

A meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Governor on Tuesday, February 21, 1928 at 12:00 o'clock noon.

PRESENT: Governor Young
Mr. Hamlin
Mr. Cunningham
Mr. Eddy, Secretary
Mr. McClelland, Asst. Secretary

Memorandum dated February 18th from General Counsel, recommending that there be published in the forthcoming issue of the Federal Reserve Bulletin the recent rulings of the Board (1) that balances payable in dollars due from American branches of foreign banks may be deducted from amounts due to other banks by a member bank in computing its reserves under Section 19 of the Federal Reserve Act; and (2) that a member bank is not required to maintain reserves against a dividend for the period intervening between the date of the declaration of the dividend and the date on which it is paid.

Upon motion, the publication of the two rulings referred to was approved.

Report of Law Committee on memorandum dated February 18th from Counsel, with reference to application of the Enderlin State Bank of Enderlin, N. D. for the surrender and cancellation of 36 shares of stock in the Federal Reserve Bank of Minneapolis, the Enderlin State Bank having consolidated with the Peoples Bank of Enderlin, a non-member bank, under the charter of the latter institution; Counsel stating that the Board may, if it so desires, approve the application but suggesting if it does so that the Federal Reserve Agent at Minneapolis be requested to obtain from the Peoples Bank of Enderlin, in a form approved by Counsel for the Federal

2/21/28

-2-

Reserve Bank of Minneapolis, a release from any liability on account of the cancellation of the stock and the payment of the proceeds thereof to the Enderlin State Bank.

Upon recommendation of the Law Committee, cancellation of 36 shares of stock in the Federal Reserve Bank of Minneapolis standing in the name of the Enderlin State Bank was approved and the Secretary was directed to address a letter to the Federal Reserve Agent at Minneapolis in accordance with the suggestion contained in Counsel's memorandum.

Memorandum dated February 16th from the Chief of the Division of Bank Operations, submitting statements of expenditures by the Federal Reserve banks for educational and welfare work, etc. during the month of December and for the twelve months' period ending December 31st.

Noted.

The Secretary then submitted drafts of letters, prepared by Counsel in accordance with instructions given by the Board at the meeting on February 18th, addressed to the Federal Reserve Agent at St. Louis and to the Lawrence County Bank, Walnut Ridge, Ark., advising of a hearing to be held by the Board at which representatives of the Lawrence County Bank are requested to appear to show cause why it should not be required to surrender its stock in the Federal Reserve Bank of St. Louis, and to forfeit all rights and privileges of membership in the Federal Reserve System; the letter also advising that in case the member bank desires to waive its right to appear before the Federal Reserve Board, it may through its duly appointed representatives appear before the Federal Reserve Agent on a date to be fixed by him for the purpose of presenting such evidence as it may care to have transmitted to the Federal Reserve

2/21/28

-3-

Board for consideration, provided that reasonable notice in advance is given both to the Board and to the Agent of the bank's intention to appear before the Federal Reserve Agent.

Upon motion, the letters submitted by Counsel were approved and ordered transmitted after March 21, 1928 had been fixed as the date for the hearing to be held by the Board.

Report of Committee on Examinations on letter dated February 16th from the Executive Committee of the Federal Reserve Bank of Atlanta, recommending that the Board approve the action of the Farmers State Bank of Lincolnton, Ga. in assuming the liabilities (exclusive of stockholders' liability) of the Bank of Lincolnton, Ga. and taking over certain of its assets; the Board's Committee also recommending approval.

Approved.

The Secretary then presented letters addressed to the Board by the Federal Reserve Agents at Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis and Kansas City, submitting reviews, as of December 31, 1927, with respect to outlying banks in reserve and central reserve cities in their districts which have been granted permission by the Board to carry reduced reserves against demand deposits under Section 19 of the Federal Reserve Act; the Federal Reserve Agents recommending in all cases that the authority granted by the Board for the carrying of reduced reserves be continued. The Secretary called particular attention of the Committee to the Second National Bank of Allegheny, Pittsburgh, Pa., the Pennsylvania National Bank, Pittsburgh, Pa., and the Highland National Bank, Pittsburgh, Pa., which institutions carry deposits of other banks equal to 13.3%, 13.6%

2/21/28

-4-

and 6.8%, respectively, of their total deposits and to the Calumet National Bank and the Northwestern Trust and Savings Bank, both of Chicago, Ill. which show amounts due to banks equal to 10% and 7%, respectively, of their total deposits. He referred to advice received from the Federal Reserve Agents at Cleveland and Chicago that these bank balances are of a dormant character and that there is no evidence that the institutions named are actively engaged in the solicitation of bank accounts.

After discussion, however, it was voted that letters be addressed to the Federal Reserve Agents at Cleveland and Chicago, calling attention to the fact that the above named banks in their respective districts are doing a considerable correspondent bank business and requesting that the cases of these banks be submitted to their boards of directors for a firm recommendation as to whether they should be permitted to continue carrying reduced reserves as previously authorized by the Board.

Upon motion, it was also voted to recommend to the Board that no action be taken to revoke authority granted to any other banks to carry reduced reserves.

REPORTS OF STANDING COMMITTEES:

Dated, February 18th, 20th, 21st, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date.

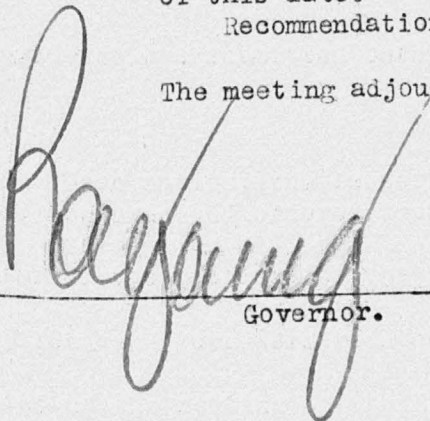
Recommendations approved.

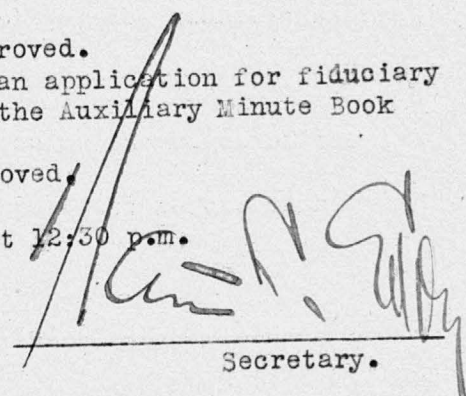
Dated, February 20th, Recommending action on an application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Recommendation approved.

The meeting adjourned at 12:30 p.m.

Approved:


Governor.


Secretary.