

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, May 11, 1926 at 10:40 a.m.

PRESENT: Governor Crissinger
Mr. Platt
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Noell, Asst. Secretary
Mr. McClelland, Asst. Secretary

The minutes of the meeting of the Federal Reserve Board held on May 7th were read and approved.

Memorandum dated May 10th from the Division of Examination referring to the action of the Board on March 9th in approving an application of the First National Bank of West Palm Beach, Fla. for 180 shares of stock in the Federal Reserve Bank of Atlanta, on the basis of an authorized capital of \$200,000 and a surplus of \$100,000; the memorandum advising that the capital of the bank has been reduced to \$100,000 and surplus to \$50,000, and recommending that the application approved by the Board on March 9th be cancelled and that the Board now approve the bank's new application for 90 shares of stock.

Approved.

Telegram dated May 7th from the Chairman of the Federal Reserve Bank of Dallas, advising that the board of directors on that day made no change in the bank's existing schedule of rates of discount and purchase.

Noted.

Telegram and letter dated May 7th from the Secretary of the Federal Reserve Bank of Cleveland, advising that the board of directors on that day made no change in their schedule of rates of discount and purchase except to establish a minimum authorized buying rate for bankers acceptances

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of 3%, effective May 8th.

Noted, with approval.

Memorandum dated May 7th from the Acting Director of the Division of Research and Statistics, recommending the purchase for that Division of one Burroughs duplex adding and listing machine at a cost of \$586.50.

Approved.

Letter dated May 3rd from the Assistant Federal Reserve Agent at San Francisco, advising that, in accordance with the Board's approval of April 8th, the Pacific Southwest Trust and Savings Bank, Los Angeles, discontinued their branch at 727 North Broadway, Los Angeles, at the close of business April 17th and on May 1st opened a branch at McCarthy Vista and Eulalia Avenue.

Noted.

Letter dated May 8th from the Chairman of the Federal Reserve Bank of Cleveland, advising that at the meeting of the board of directors on that day the resignation of Mr. A. Clifford Shinkle as director of the Cincinnati Branch was accepted.

Noted.

Report of Committee on Salaries and Expenditures on letter dated May 7th from the Chairman of the Federal Reserve Bank of Kansas City, advising that Mr. Charles L. Brooks, police officer at the bank, has been granted leave of absence on account of illness of not to exceed 90 days, on half pay, effective May 1st, subject to the approval of the Board; the Committee recommending approval.

Approved.

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Report of Committee on Salaries and Expenditures on letter dated May 7th from the Secretary of the Federal Reserve Bank of Cleveland, advising that at the meeting of the board of directors on that day the salary of Mr. Fred L. Brumley, recently promoted to position of field representative in the Bank Relations Department, was increased from \$2700 to \$3300 per annum, effective June 1st; the Committee recommending approval.

Approved.

Report of Committee on District #6 on letters dated May 6th from the Federal Reserve Agent at Atlanta, recommending the designation of Mr. Fulton Saussy as Assistant Federal Reserve Agent at the Jacksonville Branch and Mr. Courts P. Kendall as alternate Assistant Federal Reserve Agent at the Branch - both appointees being directors of the Branch and to receive an annual salary of \$12, with compensation of \$5 for each time called upon to serve; the Committee recommending approval.

Upon motion, it was voted to approve the designation of Messrs. Saussy and Kendall as Assistant Federal Reserve Agent and alternate, respectively.

Report of Committee on Salaries and Expenditures on letter dated May 7th from the Federal Reserve Agent at Boston, requesting approval of the following adjustments in allowances for foreign service in connection with changes to be made in the personnel of the bank's Havana Agency, effective June 1st; the Committee recommending approval:

William C. Rich, salary \$3600 per annum, to return to the head office as Officers' Assistant and allowance for foreign service at the rate of \$2400 per annum to be discontinued.

Albert P. Luscombe, salary \$2160 per annum, to succeed Mr. Rich in charge of the Agency and allowance for foreign service to be increased from \$1800 to \$2400 per annum.

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Walter V. Anderson, salary \$2400 per annum, to be given allowance for foreign service at the rate of \$1800 per annum.

Approved.

Report of Committee on Salaries and Expenditures on letter dated April 30th from the Governor of the Federal Reserve Bank of Chicago, advising of the action of the board of directors of that bank in granting leave of absence with full pay on account of illness, for a period of not to exceed 90 days from April 19th, to Mr. William Barton and expressing the opinion that the responsibility involved in dealing with such cases should be assumed by the board of directors of the bank; the Committee recommending approval and suggesting that Governor McDougal be advised that the Board's requirement that extended leaves of absence for employees be submitted to it was made only after mature consideration.

Upon motion, recommendations of the Committee were approved.

Memorandum from Counsel on matter referred to him at the meeting on April 14th, namely, letter dated April 13th from the Chairman of the Federal Reserve Bank of Cleveland, recommending that the Board revoke the authority to exercise general fiduciary powers granted by it to the Old National City Bank at Lima, Ohio, on the ground that a recent examination discloses the bank, which has never qualified for the exercise of such powers, to be in an unsatisfactory condition; Counsel in his memorandum stating reasons why, in his opinion the Board has no legal authority to revoke the fiduciary permit of the bank, but stating that if the bank, pursuant to the authority granted, should undertake to exercise fiduciary powers and should then violate any

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provision of law or regulation of the Board regarding the exercise of trust powers, the Board might revoke the authority granted to the bank.

Ordered circulated and referred to the Law Committee.

Memorandum from Counsel on the matter referred to the last Governors' Conference, namely, certain questions raised by the Governor of the Federal Reserve Bank of Cleveland with regard to the Board's ruling upon the eligibility for rediscount of notes of a corporation representing borrowings of funds to be advanced to subsidiaries; Counsel submitting drafts of a letter to the Governor of the Federal Reserve Bank of Cleveland and a circular letter to all Federal Reserve banks stating that pending reconsideration of these questions by the next Governors' Conference and for the guidance of Federal Reserve banks in the meantime, the Board holds that notes of a parent corporation representing borrowings of funds to be advanced to subsidiaries will not be eligible for rediscount at a Federal Reserve bank unless they comply with all the conditions laid down in the Board's circular letter of December 30, 1925 (X-4484) and further, that, accordingly, the notes of a parent corporation, the proceeds of which have been advanced or loaned to its subsidiaries, will not be eligible for rediscount, if the parent corporation also makes advances to other corporations than its own subsidiaries.

Upon motion, the proposed letters were approved.

Draft of letter to the Federal Reserve Agent at Chicago, prepared in accordance with action taken at the meeting on May 7th, ordering that the Federal Reserve Bank of Chicago refrain from any activity at the present time in connection with the political situation in Iowa, which could

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be construed by anyone as political propoganda.

Approved.

Letter dated May 8th from the Division of Simplified Practice of the Department of Commerce, requesting the approval and support of the Federal Reserve Board of an effort being made toward the simplification and standardization of commercial bank checks, notes, drafts and similar instruments.

Referred to the Governor with power.

Letter dated May 10th from the Chairman of the Committee on Banking and Currency of the House of Representatives, submitting certain questions relative to the issuance and circulation of Federal Reserve notes, their redemption and the reserves held against same.

Referred to Mr. Miller for preparation of a reply.

Report of Committee on Examinations on the matter referred to it at the meeting on May 5th, namely, memorandum dated May 1st from the Board's Chief Examiner, setting forth the status with respect to examinations of the several so-called foreign trade banks operating under agreement with the Board; the Committee noting that all such corporations are subjected to examination except the International Banking Corporation of New York City, which has some twenty branches most of which are located in the Far East, but disagreeing with the Chief Examiner in his position that to enter the New York office of this bank would be the weakest sort of a gesture and tend to lessen respect for examinations conducted by the Board. Mr. Herson entered the meeting and discussed the subject of his memorandum with the Board, reading letters exchanged with the Federal Reserve Agent at New York

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on the subject.

Following the discussion, Mr. Miller suggested that the Federal Reserve Agent at New York be requested to make suggestions as to what could be done, short of an examination, to put the Board in possession of information with respect to the organization, scope of operations, etc. of the International Banking Corporation and that he be advised that inasmuch as the Corporation is located in his District and his bank handles a large volume of its acceptances, the Board is disposed to feel that the responsibility for its examination is a matter in which his bank must share.

Upon motion, it was voted that the Chief Examiner prepare a letter to the Federal Reserve Agent at New York along the lines of Mr. Miller's suggestion.

Mr. James then reported informally on behalf of the Special Committee appointed on May 1st to investigate the recent run on American and other banks in Havana, and other parts of Cuba, including the assistance rendered by the Federal Reserve Banks of Boston and Atlanta, through their respective Agencies in Havana, in meeting the situation and all circumstances connected with the shipment of currency by the Federal Reserve System to Havana. Mr. James stated that the Committee had under preparation a formal detailed report which would be submitted in due course for the record.

Letter dated May 10th from the Assistant Federal Reserve Agent at Cleveland, transmitting application of the Pearl Street Savings and Trust Company of Cleveland, for an extension of time in which to open the branch at Lorain Avenue and Triskett Road, Cleveland, the establishment of which was approved by the Board on November 17, 1925.

Upon motion, it was voted to grant an extension of six months from May 17th.

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Memorandum dated May 11th from the Acting Director of the Division of Research and Statistics, approved by the Chairman of the Committee on Research and Statistics, recommending the appointment to the Division of the following persons:

Mr. Oliver C. Lockhart, for three months beginning June 1st, to receive \$1500 for the period, with the understanding that he is to deliver a completed manuscript on inter-bank borrowing under the Federal Reserve System.

Mr. Walter R. Gardner, for three months beginning July 1st, at a salary of \$200 a month, to make a complete study of expansion of bank credit on a given basis of reserves under the Federal Reserve System, with the understanding that in case, at the end of three months, it is agreeable to Mr. Gardner and to the Board, his appointment may be made permanent.

Mr. J. Courtland Elliott, for three months beginning June 1st, at a salary of \$200 a month, to make a study of the balance of payments with Canada, with special reference to gold movements.

Miss Merle Robinson, for three months beginning May 17th, as stenographer, at a salary of \$1440 per annum, her appointment, is satisfactory, to be made permanent.

Miss Arynness Joy for a period of two months, beginning July 1st, at a salary of \$150 per month, for services in connection with the calculation of seasonal adjustments in the revised index of production.

Approved.

REPORTS OF STANDING COMMITTEES:

Dated, May 8th, 10th,	Recommending changes in stock at Federal Reserve Banks, as set forth in the Auxiliary Minute Book of this date. Approved.
Dated, May 7th,	Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date. Approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

- Dated, May 7th, Recommending action on application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Refused.
- Dated, May 10th, Recommending approval of the application of Mr. Irving Hill for permission to serve at the same time as director and president of the Lawrence National Bank, Lawrence, Kansas, as director of the First National Bank, Tonganoxie, Kansas, and as director of the Fidelity National Bank and Trust Company, Kansas City, Mo.
Approved.
- Dated, May 8th, Recommending approval of the application of Mr. John W. Van Natta for permission to serve at the same time as director of the First-Merchants National Bank and as director of the Lafayette Joint Stock Land Bank, both of Lafayette, Ind.
Approved.
- Dated, May 8th, Recommending approval of the application of Mr. Richard B. Sample for permission to serve at the same time as director of the First-Merchants National Bank and as director of the Lafayette Joint Stock Land Bank, both of Lafayette, Ind.
Approved.
- Dated, May 8th, Recommending approval of the application of Mr. Charles L. Murdock for permission to serve at the same time as director of the First-Merchants National Bank and as director of the Lafayette Joint Stock Land Bank, both of Lafayette, Ind.
Approved.
- Dated, May 8th, Recommending approval of the application of Mr. Thomas Bauer for permission to serve at the same time as director of the First-Merchants National Bank and as director of the Lafayette Joint Stock Land Bank, both of Lafayette, Ind.
Approved.
- Dated, May 8th, Recommending approval of the application of Mr. Julius Berlovitz for permission to serve at the same time as director of the First-Merchants National Bank and as director of the Lafayette Joint Stock Land Bank, both of Lafayette, Ind.
Approved.
- Dated, May 8th, Recommending approval of the application of Mr. Robert B. Wallace for permission to serve at the same time as director of the First-Merchants National Bank and as director of the Lafayette Joint Stock Land Bank, both of Lafayette, Ind.
Approved.

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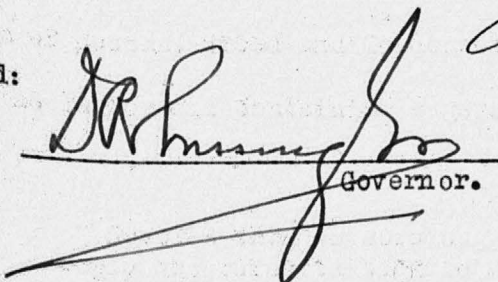
REPORTS OF STANDING COMMITTEES: (Cont'd)

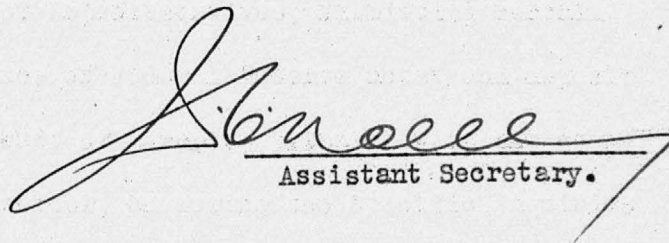
Dated, May 5th, Recommending approval of the application of Mr. L. F. Butler for permission to serve at the same time as director of the First National Bank, Boston, Mass. as director of the American Exchange-Pacific National Bank, New York City and as director of the Connecticut River Banking Company of Hartford, Conn.

Approved.

The meeting adjourned at 12:45 p.m.

Approved:


Governor.


Assistant Secretary.