

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, March 4, 1926 at 10:45 a.m.

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

The reading of the minutes of the meetings of the Federal Reserve Board held on March 2nd and 3rd was dispensed with.

Telegram dated March 3rd from the Chairman of the Federal Reserve Bank of Philadelphia, 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 March 3rd from the Chairman of the Federal Reserve Bank of St. Louis, 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 March 2nd from the Chairman of the Federal Reserve Bank of New York, advising of an amendment to the constitution of the New York Clearing House Association under which every member of the Association and every non-member clearing through a member must charge correspondents and customers for making loans for them secured by stocks, bonds and acceptances not less than five per cent of the amount received for interest or discount upon such loan.

Noted.

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Letter dated March 2nd from the Federal Reserve Agent at New York, advising that the Bank of the Manhattan Company of that city contemplates the establishment of a branch office at 41-02 Bell Boulevard, Bayside, New York.

Noted.

Memorandum dated February 24th from the Chief of the Division of Bank Operations, submitting statement of expenditures by Federal Reserve banks during the month of January for educational and welfare work, etc.; the memorandum calling attention to an expenditure of \$2,012 by the Federal Reserve Bank of Chicago for entertainment purposes and contributions totaling \$2450 made by several Federal Reserve banks to the American Acceptance Council.

Referred to the Committee on Salaries and Expenditures.

Report of Committee on Examinations dated March 1st, recommending approval of an application of the National City Bank of New York for permission to establish a sub-branch, agency or office of its Cuban branch in the town of Palma Soriano, Cuba; together with memorandum from Counsel dated March 1st stating that the application is in proper form and that he knows of no legal reason why it should not be granted.

Upon motion, the following was ordered spread upon the minutes:

"The National City Bank of New York having, on or about February 27, 1926, filed an application with this Board for the purpose of obtaining authority to establish a sub-branch, agency or office of its Cuban Branch, in the town of Palma Soriano, in the Republic of Cuba, and the said application having been considered; and it appearing that the said application is properly made under the laws of the United States of America and should be granted, Now, therefore, it is

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"ORDERED, that the said application be and it hereby is approved, and that the said Bank be and it hereby is authorized to establish a sub-branch, agency or office of its Cuban Branch in the town of Palma Soriano, in the Republic of Cuba."

During the discussion of the above application, the Comptroller of the Currency stated that he knew of no reason why the same should not be approved. The Secretary was instructed, however, to submit to the Comptroller, before presentation to the Board, all future applications of national banks for permission to establish foreign branches.

Mr. Platt, Chairman of the Committee on Examinations then submitted letters dated February 13th from the Federal Reserve Agent at San Francisco, transmitting and recommending approval of an application of the Security Trust and Savings Bank, Los Angeles, for permission to take over the First National Bank of Compton and the Farmers and Merchants Bank of Compton, together with its branch at Lynwood, and to establish branches at Compton and at Lynwood; the Federal Reserve Agent also submitting letters from the Superintendent of Banks approving the application and certifying that the granting of the application will be of distinct economic benefit to the communities concerned and that public convenience and advantage will be promoted thereby. Mr. Platt submitted a telegram from Mr. James who is in California stating that he feels the Board will be justified in granting the application, especially as the arrangement would not be in competition with or to the detriment of any national or unit member bank, and that there is no doubt but what Compton and Lynwood to all practical intents and purpose are contiguous to Los Angeles. Mr. Platt stated that while Compton is not technically contiguous to Los Angeles it is a municipality located south of the main business center of Los Angeles through which run two highways and two railroad lines connecting the main part of Los

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Angeles with that part of the city which lies at the port. He stated that on the east Compton is within one and one-half miles of the city limits of Los Angeles which run down to the harbor and that on the south it joins the boundaries of Long Beach, which municipality is contiguous to Los Angeles because it joins the boundaries of that city further south. Mr. Platt stated that branches of the Security Trust and Savings Bank were already located at Long Beach.

After discussion, Mr. Miller moved that the above application be referred to the Executive Committee with power after submission by the Committee on Examinations of a formal report along the lines above indicated.

Carried.

Mr. Miller then submitted the following resolution which was unanimously adopted:

"RESOLVED That the Division of Bank Operations be instructed to furnish each member of the Board weekly with a statement setting forth in tabular form for each member bank in New York City obtaining \$2,000,000 or more of accommodation from the Federal Reserve Bank:

I. Average and highest borrowings of each said bank in the week covered by the report, showing such borrowings under the captions of -

- (a) Bills discounted;
- (b) Acceptances sold;
- (c) Acceptances sold under repurchase agreement to the Federal Reserve Bank.

II. Security loans of each aforesaid bank showing -

- (a) Total loans on securities
- (b) Loans to brokers and dealers."

Mr. Miller then moved that the Division of Bank Operations be instructed to investigate and report to the Board what procedure will be necessary in order

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to make action similar to that just adopted with respect to New York City banks applicable to member banks in Boston, Philadelphia, Cleveland, Chicago, St. Louis and San Francisco.

Carried.

Mr. Miller then stated that he thought it would be advisable to submit to the Federal Advisory Council for its information and consideration the action taken at this meeting with respect to information concerning loans on securities by New York City banks borrowing from the Federal Reserve Bank, and that he intended at an early meeting of the Board to introduce a resolution to that effect, requesting that the Council study the relation of the Federal Reserve banks to the security and street loan operations of their member banks with a view of advising the Board what further steps the Council could recommend to the Board for giving fuller effect to the provision of the Federal Reserve Act precluding the use of Federal Reserve bank credit facilities for the purpose of making speculative loans. In this connection, Mr. Miller added that it should be stated to the Council that the Board feels concerned because of the evidence furnished by the general movement of member bank and Federal Reserve bank credit in the year 1925 that there were some member banks that were misusing the credit facilities of the Federal Reserve System. Specifically, Mr. Miller stated he thought the Council should be asked to advise the Board what further could be done by it, by means of member bank reports, toward obtaining fuller information of member bank operations, and what Federal Reserve banks could reasonably be expected to do in the ordinary course of their operations and dealings

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with the individual member banks toward preventing the improper use of the credit facilities of the Federal Reserve Bank.

At this point the Board's Secretary entered the meeting and stated that he was about to send the proof of the Board's Annual Report to the printer for galley proof. He inquired whether the Board wished to secure special forty-eight hour service on the printing by the payment of a twenty percent premium over the ordinary cost. He stated that unless this special service was ordered it would be a week or ten days before galley proofs of the report could be secured.

He was instructed to allow the printing to proceed in the usual course, but to furnish the members of the Board with corrected copies of the draft in the form in which it is to be sent to the printer.

Memorandum from Counsel dated February 26th on letter dated February 9th from the Federal Reserve Agent at St. Louis, inquiring whether flour and bran should be considered non-perishable readily marketable staple agricultural products within the meaning of the third paragraph of Section 13 of the Federal Reserve Act, providing for the discount or purchase by Federal Reserve banks of sight or demand drafts drawn to finance the domestic shipment of such products; Counsel expressing the opinion that flour and bran should not be classified as non-perishable readily marketable staple agricultural products within the meaning of Section 13.

After discussion, Counsel's opinion was ordered circulated.

Memorandum from Counsel dated February 25th, with reference to the Board's recent correspondence with the Governor of the Federal Reserve Bank

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of Boston as to the eligibility for rediscount at a Federal Reserve bank of notes of a cold storage and warehouse company secured by notes of customers for the amount of advances made to them by the company against butter, eggs and poultry stored in the company's own warehouse, under Section 13 of the Federal Reserve Act which makes eligible the paper "of factors issued as such making advances exclusively to producers of staple agricultural products in their raw state" - the Board having held that eggs and dressed poultry are staple agricultural products, but having deferred action on the classification of butter; Counsel now submitting draft of a letter to the Governors of all Federal Reserve banks stating that the Board holds that the notes of the cold storage and warehouse company in question issued in its capacity as factor making advances exclusively to producers of eggs and poultry or other staple agricultural products in their raw state, will be eligible for discount at a Federal Reserve bank, provided that these notes comply in all other respects with the relevant provisions of the law and the Board's Regulations, and further, that in the opinion of the Board butter is not a staple agricultural product in its raw state, but this does not affect the eligibility of notes of factors covering advances to farmers, dairymen or livestock growers who produce butter, because any member of this class is, of course, engaged in the production of some agricultural product in its raw state even though he also produces butter, and that the test of eligibility of paper of this kind is to be found in the character of the person to whom the advances are made rather than in the kind of products securing the advances.

Ordered circulated and docketed for tomorrow's meeting.

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Letter dated February 24th from the Chairman of the Federal Reserve Bank of San Francisco, with reference to the condition of the First National Bank of Parlier, Cal.; the Federal Reserve Agent stating that he brings the matter to the attention of the Federal Reserve Board because of action taken on November 22, 1923 in refusing an application of the Bank of Italy for permission to take over the institution in question.

Noted.

Report of Committee on Examinations, recommending approval of the action of the last Governors' Conference in voting to approve the credit portion of the report submitted under date of April 27, 1925 by the subcommittee appointed to make a study of the bank examination and credit functions at Federal Reserve banks, with the exception of the recommendation of the Committee that reserve banks no longer furnish blank forms of credit statements free of charge.

Ordered circulated.

Memorandum from Counsel dated February 24th, submitting draft of reply to telegram dated February 11th from the Federal Reserve Agent at San Francisco, requesting the Board to advise him with respect to the disposition of the proceeds of certain Federal Reserve Bank stock issued to the Jefferson County National Bank of Rigby, Idaho - the Board on December 3, 1924 having approved an application for the cancellation of the stock in question made by the First National Bank of Rigby as liquidating agent for the Jefferson County National Bank, at the same time advising the Federal Reserve Agent to hold the proceeds in suspense account until the Board was notified by the Comptroller of the Currency that the Jefferson



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County National Bank was in liquidation - the Federal Reserve Bank desiring to hold the proceeds of the stock to secure a claim against the First National Bank, both institutions now being in the hands of receivers; the proposed reply stating that Federal Reserve bank stock held by the Jefferson County National Bank did not pass to the First National Bank of Rigby inasmuch as Federal Reserve bank stock can not be transferred or hypothecated under the provisions of the Federal Reserve Act, and that therefore, the Federal Reserve Bank of San Francisco is not authorized to hold this stock to secure payment of the claim due the Federal Reserve bank by the First National Bank of Rigby; that inasmuch as the Jefferson County National Bank has not previously been placed in liquidation the Board's action of December 3, 1924 in authorizing the Federal Reserve Bank of San Francisco to cancel this stock was legally ineffective and it will be necessary for a new application to be made by the duly appointed receiver of the Jefferson County National Bank, dividends to accrue on the stock until it is legally cancelled.

Upon motion, the proposed letter was approved.

Mr. Hamlin then gave notice of his intention to move at a subsequent meeting of the Board that the By-laws adopted effective March 1st be amended so as to omit the requirement of Article 13 that the consideration of special orders be confined to the particular meeting of the Board each week at which are to be brought up only such matters as are listed in Article 13 of the By-laws.

Mr. Platt then reported that he had been advised by Deputy Governor Harrison of the Federal Reserve Bank of New York that the Open Market Investment Committee for the Federal Reserve System has in mind holding a meeting at some date prior to March 15th when certain securities held in the open

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market investment account will mature.

REPORTS OF STANDING COMMITTEES:

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

Approved.

Dated, March 2nd, Recommending approval of the application of Mr. S. M. Haskins for permission to serve at the same time as director of the 1st National Bank, Los Angeles and as director of the 1st National Bank, Vernon, Cal.

Approved.

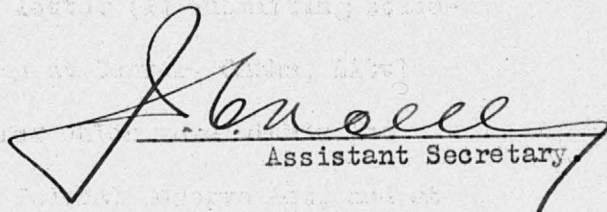
Dated, March 2nd, Recommending approval of the application of Mr. John H. Brooks for permission to serve at the same time as director of the Wyoming National Bank, Wilkes-Barre, Pa. and as director of the Peoples Savings and Dime Bank and Trust Company, Scranton, Pa.

Approved.

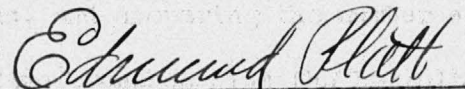
Dated, March 2nd, Recommending approval of the application of Mr. John C. Belz for permission to serve at the same time as director of the Manayunk National Bank and as director of the Broad Street National Bank, both of Philadelphia, Pa.

Approved.

The meeting adjourned at 12:10 p.m.

  
Assistant Secretary.

Approved:

  
Vice-Governor.