

Upon call of the Governor, a special meeting of the Federal Reserve Board was held in the office of the Board on Monday, December 21, 1925, at 12:15 p.m.

PRESENT: Governor Crissinger
 Mr. Hamlin
 Mr. Miller
 Mr. James
 Mr. Cunningham
 Mr. Eddy, Secretary.

Report of Committee on Salaries, Expenditures and Efficiency, dated December 21st, concurred in by both members of the Committee, recommending approval of all salaries recommended by the Board of Directors of the Federal Reserve Bank of Cleveland for officers and employees of that institution and its branches for the year 1926, including salaries of officers as follows:

<u>Head Office</u>	<u>Present Salary</u>	<u>Proposed Salary</u>
E. R. Fancher, Governor	\$30,000	\$30,000
F. J. Zurlinden, Deputy Governor	15,000	15,000
M. J. Fleming, Deputy Governor	15,000	15,000
J. C. Nevin, Cashier and Secretary	12,000	12,000
C. W. Arnold, Assistant Cashier	7,000	7,200
C. L. Bickford, " "	6,300	6,500
D. B. Clouser, " "	6,300	6,500
H. F. Strater, " "	8,000	8,000
W. F. Taylor, " "	7,000	7,200
Geo. H. Wagner, " "	6,500	6,800
J. B. Anderson, Asst. F. R. Agent	5,000	5,000
W. H. Fletcher, " " "	7,000	8,500
F. V. Grayson, Auditor	7,000	7,200
G. A. Stephenson, Assistant Secretary	5,700	5,400

<u>Cincinnati Branch</u>		
L. W. Manning, Managing Director	10,000	10,000
B. J. Lazar, Cashier	7,000	7,500
J. P. H. Brewster, Assistant Cashier	4,200	4,500
Henry N. Ott, " "	4,500	4,500
P. J. Faulkner, Asst. F. R. Agent	3,300	3,300
Bruce Kennelly, Asst. Auditor	3,800	3,800

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<u>Pittsburgh Branch</u>	<u>Present Salary</u>	<u>Proposed Salary</u>
George DeCamp, Managing Director	\$12,000	\$12,000
Thomas C. Griggs, Cashier	8,400	8,400
Percy A. Brown, Assistant Cashier	5,600	5,800
Frank E. Cobun, " "	4,700	4,900
Thomas M. Jones, Asst. F. R. Agent,	5,000	5,000
Raymond Armor, Asst. Auditor	3,300	3,500

In this connection, the Governor presented a letter dated December 19th from the Secretary of the Federal Reserve Bank of Cleveland advising of the reappointment of Mr. L. W. Manning as Managing Director of the Cincinnati Branch, for the year 1926.

The Governor stated he had been advised over the telephone by the Governor of the Federal Reserve Bank that the resignation of Mr. Manning had been received, effective March 31, 1926.

Mr. James called attention to the fact that the above list includes a salary of \$12,000 for Mr. George DeCamp as Managing Director of the Pittsburgh Branch which should not, of course, be approved by the Board, in view of Mr. DeCamp's designation as Federal Reserve Agent and Chairman of the Board of Directors of the Cleveland Bank and the approval of a salary for him in that position.

Mr. James then moved adoption of the report of the Committee, with the understanding, however, that no salary should be approved for Mr. DeCamp as Managing Director of the Pittsburgh Branch and with the further understanding that salary for Mr. Manning, Managing Director of the Cincinnati Branch, should be approved at the rate of \$10,000 per annum, effective until March 31, 1926.

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

Report of Committee on Salaries, Expenditures and Efficiency, dated December 21st, on the subject of closing of books of the Federal Reserve Bank of St. Louis as follows:

"Your Committee has examined the statement submitted by the Federal Reserve Bank of St. Louis with its request for authority to close its books and pay the semi-annual dividend, and finds that on the basis of the bank's daily balance sheet form 34 the estimated gross earnings will be sufficient to cover operating expenses, the cost of furniture and equipment purchased during the year

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"and miscellaneous reserves, but will not be sufficient to cover the proposed charge-offs in full on the St. Louis, Little Rock, and Louisville buildings to reduce the book value of such buildings to estimated replacement costs, nor to pay accrued dividends. Estimated earnings and proposed deductions therefrom are as follows:

Gross earnings	\$2,040,533.18	
Current expenses	<u>1,390,073.29</u>	
Current net earnings		\$650,459.89
Additions to current net earnings:		
Profit on assets of St. Louis Liberty Loan Association taken over by the Reserve bank on July 1, 1919	43,998.19	
Balance in special reserve for dismantling building	19,087.88	
Sundry credits to profit and loss	<u>8,169.28</u>	71,255.35
Proposed deductions:		
Furniture and equipment	239,359.37	
Preliminary and miscellaneous expenses - new building:		
St. Louis - Athlone Realty Co. lease	50,000.00	
All other	65,657.88	
Little Rock	16,112.71	
Louisville	498.25	
Charge-off to bring book value of new buildings down to replacement cost: St. Louis	365,897.73	
Little Rock	29,100.85	
Louisville	26,882.80	
2% reserve on bank buildings: St. Louis	33,615.06	
Little Rock	3,757.30	
(new addition) Louisville	2,532.35	
(old building) "	4,400.00	
Annual depreciation charge on fixed machinery and equipment: St. Louis	67,466.76	
Little Rock	9,513.88	
Louisville	3,813.99	
Reserve for liabilities - Liberty Loan Ass'n. taken over	43,998.19	
Expense - other real estate	17,472.52	
Net expense - cafeteria	712.62	
Sundry adjustments	<u>1,454.88</u>	
Total deductions		\$982,247.14
Deficit in earnings if all above charges are made		260,531.90
Dividends paid June 30	153,075.92	
Estimated dividends July to December 31	<u>153,679.43</u>	
Total dividends		<u>306,755.35</u>
Deficit in earnings if all of the above charges including dividend payments are made		567,287.25

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"The bank furnished a detailed statement showing an unpaid indebtedness of closed member banks aggregating \$231,952.57, on which it estimates a loss of \$158,631.36 will be sustained. The reserve bank states that no loss is anticipated on paper of member banks considered to be in an unsafe or over-extended condition and that its present reserve of \$250,000 for losses account failed banks is estimated to be sufficient to take care of all probable losses.

PRELIMINARY AND MISCELLANROUS EXPENSES - NEW BUILDINGS.
Preliminary and miscellaneous expenses in the case of the St. Louis building include a charge-off of \$50,000 representing the cost of cancellation of a long-time lease held by the Athlone Realty Company on a part of the property purchased by the Federal reserve bank as a site for its new building. In his letter of December 6, 1923, Mr. Martin requested that the Board authorize the reserve bank to charge off the cost of cancelling this lease at the end of 1923, and was advised in the Board's letter of December 21, 1923, as follows: 'The Federal Reserve Board has disapproved the proposal of your bank to charge off \$50,000 for the cancellation of the lease on your property in St. Louis. In your letter of December 15th, you advise that the best available estimates show that the estimated market value of the land is \$1,030,600. Your bank is now carrying the land at \$605,222.25, which is less than 60% of its market value, and the Board's disapproval is based upon instructions contained in its letter of November 22nd (St. 3808) that 'no charges against current net earnings will be authorized by the Federal Reserve Board to cover depreciation on land if the estimated market value of the land is equal to or in excess of its net book value.' Your committee sees no reason why the Board should reverse its previous action and now authorize the bank to charge off the cost of cancelling this lease.

ANNUAL DEPRECIATION RESERVE ON BANK BUILDINGS AND ON FIXED MACHINERY AND EQUIPMENT. It has heretofore been the Board's practice not to allow any depreciation charge on a bank building or on fixed machinery and equipment at the end of the year in which the building was completed and the book value of the building proper charged down to its estimated replacement cost.

YOUR COMMITTEE RECOMMENDS that the proposed deductions from current net earnings as shown on page 1 be authorized by the Board with the following exceptions which it is recommended be disallowed by the Board:

Cancellation of Athlone Realty Lease	\$50,000
Depreciation reserve on new buildings and fixed machinery and equipment at St. Louis and Little Rock and an addition at Louisville	120,699.34

"The above recommendations contemplate a total reduction of \$170,699.34 in proposed charge-offs and reserves, or from \$982,247.14 to \$811,547.80. As estimated current net earnings plus estimated additions to current net earnings aggregate only \$721,715.24, there will be an estimated deficiency of \$89,832.56 in earnings if charge-offs and reserves as recommended by the Committee are made, and it is recommended that the Board authorize the Federal reserve bank to charge this deficiency to its surplus account and to pay the usual semi-annual dividend at the end of the year all dividend payments during the year to be charged to surplus account."

Mr. James moved approval of the recommendations of the Committee.

Mr. James' motion being put by the chair was unanimously carried.

Letters dated December 17th from the Chairman of the Federal Reserve Bank of San Francisco, transmitting for approval of the Board, plans and specifications for the proposed building to house the Salt Lake City Branch of that bank, the Chairman advising that the Board of Directors have voted, subject to the Board's approval, to accept bids totaling \$391,935.99 for the building, exclusive of architects' and builders' fees, vault equipment, furniture and filing equipment.

After discussion, it was voted to refer the plans and specifications referred to jointly to the Committees on Branches and on District #12.

Letter dated December 17th from the Chairman of the Federal Reserve Bank of San Francisco with reference to protests filed with the Board through Honorable Reed Smoot, United States Senator from Utah, by Messrs. B. J. Wilson and N. Steuart, labor officials of Salt Lake City, and the H. W. Baum Co., contractors of that city, all with reference to the proposed Salt Lake City Branch building.

Upon motion, the above letter was also referred to the Committees on Branches and on District #12.

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Matter approved on initials on December 17th, namely, letter dated December 14th from the Federal Reserve Agent at Minneapolis, requesting permission to take a leave of absence of about two weeks over the holidays.

Formally approved.

Memorandum from Counsel, dated December 17th, approved by the Law Committee, with reference to the action of the Board on December 8th in approving letter to the Federal Reserve Agent at Chicago advising 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"; the memorandum stating that a national bank has no right to act as agent for the service of process either under its incidental powers, or under authority granted it by the Board to exercise trust powers.

Noted.

Letter dated December 15th from the Governor of the Federal Reserve Bank of Minneapolis, requesting approval of a suggestion of the Executive Committee of that bank that Mr. W. C. Langdon, Assistant Cashier, be granted thirty days' leave of absence with full pay on account of illness and that, if at the expiration of that time he has not recovered sufficiently to return to work, he be granted another thirty days with full pay.

Approved.

Memorandum from the Secretary, dated December 18th, approved by the Committee on Salaries, Expenditures and Efficiency, recommending that the salaries of Messrs. M. L. Cutsail and M. P. Flagg, telegraph operators, be increased from \$1,980 to \$2,040 per annum.

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Upon motion, the above increases were approved, effective January 1st.

Letter dated December 14th from the Federal Reserve Agent at San Francisco, advising that the Bank of Italy on December 12th opened for business the branch at Union and Webster Streets, San Francisco, the establishment of which was approved by the Board on August 5, 1925.

Noted.

Telegram dated December 17th from the Chairman of the Federal Reserve Bank of St. Louis, advising of the following appointments to the directorates of the branches of that bank, effective January 1, 1926:

Louisville: W. P. Kincheloe, Managing Director - one year
Attila Cox - three years.

Memphis: V. S. Fuqua, Managing Director - one year
J. W. Vanden - three years

Little Rock: A. F. Bailey, Managing Director - one year
W. A. Hicks - three years.

Noted.

Letter dated December 4th from the Chairman of the Federal Reserve Bank of New York, advising of the reappointment of Mr. Harry T. Ramsdell as Director of the Buffalo Branch for the unexpired term of Mr. Wolcott J. Humphrey, resigned, ending December 31, 1926, and the appointment of Mr. Frank Crandall, President of the National Bank of Westfield, N.Y. as Director of the Branch for a term of three years, beginning January 1, 1926.

Noted.

Memorandum dated December 17th from Mr. James submitting correspondence, with reference to the action of the Branch Federal Reserve Bank at Jacksonville

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in confiscating an incomplete Federal Reserve note deposited by the Southern Railway Company in the Florida National Bank of Jacksonville and by that member bank deposited in the Jacksonville Branch; Mr. James stating that the file was handed to him by the President of the National Metropolitan Bank of Washington and one of the Vice Presidents of the Southern Railway with the request that he see what could be done toward the redemption of the note.

After discussion, it was voted to refer the above file to the Secretary of the Federal Reserve Board with instructions to take the matter up with the Treasury Department.

Report of Committee on Examinations on memorandum dated December 18th from General Counsel, approved by the Law Committee, with reference to articles of association and organization certificate of the First Federal Foreign Investment Trust, an Edge Corporation, submitted by Mr. Paul Klopstock for consideration of the Board; the Committee recommending approval of Counsel's suggestion that before acting on the application the Board should cause a thorough investigation to be made as to the character and financial responsibility of the organizers and the proposed personnel and management of the corporation, and suggesting that the investigation be placed in the hands of the Board's Chief Examiner, Mr. Klopstock to be informed at once of the Board's position in the matter.

Upon motion, the recommendations of the Committee on Examinations were approved.

Memorandum dated December 12th from the Director of the Division of Research and Statistics, outlining information with respect to Street loans which certain large banks in New York City now furnish the Federal Reserve

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Bank of New York voluntarily and recommending that the Board under the authority of Section 11 of the Federal Reserve Act require all weekly reporting member banks in New York City to include in their weekly reports Street loan information of the character and scope described and that substantially the same requirement be imposed on member banks in the city of Chicago.

After discussion, Mr. Miller moved that Messrs. Stewart and Smead be requested to recommend to the Board the best form in which to get weekly information from reporting member banks with respect to the volume of such loans in the New York market.

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

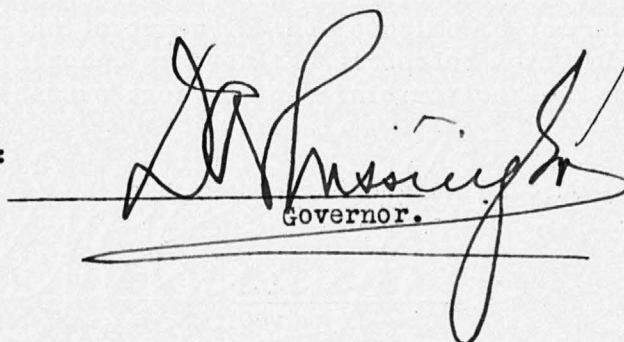
REPORTS OF STANDING COMMITTEES:

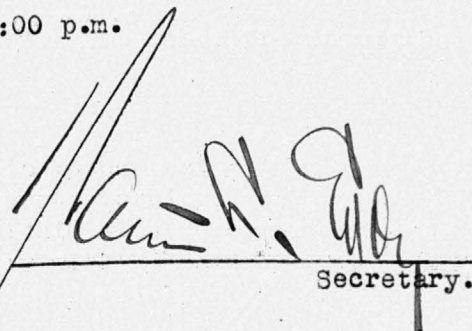
Dated, December 18th, Recommending action on application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Approved.

Dated, December 18th, Recommending approval of the application of Mr. R. J. Kiesling for permission to serve at the same time as director of the First National Bank of Great Neck, Great Neck Station, N.Y. and as officer of the Mechanics & Metals National Bank of New York City.
Approved.

The meeting adjourned at 1:00 p.m.

Approved:


Governor.


Secretary.