

The Papers of Charles Hamlin (mss24661)

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Hamlin, Charles S., Scrap Book – Volume 165, FRBoard Members

205.001 - Hamlin Charles S
Scrap Book - Volume 165
FRBoard Members

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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 165 of Mr. Hamlin's scrap book and placed in the Board's files:

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Correspondence in re Cuban Agency.

Page 63

Memo to Mr. Hamlin from Mr. Eddy re Board resolutions adopted November 23, 1926.

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Memo to Mr. Hamlin from Mr. Smead re Free Gold of Federal Reserve Banks, January 1, 1915 - 1926.

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(X-4740) Acceptances by national banks against import and export bills.

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Earnings and Expenses of Federal Reserve Banks.

Page 155

Deficiencies in Reserves of Member Banks for Month of October 1926.

MPC.

November 17, 1926.

My dear Mr. Mitchell:

I have your letter of November 12th and have noted it with interest.

I read some extracts from your former testimony before the Board in regard to the Cuban agencies which seemed pertinent to have read at the hearing the other day.

I am bringing your letter, however, to the attention of the Board and when the matter of the Cuban Agency is considered it will be given full consideration.

Very truly yours,

D. R. Crissinger,
Governor.

Mr. C. E. Mitchell, President,
National City Bank,
New York, N. Y.

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THE NATIONAL CITY BANK OF NEW YORK

New York, November 12, 1926.

Office of
The President

My dear Governor Crissinger:

I understand that the question was raised, in the hearing before the Federal Reserve Board yesterday, as to my attitude in 1923 when the question of establishing Reserve Agencies was before your Body.

It was, first, that it would be detrimental to both Cuban and American interests, if any other than United States currency were permitted to float in the Island of Cuba.

Second, that if United States currency were to be kept afloat, it should be clean and well conditioned, and that the cost of shipping new currency and returning old was so excessive that American banks doing business on the Island could not afford to condition the currency.

Third, that because of the above, and the additional fact that with no surplus supplies of currency on the Island, and no means of obtaining quick deliveries from the United States, making it necessary for all financial institutions in Cuba to carry in their own vaults excessive cash reserves, and even with such reserves the possibility of periodic currency demands from time to time bringing conditions bordering on panic, it was obvious that an Agency of the Federal Reserve Bank that could carry currency for the needs of the financial institutions, would be most desirable.

Fourth, that on the ground that the Federal Reserve Act did not contemplate taking away from its members any portion of their existing revenues through competing in any established branch of banking, I was opposed to the creation of a Reserve Agency in Cuba that would compete in the market for dollar exchange or be active in open market operations that had to do with the purchase of bills arising out of commercial transactions.

In other words, I think if you will examine the records, you will find that I made it clear that I was distinctly favorable to the establishment of a Federal Reserve Agency doing such work as the Atlanta office in Havana has done, and was opposed to an Agency that would even

deal in transfers such as the Boston Agency has been active in. In the light of experience, I would say that we have been distinctly benefited, as has the entire Island of Cuba, by the existence of an Agency such as Atlanta has maintained, and that with the limitation of exchange transfers, the Boston Agency has, on the whole, been beneficial rather than otherwise, though I would feel very strongly against any extension of the activity of a Federal Reserve Agency in Cuba in open market operations. We believe it vital to all interests involved that there be an Agency, and preferably a single Agency, to continue the work that has been done by the Atlanta and Boston Agencies during the past three years, and it is our opinion that the Atlanta Federal Reserve Bank is, by virtue of the proximity of its territory to the Island of Cuba, the natural selection for the operation of such an Agency.

Trusting that the foregoing will clear your mind as to my attitude of the past, as well as that of the moment, I am

Yours very truly,

C. E. MITCHELL

Honorable D. R. Crissinger,
Governor, The Federal Reserve Board,
Washington, D. C.

Date November 23, 1926.

To Mr. Hanlin

Subject:

From Mr. Eady.

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There is quoted below for your information resolutions adopted at the meeting of the Board yesterday afternoon:

"(1) That the report of the Board's Committee on Examinations, dated October 30, 1926, which report was tentatively approved by the Board at the meeting on November 3rd, be now definitively approved, and the recommendation contained therein, to the effect that a competent examiner be appointed "to make a survey, and report as to the efficiency and thoroughness of examinations and credit investigations made by each Federal reserve bank, and as to the efficiency and thoroughness of examinations of State banking departments", be adopted;

"(2) That the outline of the scope of the proposed survey, presented today in a supplementary report of the Committee on Examinations, be approved;

"(3) That for the purpose of making this inquiry and survey Mr. Claude Gilbert be employed by the Board, effective November 24, 1926, with the title of Supervisor of Examination, with compensation at the rate of \$10,000 a year, and that for administrative purposes he be connected with the office of the Secretary of the Board; and

"(4) That action under that paragraph of the Board's resolution of August 11, 1926, reading "in order that there may be available a staff of examiners to conduct such special examinations of state member banks as may be found necessary by the Board following the report of the bank examiner referred to in the previous resolution, that the Governor be authorized to employ as and when necessary the services of a sufficient number of bank examiners", be suspended until the results of the survey to be undertaken by the Supervisor are available, when it may be determined how far it may be necessary for the Board to go in itself undertaking member bank examinations through a division of member bank examination."

For your further information, there is attached hereto the outline of the scope of the proposed survey referred to in the second paragraph of the resolutions. In submitting this outline, the Committee reported:

"This list of questions is not to be considered by the Board's representative as a mere questionnaire, but as an effort to indicate some of the matters about which more definite information is wanted. It is not to be considered exclusive of other matters relating to the question of adequate examinations and bank supervision, nor is the Board's representative to conclude that answers to these questions alone will fulfill the purpose of the survey."

SOME OF THE MATTERS TO BE COVERED BY SURVEY

- (1) Do the examinations now made give the necessary information to enable the Federal Reserve Board to determine whether or not the member banks are operating within the requirements of the Federal Reserve Act, the regulations of the Board and the conditions of membership?
- (2) How are the examining forces of each of the Federal reserve banks selected and organized? Is the personnel of the examining force made up of men qualified and trained for their work? What experience in bank examination did they have before entering the Federal reserve bank?
- (3) Are the Federal reserve banks receiving adequate information as to the condition of the State member banks upon which they may safely act in extending credit?
- (4) Are their examining forces capable of conducting an examination of the larger banks in their districts?
- (5) Are their examining forces making adequate credit investigations, which involve the loan policies, personnel and organization, as well as an appraisal of the assets of a bank?
- (6) How far do they rely on State examinations? By what means do the Federal reserve banks determine whether State examinations are adequate for the purposes and are the methods by which they determine whether State examinations should be accepted adequate?
- (7) Where Federal reserve examiners participate with State examiners in their examinations of State member banks does such participation tend to raise the standard of State examinations?
- (8) To what extent are Federal reserve banks aware of the development of unfavorable conditions in member banks, through their daily contacts with cash letters, loans, etc.?
- (9) When the Federal reserve bank receives reports of examinations, or makes credit investigations, or otherwise obtains information with relation to the condition of a member bank, is the information properly analyzed and filed so that it can be readily obtained?
- (10) In general what can the Federal Reserve Board do to improve examinations in districts or in states where they are most in need of improvement?
- (9½) What steps are taken by Federal reserve banks to secure the correction of unsatisfactory conditions in member banks?

Office Correspondence

FEDERAL RESERVE BOARD

Date December 1, 1926

To Mr. Hamlin

Subject: Free Gold of Federal Reserve

From Mr. Smead

Banks, January 1, 1915 - 1926

Handwritten initials

See. Mc

In response to your memorandum of November 29 to Mr. Goldenweiser, there is shown below the amount of "free gold" (excess reserves) of the System as of January 1 of each year from 1915 to 1926 inclusive.

1915	\$174,049,000	1921	341,037,000
1916	339,444,000	1922	1,389,867,000
1917	417,974,000	1923	1,527,820,000
1918	715,739,000	1924	1,584,412,000
1919	544,181,000	1925	1,493,494,000
1920	306,484,000	1926	1,299,019,000

In case you desire to follow the trend of excess reserves from month to month, you will find the figures in the third from the last column in table 10, pages 49-51 of the Board's Annual Report for 1925. You will see from the note at the bottom of page 51 that the figures of cash reserves, Federal reserve note circulation, excess reserves, and reserve percentages for dates prior to June, 1917, have been calculated on a basis comparable with figures published subsequent to the passage of the June 21, 1917, amendment to the Federal Reserve Act, which provides that gold with Federal reserve agent may be counted as part of the bank's required reserves. The deposit figures used in compiling excess reserves represent net deposits up to February 28, 1921 and total deposits thereafter.

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K. S. B. M.

X-4740

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

December 4, 1926.

SUBJECT: Acceptances by national banks against import and export bills.

Dear Sir:

The Federal Reserve Board has for some time had under consideration the question whether national banks may legally accept drafts drawn upon them by other banks against the security of import or export bills of exchange previously discounted by such other banks.

The question now arises in the following form: The New York agency of a foreign bank buys export bills to finance the shipment of cotton to a foreign country; and, in order to refinance itself, arranges for a national bank to accept bills drawn upon such national bank by such foreign bank and secured by a pledge of the export bills previously purchased by the foreign bank. The question presented is whether the national bank may lawfully accept bills drawn upon it under such circumstances.

In a ruling published on page 610 of the Federal Reserve Bulletin for June 1920, the Board ruled that "no bank which has purchased a foreign documentary draft may refinance itself by drawing a draft on a member bank secured by the documentary draft". The Board has carefully reconsidered this question, however, and is of the opinion that such ruling contains an unnecessarily strict interpretation of the law. The Board is now of the opinion that such acceptances may be said to come within the broad terms of the provision of Section 13 of the Federal Reserve Act which authorizes member banks to accept drafts drawn upon them "which grow out of transactions involving the importation or exportation of goods"; provided that such drafts are drawn before the underlying export transaction is completed. The same interpretation would necessarily apply also to drafts drawn upon national banks by other banks against the security of import bills previously discounted by such other banks.

The Board rules, therefore, that national banks may legally accept drafts drawn upon them by other banks against the security of import or export bills of exchange previously discounted by such other banks; provided that such drafts are drawn before the underlying import or export transactions are completed and comply as to maturity and in all other respects with the provisions of the law and the Board's regulations. Conversely, the Board rules that national banks may not legally accept drafts drawn upon them by other banks against the security

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of import or export bills of exchange previously discounted by such other banks when such drafts are drawn after the underlying import or export transactions are completed.

In the Board's opinion, an import or export transaction is completed when the goods have arrived at the final destination specified in the export shipping documents.

Very truly yours,

D. R. Crissinger,
Governor.

TO ALL GOVERNORS.

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EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS

NOVEMBER 1926. Total earnings of the Federal reserve banks in November were \$100,000 less than in October, but more than \$230,000 above earnings in November last year. A decrease of \$215,000 in earnings from discounted bills as compared with October was partly offset by an increase of \$115,000 in earnings from purchased bills and U. S. securities, while miscellaneous earnings remained the same.

Current expenses in November aggregated \$2,356,000, as compared with \$2,304,000 in the month preceding and \$2,234,000 in November last year.

11 MONTHS ENDING NOVEMBER. During the first eleven months of the year earnings totaled \$42,308,000, about \$6,000,000 above the total for the corresponding period last year and approximately \$8,000,000 more than for the first eleven months of 1924.

Current expenses (including the cost of Federal reserve currency) amounted to \$25,128,000 during the eleven-month period, a decline of \$156,000 from the corresponding period last year.

After providing for all current expense and dividend requirements, the balance of net earnings on November 30 was \$10,974,000 as compared with \$5,533,000 on the same date last year.

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EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS, NOVEMBER 1926.

St. 5182

Federal Reserve Bank	Month of November 1926				Year 1926			Year 1926			
	Earnings				Current expenses	Current net earnings	Annual rate of current net earnings on average paid-in capital	Current net earnings to Nov. 30	Dividends accrued to Nov. 30	Balance available for depreciation allowances, surplus, franchise tax, etc.	
	From dis-counted bills	From pur-chased bills and U. S. securities	From other sources	Total						On Nov. 30	On Oct. 31
							Per cent				
Boston	\$129,135	\$132,853	\$5,429	\$267,417	\$178,926	\$88,491	12.2	\$1,118,531	\$481,021	\$637,510	\$504,441
New York	443,542	401,093	14,658	859,293	546,929	312,364	10.5	3,475,664	1,918,151	1,557,513	1,426,758
Philadelphia	144,086	142,762	8,042	294,890	192,803	102,087	9.9	1,307,832	667,601	640,231	600,923
Cleveland	248,610	201,261	11,165	461,036	218,291	242,745	21.8	1,671,908	740,439	931,469	758,688
Richmond	116,765	63,215	7,725	187,705	117,820	69,885	13.9	989,509	333,471	655,838	616,443
Atlanta	165,841	111,491	3,055	280,387	111,707	168,680	40.8	1,511,310	271,443	1,239,867	1,096,354
Chicago	347,515	287,598	25,152	660,265	349,644	310,621	22.6	2,318,601	902,497	1,416,104	1,188,953
St. Louis	123,443	85,199	2,410	211,052	108,965	102,087	23.4	1,019,211	267,925	731,286	655,757
Minneapolis	28,316	93,023	6,148	127,487	87,245	40,242	15.9	507,489	172,245	335,244	310,405
Kansas City	55,456	141,764	23,083	220,303	142,282	78,021	22.7	918,536	231,829	686,707	629,597
Dallas	56,626	109,166	6,715	172,507	95,982	76,525	21.6	885,140	235,995	649,145	594,139
San Francisco	177,819	201,631	31,915	411,365	205,496	205,869	29.1	1,955,633	462,837	1,492,796	1,330,030
TOTAL											
Nov. 1926	2,037,154	1,971,056	145,497	4,153,707	2,356,090	1,797,617	17.6	17,679,164	6,705,454	10,973,710	9,802,488
Oct. 1926	2,254,394	1,854,810	145,670	4,254,874	2,304,265	1,950,609	18.5				
Nov. 1925	1,818,671	1,972,686	131,890	3,923,247	2,233,836	1,689,411	17.6	11,862,401	6,329,423	5,532,918	4,425,835

FEDERAL RESERVE BOARD
DIVISION OF BANK OPERATIONS
DECEMBER 8, 1926.

C.

CONFIDENTIAL

For use of Federal Reserve Board only

DEFICIENCIES IN RESERVES OF MEMBER BANKS FOR MONTH OF OCTOBER, 1926.*

St. 5188

155 see Nk

Federal Reserve District	NUMBER OF BANKS PENALIZED					Member banks in district	NUMBER OF BANKS ASSESSED PENALTIES IN EXCESS OF MINIMUM RATE#				MAXIMUM RATE CHARGED#			AVERAGE DAILY DEFICIENCIES ON WHICH PENALTIES WERE ASSESSED			
	In F.R. bank and branch cities	In other reserve cities	Country banks	Total	In F. R. bank and branch cities		In other reserve cities	Country banks	Total	Banks in F.R. bank and branch cities	Banks in other reserve cities	Country banks	Banks in F.R. bank and branch cities	Banks in other reserve cities	Country banks	Total	
	Per cent											(In thousands of dollars)					
Boston	2	**	29	31	415	-	**	1	1	6	**	7½	49	**	103	152	
New York	14	1	95	110	908	-	-	-	-	6	6	6	215	9	814	1,038	
Philadelphia	2	**	46	48	705	-	**	2	2	6	**	6½	5	**	126	131	
Cleveland	13	4	84	101	857	1	-	5	6	8¾	6	9½	159	27	295	481	
Richmond	10	1	168	179	584	-	-	44	44	6	6	10	69	1	1,073	1,143	
Atlanta	8	2	116	126	485	-	-	37	37	6	6	8	34	28	406	468	
Chicago	7	11	184	202	1,357	-	-	44	44	6	6	10	200	98	588	886	
St. Louis	15	**	94	109	618	-	**	-	-	6	**	6	44	**	244	288	
Minneapolis	1	-	93	94	784	-	-	-	-	6	-	6	1	-	245	246	
Kansas City	4	12	134	150	1,003	-	1	38	39	6	6½	10	15	106	330	451	
Dallas	6	7	149	162	837	-	2	51	53	6	7	10	97	414	507	1,018	
San Francisco	13	1	80	94	723	-	-	14	14	6	6	10	70	2	244	316	
Total - Oct. '26	95	39	1,272	1,406	9,336	1	3	236	240	8¼	7½	10	958	685	4,975	6,618	
Sept. '26	119	38	1,315	1,472	9,360	3	-	206	209	7¾	6	10	1,079	806	4,950	6,835	
Oct. '25	123	27	1,131	1,281	9,532	1	2	227	230	7¼	7¼	10	1,748	372	4,111	6,231	

FEDERAL RESERVE BOARD
DIVISION OF BANK OPERATIONS
DECEMBER 14, 1926.

*Figures for country banks are for the calendar month, and for central reserve and reserve city banks for four and five-week periods.

**Federal reserve bank and branch cities are the only reserve cities in the district.

#Progressive penalty rates are not applied by the F. R. Banks of New York, St. Louis and Minneapolis, the Atlanta bank has a maximum penalty rate of 8 per cent, the eight remaining banks a maximum of 10 per cent.