A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, January 28, 1926, at 11:10 a.m.

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

The minutes of the meeting of the Federal Reserve Board held on January 26th were read and approved.

Memorandum dated January 26th from the Chief of the Gold Settlement Division, recommending the employment of Mr. P. J. Ryan as extra man on the night force of the Division, to work in the absence of any regular night force employees; compensation to be based upon the number of hours worked.

Approved.

Letter dated January 25th from the Assistant Federal Reserve Agent at Cleveland, advising of the resignation of Mr. James H. McClure, Examiner, effective January 24, 1926.

Noted.

Telegram dated January 27th from the Chairman of the Federal Reserve Bank of Boston, advising that the board of directors of the bank on that date made no change in the schedule of rates of discount and purchase in effect at that bank.

Noted, with approval.

Report of Committee on Examinations on letter dated January 25th, transmitting and recommending approval of an application of the Citizens Bank of Festus, Mo., for approval of its action in absorbing the Festus

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State Bank, a non-member bank; the Committee recommending approval.

Approved.

Report of Committee on Examinations on memorandum dated January 26th from the Comptroller of the Currency, recommending approval of an application of The Interstate National Bank of Helena, Arkansas, for permission to reduce its capital stock from $500,000 to $250,000, on condition that the entire amount of the reduction be used in removing doubtful and slow assets, such assets to be trusteed for the benefit of shareholders at the date of reduction and none of the reduction to be returned to the shareholders in cash except as realized from trusteed assets; the Committee also recommending approval.

Approved.

Memorandum dated January 28th from the Assistant Secretary, with reference to letter dated January 21st from the Chairman of the Federal Reserve Bank of San Francisco, advising of resolutions adopted by the directors of that bank fixing fees and allowances to be received by the directors of the bank and its branches in connection with attendance at Board and Committee meetings; the Assistant Secretary calling attention to the fact that the only change from the existing allowances is that per diem of $15 per day will be allowed to directors residing beyond twenty-five miles of the meeting point rather than fifty miles as heretofore.

Upon motion, the fees and allowances fixed by the directors of the San Francisco bank were approved.

The Secretary then presented the matter referred to the Comptroller

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of the Currency at the meeting on January 26th, namely, application of the First National Bank of West Point, Georgia, for permission to act as trustee generally, under Section 11 (k) of the Federal Reserve Act; together with recommendation of the Law Committee that the bank be granted permission to act as trustee for bond issues only; the Secretary reported that the Comptroller of the Currency disapproved the granting of any powers to the bank due to its unsatisfactory condition.

After discussion, Mr. Hamlin moved that action on the application of the bank be held pending the next examination.

Carried.

Letter dated January 26th from Mr. A. B. Trowbridge, submitting statement in the amount of $1250 for services as consulting architect in connection with the construction of a building to house the Salt Lake City Branch of the Federal Reserve Bank of San Francisco; Mr. Trowbridge in his letter stating that he had been approached by Mr. James Inglis, Director of the Detroit Branch, with reference to his analyzing the needs of that branch for a building before Congress is requested for authority to make the expenditure involved, and inquiring whether it would not also be well to follow the same procedure in connection with the erection of a building for the Buffalo Branch of the Federal Reserve Bank of New York.

After discussion, Mr. Hamlin moved that the Board approve the statement submitted by Mr. Trowbridge for his services on the Salt Lake City building project, and that the Secretary advise Mr. Trowbridge that the Federal Reserve Bank of New York is acquiring an existing building for its Buffalo Branch in connection with which his services are not necessary, and further, that a committee of the Board is to investigate the proposition to erect a branch bank building at Detroit before any steps are taken in that direction.

Carried.

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Letter dated January 27th from the Chairman of the Committee on Banking and Currency of the House of Representatives, requesting an expression of the Board's views on House Joint Resolution 131 and Senate Joint Resolution 44, to authorize the Federal Reserve Bank of New York to invest its funds in the purchase of a site and building now standing thereon for its branch office at Buffalo at a cost of not to exceed $600,000.

After discussion, Mr. Hamlin moved that the Secretary prepare a letter to the Chairman of the Committee advising that the Federal Reserve Board approves of the Federal Reserve Bank purchasing the building in question and that the letter convey to the Chairman the information as to the value of the land and building, transmitted to the Board by the Governor of the Federal Reserve Bank of New York in his letter of January 21st.

Carried.

Letter dated January 25th from Mr. M. B. Lane, President of the Citizens and Southern Bank of Savannah, Ga., with reference to his conference with the Board on January 21st, regarding the application of his bank for permission to establish a branch at Albany, Ga., which was disapproved by the Board on January 11th.

After discussion, the Secretary was directed to acknowledge receipt of Mr. Lane's letter and to advise him that the question of reconsideration of the action on his bank's application will be taken up by the Board at a subsequent meeting.

Memorandum dated January 19th from Assistant Counsel, submitting draft of reply to letter dated January 11th from the Deputy Governor of the Federal Reserve Bank of St. Louis, with reference to the Board's recent ruling regarding the eligibility for rediscount of notes of corporations represent-

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ing borrowings to be advanced to subsidiaries; the proposed reply stating that the Board's ruling was not intended to modify in any way the provision of its Regulation A which requires separate financial statements of corporations or firms closely affiliated with or subsidiary to the borrower.

Upon motion, the proposed letter to the Federal Reserve Bank of St. Louis was approved and similar advice ordered transmitted to all Federal Reserve banks.

Letter dated January 22nd from the Chairman of the Federal Reserve Bank of San Francisco, with further reference to his suggestion that member banks participating in elections of Class A and B Directors be furnished with a brief biographical sketch of each nominee to assist them in making a choice; the Chairman stating that he does not believe the Board's suggestion that these biographical sketches be prepared by the nominating bank rather than the Chairman of the Federal Reserve Bank is practicable, in view of the fact that various banks nominating the same candidate might submit conflicting sketches.

During the discussion which followed, Mr. Miller suggested that this matter should be taken up by the Board with Mr. Isaac B. Newton when he assumes the duties as Chairman of the Board of Directors of the San Francisco bank.

After discussion, the above letter was referred to the Committee on District #12.

Letter dated January 21st from the Chairman of the Federal Reserve Bank of San Francisco, submitting previous correspondence with the Board, and requesting a ruling as to whether the action of the board of directors

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of a Federal Reserve bank in accepting paper for rediscount deprives a Federal Reserve Agent of discretion in accepting or rejecting such paper as collateral for Federal Reserve notes. In this connection, the Secretary presented a memorandum dated January 28th quoting discussion of this subject at the Conference of Governors of the Federal Reserve banks held in April, 1921.

After discussion, the above matter was referred to Counsel for an opinion.

Memorandum dated January 28th from the Division of Examinations, with reference to letter dated January 25th from the Assistant Federal Reserve Agent at New York, advising that the Manufacturers and Traders Trust Company of Buffalo at close of business January 22nd merged the Riverside National Bank of Buffalo; the memorandum calling attention to the fact that the Board's approval to this merger was not secured and that it constitutes a violation of the Board's Regulations on the part of the Manufacturers and Traders Bank.

Referred to the Committee on Examinations.

Letter dated January 25th from the Chairman of the Committee on Banking and Currency of the House of Representatives, requesting the Board's views on a proposal, discussed by the Board informally on December 30th with a committee representing the Association of State Bank Supervisors of the United States to amend Section 9 of the Federal Reserve Act, so as to read as follows:

> "The Federal Reserve Board, subject to <u>the provisions of this Act and to such conditions as it may prescribe pursuant thereto</u>, may permit the applying bank to become a stockholder of such Federal Reserve Bank; Provided, however, that <u>such conditions or rules or regulations pre-</u>

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"scribed shall not limit or impair the charter or statutory rights and powers of such banks nor shall the Federal Reserve Board impose any conditions or restrictions other than those under which national banks shall operate."

Referred to the Law Committee for preparation of a reply.

Memorandum from Counsel dated January 26th, submitting replies of all Federal Reserve Banks to circular letter approved by the Board at the meeting on December 29th, requesting information in connection with the ruling requested of the Board as to whether or not canned corn should be considered a non-perishable readily marketable staple agricultural product within the meaning of Section 13 of the Federal Reserve Act and the Board's Regulation A with regard to the discount of sight and demand drafts secured by such products; Counsel recommending to the Board that canned corn and other canned food products be not so considered and that the Federal Reserve banks be so advised. The Law Committee reported a division on the question, Mr. Platt concurring in Counsel's opinion and Mr. Hamlin taking the opposite view.

After discussion, Mr. Miller moved that all Federal Reserve banks be advised that in the opinion of the Board canned corn and other canned food are not to be considered non-perishable readily marketable staple agricultural products which may be made the basis of sight or demand drafts under Section 13 of the Federal Reserve Act.

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

Report of Committee on Examinations on letter dated January 22nd from the Federal Reserve Agent at San Francisco, transmitting and recommending approval of an application of The American Bank of San Francisco for an extension of six months from February 3, 1926 of the period in which they may

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establish the branch at Seventy-third Avenue and East Fourteenth Street, Oakland, approved by the Board on February 3, 1925; the Committee also recommending approval.

Approved.

Report of Committee on Examinations on letter dated January 26th from the Federal Reserve Agent at Boston, transmitting and recommending approval of an application of the Columbus Exchange Bank of Providence, R. I. for an extension until August 31, 1926 of the period in which it may establish the branch at the corner of Charles Street and Branch Avenue, Providence, approved by the Board on January 16, 1925; the Committee also recommending approval.

Approved.

Report of Committee on Examinations on letter dated January 27th from the Federal Reserve Agent at Richmond, transmitting and recommending approval of an application of the Bank of Lunenburg, Kenbridge, Va. for permission to take over the First National Bank of Kenbridge; the Committee also recommending approval.

Approved.

Report of Committee on Salaries and Expenditures on letter dated January 25th from the Comptroller of the Currency, recommending approval of an increase from $6,000 to $6,300 per annum in the salary of National Bank Examiner V. H. Northcutt; the Committee also recommending approval.

Approved.

Report of Committee on Examinations on application made by the Coal and Iron National Bank of the City of New York for membership in the

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Federal Reserve System and for 1500 shares of stock in the Federal Reserve Bank of New York on behalf of The Coal and Iron Bank of the City of New York, effective when the Coal and Iron National Bank converts into a state institution for the purpose of merging with the Fidelity International Trust Company, a member bank; the Committee recommending approval, effective if and when the Coal and Iron National Bank is incorporated as a state bank, subject to the conditions of membership contained in the Board's Regulation H and to the further condition that the directors of the state bank will meet immediately after incorporation and pass a resolution ratifying the action of the officers of the Coal and Iron National Bank in making the application on its behalf; the Committee also recommending approval of the subsequent merger of the Coal and Iron Bank with the Fidelity International Trust Company.

Upon motion, the recommendations of the Committee were approved.

REPORTS OF STANDING COMMITTEES:

Dated, January 27th, 28th, Recommending changes in stock at Federal Reserve Banks as set forth in the Auxiliary Minute Book of this date.
Approved.

Dated, January 27th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Approved.

Dated, January 26th, Recommending action on application for admission of state bank, subject to the conditions stated in the individual report 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: Edmund Platt
Vice-Governor.

Secretary.

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