

A meeting of the Federal Reserve Board was held in the office of the Governor on Thursday, September 23, 1926 at 11:15 a.m.

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

The reading of the minutes of the meetings of the Federal Reserve Board held on September 7th, 8th, 9th and 10th and the minutes of the meetings of the Executive Committee held September 15th and 22nd was dispensed with.

Telegram dated September 22nd from the Deputy Chairman of the Federal Reserve Bank of Boston, advising that the board of directors on that day made no change in the bank's existing schedule of rates of discount and purchase.

Noted.

Memorandum dated September 22nd from the Director of the Division of Research and Statistics, recommending the temporary appointment for a period of three months beginning September 27th of Harvey Robinson to the position of messenger in the Division at a salary of \$75 a month, to fill the vacancy created by the resignation of Alvin Croghan.

Approved.

Draft of letter, prepared by the Secretary, and addressed to the Chairmen of all Federal Reserve banks having branches as follows:

"The rules and regulations of the Federal Reserve Board, with respect to the appointment of the directors of the branch Federal reserve banks, which became effective on January 1, 1925 and which were amended by the Board's letter of January 29, 1926, X-4516, provide that the boards of directors of the Federal reserve branch banks shall consist of either seven members or five members, as may be determined by the Federal reserve bank of the district concerned,

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"subject to the approval of the Federal Reserve Board.

As the time is approaching when consideration will be given by the Board to the matter of selecting its appointees to the boards of directors of the branch Federal reserve banks, you are requested to take up with the board of directors of your bank, for its determination, subject to the Board's approval, the question of whether or not the board of directors at your _____ Branch should, beginning January 1, 1927, consist of seven members or five members."

Approved.

Report of Executive Committee on letter dated September 10th from the Federal Reserve Agent at Chicago, recommending approval of an application of the Roseland National Bank of Chicago for a reduction in its reserve requirements from 13% of demand deposits and 3% of time deposits to 10% of demand deposits and 3% of time deposits; the Committee also recommending approval.

Approved.

Report of Committee on Examinations on letter dated September 11th from the Federal Reserve Agent at San Francisco, transmitting and recommending approval of an application of the American Bank of San Francisco for permission to take over the College National Bank of Berkeley and to consolidate its business with the branch located at 2033 Shattuck Avenue; the Committee recommending approval.

Approved.

Report of Committee on Examinations on letter dated September 11th from the Federal Reserve Agent at San Francisco, transmitting and recommending approval of an application of the Pacific Southwest Trust and Savings Bank for permission to discontinue its branch at Washington Street and Burlington Avenue and to establish a new branch at the corner of La Brea

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Avenue and Country Club Drive, Los Angeles; the Committee also recommending approval.

Approved.

Report of Committee on Examinations on letter dated September 11th from the Federal Reserve Agent at San Francisco, recommending the Board's approval of an application of the Pacific Southwest Trust and Savings Bank, Los Angeles, to take over the Lennox State Bank, Lemox, Cal. and to establish a branch in its premises; the Committee recommending approval on the assumption that Lemox is contiguous to Los Angeles under the Board's Regulations.

Approved.

Report of Committee on Examinations on letter dated September 16th 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 Bank of Van Nuys, Van Nuys, Los Angeles, and to establish a branch in its premises; the Committee also recommending approval.

Approved.

Memorandum from Counsel dated September 21st, submitting draft of reply to letter dated September 17th from the Deputy Governor of the Federal Reserve Bank of Kansas City, enclosing a letter from the United States Cold Storage Company of Kansas City, requesting a reconsideration of the Board's ruling of August 3rd, transmitted to all Federal Reserve banks in circular of August 16th, X-4654 with reference to the eligibility for rediscount at a Federal Reserve bank of certain notes of a cold storage and warehouse company; the proposed reply stating the Board is of the opinion that the principles announced in

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its rulings are correct and are applicable to the paper of the United States Cold Storage Company, which it appears is engaged in the finance business and a major portion of whose current borrowings are for finance purposes, and that the Board, therefore, sees no reason for changing its ruling.

Upon motion, the proposed letter was approved.

At this point, Mr. James entered the meeting.

The Governor then presented memorandum from Counsel dated September 4th, with reference to the application of Mr. A. L. Warner for permission to serve at the same time The Bankers National Bank, The Metropolitan National Bank and The Bankers Trust and Savings Bank, all of Minneapolis, Minn. and the First National Bank of Glenwood, Minn.; Counsel submitting draft of a letter to the Federal Reserve Agent at Minneapolis stating - (1) It appears that one of the banks that Mr. Warner is serving, The Bankers National Bank, is in process of liquidation; that Mr. Warner has resigned from one of the other banks, The First National Bank of Glenwood, but since it is in the hands of a receiver he has been unable to secure acceptance of his resignation; and that none of the banks involved are in substantial competition; (2) In view of these facts the Board has decided to defer action on Mr. Warner's application for a reasonable time until the liquidation of the Bankers National Bank has been completed or until Mr. Warner's resignation from The First National Bank of Glenwood has been accepted.

Governor Crissinger expressed the opinion that to hold that a bank in process of liquidation or a bank in the hands of a receiver came within the prohibitions of the Clayton Act was to take a very technical position. He recommended that the Board approve the application of Mr. Warner

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for permission to serve The Metropolitan National Bank and The Bankers Trust and Savings Bank, both of Minneapolis and rule that The Bankers National Bank of Minneapolis, which is in process of liquidation, and The First National Bank of Glenwood, which is in the hands of a receiver, do not come within the prohibitions of the Clayton Act.

Mr. Hamlin, Chairman of the Law Committee, concurred in the Governor's suggestion which, upon motion, was unanimously approved.

The Governor then reported that Messrs. Black, Melvin and Ware, members of the special committee appointed by the board of directors of the Federal Reserve Bank of Atlanta to investigate all circumstances in connection with the shipment of currency made by the Federal Reserve Bank of Atlanta to its Havana Agency on April 10th, were in Washington. He stated that the Committee had completed its investigation and drafted its report which contained references to the information which the Board at the hearing on September 10th turned over to the Committee, with certain restrictions as to its use. He stated that the Committee before presenting its report to the Atlanta Board of directors desired to make sure that in doing so they would not violate the restrictions placed by the Board on the use of the information furnished the Committee and desired to submit the report for the perusal of some member or Committee of the Board or its General Counsel.

Following a discussion, upon motion by Mr. Miller, it was voted to authorize the Governor to receive the Committee.

The Governor then brought up for a discussion the following motion submitted by Mr. Miller at the meeting of the Executive Committee yesterday after consideration by the Committee of applications for permission to reduce their capital stock filed by The First National Bank of Parlier, Cal. and The

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Live Stock National Bank of South Omaha, Nebraska - "That in these two cases the Board attach as a further condition that the banks will engage to increase their capital account (capital and surplus), so as to maintain it at not less than 10% of their deposit liabilities".

Thereupon ensued a discussion as to whether or not the Board could legally impose a condition such as is provided in the resolution submitted by Mr. Miller.

Following the discussion, upon motion, it was voted that the question of the legality of the Board's imposing the condition set out in the motion be referred to the Board's Counsel for an opinion, in conjunction with Counsel for the Comptroller of the Currency.

Draft of letter to all Federal Reserve Agents, prepared by the Secretary of the Board in accordance with action taken at the meeting of the Executive Committee yesterday, requesting them to communicate with the Board with regard to the workings of the present system of electing Class "A" and "B" Directors, with an outline of the various steps taken in the conduct of the elections and any criticisms or suggestions which have been made by member banks concerning the election procedure; the letter also requesting that the Agents advise the Board as to whether or not any change should be made in the grouping of the member banks and that the Agents discuss the subject of election procedure at their forthcoming Conference.

Approved.

The Secretary then referred to the action of the Executive Committee at its meeting on August 6th in approving the recommendation contained in a memorandum submitted by Mr. James that the Board address a letter to the Chairman of the Federal Reserve Bank of Atlanta, within thirty days after

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the meeting of the board of directors of the bank next succeeding the recent examination of that institution, asking him to report to the Board what action had been taken relative to the criticisms and suggestions listed by the examiner. The Secretary inquired whether the Board now wished to write such a letter in view of the fact that the most important criticism, that relating to the conduct of the Miami Revolving Currency Fund, has been disposed of, and several other criticisms are being considered by the special committee appointed by the Atlanta board to investigate circumstances in connection with the recent shipment of currency to its Havana Agency.

After discussion, the Secretary was directed to prepare for submission to the Board a letter to the Chairman of the Atlanta Bank, requesting advice as to action taken on the various criticisms of the Board's examiner.

The Governor presented a memorandum from the Board's Counsel, prepared in accordance with instructions given by the Executive Committee at its meeting yesterday, on the question whether the Federal Reserve Board may require Federal Reserve banks to collect non-cash items; Counsel expressing the opinion that the Federal Reserve Board has no authority to require the Federal reserve banks to handle such items.

The Governor then brought up the following resolution submitted by Mr. James at the meeting on May 25th:

"Be it resolved, that the Federal Reserve Board makes it optional with each Federal Reserve bank as to discontinuing the collection of non-cash items at street addresses."

Mr. Miller moved, as a substitute for Mr. James' motion,

"That no change in the present system of handling non-cash collections be made, except on the recommendation of a Federal Reserve bank."

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Mr. Hamlin moved as a substitute for the motions made by Messrs. James and Miller, the adoption of the following resolution:

"Whereas, the Federal Reserve Board is advised by its Counsel that it has no power to direct the Federal reserve banks in the matter of collections at street addresses, it leaves this matter for determination by the respective Federal reserve banks."

Mr. Platt submitted and moved adoption of the following as a substitute for the motions of Messrs. James, Miller and Hamlin:

"In view of the opinion of the Board's Counsel that the Federal Reserve Act gives authority to each Federal reserve bank to collect notes and drafts, and in view of the fact that the present non-cash collection policy of the Federal reserve banks has been adopted and put into effect at the suggestion of the Federal Reserve Board;

"Resolved, that the Federal Reserve Board suggest to the Federal reserve banks that each bank should exercise its own option as to the collection of items at street addresses, but continue the collection of items collectible at banks."

After a full discussion, Mr. Platt's substitute motion was put by the Chair and carried, the members voting as follows:

Mr. Hamlin, "aye"
 Mr. Platt, "aye"
 Mr. James, "aye"
 Mr. Cunningham, "aye"
 Governor Crissinger, "no"
 Mr. Miller, "no"

Mr. Platt then submitted a letter addressed to him under date of September 10th by Miss Frances M. Mooney, tendering her resignation as stenographer in his office, effective at the close of business October 23, 1926.

Noted.

Letter dated September 21st from the Federal Reserve Agent at St. Louis, transmitting a statement showing the ratio of bank deposits to total deposits,

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as of June 30, 1926, of those banks in the Eighth Federal Reserve District to which the Board has granted permission to carry reduced reserves in accordance with Section 19 of the Federal Reserve Act; the Federal Reserve Agent calling particular attention to the Grand National Bank of St. Louis, which as the Grand Avenue National Bank was granted a reduction in reserve requirements on December 21, 1920 and consolidated with the Missouri National Bank which was granted reduced requirements on June 27, 1922, and recommending that as this bank has now ceased to do a country bank business and is, therefore, no longer entitled to the privilege of reduced reserves, its reserve requirements be increased from 7% of demand deposits and 3% of time deposits to 10% of demand deposits and 3% of time deposits.

Ordered circulated, and referred to the
Committee on Examinations.

The Governor then referred to the action of the Executive Committee at its meeting on August 26th, in voting to recommend to the Board a revision of Article VI of the By-laws of the Board so as to make that Article read as follows:

"Article VI.

The Executive Committee.

Sec. 1. There shall be an Executive Committee of the Board consisting of three members, which shall include the Governor, Vice-Governor and one of the appointive members of the Board. The appointive member of the Committee shall be nominated and elected at a regular meeting of the Board. Members of the Board shall serve as far as practicable in rotation and for approximately equal terms. The presence of three members shall be requisite for the transaction of business by the Executive Committee, and action shall be taken only on unanimous vote of the Committee.

Sec. 2. In the absence of the Governor and Vice-Governor the appointive member of the Executive Committee shall act as Chairman and shall, with two other appointive members of the Board present in Washington to be chosen by him in the order of their seniority, exercise the powers and discharge the

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"duties of the Executive Committee. In the absence of all three regular members of the Executive Committee the three remaining appointive members of the Board, provided there be three in Washington, shall act as an interim committee and exercise the powers and discharge the duties of the Executive Committee, the senior member acting as Chairman.

The Secretary of the Board shall serve as Secretary of the Executive Committee.

Sec. 3. It shall be the duty of the Executive Committee to review and submit drafts of important correspondence involving the expression of opinions or decisions of the Board, and to prepare and make recommendations governing the conduct of the Board's business.

Sec. 4. The Executive Committee shall also have charge of all matters appertaining to the internal organization of the Board, and shall make recommendations from time to time on this matter. It shall also prepare annually a budget of proposed expenditures.

Sec. 5. In the absence of a quorum of the Federal Reserve Board and for the transaction of business requiring action during the absence of such quorum, the Executive Committee is authorized to transact business which can be transacted in accordance with established principles and policies of the Board and to perform such additional duties as may be specifically delegated to it from time to time by instruction of the Federal Reserve Board."

Upon motion, the revision recommended by the Executive Committee was unanimously approved.

The Governor then referred to the action of the Board at its meeting on September 2nd in voting to defer to a future meeting consideration of the question of the scope of the proposed Division to be organized for the purpose of undertaking examinations of State member banks, under the resolutions adopted by the Board on August 12, 1926.

Following a brief discussion, both the Governor and Mr. Cunningham were called from the meeting and the remaining members continued the discussion informally.

Mr. Miller was requested to submit for consideration a revision of the first paragraph of the resolutions adopted on August 12th, and it was understood that he would do so at the meeting tomorrow.

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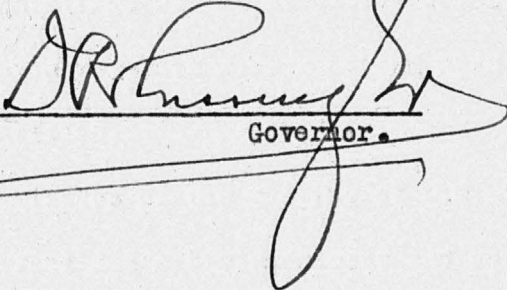
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REPORTS OF STANDING COMMITTEES:

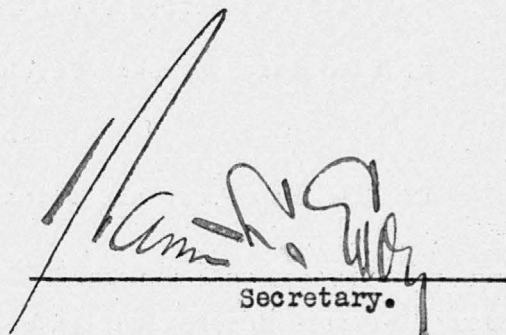
Dated, September 23rd, Recommending changes in stock at Federal Reserve Banks
as set forth in the Auxiliary Minute Book of this date.
Approved.

The meeting adjourned at 1:05 p.m.

Approved:



Governor.



Secretary.