

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, February 9, 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 meetings of the Federal Reserve Board held on February 5th and 6th were read and approved.

Report of Committee on Salaries and Expenditures on letter dated February 5th from the Comptroller of the Currency, recommending approval of an increase from \$3,000 to \$3,300 per annum in the salary of National Bank Examiner W. W. Kane, Jr.; the Committee also recommending approval.

Approved.

Report of Committee on Salaries and Expenditures on letter dated February 9th from the Comptroller of the Currency recommending approval of a salary of \$3600 per annum for National Bank Examiner O. A. Anderson, to be assigned to the 9th Federal Reserve District; the Committee also recommending approval.

Approved.

Report of Committee on Salaries and Expenditures on letter dated February 4th from the Chairman of the Federal Reserve Bank of Kansas City, requesting approval of the action of the Executive Committee of that bank in increasing the salary of Mr. R. B. Hewitt, Field Agent, from \$3300 to \$4200 per annum, effective February 1st; the Committee also recommending approval.

Approved.

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Report of Committee on Examinations on letter dated February 5th from the Federal Reserve Agent at Cleveland, recommending approval of application of the Guardian Trust Company, Cleveland, Ohio, for permission to establish a branch at the southwest corner of St. Clair Avenue and Parkwood Drive; the Committee also recommending approval.

Approved.

Letter dated February 2nd from the Chairman of the Federal Reserve Bank of San Francisco, with further reference to his letter of January 6th suggesting the elimination from the Federal Reserve Act of that provision which requires the Chairman of a Federal Reserve Bank to make public the names of nominating banks in elections of Class A and B directors; the Chairman pointing out, as an indication that nominating banks are approached, that in the recent election of a Class B director of that bank two member banks in Oregon and two in Washington nominated Mr. E. H. Cox, and fifteen in Oregon and ten in Washington nominated Mr. Ralph P. Merritt, but that in the balloting three in Oregon and three in Washington voted for Mr. Merritt while nine in Oregon and seven in Washington voted for Mr. Cox.

After discussion, the Law Committee was requested to report to the Board as to the advisability of the amendment suggested by Mr. Perrin.

Report of Committee on District #7 dated February 5th, with reference to the Committee's investigation in connection with the proposal of the Federal Reserve Bank of Chicago to erect a building to house its Detroit Branch, as follows:

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"Pursuant to a Resolution adopted by the Federal Reserve Board directing the Committee on the Seventh Federal Reserve District to investigate conditions and the needs and necessities of a building in which to house the Detroit Branch of the Federal Reserve Bank of Chicago, the Committee visited Detroit on February 1st, 1926.

After a preliminary conference with the committee representing the Federal Reserve Bank of Chicago, consisting of Mr. Heath, Governor McDougal and Director Crapo, and Directors Inglis and Staley and Managing Director Cation of the Detroit Branch, your committee proceeded to investigate the Branch Bank of that city and noted the present set-up and conditions under which this branch functions, which are as follows:

1st. The main office and work rooms occupy three floors of the Congress Building in Detroit, which have a floor space of approximately 15,440 square feet.

2nd. The Federal Reserve Agent's Department is located in the Wayne County and Home Savings Bank. There is a separate vault space in this bank allotted to the Detroit Branch of the Federal Reserve Bank of Chicago, and one small room occupied by three people in which the records and all business of this department is transacted. This annex is located approximately three blocks from the main office.

3rd. The Cash Department of the Branch is located in the First National Bank Building in the city of Detroit. It has for its own use two cages on the main floor and a working space on the Eighth Floor of said bank building. The space on the Eighth Floor appeared to be very inadequate for the needs of this department. This annex is located approximately three and one half blocks from the main office.

Your committee was impressed with the fact that all available space allotted to the branch in the various buildings heretofore mentioned, was fully utilized. This branch could very conveniently use more space than it now occupies.

At a conference later in the day in which all committees participated, the necessity and advisability of erecting a suitable building for housing the Federal Reserve Branch at Detroit was fully considered both from the standpoint of erecting a building on the lot now owned by the bank, and also from the standpoint of an exchange of the lot now owned by the bank for one equally suitable and probably of less value.

In the opinion of your committee, the proposition to exchange, as outlined by the Detroit committee, offered no advantages, as the total cost of the property offered in exchange would incur as great an investment for a building site as would the one now owned by the bank and the location would not be as desirable."

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"At this meeting the Detroit committee and the committee representing the Federal Reserve Bank of Chicago, passed a resolution recommending the present site owned by the bank as the most suitable one on which to erect a building for the needs of this branch; in this recommendation, your committee concurs.

The committees of the Federal Reserve Bank of Chicago and of the Detroit Branch were of the opinion that the statutory allowance of Two Hundred and Fifty Thousand Dollars (\$250,000) would not be sufficient for the erection of a suitable building to serve the needs of the Detroit Branch, therefore, it would be necessary for them to ask the consent of Congress to erect a suitable building for its needs; the total cost of which, your committee has been assured, will be submitted to the Federal Reserve Board for its approval in the very near future.

In view of the conditions existing at the Detroit Branch and the importance that attaches to this city and the nineteen counties served by this Branch, your committee would recommend the erection of a suitable bank building to serve the needs of this Branch of the Federal Reserve Bank of Chicago; the cost of same to be determined by the Federal Reserve Board when the proposition is submitted to them."

Upon motion, it was voted to accept and approve the above report.

Letter dated February 3rd from the Chairman of the International Acceptance Bank, Inc. advising of the intention of that institution to organize an affiliated trust company to transact certain business of a kind not undertaken by the bank itself.

Upon motion, it was voted to refer the above matter to the Law Committee for advice as to whether any action by the Board is required.

Memorandum from Counsel dated February 6th, with reference to the applications of Messrs. J. E. Carr, Cecil B. DeMille and D. M. Dorman, for permission to serve at the same time as directors of the Bank of America and the Commercial National Trust and Savings Bank, both of Los Angeles, and as officers of the Los Angeles Branch of the Bank of Italy; the Board having recently granted

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the applicants permission to serve the Bank of America and the Commercial National Bank, which has since changed its name to the Commercial National Trust and Savings Bank; the Law Committee concurring in the recommendation of Counsel that the Bank of Italy Branch and the Commercial National Trust and Savings Bank are in substantial competition, and that the applications be refused as to the Bank of Italy.

Upon motion, it was voted to approve the above recommendation.

Memorandum from Counsel on letter dated January 19th from the Chairman of the Federal Reserve Bank of St. Louis, with reference to local attorneys employed by that bank in connection with collection suits brought against the Federal Reserve Bank in Little Rock and in St. Louis, and stating it is their understanding that in future such appointments should be subject to the approval of the Federal Reserve Board; Counsel in his memorandum expressing the opinion that an attorney employed to represent a Federal Reserve Bank in a particular collection suit or for the handling of any single case may be employed or compensated by the Federal Reserve bank without securing the approval of the Board.

After discussion, Mr. Miller moved that for the purpose of administering that provision of Section 4 of the Federal Reserve Act which reads - "Any compensation that may be provided by boards of directors of Federal Reserve banks for directors, officers or employees shall be subject to the approval of the Federal Reserve Board", the Board rule, in answer to the question raised in connection with the letter from the Federal Reserve Bank of St. Louis, that compensation paid to an attorney employed by a Federal Reserve bank in the prosecution of a suit or otherwise be held to be compensation requiring the approval of the Federal Reserve Board.

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Carried, Messrs. Platt and Hamlin voting "no".

Mr. Miller then moved that the above action be referred to the Committee on Salaries and Expenditures with the request that the Committee submit to the Board a practical method of procedure to be followed in the matter referred to.

Carried.

Memorandum from Counsel on the matter referred to him at the meeting on January 26th, namely, letter dated January 23rd from the Governor of the Federal Reserve Bank of Minneapolis, with reference to the authority of one Federal Reserve bank to rediscount with another promissory notes discounted by it for its member banks; Counsel expressing the opinion that loans made by Federal Reserve banks to member banks on their collateral notes under Section 13 of the Federal Reserve Act may properly be rediscounted by other Federal Reserve banks, in accordance with Section 11 (b).

Approved.

In this connection the Secretary pointed out that Counsel had not referred to the suggestion contained in the above letter from the Governor of the Federal Reserve Bank of Minneapolis that Section 11 be amended so as to permit one Federal Reserve bank to discount for another its own note collateralized by eligible paper, government securities or member bank notes collateralized by eligible paper or government securities.

Upon motion, the Law Committee was requested to report to the Board on the advisability of this suggested amendment.

Memorandum from Counsel dated February 4th, with reference to letter dated January 30th from the Governor of the Federal Reserve Bank of Boston, requesting a ruling as to the eligibility for rediscount at a Federal Reserve

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bank as factors' paper of notes of a warehouse company secured by notes of its customers against advances made by the company to its customers on butter, eggs and poultry stored in the company's own warehouse; Counsel expressing the following conclusions and submitting draft of letter to the Governor of the Federal Reserve Bank of Boston advising accordingly:

- (1) Notes of customers of a cold storage warehouse company when endorsed by the company are eligible for rediscount in the hands of a member bank, if the proceeds have been used for an agricultural or commercial purpose and the notes comply in other respects with the law and the Board's Regulations.
- (2) If the company is in reality a factor, the notes of the company issued in its capacity as factor for the purpose of making advances exclusively to producers of eggs and poultry or other staple agricultural products in their raw state are eligible for rediscount when complying with all other relevant requirements.
- (3) Butter can not be properly considered a staple agricultural product in its raw state within the meaning of the Federal Reserve Act or the Board's Regulations.

After discussion, Mr. Hamlin moved approval of the conclusions reached by Counsel in his memorandum and of the proposed letter to the Governor of the Federal Reserve Bank of Boston, with the exception that Counsel be requested to consider further, after consultation with the Department of Agriculture, the question of whether butter may properly be considered a staple agricultural product in its raw state, and that the Governor of the Boston bank be invited to submit further comment on this matter.

Carried.

Draft of reply to letter dated January 14th from the Deputy Commissioner of Banking of the State of Michigan, with reference to the granting of trust

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powers to national banks in that state; the proposed reply advising of the opinion of the Board that it is authorized to grant to any national bank located in the State of Michigan and having a capital equal to or greater than the capital required for the organization of state banks in the place in which it is located, the right to act as executor, administrator, guardian of estates and committee of estates of lunatics.

Upon motion, the proposed reply was approved.

Memorandum dated January 5th from the Chief Examiner, submitting and commenting on report of examination of the First National Corporation of Boston, made as at the close of business June 19, 1925.

Ordered circulated.

Report of Examination of the Federal Reserve Bank of San Francisco and its branches, made as at the close of business July 11, 1925.

Referred to the Committee on Examinations and Committee on District #12.

The Vice Governor then referred to several telegrams reporting the closing of small non-member state banks, and following discussion, Mr. Miller moved that the Vice Governor direct the Division of Research and Statistics to prepare for the Board a full report with respect to losses to depositors in connection with failed banks throughout the country.

Carried.

Report of Committee on Examination on application of the Bank of Crittenden County, Marion, Arkansas for membership in the Federal Reserve System and for sixty shares of stock in the Federal Reserve Bank of St. Louis,



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this being the new institution organized to succeed The Crittenden County Bank, the admission of which was discussed with the Board by the Federal Reserve Agent at St. Louis at the meeting on February 1st; the Committee recommending approval of the application, subject to the conditions contained in the Board's Regulation H and to the following additional conditions:

(1) You shall agree not to pay any dividend until you have a surplus of \$10,000.00, and thereafter prior to the payment of a dividend you shall carry to surplus account not less than one-tenth part of your net profits for the preceding dividend period until your surplus fund shall amount to twenty per cent of your capital stock.

(2) That responsible parties shall guarantee in writing the collection of at least one hundred thousand dollars (\$100,000.00) from stock assessment on stockholders of the Crittenden County Bank, to be used in eliminating undesirable assets taken over from it by the Bank of Crittenden County.

Upon motion, it was voted to approve the above application, Mr. Cunningham voting "no".

REPORTS OF STANDING COMMITTEES:

- Dated, February 5th, Recommending changes in stock at Federal Reserve Banks, as set forth in the Auxiliary Minute Book of this date.  
6th, as set forth in the Auxiliary Minute Book of this date.  
8th, Approved.
- Dated, February 9th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.  
Approved.
- Dated, February 9th, Recommending action on application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.  
Refused.
- Dated, February 9th, Recommending action on application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.  
Ordered held.

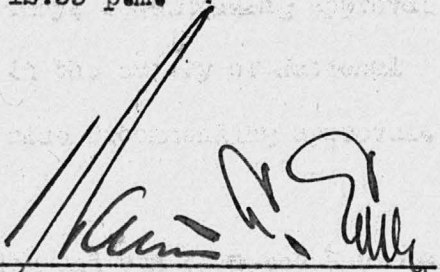
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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, February 9th, 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.

Dated, February 5th, Recommending approval of the application of Mr. Wm. Abbott Phillips for permission to serve at the same time as director of the Chemical National Bank, New York City and as member of a firm of Private Bankers of Dillon, Read and Company, New York City.  
Approved.

The meeting adjourned at 12:35 p.m.

  
Secretary.

Approved: Edmund Platt  
Vice-Governor.