on a date to be fixed by him to present such evidence as it may care to have transmitted to the Board.

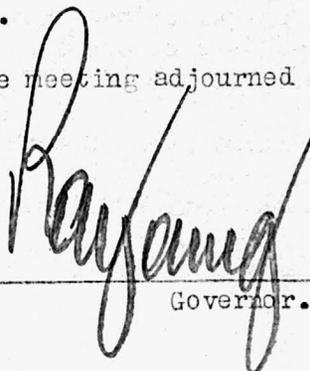
Upon motion, the proposed letters were approved, and January 18, 1928, was fixed as the date for the hearing in question.

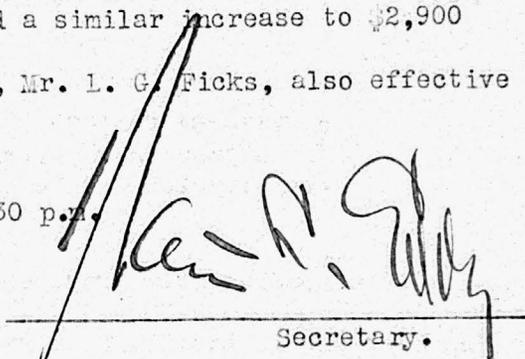
The Governor announced the permanent appointment of Mr. S. R. Carpenter as his Private Secretary and stated that effective January 1, 1928, Mr. Carpenter's salary will be increased to \$2,500 per annum.

Mr. Cunningham announced an anniversary increase of \$100 to \$2,700 per annum in the salary of his Secretary, Miss Leona M. Beller, effective January 1, 1928, and Mr. Miller announced a similar increase to \$2,900 per annum in the salary of his Secretary, Mr. L. G. Ficks, also effective January 1, 1928.

The meeting adjourned at 3:30 p.m.

Approved:

  
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Governor.

  
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Secretary.