

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, December 23, 1926 at 11:10 a.m.

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

The reading of the minutes of the last several meetings of the Board was dispensed with.

Memorandum dated December 22nd from Mr. Miller, advising that the salary of his Secretary, Mr. L. G. Ficks, will be increased from \$2700 to \$2800 per annum, effective January 1, 1927.

Noted.

Letter dated December 13th from the Federal Reserve Agent at San Francisco, advising that subject to the Board's approval he has appointed the following as regular examiners at that bank and branches, effective January 1, 1927:

S. G. Sargent, Chief Examiner, San Francisco
H. A. Some, Examiner, Portland
C. R. Hupp, Examiner, Salt Lake City
E. B. McBride, Examiner, Spokane
J. P. Read, Examiner, San Francisco

Approved.

Letter dated December 18th from the Chairman of the Federal Reserve Bank of Chicago, advising of officers appointed to serve at that bank and its Detroit Branch during the year 1927; the letter also advising of the re-election of Mr. Frank O. Wetmore as member of the Federal Advisory

12/23/26

-2-

Council from the 7th District for 1927, the reappointment of Mr. William R. Cation as Managing Director of the Detroit Branch for the year 1927 and the reappointment of Mr. John W. Staley as director of the branch for a term of three years, beginning January 1, 1927.

Noted.

Report of Committee on District #12, with reference to the appointment of directors at the branches of the Federal Reserve Bank of San Francisco.

Upon motion, Mr. G. I. Toevs was reappointed as a director of the Spokane Branch for a term of three years beginning January 1, 1927.

Upon motion, Mr. Charles H. Clarke was reappointed as a director of the Seattle Branch for a term of three years beginning January 1, 1927.

Upon motion, Mr. Nathan Strauss was reappointed as a director of the Portland Branch for a term of three years beginning January 1, 1927.

Upon motion, Mr. Lafayette Hanchett was reappointed as a director of the Salt Lake City Branch for a term of three years beginning January 1, 1927.

Upon motion, Mr. W. L. Valentine was reappointed as a director of the Los Angeles Branch for a term of three years beginning January 1, 1927.

Upon motion, Mr. J. B. Alexander was appointed as a director of the Los Angeles Branch for the unexpired term of Mr. G. B. Harrison, resigned, ending December 31, 1928.

Upon motion, it was voted to approve the recommendation of the Committee that the present Chairmen of the Boards of Directors of the Branches of the Federal Reserve Bank of San Francisco be reappointed for the year 1927.

Report of Executive Committee on memorandum dated December 15th from the Acting Comptroller of the Currency, recommending approval of an application

12/23/26

-3-

of the Third National Bank of Miami, Fla. for permission to reduce its capital from \$500,000 to \$400,000 on condition that estimated losses of \$4,575.30 and a loan of \$14,500 to a former director be removed from the bank and with the understanding that in the event a loan of \$16,700 to the Butler Asphalt Paving Company has not been liquidated and a loss should develop thereon, such loss will be absorbed outside of the bank's surplus fund, and also that the excess in expenses over earnings be removed with cash in order that the \$400,000 capital and \$80,000 surplus of the bank will be intact when it adjusts itself to the new capitalization; the Committee recommending approval.

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

Memorandum dated December 21st from the Fiscal Agent submitting an estimate of the Board's expenses for the first six months of 1927 and recommending that to cover these expenses an assessment of one hundred and sixteen thousandths of one per cent of their paid-in capital and surplus, as of close of business December 31, 1926, be levied on the Federal Reserve banks.

Upon motion, the following resolution was unanimously adopted:

"Whereas, under Section 10 of the act approved December 23, 1913, and known as the Federal Reserve Act, the Federal Reserve Board is empowered to levy semi-annually upon the Federal reserve banks in proportion to their capital stock and surplus an assessment sufficient to pay its estimated expenses, including the salaries of its members, assistants, attorneys, experts and employees for the half-year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half-year; and

Whereas, it appears from estimates submitted and considered that it is necessary that a fund equal to one hundred sixteen

12/23/26

-4-

"thousandths of one per cent of the total paid-in capital stock and surplus of the Federal reserve banks be created for the purpose hereinbefore described, exclusive of the cost of engraving and printing of Federal reserve notes;
Now, therefore,

"Be it resolved, That pursuant to the authority vested in it by law, the Federal Reserve Board hereby levies an assessment upon the several Federal reserve banks of an amount equal to one hundred sixteen thousandths of one per cent of the total paid-in capital and surplus of such banks as of December 31, 1926, and the Fiscal Agent of the Board is hereby authorized to collect from said banks such assessment and execute, in the name of the Board, receipts for payments made. Such assessments will be collected in two installments of one-half each; the first installment to be paid on January 1, 1927, and the second half on March 1, 1927."

Memorandum dated December 20th from the Board's General Counsel, submitting material for publication in the January issue of the Federal Reserve Bulletin.

Approved.

Memorandum from Counsel dated December 17th, with reference to the application of Mr. Edsel B. Ford for permission to serve at the same time as director of the National Bank of Commerce, The Guardian Trust Company and the Guardian Bank, all of Detroit, Michigan.

Ordered circulated.

Memorandum from the Secretary, approved by the Committee on Salaries and Expenditures, submitting draft of reply to letter dated December 18th from the Federal Reserve Agent at Chicago, requesting authority for that bank to charge to its reserve for probable losses \$104,002.43, representing the present indebtedness of three member banks which failed in 1924; the proposed reply stating that it is the policy of the Board to permit

12/23/26

-5-

the Federal Reserve banks to set up reserves for losses on paper of failed banks and to charge that reserve with only such losses as are actually determined and that in case the officers of the Chicago bank have concluded that all or any portion of the amount referred to should be classified as definitely uncollectible, the amount so classified should be charged to the reserve.

Upon motion, the proposed reply was approved.

Memorandum from the Secretary dated December 20th, submitting recommendations of the Federal Reserve Agents for the designation of Assistant Federal Reserve Agents to serve at the Federal Reserve banks for the year 1927 and at various branches for a period of six months only, in view of the experiment to be made at the branches as to the possibility of discontinuing Assistant Federal Reserve Agents and carrying the entire supply of Federal Reserve notes as bank cash.

Upon motion, it was voted to designate the following as Assistant Federal Reserve Agents at the various Federal Reserve banks during the year 1927:

Boston	-	Charles F. Gettemy
New York	-	W. R. Burgess
Philadelphia	-	Arthur E. Post
		Ernest C. Hill
		J. F. Rehfuss (Acting)
Cleveland	-	W. H. Fletcher
		J. B. Anderson
Richmond	-	J. G. Fry
		S. M. Foster (Acting)
Atlanta	-	Ward Albertson
Chicago	-	W. H. White
St. Louis	-	C. M. Stewart
		J. V. Papin (Acting)

12/23/26

-6-

Minneapolis	-	Curtis L. Mosher
		J. F. Ebersole
Kansas City	-	A. M. McAdams
Dallas	-	C. C. Hall
		W. J. Evans
San Francisco	-	S. G. Sargent
		Allan Sproul

Upon motion, it was voted to designate the following as Assistant Federal Reserve Agents at Branches during the first six months of 1927:

Cincinnati	-	P. J. Faulkner
Pittsburgh	-	Thomas M. Jones
New Orleans	-	W. E. Miller
		J. R. Stevens (alternate)
Jacksonville	-	Fulton Saussy
		C. P. Kendall (alternate)
Detroit	-	John G. Baskin

Upon motion, it was voted to designate Mr. Wm. C. Schrader as Acting Assistant Federal Reserve Agent at the Detroit Branch for one month only and to renew the authority granted to Mr. Glenn Kirk to act for the Federal Reserve Agent in the matter of receipt and delivery of Federal Reserve notes at the Federal Reserve Bank of Chicago.

The Secretary called attention to the fact that Messrs. J. R. Stevens, Fulton Saussy and C. P. Kendall, Assistant Agents at the New Orleans and Jacksonville Branches of the Federal Reserve Bank of Atlanta are not regular employees of the Branches, and in the past have been compensated at the rate of \$12 per annum, with a fee of \$5 for each time called upon to serve.

Upon motion by Mr. James, it was voted to approve payment of same compensation during the year 1927.

Draft of letter to all Federal Reserve banks as follows:

"You are advised that in compliance with the provision of Section 21 of the Federal Reserve Act that 'The Federal Reserve Board shall, at least once each year, order an examination of each Federal reserve bank***', the Federal Reserve Board has ordered its

12/23/26

-7-

"Chief Examiner, through its Division of Examination, to make an examination of each Federal Reserve bank at least once during the calendar year.

"In accordance with this action, the Board has directed Mr. J. F. Herson, its Chief Examiner, to make at least one examination of the Federal Reserve Bank of - - - - - during the year 1927.

"The Board has also empowered its Chief Examiner to select the dates on which all examinations will be begun.

"You are requested to give him and his force all proper assistance in making the examinations."

Approved.

Letter dated December 16th from the Federal Reserve Agent at St. Louis, enclosing copies of correspondence exchanged with the President of the Grand National Bank of St. Louis, with regard to the action of the Board on October 26th in voting to increase the reserve requirements of that bank from 7 to 10% of demand deposits; the letter stating that the President of the bank may request a hearing before the Federal Reserve Board.

Ordered circulated.

Draft of reply prepared by the Secretary, in accordance with the Board's instructions of December 17th, to letter dated December 15th from Honorable James A. Reed, United States Senator, requesting information as to bank failures, both state and national, throughout the country.

Referred to the Vice Governor with power.

Memorandum from Counsel dated December 16th, approved by the Law Committee, with reference to the matter referred to the Committee at the meeting on December 10th, namely, letters dated December 1st from the Federal Reserve Agent at Kansas City advising of a possible violation of the criminal provisions of Section 22 of the Federal Reserve Act by Mr. Walter Robinson, examiner, and inquiring whether the case should be reported to the United

12/23/26

-8-

States District Attorney; Counsel submitting draft of reply to the Federal Reserve Agent advising that the facts in the case should be reported to the District Attorney and a letter to the Attorney General of the United States also reporting the matter.

Thereupon ensued a discussion following which the above file was referred to the Committee on District #10.

Letter dated December 9th from the Governor of the Federal Reserve Bank of Dallas, suggesting reconsideration of the ruling contained in the Board's letter of October 26th (X-4704) that cottonseed oil is essentially a product of manufacture and can not properly be deemed an agricultural product within the meaning of Section 13 of the Federal Reserve Act.

Referred to the Law Committee.

Letter dated December 17th from the Governor of the Federal Bank of Dallas, enclosing correspondence with the Commercial National Bank of San Antonio, Texas on the subject of the classification of deposits of public funds held by that institution, and requesting an expression of opinion by the Board as to the responsibility the Federal Reserve bank should assume for the proper classification by member banks of their demand and time deposits.

Referred to the Law Committee.

The Secretary then referred to the fact that the telegraph operators employed in the Washington office of the Leased Wire System are not compensated on an equal basis with commercial operators in the city and recommended to the Board the following adjustments in salaries, effective January 1, 1927:

12/23/26

-9-

J. J. Mooney, Chief Operator	-	\$3,000	-	\$3,300
H. Ott	-	2,100	-	2,160
M. L. Cutsail	-	2,040	-	2,100
M. P. Flagg	-	2,040	-	2,100
E. F. Anderson	-	1,980	-	2,040
W. T. Heflin	-	1,980	-	2,040
J. E. Tanner	-	1,980	-	2,040

Upon motion, the increases recommended by the Secretary was approved.

The Governor then referred to the action of the Board at its meeting on December 17th in making special order of business for yesterday's meeting letters received from the Chairmen of the Federal Reserve Banks of Minneapolis, Atlanta and Kansas City, setting forth plans proposed by the Boards of Directors of those banks for a change in their method of handling non-cash collection items, the plans outlined being as follows: Minneapolis - to handle all non-cash items on a uniform basis by forwarding such items to member banks for collection and returns, and discontinue the present practice of notification or presentation at street addresses in Minneapolis; Kansas City and Atlanta - to limit the operations of the Non-cash Collection Department to the handling of items drawn on or payable at banks and to discontinue the handling of items payable at street addresses which necessitate either presentation or notification.

Thereupon ensued a discussion during which individual members of the Board expressed the opinion that the discontinuance by the Federal Reserve Banks of Atlanta and Kansas City of the handling of non-cash collections payable at street addresses would be inadvisable but that it might be desirable to permit the Federal Reserve Bank of Minneapolis to try out the plan it proposes of collecting all street address items through member banks.

12/23/26

-10-

The Governor stated that Mr. Jay, Federal Reserve Agent at New York, who is deeply interested in the Federal Reserve collection system expects to be in Washington during the next day or so and that Mr. Mitchell, Federal Reserve Agent at Minneapolis, is in New York and could be called to Washington for a conference before action is taken by the Board.

Following discussion, it was voted to defer action on the plans submitted and the Governor was requested to invite Messrs. Jay and Mitchell to appear before the Board in the course of the next few days and to have prepared letters to the Federal Reserve banks of Minneapolis, Kansas City and Atlanta along the lines of the discussion at this meeting.

The Secretary then stated that among the salary recommendations for officers approved by the Board yesterday was a recommendation of the board of directors of the Federal Reserve Bank of New York for an increase from \$3800 to \$5,000 per annum in the salary of Mr. R. W. Furman, whom the directors proposed to appoint as Manager of the Credit Department. He stated that Mr. Case, Deputy Governor of the Federal Reserve Bank, had called him over the telephone this morning and stated that the directors wished to withdraw this recommendation, having decided not to appoint Mr. Furman to the official position referred to.

Upon motion, it was voted to reconsider the action taken yesterday in approving a salary of \$5,000 for Mr. Furman as Manager of the Credit Department of the New York bank.

At this point the Board's General Counsel entered the meeting and submitted a form of power of attorney which the Federal Reserve Bank of Atlanta desires to execute and file with Cuban authorities empowering the Manager of its Havana Agency on and after January 1, 1927 to exercise all authority conferred upon the Federal Reserve Bank of Atlanta in the conduct of its Cuban Agency under the resolution adopted by the Federal Reserve Board on

12/23/26

-11-

July 30, 1923 and the resolution adopted by the Board on December 22, 1926. He stated that with one or two minor changes the power of attorney was in acceptable form and suggested its approval by the Board.

Following a brief discussion, it was voted to refer the matter to the Law Committee with power.

REPORTS OF STANDING COMMITTEES:

- Dated, December 17th, 20th, 22nd, 23rd, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date. Approved.
- Dated, December 18th, Recommending action on application for fiduciary powers as set forth in the Auxiliary Minute Book of this date. Held.
- Dated, December 15th, Recommending action on application for admission of state bank, subject to the conditions stated in the individual reports attached to the application, as set forth in the Auxiliary Minute Book of this date. Approved.
- Dated, December 18th, Recommending approval of the application of Mr. Donald G. C. Sinclair for permission to serve at the same time as director of the Prospect National Bank, Brooklyn, N. Y. and as director of the Murray Hill Trust Company, New York, N. Y. Approved.
- Dated, December 18th, Recommending approval of the application of Mr. Leon G. Voorhees for permission to serve at the same time as officer and director of the Tradesmens National Bank, Oklahoma City, Okla., as officer and director of the First National Bank In Coalgate, Okla. and as officer and director of the First National Bank in Ardmore, Okla. Approved.
- Dated, December 20th, Recommending approval of the application of Mr. A. N. Kemp for permission to serve at the same time as director of the National City Bank, Los Angeles, Cal., as director and officer of the California Bank, Los Angeles, Cal. and as director and officer of the California Trust Company, Los Angeles, Cal. Approved.
- Dated, December 21st, Recommending approval of the application of Mr. George McFadden for permission to serve at the same time as director of the Philadelphia-Girard National Bank,

12/23/26

-12-

REPORTS OF STANDING COMMITTEES: (Cont'd)

Philadelphia, Pa. and as director of the Girard Trust Company, Philadelphia, Pa.

Approved.

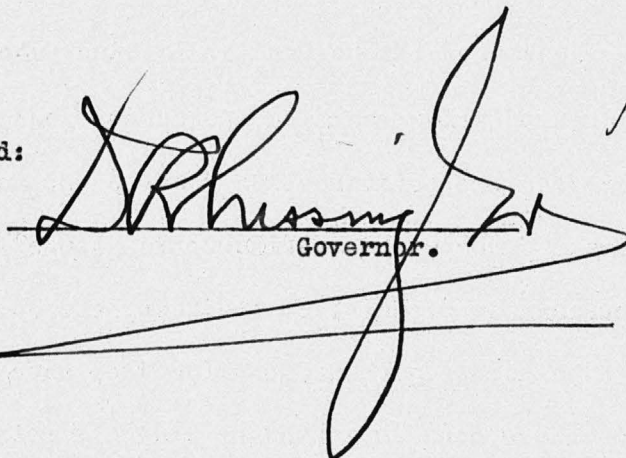
Dated, December 21st,

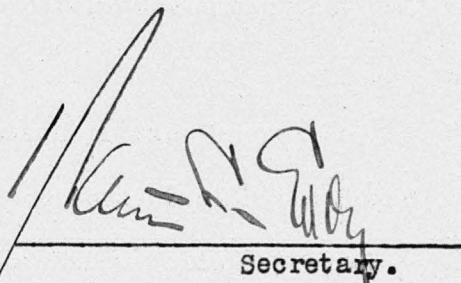
Recommending approval of the application of Mr. Charles Thomas Kountze for permission to serve at the same time as director and officer of the First National Bank, Omaha, Nebr. and as member of the firm of private bankers of Kountze Brothers, New York, N. Y.

Approved.

The meeting adjourned at 1:10 p.m.

Approved:


Governor.


Secretary.