

At a meeting of the Federal Reserve Board held in the office of the Board on Friday, December 5, 1919, at 11 A.M.,

PRESENT: The Governor
Mr. Strauss
Mr. Miller
Mr. Hamlin
Mr. Williams
Mr. Chapman, Secretary.

Minutes of meeting of the Board held December 3d were read, and on motion approved as amended.

Minutes of meeting of the Executive Committee held December 3d were read, and on motion approved as amended.

Business was presented and disposed of as follows:

Mr. Strauss reported on behalf of the committee (consisting of himself and Mr. Hamlin) that visited Philadelphia on yesterday for the purpose of investigating the differences between the Federal Reserve Agent, and the Directors and officers of the Federal Reserve Bank of Philadelphia, that as a result of the visit of the committee an attempt would be made to so conduct affairs of the Bank that a change of personnel will not be necessary. It was voted that the committee be continued.

On motion duly seconded it was voted that the Governor address a letter to the Chairmen of all Federal Reserve banks, calling their attention to the Board's circular No. 21 dated December 27, 1915, to the effect that directors of Federal Reserve banks should not participate in any way in political campaign activities, and stating that it is the desire of the Board that the Chairman of the Board of Directors of the several Federal Reserve banks see to it that no violations of the Board's instructions in this respect occur.

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The Governor reported the purchase of special 2% certificates of indebtedness of the United States for deposit with the Comptroller of the Currency as collateral for Federal Reserve bank notes, as follows:

<u>For Federal Reserve Bank of:</u>	<u>Date</u>	<u>Amount</u>
Richmond,	Dec.4th	\$200,000

Approved.

Report of discount rates at the several Federal Reserve banks; no changes recommended.

Noted.

The Governor reported the reserve positions of the several Federal Reserve banks as at close of business December 3d, and the status of rediscounts between Federal Reserve banks as of the same date.

Application of the Commercial Trust and Savings Bank of Santa Barbara, California, for permission to purchase and operate as a branch the Commercial and Savings Bank of Carpinteria, California.

Approved.

Application of the Merchants & Planters Bank of Mullins, South Carolina, for admission to the Federal Reserve System. The Governor stated that on the face of the return made in the bank's application it was not in condition to

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make it eligible for membership.

Voted that the Governor, in consultation with the Chief, Division of Operations and Examinations, ascertain the exact matters for correction before the bank could be considered as eligible, and advise the bank that upon receipt of information from it that such matters have been adjusted in line with the Board's suggestion, the Board will order an examination of the institution, and consider the application upon the basis of the result of such examination.

REPORTS OF COMMITTEE NO. 1:

Dated Dec. 5th, recommending admission of State institutions as set forth in the auxiliary minute book as of this date, subject to the conditions stated in the individual reports attached to each application.

Approved.

Dated Dec. 5th, recommending changes in stock at Federal Reserve banks as set forth in the auxiliary minute book as of this date.

Approved.

Dated Dec. 4th, recommending action on applications for fiduciary powers, as set forth in the auxiliary minute book as of this date.

Approved.

Dated Dec. 3d, recommending approval of salary of \$2,400 per annum for Mr. James B. Funsten, Jr., as National Bank Examiner in the Second Federal Reserve District.

Approved.

Other business was presented and disposed of as follows:

Application of the Commercial Trust and Savings Bank of Santa Barbara, California, for permission to acquire and operate as branches the Lompoc Valley Savings Bank and the

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Lompoc Valley Bank, both of Lompoc, California.

Approved.

Letter dated December 4th from the Governor, Federal Reserve Bank of Philadelphia, submitting recommendations of the Directors of that Bank for increases of salaries of the junior officers of that Bank, effective January 1, 1920.

Referred to Mr. Paddock for report.

Letter dated December 4th from the Governor, Federal Reserve Bank of Philadelphia, submitting for approval the following schedule of extra compensation to be paid to the employees of that Bank for the six months period ending December 31, 1919:

All employees receiving annual salary of \$1,500 or less: 30% of salary received during above period.

Those receiving over \$1,500 up to and including \$3,000.: 20%.

Those receiving over \$3,000 and not over \$4,000.: 10%.

Such computation to be made without including any previous bonus or overtime payment. Minimum payment in one class is not to be less than the maximum in the next lower class.

Approved.

(At this point Mr. Williams joined the meeting).

Letter dated December 1st from Mr. R. H. Malone, a

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Director of the Federal Reserve Bank of Kansas City, with further reference to the unauthorized use of his name in an advertisement of a firm of brokers selling stock in an oil company.

Referred to the Governor for reply.

Memorandum by General Counsel dated November 26th, recommending the publication of an official ruling in re construction placed by the office of Comptroller of the Currency on the words "Fully covered by insurance" in connection with the discount of live stock paper.

Voted to refer for report to committee to consist of Mr. Hamlin, Mr. Moehlenpah and General Counsel.

Letter dated December 4th from the Federal Reserve Bank of Boston, submitting invitation of the Massachusetts Bankers' Association that the Governor or Mr. Moehlenpah address that body at its annual convention at Boston on January 8, 1920.

Voted that the Governor be authorized to accept such invitation at the expense of the Board.

At this point Mr. Pierre Jay, Federal Reserve Agent at New York, joined the meeting, and made a statement as to the strong desire of the Federal Reserve Bank of New York to secure the services of Mr. Francis Oakey as its General Auditor. Mr. Jay stated that under the arrangement con-

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templated with Mr. Oakey, that gentleman would devote his entire time to the service of the Federal Reserve Bank of New York, and that while his name would be part of the firm name of a firm of public accountants, Mr. Oakey would receive no part of the profits of such firm, but would merely have accumulated to his credit a certain percentage of the profits derived from his former clients, such amount to be set aside as a trust fund to be paid him as compensation for good will in the event that at the expiration of the two year employment period contemplated by the Bank he should elect not to reenter the firm of accountants.

Mr. Hamlin moved that the Board reconsider its action on December 1st in approving the appointment of Mr. Oakey upon the understanding that he be not given the title of General Auditor or General Comptroller in the event he retain any connection with a private firm of accountants.

Motion carried, Mr. Williams voting "No", and stating that he did so because he felt that before definite action was taken by the Board on the recommendation, the Board should ascertain whether or not Mr. Oakey's services could be secured on the designation of Consulting or Acting Auditor, rather than as General Auditor.

Mr. Hamlin moved that the Board approve the appointment of Mr. Francis Oakey at the salary of \$20,000.00 per annum, recommended by the Federal Reserve Bank of New York, but that the Board express to that Bank a request that the Bank endeavor to secure Mr. Oakey's services

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under the designation of Acting, Consulting,
or Special Auditor, and not as General Auditor,
as recommended.

Motion carried.

At 12-55 P.M., the meeting adjourned.


Secretary.

Approved:


Governor