Upon call of the Vice Governor, a meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Monday, February 15, 1926 at 11:15 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 February 10th were read and approved.

Memorandum from Counsel dated February 13th, prepared in accordance with action taken at the meeting on February 9th, on the question of whether butter may be considered a staple agricultural product in its raw state within the meaning of Section 13 of the Federal Reserve Act which permits the rediscount of notes, drafts and bills of exchange of factors issued as such, making advances exclusively to producers of staple agricultural products in their raw state; Counsel advising of the result of his consultation regarding the matter with the Department of Agriculture and stating that after careful consideration it is his opinion that butter is not a staple agricultural product in its raw state within the meaning of the Federal Reserve Act; Counsel further stating that a ruling to this effect would not affect farmers adversely as the statute permits the rediscount of notes, drafts and bills of factors issued as such, "making advances exclusively to producers of agricultural products in their raw state", but does not require that such paper be secured by agricultural products in their raw state or even that the person to whom the advances are made use the funds so acquired in the production of agricultural products in their raw state.
Ordered circulated.

Report of Committee on Examinations on telegram dated February 15th from the Assistant Federal Reserve Agent at Chicago, recommending approval of an application of The State Bank of Cowden, Illinois, for approval of a Plan to take over the First National Bank of Cowden, and stating that formal application and detailed information regarding the consolidation are being mailed today; the Board's Committee recommending approval.

Approved.

Telegram dated February 10th from the Governor of the Federal Reserve Bank of Boston, advising that the board of directors on that day made no change in the schedule of rates of discount and purchase in effect at that bank.

Noted.

Letter dated February 11th from the Secretary of the Federal Reserve Bank of New York, advising that no change was made by the board of directors at their meeting on that day in their existing schedule of rates of discount and purchase.

Noted.

Telegram dated February 11th from the Chairman of the Federal Reserve Bank of Richmond, advising that the board of directors on that day made no change in their existing schedule of rates of discount and purchase.

Noted.

Telegram dated February 12th from the Chairman of the Federal Reserve Bank of Atlanta, advising that the board of directors on that day made no change in the schedule of rates of discount and purchase in effect at that bank.

Noted.
Telegram dated February 11th from the Chairman of the Federal Reserve Bank of Kansas City, advising that the board of directors of that bank at a meeting on that day made no change in their existing schedule of rates of discount and purchase.

Noted.

Telegram and letter dated February 11th from the Chairman of the Federal Reserve Bank of Dallas, advising of the schedule of rates of discount and purchase adopted by the board of directors of that bank at their meeting on that date.

Noted, with approval.

Report of Committee on Salaries and Expenditures on letter dated February 11th from the Chairman of the Federal Reserve Bank of Kansas City, requesting approval of the action of the executive committee of that bank in granting leave of absence for sixty days, with full pay, to Mrs. Elizabeth Webb, matron; the Committee also recommending approval.

Approved.

Report of Committee on Salaries and Expenditures on letters dated February 13th from the Comptroller of the Currency, requesting approval of salaries of $2700 per annum each, for National Bank Examiners Joseph A. Clark and D. V. Penn, both to be assigned to the 10th Federal Reserve District; the Committee also recommending approval.

Approved.

Report of Committee on Examinations on letter dated February 9th from
the Federal Reserve Agent at San Francisco, transmitting and recommending approval of an application of the Pacific Southwest Trust and Savings Bank of Los Angeles, for permission to establish a branch de novo in the vicinity of Santa Monica Boulevard and Fairfax Avenue, Los Angeles; the Committee also recommending approval.

Approved, Mr. Cunningham voting "no".

Letter dated February 11th from Professor O. M. W. Sprague, inquiring whether his presence will be desired in Washington in connection with the hearings before the Committee on Banking and Currency of the Senate on the so-called McFadden Bill, which are to begin on February 16th.

After discussion, Mr. Hamlin moved that copies of the Board's letter of January 8th to the Chairman of the Committee on Banking and Currency of the House of Representatives, regarding the McFadden Bill, be sent to the members of the sub-committee of the Senate Committee on Banking and Currency which is to conduct the hearings, and that the sub-committee be notified that the Governor and Vice-Governor of the Board, together with Professor O. M. W. Sprague, who has been retained by the Board to study the matters referred to in the letter, will be glad to appear before them if they desire, to explain the recommendations contained therein.

Carried.

Letter dated February 11th from the Federal Reserve Agent at Chicago, with reference to the request made of Mr. Frank Huston, of that bank, by the Educational Director of the Investment Bankers Association of America, that he appear on an Indiana Chautauqua circuit in a series of speeches regarding the Federal Reserve System.

After discussion, Mr. Miller moved that the Federal Reserve Agent at Chicago be informed that the Board believes it inadvisable for Mr. Huston to undertake the activities described.
Carried, Mr. Platt voting "no".

Report of Committee on Examinations on memorandum dated February 10th from the Comptroller of the Currency, recommending approval of an application of The First National Bank of Englishtown, N. J. for permission to reduce its capital stock from $50,000 to $25,000 on condition that no money is returned to the shareholders, but that losses and doubtful assets to the amount of the reduction be withdrawn from the bank and trusteeed for the benefit of shareholders at the date of reduction; the Committee also recommending approval. Approved.

Letter dated February 4th from the Chairman of the Federal Reserve Bank of San Francisco, with reference to the Board's request for a review of the entire election system in effect at the Federal Reserve banks with suggestions of any changes by which he believes the system could be improved; the Chairman calling attention to suggestions made by him in various letters on the subject of elections addressed to the Board during 1924 and 1925, and stating that a further written report would be of considerable length and it might be more desirable if he could give the Board his views in person.

After discussion, it was voted to refer the various communications mentioned in the above letter to the Committee on District #12.

Memorandum from Mr. James dated February 12th, with reference to the matter presented to the Board on February 2nd, namely, resolutions adopted by representatives of sixty-five country member banks in central and northern Minnesota, requesting the discontinuance of the Federal Reserve par collection system, etc.; Mr. James' memorandum reading as follows:
"Having read the resolutions adopted at a meeting of representatives of 65 country member banks of the Federal Reserve System in central and northern Minnesota held at St. Cloud, Minn., on January 24, 1926, it appears to me to require a prompt and full reply by the Federal Reserve Board, and I believe that Counsel is prepared to answer the arguments made in this brief in a way that will at least demonstrate to the bankers and others interested in the matter the fact that the Federal Reserve Board is (1) sympathetic to the needs of the country banks, and (2) that the par collection of checks is a proper and justifiable function.

I, therefore, move that the matter be referred to Counsel with instructions to prepare a brief on the question of the par collection system and a suitable letter touching on the other phases of the resolutions, – same to be sent to each of the banks listed as having been represented at the meeting, and also to those representatives in Congress, the Federal Reserve Bank of Minneapolis, and any others to whom copies of the resolutions have been sent."

After discussion, Mr. Hamlin moved that the Board's General Counsel be directed to prepare a statement along the lines suggested by Mr. James, for submission to the Board.

Carried.

Letter dated February 9th from Mr. L. R. Mason, Counsel for the Federal Reserve Bank of New York, advising of intention to file a petition for rehearing before the Interstate Commerce Commission on the question of rates charged by express companies on shipments of coin, currency, securities, etc.; the decision of the Commission on the original petition having been unfavorable to the allegation of the Federal Reserve banks that the rates charged are excessive; Mr. Mason further stating that Mr. Carmalt, special counsel in the case, has presented a statement in the sum of $3,000 on account, the fee agreed upon being $8,000 on which one payment of $3,000 has previously been made.

Upon motion, it was voted to refer the above matter to the Law Committee for recommendation as to the merits.
of an appeal in the above case and as to the payment of compensation to Mr. Carnalt.

Report of Committee on Salaries and Expenditures, submitting draft of a letter to the Chairman of all Federal Reserve banks, prepared in accordance with action taken at the meeting of the Board on February 9th, with reference to the payment of compensation by Federal Reserve banks to attorneys employed to assist regular counsel in the prosecution of collection suits, etc.; the proposed letter stating that before employing a special attorney whose services are likely to involve an expenditure in excess of $1,000, the Federal Reserve bank should submit the matter to the Board for approval, but that where compensation will not exceed $1,000 the matter need not be submitted to the Board before the services of the attorney are engaged or before he is compensated in full for services rendered.

Upon motion, the proposed letter was approved.

At this point, Mr. Cunningham left the meeting.

Memorandum dated February 10th from the Chief of the Division of Bank Operations, submitting statements of expenditures by Federal Reserve banks for educational and welfare work, etc., during the month of December and for the year 1925.

Ordered circulated.

Report of Committee on Examinations on letter dated February 11th from the Assistant Federal Reserve Agent at Boston, transmitting application of the Union Trust Company of Providence, for permission to establish a branch in Pawtucket, R. I.; the Committee calling attention to the fact that the
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Application does not have the recommendation of the directors' committee of the Federal Reserve Bank of Boston which was not secured by the Assistant Federal Reserve Agent because the above application is the renewal of one previously approved by the Board and cancelled because the Union Trust Company was not prepared to establish the branch within the period allowed.

After discussion, Mr. Hamlin moved approval of the above application, subject to the receipt of a favorable recommendation from the directors' committee of the Federal Reserve Bank of Boston.

Carried.

REPORTS OF STANDING COMMITTEES:

Dated, February 10th, recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date.

Dated, February 12th, recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Dated, February 15th, recommending approval of the application of Mr. Daniel C. Tenney for permission to serve at the same time as director of the American Exchange Pacific National Bank and as director of the American Trust Company, both of New York City.

Dated, February 15th, recommending approval of the application of Mr. William R. Rose for permission to serve at the same time as director of the American Exchange Pacific National Bank and as director of the American Trust Company, both of New York City.

The meeting adjourned at 1:10 p.m.

Approved: [Signature]

Secretary.

Approved: [Signature]

Vice-Governor.