

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, January 19, 1926, at 11:40 a.m.

PRESENT: Governor Crissinger
Mr. Platt
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Cunningham
Mr. McIntosh
Mr. Eddy, Secretary
Mr. McClelland, Asst. Secretary

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

The Governor stated that Mr. M. B. Lane, Chairman of the Board of the Citizens and Southern Bank of Savannah, Ga. had requested an opportunity to appear before the Board on January 21st with reference to its recent action in disapproving an application of that bank for permission to establish a branch in Albany, Ga.

Matter approved on initials on January 18th, namely, application of the Virginia National Bank of Norfolk, Va. for permission to exercise general fiduciary powers; the application having been approved on the basis of the recommendation of the Federal Reserve Agent contained in his telegram of that date.

Upon motion, the application was formally approved.

Matter approved on initials on January 16th, namely, telegram dated January 16th from the Federal Reserve Agent at St. Louis, with reference to the desire of the Federal Bank and Trust Company of Little Rock, Arkansas, to take over the First National Bank of North Little Rock; the Agent recommending approval on condition that all loans on stock of either bank be

1/19/26

-2-

eliminated or otherwise secured at once and that the banking house and fixtures account of the First National Bank be eliminated within one year in a manner satisfactory to the State Banking Commissioner.

Upon motion, it was formally voted to grant the Board's approval to the consolidation.

Memorandum from Counsel dated January 16th, with reference to the Board's recent action in approving an application of Mr. W. S. McLucas for permission to serve at the same time as director of the Army National Bank of Ft. Leavenworth, Kansas, and as President and director of the Commerce Trust Company of Kansas City, Mo.; Counsel stating that Mr. McLucas has advised he is also serving as Chairman of the Board of the Commerce Trust Company and recommending that the Board waive its requirement for a new application in this case and send Mr. McLucas a formal certificate of consent granting him permission to serve as officer and director of the Commerce Trust Company.

Upon motion, Counsel's recommendation was approved.

Memorandum dated January 19th from the Chief Examiner, recommending that the temporary appointment of Mr. J. F. Furbershaw be made permanent with the title of Assistant Examiner at a salary of \$2400 per annum, effective January 16th; the Chief Examiner stating that the salary recommended has been provided for in his budget.

Approved.

Memorandum dated January 16th from the Chief of the Division of Bank Operations, advising that in accordance with the Board's authority of January 11th Mrs. Edith M. Zobel and Miss Helen C. Clark have been employed as comptometer

1/19/26

-3-

operators for a period of not to exceed three months, Mrs. Zobel at a salary of \$1200 per annum, effective January 13th, and Miss Clark at a salary of \$1300 per annum, effective January 16th; the Chief of the Division stating if at the expiration of the three month period Miss Clark's services have proved satisfactory it is his intention to have her appointment made permanent.

Noted.

Memorandum from Assistant Counsel dated January 19th, with reference to bond in the amount of \$100,000 executed under date of January 15th by Mr. George DeCamp, Federal Reserve Agent at Cleveland; Counsel recommending approval of the bond and submitting a form of letter to Mr. DeCamp suggesting the payment of premium on the bond covering the period from January 8th, on which date Mr. DeCamp took office, to January 15th and that the company be advised it is understood the bond covers his activities as Federal Reserve Agent beginning January 8th.

Upon motion, Mr. DeCamp's bond and the proposed letter to him were approved.

Telegram dated January 18th from the Secretary of the Federal Reserve Bank of Minneapolis, advising of rates of discount and purchase in effect at that bank.

Noted, with approval.

Reports of Committee on District #10 and Committee on Salaries and Expenditures, dated January 18th, on letter dated January 14th from the Chairman of the Federal Reserve Bank of Kansas City, advising of the re-election of Mr. W. J. Bailey as Governor of the Bank with salary at the

1/19/26

-4-

rate of \$25,000 per annum, subject to the approval of the Board; the Committee recommending approval of the increase in Governor Bailey's salary from \$20,000 to \$25,000 per annum.

Approved.

Report of Committee on Salaries and Expenditures on letter dated January 15th from the Chairman of the Federal Reserve Bank of Boston, requesting approval of an increase from \$5500 to \$6,000 per annum in the salary of Mr. Wm. D. McRae, Manager of the Bank Examination Division, and an increase from \$4500 to \$5,000 per annum in the salary of Mr. Robert A. Warren, employed in the Statistical Division; the Committee recommending approval of the increases.

Upon motion, the recommendation of the Committee was approved.

Draft of letter to the Chairmen of all Federal Reserve Banks, advising of the ruling of the Board, made at the meeting on January 11th, that member banks in process of liquidation, either under voluntary or involuntary proceedings, may not participate in the election of Class A and B directors of Federal Reserve banks.

Approved.

Draft of letter to all Federal Reserve Agents submitting code words, effective February 1st, for use in telegrams exchanged with the Board regarding schedules of and changes in rates of discount and purchase in effect at the banks.

Approved.

1/19/26

-5-

Matter referred to the Law Committee at the meeting on January 13th, namely, memorandum from Counsel dated January 13th with reference to suit brought against the Federal Reserve Bank of San Francisco by the Idaho Grimm Alfalfa Seed Growers Association, in which verdict against the Federal Reserve bank was rendered by the United States District Court and sustained by the United States Circuit Court of Appeals; Counsel in his memorandum discussing the various aspects of the case, in connection with the trial of which before the Supreme Court of the United States the Federal Reserve Bank of San Francisco has employed Honorable Newton D. Baker, with the suggestion that the expenses of his employment be pro-rated among all Federal Reserve banks; Counsel also submitting a letter to the Governors of all other Federal Reserve banks advising them of the nature of the case and inquiring whether or not they would be willing to bear a pro-rata share of the expense of Mr. Baker's employment.

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

Memorandum dated January 14th from the Secretary, prepared in accordance with action taken by the Board at the meeting on January 13th, submitting an estimate of \$15,000 in expense and from six weeks to two months in time in connection with the compilation of information requested by Mr. H. Parker Willis as to the amount of rediscounts and advances made by Federal Reserve banks since and including 1915 for all member banks grouped according to resources into certain classes listed.

After discussion, Mr. Miller moved that the Governor communicate with Professor O. M. W. Sprague, who is employed by the Board's Division of Research and Statistics,

1/19/26

-6-

and inquire of him what additional information he thinks it is desirable that the Federal Reserve Board should have in order to keep a more accurate line on the operations of member banks and specifically whether he believes it would be desirable for the Board to have information as to the amount of rediscounts and advances made by Federal Reserve banks by years to member banks grouped according to resources.

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

The Governor then presented letter dated January 16th from the Governor of the Federal Reserve Bank of New York, advising that it is his intention to leave New York on Friday, January 22nd, for a leave of absence extending until about the first of March and stating further that he expects to visit Europe this year some time around the first of April; the Governor suggesting that if convenient to the Board the Spring Conference of Governors be held some time during the month of March.

Noted, and March 22nd approved as the date for the next meeting of the Governors' Conference.

The Governor stated that he had attended the meeting of the Open Market Investment Committee held in New York on Monday, January 18th, and reported that the Committee had discussed the question of disposing of the \$50,000,000 of short-term Government securities which it acquired during the latter part of December for possible resale this month. He stated that the Committee felt, in view of existing market conditions and of the fact that there are about \$65,000,000 of securities in the open market investment account which mature next March, that it is not advisable to sell the \$50,000,000 of securities immediately, but that developments in the situation should be closely watched and action taken at such time as developments dis-

1/19/26

-7-

close the desirability of selling. The Governor also reported that the Committee had discussed the matter of the large volume of bills offered by dealers in Boston and acquired by the Federal Reserve Bank of Boston, and that it was the sense of the Committee that all purchases of bills made by Federal Reserve banks in cities outside of New York in excess of the pro rata shares of the purchasing banks, should be allotted proportionately to all banks participating in the open market account. He stated that the reason for the bills being offered out of New York in Boston was the method of buying bills in Boston. Bills are only bought in the New York market from member banks, while at Boston, if bills are offered to the member banks, say, at 3 5/8th, and they are not taken by the member banks, then the practice has been to take such of the bills as the Federal Reserve Bank of Boston desires at 3 1/2. This method of buying opened a direct inlet into the Boston bank instead of going through member banks and paying a commission of 1/8th to the member banks for endorsing and handling the bills. The method in Boston eliminated this and gave the profit of 1/8th to the brokers. He stated that Governor Harding said he was without power himself to make an agreement about changing this policy, but Governor Harding advised that he would take it up with the directors of the Boston bank and advise them of the views of the Open Market Committee and that he believed he could bring about an adjustment with the directors.

The Governor then formally presented to the Board the following documents which he had previously circulated among the members for their information:

1/19/26

-8-

75

- (1) Letter dated January 15th from the Governor of the Federal Reserve Bank of New York, reviewing financial conditions since the first of the year and submitting an analysis of changes in the New York money market over the year end.
- (2) Reports submitted at the meeting of the Open Market Investment Committee yesterday by the Chairman and Secretary of the Committee.
- (3) Report submitted at the Open Market Investment Committee meeting yesterday by the Deputy Governor of the Federal Reserve Bank of New York, with reference to the increase in the amount of foreign bank accounts held by the Federal Reserve Bank of New York, in which all other Federal reserve banks participate.

Noted.

The Governor then submitted a report dated January 19th, by the Special Committee consisting of Messrs. Miller, Platt and James appointed at the Board meeting on September 8th, submitting copies of a proposed revision of the by-laws of the Board.

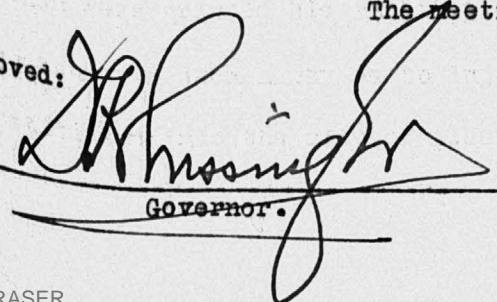
Upon motion, copies of the proposed by-laws were ordered distributed among the members of the Board and the matter was made special order of business for a meeting to be held on January 26th.

REPORTS OF STANDING COMMITTEES:

- Dated, January 18th, Recommending changes in stock at Federal Reserve Banks, as set forth in the Auxiliary Minute Book of this date.
Approved.
- Dated, January 19th, Recommending action on applications for fiduciary powers, as set forth in the Auxiliary Minute Book of this date.
Approved.
- Dated, January 19th, Recommending action on application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Ordered held.
- Dated, January 19th, Recommending action on application for fiduciary powers, as set forth in the Auxiliary Minute Book of this date.
Refused.

The meeting adjourned at one o'clock.

Approved:


Governor.


Secretary.