

## The Papers of Charles Hamlin (mss24661)

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Hamlin, Charles S., Scrap Book – Volume 163, FRBoard Members

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SCRAP BOOK VOL. 163  
FR BOARD MEMBERS

Box 359 Folder 8

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

Date June 27, 1941To The Files

Subject: \_\_\_\_\_

From Mr. Coe

After correspondence with Mrs. Hamlin (see letters of May 25 and June 4, 1941) the items attached hereto and listed below, because of their possible confidential character, were taken from Volume 163 of Mr. Hamlin's scrap book and placed in the Board's files:

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FEDERAL RESERVE BOARD

X-4657

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

August 24, 1926.

SUBJECT: Bankers' acceptances drawn to finance the  
storage of cotton seed.

Dear Sir:

I am enclosing herewith for your information  
a copy of a ruling which the Federal Reserve Board has  
adopted with reference to the eligibility for rediscount  
at Federal reserve banks of bankers' acceptances drawn  
to finance the storage of cotton seed.

Very truly yours,

D. R. Crissinger  
Governor.

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To Governors of all F.R. Banks

Enclosure:

## BANKERS' ACCEPTANCES DRAWN TO FINANCE THE STORAGE OF COTTON SEED.

The Federal Reserve Board has been requested to rule upon the eligibility for rediscount at Federal reserve banks of bankers' acceptances drawn to finance the storage of cotton seed under the following circumstances:

Certain cotton seed oil mills own warehouses which they propose to lease to independent warehouse corporations under bona fide leases, the corporations to assume full control and management of such warehouses and to operate them as public warehouses which will be bonded and licensed under the United States Warehouse Act. It is proposed that such prime seed as is received by the mills - that is, seed which is in such condition that it may be safely stored for an indefinite period of time - will be stored by the mills in these warehouses until it can be processed into various cotton seed products, and the mills desire to finance such storage by means of bankers' acceptances secured by warehouse receipts for such seed. The owners of the cotton seed thus stored to have access to it at proper times for purposes of inspection.

The Federal Reserve Board has heretofore ruled that cotton seed, when stored under proper conditions, is a nonperishable readily marketable staple agricultural product within the meaning of the Federal Reserve Act and the Board's Regulation A; and that, therefore, a bankers' acceptance secured by a warehouse receipt for cotton seed is eligible for rediscount at a Federal reserve bank, provided the cotton seed upon which the acceptance is based is stored under such conditions as to protect it adequately from deterioration and provided the acceptance complies in all other respects with the requirements of the law and the Board's regulations. This ruling may be found in the 1925 Federal Reserve Bulletin at page 737.

The Board has also had occasion to rule upon the right of member banks to make acceptances issued against goods stored on premises owned by the owner of the goods but leased to an independent lessee who issues warehouse receipts covering the goods in storage. The Board held in this ruling published on page 634 of the 1918 Bulletin that if the premises in question were actually turned over to the lessee on a bona fide lease, the lessee being independent of the borrower and having entire custody and control of the goods, a member bank could properly accept drafts drawn against warehouse receipts issued by the lessee; but held further that the borrower should not have access to the premises and should exercise no control over the goods stored. Such drafts eligible for acceptance by member banks would also be eligible for rediscount at Federal reserve banks, if of proper maturity.

Under the ruling of the Federal Reserve Board just mentioned access to the premises where the goods are stored is not permitted to the owner of the goods for inspection or for any other purpose. This condition of the previous ruling cannot be met in the storing of cotton seed. Due to the fact that cotton seed is subject to deterioration from heating, cotton seed owners storing their seed in warehouses are accustomed to visit these warehouses from time to time for the purpose of inspecting the seed. In order, therefore, that bankers' acceptances drawn to finance the storage of cotton seed may be eligible for rediscount, a modification of the principle stated in the Board's previous ruling with reference to the owner's access to the goods is necessary.

After a consideration of these questions the Board now rules that -

Bankers' acceptances secured by cotton seed stored in a warehouse owned by the owner of the cotton seed but leased to an independent public warehouse corporation under bona fide lease, the corporation assuming exclusive control and management of such warehouse and operating it as a public warehouse bonded and licensed under the United States Warehouse Act, may be eligible for rediscount at a Federal reserve bank, although the owners of the cotton seed are permitted access to the seed in storage at proper and reasonable times for the purpose only of inspecting the condition of the seed, provided that on all such occasions the consent of the independent warehouse corporation is first secured and that the owner of the seed or his representative is accompanied by a proper representative of the warehouse corporation.

It should be understood that such acceptances must be of proper maturity and must in all other respects comply with the pertinent provisions of the Federal Reserve Act and the Board's Regulation A. In addition, it is necessary that the cotton seed upon which such acceptances are based be stored under such conditions as to protect it adequately from deterioration.

The Federal Reserve Board is informed that the Department of Agriculture is soon to issue a special regulation governing the storage of cotton seed by warehouses licensed under the United States Warehouse Act. This regulation, a tentative draft of which has been carefully considered at a conference between representatives of the Department of Agriculture and the Federal Reserve Board will, it is believed, provide adequate safeguards. If the storage of cotton seed complies with this regulation which is to be promulgated by the Department of Agriculture, it will be deemed by the Board a storage under such conditions as to protect the cotton seed adequately from the deterioration within the meaning of this ruling.

The question whether bankers' acceptances are desirable from the credit standpoint is, properly, a question for determination by the Federal reserve bank to which the paper is offered for rediscount rather than by the Federal Reserve Board.

## Office Correspondence

FEDERAL RESERVE  
BOARD

See Bk

Date August 28, 1926.

To Mr. Hamlin

Subject:

From Mr. Van Fossen *VF*

2-8495

In accordance with your request of August 27 to Mr. Goldenweiser we have had the percentage distribution of gross earnings of the Federal reserve banks compiled as given below:

## PERCENTAGE DISTRIBUTION OF GROSS EARNINGS OF THE FEDERAL RESERVE BANKS

Federal Reserve Bank	From discounted bills		From bills purchased in open market		From U. S. securities		From all other sources	
	1925	1926 (6 mos.)	1925	1926 (6 mos.)	1925	1926 (6 mos.)	1925	1926 (6 mos.)
Boston	36.4	36.1	45.4	44.5	13.9	12.5	4.3	6.9
New York	50.8	54.0	14.4	18.1	29.2	24.2	5.6	3.7
Philadelphia	49.4	58.3	18.7	14.1	27.0	22.6	4.9	5.0
Cleveland	47.3	49.5	17.5	15.2	31.0	30.5	4.2	4.8
Richmond	78.9	70.8	9.9	12.8	7.1	11.0	4.1	5.4
Atlanta	44.0	48.5	35.1	34.6	17.9	13.3	3.0	3.6
Chicago	39.1	44.4	19.5	16.7	33.8	32.2	7.6	6.7
St. Louis	40.8	41.3	22.1	17.8	34.6	38.2	2.5	2.7
Minneapolis	16.1	15.8	30.6	25.6	47.1	47.0	6.2	11.6
Kansas City	15.7	25.5	23.3	16.2	48.4	46.9	12.6	11.4
Dallas	13.9	15.8	28.8	22.9	51.8	55.7	5.5	5.6
San Francisco	36.6	36.7	23.3	19.3	37.6	39.2	2.5	4.8
Total	42.3	44.8	21.8	20.5	30.6	29.2	5.3	5.5
1924	41.6		14.9		38.4		5.1	
1923	65.0		18.5		14.7		1.8	
1922	52.5		11.2		33.0		3.3	
1921	89.2		4.3		5.1		1.4	
1920	82.2		12.2		3.9		1.7	

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FEDERAL RESERVE BANK  
OF SAN FRANCISCO

JOHN PERRIN  
CHAIRMAN OF THE BOARD  
AND FEDERAL RESERVE AGENT

November 6, 1923.

Dear Mr. Hamlin:

Please refer to my letter of October 18th, in reply to yours of October 9th, requesting figures showing communities in California where there is a national bank and a branch of a state bank side by side, showing the difference in loaning capacity to any one individual of both systems.

It has been brought to my attention that the tabulation enclosed with my letter would be more accurate if it separated the combined capital and surplus of each of the two large California branch banks into its two constituent parts; i.e., that allocated to the Commercial Department, and that allocated to the Savings and Trust Departments, the loan limitations of which are different, as shown in Mr. Agnew's memorandum. This division has accordingly been made and a revised table is enclosed for your use.

Yours very truly,

JOHN PERRIN,  
Federal Reserve Agent,

By *Henry C. Breck*  
Assistant Federal Reserve Agent.

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The Honorable Charles S. Hamlin,  
Federal Reserve Board,  
Washington, D. C.

Enclosure



COMPARATIVE LOAN LIMITS OF NATIONAL BANKS AND  
CALIFORNIA BRANCH BANKS (SEE FOOTNOTE ON PAGE 4)

Community	Capital &	Maximum amount may lend to any one			Difference in
	Surplus	Unsecured	if Secured	Total	
<u>BAKERSFIELD</u>					
N/B of Bakersfield	100,000	10,000	25,000	35,000	
Bank of Italy (Com'l)	12,800,000	1,280,000	3,840,000	5,120,000	
" "(S. & T.)	7,200,000	None	3,600,000	3,600,000	8,685,000
<u>CHICO</u>					
1st Nat'l Bank	135,000	13,500	33,750	47,250	
Bank of Italy (Com'l)	12,800,000	1,280,000	3,840,000	5,120,000	
" "(S. & T.)	7,200,000	None	3,600,000	3,600,000	8,672,750
<u>EL CENTRO</u>					
1st Nat'l Bank	240,000	24,000	60,000	84,000	
Pac. S.W. Tr. & S. Bk. (Com'l)	7,895,000	789,500	2,368,500	3,158,000	
" (S. & T.)	2,350,000	None	1,175,000	1,175,000	4,249,000
<u>FRESNO</u>					
1st Nat'l Bank	200,000	20,000	50,000	70,000	
Bank of Italy (Com'l)	12,800,000	1,280,000	3,840,000	5,120,000	
" (S. & T.)	7,200,000	None	3,600,000	3,600,000	8,650,000
Pac. S.W. Tr. & Sav. Bk. (Com'l)	7,895,000	789,500	2,368,500	3,158,000	
" (S. & T.)	2,350,000	None	1,175,000	1,175,000	4,263,000
<u>HANFORD</u>					
1st Nat'l Bank	200,000	20,000	50,000	70,000	
Bank of Italy (Com'l)	12,800,000	1,280,000	3,840,000	5,120,000	
" (S. & T.)	7,200,000	None	3,600,000	3,600,000	8,650,000
Pac. S.W. Tr. & S. Bk. (Com'l)	7,895,000	789,500	2,368,500	3,158,000	
" (S. & T.)	2,350,000	None	1,175,000	1,175,000	4,263,000
<u>HAYWARD</u>					
1st Nat'l Bank	47,800	4,780	11,950	16,730	
Bank of Italy (Com'l)	12,800,000	1,280,000	3,840,000	5,120,000	
" (S. & T.)	7,200,000	None	3,600,000	3,600,000	8,703,270
<u>HOLLISTER</u>					
1st Nat'l Bank	200,000	20,000	50,000	70,000	
Bank of Italy (Com'l)	12,800,000	1,280,000	3,840,000	5,120,000	
" (S. & T.)	7,200,000	None	3,600,000	3,600,000	8,650,000

COMPARATIVE LOAN LIMITS OF NATIONAL BANKS AND  
CALIFORNIA BRANCH BANKS (SEE FOOTNOTE ON PAGE 4)

	Capital & Surplus	Unsecured	Additional, if Secured	Total	Difference in favor of branch bank
: : Maximum amount may lend to any one : :					
: : borrower : :					
<u>Community</u>					
<u>LINDSAY</u>					
1st Nat'l Bank	125,000	12,500	31,250	43,750	
Pac.S.W.Tr. & Svg.Bk:					
(Com'l)	7,895,000	789,500	2,368,500	3,158,000	
(S. & T.)	2,350,000	None	1,175,000	1,175,000	4,289,250
<u>LONG BEACH</u>					
1st Nat'l Bank	300,000	30,000	75,000	105,000	
Pac.S.W.T. & S. Bk.:					
(S. & T.)	7,895,000	789,500	2,368,500	3,158,000	
(S. & T.)	2,350,000	None	1,175,000	1,175,000	4,228,000
<u>MARYSVILLE</u>					
1st Nat'l Bank	60,000	6,000	15,000	21,000	
Bank of Italy					
(Com'l)	12,800,000	1,280,000	3,840,000	5,120,000	
(S. & T.)	7,200,000	None	3,600,000	3,600,000	8,699,000
<u>MODESTO</u>					
1st Nat'l Bank	180,000	18,000	45,000	63,000	
Bank of Italy					
(Com'l)	12,800,000	1,280,000	3,840,000	5,120,000	
(S. & T.)	7,200,000	None	3,600,000	3,600,000	6,657,000
<u>NAPA</u>					
1st Nat'l Bank	180,000	18,000	45,000	63,000	
Bank of Italy					
(Com'l)	12,800,000	1,280,000	3,840,000	5,120,000	
(S. & T.)	7,200,000	None	3,600,000	3,600,000	6,657,000
<u>OAKLAND</u>					
Central Nat'l Bank	2,200,000	220,000	550,000	770,000	
Bank of Italy					
(Com'l)	12,800,000	1,280,000	3,840,000	5,120,000	
(S. & T.)	7,200,000	None	3,600,000	3,600,000	7,950,000
<u>OROVILLE</u>					
1st Nat'l Bank	100,000	10,000	25,000	35,000	
Bank of Italy(Com'l)	12,800,000	1,280,000	3,840,000	5,120,000	
(S. & T.)	7,200,000	None	3,600,000	3,600,000	8,685,000
<u>PASADENA</u>					
1st Nat'l Bank	450,000	45,000	112,500	157,500	
Pac. S.W.T. & S. Bk:					
(Com'l)	7,895,000	789,500	2,368,500	3,158,000	
(S. & T.)	2,350,000	None	1,175,000	1,175,000	4,175,500

Maximum amount may lend to any one borrower						Difference in favor of branch bank
Community	Capital & Surplus	Unsecured	Additional, if Secured	Total		
<u>PASO ROBLES</u>						
P.R.Nat'l Bank	60,000	6,000	15,000	21,000		
Bank of Italy (Com'l)	12,800,000	1,280,000	3,840,000	5,120,000		
(S. & T.)	7,200,000	None	3,600,000	3,600,000	8,699,000	
Pac. S.W.T. & S. Bk. (Com'l)	7,895,000	789,500	2,368,500	3,158,000		
(S. & T.)	2,350,000	None	1,175,000	1,175,000	4,312,000	
<u>REDLANDS</u>						
1st Nat'l Bank	120,000	12,000	30,000	42,000		
Pac. S.W.T. & S. Bk. (Com'l)	7,895,000	789,500	2,368,500	3,158,000		
(S. & T.)	2,350,000	None	1,175,000	1,175,000	4,291,000	
<u>SACRAMENTO</u>						
Cal. Nat'l Bank	1,250,000	125,000	312,500	437,500		
Bank of Italy (Com'l)	12,800,000	1,280,000	3,840,000	5,120,000		
(S. & T.)	7,200,000	None	3,600,000	3,600,000	8,282,500	
<u>SAN JOSE</u>						
1st Nat'l Bank	800,000	80,000	200,000	280,000		
Bank of Italy (Com'l)	12,800,000	1,280,000	3,840,000	5,120,000		
(S. & T.)	7,200,000	None	3,600,000	3,600,000	8,440,000	
<u>SAN PEDRO</u>						
1st Nat'l Bank	250,000	25,000	62,500	87,500		
Bank of Italy (Com'l)	12,800,000	1,280,000	3,840,000	5,120,000		
(S. & T.)	7,200,000	None	3,600,000	3,600,000	8,632,500	
Pac. S.W.T. & S.Bk. (S. & T.)	7,895,000	789,500	2,368,500	3,158,000		
	2,350,000	None	1,175,000	1,175,000	4,245,500	
<u>SANTA ANA</u>						
1st Nat'l Bank	1,000,000	100,000	250,000	350,000		
Pac. S.W. Tr. & Sav. (Com'l)	7,895,000	789,500	2,368,500	3,158,000		
(S. & T.)	2,350,000	None	1,175,000	1,175,000	4,984,000	
<u>SANTA BARBARA</u>						
1st Nat'l Bank	450,000	45,000	112,500	157,500		
Pac. S.W. Tr. & Sav. (Com'l)	7,895,000	789,500	2,368,500	3,158,000		
(S. & T.)	2,350,000	None	1,175,000	1,175,000	4,175,500	

Comparative Loan Limits of National Banks with  
CAPITAL AND SURPLUS \$100,000 to \$200,000  
 and California Branch Banks in same towns  
 (As of January 1, 1924)

Town	Banks	: Maximum amount May lend to any				Differ- ence in favor of Branch
		: Capital and Surplus	: Unsecured	: Addition- al if Secured	: Total	
Bakersfield	N/B of Bakersfield	: 155,000	: 15,500	: 38,720	: 54,220	
	Bank of Italy (Com'l)	: 12,800,000	: 1,280,000	: 3,840,000	: 5,120,000	
	" " (S & T)	: 7,200,000	: none	: 3,600,000	: 3,600,000	: 8,665,780
Chico	First Nat'l Bank	: 144,000	: 14,400	: 36,000	: 50,400	
	Bank of Italy (Com'l)	: 12,800,000	: 1,280,000	: 3,840,000	: 5,120,000	
	" " (S & T)	: 7,200,000	: none	: 3,600,000	: 3,600,000	: 8,669,600
Exeter	First National Bank	: 100,000	: 10,000	: 25,000	: 35,000	
	Pac. S.W.Tr. & Sav. Bank (Com'l)	: 7,895,000	: 789,500	: 2,368,500	: 3,158,000	
	" " (S & T)	: 2,350,000	: none	: 1,175,000	: 1,175,000	: 4,298,000
Glen- dale	First National Bank	: 100,000	: 10,000	: 25,000	: 35,000	
	Pac. S.W. Tr. & Sav. Bank (Com'l)	: 7,895,000	: 789,500	: 2,368,500	: 3,158,000	
	" " (S & T)	: 2,350,000	: none	: 1,175,000	: 1,175,000	: 4,298,000
	Sec. Tr. & Sav. Bank, L.A. (Com'l)	: 5,475,000	: 547,500	: 1,642,500	: 2,190,000	
	" " " (S & T)	: 5,050,000	: none	: 2,525,000	: 2,525,000	: 4,680,000
Hunting- ton Park	Nat'l Bank of Huntington Pk.	: 140,000	: 14,000	: 35,000	: 49,000	
	Pac. S.W.Tr. & Sav. Bank (Com'l)	: 7,895,000	: 789,500	: 2,368,500	: 3,158,000	
	" " (S & T)	: 2,350,000	: none	: 1,175,000	: 1,175,000	: 4,284,000
	Hellman Com'l Tr. & Sav.Bk. (Com'l)	: 1,400,000	: 140,000	: 420,000	: 560,000	
	" " (S & T)	: 1,450,000	: none	: 725,000	: 725,000	: 1,236,000
Lemoore	First Nat'l Bank	: 180,000	: 18,000	: 45,000	: 63,000	
	Pac. S.W.Tr. & Sav. Bank (Com'l)	: 7,895,000	: 789,500	: 2,368,500	: 3,158,000	
	" " (S & T)	: 2,350,000	: none	: 1,175,000	: 1,175,000	: 4,270,000
Modesto	First National Bank	: 180,000	: 18,000	: 45,000	: 63,000	
	Bank of Italy (Com'l)	: 12,800,000	: 1,280,000	: 3,840,000	: 5,120,000	
	" " (S & T)	: 7,200,000	: none	: 3,600,000	: 3,600,000	: 8,657,000
	American Bank, Oakland (Com'l)	: 250,000	: 25,000	: 75,000	: 100,000	
	" " (S & T)	: 945,000	: none	: 472,500	: 472,500	: 509,500
	United Bk. & Tr. Co., S.F. (Com'l)	: 3,365,500	: 336,550	: 1,009,650	: 1,346,200	
	" " "(S & T)	: 1,674,500	: none	: 837,250	: 837,250	: 2,120,450

Town	Bank	Capital and Surplus	Unsecured	Secured	Total	Difference in favor of Branch
Maximum amount may lend to any one borrower						
Merced	Far. & Mer. Nat'l Bank	125,000	12,500	31,250	43,750	
	Bank of Italy (Com'l)	12,800,000	1,280,000	3,840,000	5,120,000	
	" " (S & T)	7,200,000	none	3,600,000	3,600,000	8,676,250
Mont- erey	First National Bank	125,000	12,500	31,250	43,750	
	Bank of Italy (Com'l)	12,800,000	1,280,000	3,840,000	5,120,000	
	" " (S & T)	7,200,000	none	3,600,000	3,600,000	8,676,250
Napa	First National Bank	180,000	18,000	45,000	63,000	
	Bank of Italy (Com'l)	12,800,000	1,280,000	3,840,000	5,120,000	
	" " (S & T)	7,200,000	none	3,600,000	3,600,000	8,657,000
Ontario	Ontario Nat'l Bank	120,000	12,000	30,000	42,000	
	Bank of Italy (Com'l)	12,800,000	1,280,000	3,840,000	5,120,000	
	" " (S & T)	7,200,000	none	3,600,000	3,600,000	8,678,000
Oro- ville	First National Bank	100,000	10,000	25,000	35,000	
	Bank of Italy (Com'l)	12,800,000	1,280,000	3,840,000	5,120,000	
	" " (S & T)	7,200,000	none	3,600,000	3,600,000	8,685,000
Red- lands	First National Bank	120,000	12,000	30,000	42,000	
	Pac. S.W.Tr. & Sav.Bk. (Com'l)	7,895,000	789,500	2,368,500	3,158,000	
	" " (S & T)	2,350,000	none	1,175,000	1,175,000	4,291,000
Reed- ley	Reedley Nat'l Bank	120,000	12,000	30,000	42,000	
	Bank of Italy (Com'l)	12,800,000	1,280,000	3,840,000	5,120,000	
	" " (S & T)	7,200,000	none	3,600,000	3,600,000	8,678,000
Santa Monica	First National Bank	106,500	10,650	26,625	37,275	
	Pac. S.W.Tr. & Sav. Bank (Com'l)	7,895,000	789,500	2,368,500	3,158,000	
	" " (S & T)	2,350,000	none	1,175,000	1,175,000	4,295,725
Santa Rosa	First National Bank	110,000	11,000	27,500	38,500	
	Bank of Italy (Com'l)	12,800,000	1,280,000	3,840,000	5,120,000	
	" " (S & T)	7,200,000	none	3,600,000	3,600,000	8,681,500
	Merc. Tr. Co. (Com'l)	6,500,000	650,000	1,950,000	2,600,000	
	" " (S & T)	3,000,000	none	1,500,000	1,500,000	4,061,500
San Mateo	Nat'l Bank of San Mateo	117,000	11,700	29,250	40,950	
	Bank of Italy (Com'l)	12,800,000	1,280,000	3,840,000	5,120,000	
	" " (S & T)	7,200,000	none	3,600,000	3,600,000	8,679,050

Town	Bank	Capital and Surplus	Maximum amount may lend to any one borrower			Differ- ence in favor of Branch
			Unsecured	Secured	Total	
Tulare	First National Bank	150,000	15,000	37,500	52,500	
	Pac. S.W.Tr. & Sav. Bk.					
	(Com'l)	7,895,000	789,500	2,368,500	3,158,000	
	" " (S & T)	2,350,000	none	1,175,000	1,175,000	4,280,500
Watson-						
ville	Fruit Growers Nat'l Bank	120,000	12,000	30,000	42,000	
	Bank of Italy (Com'l)	12,800,000	1,280,000	3,840,000	5,120,000	
	" " (S & T)	7,200,000	none	3,600,000	3,600,000	8,678,000
Wilming-						
ton	First National Bank	120,000	12,000	30,000	42,000	
	Pac. S.W.Tr. & Sav. Bank:					
	(Com'l)	7,895,000	789,500	2,368,500	3,158,000	
	" " " (S & T)	2,350,000	none	1,175,000	1,175,000	4,291,000

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FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

September 2, 1926

CEP-fs

Mr. Charles S. Hamlin,  
Mattapoisett, Mass.

Dear Mr. Hamlin:

In response to the attached memorandum from Miss Laning, we have assembled the best figures that we have been able to obtain. They are given in the enclosed statements.

As regards your second question, we are presenting two sets of figures which largely explain themselves.

Of the "free balances" given in Table II, the part of this held in New York City is not definitely ascertainable, because banks do not report separately amounts due from New York. On June 30, 1912, National banks in New York reported \$342,000,000 due to other National banks.

The enclosed calculations and comparisons make no allowance for the factor of vault cash held in 1926, or for street loans for out-of-town banks on either date.

The figures have been carefully prepared, and they come as near to what you want as I believe can be done, but they have not had the benefit of examination by Mr. Goldenweiser, who will not be back from his vacation until next Tuesday.

Very truly yours,  
*Carl E. Parry*

Carl E. Parry,  
Division of Research and Statistics.

Enc.  
Volume 163 - Page 43

## Office Correspondence

FEDERAL RESERVE  
BOARD

COPY

Date Sept. 1, 1926.

To Mr. Goldenweiser

Subject:

From Miss Laning.

2-8405

Dear Mr. Goldenweiser:

I have just received a letter from Mr. Hamlin, who is at Mattapoisett, Mass. this week, requesting that you prepare for him a report containing, as nearly as possible, the following information. It might be well to send this to him by special delivery from your office so that he will be sure to receive it before he leaves Mattapoisett:

1. Approximate amount saved to the business of the country by eliminating of exchange charges. I have heard one estimate of 200 millions. Is this excessive?
2. Amounts deposited by country and Reserve City banks with their New York correspondent banks.
  - (a) Just before the enactment of the Federal Reserve Act, divided between
    1. Reserves. 2. Excess reserves.
  - (b) Same today - excess reserves.

Mr. Hamlin says that what he wants is a comparison between 1912 and today of excess reserves deposited with New York banks, and also what the required reserves were for country and reserve city banks in 1912 and today. He suggests that you "do the best you can."

Sincerely yours,

M. LANING



## SAVING ARISING OUT OF THE ELIMINATION OF EXCHANGE CHARGES

The chief economies resulting from the present method of clearing and collection are not subject to ready quantitative statement. They are: first, the greater speed with which collections and transfers are made and the greater frequency of settlements, both having the effect of reducing the loss of interest on collections and remittances in transit and of reducing the credit risks involved in the collection process; second, more direct routing of collection items, resulting in a marked reduction in the work of handling collection items; and third, the elimination, to a very considerable extent, of the cost and risk of actual gold shipments.

The saving to the business of the country arising from the elimination of exchange charges can at best be but roughly approximated. Since they have resulted in part, however, from the development of the par collection system and the process of making settlements through the gold settlement fund, for interdistrict transfers of funds, we may use figures relating to these as the basis of a rough guess. Transfers through the gold settlement funds in settlement of daily clearings aggregated approximately \$110,000,000,000 for the year 1925. Under the method of effecting settlements obtaining prior to the operation of the Federal reserve clearing and collection system, these transfers would have involved exchange charges. If we assume, for sake of illustration, an exchange charge of 10 cents per \$100, the cost would have approximated \$110,000,000. The exact cost of operating the gold settlement fund, which should be subtracted from this amount, is not available, but I am informed that it would not be in excess of \$1,000,000--probably nearer \$500,000.

Exchange charges have also been eliminated for items (not included in the above total) the collection of which, although confined to a single dis-

trict, involves settlements between points sufficiently distant from each other as to have involved exchange charges under the old system.

TABLE I

## RESERVES OF NATIONAL BANKS

(Amounts in thousands of dollars)

	: June 30, 1926	: June 14, 1912
<b>Country banks</b>		
Required reserves.....	456,749	508,589
Total legal reserves.....	<u>487,703</u>	<u>560,368</u>
Excess reserves.....	<u>30,954</u>	<u>51,779</u>
<b>Reserve city banks (including St. Louis)</b>		
Required reserves.....	431,098	513,925
Total legal reserves.....	<u>432,745</u>	<u>523,130</u>
Excess reserves.....	<u>1,647</u>	<u>9,205</u>
<b>Country and reserve city banks (including St. Louis)</b>		
Required reserves.....	887,847	1,022,514
Total legal reserves.....	<u>920,448</u>	<u>1,083,498</u>
Excess reserves.....	32,601	60,984

TABLE II NATIONAL BANKS--BALANCES WITH CORRESPONDENT BANKS

(Amounts in thousands of dollars)

	: June 30, 1926:	June 14, 1912
<b>Country banks</b>		
Balances with approved reserve agents and counted as reserve.....	-----	291,262
Less excess reserves (see Table I).....	-----	51,779
Balances with approved reserve agents and required as reserve.....	-----	239,483
Total balances with approved reserve agents.....	-----	493,613
Excess balances with approved reserve agents.....	30,954	254,130
Balances with banks other than approved reserve agents.....	765,070	151,306
Total "free balances" with other banks.....	796,024	405,436
Per cent of gross deposits.....	8.5%	11.3%
<b>Reserve city banks (including St. Louis)</b>		
Balances with approved reserve agents and counted as reserve.....	-----	234,198
Less excess reserves (see Table I).....	-----	9,205
Balances with approved reserve agents and required as reserve.....	-----	224,993
Total balances with approved reserve agents.....	-----	285,296
Excess balances with approved reserve agents.....	1,647	60,303
Balances with banks other than approved reserve agents.....	607,286	331,712
Total "free balances" with other banks.....	608,933	392,015
Per cent of gross deposits.....	9.6%	15.7%
<b>Country and reserve city banks (including St. Louis)</b>		
Balances with approved reserve agents and counted as reserve.....	-----	525,460
Less excess reserves (see Table I).....	-----	60,984
Balances with approved reserve agents and required as reserve.....	-----	464,476
Total balances with approved reserve agents.....	-----	778,909
Excess balances with approved reserve agents.....	32,601	314,433
Balances with banks other than approved reserve agents.....	1,372,356	483,018
Total "free balances" with other banks.....	1,404,957	797,451
Per cent of gross deposits.....	8.9%	13.1%

September 10, 1926.

Changes Since Last Meeting

Open Market Account:

In accordance with the decision at the last meeting of the committee on August 17, the special investment account has been reduced from 270 million dollars to about 210 million dollars. Of this amount 39 million represents sales to the Treasury and 21 million sales to a foreign correspondent, exactly offsetting gold imports. The net result of these operations was, therefore, to take out of the money market the amount of funds represented by the securities sold to the Treasury, which were paid for by withdrawals from depositary banks throughout the country.

Federal Reserve Credit:

The result of these sales was to increase the direct borrowing by member banks, and bills discounted on September 7 amounted to 611 million compared with 535 million dollars on August 18 and 639 million a year ago. Total bills and securities of the System on September 7 were 1,187 million, a figure which has been reached or exceeded several times this year and which is about the same as a year ago, whereas they have as a rule this year been exceeding last year's figures by about 100 million dollars. The following table shows the bills and securities of the System on August 18, September 7 this year, and September 9 a year ago.

BILLS AND SECURITIES - FEDERAL RESERVE SYSTEM  
(millions of dollars)

	<u>Sept. 9, 1925</u>	<u>Aug. 18, 1926</u>	<u>Sept. 7, 1926</u>
Bills Discounted	639	535	611
Bills Purchased	214	254	261
U. S. Securities	327	360	311
Other Securities	<u>10</u>	<u>3</u>	<u>4</u>
Total Bills & Securities	<u>1,190</u>	<u>1,152</u>	<u>1,187</u>

It will be seen from these figures that the result of the open market sales has been to shift to the member banks the responsibility for a somewhat larger proportion of the total amount of Federal Reserve credit now outstanding, which should presumably have the effect of subjecting future extensions of member bank credit to a closer scrutiny and making present discount rates more effective.

Money Rates:

The combined result of these recent open market sales, the continued influence of the increase of rate of the New York bank, and increasing fall demands for credit, are shown in a considerable increase in money rates, as indicated in the following table.

MONEY RATES AT NEW YORK

	<u>Sept. 9, 1925</u>	<u>Aug. 17, 1926</u>	<u>Sept. 8, 1926</u>
Commercial Paper	4 1/4	4 1/4 - 4 1/2	4 1/2
Bills(90 day)	3 1/2	3 5/8	3 7/8
March Certs. & Notes	3.26	3.42	3.40
F. R. B. of N. Y. rate	3 1/2	4	4

We are thus entering the Fall with a rate structure substantially higher than a year ago. Five of the Reserve Banks are also operating with a higher discount rate than was the case a year ago.

Member Bank Credit:

Total loans and investments of reporting member banks on September 1 were higher than at any time since June 30 but maintained about the same increase over the previous year, as has been the case for some months past, an increase which is not out of line with the usual year to year increase in the volume of credit to keep pace with the growth in population and trade. In the past month there has been an increase in commercial loans and in loans secured by stocks and bonds, partly offset by a decrease in investments. Total loans on stocks and bonds are slightly larger than at any time this year with the exception of January 6 and June 30.

Business and Financial Situation:

Business continues to be maintained at a high level, with few evidences of weakness. There has recently been some decrease in the amount of contracts and permits arranged for new building construction. This reduction will probably influence next year's construction rather than construction for the balance of this year, which promises to be maintained at a high level. In the main business continues to be conducted in conservative fashion and there is little evidence of overproduction or of speculative tendencies outside of the security markets. The business public appears to be critically-minded to observe any unwholesome tendencies in the business situation, as may be indicated by the recent unwillingness of the public to purchase bonds from the G. L. Miller Company and their consequent failure. Further evidence may be found in the critical attitude toward the extension of terms for installment selling, in the continuance of hand to mouth buying, and in the stability of prices of other than agricultural commodities. It is difficult to discover any grounds for serious business disturbance in the immediate future. Even in the stock market, where speculative operations are most in evidence, the tendency is clearly toward a careful selection of stocks on the basis of earnings and fundamental values and the trading is of much more substantial character than it was a year ago. An excellent argument can be made in justification for much of the recent rise in stock prices.

OPEN MARKET POLICY

While it is clear that we are now at a high level of business and financial activity, and that we are in a situation where the influence of the Federal Reserve System should be toward caution and conservatism, there does not appear to be any emergency situation. The present volume of discounts, and the present rate structure now constitute a considerable restraint on further extensions of member bank credit. As the usual Fall needs for additional credit make themselves felt there will be a steady increase in the burden of indebtedness upon member banks, and money rates are likely to continue higher than a year ago.

A further sale of securities at this time would in all probability be followed by an increase in money rates which would make it difficult to avoid rate increases at a number of the Federal Reserve Banks. Before such action were taken there should be careful consideration of its probable effect upon financing of the crop movement, agricultural prices, and the international relationship of money rates and gold movements. The special investment account is now down to about 200 million dollars and a further dissipation of this portfolio would leave the System with little control over the market in case of some future emergency.

In the light of these various considerations it would appear to be wise to defer further open market action for the present until there is a chance to observe the effect on the situation of the causes now operative and to observe further the tendencies in the volume and quality of credit as the Fall season advances.



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REPORT OF THE SECRETARY TO THE OPEN MARKET INVESTMENT COMMITTEE MEETING  
AT WASHINGTON, SEPTEMBER 10, 1926

---

Following the action taken by the Committee at its last meeting August 17, 1926 to make certain reductions in the System Account through the sale of Third Liberty Loan bonds to the Treasury Department and short-term securities to foreign correspondents the following transactions, in addition to the sales of \$7,337,000 to foreign correspondents approved at the last meeting, have taken place:

Sales of \$15,000,000 1927 Treasury Notes to other Federal reserve banks.

Purchases in lieu thereof of a like amount of Third Liberty Loan 4 1/4% bonds, thereupon selling to the Treasury Department

\$39,425,500 Third Liberty Loan 4 1/4% bonds.

Sales to foreign correspondents consisting of

\$ 490,000 September 15, 1926 Treasury Notes  
12,972,500 December 15, 1926 Certificates of Indebtedness

These sales, which were made without replacement, have brought the total System Account holdings at the close of business September 8, 1926 to \$209,975,000.

A special allotment of bankers acceptances since the last meeting amounting to \$3,679,000 was made from the portfolio of the New York bank to the Federal Reserve Bank of Atlanta to replace maturities in their special April 16 allotment of bills.

The Federal Reserve Bank of St. Louis which, on account of its reserve position, discontinued participation in System bill purchases for one week during the latter part of August made a further request September 4 that allotment be discontinued until further notice.

Figures shown on statement attached (Exhibit "B") reflect the distribution to all participating banks of System purchases of bills from

January 4 to September 1, 1926 , inclusive; the overages and shortages shown thereon have since been adjusted in the usual manner.

Attached are the following exhibits:

- (A) Statement showing participation of Federal reserve banks in System Special Investment Account and Classification of issues held in the account by maturities.
- (B) Statement showing purchases of bankers acceptances from January 1 to September 1, 1926 and the amount each bank has received in excess or short of its pro rata share under the apportionment plan put into effect January 4, 1926.
- (C) Statement showing earning asset holdings of all Federal reserve banks September 1, 1926 as compared with previous week; also weekly average of earning asset holdings from December 31, 1925 to September 1, 1926 as compared with corresponding period 1925 and entire year 1925.

STATEMENT SHOWING PARTICIPATION BY FEDERAL RESERVE BANKS IN SYSTEM  
SPECIAL INVESTMENT ACCOUNT AND CLASSIFICATION OF ISSUES HELD  
SEPTEMBER 7, 1926 IN THE ACCOUNT BY MATURITIES

---

	<u>Holdings</u>		<u>Holdings by Maturities</u>
Boston	\$ 9,204,000	September 15, 1926	\$ 59,395,000
New York	55,393,000	December 15, 1926	44,380,500
Philadelphia	5,165,000	March 15, 1927	76,878,200
Cleveland	13,860,000	December 15, 1927	29,321,300
Richmond	6,109,000		
Atlanta	0		
Chicago	27,541,500		
St. Louis	14,409,500		
Minneapolis	9,368,500		
Kansas City	18,893,000		
Dallas	19,388,500		
San Francisco	<u>30,643,000</u>		
Totals	<u>\$209,975,000</u>		<u>\$209,975,000</u>

PURCHASES OF BANKERS ACCEPTANCES FROM JANUARY 4 TO SEPTEMBER 1, 1926 AND AMOUNT  
EACH BANK HAS RECEIVED IN EXCESS OR SHORT OF ITS PRO RATA SHARE  
UNDER APPORTIONMENT PLAN PUT INTO EFFECT JANUARY 4, 1926

---

	Bills Acquired (Net)	Bills Entitled to Acquire	Bills Over Pro Rata Share	Bills Short Pro Rata Share
Boston	\$ 81,107,000	\$ 74,924,000	\$6,183,000	0
New York	249,352,000	251,839,000	0	2,487,000
Philadelphia	83,136,000	85,627,000	0	2,491,000
Cleveland	106,719,000	107,031,000	0	312,000
Richmond	54,961,000	55,248,000	0	287,000
Atlanta	52,083,000	51,882,000	201,000	0
Chicago	149,467,000	149,846,000	0	379,000
St. Louis	46,320,000	46,320,000	0	0
Minneapolis	44,279,000	44,545,000	0	266,000
Kansas City	63,689,000	64,220,000	0	531,000
Dallas	44,534,000	44,545,000	0	11,000
San Francisco	<u>96,712,000</u>	<u>96,332,000</u>	<u>380,000</u>	<u>0</u>
Totals	<u>\$1,072,359,000</u>	<u>\$1,072,359,000</u>	<u>\$6,764,000</u>	<u>\$6,764,000</u>

These figures reflect purchases allotted on basis of regular percentages but  
do not include inter-System sales from portfolio.

## EXHIBIT "C"

## STATEMENT SHOWING EARNING ASSET HOLDINGS OF ALL FEDERAL RESERVE BANKS SEPTEMBER 1, 1926 COMPARED WITH PREVIOUS WEEK AND SEPTEMBER 2, 1925; ALSO WEEKLY AVERAGE OF EARNING ASSETS FROM DECEMBER 31, 1925 TO SEPTEMBER 1, 1926 AS COMPARED WITH CORRESPONDING PERIOD 1925 AND ENTIRE YEAR 1925

		(000 Omitted)												
		Boston	New York	Philadelphia	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minneapolis	Kansas City	Dallas	San Fran.	Total
Bills Discounted	- Aug. 25	\$39,499	\$140,059	\$49,850	\$38,105	\$45,347	\$48,600	\$73,604	\$36,424	\$14,060	\$12,716	\$22,610	\$49,764	\$ 570,638
"	Sept 1	46,064	176,243	45,611	33,467	47,649	50,166	69,993	39,266	16,218	12,341	25,261	64,069	626,348
Net Change		6,565+	36,184+	4,239-	4,638-	2,302+	1,566+	3,611-	2,842+	2,158+	375-	2,651+	14,305+	55,710+
Bills Purchased	- Aug. 25	17,444	43,849	18,879	26,484	12,707	26,545	35,191	8,417	11,789	14,513	12,246	26,552	254,616
"	Sept 1	22,839	33,191	19,028	27,398	12,557	29,884	36,529	8,569	11,778	14,355	11,356	25,997	253,481
Net Change		5,395+	10,658-	149+	914+	150-	3,339+	1,338+	152+	11-	158-	890-	555-	1,135-
Government Securities	- Aug. 25	10,638	60,266	20,454	35,214	7,842	1,995	50,175	21,216	17,527	30,729	22,877	42,284	321,217
"	Sept 1	10,486	60,713	20,369	34,986	7,741	1,883	50,730	20,979	17,377	30,167	21,752	41,781	318,964
Net Change		152-	447+	85-	228-	101-	112-	555+	237-	150-	562-	1,125-	503-	2,253-
Total Earning Assets	- Aug. 25	67,581	244,174	91,183	99,803	65,896	77,840	158,970	66,057	44,376	57,958	57,733	118,600	1,150,171
"	Sept 1	79,389	270,147	87,008	95,851	67,947	82,633	157,252	68,814	46,373	56,863	58,369	131,847	1,202,493
Net Change		11,808+	25,973+	4,175-	3,952-	2,051+	4,793+	1,718-	2,757+	1,997+	1,095-	636+	13,247+	52,322+
<u>Weekly Average of Earning Assets</u>														
Dec. 31, 1925 to Sept. 1, 1926		81,272	269,056	89,559	104,746	60,558	73,422	150,617	62,746	36,569	65,285	53,248	112,889	1,159,967
Corresponding period 1925		83,167	279,904	81,307	109,969	53,830	41,424	130,218	50,290	35,377	50,299	42,249	101,198	1,059,232
Net Change		1,895-	10,848-	8,252+	5,223-	6,728+	31,998+	20,401+	12,456+	1,192+	14,986+	10,999+	11,691+	100,735+
Dec. 31, 1925 to Sept. 1, 1926		81,272	269,056	89,559	104,746	60,558	73,422	150,617	62,746	36,569	65,285	53,248	112,889	1,159,967
Entire year 1925		93,459	287,133	85,078	113,904	54,734	56,548	138,045	55,936	37,271	57,293	49,024	109,866	1,138,291
Net Change		12,187-	18,077-	4,481+	9,158-	5,324+	16,874+	12,572+	6,310+	702-	7,992+	4,224+	3,023+	21,676+
<u>Comparison of Earning Assets</u>														
September 1, 1926		79,389	270,147	87,008	95,851	67,947	82,633	157,252	68,814	46,373	56,863	58,369	131,847	1,202,493
September 2, 1925		67,961	279,403	86,794	104,672	65,678	63,482	117,394	68,737	43,808	59,593	48,692	119,875	1,126,089
Net Change		11,428+	9,256-	214+	8,821-	2,269+	19,151+	39,858+	77+	2,565+	2,730-	9,677+	11,972+	76,404+

## SUMMARY FOR SYSTEM

Bills discounted for week	\$ 55,710+
Bills purchased for week	1,135-
Government securities for week	2,253-
Total earning assets for week	52,322+
Weekly average of earning assets Dec. 31/25 to Sept. 1/26	
against corresponding period 1925	100,735+
Weekly average of earning assets Dec. 31/25 to Sept. 1/26	
against entire year 1925	21,676+
Comparison of earning assets Sept. 1, 1926 with Sept. 2, 1925	76,404+

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## EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS

AUGUST 1926. Total earnings of the Federal reserve banks in August were \$35,000 less than in July, but more than \$400,000 above earnings in August last year. An increase of \$50,000 in earnings from discounted bills as compared with July was offset by a corresponding decrease in earnings from purchased bills and U. S. securities, while miscellaneous earnings fell off \$35,000.

Current expenses in August aggregated \$2,280,000, as compared with \$2,301,000 in the month preceding and \$2,223,000 in August last year.

8 MONTHS ENDING AUGUST. During the first eight months of the year, earnings totaled \$30,468,000 or \$4,692,000 above the total for the corresponding period last year. About 90% of this increase is due to larger earnings from discounted bills.

Current expenses (including the cost of Federal reserve currency) amounted to \$18,272,000 during the eight-month period, a decline of \$293,000 from the corresponding period last year.

After providing for all current expense and dividend requirements, the balance of net earnings on August 31 was \$7,352,000 as compared with only \$2,630,000 on the same date last year.

CONFIDENTIAL  
Not for publication

EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS

AUGUST 1926.

St. 5087

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See Bk

Federal Reserve Bank	Month of August 1926				August 1926			Year 1926			
	Earnings				Current expenses	Current net earnings	Annual average of current net earnings of current net earnings paid-in capital	Current net earnings to Aug. 31	Dividends accrued to Aug. 31	Balance available for depreciation allowances, surplus, franchise tax, etc.	
	From discounted bills	From purchased bills and U. S. securities	From other sources	Total						On Aug. 31	On July 31
							Per cent				
Boston	\$124,648	\$92,699	\$11,955	\$229,302	\$159,544	\$69,758	9.3	\$833,183	\$349,096	\$484,087	\$458,277
New York	512,372	313,453	27,002	852,827	558,271	294,556	9.7	2,443,041	1,378,724	1,064,317	947,722
Philadelphia	155,812	113,203	3,908	272,923	165,437	107,486	10.3	933,957	480,036	453,921	408,039
Cleveland	114,373	182,108	43,594	340,075	200,608	139,467	12.1	1,050,079	537,124	518,955	447,188
Richmond	152,599	57,279	7,250	217,128	114,902	102,226	19.8	698,579	241,912	456,667	384,881
Atlanta	161,651	83,847	8,272	253,770	127,757	126,013	29.8	998,680	195,955	802,725	701,602
Chicago	185,461	269,572	30,742	485,775	320,129	165,646	11.7	1,533,607	652,328	881,279	798,880
St. Louis	119,503	88,693	10,505	218,701	113,890	104,811	23.5	719,010	208,394	510,616	432,115
Minneapolis	44,423	90,671	15,637	150,731	90,412	60,319	22.8	318,499	125,867	192,632	147,890
Kansas City	43,121	141,297	26,680	211,098	133,663	77,435	21.7	713,565	169,024	544,541	488,069
Dallas	68,417	106,981	7,638	183,036	96,174	86,862	23.9	617,458	171,480	445,978	380,521
San Francisco	163,591	208,909	13,449	385,949	198,981	186,968	26.1	1,330,410	333,830	996,580	851,761
TOTAL:											
Aug. 1926	1,845,971	1,748,712	206,632	3,801,315	2,279,768	1,521,547	14.5	12,196,068	4,843,770	7,352,298	6,446,945
July 1926	1,794,805	1,798,994	242,668	3,836,467	2,301,394	1,535,073	14.7				
Aug. 1925	1,699,943	1,553,524	134,957	3,388,424	2,223,339	1,165,085	11.8	7,211,522	4,581,836	2,629,686	2,044,625

FEDERAL RESERVE BOARD  
DIVISION OF BANK OPERATIONS  
C. SEPTEMBER 10, 1926.

## Office Correspondence

FEDERAL RESERVE  
BOARD93 Sec. Mem.  
Date September 15, 1926.

To Mr. Hamlin

Subject: Havana Agencies of Federal

From Mr. Smead

Reserve Banks.

2-9495

We have been asked by Mr. Goldenweiser to reply to your memorandum of September 10 regarding the operation of the Havana Agencies.

The Boston Agency was established on September 1, 1923, and you will note from the attached statement that for the 3-year period ending August 31, 1926, the earnings on cable transfers bought and sold amounted to \$212,450.43, and during the same period the operating expenses of the Boston Agency amounted to \$43,607.99, leaving a net operating profit to the Boston Bank of \$168,842.44. The Atlanta Agency, which was established on the same date as the Boston Agency, reported operating expenses during the three-year period of \$85,674.99. These figures, however, do not include the cost of printing the Federal reserve notes shipped to Cuba, nor the shipping charges on such currency, which during the first year of the agency's operation amounted to \$33,358 and were estimated by Atlanta at the end of November 1924 to run normally about \$32,000 a year. This would make the total expense of operating the Atlanta Agency during the 3-year period approximately \$185,000. This figure, however, would probably be increased to over \$200,000 because of the large amount of currency shipped to Havana during the recent run on the Havana banks. It is evident, therefore, that the earnings of the Boston bank during the three-year period have not been sufficient to pay total operating costs including the cost of currency of the two agencies. The fact, however, should not be overlooked that the Federal reserve notes and other United States currency furnished to Cuba by the Federal reserve banks, whether directly or indirectly, have been paid for by the Cuban banks, and the only way that such payments can be made to the Federal reserve banks without reduction of our own circulating stock is through borrowings of member banks, which of course increase the earnings of the Reserve banks.

All of the Federal reserve notes paid out by Atlanta in Cuba have been in exchange for gold, in so far as Atlanta is concerned, and such gold, of course, has in the main been deposited with the Federal reserve agent as collateral security for the notes so paid out. From the latter part of September 1923 until about the end of that year, however, the borrowings of member banks in the Atlanta district were very heavy, reaching as high as \$87,067,000, and during this period the Atlanta bank had to use a portion of the gold received in exchange for notes paid out in Cuba to maintain its reserves against deposits, assuming, in accordance with the Board's ruling, that the reserve banks should maintain their legal required reserves against notes in circulation and treat any deficiency in reserves as being a deficiency in the reserve against deposits. There were also some days in December 1925 and January of this year when the Atlanta bank found it necessary, because of large open-market purchases, to use a portion of the gold received in exchange for notes paid out in Cuba as a part of its required reserves against deposits.

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At the present time, with borrowings at the Atlanta Federal reserve bank at \$48,000,000, which is relatively high, the reserves of that bank are about \$70,000,000 in excess of reserve requirements or considerably more than sufficient to retire all of its notes in circulation in Cuba, estimated as \$60,000,000.

If the Atlanta bank should adopt the policy of issuing no more Federal reserve notes in Cuba and of redeeming notes now outstanding when received, both its note circulation and its gold reserves would gradually decline. This decline in gold reserves, however, on the basis of present conditions would not go so far as to bring the bank's reserve ratio down to anywhere near the 40% minimum, and there would be slight possibility of the bank finding it necessary to rediscount with other Federal reserve banks unless conditions in the Atlanta district should so radically change that member banks would more than double the amount of their borrowings from the reserve bank. In fact if the Atlanta bank were now to redeem all of its notes in circulation in Cuba in gold it would still have a reserve ratio of about 58 per cent and an excess reserve of over \$37,000,000.

EARNINGS AND OPERATING EXPENSES OF HAVANA, CUBA, AGENCIES,  
ESTABLISHED SEPTEMBER 1, 1923.

EARNINGS ON TRANSFERS (FEDERAL RESERVE BANK OF BOSTON)

	Sold in Havana - payable in United States	Sold in United States - payable In Havana	Total
1923	\$17,269.00	\$7,200.00	\$24,469.00
1924	25,907.50	21,682.68	47,590.18
1925	26,953.00	16,778.00	43,731.00
1926*	49,980.25	46,680.00	96,660.25
<hr/>			
Total to Aug. 31, 1926	120,109.75	92,340.68	212,450.43

OPERATING EXPENSES

	Boston Agency	Atlanta Agency**	Total**
1923	\$8,796.40	\$11,264.07	\$20,060.47
1924	13,648.23	34,995.86	48,644.09
1925	13,366.43	21,914.13	35,280.56
1926*	7,796.93	17,500.93	25,297.86
<hr/>			
Total	43,607.99	85,674.99	129,282.98

\*To August 31, 1926.

\*\*Exclusive of the cost of Federal reserve notes and shipping charges thereon to and from the agency which amount to approximately \$32,000 a year.

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See 114

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIALS  
THE FEDERAL RESERVE BOARD

X-4677

September 24, 1926.

Dear Sir:

In the considerations which have been given during the past two years to the question of whether or not the Federal reserve banks should discontinue the handling of so-called non-cash collection items, considerable opposition has developed to the continuance of the service as at present, that is, without charge and without limitation as to items payable at street addresses.

The provisions of the Federal Reserve Act authorize, but do not require the Federal reserve banks to handle non-cash items and the inauguration of the function was the result of an order by the Federal Reserve Board, but rather at its suggestion. The Board wishes to suggest to the Federal reserve banks that each bank exercise its own option as to the collection of non-cash items at street addresses, but continue the collection of non-cash items collectible at banks.

Very truly yours,

J. Crissinger,  
Governor.

TO GOVERNORS OF ALL F. R. BANKS.

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FEDERAL RESERVE BOARD

X-4672

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

September 23, 1926.

SUBJECT: Discretion of Federal Reserve Agent in accepting or rejecting paper offered as collateral for Federal reserve notes.

Dear Sir:

The question has been raised whether the action of the Board of Directors of a Federal reserve bank in accepting paper for discount deprives a Federal Reserve Agent of discretion in accepting or rejecting such paper when offered as collateral for Federal reserve notes. The Board has given careful consideration to this matter and the conclusions which it has reached may be set out as follows:

Under the terms of Section 16 of the Federal Reserve Act, the Federal Reserve Board, acting through the Federal Reserve Agent, is charged with the responsibility of determining in each case whether an application by a Federal reserve bank for Federal reserve notes should be rejected or granted in whole or in part. It is clear that the Board is empowered to exercise its discretion in passing upon the desirability of collateral tendered as security against the issue of Federal reserve notes. This discretion is ordinarily exercised through the Federal Reserve Agent to whom the collateral is offered. In order that Federal reserve notes may always be fully protected by collateral security of proper kinds and amounts, it is important that the function of passing upon such collateral security should not be exercised in a perfunctory manner but it should be performed with care, and it should not be assumed that all paper discounted by a Federal reserve bank constitutes, without further examination as to its quality or goodness, acceptable collateral for the protection of Federal reserve notes.

The fact that a Federal Reserve Agent as a member of the Executive Committee of a Federal reserve bank may have participated in admitting a particular piece of paper to rediscount by the bank in no way precludes the exercise by him of independent judgment as to the desirability of such paper when it is tendered as collateral for the issue of Federal reserve notes.

The Federal Reserve Board expects Federal reserve agents at all times to see to it that all Federal reserve notes issued by them to their respective banks are fully protected by proper collateral deposited with them, and that in any cases where collateral tendered to them is deemed unsatisfactory in quality or amount, it shall be rejected and other collateral asked, and the matter of such rejection shall be reported to the Federal Reserve Board.

Yours,

To all Federal Reserve Agents.

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Sec 139

X-4678  
(Superseding X-4545)

BY-LAWS OF THE FEDERAL RESERVE BOARD

EFFECTIVE SEPTEMBER 23, 1926.

Article I.

The Chairman.

The Secretary of the Treasury, as Chairman of the Board, shall preside at all meetings when present. In the absence of the Chairman, the Governor shall act as presiding officer. In the absence of both the Chairman and the Governor, the Vice-Governor shall preside, and in the absence of all three such officers, the remaining member of the Executive Committee shall preside.

Article II.

The Governor.

Sec. 1. The Governor of the Federal Reserve Board shall be the active executive officer thereof; subject, however, to the supervision of the Board and to such rules and regulations as may be incorporated herein or may from time to time, by resolution, be established.

Sec. 2. The Governor shall have general charge of the executive and routine business of the Board not specifically assigned under the by-laws or by resolution of the Board to any individual member or committee thereof, and shall have supervision of the Board's staff.

Sec. 3. The Governor shall be an ex-officio member of all Standing Committees of the Board.

Article III.

The Vice-Governor.

Sec. 1. In the absence or disability of the Governor, his powers shall be exercised and his duties discharged by the Vice-Governor, and in the absence or disability of both of these officers, such powers shall be exercised and such duties discharged by the remaining member of the Executive Committee; in the absence or disability of all members of the Executive Committee the powers and duties of the Governor shall be exercised by the senior member of the Board present.

Sec. 2. It shall be the duty of the Vice-Governor to cooperate with the Governor in the administration of the executive business of the Board.

Article IV.

Secretary and Assistant Secretaries.

Sec. 1. The Board shall appoint a Secretary and one or more assistant secretaries.

Sec. 2. The Secretary shall keep an accurate record of the proceedings of the Board and shall conduct such correspondence and perform such other duties as may be assigned to him by the Governor or by the Board. In the absence or disability of the Secretary, the duties of that office may, by direction of the Board, be performed by an assistant secretary.

Sec. 3. The Secretary shall have custody of the seal and, acting under the authority of the Board, shall have power to affix same to all instruments requiring it. Such instruments shall be attested by the Secretary.

Sec. 4. The assistant secretaries shall each perform such duties as may be assigned to them from time to time by the Board or by the Secretary.

Article V.

Assistant to the Governor.

Sec. 1. The Board may authorize appointment of an Assistant to the Governor.

Sec. 2. The Assistant to the Governor shall perform such duties as shall be assigned to him by the Governor.

Article VI.

The Executive Committee.

Sec. 1. There shall be an Executive Committee of the Board consisting of three members, which shall include the Governor, Vice-Governor and one of the appointive members of the Board. The appointive member of the Committee shall be nominated and elected at a regular meeting of the Board. Members of the Board shall serve as far as practicable in rotation and for approximately equal terms. The presence of three members shall be requisite for the transaction of business by the Executive Committee, and action shall be taken only on unanimous vote of the Committee.

Sec. 2. In the absence of the Governor and Vice-Governor the appointive member of the Executive Committee shall act as Chairman and shall, with two other appointive members of the Board present in Washington to be chosen by him in the order of their seniority, exercise the powers and discharge the duties of the Executive Committee. In the absence of all three

regular members of the Executive Committee the three remaining appointive members of the Board, provided there be three in Washington, shall act as an interim committee and exercise the powers and discharge the duties of the Executive Committee, the senior member acting as Chairman.

Sec.3. It shall be the duty of the Executive Committee to review and submit drafts of important correspondence involving the expression of opinions or decisions of the Board, and to prepare and make recommendations governing the conduct of the Board's business.

Sec.4. The Executive Committee shall also have charge of all matters appertaining to the internal organization of the Board, and shall make recommendations from time to time on this matter. It shall also prepare annually a budget of proposed expenditures.

Sec.5. In the absence of a quorum of the Federal Reserve Board and for the transaction of business requiring action during the absence of such quorum, the Executive Committee is authorized to transact business which can be transacted in accordance with established principles and policies of the Board and to perform such additional duties as may be specifically delegated to it from time to time by instruction of the Federal Reserve Board.

The Secretary of the Board shall serve as Secretary of the Executive Committee.

## Article VII.

### Standing Committees.

In addition to the Executive Committee there shall be the following Standing Committees, appointments to which shall be made by the Governor, subject to the approval of the Board.

#### Sec.1. Law.

To the Law Committee shall be referred for study and report all questions of a legal nature. To this Committee shall also be assigned the preparation or revision of the Board's regulations, contemplated amendments to the Federal Reserve Act, applications under the Kern amendment to the Clayton Act, and applications for the exercise by national banks of trust powers.

The General Counsel shall serve as Secretary of the Committee.

#### Sec.2. Examination.

To this Committee shall be referred all questions relating to the examination of Federal Reserve or member banks including admission of state banks and permission to establish and operate branches.

The Chief Examiner shall serve as Secretary of this Committee.



Sec. 3. Research and Statistics.

This Committee shall have charge of all investigations of an economic and statistical character authorized by the Board and shall supervise the work of the Division of Research and Statistics and the preparation and publication of the Federal Reserve Bulletin. This Committee shall also have supervision of the statistical and publication work of the Federal Reserve Banks.

The Director of the Division of Research and Statistics shall serve as Secretary of this Committee, or in his absence the Assistant Director shall so serve.

Sec. 4. Salaries and Expenditures of Federal Reserve Banks.

To this Committee shall be assigned all recommendations from Federal Reserve Banks for changes of salaries and other expenditures. This Committee shall make reports with respect to charge-offs and franchise tax of Federal Reserve Banks.

The Secretary of the Board shall serve as Secretary of this Committee.

Sec. 5. District Committees.

To each Federal Reserve Bank and District shall be assigned a Committee of not less than two members of the Federal Reserve Board. It shall be the duty of each Committee to keep itself informed by correspondence and visit of the affairs of the Bank and the condition of the District, and make investigation and report on all questions appertaining to the operation of any Federal Reserve Bank or the condition of any Federal Reserve District that may be referred to it by the Board. These Committees shall also aid the Committee on Salaries and Expenditures with information regarding personnel of the respective Federal Reserve Banks of which they have charge. These Committees shall also make recommendations to the Board for the appointment of Directors at Federal Reserve Banks and Branches.

Article VIII.

The Fiscal Agent and Deputy Fiscal Agent.

Sec. 1. The Board shall appoint a Fiscal Agent and a Deputy Fiscal Agent. The duty of the Fiscal Agent shall be to collect and deposit all moneys receivable by the Board with the Treasurer of the United States, to be placed in a special fund established on the books of the Treasurer for the Federal Reserve Board. The Deputy Fiscal Agent shall perform the duties of the Fiscal Agent during his absence or disability.

Sec. 2. The Fiscal Agent and Deputy Fiscal Agent shall each execute a separate bond with surety satisfactory to the Board.

Sec. 3. Payments of expenses and other disbursements of the Board shall be made by the Fiscal Agent upon proper vouchers out of moneys

advanced to him by requisition and warrant out of the special fund and placed to his official credit with the Treasurer of the United States as provided by Section 5 of this Article. In the absence of the Fiscal Agent payment of expenses and other disbursements shall be made by the Deputy Fiscal Agent upon proper vouchers out of moneys advanced to the Fiscal Agent by requisition and warrant out of the special fund and placed to his official credit with the Treasurer of the United States as provided by Sections 5 and 6 of this article.

Sec. 4. The Fiscal Agent shall prepare a quarterly account in such form as shall be approved by the Comptroller General of the United States and, after approval by the Governor, such quarterly account shall be submitted to the General Accounting Office. Such account shall cover payments of expenses and other disbursements made by both the Fiscal Agent and the Deputy Fiscal Agent.

Sec. 5. The Governor shall, when necessary, make requisition on the Treasurer of the United States for the advance of such sums to the Fiscal Agent as may be necessary from the Federal Reserve Board fund.

Sec. 6. The Deputy Fiscal Agent in making disbursements of the Board upon proper vouchers out of the moneys advanced to the Fiscal Agent shall sign against funds to the official credit of the Fiscal Agent with the Treasurer of the United States in the name of the Fiscal Agent by himself as Deputy Fiscal Agent.

#### Article IX.

##### Gold Settlement Fund.

and

##### Federal Reserve Agents' Fund.

All funds deposited by or for account of the respective Federal Reserve Agents in the Federal Reserve Agents' fund of the Federal Reserve Board and all funds deposited by or for account of the respective Federal Reserve Banks in the Gold Settlement Fund of the Federal Reserve Board shall be held on deposit with the Treasurer of the United States and shall be subject to withdrawal only by check of the Federal Reserve Board signed by the Secretary or an Assistant Secretary and countersigned by the Governor or acting executive officer of the Board.

#### Article X.

##### Requisition for Delivery.

of

##### Federal Reserve Notes

Requisitions upon the Comptroller of the Currency for the delivery

of Federal Reserve notes to the respective Federal Reserve Agents shall be made by the Secretary or Assistant Secretary in response only to requests made by the Federal Reserve Agents to the Board for such notes. The Secretary or Assistant Secretary shall submit daily for approval to the Governor or acting executive officer of the Board a schedule showing the amount of each denomination of Federal Reserve Notes requisitioned by him for the account of each Federal Reserve Agent.

Article XI.

The Seal.

The following is an impression of the seal adopted by the Board.

SEAL.

Article XII.

Counsel.

Sec. 1. The Board shall appoint a General Counsel whose duty it shall be to advise with the Board, or any member thereof, as to such legal questions as may arise in the conduct of its business; to prepare, at the Board's request opinions, regulations, rulings, forms and other legal papers and to perform generally such legal services as he may be called upon by the Board to perform.

Sec. 2. Subject to the direction of the Governor, the General Counsel shall have authority to correspond directly with the Counsel of the various Federal Reserve Banks and to request their opinions as to the interpretation of the local laws of the States included in their respective Federal Reserve Districts. Copies of all such correspondence shall be furnished to the Board for its information.

Sec. 3. Whenever it may be deemed advisable, the Board may appoint one or more Associate or Assistant Counsel, or one or more Assistants to Counsel. The duty of such Associate or Assistant Counsel shall be to assist the General Counsel in the performance of his duties and to perform the duty of the General Counsel in his absence. The duty of such Assistant to Counsel or Assistants to Counsel shall be to assist the General Counsel in the performance of his duties.

Sec. 4. The Board may appoint from time to time Consulting Counsel, who may be attorneys at law engaged in outside practice.

Article XIII.

Meetings.

Sec. 1. Five members of the Board shall constitute a quorum for the transaction of business.

Sec. 2. Stated meetings of the Board shall be held on such days of the week and at such hours as the Board by a majority vote may fix from time to time. One meeting day each week shall be set apart for consideration of the following matters, advance notice of not less than two days being sent to members of important questions to be taken up at the meeting:

Discount and open market matters;  
Approval of expenditures and salaries;  
Establishment of Federal Reserve Branches,  
Agencies, Currency Stations;  
Permission for establishment of member  
bank branches;  
Amendment of Board's rules and regulations;  
New policies or changes of policy;  
Such other major matters as may be reserved  
for consideration at the weekly meeting.

Sec. 3. Special meetings of the Board may be called by the Chairman or Governor or upon the written request of three members of the Board.

Sec. 4. At all meetings of the Board the following shall be the order of business:

- (1) Reading or inspection of the Minutes of the last regular meeting and Minutes of meetings of the Executive Committee.
- (2) Report of the Governor.
- (3) Report of the Secretary.
- (4) Reports of the committees or members on assigned business.
- (5) Unfinished business.
- (6) New business.

Sec. 5. No vote shall be taken or motion made by the Board at a meeting or conference when others than the members of the Board and its Secretarial staff are present.

Article XIV.

Absences.

Sec. 1. Absences of appointive members of the Board shall as far as practicable be arranged so as not to interfere with the expeditious conduct of the Board's business in Washington.

Article XV.

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Sec. 2. No statements shall be made to the press explaining the policy or descriptive of its action except as authorized by the Board. Such statements shall be issued only in writing and when authorized and approved they shall be issued through the Board or such other officer or member of the Board as may be designated. While each member of the Board must determine for himself the propriety or necessity of expressing publicly his individual opinion on any matter, members shall not quote publicly the opinion of other members which have not formally been passed upon by the Board.

Sec. 3. There shall be published monthly, a bulletin to be known as "The Federal Reserve Bulletin", which shall be the official periodical organ or publication of the Federal Reserve Board.

Sec. 4. No resolutions of a personal character, except upon the death of a member of the Federal Reserve Board while serving as such, shall appear in any publication of the Federal Reserve Board.

Article XVI.

Amendments.

These by-laws may be amended at any regular meeting of the Board by a majority vote of the entire Board, provided that a copy of such amendments shall have been delivered to each member at least seven days prior to a meeting.