

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

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

The minutes of the meetings of the Federal Reserve Board held on December 28th were read and approved.

Telegram dated December 29th from the Chairman of the Federal Reserve Bank of Boston, 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.

Report of Committee on Salaries and Expenditures dated December 28th on the subject of closing of books of the Federal Reserve Bank of Minneapolis as of December 31, 1926, as follows:

"Your committee has examined the statement submitted by the Federal Reserve Bank of Minneapolis with its request for authority to close its books and pay the semi-annual dividend, and finds that on the basis of the bank's daily balance sheet form 34 the estimated gross earnings will be sufficient to cover current operating expenses, accrued dividends and other charges which the bank proposes to make against current earnings and leave a balance, estimated by the reserve bank at about \$242,000, of which about \$24,000 will be transferred to surplus account and about \$218,000 paid to the Government as a franchise tax. Estimated earnings and proposed deductions therefrom are as follows:

Gross earnings	\$1,605,000	
Current expenses	<u>1,063,000</u>	
Current net earnings		\$542,000
Credits (largely recovery of expenses incurred in collecting paper of failed banks)		74,000
Proposed deductions:		
Furniture and equipment	20,000	

12/30/26

-2-

"2% reserve on Minneapolis building	\$32,516.86
2% reserve on Helena building	2,700.00
Charge-off on Minneapolis building to reduce book value to estimated replacement cost . .	57,438.64
10% reserve on fixed machinery and equipment - Minneapolis	62,005.35
Adjustment of 1925 depreciation reserve on fixed machinery and equipment	10,000.00
10% reserve on fixed machinery and equipment - Helena	<u>1,610.90</u>
Total deductions	<u>186,271.75</u>
Balance available for dividends, surplus & franchise tax	429,728.25
Dividends paid June 30	94,670.00
Estimated dividends July 1 to December 31 . .	<u>92,954.50</u>
Total dividends	<u>187,624.50</u>
Balance available for surplus and franchise tax	242,103.75
Estimated transfer to surplus account	<u>24,210.37</u>
Estimated franchise tax	217,893.38

According to the statements accompanying the dividend resolution, amounts due to the reserve bank on November 30 from suspended banks amounted to \$1,892,269.41, on which the Federal reserve bank estimates that it will sustain a loss of \$304,500. In addition, borrowings of banks in an over-extended condition amounted to \$1,481,184.83, on which the bank does not expect to sustain any loss. The reserve bank now has a reserve of \$700,000, which is something over twice the present estimated loss.

The original request received from the Minneapolis bank asked permission of the Board to charge off \$200,000 on its building in addition to the normal depreciation allowances. This was informally disapproved by the Board and the bank now asks authority to recalculate the estimated replacement cost of the building by first charging off miscellaneous expenses not considered a part of the construction cost, and allocating a portion of architects' and engineers' fees to fixed machinery and equipment. It has been the practice of most of the other Federal reserve banks to charge off miscellaneous expenses such as taxes and maintenance during the course of construction, before calculating estimated replacement costs and your committee recommends that the same procedure be authorized in the case of the Minneapolis bank. A letter received from Governor Young under date of December 23 incloses a letter from Mr. E. T. Fallows, architect, stating that at least 40 per cent of the architects' and engineers' fees should be attributed to the plans and supervision necessary for the installation and construction of mechanical equipment. Most of the Federal reserve banks that have allocated a portion of architects' and engineers' fees to fixed machinery and equipment have made the allocation on the basis of the proportionate cost of the building and of fixed machinery and equipment and this has in most cases resulted in around 20 per cent of the architects' and engineers' fees being charged to fixed machinery and equipment for depreciation purposes. The St. Louis bank, however, in recently calculating the replacement cost of its building prorated 37.6 per cent of its architects' and engineers' fees to fixed

12/30/26

-3-

"machinery and equipment, and in view of the fact that Minneapolis' request is supported by the statement of an architect in whom they have confidence, your committee recommends that the bank be authorized to allocate \$100,000 or 37.9 per cent of its architects' and engineers' fees to fixed machinery and equipment for depreciation purposes and in accordance therewith to charge-off \$57,438.64 for the purpose of reducing the book value of the building to the new replacement cost.

YOUR COMMITTEE finds that the other proposed deductions from current net earnings are in accordance with the Board's instructions and recommends that they be approved. The bank has been authorized to pay the usual semi-annual dividends on December 31."

Upon motion, the recommendations of the Committee were approved.

Letter dated December 27th from the Chairman of the Federal Reserve Bank of New York, advising of the resignation of Mr. Laurence H. Hendricks Controller of Fiscal Agency, effective January 31, 1927.

Noted.

Letter dated December 27th from the Federal Reserve Agent at Chicago, advising of a resolution adopted by the Clearing House Association of Grand Rapids, Michigan, providing that clearing house banks will handle as cash items only checks drawn on Michigan banks which will remit at par through the Federal Reserve System and that items on banks not remitting at par will be handled as collection items only.

Noted.

Letter dated December 28th from the Federal Reserve Agent at St. Louis, transmitting a request of the President of the Grand National Bank of St. Louis for a hearing before the Board regarding its recent action in increasing the reserve requirements of that bank from 7% to 10% on demand deposits.

Referred to the Governor with power.

Report of Executive Committee on memorandum dated December 28th

12/30/26

-4-

from the Acting Comptroller of the Currency, recommending approval of an application of The New Georgia National Bank of Albany, Ga. for permission to reduce its capital from \$300,000 to \$200,000, on condition that \$100,000 in cash be paid into the bank by the shareholders and that this amount, as well as the entire amount of the reduction, be used to charge off losses and that any amount realized from the charged off assets be placed in the bank's undivided profits account; the Committee also recommending approval.

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

Letter dated December 28th from the Federal Reserve Agent at New York, advising of consideration being given by the American Union Bank of New York to a merger with the Municipal Bank of Brooklyn.

Noted.

At this point, Mr. W. W. Lancaster of the firm of Shearman and Sterling, attorneys for the National City Bank of New York, appeared before the Board and discussed the application of the National City Bank for permission to establish branches in certain places in China through taking over banking operations of branches now maintained in those places by the International Banking Corporation, all of the stock of which is owned by the National City Bank.

Following a detailed discussion, Mr. Lancaster left the room and Mr. Miller moved that before proceeding further with consideration of the application of the National City Bank for permission to establish branches in China, the Board request a statement from the Comptroller of the Currency as to the manner in which he proposes to satisfy himself

12/30/26

-5-

by examination as to the operation of the foreign branches of the National City Bank.

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

At this point, Mr. Jay, Chairman of the Board of Directors of the Federal Reserve Bank of New York, entered the room and discussed with the members of the Board informally the proposal of the directors of the Federal Reserve Bank of Minneapolis for a change in that bank's present method of handling non-cash items whereby the bank would handle all non-cash items on a uniform basis by forwarding them to member banks for collection and returns and would discontinue its present practice of notification and presentation at street addresses in the city of Minneapolis. Mr. Jay stated that he could see no objection to the Board's approving the proposal of the Minneapolis directors. On the subject of uniformity, Mr. Jay pointed out that in certain parts of New York City, notably Staten Island, the Federal Reserve Bank of New York collects street address items through member banks.

Mr. Jay also discussed informally the case of Mr. Roy W. Furman, former Chief of the Credit Division of the Federal Reserve Bank of New York, who was relieved of his duties as the result of certain alterations in credit records which were reported to the Board a day or two ago. He expressed the opinion that Mr. Furman's activities were not of a nature serious enough to warrant criminal proceedings against him and expressed the hope that the Board would not require the bank to drop Mr. Furman from the rolls immediately but allow it a reasonable time in which to discontinue his services.

12/30/26

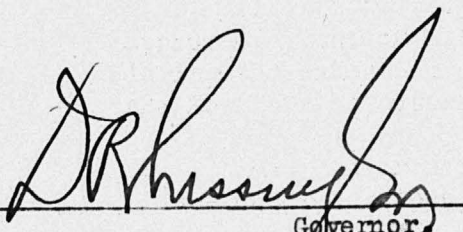
-6-

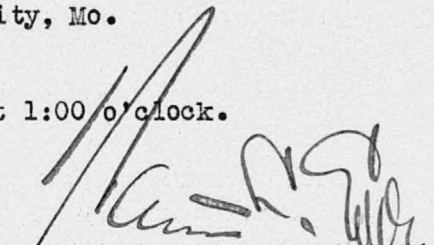
REPORTS OF STANDING COMMITTEES:

- Dated, December 29th, 30th, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date.
Approved.
- Dated, December 29th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Approved.
- Dated, December 29th, Recommending action on application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Held.
- Dated, December 29th, Recommending action on application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Refused.
- Dated, December 30th, 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 28th, Recommending approval of the application of Mr. George R. Collett for permission to serve at the same time as director of the National Stock Yards National Bank, National City, Ill. and as director of the Drovers National Bank, Kansas City, Mo.
Approved.
- Dated, December 28th, Recommending approval of the application of Mr. Nelson Morris for permission to serve at the same time as director of the National Stock Yards National Bank, National City, Ill. and as director of the Drovers National Bank, Kansas City, Mo.
Approved.

The meeting adjourned at 1:00 o'clock.

Approved:


Governor.


Secretary.