

A meeting of the Federal Reserve Board was held in the office of the Board on Tuesday, February 2, 1926 at 11:50 a.m.

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

The reading of the minutes of the meetings of the Federal Reserve Board held on January 28th and February 1st was dispensed with.

Memorandum dated February 1st from the Assistant Director of the Division of Research and Statistics, recommending the temporary appointment for a period of three months, beginning February 8th, of Robert Nelson as messenger in the Division with salary at the rate of \$75 per month, to replace Raymond Collier who has been transferred to the Library.

Approved.

Memorandum dated January 29th from the Chief of the Gold Settlement Division, submitting resignation of Mr. R. E. Lavoie, clerk on the night force of the Division, effective February 2nd, and requesting authority for the employment of an additional extra man for emergency purposes.

Approved.

Mr. Wyatt, the Board's General Counsel, then submitted a draft of a reply to letter dated January 25th from the Chairman of the Committee on Banking and Currency of the House of Representatives, referred to the Law Committee at the meeting on January 28th; the proposed letter expressing the Board's disapproval of a suggested amendment to Section 9 of the Federal Reserve Act, to provide that conditions, rules and regulations prescribed

2/2/26

-2-

by the Federal Reserve Board on state member banks applying for membership in the System shall not limit or impair the charter or statutory rights and powers of state banks, and that the Board shall not impose any conditions or restrictions other than those under which national banks operate.

After discussion of the proposed reply, copies of which had previously been furnished each member of the Board, the letter was approved with certain minor amendments.

Upon motion by Mr. Cunningham, copies of the above letter, as amended, were ordered furnished to the members of the Board and to all Federal Reserve banks for their information.

Report of Committee on Salaries and Expenditures on letter dated January 28th from the Comptroller of the Currency, requesting approval of a salary of \$3,000 per annum for National Bank Examiner Frank W. Piper, to be assigned to the 10th Federal Reserve District; the Committee also recommending approval.

Approved.

Letter dated February 1st from the Secretary of the Federal Advisory Council, advising that the next meeting of the Council will be held in Washington on Thursday, February 18th and requesting that topics for discussion at the meeting be forwarded to him for distribution among the members of the Council.

Noted and referred to the Vice Governor for preparation of a list of topics.

Letter dated January 28th from the Chairman of the Federal Reserve Bank of New York, advising of the election of Mr. James S. Alexander, Chairman of the board of directors of the National Bank of Commerce in New York, as member of the Federal Advisory Council from the 2nd Federal Reserve District for the year 1926.

Noted.

2/2/26

-3-

Letter dated January 28th from the Chairman of the Federal Reserve Bank of New York, requesting the designation as Federal Reserve Examiners of Messrs. J. V. D. Stryker and Arthur Phelan, and as Assistant Examiners of Messrs. J. F. Byrne, A. P. Fallon, A. C. Guild and S. H. Stevenson, all of whom are employees of the bank with no changes in salary involved.

Approved.

Report of Committee on Salaries and Expenditures on letter dated January 27th from the Chairman of the Federal Reserve Bank of Philadelphia, advising of the action of the directors of that bank in granting leave of absence of not exceeding three months from January 1st to Miss Barbara A. Beckman, an employee of the Telephone Department; the Committee recommending approval.

Upon motion, it was voted to approve payment of compensation to Miss Beckman during the leave of absence referred to.

Report of Committee on Examinations on letter and telegram dated January 29th from the Federal Reserve Bank of Richmond, recommending approval of the action of the Bank of Hartsville, Hartsville, South Carolina, in consolidating on January 28th with the First National Bank of Hartsville; the Committee also recommending approval.

After discussion as to the frequency with which consolidations of this kind are effected without the Board's approval, Mr. Miller moved that the Federal Reserve Agent at Richmond be advised that the Board before formally approving the consolidation desires to have a statement of the basis on which his bank recommends approval and that he be advised further that it is the opinion of the Board that at the time of such consolidations a Federal Reserve Bank should be satisfied, on the basis of accurate information, that there can be no objection thereto.

Carried.

2/2/26

-4-

Report of Committee on Examinations on letter dated January 30th from the Federal Reserve Agent at St. Louis, transmitting and recommending approval of the application of the Federal Bank and Trust Company, Little Rock, Ark., for formal approval of its action in absorbing the First National Bank of North Little Rock; the Committee recommending approval.

Approved.

Report of Committee on Examinations dated January 29th on letter dated January 25th from the Assistant Federal Reserve Agent at New York, advising of the action of the Manufacturers and Traders Trust Company of Buffalo in merging the Riverside National Bank of Buffalo as of the close of business January 22nd, and letter dated January 22nd from the Federal Reserve Agent advising of the merger of the Central Park Bank of Buffalo with the Manufacturers and Traders Trust Company as of January 14th; the Committee recommending approval of the consolidations.

After discussion, Mr. James moved that the Federal Reserve Agent at New York also be advised of the Board's opinion that before consolidations of member banks are effected the Federal Reserve bank of the District concerned should be satisfied on the basis of accurate information that there can be no objection to the consolidation.

Carried.

Report of Committee on Examinations on letter dated January 28th from the Chairman of the Federal Reserve Bank of Kansas City, transmitting correspondence with the Commissioner of Finance of the state of Missouri, regarding an examination of the Commerce Trust Company of Kansas City, the last examination of which was made on October 25, 1924; the Committee recommending that the Chairman be advised that the Federal Reserve bank should procure a

2/2/26

-5-

sufficient number of examiners to make an independent examination of the bank, rather than a credit investigation as suggested, and that the charges therefor should be assessed against the institution.

After discussion, it was voted that the Board approve an examination of the Commerce Trust Company by the Federal Reserve Bank of Kansas City and that the Committee on Examinations be authorized to arrange for such cooperation as may be necessary on the part of the Board's Division of Examination.

Letter dated February 1st from the Federal Reserve Agent at New York, advising of authorization issued by the New York State Banking Department to the Manufacturers and Traders Trust Company of Buffalo for the establishment of a branch at 809 Tonawanda Street, Buffalo and authorization issued to the Mechanics Bank, Brooklyn, N. Y. for the establishment of a branch at 1505 Avenue J, Brooklyn, upon the consummation of a merger with the Mechanics Bank of the Flatbush State Bank.

Noted.

Letter dated January 28th from the Secretary of the Federal Reserve Bank of New York, advising that the Board of Directors of the Bank on that date made no change in the existing schedule of rates of discount and purchase in effect.

Noted.

Letter and telegram dated January 29th from the Chairman of the Federal Reserve Bank of Chicago, advising that the Executive Committee on that date established a rate of 4% on open market purchases of trade acceptances, subject to the approval of the Board, but made no other change in the existing schedule of rates of discount and purchase in effect.

2/2/26

-6-

Upon motion, it was voted to approve a rate of 4% for open market purchases of trade acceptances by the Federal Reserve Bank of Chicago.

Telegram dated January 28th from the Chairman of the Federal Reserve Bank of Kansas City, advising that the board of directors on that date made no change in the existing schedule of rates of discount and purchase in effect at that bank.

Noted.

Report of Committee on Examinations on letter dated January 26th from the Federal Reserve Agent at Chicago, transmitting resolution adopted by the board of directors of the First Trust and Savings Bank of Hammond, Indiana, requesting approval of the action of that bank on January 2, 1926 in consolidating with the First National Bank of Hammond; the Committee recommending approval in view of the fact that the Board was advised of the proposed consolidation at the time its application for membership in the System was approved on December 29, 1925.

Approved.

Letter dated January 28th from the Governor of the Federal Reserve Bank of Dallas, renewing his suggestion that a Consulting Counsel be employed by the Federal Reserve System who could serve as a clearing house for legal information among the Federal Reserve banks and whose services would be available in the event a particular Federal Reserve bank desired to call upon him.

Referred to the Law Committee.

Letter dated January 26th from Professor O. M. W. Sprague, replying to letter addressed to him in accordance with action taken at the Board meeting

2/2/26

-7-

on January 19th, with reference to the request made of the Board for information as to the amount of rediscounts and advances extended by Federal Reserve banks by years, since and including 1915, to member banks, grouped according to resources; Professor Sprague stating that compliance with the request seems inadvisable as it would involve a considerable amount of work at the various Reserve banks and the data when compiled would serve no definite purpose of the Board, and further, that in the absence of detailed explanation highly misleading inferences would be based upon information of this character.

After discussion, Mr. James moved that Mr. H. P. Willis, from whom this request was received, be advised that the compilation of the data would involve a considerable expense and that the value of the material to the Board when completed would not seem to justify the expenditure.

Carried.

The Vice Governor then presented resolutions adopted at a meeting of representatives of sixty country member banks in central and northern Minnesota requesting the elimination of the par clearance system of the Federal Reserve banks, and requesting further that country member banks be permitted direct representation on the Federal Reserve Board.

Noted.

Letter dated January 28th from the Federal Reserve Agent at San Francisco, advising that he has never received a copy of the Stenographer's report of the hearing on the subject of branch banking held before the Board on September 12, 1923, and requesting that he be furnished with a copy.

Approved.

Letter dated January 25th from Mr. John W. Barton, Chairman of the

2/2/26

-8-

American Bankers Association Committee on Non-cash Items, submitting an analysis of replies to the questionnaire on the subject of the continuance of non-cash collections function of the Federal Reserve banks submitted by the Committee to all member banks.

After discussion, it was voted that a copy of this letter and enclosures be forwarded to the Committee on Voluntary Services of the Governors Conference for their comments.

Mr. Hamlin then submitted memoranda with respect to the duties and responsibilities of the Chairman and Federal Reserve Agent at a Federal Reserve bank, together with an analysis of a letter on this subject addressed to him by Mr. William Sproule, Class "C" director of the Federal Reserve Bank of San Francisco. Mr. Hamlin also submitted letters on the same subject from Mr. Wm. McC. Martin and Mr. John Perrin, Chairmen and Federal Reserve Agents at the Federal Reserve Banks of St. Louis and San Francisco, respectively.

Mr. Miller stated that he had been giving considerable thought to this question, and expressed the opinion that some definite expression with regard to the matter should be made by the Board preferably at the time some new appointee is about to assume the office of Chairman and Federal Reserve Agent, having in mind the fact that Mr. Isaac B. Newton will assume that office at the Federal Reserve Bank of San Francisco on March 1st.

Following the discussion, it was voted to refer Mr. Hamlin's memoranda to the Committee on District #12 with the request that it submit to the Board at a meeting to be held on Wednesday, February 10th, suggestions for a definite statement of the Board's position with respect to the above question.

Memorandum dated January 29th from the Chief Examiner, submitting report of examination of the Shawmut Corporation of Boston, as at the close of business



2/2/26

-9-

115

May 22, 1925.

Referred to the Committee on Examinations.

Report of Examination of the Federal Reserve Bank of Philadelphia, as at the close of business May 2, 1925.

Referred to the Committee on Examinations and Committee on District #3.

Report of Examination of the Federal Reserve Bank of Boston, as at the close of business May 16, 1925.

Referred to the Committee on Examinations and Committee on District #1.

Report of Examination of the Federal Reserve Bank of New York and its Buffalo Branch, as at the close of business May 29, 1925.

Referred to the Committee on Examinations and Committee on District #2.

REPORTS OF STANDING COMMITTEES:

Dated, January 29th, 30th, Recommending changes in stock at Federal Reserve Banks, as set forth in the Auxiliary Minute Book of this date.

Approved.

Dated, January 28th, Recommending approval of the application of Mr. C. R. Burrell for permission to serve at the same time as President and Director of the National Bank of North Kansas City, North Kansas City, Mo., and as Vice President and Director of the Home Trust Company, Kansas City, Mo.

Approved.

Dated, January 29th, Recommending approval of the application of Mr. Edgar Palmer for permission to serve at the same time as Director of the Hanover National Bank, New York City and as Director of the 1st National Bank, Princeton, N. J.

Approved.

Dated, January 29th, Recommending approval of the application of Mr. H. Otto Wittpenn for permission to serve at the same time as Director of the 1st National Bank, Hoboken, N.J. as Director of the Merchants National Bank, Jersey City, N. J. and as Director of the 1st National Bank, Jersey City, N. J.

Approved.

2/2/26

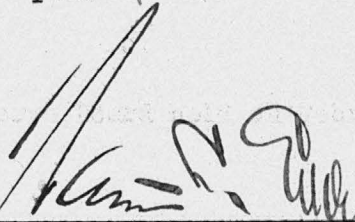
-10-

REPORTS OF STANDING COMMITTEES: (Cont'd)

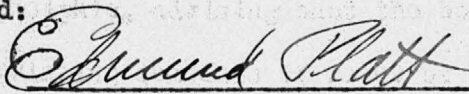
Dated, February 1st, Recommending approval of the application of Mr. Theodore Swann for permission to serve at the same time as Director of the 1st National Bank, Anniston, Ala. and as Director of the 1st National Bank, Birmingham, Ala.

Approved.

The meeting adjourned at 1:15 p.m.

  
Secretary

Approved:

  
Vice-Governor.