

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, May 9th, at eleven o'clock.

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

The minutes of the meeting of the Federal Reserve Board held on May 8th were read and on motion approved.

Memorandum dated May 7th, from General Counsel and approved by the Chairman of the Law Committee on the subject of the proposed double indemnity insurance for employees by the Federal Reserve Bank of Kansas City, said memorandum being prepared in reply to a letter dated April 24th from the Chairman of the Federal Reserve Bank of Kansas City.

Upon motion, the report of Counsel in this matter was adopted, the Secretary being instructed to advise Mr. Ramsay accordingly.

Letter dated May 3rd from the Federal Reserve Agent at San Francisco, transmitting with favorable recommendation the application of the Security Trust Company of Bakersfield, Cal., to establish a branch at Fellows, Cal.

Approved, Mr. Crissinger voting "no".

Upon motion, the Board approved the bond of Mr. Meade L. McClure, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, in the amount of \$100,000.

Report of Chief Examiner with reference to the matter referred to him for report at the meeting of yesterday, with reference to the letter from the Chairman of the Federal Reserve Bank of New York, dealing with the matter of filling the vacancy caused by the resignation of the General Auditor of that bank, Mr. Francis Oakey.

Referred to the Committee on Salaries and Charge Offs for formulation of a reply.

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Mr. Hamlin, in accordance with the action of the Board taken yesterday, submitted a report upon the communications received from the Federal Reserve Bank of San Francisco, relative to the cost of building and building materials in Salt Lake City, Utah.

Upon motion, the matter of authorizing the construction of a building for the Salt Lake City branch was ordered laid upon the table until the present vacancies in the membership of the Federal Reserve Board are filled.

Memorandum dated April 7th, from General Counsel requesting authority to purchase for fifty dollars a copy of the stenographic report of oral arguments before the Supreme Court in the Par Clearance Cases.

Approved.

Mr. Miller reported upon the matter referred to the Committee on Salaries and Charge Offs at the meeting of May 3rd, namely, letter dated April 26th, from the Governor of the Federal Reserve Bank of Dallas, requesting advice as to compensation of the member of the Federal Advisory Council from the Eleventh Federal Reserve District.

Upon motion, the Committee's report was adopted and the Secretary was instructed to advise Governor McKinney accordingly.

Mr. Miller submitted with favorable recommendation, a proposed circular letter addressed to each Federal Reserve Agent, requesting submission to the Board of certain additional reports of deposits of member banks.

Approved.

The Governor stated that the next thing in order would be consideration of the matter docketed as Unfinished Business, namely, the proposal to establish an agency of the Federal Reserve System at Havana, Cuba. With reference to this matter, the Governor submitted a letter dated May 8th from the President

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of the United States which was ordered spread upon the minutes, together with a letter dated May 7th addressed to Governor Crissinger from Mr. William Phillips Under Secretary of State, and a copy of a cablegram received by the State Department on May 5, 1923, from the American Ambassador at Havana, Cuba. These documents are filed in the records of the Board pertaining to the minutes of this meeting and are quoted in this record as follows:

"THE WHITE HOUSE

Washington

May 8, 1923.

My dear Chairman Crissinger:

I am returning to you herewith the correspondence from the State Department which you left in my hands last evening. The matter covered therein was taken up for consideration in the Cabinet meeting this morning, and it was the unanimous opinion of the Cabinet that it is desirable to establish an agency of a Federal Reserve Bank in Havana, and that we can well afford to expand in the promotion of American commerce and our fortunate relations abroad. In view of what was said I think it altogether desirable that the Federal Reserve Board should make a favorable decision, though I hope it will be possible to so adjust the contention between Atlanta and Boston that there will be no friction on that score.

Very truly yours,

(Signed) Warren G. Harding

Hon. D. R. Crissinger,  
Chairman, Federal Reserve Board,  
Washington, D. C."

"DEPARTMENT OF STATE  
Washington  
May 7, 1923.

In reply refer to  
LA 811.51637/

My dear Mr. Crissinger:

Referring to my letter to Mr. Platt of April 19,

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"1923, transmitting the text of a strictly confidential telegram from the American Ambassador to Cuba, dated April 17, 11 p.m., I beg to enclose herewith the substance of a further telegram from Ambassador Crowder, received May 5, 1923, regarding the establishment of an agency in Habana by the Federal Reserve Bank of Boston.

The Department concurs in general with the view expressed by the Ambassador and trusts that his suggestion may receive your careful consideration. This Department however, does not feel that it should venture to pass upon the proposal from a financial point of view.

I am, my dear Mr. Crissinger,

Very truly yours,

(Signed) William Phillips.

Enclosure:

As above.

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

" Substance of undated telegram from the American Ambassador, Habana, Cuba, received May 5, 1923, 10:15 p. m. Urgent No. 24.

Referring to my number 17, April 17, 11 p.m. Press dispatches report prospective meeting of Federal Reserve Board May 7 to consider application Federal Reserve Bank Boston to establish agency in Cuba. Suggest advantage be taken of presence Governor Harding in Washington on that date and of opportunity to discuss with full board the banking situation in Cuba and latest draft of Torriente de Celis project for bank of issue et cetera in Cuba, forwarded with my despatch number 90 of April 28.

On April 30, 1923 Royal Bank of Canada whose deposits in Havana alone were already reported to be fifteen million dollars and for whole island of Cuba forty million dollars took over entire banking business of private banker Pedro Gomez Mena whose total deposits are approximately thirteen

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million dollars in addition to seven branches of Mercantile Bank of Cuba in Santa Clara province formerly under Gomez Mena control.

It is definitely known that negotiations in progress between private banker Jacinto Pedrosa and Canadian Bank of Commerce for acquisition of former by latter actual terms of sale now being under examination by head office in Canada.

Most arresting information in connection with the expansion of Canadian banking interests secured this morning from trustworthy source, namely, that private banker Gelats has been approached by Royal Bank of Canada and is actually considering offer of purchase by latter.

The absorption of such important private banking interests so closely identified with commercial life of Cuba by Canadian banking interests, following upon the collapse and disappearance from activity of banks which went into suspension of payments, should be regarded with consternation by reason of growing disparity between Canadian banking interests here and their relatively unimportant economic interest in Cuba when compared with our preponderate commercial interests.

No doubt appears to be entertained in financial circles here that private bankers are being driven from business partly on account of the near monopoly exercised over commercial bank credits and foreign exchanges by the large Canadian and American banks. I am inclined to think that the establishment here of an active agency of the United States Federal Reserve Bank at this time would materially encourage the two private bankers mentioned above and possibly others to resist absorption by Canadian banks.

One of the principal burdens upon American and Cuban American business interests here is the high rate of interest charged by banks. I am informed that discount rates below eight per cent are practically unknown while twelve per cent is common; that the National City now charges ten per cent discount on short time commercial paper of type for which all United States Reserve Banks now charge four and one-half per cent. It is universal opinion among business men here that these interest rates are exorbitant. The extent to which an active agency of Federal Reserve Bank could remedy this situation seems a matter of technical banking judgment but it seems to be unquestioned in commercial circles that such an agency would induce competition and thus benefit business. I discredit the assumption that local bankers would not avail themselves of re-discount privileges afforded by such agency.

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Whether such an agency would succeed in materially weakening the near monopoly of foreign exchanges would probably depend in some degree upon extent to which agency is able to acquire good will of important sugar shippers and others.

In my opinion the establishment here of an active agency of the Federal Reserve bank would meet with popular favor among business men, and would add to the potential influence of the United States in Cuba where at the present time our banking influence is apparently waning.

I would recommend the fullest discussion immediately of the above situation with the Federal Reserve Board. The Department may well apprehend material and permanent loss of American banking prestige in Cuba unless prompt action of some character is taken."

After discussion, the following resolution was put by the chair and carried unanimously, the roll being called and each member present, namely, Governor Crissinger, Mr. Platt, Mr. Hamlin, Mr. Miller, Mr. Mitchell and Mr. Dawes, voting in the affirmative:

"WHEREAS, all phases of the question of establishing a Federal Reserve bank agency at Havana, Cuba, having been presented to the Board and fully considered, THEREFORE, BE IT RESOLVED, that the Board now determines to authorize the establishment of a Federal Reserve bank agency at Havana, Cuba.

Thereupon, upon motion duly made and unanimously carried, the Governor was requested to transmit the following telegram to the Governor of the Federal Reserve Bank of Boston and to the Governor of the Federal Reserve bank of Atlanta:

"The Boston and Atlanta Reserve banks are requested to send their Governors and one or two other officers to Washington on next Tuesday afternoon at three o'clock in order to work out the details of an agency which the Board has determined to establish in Cuba."

REPORTS OF COMMITTEE NO. 1:

Dated May 8th, Recommending changes in stock at Federal Reserve banks, as set forth in the Auxiliary Minute Book of this date.

Approved.

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REPORTS OF COMMITTEE NO. 1 (Cont'd)

Dated May 8th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.  
Approved.

Dated May 8th, Recommending action on applications for admission of state banks, subject to the conditions stated in the individual reports attached to the application, as set forth in the Auxiliary Minute book of this date.  
Approved.

At 12:55 p.m. the meeting adjourned.

*W. D. Norton*  
Secretary.

Approved:

*D. R. Hissney*  
Governor