

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, November 30, 1926 at 11:10 a.m.

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

The minutes of the meeting of the Federal Reserve Board held on November 24th were read and approved.

The minutes of the meeting of the Federal Reserve Board held on November 26th were read and approved as amended.

The Secretary stated that the Governor before leaving town had requested him to advise the Board that in accordance with the action taken at the meeting on November 22nd reconsideration of the Board's ruling of September 23rd, with reference to the handling by Federal Reserve Banks of non-cash collection items payable at street addresses, would be special order of business for a meeting to be held on Tuesday, December 7th.

Report of Law Committee on application of The First National Bank of Stanton, Iowa, for permission to act as guardian of estates, assignee, receiver and committee of estates of lunatics; the bank previously having been granted authority to act as trustee, executor, administrator and registrar of stocks and bonds. Mr. Hamlin concurred in the recommendation of the sub-committee that the application be approved, but Mr. Platt reported adversely on account of the small capital of the bank, same being only \$25,000.

Mr. Hamlin moved approval of the application.

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Carried, Mr. Platt voting "no".

Letter dated November 24th from the Secretary of the Federal Reserve Bank of New York, 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.

Matter approved on initials on November 27th, namely, telegram dated November 26th from the Federal Reserve Agent at Kansas City, requesting the designation as special examiner of Mr. S. A. Wardell, auditor of the bank.

Formally approved.

Matter approved on initials on November 29th, namely, reply to telegram dated November 29th from the Federal Reserve Agent at New York, inquiring whether the Board's recent approval of the merger of the First Bank of Albany and the Albany Trust Company includes the taking over of two branches of the Albany Trust Company, one already in operation and the other about to be opened; the reply advising that the Board's approval of the merger may be construed to cover both the established branch of the Albany Trust Company and the branch about to be opened.

Upon motion, the above reply was formally approved.

Telegram dated November 24th from the Governor of the Federal Reserve Bank of Dallas, requesting approval of a contribution of \$2,000 by that bank toward the expense of the distribution of a farm chart by the Texas Safe Farming Association; together with reply made on November 29th, on the initials of members of the Board, stating that the Board will not object to the contribution.

Upon motion, the proposed reply was formally approved.

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Letter dated November 27th from the Federal Reserve Agent at Kansas City, transmitting resignation of Mr. W. S. Bulkley, Class "C" director of that bank and stating he believes it is intended to be immediately effective.

Upon motion, Mr. Bulkley's resignation was accepted, effective immediately.

Letter dated November 25th from the Assistant Federal Reserve Agent at Cleveland, advising that the Western Bank and Trust Company of Cincinnati, Ohio, has decided not to establish the branch at 1530 Harrison Avenue, Cincinnati, approved by the Board on November 20, 1925.

Noted.

Report of Committee on Examinations on letter dated November 22nd from the Federal Reserve Agent at Cleveland, transmitting and recommending approval of an application of The Citizens Trust and Savings Bank, Columbus, Ohio, for permission to establish a branch on Grandview Avenue near West 1st Street, Grandview Heights; Mr. Platt recommending approval and Mr. Cunningham submitting no recommendation. Mr. Cunningham stated that he did not join in Mr. Platt's recommendation for the reason that he was not sure that the location of the proposed branch was within the city limits of Columbus.

After discussion, Mr. Hamlin moved approval of the application on condition that the proposed location of the branch is within the city limits of Columbus or contiguous thereto.

Mr. Hamlin's motion being put by the Chair was carried, Mr. Cunningham voting "no".

Memorandum dated November 26th from the Chief of the Division of Bank Operations, transmitting statements of expenditures of the Federal Reserve banks for educational and welfare work, etc. during the month of October and for the ten month period ending October 31st.

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Ordered circulated.

Memorandum from the Comptroller of the Currency, dated November 27th, recommending approval of an application of the Stock Growers National Bank of Cheyenne, Wyoming, for permission to reduce its capital from \$400,000 to \$300,000, providing that \$100,000 of its undivided profits are transferred to the surplus account. The Secretary called attention to the fact that this recommendation is in accordance with the suggestion made by the Board's Committee on Examinations in a report submitted at the meeting on November 24th, relative to a previous memorandum addressed to the Board by the Comptroller regarding the same reduction.

Upon motion, it was voted to approve the above application subject to the condition recommended by the Comptroller.

Letter dated November 24th from the Federal Reserve Agent at Chicago, advising that the Detroit Clearing House Association has adopted a resolution providing that no member of that Association or bank clearing through a member shall cash or accept for deposit checks on banks in Michigan which are not collectible at par through the Federal Reserve bank, and no member or bank clearing through a member bank shall pay exchange on checks on banks located in Michigan which are collectible through the Federal Reserve bank.

Noted.

Report of Committee on Salaries and Expenditures on letter dated November 29th from the Chairman of the Federal Reserve Bank of New York, requesting approval of an amendment to Section 5 of Article II of the By-laws of the Buffalo Branch, effective January 1, 1927, so as to provide that directors

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other than salaried officers, when present at meetings of the Board and sub-committees constituted by the Board, shall receive a compensation of \$20, instead of \$10, for each meeting attended and an allowance to cover actual necessary traveling expenses incident to attendance at regular and special meetings of the Board or of the sub-committees; the Committee recommending approval.

Approved.

The Vice Governor then presented the recommendations made to the Board by the Federal Advisory Council at its meeting on November 19th and called attention to the statement contained therein that the Council in general does not approve of reducing the reserve requirements of outlying banks in central reserve and reserve cities, that it realizes that exceptions have been made and before reaching any final decision in the matter requests the Board to furnish it with such data and recommendations as may have been made as the result of a careful investigation of this question.

Upon motion, the Secretary was directed to furnish the Council with all pertinent data in the Board's possession.

Memorandum from the Secretary dated November 27th, with reference to the matter referred to the recent meeting of the Federal Advisory Council and the recent Conference of Federal Reserve Agents, namely, the question of the effect, if any, on the value of the Board's weekly consolidated statement of the condition of member banks if the Board were to release separately the figures for New York and Chicago member banks in advance of the consolidated statement; the Secretary advising of a resolution passed by the Federal Reserve

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Agents' Conference to the effect that it would interpose no objection to this procedure and calling attention to the report of the Federal Advisory Council that it believes it is inadvisable to publish only a part of the statement of condition of reporting member banks as this may, at times, lead to false impressions as to economic and financial conditions of the country.

Thereupon ensued a review of the Board's previous consideration of the suggestion that figures of the condition of reporting member banks in New York and Chicago be issued each week on Friday in advance of the consolidated statement for all districts which would continue to be released the following Tuesday.

Following a discussion, Mr. Miller moved that the report of the Federal Advisory Council having been received, the Board disapprove the suggestion for the release of New York and Chicago member bank figures in advance of the regular weekly consolidated statement.

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

Memorandum from Counsel dated November 27th, with reference to Clayton Act applications of Messrs. C. W. Lotte, Wilmer A. Cadmus, George W. Renkel and Albert H. Slater for permission to serve at the same time as directors of the Broadway National Bank and The National Bank of America, both of Paterson, N. J., which were temporarily refused by the Board on August 4th and the usual opportunity given the applicants to present additional evidence; Counsel stating that in accordance with this action a Conference was held with a representative of the applicants on October 7th and that while the question of substantial competition between the banks involved is a very close one, especially in view of the difference in size of the banks and the

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extent to which their stock is owned by the same parties, he is of the opinion that they are in substantial competition and therefore recommends that the applications be refused, effective January 1, 1927. Mr. Hamlin and Mr. Platt, members of the Law Committee, submitted separate memoranda; Mr. Hamlin stating he is inclined to the view that the banks are not in substantial competition but that because of the closeness of the case it should be considered by the full Board, and Mr. Platt stating that he believes the applications involved should be granted.

After discussion, Mr. Hamlin moved approval of the Clayton Act applications of Messrs. Lotte, Cadmus, Renkel and Slater.

Mr. Hamlin's motion being put by the Chair was lost, the members voting as follows:

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

Mr. Platt then stated that in view of this action, the applications stood finally refused, the applicants, however, not to be affected until the first of the year which is in accordance with the understanding at the time of the Board's preliminary refusal of their applications.

Memorandum from Counsel dated November 22nd, submitting draft of a letter to the Secretary of the Treasury, advising that the Board understands that his Department, at the request of the Federal Farm Loan Board, is to submit to the Attorney General for an opinion the question whether Joint Stock Land banks are "banks" within the meaning of the Clayton Act, and requesting that in submitting this matter to the Attorney General he transmit copy of an opinion rendered by the Board's Counsel and adopted by the Board to the effect that Joint

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Stock Land banks should be so considered.

Upon motion, the proposed letter was approved.

Memorandum from the Secretary dated November 27th, with reference to discussion at the recent Conference of Federal Reserve Agents as to the procedure in reference to the granting of national bank charters, during which it was thought desirable to consider whether the Federal Reserve Board should not be given authority, if it is not already given it, to deny applications of newly organized national banks for stock in Federal Reserve banks; the memorandum setting forth that in order to give careful study to this question a Committee was appointed to report at the next meeting of the Conference.

Noted.

Memorandum from the Secretary dated November 27th, submitting report of the Federal Reserve Agents' Committee on National Summary of Business Conditions which was adopted at the recent Conference of Federal Reserve Agents.

Noted.

Memorandum from the Secretary dated November 27th, submitting a report of discussion and recommendations made at the recent Conference of Federal Reserve Agents on the subject of the examination function at the Federal Reserve banks.

Referred to the Committee on Examinations.

Memorandum from the Secretary dated November 27th, reporting that it was brought to the attention of the recent Conference of Federal Reserve Agents that Federal Reserve banks have frequently been compelled to pay dividends on Federal Reserve bank stock held by national banks which have ceased to do business

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and which were carrying no balances with the Federal Reserve banks; the memorandum stating that a committee of the Conference conferred with Mr. Stearns, Deputy Comptroller of the Currency, who indicated a willingness to do all that is possible in the Comptroller's office to remedy this situation and that the Conference adopted a report of the Committee recommending (1) That the Board request the Comptroller of the Currency whenever possible under the law to notify a national bank which has ceased to do business but which has not gone into liquidation that it must go into liquidation in accordance with law or else a receiver will be appointed; (2) That the Board recommend to Congress the passage of an appropriate amendment to the law which would give the Comptroller of the Currency authority to appoint a receiver for a national bank which has discontinued its banking operations for a period of sixty days, but which has not gone into liquidation, as provided by law, and which would also authorize the cancellation of Federal Reserve bank stock held by such a national bank when a receiver has thus been appointed.

Upon motion, the above memorandum was referred to the Law Committee.

Memorandum from the Secretary dated November 27th, with reference to consideration at the recent Conference of Federal Reserve Agents of the question of the necessity for Assistant Federal Reserve Agents at branches and the practicability and the desirability of establishing some uniform procedure for handling the note functions of the Federal Reserve Agents at those branches of Reserve banks where the full time services of an Assistant Federal Reserve Agent do not appear to be required; the Secretary reporting

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the adoption by the Conference of the following Committee report:

"There are 23 branches of Federal Reserve Banks. At only eight of those are unissued Federal Reserve notes kept on hand, namely: Cincinnati, Pittsburgh, Jacksonville, New Orleans, Detroit, Denver, Omaha and Oklahoma City. At the first five mentioned branches there are Assistant Federal Reserve Agents. The Committee assumes that there is some special reason at the branches above mentioned for keeping on hand a supply of unissued notes and in the case of five of the branches for maintaining Assistant Federal Reserve Agents.

The Committee believes that nothing should be done to reduce the protection which these branch territories now derive from having a supply of unissued Federal Reserve notes maintained at the branches named. On the other hand, the Committee feels that as other branches, some of which are as large as these eight branches, now conduct their business satisfactorily without maintaining a supply of unissued notes, some if not all of these eight branches should now give consideration to evolving some method whereby the present protection can be maintained for their member banks without keeping a supply of unissued notes on hand.

It is impossible for the committee, as a Committee, to know the conditions in each of these branches and whether it would be possible for any or all of them to carry their reserve supply of notes in the banking department instead of in the Agent's department. A shortage of collateral at certain seasons of the year, or other reasons of an emergency nature or in the nature of a gradual change in conditions over a longer period, may make this impracticable. The Committee can only suggest that without changing the present form of organization, each of these branches should, during the next six months, experiment with the possibility of carrying the reserve supply in the banking department instead of in the Agent's department. At the end of this period each of these branches would be in a position to know the extent to which this would be practicable, although it might be necessary in some of them to carry on the experiment longer in order to be able to observe all of the conditions which might arise at such branches during the full course of a year."

After discussion, it was unanimously voted to approve the recommendations contained in the above report.

Memorandum from the Secretary dated November 27th, with reference to consideration at the recent Conference of Federal Reserve Agents of the question of procedure in elections of Class A and B Directors of Federal Reserve banks; the Secretary reporting that a Committee was appointed by the Conference and requested before the 1927 elections to work out details

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and submit forms in accordance with the recommendations contained in the following report, which was adopted by the Conference:

"The Committee believes that it would be highly desirable if the Chairman of the Board in sending out the list of nominees could omit the name of the bank making the nomination. This, however, is not permissible under the Federal Reserve Act as it now stands, and we recommend that the Act be amended.

With respect to the voting, we believe that the ballot should be a secret ballot. To that end, we recommend that all ballots reach the Chairmen of the Federal Reserve Banks in special envelopes sealed, and that these envelopes be opened and the ballots counted at a specified time and place. We also recommend that due notice be given to all nominees to the effect that the opening of the envelopes and the counting of the ballots will be conducted in the presence of the nominees or their representatives, if such nominees wish to be present either in person or by representatives. It is suggested that the envelopes be opened and the ballots counted by at least two persons appointed by the Chairman.

If it meets the approval of the Conference, this Committee will be glad to work out details and submit forms to the Chairmen of the Boards of the Federal Reserve Banks."

After discussion, it was unanimously voted to tentatively approve the recommendations contained in the above report pending receipt of the supplemental report of the Committee.

Memorandum from the Secretary dated November 27th, with reference to the consideration at the recent Federal Reserve Agents' Conference of the question of the practicability of reviewing at least once each year the situation with respect to member banks located in outlying sections of reserve and central reserve cities which have been granted permission to carry reduced reserves; the memorandum advising of the action of the Conference in approving a Committee report recommending that the Board require such a review to be made and a report and recommendation thereon to be submitted on December 31st of each year by each Federal Reserve Agent.

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After discussion, it was voted to approve the above recommendation and to request from each Federal Reserve Agent an annual review, as suggested, the first thereof to be submitted as of December 31, 1926.

Letter dated November 23rd from the Federal Reserve Agent at Kansas City, advising that following the recommendation made at the recent Federal Reserve Agents' Conference he has arranged to discontinue the carrying of a supply of unissued Federal Reserve notes at the Oklahoma City and Omaha Branches of that bank, and that effective November 26th the necessary currency at the branches will be carried as bank cash instead of unissued Federal Reserve notes in charge of an Assistant Federal Reserve Agent; the Agent also advising that he has under consideration adoption of the same method at the Denver Branch and that after an analysis of the situation has been made he will advise the Board of whatever change, in his opinion, is desirable at that Branch.

Noted, with approval.

Letter dated November 24th from the Federal Reserve Agent at Chicago, advising that a new state bank is being organized at Wheaton, Ills. which expects to open for business about February 1st and is desirous of becoming a member of the Federal Reserve System concurrently with its opening; the Agent inquiring if the Board would be inclined to favor such membership, provided that prior to the opening of the institution they satisfy themselves that the directors are capable men who will give proper attention to their duties and that the management will be of high class.

After discussion, the Secretary was directed to advise the Federal Reserve Agent

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that the Board would be disposed to view favorably an application for membership from the bank in question, provided the Federal Reserve bank is satisfied as to the character of its management.

Memorandum dated November 24th from Mr. Platt, with reference to a visit which he made on November 18th to the Branch Federal Reserve Bank at Buffalo; the memorandum referring particularly to working conditions in the present building of the Branch which will have to be occupied until the building recently acquired is turned over some time during the year 1928.

Noted.

Telegram dated November 30th from the Chairman of the Federal Reserve Bank of Dallas, advising of the re-election of Mr. Howell E. Smith as Class A Director of the bank, and Mr. J. J. Culbertson as Class B Director, both for terms of three years, beginning January 1, 1927.

Noted.

Matter ordered circulated on November 24th, namely, memorandum from Counsel dated November 17th submitting, in accordance with the action taken by the Board at the meeting on November 9th, a formal ruling authorizing national banks to accept drafts drawn upon them by other banks against the security of import and export bills of exchange previously discounted by such other banks where the underlying import and export transactions have not been completed at the time such bills are drawn.

After discussion, Mr. Hamlin moved adoption of the ruling as submitted by Counsel and of Counsel's recommendation that same be mimeographed and transmitted to all Federal Reserve banks.

Carried, Mr. Miller voting "no".

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

Approved.

Matter ordered circulated at the meeting on November 19th, namely, memorandum from the Secretary dated November 12th, with reference to an inquiry made by the Governor of the Federal Reserve Bank of Minneapolis as to whether the Board would object to their making a charge in connection with their safekeeping function.

After discussion, the above matter was referred to the Committee on District #9 for recommendation.

Letter dated November 23rd from the Federal Reserve Agent at Minneapolis, replying to the Board's letter of October 12th, with reference to the action of the Mellette County State Bank, White River, S. D. in reducing its capital to \$15,000, which is less than that required for the organization of a national bank in a place the size of White River, and the desire of the bank to terminate its membership in the Federal Reserve System at the earliest possible moment.

Referred to the Committee on District #9.

Memorandum from the Secretary dated November 30th, advising that the Board of Directors of the Federal Reserve Bank of New York has voted to reappoint Mr. Harry T. Ramsdell as a director of the Buffalo Branch for a term of three years, beginning January 1, 1927.

Noted.

Letter dated November 23rd from the Federal Reserve Agent at Kansas City, referring to his letter of September 27th which at the meeting on September

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30th was referred to a special committee for recommendation as to the examination policy to be pursued by the Federal Reserve Banks of St. Louis and Kansas City in view of the most recent opinion of the Attorney General of the State of Missouri that the Commissioner of Finance of the State has the right to furnish to the Federal Reserve bank information regarding the condition of a state bank that is a member of the Federal Reserve System, but not information regarding a bank which is not a member of the System; the Federal Reserve Agent stating that both he and the Federal Reserve Agent at St. Louis feel that they have heretofore had material assistance from the State authorities of Missouri, and as that state is willing they would like to again resume the same relations with the state authorities as were in effect prior to the Board's action of August 3rd in voting to instruct them to make examinations in its name at least once a year of state banks located in Missouri which are stockholders of the Federal Reserve banks, the expenses of such examinations to be borne by the banks examined. Mr. James referred to the fact that this action was taken by the Board because of an earlier opinion of the Attorney General of the State of Missouri that the Commissioner of Finance of that State could not, as he had heretofore, furnish the Federal Reserve banks with copies of reports of examination of member banks and trust companies made by State examiners.

In view of the more recent opinion of the Attorney General of the State, Mr. James moved that the Board rescind its order of August 3rd, above referred to, and permit the Federal Reserve Agents at St. Louis and Kansas City to resume with the State Banking Department of Missouri the relations which existed prior to that action.

Mr. James' motion being put by the

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Chair was carried.

The Secretary then presented Stenographic Report of the hearing on the subject of the Cuban Agencies held by the Board on November 11, 1926.

Upon motion by Mr. James, the report was ordered circulated.

Mr. James, Chairman of the Committee on District #8, then referred to the vacancy in the Board of Directors of the Federal Reserve Bank of St. Louis, caused by the recent death of Mr. C. P. J. Mooney, Class C Director, and he recommended that Mr. Paul Dillard, a cotton planter and member of Dillard and Coffin Company, Memphis, Tennessee, be appointed to fill the vacancy. He stated that he had taken this matter up with Mr. Dillard during a recent visit to Memphis and that the appointment would be acceptable.

Upon motion by Mr. James, Mr. Dillard was appointed a Class C Director of the Federal Reserve Bank of St. Louis for the unexpired term ending December 31, 1928.

Mr. Miller then referred to the action of the Board at the meeting on November 26th in deferring consideration of the action of the recent Governors' Conference in voting to approve a report submitted by its Pension Committee under date of October 27, 1926, with the understanding that the action recommended therein should be taken insofar as it is practicable.

He moved that the Federal Reserve Board does not concur in the recommendation of the Pension Committee or the action of the Governors' Conference in approving same, and that the Secretary prepare for submission to the Board a letter to all Governors advising accordingly.

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

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REPORTS OF STANDING COMMITTEES:

Dated, November 26th, 29th, Recommending changes in stock at Federal Reserve banks, as set forth in the Auxiliary Minute Book of this date.

Approved.

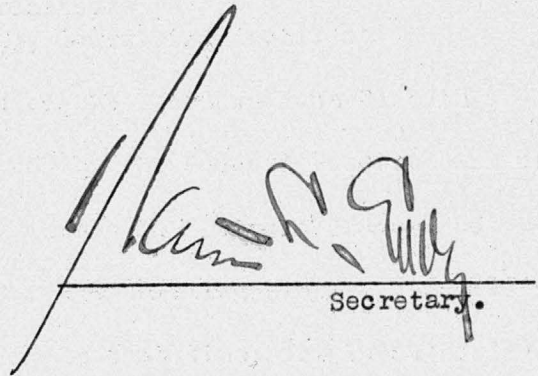
Dated, November 26th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Approved.

Dated, November 24th, Recommending approval of the application of Mr. Franklin D'Olier for permission to serve at the same time as director of the Seaboard National Bank, New York, N. Y. and as director of the First National Bank, Philadelphia, Pa.

Approved.

The meeting adjourned at 1:15 p.m.



Secretary.

Approved:

Edmund Platt
Vice-Governor.