A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, March 23, 1926 at 2:30 p.m.

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

Matter approved on initials on March 20th, namely, memorandum dated March 20th from the Division of Examination recommending approval of an application of the Hillsdale National Bank, Hillsdale, N. J., for original stock (36 shares) in the Federal Reserve Bank of New York, effective if and when the Comptroller of the Currency issues a certificate of authority to commence business.

Formally approved.

Matter approved on initials on March 20th, namely, memorandum dated March 20th from the Division of Examination recommending approval of an application of the First National Bank in Tuckerman, Ark., for original stock (28 shares) in the Federal Reserve Bank of St. Louis, effective if and when the Comptroller of the Currency issues a certificate of authority to commence business.

Formally approved.

The Governor then brought up the question of the continuance of the non-cash collection function of the Federal Reserve banks. He stated that the Governors' Conference in session here today had again gone on record, by a vote of nine to three, as favoring the continuance of the function as at
present. He read to the Board the letter addressed to it under date of January 25th by Mr. John W. Barton, Chairman of the American Bankers Association Committee on Non-Cash Collections, transmitting an analysis of replies to the questionnaire on the subject sent out by that Committee to all member banks. The Governor reviewed the Board's action in referring this letter to the Committee on Voluntary Services of the Governors' Conference, and in view of the action taken by the Conference today expressed the opinion that the question should be considered and disposed of by the Board. Thereupon ensued a discussion during which it was the consensus of opinion that it would be inadvisable either to continue the function in its present form or to discontinue it entirely, but that it would be necessary to consider separately the various classes of non-cash items now handled by the Federal Reserve banks.

Following the discussion, Mr. Miller moved that a letter, as follows, be addressed to the Governors' Conference:

"The Board has under consideration and desires to dispose of the matter of non-cash collections. It is considering the services under three heads, to wit: those which can be discontinued, those which can be continued without imposing a charge for the service, and those that can be continued on payment of a charge by the bank for whom the services are rendered. The Board desires to have the present Governors' Conference appoint a Committee of five members to confer with and aid in reaching a conclusion on these questions before an adjournment of the Conference."

Mr. Miller's motion being put by the Chair was unanimously carried.

The Governor then brought up another matter of unfinished business which he stated he thought the Board should dispose of, namely, the petition
of the directors of the Federal Reserve Bank of Richmond for permission to
establish a branch in the southwestern portion of the 5th Federal Reserve
District and to locate such branch, if established, at Charlotte, N. C.
Mr. Hamlin called attention to the fact that the Attorney General of the
United States has been requested to render an opinion as to the authority
of the Federal Reserve Board or a Federal Reserve bank to discontinue a
branch and stated that action on the Richmond application had been deferred
pending the receipt of the Attorney General's opinion.

Following discussion, Mr. Miller moved that the
Board sees no reason to change the opinion expressed
by it on June 3, 1925 "that there is no present occasion
for the establishment of an additional branch in the 5th
Federal Reserve District".

Mr. Cunningham moved as a substitute, that Mr.
Miller's motion be laid on the table pending receipt of
the opinion of the Attorney General above referred to.

Mr. Cunningham's motion being put by the Chair
was carried, Messrs. Miller and Platt voting "no".

The Governor then presented formal application of the National City Bank
of New York for permission to transfer the main office of its Italian Branch
from the city of Milan, in the Kingdom of Italy, to the city of Genoa, in
the Kingdom of Italy, and to continue to maintain or to establish sub-branches,
agencies or offices in the cities of Florence, Milan, Naples, Palermo, Rome,
Turin and Venice, all in the Kingdom of Italy, or in any of the said places
as may seem advisable to the board of directors of the bank; the application
also requesting the permission of the Board for the right, at any time it
appears advisable to the National City Bank, to transfer the main office
of its Italian Branch to any one of the designated cities located in Italy.

The Board on March 20th having informally approved that portion of the application first referred to above, the following was ordered spread upon the minutes:

"THE NATIONAL CITY BANK OF NEW YORK, having on or about May 18, 1916, filed an application with this Board for the purpose of obtaining authority to establish an Italian Branch, with its main office in the City of Genoa, in the Kingdom of Italy, and with sub-branches, agencies or offices in each of the cities of Florence, Milan, Naples, Palermo, Rome, Turin and Venice, all in the said Kingdom, or in any of the said places, and the said application having been granted by an Order of this Board dated May 25, 1916, and the said Bank having on or about July 29, 1924, filed an application supplementary to the said application of May 18, 1916, asking for an Order amendatory to the said Order of May 25, 1916, authorizing it to transfer the main office of its Italian Branch from the City of Genoa, in the Kingdom of Italy, to the City of Milan, in the Kingdom of Italy, and to continue to maintain or to establish sub-branches, agencies or offices in the Cities of Florence, Genoa, Naples, Palermo, Rome, Turin and Venice, all in the Kingdom of Italy, or in any of the said places as may seem advisable to the Board of Directors of said Bank, and the said Supplementary Application having been granted by an Order of this Board dated August 14, 1924; and the said Bank having on March 16, 1926, filed an application further supplementary to the said application of May 18, 1916, asking for an order amendatory to the said Order of August 14, 1924; and the said further Supplementary Application having been considered; and it appearing to the Board that the said further Supplementary Application is properly made under the laws of the United States of America in so far as the same applies for authorization to transfer the main office of the said Italian Branch from the City of Milan, in the Kingdom of Italy, to the City of Genoa, in the Kingdom of Italy, and to continue to maintain or to establish sub-branches, agencies, or offices in the cities of Florence, Milan, Naples, Palermo, Rome, Turin and Venice, all in the Kingdom of Italy, or in any of the said places as may seem advisable to the Board of Directors of said Bank, and should be granted to that extent; and the Federal Reserve Board having on March 20, 1926, by informal action approved the said above further Supplementary Application as hereinabove limited and restricted and having authorized the said Bank to transfer the main office of its Italian Branch from the City of Milan in the Kingdom of Italy, to the City of Genoa, in the Kingdom of Italy, and to continue to maintain or to establish sub-branches, agencies or offices in the Cities of Florence, Milan, Naples, Palermo, Rome, Turin and Venice, all in the Kingdom of Italy, or in any of the said places as may seem advisable to the Board of Directors
"of the said Bank. Now, therefore, it is

ORDERED that the action taken informally by the said Federal Reserve Board on March 20, 1926, as above set out, be and it hereby is formally ratified and approved, and it is further ordered that the additional application contained
in said further Supplementary Application be held in abeyance for consideration and determination."

Letter dated March 18th from the Secretary of the Federal Reserve Bank
of New York, advising that the board of directors at their meeting on that
day made no change in their existing schedule of rates of discount and pur-
chase.

Noted.

Telegram dated March 18th from the Chairman of the Federal Reserve
Bank of San Francisco, advising that no change was made on that day in the
bank's existing schedule of rates of discount and purchase.

Noted.

Memorandum dated March 18th from the Acting Director of the Division
of Research and Statistics, recommending that the temporary appointment of
Miss Frances Dawson as Assistant Draftsman in the Division at a salary of
$120 per month, which terminates on March 31st, be made permanent.

Approved.

Memorandum dated March 22nd from the Chief of the Division of Bank
Operations, inquiring whether there will be any objection to compliance with
a request received from the Federal Reserve Agent at New York for the figures
received by the Board each week from reporting member banks in Chicago showing
the amount of brokers' loans made for their own account and for account
of correspondents both in the Chicago and New York markets.
Upon motion, it was voted to interpose no objection to compliance with the request.

Memorandum from Counsel submitting draft of letter to the Federal Reserve Agent at New York, with reference to the Clayton Act application of Mr. Frank C. Ferguson for permission to serve upon the directorates of the Union Trust and Hudson County National Bank and the Merchants National Bank of Jersey City, N. J., and the Highland Trust Company of Union City, N. J.; the letter stating that Mr. Ferguson is also a director of the New York and New Jersey Joint Stock Land Bank of Newark, that the Board has previously held that a joint stock land bank is a "bank" within the meaning of the Clayton Act, and that it will, therefore, be necessary for Mr. Ferguson either to resign from the joint stock land bank or resign from one of the other banks which he is serving and submit an application for permission to serve the other three.

Upon motion, the proposed letter was approved.

Report of Committee on District #6 and Committee on Salaries and Expenditures on letter dated March 18th from the Secretary of the board of directors of the Federal Reserve Bank of Atlanta, advising of vacation schedules for officers and employees of the parent bank, branches and agencies for the year 1926, adopted at the last meeting of the board of directors; the Committees recommending that this action be noted with approval.

Upon motion, the recommendation of the Committee was adopted.

Letter dated March 12th from the Governor of the Federal Reserve Bank of Philadelphia, advising that the recent opinion of the Attorney
General that a mutual savings bank is a "bank" within the meaning of Section 4 of the Federal Reserve Act will increase the existing difficulty in securing desirable Class "B" and Class "C" directors for Federal Reserve banks; the Governor also describing the operations of mutual savings societies in Philadelphia.

Noted.

Letter dated March 18th from the Chairman of the Committee on Banking and Currency of the United States Senate, requesting the views of the Board with regard to a proposed amendment to H. R. 2, the so-called McFadden Bill, to add to Section 11(k) of the Federal Reserve Act a provision that "Whenever a National bank in its fiduciary capacity becomes possessed of any shares of its own stock, it shall be the duty of the said bank, with the approval of the State court to which under the law it must make its accountings as fiduciary, to dispose of the same to persons other than its directors within the term of five years from the beginning of the acceptance of the said trust".

Referred to the Law Committee.

Memorandum from Counsel dated March 9th, advising of the action of the Supreme Court of the United States in handing down an order denying a writ of certiorari in the case of the Federal Reserve Bank of San Francisco v. the Idaho-Grimm Alfalfa Seed Growers Association; Counsel submitting documents with reference to the case and stating that the effect of the action of the Supreme Court is to make final a decision of the Circuit Court of Appeals, which was unfavorable to the Federal Reserve Bank.
The above memorandum, having been circulated among the members of the Board, was noted and ordered filed.

The Governor then referred to the action at the meeting yesterday regarding the request of the Clerk of the Committee on Banking and Currency of the House of Representatives that the Board be represented at a meeting tomorrow to consider H. R. 7895 to amend Section 14 (d) of the Federal Reserve Act to provide for the stabilization of the price level for commodities in general. As a report, the Governor submitted copy of a letter addressed by him to the Chairman of the Committee confirming telephone conversation from which it was understood that there will be a number of economists and others who will appear before the Committee regarding the bill; the letter stating that Mr. Miller, and possibly other members of the Board, will be glad to appear before the Committee before the hearings terminate and requesting a report, so far as possible, of the remarks made by those appearing in advance of the Board's representatives, who would then have on hand information from which they can determine what points require answer on the part of the Board when they appear.

Noted.

Memorandum from Counsel dated March 11th prepared in accordance with the Board's request of February 16th, and submitting draft of letter to the Chairman of the Federal Reserve Bank of St. Louis and circular letter to all Federal Reserve Agents on the subject of the eligibility for rediscount at a Federal Reserve Bank of a note of a Federal Intermediate Credit Bank discounted by a member bank or a note of a cooperative marketing association made payable to a Federal Intermediate Credit bank and redis-
counted by it with a member bank; the proposed letter to the Federal Reserve Agent at St. Louis answering certain specific inquiries on these questions and both letters stating that the Board grants its permission for the rediscount for member banks of paper made or endorsed by Federal Intermediate Credit Banks, provided such paper is otherwise eligible under the law and the Regulations, and further, that the eligibility of paper endorsed by a Federal Intermediate Credit Bank is to be determined by the same principles which govern eligibility of any other paper and, while in theory this is also true as to paper made by a Federal Intermediate Credit bank, as a practical matter it is almost certain that such paper would be finance paper, and therefore, ineligible.

After discussion, upon motion by Mr. Hamlin, it was voted to approve the proposed letters and also the recommendation contained in Counsel's memorandum that the ruling set forth in the circular letter be published in the forthcoming issue of the Federal Reserve Bulletin.

Memorandum from Counsel, submitting draft of reply to letter dated February 20th from the Federal Reserve Agent at New York, with further reference to the absorption of the Central Park Bank and the Riverside National Bank, both of Buffalo, by the Manufacturers and Traders Trust Company of Buffalo and the absorption of the Flatbush State Bank by the Mechanics Bank of Buffalo; Counsel also submitting a detailed memorandum on the subject.

In this connection, the Governor submitted a letter addressed to him under date of March 22nd by the Federal Reserve Agent at New York, submitting
a survey for the year 1925 showing (1) Banks which have not participated in mergers or consolidations or opened branches during the year; (2) Banks merged or consolidated and banks which opened branches during the year; and (3) New banks opened during the year.

After discussion, it was voted to refer back to the Law Committee the proposed letter to the Federal Reserve Agent and to refer to it also the survey transmitted to the Board by him.

Memorandum from Counsel dated March 15th, submitting correspondence with the Federal Reserve Bank of Kansas City relative to the surrender of Federal Reserve bank stock owned by the Meadow Grove State Bank of Meadow Grove, Nebraska, which institution on November 25, 1925 was found to be insolvent by the Department of Trade and Commerce, which took charge of it and turned it over to the Guaranty Fund Commission for the conduct of its affairs, the Commission since having made application as liquidating agent of the bank for the surrender of the Federal Reserve bank stock owned by it; Counsel stating that there are but two legal methods by which the Meadow Grove State Bank may withdraw from the System and have its stock cancelled - (1) It may withdraw after six months' notice to the Board or (2) It may be expelled by the Board for failure since November 25, 1925 to maintain the reserves required by the Federal Reserve Act.

After discussion, it was voted that steps should be taken to expel the bank from the System in view of its failure to maintain required reserves and Counsel was directed to prepare the usual form of notice to the bank of formal hearing for this purpose.

The Governor then submitted letter dated March 23rd from the Secretary
of the Governors Conference transmitting copies of the report of the Open Market Investment Committee to the Governors' Conference; the report having been discussed with the Board at an informal meeting on March 20th and having been approved by the Governors' Conference on March 22nd.

After full discussion, upon motion it was voted that the Committee be advised that the Board has considered the report and approves the proposal contained therein to the effect that the System's special investment account should not be changed in amount, except that the March 15th maturities may be replaced as conditions seem to warrant.

At this point, Mr. Hamlin left the meeting.

The Governor then presented the following telegram addressed to Vice Governor Platt under date of March 16th by the Governor of the Federal Reserve Bank of New York:

"Your letter March 13. The Board's approval of March 8th contained no qualification but it was understood that if any change in the Belgian Plan was found necessary the matter would be resubmitted. The resolution quoted in your letter received a week later advises that the Board will interpose no objection but on the other hand that it does not give final agreement. Following the action of the Board on March 8th which was advised to me by Governor Crissinger as without qualification the plan was submitted to our directors on Thursday approved by them and we thereupon cabled that our participation was authorized subject to the reservations mentioned in my letter and enclosures of March 9th."

The Governor stated that he had not understood that the resolution of the Board of March 8th, interposing no objection to an increase in the Federal Reserve bank's participation in the proposed central bank credit to the National Bank of Belgium, contemplated that the details of the proposed credit
were to be submitted to the Board for its approval before the final agree-
ment is made.

After discussion, Mr. Platt moved that a telegram as follows be addressed to the Governor of the Federal Reserve Bank of New York:

"Replying to your telegram your understanding of the action of the Board on March 8th is correct. The approval, however, was tentative and the Board's understanding was that formal approval would be recorded when the transaction was completed."

Mr. Cunningham moved that Mr. Platt's motion be laid on the table.

Mr. Cunningham's motion being put by the Chair was carried, Mr. Platt voting "no" and Mr. James "not voting".

REPORTS OF STANDING COMMITTEES:

Dated, March 20th, Recommending changes in stock at Federal Reserve Banks as set forth in the Auxiliary Minute Book of this date.

Dated, March 17th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Dated, March 18th, Recommending action on application for admission of state bank, subject to the conditions stated in the individual reports attached to the applications, as set forth in the Auxiliary Minute Book of this date.

Dated, March 18th, Recommending approval of the application of Mr. Walter Jeffreys Carlin for permission to serve at the same time as director of the Lafayette National Bank, Brooklyn, N. Y. and as director of the Franklin National Bank, New York, N.Y.

Dated, March 18th, Recommending approval of the application of Mr. Robert Driscoll for permission to serve at the same time as director of the Frost National Bank and San Antonio Joint Stock Land Bank, both of San Antonio, Tex. and as president and director of the Corpus Christi National Bank, Corpus Christi, Texas.
Dated, March 18th, Recommending approval of the application of Mr. Ralph Earle for permission to serve at the same time as director of the Market Street National Bank, as director of the Real Estate Trust Company and as director of the Finance Company of Penn., all of Philadelphia, Pa.

Approved.

Dated, March 17th, Recommending approval of the application of Mr. Thomas H. Eckerson for permission to serve at the same time as director of the Union Trust and Hudson County National Bank and as director of the Merchants National Bank of Jersey City, N.J., and as director of the Highland Trust Company of Union City, N.J.

Approved.

Dated, March 22nd, Recommending approval of the application of Mr. Allan H. King for permission to serve at the same time as director of the Harrisburg National Bank of Harrisburg, Tex., and as director and officer of the State National Bank, Houston, Texas.

Approved.

Dated, March 19th, Recommending approval of the application of Mr. J. M. Olin for permission to serve at the same time as director and officer of the Wood River National Bank, Wood River, Ills., and as director of the First National Bank, St. Louis, Mo.

Approved.

Dated, March 17th, Recommending approval of the application of Mr. Thomas J. Maloney for permission to serve at the same time as director of the Union Trust and Hudson County National Bank of Jersey City, N.J., and as director of the Merchants National Bank of Jersey City, N.J., and as director of the Highland Trust Company, Union City, N.J.

Approved.

The meeting adjourned at 5:15 p.m.