

A meeting of the Federal Reserve Board was held in the Office of the Federal Reserve Board on Friday, December 10, 1926, at 12:00 o'clock.

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

The minutes of the meeting of the Federal Reserve Board held on December 9th were read and approved.

Telegram dated December 9th from the Chairman of the Federal Reserve Bank of Richmond, 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 9th from the Chairman of the Federal Reserve Bank of Kansas City, 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 7th from the Chairman of the Federal Reserve Bank of Dallas, 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 December 8th, namely, application of the City National Bank in Kearney, Nebraska, for original stock (99 shares) in the Federal Reserve Bank of Kansas City, effective if and when the Comptroller of the Currency issues to the bank a certificate of authority to commence business.

Formally approved.

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Memorandum from Counsel dated December 7th, approved by the Law Committee, with reference to the application of The First National Bank of Lake Geneva, Wisconsin, for permission to exercise general fiduciary powers under Section 11(k) of the Federal Reserve Act, and applying in addition for permission to act as "agent or attorney for the transaction of business, management of estates, the collection of rents, interest, dividends, mortgages, bonds, bills, notes and other securities or moneys"; Counsel recommending that the Board, if it desires to approve the application, do so for only the nine powers enumerated in Section 11(k) of the Act, and stating that the Board is not authorized by Section 11(k) to grant to any national bank the right to exercise the powers enumerated above in the terms in which they are applied for, and that if the Board authorizes the bank to exercise the powers enumerated in Section 11(k) of the Federal Reserve Act, it will have granted to the bank all of the fiduciary powers which it is authorized to grant to any national bank and under this permission the First National Bank of Lake Geneva will be entitled to exercise any fiduciary powers which state banks, trust companies, and other corporations which come into competition with it are permitted to exercise under the laws of Wisconsin.

Upon motion by Mr. Hamlin, it was voted to authorize the First National Bank of Lake Geneva to exercise general fiduciary powers under the provisions of Section 11(k) of the Federal Reserve Act.

Memorandum dated December 8th from the Acting Director of the Board's Division of Research and Statistics, recommending the employment of Mrs. Margaret T. Hammond in the Division for 13 working days from December 9th to 23rd, inclusive, at a salary of \$5.00 per diem.

Approved.



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Letter dated December 9th from the Chairman of the Federal Reserve Bank of Richmond, advising of the reappointment of Mr. A. H. Dudley as Managing Director of the Baltimore Branch for the year 1927, and of Mr. Carter G. Osburn as Director of the Branch for a term of three years beginning January 1, 1927; the letter also advising of the reelection of Mr. John F. Bruton as member of the Federal Advisory Council for the year 1927, and that should Mr. Bruton be unable to attend any meetings of the Council during the year, Mr. J. C. Braswell will attend in his stead.

Noted.

Report of Committee on Salaries and Expenditures on letter dated December 6th from the Chairman of the Federal Reserve Bank of St. Louis, requesting approval of the action of the Executive Committee of that bank in voting to grant a thirty day extension from December 11th in the leave of absence with full pay granted on account of illness to Miss Stella Seaman, a clerk in the Transit Department; the Committee recommending approval.

Upon motion, it was voted to approve the payment of full salary to Miss Seaman during the extension in the leave of absence granted her.

Report of Committee on Examinations on letter dated December 7th from the Federal Reserve Agent at Cleveland, recommending approval of an application of the Union Trust Company of Cleveland for permission to establish a branch at the corner of Pearl Road and Henritze Street, Cleveland; the Committee recommending approval.

Approved.

Letter dated December 9th from the Federal Reserve Agent at New York advising of a proposed merger of the Merchants and Manufacturers National

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Bank of Newark, New Jersey, a member bank, with the Newark Trust Company, a non-member, following conversion of the former institution into a trust company; the letter stating that the trust company to be formed by the conversion of the national bank will apply for membership in the Federal Reserve System, which will be continued by the merged institution.

Noted.

Report of Committee on Examinations on letter dated November 30th from the Federal Reserve Agent at San Francisco, transmitting a request of the Pacific-Southwest Trust and Savings Bank for reconsideration of its application for permission to take over the Montrose State Bank, Montrose, Calif., and to establish a branch in its premises, which was disapproved by the Board on October 7th; the Federal Reserve Agent advising of the recommendation of the Executive Committee of the Federal Reserve Bank, in which he concurs, that the request be denied, and stating that in their opinion the bank should not be permitted to establish additional branches until after a copy of the report of the last examination is received from the State Banking Department and they are better informed as to the bank's true condition. In the report of the Committee on Examinations, Mr. Platt recommended disapproval until the report of examination is received when the application should be reconsidered if criticisms made in the report are complied with, and Mr. Cunningham recommended disapproval regardless of the results of the last examination, stating that in his opinion the Pacific-Southwest Trust and Savings Bank has more branches now than its management would warrant.

After discussion, Mr. Miller moved that the Board concur in the recommendation of the Executive Committee and the Federal Reserve Agent at San Francisco, and disapprove the request of the



Pacific Southwest-Trust and Savings Bank for reconsideration of the application referred to.

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

Report of Committee on District No. 7 on the matter referred to it on December 3rd, namely, letter dated November 22nd from the Federal Reserve Agent at Chicago, commenting upon the recommendation of the recent Federal Reserve Agents' Conference with regard to the handling of unissued Federal reserve notes at branch Federal reserve banks, as applied to the situation at the Detroit Branch; the Committee recommending that the Federal Reserve Agent be advised that, as suggested by the Federal Reserve Agents' Conference, an experiment should be made at the Detroit Branch during the next six months as to the possibility of carrying the necessary reserve supply of notes in the banking department instead of the Federal Reserve Agent's department at the branch.

Upon motion, the recommendation of the Committee was approved.

Draft of letter prepared by the Secretary to be addressed to the Federal Reserve Agents at those Federal reserve banks, branches of which now carry stocks of unissued Federal reserve notes under the joint custody of the branch and an Assistant Federal Reserve Agent; the letter stating that in view of the experiment to be made during the first six months of next year as to the possibility of carrying the necessary reserve supply of notes in the banking departments of the branches, the appointment of Assistant Federal Reserve Agents at those branches be made for only six months, the matter to be taken up again if it is found that the services of the Assistant Agents will be necessary after that time.

Upon motion, the form of letter was approved.

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Letter dated December 6th from the Deputy Governor of the Federal Reserve Bank of New York, transmitting copy of letter to the Czechoslovak National Bank terminating the arrangement which has existed between the Federal reserve bank and that institution for loans against gold deposited with the National Bank of Belgium.

Noted with approval.

Letter dated November 29th from the Deputy Governor of the Federal Reserve Bank of New York, transmitting copy of a letter to the Governor of the National Bank of Belgium outlining in detail the terms and conditions under which the Federal reserve bank will purchase bills and Government securities for them and perform such other services as are now undertaken for other foreign central banks with which reciprocal relations exist; the letter also formally appointing the National Bank of Belgium correspondent and agent of the Federal reserve bank, under authority granted by the Board some time ago.

Referred to the Law Committee.

Letter dated December 1st from the Federal Reserve Agent at Kansas City, advising of the resignation, effective January 1st, of Mr. Walter Robinson, Examiner, and that Mr. Robinson has been relieved of his duties with the bank and his designation as Examiner terminated as of December 1st, but that it has been decided to continue his salary to the end of the year owing to his long service with the bank and to afford him some opportunity of finding other work, his resignation having been requested on account of the fact that his services have not been quite up to the standard that should be maintained for Federal reserve examination work and because of the fact that he has violated the spirit, if not the letter,



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of Section 22 of the Federal Reserve Act in borrowing money from a state member bank which it was his duty to examine from time to time. The Vice Governor presented another letter from the Federal Reserve Agent at Kansas City dated December 1st referring to the instructions contained in the Board's letter of April 4, 1923 (X-4683) on the subject of the reporting of violations of criminal statutes by employees of Federal reserve banks, and inquiring as to whether the case of Mr. Robinson should be reported to the United States District Attorney in accordance with the instructions contained in the Board's circular letter, as he is not certain that Mr. Robinson's action would come under Section 22 of the Federal Reserve Act, although he is satisfied it is at least a violation of the spirit of the Act.

After discussion, the above matter was referred to the Law Committee.

Memorandum from the Secretary dated December 7th, with regard to letter dated November 30th from the Governor of the Federal Reserve Bank of Cleveland, requesting permission to invest that bank's reserve for self-insurance in the same manner as the Federal Reserve Bank of New York is now doing with the permission of the Board; the Secretary stating that there would seem to be no reason why the Board should not permit the same procedure on the part of the Cleveland bank as has been permitted in the case of New York, and also that as there are only three banks which have attempted to set up self-insurance funds - New York, Cleveland and Richmond - it might be well, some time during 1927, for the Board to reopen the question of the necessity for such funds, or at least ask the three banks named to inform the Board of their policies with respect to building up such funds and the

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ultimate purposes to be accomplished.

After discussion, it was voted to approve the request of the Federal Reserve Bank of Cleveland for permission to follow the same procedure as is followed by the Federal Reserve Bank of New York in connection with the investment of its fund for self-insurance, and in accordance with the recommendation of the Secretary of the Board, to reopen at a later date the question of the necessity for such funds at the three banks where they are now maintained.

Letter dated December 7th from the Federal Reserve Agent at Boston recommending that the Board waive a condition of membership imposed upon the Fidelity Trust Company of Portland, Maine, at the time of its admission to the System, and subsequently amended, under which loans in excess of \$100,000 may not be made to any individual, firm or corporation, except that an amount not exceeding \$100,000 may be invested in stocks and bonds of such corporations.

Referred to the Law Committee.

Letter dated December 9th from the Deputy Comptroller of the Currency requesting that the Comptroller's office be furnished, through the law departments of the Federal reserve banks, with a memorandum setting out the provisions of the laws of the various states specifying the kind of investments in which corporate fiduciaries may lawfully invest, and a similar statement setting forth the requirements of the various states for the deposit by national banks of securities with state authorities before they may exercise fiduciary powers.

Upon motion, the Secretary was directed to arrange to furnish the information requested by the Deputy Comptroller.

The Vice Governor then presented the matter referred to the Committee on Examinations at the meeting on November 30th, namely, report of dis-



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cussion and recommendations made at the recent Conference of Federal Reserve Agents on the subject of the examination function at the Federal reserve banks.

The Secretary reported that Mr. Gilbert, the Board's Supervisor of Examination, has completed that portion of the survey regarding the examination of state member banks ordered by the Board which can be completed in Washington, and that Mr. Gilbert now contemplates visits to some of the Federal reserve banks to secure additional information. The Secretary stated that Mr. Gilbert had expressed a wish, before making these visits, to confer with the Board's Committee on Examinations, regarding his work up to this time.

Following a discussion, Mr. James moved that the Committee on Examinations be vested with authority in the matter of permitting the visits to Federal reserve banks to be made by Mr. Gilbert.

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

It was then voted that consideration of the report of the Federal Reserve Agents' Conference on the examination function be deferred until after the Committee on Examinations has received Mr. Gilbert's report.

Mr. James then presented letter addressed to him under date of October 4th by the Federal Reserve Agent at San Francisco, with reference to discussions at the time of the recent conferences regarding the present condition of the examining force of the San Francisco bank; the letter requesting wire approval of a plan to build up an organization capable of making complete credit investigations, without any idea of making examinations by simultaneous entry at all offices of member banks having branches, and stating that to do this it will be necessary to have five new examiners in addition to the present force of three, and to commission as an examiner, Mr. J. P. Read, at present an assistant examiner. Mr.

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James stated that he had discussed with individual members of the Board, and with the Board's Chief Examiner and Supervisor of Examination, the plan proposed by the Federal Reserve Agent at San Francisco, and would recommend approval by the Board.

After discussion, Mr. James moved that the Board tentatively approve the plan outlined by the Federal Reserve Agent, final approval to be given as and when recommendation for the appointment of examiners are submitted.

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

Memorandum from the Secretary dated December 8th, approved by the Law Committee, with reference to the application of the First National Bank of Fairfield, Alabama, for permission to exercise general fiduciary powers; the memorandum stating that action on this application has been deferred from time to time since October, 1925, because of certain criticisms on the part of the national bank examiner, and recommending, in view of the fact that the bank appears to be in no better condition now than it was when the application was last considered, that its application be disapproved.

Upon motion, by Mr. Hamlin, it was voted to disapprove the application.

#### REPORTS OF STANDING COMMITTEES:

Dated, December 9th, Recommending changes in stock at Federal Reserve  
10th, Banks as set forth in the Auxiliary Minute Book of  
this date.

Approved.

Dated, December 8th, Recommending action on applications for fiduciary  
powers as set forth in the Auxiliary Minute Book  
of this date.

Approved.

Dated, December 8th, Recommending action on an application for admission  
of a state bank, subject to the conditions stated



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REPORTS OF STANDING COMMITTEES (Cont'd):

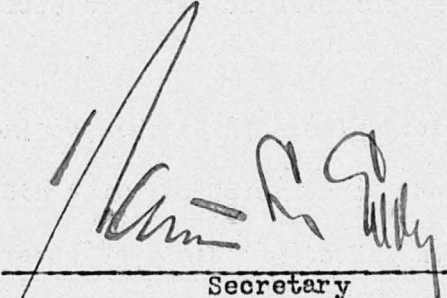
in the individual report attached to the application,  
as set forth in the Auxiliary Minute Book of this date.  
Approved.

Dated, December 7th, Recommending approval of the application of Mr. C. A. Vose for permission to serve at the same time as director and officer of the American National Bank, Oklahoma City, Okla., and as officer and director of the American National Bank, Fort Towson, Okla.  
Approved.

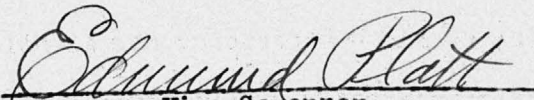
Dated, December 9th, Recommending approval of the application of Mr. George N. Neise for permission to serve at the same time as director of the Foreman National Bank, Chicago, Ill., and as director of the Sheridan Trust and Savings Bank, Chicago, Ill.  
Approved.

Dated, December 9th, Recommending approval of the application of Mr. Gerhard Foreman for permission to serve at the same time as director of the Foreman National Bank, Chicago, Ill., and as director of the Sheridan Trust and Savings Bank, Chicago, Ill.  
Approved.

The meeting adjourned at 1:00 p.m.

  
Secretary

Approved:

  
Vice Governor.