A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, October 6, 1926 at 12:00 o'clock noon.

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

Memorandum dated October 5th from General Counsel, requesting authority to employ an additional stenographer in his office at a salary of not to exceed $1800 per annum.

Approved.

Memorandum dated October 6th from the Secretary, requesting authority to employ Mr. S. R. Carpenter as clerk-stenographer in the Chief Clerk's office at a salary of $1500 per annum, effective October 7, 1926 to fill the vacancy created by the transfer of Miss Mildred DeHart to the office of General Counsel.

Approved.

Memorandum from Counsel dated October 1st, approved by the Law Committee, with reference to the application of Mr. Richard McAllister for permission to serve at the same time as a director of the Pacific Avenue National Bank and The Marine Trust Company, both of Atlantic City, N. J.; Counsel stating that in his opinion the banks are in substantial competition and recommending that the Board refuse the application temporarily, advise the applicant that on the evidence before it it can not permit him to serve the banks and request him to furnish the Board with additional information.
the time within which the applicant shall notify the Board whether he desires to furnish additional information to be limited to thirty days, with the understanding that if the Board is not notified within that time its refusal will become final.

Upon motion, it was voted to approve Counsel's recommendation and accordingly the application was temporarily refused.

Memorandum dated October 4th addressed by the Secretary to the Law Committee, with reference to a telegram dated October 2nd from the Federal Reserve Agent at San Francisco recommending approval of an application for permission to exercise general fiduciary powers filed on behalf of the Merchants National Bank and Trust Company of Los Angeles by the Merchants National Bank and the Hellman Commercial Trust and Savings Bank, N. A. which are consolidating to form the first named institution; together with a memorandum from Counsel stating that the Merchants National Bank and Trust Company will have authority to exercise fiduciary powers by operation of law.

Upon motion by Mr. Hamlin, it was voted to approve the application filed on behalf of the Merchants National Bank and Trust Company for permission to exercise general trust powers, effective if and when that institution is authorized to begin business.

Memorandum from Counsel dated September 14th, submitting draft of reply to letter addressed to him by Counsel for the Federal Reserve Bank of Richmond, with reference to the right of the National Bank of Rising Sun, Md. to act as assignee under a voluntary deed of assignment; the bank having received permission from the Board to act as trustee, executor, ad-
ministrator and registrar of stocks and bonds before Section 11 (k) of the Federal Reserve Act was amended in 1918; the proposed reply stating that the question is a close one of statutory construction which can only be definitely determined by a court of law, that under the circumstances the Board does not care to make a definite ruling on the question, but that if the bank should determine to act in the desired transaction and this fact should come to the attention of the Board it would not be disposed to question the bank's authority on the ground of ultra vires.

Upon motion, it was voted to approve of the Board's Counsel forwarding his proposed reply.

Memorandum from Counsel dated September 30th on the matter referred to him at the meeting on September 24th, namely, the legality of the Board's imposing as a condition to its approval of applications to reduce their capital filed by The First National Bank, Parlier, Cal. and the Live Stock National Bank, South Omaha, Nebr., 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; Counsel stating that the Board has lawful authority to impose the condition proposed, but that it is very doubtful whether it could be enforced in case the stockholders of the bank did not desire to abide by the bank's agreement.

After discussion, Mr. Hamlin moved that the Board ratify the action of the Executive Committee at its meeting on September 22nd in voting to approve the application of the First National Bank of Parlier, Cal. to reduce its capital from $200,000 to $100,000 and the application of the Live Stock National Bank of South Omaha, Nebr. to reduce its capital from $650,000 to $450,000 each subject to the conditions suggested by the Comptroller of the Currency in his memorandums of September 15th and 16th, respectively.

Carried.
The minutes of the meeting of the Federal Reserve Board held on October 5th were then read and approved.

The Governor then referred to the application of the Mercantile Trust Company of California for permission to take over the American Bank of San Francisco and its branches. He presented the following letter addressed to the Board by Mr. Herman Phleger, attorney for the Mercantile Trust Company:

"At yesterday's meeting of the Board, I told of certain plans of Mercantile Trust Company of California and the American Bank which had been formulated by them and which would be carried out following their merger. You asked that I address a letter to you stating these plans.

It is the plan of the Mercantile Trust Company of California, and the American Bank upon their merger, to issue immediately and sell eleven thousand shares of the capital stock of the merged banks which will produce approximately three million dollars of additional capital. This plan has been agreed to by a majority of the directors and will be carried out at once.

It is the further plan of the merged institutions to make a substantial reduction in the investments in bank premises and real estate.

I have attached to this letter the telegram of Mr. Drum, President of the Mercantile Trust Company of California, authorizing this statement."

He also presented the following telegram addressed to Mr. Phleger by Mr. John S. Drum, President of the Mercantile Trust Company:

"You are authorized on behalf of Mercantile Trust Company of California to make written statement to the Federal Reserve Board in Washington explaining that it is the plan of the American Bank and The Mercantile Trust Company of California upon their merger to issue immediately and sell eleven thousand shares of the capital stock of the merged banks which will produce approximately three million additional capital stop This plan has been agreed to by a majority of the directors and will be carried out at once stop It is the further plan of the merged institutions to make a substantial reduction in its investments in bank premises and real estate period"
After discussion, the Governor brought up the motion made by Mr. Miller at the meeting on September 4th that the Board approve the application of The Mercantile Trust Company for permission to take over the American Bank of San Francisco and its branches.

Mr. James moved as a substitute for Mr. Miller's motion that "It being the understanding of the Board, based on information from the Federal Reserve Bank of San Francisco, supplemented by details contained in a telegram from the President of the Mercantile Trust Company and a letter from Mr. Herman Phleger, representative of the bank, that the capital and surplus of the Mercantile Trust Company on completion of the merger will be not less than $18,000,000 and it being further understood that substantial reductions will be made in the amount of investments in bank premises and other real estate, the proposed merger is approved."

Mr. James' substitute motion being put by the Chair was unanimously carried.

Letter dated October 5th from the Assistant Federal Reserve Agent at Cleveland, recommending approval of an application of the Cleveland Trust Company for an extension of six months from September 29th in the period in which it may establish the branch at the intersection of Cedar and Fairmount Roads, Cleveland Heights, approved by the Board on March 29th.

Approved.

Mr. James then stated that he had received a letter from a prominent cotton producer stating that rediscounts of banks in the cotton section are being ordered reduced and inquiring whether the Federal Reserve Board has issued any such order. Mr. James suggested that the Board wire for advice from the Federal Reserve Banks of Richmond, Atlanta, St. Louis and Dallas as to what their policy is with regard to loans on cotton.

Following a discussion, Mr. James' suggestion was approved and he was requested to draft telegram to the banks mentioned to be submitted at a meeting
of the Board this afternoon.

The meeting adjourned at 1:30 p.m.

Approved:

[Signature]

Governor.

[Signature]

Secretary.