A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, April 27, 1926 at 10:45 a.m.

PRESENT: Governor Crissinger
          Mr. Hamlin
          Mr. Miller
          Mr. James
          Mr. McIntosh
          Mr. Noell, Asst. Secretary
          Mr. McClelland, Asst. Secretary

In accordance with action taken at the meeting on April 6th, the Board met for the purpose of conducting a hearing to show cause why the Meadow Grove State Bank, Meadow Grove, Nebr., should not be required to surrender its stock in the Federal Reserve Bank of Kansas City, and to forfeit all rights and privileges of membership in the Federal Reserve System.

No one appearing on behalf of the Meadow Grove State Bank, Meadow Grove, Nebraska, at the said hearing before the Federal Reserve Board under the terms of Section 9 of the Federal Reserve Act; and it appearing to the Federal Reserve Board that the said Meadow Grove State Bank, Meadow Grove, Nebraska, has failed to comply with the provisions of Section 9 of the Federal Reserve Act in that it has failed to maintain with the Federal Reserve Bank of Kansas City the reserve required by the Federal Reserve Act;

Upon motion duly made and seconded the following resolution was unanimously adopted by those present:

WHEREAS, it appears to the Federal Reserve Board, from a consideration of the evidence and information received by it, that the Meadow Grove State Bank, Meadow Grove, Nebraska, has failed to comply with the provisions of Section 9 of the Federal Reserve Act in that it has failed to maintain with the Federal Reserve Bank of Kansas City the reserve required by the Federal Reserve Act.

NOW, THEREFORE, BE IT RESOLVED, that the Federal Reserve Board require and direct the Meadow Grove State Bank, Meadow Grove, Nebraska, under the terms of Section 9 of the Federal Reserve Act as amended, to
surrender its stock in the Federal Reserve Bank of Kansas City and to forfeit all rights and privileges of membership in the Federal Reserve System as of the date on which notice of this action on the part of the Federal Reserve Board is received by the said bank.

Matter approved on initials on April 24th, namely, memorandum from Counsel with reference to telegrams dated April 23rd from the Governor and Assistant Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, requesting permission for Messrs. C. W. Gordon and D. C. Shepard, to serve at the same time as directors of the First National Bank and the National Exchange Bank, both of St. Paul, and Mr. C. R. Noyes to serve at the same time as director of the Merchants National Bank, Merchants Trust Company and the National Exchange Bank, all of St. Paul; Counsel in his memorandum pointing out that the Assistant Federal Reserve Agent states it is clear that there is no competition between the National Exchange Bank and either of the other institutions and submitting the following telegram to the Federal Reserve Agent at Minneapolis:

"Relying upon recommendation of assistant Federal Reserve Agent, Board will not object to interlocking directorates between National Exchange Bank and First National Bank or between National Exchange Bank and Merchants National Bank, all of St. Paul. For purpose of formal record, however, applications with usual exhibits must be forwarded to Board as soon as practicable. Board understands that entire stock of Merchants Trust Company owned by stockholders of Merchants National Bank. If this is true no permission necessary to serve Merchants Trust Company. It is also understood that these interlocking directors are connected with no other banks coming within prohibitions of Clayton Act except those mentioned. Under these conditions the proposed interlocking connections may be formed at once."

Upon motion, the above telegram was formally approved.

Telegram dated April 23rd from the Federal Reserve Agent at Chicago, advising that the board of directors on that day made no change in the bank's
existing schedule of rates.

Noted.

Telegram dated April 26th from the Deputy Governor of the Federal Reserve Bank of New York, advising that beginning today, April 27th, the banks' effective buying rates for bankers acceptances will be as follows:

- 1 to 15 days: 3 1/8%
- 16 to 60 days: 3 1/4%
- 61 to 90 days: 3 1/2%
- 4 months: 3 1/2%
- 5 and 6 months: 4%
- Trade bills: 3 1/2%
- Sales contracts: 3 1/2%

Noted, with approval.

Memorandum from Counsel dated April 23rd, submitting material for publication in the May issue of the Federal Reserve Bulletin.

Approved.

Letter dated April 19th from the Governor of the Federal Reserve Bank of Dallas, replying to the Board's letter of April 6th on the subject of the adoption of a budget system of controlling expenses; the Governor stating that they will immediately prepare a budget for that bank for the second quarter of the year and on July 1st will prepare a budget for the last half of the year.

Noted, with approval.

Letter dated April 23rd from Professor O. M. W. Sprague, advising that he will be abroad with Governor Strong for a month and stating it, therefore, seems proper that he should not remain on the payroll of the
Board during that time, but that on his return there are matters connected with the organization of the proposed Division of Credit Information which might perhaps properly lead to his reinstatement.

Upon motion, it was voted that Professor Sprague be granted leave of absence without pay, effective April 24th.

Report of Committee on Salaries and Expenditures on letter dated April 23rd from the Chairman of the Federal Reserve Bank of Philadelphia, advising of the action of the directors of that bank in granting an extension of three months, expiring July 1st, with full pay, in leave of absence on account of illness granted to Mr. Joseph H. Gallagher, Vault Custodian, and in extending for three months, to expire July 14th, leave of absence with full pay granted Mr. John P. Maguire; the Board's Committee recommending approval.

Approved.

Letter dated April 21st from Mr. T. E. Nash, Secretary of a meeting of Federal Reserve Bank members of southwestern Minnesota, submitting copy of resolutions adopted at the meeting held on March 19th; the resolutions (1) Endorsing the so-called McFadden Bill; (2) Expressing opposition to all forms of branch banking; (3) Opposing the open market operations of the Federal Reserve System; (4) Opposing the Federal Reserve par clearance and collection system; and (5) Requesting country bank representation on the Federal Reserve Board.

Mr. James referred to the action of the Board on February 15th in referring similar resolutions adopted at another meeting of Minnesota member banks to the Board's Counsel for the preparation of a reply and upon motion by him, the above matter was also referred to Counsel.
Memorandum dated April 26th from the Chief of the Division of Bank Operations advising that in accordance with the Board's instructions of April 2nd all Federal Reserve banks have been furnishing the Board with a copy of their working sheets showing separate figures for each member bank which submits weekly reports of principal assets and liabilities for publication in the Board's Weekly Statement; the memorandum submitting the following statements: (1) Loans and investments of reporting member banks in New York City which on April 14th were borrowing $1,000,000 or more from the Federal Reserve bank; (2) Loans to brokers and dealers, secured by stocks and bonds, made by reporting member banks in New York City which were lending $50,000,000 or more to brokers and dealers on April 14th; (3) Loans and investments of reporting member banks in Chicago which on April 14th were borrowing $500,000 or more from the Federal Reserve bank; and (4) Loans to brokers and dealers, secured by stocks and bonds, made by reporting member banks in Chicago which were lending $5,000,000 or more to brokers and dealers in the New York and Chicago markets.

Ordered circulated.

Memorandum from Counsel dated April 24th, submitting draft of letter to the Chairman of the Committee on Banking and Currency of the House of Representatives, calling attention to the fact that the Senate has passed the bill recommended by the Board to prohibit the use of the words "Federal Reserve" and expressing the hope that he may see his way clear to have a similar bill favorably reported by his Committee and brought up for action in the House before the expiration of the present session of Congress.

Upon motion, the proposed letter was approved.
Memorandum dated April 22nd from Mr. Smead, Chairman of the Committee appointed by the Board at the meeting on April 8th to study and advise the Board as to the probable scope of a proposed Division of Credit Information in the Board, with an estimate of the probable cost of setting up and operating such a division; Mr. Smead advising that at the recent meeting of the Committee it was voted that the three resident members be requested to prepare (1) An outline of the problems to be considered; (2) A plan of investigation, and (3) A proposal for organization; the sub-committee's report to be submitted to the full Committee at its next meeting. Mr. Smead in his memorandum also reported that it was the consensus of opinion at the meeting that an intensive study should be made of banking developments over the past several years in some restricted area preliminary to making a full and complete report to the Board and that it was the opinion of the Committee that such a study might well be directed by Professor Sprague and should cover banks in some one State, perhaps Iowa, in which study he would have to be furnished with one or more assistants, from the Federal Reserve Bank of Chicago in case the study covered the State of Iowa.

Noted, with approval.

Letter dated April 26th from the Comptroller of the Currency, replying to the Board's letter of March 13th, transmitting a list of thirty-four insolvent national banks which had been granted permission to exercise fiduciary powers and inquiring as to what disposition was or is being made of the trusts undertaken by those banks; the Comptroller submitting memoranda, containing a resume of replies received from the various receivers in-
volved, in response to an inquiry by his office.

Referred to Counsel.

The Governor then presented letters dated April 22nd and 23rd from the Federal Reserve Agents at Richmond and Chicago, respectively, both advising that the arrangements made by the Board with Mr. A. B. Trowbridge to serve as consulting architect in connection with the Baltimore and Detroit building projects are satisfactory to their institutions; the letter from the Federal Reserve Agent at Richmond advising that they have an old contract with Mr. John T. Wilson of Richmond to go over the Baltimore plans and specifications with their architect at a fee of $10,000.

Upon motion, it was voted to refer to the Committee on District #5 the matter of Mr. Wilson's employment by the Richmond bank.

Letter dated April 26th from the General Counsel of the Federal Reserve Bank of New York, advising that the Interstate Commerce Commission has denied the bank's petition for a rehearing on the complaint filed with the Commission against the American Railway Express Company for the purpose of obtaining a revision of express rates on shipments of coin, currency, securities, etc.; the letter stating that the possibility of getting the courts to review and change the Commission's finding of fact is too remote to justify resorting to the courts and it is, therefore, proposed to make final payment of $2,000 to Mr. James H. Carmalt, who has represented the Federal Reserve banks in the matter, and to close the case.

Upon motion, the action proposed by the Federal Reserve Bank of New York was approved.
The Governor stated that the Federal Reserve Agent at New York had
had up with him the question of the examination of foreign banking corpora-
tions, having branches in foreign countries, which are doing business under
agreement with the Board.

Upon motion, it was voted to refer the question
of examining these institutions to the Board's Chief
Examiner for report.

Letter dated April 26th from the Deputy Governor of the Federal Reserve
Bank of New York, advising that on April 1, 1926 the Bankovni urad Ministerstva
Financi, Prague, entered into liquidation and its whole staff and organization,
as well as its accounts maintained abroad, passed to the Czechoslovak National
Bank, the former institution having instructed the Federal Reserve Bank to trans-
fer as of April 1st to the Czechoslovak National Bank the account kept on their
books; the Deputy Governor stating that the directors of the Federal Reserve
Bank voted to authorize the opening of an account for the National bank, to
continue with that bank the relations already established with its predecessor
and to appoint the National bank the agent and correspondent of the Federal
Reserve Bank of New York in return for a similar appointment from them.

After discussion, upon motion, it was voted
to approve the action of the New York directors.

The Governor then presented a letter dated April 15th from the
Governor of the Federal Reserve Bank of New York, replying to letter ad-
dressed to him in accordance with the Board's action of March 31st, request-
ing information as to the present status of the credits to the Belgian
Government and the National Bank of Belgium that were in contemplation at
the time Governor Strong appeared before the Board on March 8th; Governor
Strong requesting that before replying to the Board's inquiry he be advised with respect to the question regarding the nature of the Board's action of March 8th, made in his telegram to Vice Governor Platt dated March 16th, which the Board on March 23rd voted to lay on the table.

After discussion, Mr. Hamlin moved that a reply along the following lines be sent to Governor Strong:

"You were authorized to go on with the matter, subject to final formal approval of the Board. On report from you that the matter has been consummated in substantial conformity with the terms of the tentative approval, the Board will formally approve the transaction".

Carried.

Memorandum from the Assistant Secretary, dated April 22nd, advising of the action of the recent Governors' Conference in voting that a conference of operating officers of the Federal Reserve banks should be subject to call of the Chairman of the Governors' Standing Committee on Collections, to consider any differences of opinion or discrepancies in the Federal Reserve time schedules before the Committee submits a final report on its study of the schedule, being conducted with a view to reducing float and avoiding existing inequalities.

Noted.

Memorandum from the Assistant Secretary, dated April 22nd, advising that at the last Governors' Conference, the Chairman of the Pension Committee advised that the Chairman of both the House and Senate Committee on Banking
and Currency had been consulted, had manifested interest in the proposed
pension plan for the Federal Reserve system and had agreed to introduce
the pension bill drafted by the Governors' Committee; and further, that
the Governors' Committee had studied and considered it unnecessary to
propose an amendment to the bill in order to provide for a liquidation of
the pension plan upon the liquidation of any or all Federal Reserve banks.

Noted.

Memorandum from the Assistant Secretary, dated April 26th, with
reference to the discussion had at the last Governors' Conference of the
effectiveness of budget control of expenses in the Federal Reserve banks;
the Assistant Secretary stating that no further action by the Board would
seem to be necessary at this time, as two of the three Federal Reserve banks
which had not installed the system and with which the Board had communicated
following the November Governors' Conference, have since advised of their
intention to install budgets.

Noted.

Memorandum dated April 26th from the Assistant Secretary, with refer-
ence to the request made by the Board of the last Governors' Conference that
a discussion be had of capitalization and other requirements imposed by state
law on state banks and trust companies exercising fiduciary powers and the
advisability of the Board adopting for all national banks a minimum capital
requirement and imposing other requirements in connection with its granting
authority to such banks to exercise trust powers; the Assistant Secretary
reporting that some doubt had been expressed as to whether the Board could
legally place a minimum limit upon the capital of a national bank to which it would grant trust powers, and that the matter had finally been put over until the next Governors' Conference.

After discussion, upon motion by Mr. James, it was voted that the Board's Counsel be requested to submit an opinion as to the legal right of the Board to place a minimum limit upon the capital of a national bank to which it will grant trust powers.

Memorandum from the Assistant Secretary, dated April 26th, with reference to the action of the recent Governors' Conference on the question of the advisability of seeking an amendment to the law to restore to Federal Courts jurisdiction over suits by and against Federal Reserve banks; the Assistant Secretary reporting that the Conference voted that the Counsel of the several Federal Reserve banks be asked to prepare an opinion on the advisability of seeking the amendment to the law referred to and that all of these opinions when prepared, should be forwarded to the Governor of the Federal Reserve Board.

The Governor stated that several of the opinions had been received and referred to the Board's General Counsel, to whom it was then voted to refer the above memorandum.

Memorandum from the Assistant Secretary, dated April 26th, with reference to the action of the Board in voting to place on the program for the last Governors' Conference, certain questions which have arisen with regard to the Board's ruling upon the eligibility for rediscount of notes of a corporation representing borrowings of funds to be advanced to subsidiaries, which was contained in the Board's circular of December 30, 1925, X-4484;
the Assistant Secretary stating that the Conference, after consideration, voted to refer this topic back to the Board with the request that it be submitted for consideration at the next Conference of Governors, it being pointed out that the topic had not been received by the Federal Reserve banks in time to permit of adequate consideration in advance.

Mr. James moved that the above matter be made a special topic for consideration at the next Governors' Conference.

Carried.

Memorandum from the Assistant Secretary, dated April 26th, with reference to the action of the Board in referring to the last Conference of Governors the question of the advisability of issuing regulations relative to the rediscount of notes secured by adjusted service certificates under the provisions of Section 502 of the World War Adjusted Compensation Act; the Assistant Secretary reporting that the Conference voted to refer this topic back to the Board with the request that it be submitted for consideration at the next Conference of Governors, it being pointed out that the topic had not been received by the Federal Reserve banks in time to permit of adequate consideration.

Mr. James then moved that this matter also be made a special topic for consideration at the next Governors' Conference.

Carried.

Memorandum from the Assistant Secretary, dated April 26th, advising of the action of the recent Governors' Conference in voting that the non-cash collection service of the Federal Reserve banks should be continued.
as at present, that is, without charge and without limitation as to items payable at street addresses and in voting that inasmuch as the question of the non-cash collection service has been thoroughly surveyed and has been before the Federal Reserve Board for nearly two years, the Board be requested to take final action upon it; the Assistant Secretary pointed out that following a meeting with the members of the special committee appointed by the Conference at the Board's request to confer with and aid the Board in reaching a conclusion on the question of non-cash collections, it was understood that the members of the Committee would communicate to the Board their views on a possible compromise affecting principally the collection of street address items and that Mr. James, Chairman of the Board's Special Committee on Non-Cash Collections, has received one or two letters.

Noted.

In connection with the above, Mr. James reported that Governor Young of the Federal Reserve Bank of Minneapolis had held a meeting with the Twin City bankers, including Mr. Barton, who is Chairman of the American Bankers Association Committee on Non-Cash Items, and had discussed with them the suggestion that the Federal Reserve banks might collect street address items under a charge to be fixed by the clearing house associations of the Federal Reserve Bank or Branch cities, or that they might be turned over for collection to a clearing house or member bank under contract.

Mr. James stated that Governor Young reported the latter method would be a compromise acceptable to Mr. Barton, and that the matter had been taken up with the other members of the Governors' Committee.

Memorandum from the Assistant Secretary, dated April 26th, advising of
the action of the last conference of Governors in voting to approve a report submitted by the sub-committee of the General Committee on Bankers Acceptances and to request the Federal Reserve Board to adopt the recommendations contained in the report; the Assistant Secretary also reporting that the conference voted to request the Board to amend sub-division 3 of Section 10 of Article B of Regulation A to read as follows:

"The storage of readily marketable staples, provided that the bill is secured at the time of acceptance by a warehouse, terminal, or other similar receipt, conveying security title to such staples issued by a party independent of the customer, or issued by a terminal grain elevator company duly bonded and licensed and regularly inspected by State or Federal authorities with whom all receipts for grain and all transfers thereof must be registered and without whose consent no grain can be withdrawn; and provided further, that the acceptor remains secured throughout the life of the acceptance.****"

Referred to the Law Committee.

Memorandum from the Assistant Secretary, dated April 26th, advising that at the last conference of Governors, it was voted to recommend to the Federal Reserve Board that the Federal Reserve System, acting through the Board, retain as special counsel Mr. Newton D. Baker, to consider litigable matters only, and that all Federal reserve banks shall refer to the counsel of the Federal Reserve Board as soon as it arises every litigated question, together with all papers relating thereto, and that the Counsel of the Federal Reserve Board should refer to such special counsel all such cases as he thinks concern the System as a whole and any other cases which counsel of the forwarding Federal reserve banks request be referred to the special counsel.
Referred to the Law Committee.

Memorandum from the Assistant Secretary, dated April 22nd, reporting the discussion had at the last Governors' Conference with Honorable Newton D. Baker with regard to various aspects of the case of the Federal Reserve Bank of San Francisco vs. Idaho Grimm Alfalfa Seed Growers Association in its relation to the discount policy and procedure of the several Federal reserve banks, at the conclusion of which it was agreed that each Federal reserve bank would send to Mr. Baker through the Counsel of the Federal Reserve Board a report of its present procedure and practice in the matter of making rediscounts for or advances on bills payable of member banks, including a description of the policy of the Federal reserve bank in requiring additional collateral and the steps taken in general in dealing with weak banks, as well as any other pertinent facts that may enable Mr. Baker to make a thorough study of the subject with a view to informing all of the Federal reserve banks of the dangers to be guarded against and the procedure to be followed in such of their operations as might be concerned with or related to the principles of law involved in the above mentioned case; the Assistant Secretary also reporting the action of the conference in voting that pending consideration of the whole matter by Mr. Baker, as set forth above, the Federal reserve banks, as authorized in the Board's letter of February 27, 1926, X-4544, should eliminate from their rediscount application blanks any letters or other symbols designed to indicate whether the discounted paper is depositor's or purchased paper, and in voting to recommend to the Board that these application blanks should
not require any reference even to discounted paper obtained by a member bank from a non-member bank.

Referred to the Law Committee.

At this point Mr. Platt entered the meeting.

The Governor then presented draft of a letter addressed to Honorable Richard P. Ernst, Chairman of the Select Committee on Revision of the Law of the Senate, with reference to H. R. 10,000, a bill to revise all of the laws of the United States in effect prior to December 1, 1925, which, without being printed, passed the House of Representatives on April 15th and has been referred by the Senate to the Select Committee; the letter to Senator Ernst pointing out that the revision has never been submitted to the Federal Reserve Board and that an examination of the page-proof of the bill discloses that the title "Banks and Banking" contains a number of errors, some of which are more or less serious, and requesting the privilege of having the Board's General Counsel confer with him regarding this portion of the bill before it is reported to the Senate, in order that an effort may be made to correct the mistakes in the revision of the Federal Reserve Act.

After discussion, the above letter was approved as amended.

Mr. Miller then reported on the matter referred to him at the meeting on March 15th, namely, letter dated February 28th from Mr. John Ferrin, formerly Federal Reserve Agent at San Francisco recommending that the salary of Mr. Allan Sproul, Assistant Federal Reserve Agent, be increased from $5,600 to $6,500 per annum, and that the salary of Miss Helene S. Eichaker, Secretary to the Federal Reserve Agent, be increased from $3,100 to $3,000 per annum. Mr. Miller submitted a letter addressed
to him under date of April 16th by Mr. Isaac B. Newton, the present Federal Reserve Agent, asking that Mr. Sproul's salary be increased to $6,000 and that of Miss Eichaker to $2,520 per annum, both effective March 1st.

After discussion, upon motion by Mr. James, it was unanimously voted to approve salaries of $6,000 and $2,520 per annum, respectively, for Mr. Sproul and Miss Eichaker, both effective March 1st.

The minutes of the meetings of the Federal Reserve Board held on April 16th, 19th and 21st were read and approved.

The minutes of the special meeting of the Board held on April 22nd were read and approved.

Mr. Miller stated that had he been present at this meeting, he would have concurred in the opinion expressed by Mr. Platt that the reduction in rate recommended by the directors of the Federal Reserve Bank of New York was premature.

The minutes of the meeting of the Executive Committee held on April 23rd were read and, upon motion, the actions recorded therein were ratified.

The minutes of the special meeting of the Board held on April 23rd were read and approved.

Mr. Miller stated that had he been present at this meeting, he would have joined in the action taken in recording approval of the so-called McFadden Bill as reported to the Senate by its Committee on Banking and Currency.

Memorandum from Counsel dated April 23rd, with reference to the application of Mr. Morgan Butler for permission to serve at the same time upon the directorates of the First National Bank and the New England Trust Company, both of Boston, Massachusetts; Counsel stating that while the
Federal Reserve Agent recommends approval of the application, he is unable
to do so, but that action on previous similar applications form a precedent for
approval if the Board so desires.

Upon the recommendation of the Law Committee,
it was unanimously voted to approve Mr. Butler's
application.

REPORTS OF STANDING COMMITTEES:

Dated, April 24th, Recommending changes in stock at Federal Reserve
26th, Banks, as set forth in the Auxiliary Minute Book of this
date.
Approved.

Dated, April 22nd, Recommending action on applications for fiduciary powers,
26th, as set forth in the Auxiliary Minute Book of this date.
Approved.

Dated, April 26th, Recommending action on application for fiduciary powers,
as set forth in the Auxiliary Minute Book of this date.
Refused.

Dated, April 22nd, Recommending action on application for admission of state
bank, subject to the conditions stated in the individual
report attached to the application, as set forth in the
Auxiliary Minute Book of this date.
Approved.

Dated, April 24th, Recommending approval of the application of Mr. John T.
Dorrance to serve at the same time as director of the
National Bank of Commerce of New York City and director
of the Philadelphia-Girard National Bank and the Girard
Trust Company, both of Philadelphia, Pa.
Approved.

The meeting adjourned at 12:35 p.m.

Approved:

[Signature]

Assistant Secretary.

[Signature]

Governor.