

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, December 7, 1926 at 11:30 a.m.

PRESENT: Governor Crissinger
Mr. Platt
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Cunningham
Mr. Noell, Assistant Secretary
Mr. McClelland, Assistant Secretary

The minutes of the meeting of the Federal Reserve Board held on December 3rd were read and approved as amended.

The minutes of the meeting of the Federal Reserve Board held on December 6th were read and approved.

Telegram dated December 3rd from the Secretary of the Federal Reserve Bank of Cleveland, 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.

Telegram dated December 3rd from the Chairman of the Federal Reserve Bank of Chicago, 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.

Circular letter dated December 4th from the Chairman of the Federal Reserve Bank of Philadelphia, advising of the re-election of Mr. Joseph Wayne, Jr. as Class A Director of the Bank, and the election of Mr. Arthur W. Sewall as Class B Director, both for terms of three years beginning January 1, 1927.

Noted.

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Letter dated December 1st from the Chairman of the Federal Reserve Bank of St. Louis, advising of the re-election of Mr. John G. Lonsdale, as Class A Director of the bank and Mr. LeRoy Percy, as Class B Director, both for terms of three years beginning January 1, 1927.

Noted.

Letter dated December 2nd from the Chairman of the Federal Reserve Bank of Minneapolis, advising of the re-election of Mr. J. C. Bassett, as Class A Director of the bank, and of Mr. Norman B. Holter, as Class B Director, both for terms of three years beginning January 1, 1927.

Noted.

Letter dated December 4th from the Chairman of the Federal Reserve Bank of Kansas City, advising of the re-election of Mr. E. E. Mullaney, as Class A Director of the bank, and the election of Mr. L. E. Phillips, as Class B Director, both for terms of three years, beginning January 1, 1927.

Noted.

Letter dated December 4th from the Chairman of the Federal Reserve Bank of Cleveland, advising of the re-appointment of Mr. C. F. McCombs, as Managing Director of the Cincinnati Branch for the year 1927, and of Mr. Charles W. Dupuis, as Director for a term of three years beginning January 1, 1927; also the re-appointment of Mr. J. C. Nevin, as Managing Director of the Pittsburg Branch for the year 1927 and of Mr. Joseph R. Eisaman, as Director for a term of three years beginning January 1, 1927.

Noted.

Draft of letter to the Governors of all Federal Reserve banks,

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referring to the Conference held by the Board on December 6th with the Committee on the Standardization of Checks, and advising that the Federal Reserve Board approves the principles involved in the plan for the standardization of the size and arrangement of checks, notes, drafts and other instruments, as submitted to the Board by the Committee.

Approved, as amended.

Report of Committee on Salaries and Expenditures on letter dated December 2nd from the Federal Reserve Agent at Philadelphia, advising that Mr. W. I. Rutter, Jr., an employee of the Auditing Department, has been absent from his duties, for about six weeks, on account of illness, with full pay, and the possibilities are he will not be in condition to return to the bank until January 1st.

Upon motion, it was voted to approve payment of full salary to Mr. Rutter up to January 1, 1927.

Report of Committee on Salaries and Expenditures on letter dated December 3rd from the Chairman of the Federal Reserve Bank of New York, requesting approval of the action of the board of directors of that bank in voting to grant leave of absence, on account of illness, to Mr. R. M. O'Hara, Manager of the Bill Department, until December 16, 1926, with full pay, and in voting to extend leave of absence on account of illness granted to Governor Strong for another month to January 1, 1927, with full pay; the Committee recommending approval.

Upon motion, it was voted to approve payment of full salary to Governor Strong and Mr. O'Hara, during the leaves of absence granted them.

Matter approved on initials on December 6th, namely, memorandum

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dated December 4th from the Acting Comptroller of the Currency, recommending approval of an application of the Live Stock National Bank of South Omaha, Nebr. for permission to reduce its capital stock from \$650,000 to \$450,000, on condition that Mr. Nelson Morris, one of the principal stockholders, purchase \$37,549.14 of real estate carried on the books for cash and liquidate same for the benefit of the bank, returning any excess he receives over and above his investment, and on condition that the amount of the reduction be used to charge off losses listed in the examiner's report of November 1, 1926; the memorandum calling attention to the fact that the Board on October 6th voted to approve the above reduction on condition that Mr. Morris purchase \$61,000 of real estate, but stating that the report of examination made November 1st shows that the real estate to be removed has been decreased to \$37,549.14, and that the bank now holds this amount received in cash from Mr. Morris to be used in purchasing real estate when the reduction is approved.

Upon motion, the above application was formally approved, subject to the conditions recommended by the Acting Comptroller in his memorandum of December 4th.

Report of Committee on Examinations on letter dated November 30th from the Federal Reserve Agent at San Francisco, transmitting application of the Pacific Southwest Trust and Savings Bank for permission to take over the West Hollywood National Bank, located at the southwest corner of Santa Monica Boulevard and Fairfax Avenue, Los Angeles, and to establish a branch in its premises, and an application by the same bank for permission to transfer the permit granted by the Board on February 15, 1926, for a de novo

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branch in the vicinity of Santa Monica Boulevard and Fairfax Avenue, to the corner of 69th Street and Western Avenue, Los Angeles; the Board's Committee recommending approval of the recommendation of the Executive Committee of the Federal Reserve bank, concurred in by the Federal Reserve Agent, that the Pacific Southwest Trust and Savings Bank be permitted to take over the West Hollywood National Bank and establish a branch in its premises in lieu of the permit granted on February 15, 1926 for the establishment of a branch de novo at the same corner, but that the application for permission to transfer the previous permit to a new location in the vicinity of 69th Street and Western Avenue be denied, on the ground that it would constitute an additional branch, and it is deemed advisable to restrict further expansion in the number of branches until receipt of the State Department's report of examination.

Upon motion, it was voted to approve the application for permission to take over the West Hollywood National Bank, and to establish a branch in its premises, but to deny the application for permission to transfer the permit granted on February 15, 1926 to the new location.

Memorandum from Counsel dated December 4th, recommending renewal of the Board's subscription to the Congressional Service of the Corporation Trust Company for the second session of the 69th Congress, the charge for which will be \$200.

Approved.

Letter dated November 30th from the Secretary of War, replying to the Board's letter of November 24th, with reference to the application of the National

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City Bank of New York, for permission to establish a branch in the Philippine Islands; the letter stating that the question of the legality of the establishment of such a branch is receiving consideration by the Attorney General of the Philippines but that there is no consideration of policy on the part of the War Department which would render the granting of such application inadvisable at this time.

Noted, and referred to the Law Committee.

Letter dated December 3rd from the Deputy Governor of the Federal Reserve Bank of Chicago, advising that the First National Bank of Fort Dodge, Iowa, has asked that it be granted permission by the Federal Reserve Board to rediscount with the Federal Reserve Bank of Chicago non-member bank paper; the Deputy Governor requesting permission to use their discretion in rediscounting such non-member bank paper in case the emergency for so doing arises.

Referred to the Law Committee.

Letter dated December 3rd from the Federal Reserve Agent at Chicago, transmitting a recommendation of the board of directors of the Detroit Branch that the Farmers State Savings Bank of Bay City, Michigan, be requested to file application for withdrawal from membership in the Federal Reserve System; the Federal Reserve Agent setting forth the reasons for this recommendation and stating he believes it to be a proper one and that if the Federal Reserve Board interposes no objection he will take steps to secure from the bank an application for withdrawal.

Referred to the Law Committee.

Report of Committee on District #9 on the matter referred to it at

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the meeting on November 30th, namely, letter dated November 23rd from the Federal Reserve Agent at Minneapolis, with reference to the termination of membership of the Mellette County State Bank, White River, S. D.; the Committee recommending approval of the withdrawal of the Mellette County State Bank from membership in accordance with the opinion expressed in a memorandum from Counsel dated December 3rd that a notice filed with the Federal Reserve Agent on April 14, 1926, was a sufficient compliance with the statutory requirement for six months' written notice of withdrawal, and that since more than six months has elapsed since that date the withdrawal from membership of the bank may be completed at once and without further delay, and its stock cancelled and proper refund made in accordance with law.

Upon motion, it was voted to approve the above recommendation.

Memorandum dated December 2nd from the Acting Director of the Division of Research and Statistics, submitted in accordance with the Board's action of October 21st, reporting the results of a preliminary survey with regard to the amount of bank credit used directly or indirectly in connection with real estate and building, and outlining a general plan for an investigation of the subject with the understanding that if the Board wishes to conduct the investigation and approves the general plan proposed, the Division will make a preliminary survey of the field and will then report in more detail on the method of procedure, the probable cost, etc. Thereupon, ensued a discussion, during which it was the consensus of opinion that while it might be impossible for the Board to determine the entire amount of bank credit used in connection with real estate and building, the Board should at least be in possession of

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information with respect to the amount of such paper held by member banks.

Following a discussion, it was voted that the Acting Director of the Division of Research and Statistics and the Chief of the Board's Division of Bank Operations be requested to advise the Board at a meeting this afternoon whether through the regular December 31st report of condition of member banks information can be obtained that would contribute to the survey desired.

Memorandum dated December 6th from the Acting Director of the Board's Division of Research and Statistics, submitting an article by Mr. W. R. Burgess, Assistant Federal Reserve Agent at New York, on the subject of the Money Market in 1926, which was presented at the annual meeting of the Harvard Committee on Economic Research and which it is proposed to publish in the Harvard Economic Review; the Acting Director recommending that this publication be approved by the Board.

Approved.

Mr. Hamlin, Chairman of the Board's Committee on District #6, then submitted the following report:

"The Committee for District No. 6 begs to offer a report and recommendation that in order to have the matter of the Cuban Agency settled during the current year, and with the view of relieving the present embarrassing situation in Boston as well as to enable the Atlanta Bank to complete its arrangements for operating the Agency, the two Agencies be consolidated and placed under the jurisdiction of the Federal Reserve Bank of Atlanta, - the same to become effective at the beginning of business on January 1, 1927.

The Committee further suggests that the Atlanta Bank at present carry on the functions of the Agency along the lines heretofore in operation.

The Committee further suggests that the Atlanta Bank be counseled, temporarily at least, to take over the Manager of the Boston Agency so that the change may have the minimum effect in so far as the relationship with the Cuban banks is concerned.

The Committee further suggests that a Special Committee from the Federal Reserve Board be appointed and that the Atlanta Bank be asked to

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"appoint a Special Committee, - these two Committees to work jointly in preparing details for the future functioning of the Agency and with the idea that when the Committees shall have reached agreement as to what should properly be done, the whole matter be then referred back to the Federal Reserve Board for final approval."

Mr. Hamlin moved that the above report and recommendations be adopted and that the Board's Committee on District #6 be designated as a Special Committee to confer regarding details of the future functioning of the Agency with a special committee of the Federal Reserve Bank of Atlanta, as suggested in the report.

Thereupon ensued a discussion during which Governor Crissinger stated that he was opposed to the maintenance in Cuba of any agency of a Federal Reserve bank.

Following the discussion, Mr. Miller moved, as a substitute for Mr. Hamlin's motion, that it is the sense of the Federal Reserve Board that on a date to be subsequently determined the Federal Reserve Banks of Boston and Atlanta be advised that the Board's authority for the continuance of the existing agencies in Havana will be withdrawn.

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

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

Mr. Hamlin's original motion was then put by the Chair and unanimously carried.

Mr. Hamlin then moved that in advising the Federal Reserve Banks of Atlanta and Boston of the Board's action, a copy of the Committee's report be forwarded to them.

Carried.

The Governor then presented draft of letter, prepared by Counsel, to Messrs. Shearman and Sterling, attorneys for the National City Bank of

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New York, as follows:

"Reference is made to the applications recently filed by you on behalf of the National City Bank of New York for permission to establish certain branches in Java, Straits Settlements, China, Japan, India and the Philippines. In these applications authority is requested to establish branches, with their main offices located in certain cities and with sub-branches (in the case of some of the applications) located in other cities.

Applications of this kind should be made in the language of the statute, which provides that a national banking association may make application for permission to establish branches in foreign countries, or dependencies or insular possessions of the United States. No reference is made in the statute, however, to sub-branches or to the main offices of branches. The Federal Reserve Board will grant authority for the establishment of branches only and will not consider applications for the establishment of sub-branches or main offices of branches. If the National City Bank desires for administrative purposes to designate some of its branches as sub-branches the Federal Reserve Board offers no objection, provided that the so-called sub-branches comply with all the provisions of law applicable to branches.

Under these circumstances, it is suggested that you file on behalf of the National City Bank new applications superseding those recently filed for branches in Java, Straits Settlements, China, Japan, India and the Philippines. These applications should be made independently of the applications recently filed and may request authority for branches in all places where the National City Bank desires that its banking operations shall be carried on in these countries."

Approved.

Report of Committee on Salaries and Expenditures dated December 3rd on letter dated October 5th from the Deputy Governor of the Federal Reserve Bank of New York, submitting a summary of promotions and changes in grades of employees of the bank, under the plan of standardization approved by the Board on January 12, 1926; the Committee's report reading as follows:

"The new grades and changes in classification, as well as the salary increases, submitted by the Federal Reserve Bank of New York may be considered to be submitted in accordance with the plan of classifying employees of the bank, as approved by the Federal Reserve Board on January 12, 1926. Under that plan the action of the bank

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"requires the approval of the Board, which your Committee, after having gone into the matter with Messrs. Smead and Eddy, recommends be given.

The Board will recall its having given tentative approval to a proposal to amend the classification plan in New York, and the plan as amended would have permitted establishment of the grades and adjustments in question to become effective without the Board's approval. The amendment to the plan, however, has never received the approval of the directors of the Federal Reserve Bank of New York, and your Committee recommends that it be made clear to the bank that the Board considers the plan approved by it on January 12, 1926 to be the only one in operation at this time, and that the bank be advised that the Board's Salary Committee has under consideration and will report thereon to the Federal Reserve Board in the course of the next few days a suggestion made by Deputy Governor Harrison, of the Federal Reserve Bank of New York, to modify the proposal contained in the memorandum of Messrs. Sailer, Smead and Eddy (tentatively approved by the Board in June, 1926) which Mr. Harrison has stated will make the proposal satisfactory to the Federal Reserve Bank of New York."

Upon motion, it was voted to approve the recommendations contained in the above report.

Memorandum from the Committee on District #6 dated December 7th, with reference to report submitted by the Chief of the Secret Service Division, under date of December 2nd, with respect to protective features to be installed in the new building of the Branch Federal Reserve Bank at Birmingham; the Committee stating that a copy of the report has been handed to the Chairman of the Federal Reserve Bank of Atlanta who is in Washington today, and that as no action is required by the Board the report of the Secret Service operative should be filed.

Approved.

Matter ordered circulated at the meeting on November 9th, namely, letter dated November 5th from the Comptroller of the Currency, with reference

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to the practice of National Bank Examiners in checking the classification of deposits in national banks, with particular reference to the classification of public funds. Mr. Platt referred to the fact that this matter was taken up with the Comptroller of the Currency following presentation at a meeting of the Board on October 26th of a letter from the Governor of the Federal Reserve Bank of Dallas, regarding classification of deposits.

He moved that a copy of the Comptroller's letter be sent to the Governor of the Federal Reserve Bank of Dallas.

Carried.

The Governor then referred to the fact that the question of the handling by Federal Reserve banks of non-cash collection items payable at street addresses had been fixed as special order of business today and stated that the question would be considered at the meeting to be held this afternoon at 2:30 o'clock.

Mr. Miller then stated that he expected to leave Washington next Thursday for an absence of several days and inquired as to when the Board would consider the recommendations of the various District Committees for the appointment of directors at the Federal Reserve banks and branches.

Following a discussion it was decided that the question of appointment of directors should be made special order of business for a meeting to be held on December 15th.

REPORTS OF STANDING COMMITTEES:

Dated, December 4th, Recommending changes in stock at Federal Reserve banks
6th, as set forth in the Auxiliary Minute Book of this date.

Approved.

Dated, December 6th, Recommending action on applications for fiduciary
powers as set forth in the Auxiliary Minute Book of
this date.

Approved.

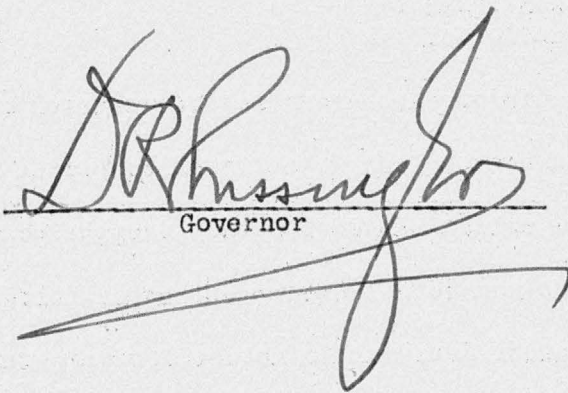
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The meeting adjourned at 1:00 p.m.


Assistant Secretary

Approved:


Governor