

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, December 8, 1925 at 11:00 o'clock.

PRESENT: Governor Crissinger
Mr. Platt
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Cunningham
Mr. McIntosh
Mr. Noell, Assistant Secretary

The minutes of the meetings of the Federal Reserve Board held on November 19th, 24th, 25th 30th and December 2nd were read and approved.

The Governor stated that the Secretary of Labor had called him over the telephone regarding a clause in the specifications for the Branch Bank building at Salt Lake City which stipulated that the work should be done one-half by union and one-half by non-union labor and that the Secretary might desire a hearing before the Board regarding this matter.

The Governor also stated that the Federal Reserve Agent at New York, who is Chairman of the Standing Committee on Examinations appointed at the recent Federal Reserve Agents' Conference, had called him over the telephone and inquired whether there would be any objection to the Committee temporarily employing Professor O. M. W. Sprague of Harvard University.

After discussion, Mr. James moved that the Board interpose no objection.

Carried.

Matter approved on initials on December 5th, namely, application of the Oakmont National Bank, Oakmont, Pa., for original stock (24 shares) in the Federal Reserve Bank of Philadelphia, effective if and when the Comptroller of the Currency issues a certificate of authority to commence business.

Formally approved.

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Memorandum dated December 3rd from the Chief of the Division of Bank Operations, advising that under authority previously granted by the Board, Miss Madelon F. Chatfield has been employed as comptometer operator, at an annual salary of \$1300, for a period of two months, beginning December 4th.

Noted.

Memorandum dated December 2nd from Counsel, approved by the Law Committee, recommending approval of a statement in the amount of \$947.22 submitted by Honorable Newton D. Baker for expenses in connection with the Pascagoula Par Clearance case and submitting draft of letter to the Governor of the Federal Reserve Bank of Atlanta, transmitting the statement for payment and suggesting that the bank wait until the litigation is completed before undertaking to pro rate the expense of Mr. Baker's employment.

Upon motion, it was voted to approve payment of the bill by the Federal Reserve Bank of Atlanta and the proposed letter to the Governor of the Bank.

Letter dated December 4th from the Secretary of the Federal Reserve Bank of New York, advising of the resignation of Mr. Joseph L. Morris, Manager of the Credit and Discount Department of the Bank, effective January 1, 1926.

Noted.

The Governor stated that he had also been advised over the telephone of the resignation of Mr. Gilbert B. Chapin, Controller of Loans.

Memorandum dated December 4th from General Counsel, recommending

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renewal of the Board's subscription to the Congressional Service of the Corporation Trust Company, at a cost of \$100.

Approved.

Telegram dated December 4th from the Chairman of the Federal Reserve Bank of Boston, advising of the re-election of Mr. F. S. Chamberlain as Class "A" Director and Mr. A. C. Bowman as Class "B" Director, both for terms of three years beginning January 1, 1926.

Noted.

Circular letter issued by the Chairman of the Federal Reserve Bank of New York, advising of the election of Mr. Jackson E. Reynolds as Class "A" Director and the re-election of Mr. Owen D. Young as Class "B" Director, both for terms of three years beginning January 1, 1926.

Noted.

Circular letter issued by the Deputy Chairman of the Federal Reserve Bank of Cleveland, advising of the re-election of Mr. Chess Lamberton as Class "A" Director and Mr. R. P. Wright as Class "B" Director, both for terms of three years beginning January 1, 1926.

Noted.

Letter dated December 3rd from the Chairman of the Federal Reserve Bank of Richmond, advising of the election of Mr. James C. Braswell as Class "A" Director and the re-election of Mr. Edwin C. Graham as Class "B" Director, both for terms of three years beginning January 1, 1926.

Noted.

Letter dated December 2nd from the Chairman of the Federal Reserve Bank of Atlanta, advising of the election of Mr. E. C. Melvin as Class "A"

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Director and the re-election of Mr. W. H. Hartford as Class "B" Director, both for terms of three years beginning January 1, 1926.

Noted.

Letter dated December 3rd from the Chairman of the Federal Reserve Bank of Chicago, advising of the re-election of Mr. Charles H. McNider as Class "A" Director and Mr. Stanford T. Crapo as Class "B" Director, both for terms of three years beginning January 1, 1926.

Noted.

Letter dated December 2nd from the Chairman of the Federal Reserve Bank of St. Louis, advising of the re-election of Mr. John C. Martin as Class "A" Director and Mr. W. B. Plunkett as Class "B" Director, both for terms of three years beginning January 1, 1926.

Noted.

Letter dated December 2nd from the Chairman of the Federal Reserve Bank of Minneapolis, advising of the election of Mr. Paul J. Leeman as Class "A" Director and Mr. Paul N. Myers as Class "B" Director, both for terms of three years beginning January 1, 1926, and the election of Mr. John S. Owen as Class "B" Director for the unexpired term of Mr. F. P. Hixon, resigned, ending December 31, 1927.

Noted.

Circular letter issued by the Chairman of the Federal Reserve Bank of Kansas City, advising of the re-election of Mr. Frank W. Sponable as Class "A" Director and Mr. J. M. Bernardin as Class "B" Director, both for terms of three years beginning January 1, 1926.

Noted.

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Letter dated December 2nd from the Chairman of the Federal Reserve Bank of Dallas, advising of the re-election of Mr. W. H. Patrick as Class "A" Director and Mr. J. H. Nail as Class "B" Director, both for terms of three years beginning January 1, 1926.

Noted.

Memorandum dated December 8th from the Board's Chief Examiner, with reference to letter dated December 1st from the Secretary of the War Finance Corporation, calling attention to the fact that the Examiners of the Federal Reserve Board are auditing the War Finance Departments of all Federal Reserve banks and branches except at Denver and Helena, stating that there has been a large reduction in the volume of business at those two points, and requesting that the Board hereafter audit the Departments at Denver and Helena; the Chief Examiner recommending that authority be granted the Board's Examiners to conduct these audits when and as they are making their regular periodical examinations of the branches, with the understanding that the War Finance Corporation is to reimburse the Board for the salaries and per diem of the men actually employed in this work.

Approved.

Memorandum dated December 7th from the Secretary, recommending that the Board continue during the year 1926 the arrangement had during 1925 whereby all state bank examiners were furnished with complimentary copies of the Federal Reserve Bulletin regularly as issued, and submitting

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draft of a circular letter to all Federal Reserve Agents, requesting a list of state bank examiners in each district to whom complimentary copies of the Bulletin should be forwarded during the year 1926.

Approved.

Matter ordered circulated at the meeting on November 30th, namely, memorandum dated October 31st from the Chief of the Division of Bank Operations, with reference to accounting at the Federal Reserve Bank of Cleveland incident to the lease of land to the Cincinnati Chamber of Commerce and the purchase of equipment for branch bank quarters which are to be provided in the building to be constructed by the Chamber of Commerce; the memorandum recommending (1) that the book value of the land be marked up from \$267,000 to \$600,000 and profit and loss credited with \$333,000; (2) that as payments for vaults and vault equipment are made they be charged to a new account "Equipment New Cincinnati Banking Quarters" and amortized over a period of twenty-five years; (3) that as payments for fixed machinery and equipment are made they be charged to the new account and a reserve of 10% annually be set up to cover depreciation; (4) that as payments for furniture and equipment are made they be charged to the present furniture and equipment account and charged off at the end of the year in accordance with present procedure; the memorandum also recommending that the land and equipment at Cincinnati be carried among "Miscellaneous Assets" on the Bank's balance sheet and included in "All Other Resources" in the weekly press statements.

Approved.

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Memorandum from Counsel dated December 7th with reference to the application of The Old National-City Bank of Lima, Ohio, for general trust powers, which was approved on initials on November 12th and formally approved at the meeting on November 17th as to all powers except "Committee of Estates of Lunatics", action on which was deferred because of question raised by Counsel for the Federal Reserve Bank of Cleveland as to the right of the bank to exercise this power; Counsel recommending that The Old National-City Bank be now authorized to act as Committee of Estates of Lunatics in addition to other powers already approved and that this power be made retroactive.

After discussion, upon motion, it was voted to grant the Bank authority to act as "Committee of Estates of Lunatics", effective November 17, 1925.

Report of Committee on Examinations on letter dated December 1st from the Assistant Federal Reserve Agent at Cleveland, recommending approval of an application of the Guardian Trust Company, Cleveland, Ohio, for permission to establish a branch at the southwest corner of Arlington Avenue and Eddy Road; the Committee also recommending approval.

Approved.

Letter dated December 2nd from the Federal Reserve Agent at New York, advising that the New York State Banking Department has authorized the Bank of the Manhattan Company to establish a branch at #434 Jackson Avenue, Long Island City, New York, conditioned upon the discontinuance of a branch at #5 Skillman Place, the same city, and has authorized the Central Mercantile Bank of New York to establish a branch at #139-141

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Varick Street, in the Borough of Manhattan, city of New York. The Secretary stated that the Central Mercantile Bank of New York had made application for and received the Board's approval for the establishment of its branch.

Noted.

Report of Committee on Examinations on memorandum dated December 1st from the Acting Comptroller of the Currency, recommending approval of an application of The Citizens National Bank of Crosbyton, Texas, for permission to reduce its capital stock from \$50,000 to \$25,000, on condition that unanimous consent of the shareholders be secured and that no money be returned to the shareholders but that all funds set free by the reduction remain the property of the bank; the Committee also recommending approval.

Approved.

Report of Committee on Examinations on memorandum dated November 10th from the Acting Comptroller of the Currency, recommending approval of an application of The First National Bank of Randolph, Nebraska, for permission to reduce its capital stock from \$50,000 to \$40,000 provided a surplus of \$10,000 is retained; the Committee also recommending approval.

Approved.

Draft of reply to letter dated November 24th from the Federal Reserve Agent at Chicago, transmitting inquiries from the First National Bank of Fort Wayne, Indiana, whether a national bank exercising trust powers has authority to act as agent for service of process and also whether a national bank located in Indiana may act as registering agent

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for foreign corporations doing business in Indiana; the proposed reply stating that in the opinion of the Board the right to act as agent for service of process is not a fiduciary power within the meaning of Section 11 (K) of the Federal Reserve Act, and further, that while a national bank has no right to act as the registering agent of a foreign corporation to receive service of process, it may act as registrar of stocks and bonds on behalf of any corporation whether or not organized under the laws of the state in which the national bank is located.

Approved.

Memorandum dated December 4th from General Counsel with reference to the recent action of the Supreme Court of the United States in the case of the Pascagoula National Bank v. the Federal Reserve Bank of Atlanta.

Ordered circulated.

Report of Committee on Examinations on letter dated November 30th from the Federal Reserve Agent at St. Louis, reviewing the situation with reference to outlying banks in St. Louis which have been granted reductions in their reserves and with respect to other banks in the city from whom such applications may be received in the future; this report having been requested by the Board on November 17th in connection with the application of The Baden Bank of St. Louis for a reduction in its reserve requirements from 10% to 7% of demand deposits; the Committee recommending approval of the application of The Baden Bank, but suggesting the limitation of bank deposits in outlying banks which have been granted reserve reductions.

After discussion, Mr. Hamlin moved that the Board approve the application of The Baden Bank, and further, that the Committee on Exam-

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inations investigate and report to the Board with regard to the percentage of bank deposits held by other outlying institutions which have been granted reductions in their reserves.

Carried.

Memorandum dated December 2nd from General Counsel, approved by the Law Committee, with reference to the application of Mr. J. D. Callery for permission to serve at the same time as President and director of the Diamond National Bank and as director of the Colonial Trust Company, both of Pittsburgh; the memorandum pointing out the results of a hearing granted Mr. Callery and the Committee recommending approval of his application.

Mr. Hamlin moved that the Board approve Mr. Callery's application.

Mr. Hamlin's motion being put by the Chair was carried, Mr. McIntosh voting "no".

At this point, Mr. Miller left the meeting.

Letter dated December 5th from the Chairman of the Federal Reserve Bank of St. Louis, transmitting copy of a letter addressed to a customer by the Vice President and Cashier of the Lafayette-South Side Bank of St. Louis, advising that in view of the general stronger demand for money and consequent increase of interest rates throughout the country as indicated by the increase in discount rates of several Federal Reserve banks, the interest rate on the customer's loans has been increased.

Noted.

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Letter dated December 3rd from the Governor of the Federal Reserve Bank of Kansas City, with reference to the subject of a memorandum addressed to the Board by the Comptroller of the Currency and transmitted by the Board to the Federal Reserve Bank, namely, an exception shown in the report of examination of the First National Bank of Greeley, Colorado being an item of \$1411.80 drawn on a nonmember bank in Greeley and sent by the Federal Reserve Bank to the First National Bank of Greeley for collection, but not settled because of the suspension of the nonmember bank before its draft in payment of the item was paid.

Upon motion, it was voted that the above letter be circulated among the members of the Board and a copy forwarded to the Comptroller of the Currency for his information.

At this point, Mr. Miller rejoined the meeting.

Letter dated December 2nd from the Governor of the Federal Reserve Bank of New York, submitting a letter apparently addressed to the Governors of all Federal Reserve banks by Eugene Arnett, Inc. of Oklahoma City on the subject of agricultural credits.

Referred to the Committee on Agricultural Credits.

Letter dated November 30th from the Governor of the Federal Reserve Bank of New York, referring to the discussion of the report of the Pension Committee at the recent Governors' Conference and presenting the unanimous view of the Conference that the best interests of the System demand a satisfactory solution of the pension problem as promptly as possible.

Referred to the Board's special Pension Committee.

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The Committee on Examinations then presented a memorandum dated December 2nd, addressed to the Committee by the Assistant Secretary, reporting on the conference with the President of the Mercantile Trust Company of San Francisco, held on November 30th, at which he requested that the Board reconsider and approve the application of his bank for permission to consolidate the Bank of Burlingame and establish branches in its premises and that the Board also approve his application to take over the Bank of Palo Alto and establish a branch in its premises. The Committee submitted for discussion by the Board a suggestion that the definition of contiguous territory in the San Francisco neighborhood be extended so as to include the communities of Burlingame and Palo Alto, and suggested that the Committee be instructed to investigate the desirability of such action in co-operation with the Federal Reserve Bank of San Francisco and the Superintendent of Banks of California.

After full discussion of the applications and a review of the manner in which they were filed with the Board, Mr. Miller moved that the Board reconsider its action of October 28, 1924 in disapproving the application of the Mercantile Trust Company for permission to establish a branch at Burlingame, which action was affirmed at the meeting on June 26, 1925.

Mr. Miller's motion being put by the Chair was carried, the members voting as follows:

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

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Mr. Miller then moved that the Board on consideration of all facts involved in the applications of the Mercantile Trust Company for permission to take over the Bank of Burlingame and the Bank of Palo Alto and to establish branches in their premises, has reached the conclusion that these applications constitute a substantial compliance with the requirements of the Board's Regulations and that the applications be approved.

Mr. Miller's motion being put by the Chair was carried, the members voting as follows:

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

Mr. Platt then moved that the question of territory contiguous to the city of San Francisco be referred to the Committee on Examinations for investigation and report.

Mr. Platt's motion being put by the Chair was carried, Mr. Cunningham voting "no".

The Governor then presented the recommendations of the Federal Advisory Council made to the Federal Reserve Board at the meeting of the Council on December 1, 1925.

After discussion, Mr. Platt moved that in accordance with the recommendation of the Council the Director of the Board's Division of Research and Statistics be requested to prepare a letter to all Federal Reserve banks calling their attention to the trend toward lower ratios of capital assets to current liabilities in the banking institutions of the country.

Mr. Platt's motion being put by the Chair was unanimously carried.

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Mr. Miller then submitted the following resolution which he suggested be referred to the Committee on Examinations:

"Resolved, That Paragraph (1) of Section VI of the Board's Regulation H, which reads as follows:

'The Federal Reserve Board will as a general principle restrict the establishment of branches, agencies or additional offices by such banks or trust companies to the city of location of the parent bank and the territorial area within the State contiguous thereto, as said territory has been defined in the board's resolution of November 7, 1923, excepting in instances where the State banking authorities have certified and the board finds that public necessity and advantage render a departure from the principle necessary or desirable,'

be changed to read:

'The Federal Reserve Board will as a general principle restrict the establishment of branches, agencies or additional offices by such banks or trust companies to the city of location of the parent bank and the territorial area within the State contiguous thereto, as said territory may be delimited and defined by the Federal Reserve Board.'"

Upon motion, it was voted to refer the above resolution to the Committee on Examinations, Mr. Cunningham voting "no".

Mr. James then submitted the following report of the Committee on Salaries, Expenditures and Efficiency, dated December 3rd:

"As a result of more than two years of study and experience, your Committee begs to offer the following recommendations relative to the Board's approval of salaries in Federal Reserve banks:

1st.- That in reviewing, approving or rejecting salary recommendations offered by directors of the Federal Reserve banks, the Board give consideration to the aggregate cost of operating the bank or branch rather than to the question of remuneration to an individual, officer or employee.

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"2nd.- That due consideration of the cost of living and the salaries paid by commercial banks in the respective districts, should be given in passing upon the salaries proposed for officers and employees of Federal Reserve banks.

3rd.- That the Board recognize the desirability of maintaining the highest possible standard of character, responsibility and efficiency in the staff of the System employees.

4th.- That as a general rule comparative cost of operating the Federal Reserve banks of comparable size and volume of business should be used as a guide by the Board in giving its approval to proposed salaries and expenses.

5th.- That rulings heretofore made by the Board 'pegging' salaries of certain positions in certain of the Federal Reserve banks be reconsidered and revoked.

6th.- That the Board's rulings as set out in letter of August 9, 1922, X-3500 (copy attached), wherein it is provided that 'salary increases which do not bring the annual salary to more than \$2,500, and adjustments affecting such salaries, need not be submitted to the Board before becoming effective', be amended and made to read as follows:

'TO ALL FEDERAL RESERVE AGENTS:

'SUBJECT: Bank Salaries.

'Dear Sir:

The Board desires to adopt a uniform policy with respect to considering salary recommendations submitted by the Federal Reserve banks. Accordingly, until further notice, at the close of each year the Board will consider and review all salary recommendations for officers and employees for the ensuing year. Schedules should be prepared containing the names of all officers and employees showing the present salaries and proposed adjustments and forwarded to the Board on or before December 10th of each year.

The Board is of the opinion that the management of the Federal Reserve banks should determine all salary increases which do not bring the annual salary to more than \$2,500 per annum, and adjustments affecting such salaries, need not be submitted to the Board before becoming effective. However, if and when a system of classifying employees into grades or groups carrying specified salary ranges, having the approval of the Federal Reserve Board, is installed, salary adjustments within such grades or groups with a maximum limit of \$5,000 may be made effective without first securing the approval of the Federal Reserve Board.

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'It is expected by the Federal Reserve Board that all salaries and salary adjustments made throughout the year by the management of the Federal Reserve banks under the above authorization, shall be approved by the Boards of Directors of the various Federal Reserve banks before such salaries are effective.

While it is recognized that it is necessary for a Federal Reserve bank to meet the scale of salaries paid by commercial banks located in the same city, it is most necessary that the strictest economy and efficiency be exercised by the management in the operation of the Federal Reserve banks."

Mr. Hamlin moved approval of the recommendations contained in the above report.

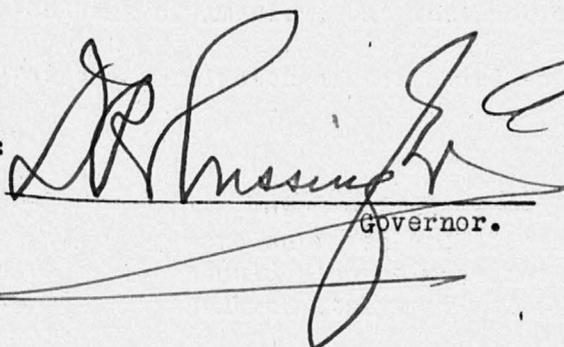
Mr. Hamlin's motion being put by the Chair was unanimously carried.

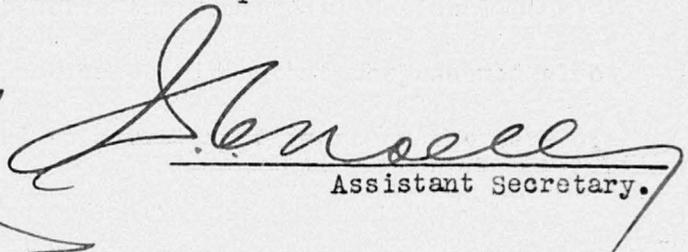
REPORTS OF STANDING COMMITTEES:

- Dated, December 4th, Recommending changes in stock at Federal Reserve banks, as set forth in the Auxiliary Minute Book of this date.
Approved.
- Dated, November 26th, Recommending action on applications for fiduciary powers
27th, as set forth in the Auxiliary Minute Book of this date.
Approved.
- Dated, November 26th, Recommending action on application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Ordered held.
- Dated, December 7th, Recommending action on application for admission of 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.
Approved.

The meeting adjourned at 1:10 p.m.

Approved:


Governor.


Assistant Secretary.