

278

MEMORANDUM OF CONFERENCE, MAY 7, 1923.

A conference was held in the Office of the Governor at 3 o'clock this afternoon. This conference followed a hearing held this morning in the Board room upon the matter of the application of the Federal Reserve Bank of Boston to establish an agency in Cuba, which hearing was stenographically recorded and is on file.

PRESENT: Governor Crissinger  
Vice-Governor Platt  
Mr. Hamlin  
Mr. Miller  
Mr. Dawes  
Mr. Hoxton, Secretary.

Present also Mr. White, in charge of the Latin-American Division of the State Department.

The Vice-Governor submitted a letter dated April 7 from Mr. Wm. Philips, Under-Secretary of State, transmitting a copy of a cable from General Crowder, United States Ambassador to Cuba, in which General Crowder set forth the banking situation in Cuba, advised of the purchase or impending purchase of prominent Cuban banks by banks outside of Cuba but having branches in Cuba, and stressing the importance of establishing an Agency of the Federal Reserve System in Cuba in the interest of American trade with the Island. General Crowder recommended for the proposed agency powers rather broader than any which had yet been injected into the discussion. The Board considered the arguments and evidence introduced at the morning hearing.

Mr. Miller stated that Mr. Wing, President of the First National Bank of Boston, had suggested that the Board, in the event that it approves the application of the Federal Reserve Bank of Boston, might at

first restrict the open market operations of the proposed agency to the purchase and sale of cable transfers. Mr. White advised the Board that the State Department considered the establishment of an agency of the Federal Reserve System in Cuba most desirable from a political point of view, but did not feel itself competent to offer an opinion from a financial point of view. Mr. Miller stated that he was favorably disposed towards the application of the Boston Bank, but was fully cognizant that the granting of it would be a radical departure from the previous policy. He emphasized his opinion that although the agency might begin with authority to deal only in cable transfers, the pressure to extend its powers would be so insistent and strong that it would eventually become deeply involved in Cuban-American Credits.

At 4:20 Governor Harding of the Federal Reserve Bank of Boston entered the room upon invitation. With reference to the rights of the Federal Reserve Bank of Atlanta in the matter of note circulation and in view of the fact that the notes of that bank are now largely circulating in Cuba, Governor Harding suggested that the Board in approving the Boston application might require the Federal Reserve Bank of Boston not to ship any circulating notes into Cuba until an arrangement shall be made which shall be mutually satisfactory to the Federal Reserve Banks of Boston and Atlanta.

The question was raised as to the open market powers which should be granted to a Cuban Agency with a view to fixing limitations compatible with safety and harmony. Governor Harding suggested that the Board might very well require a Cuban Agency to deal in bankers' acceptances accepted

-3-

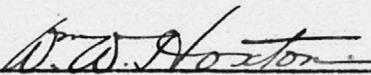
by banks' members of the Federal Reserve System, and in bills of exchange endorsed by member banks, leaving the Agency free to deal with other banks only in cable transfers.

Mr. White requested that the State Department be given a memorandum expressing the view of the Board with respect to a draft of a bill drawn for submission to the Cuban Congress and providing for the establishment of a Cuban central bank. The following memorandum was prepared and transmitted, over the signature of Governor Crissinger, to the State Department through Mr. White:

"There is no authority under the Federal Reserve Act for the investment of funds of the Federal Reserve Banks in the capital stock of foreign banking corporations. The proposed plan for the establishment of a central bank in Cuba would therefore require an amendment to the Federal Reserve Act. The Federal Reserve Board would not be disposed to ask of Congress an amendment for this purpose.

"It is therefore not necessary for the Board to comment on other features for the participation of the Federal Reserve Board in the proposed banking plan."

The conference ended at 5:20.

  
Secretary.