

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, May 20, 1926, at 10:30 a.m.

PRESENT: Governor Crissinger  
 Mr. Platt  
 Mr. Hamlin  
 Mr. Miller  
 Mr. James  
 Mr. Cunningham  
 Mr. McIntosh  
 Mr. Eddy, Secretary  
 Mr. McClelland, Asst. Secretary  
 PRESENT ALSO: Mr. Herson, Chief Examiner  
 Mr. Wyatt, General Counsel.

Governor Crissinger referred to the special order for this morning's meeting and in reviewing the situation leading thereto stated that on or about April 28, 1926, certain rumors, criticisms and charges of misconduct reflecting upon the character of service rendered by the Havana Agency of the Federal Reserve Bank of Atlanta in Cuba, which occurred on or about April 10th, came to the attention of the Federal Reserve Board, and that under date of May 1st the Board adopted the following resolution:

"RESOLVED: That Mr. James be authorized and directed to proceed to Havana, Cuba, to investigate the recent run on American and other banks in Havana and other parts of Cuba, and to report on the same, 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.

"And for this purpose Messrs. Herson and Wyatt are detailed to accompany Mr. James and assist in the investigation.

"Authority is hereby given for the employment of clerical, stenographic or legal aid in Cuba should such employment be deemed necessary."

Mr. James on behalf of himself, Mr. Herson and Mr. Wyatt (hereafter referred to as the Special Committee) reported that pursuant to the above resolution

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the Committee had proceeded to Havana and made the investigation directed. He presented formally a detailed report of the proceedings of the Committee in Cuba and a memorandum setting forth their findings of fact as to the charges regarding the Atlanta agency, copies of which had been furnished to the individual members of the Board in advance of today's meeting.

These documents having been formally received by the Board, Mr. James suggested that the procedure at this meeting should be to consider the formal recommendations as set forth in a memorandum addressed to the Board by the Special Committee under date of May 18, 1926, the first of which reads as follows:

"1. That Mr. Joseph L. Campbell, Deputy Governor of the Federal Reserve Bank of Atlanta, be eliminated from the Federal Reserve System."

Mr. James, in discussing this recommendation with the Board stated that while Mr. Campbell was in charge of and responsible for the party of employees of the Federal Reserve Bank of Atlanta which accompanied the shipment of currency made by that bank to Havana on April 10th, Mr. J. A. McCrary, a Class "B" Director of the bank, was also a member of the party. He stated that so far as he could see the only reason for Mr. McCrary accompanying the party would have been as a representative of the Board of Directors of the Federal Reserve Bank of Atlanta. In view of the occurrences in connection with the shipment of currency, Mr. James stated that the Special Committee was prepared, if the Board believed it desirable, to amend its first recommendation so as to make it provide that Mr. McCrary also be eliminated from the System.

Following Mr. James' presentation, Mr. Hamlin moved that the Committee's first recommendation, as quoted above, be temporarily laid on the table until he had an opportunity of offering other motions.

This motion, being put by the Chair, was lost, Messrs. Platt and Hamlin voting "aye".

Mr. McIntosh then moved that the Committee's first recommendation be approved.

Carried, Mr. Hamlin voting "no".

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Mr. McIntosh then moved that the conduct of Director McCrary be investigated by the Special Committee with a view of determining whether or not he also should be eliminated from the Federal Reserve System.

Unanimously carried.

Further discussion then ensued during which certain members of the Board expressed the opinion that inasmuch as the Federal Reserve Bank of Atlanta has not yet been consulted with regard to the subject of the Special Committee's investigation, the bank should be given an opportunity to present any pertinent facts in its possession.

Mr. Hamlin moved that a complete report be called for from the Federal Reserve Bank of Atlanta covering the whole transaction of that bank in connection with the movement of currency to its Havana Agency on April 10th, including all instructions given to the party which accompanied the currency shipment and the personal conduct of the members of the party.

Unanimously carried.

Mr. Hamlin then moved that Mr. James personally communicate the actions of the Board to the Federal Reserve Bank of Atlanta and to the individuals concerned.

Carried, Mr. James not voting.

Mr. James then stated that the other recommendations of the Special Committee, which provide for the consolidation and future operation of the Havana Agencies of the Federal Reserve Banks of Boston and Atlanta, should be considered by the Board jointly as a program and not as separate recommendations:

"2. That the Havana Agency of the Federal Reserve Bank of Boston be discontinued and all of its functions transferred to the Havana Agency of the Federal Reserve Bank of Atlanta.

"3. That the Federal Reserve Bank of Atlanta be required to set up and maintain an adequate organization to provide the proper service for the Federal Reserve System in Cuba.

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"4. That on the basis of the Committee's findings of fact regarding the amount of currency which should be carried in Havana, i. e., \$10,000,000 for current purposes and a reserve of \$20,000,000 additional to meet possible emergencies, your Committee recommends that \$10,000,000 be carried in Havana in the form of issued currency and that \$20,000,000 be carried there in the form of unissued Federal Reserve notes in the custody of an Assistant Federal Reserve Agent assigned to Havana.

"5. That to this end the present organization of the Havana Agency of the Federal Reserve Bank of Atlanta be further augmented by the appointment of a man of proper education, training and experience to the position of Manager of the Agency and that Mr. L. L. Magruder, the present Manager be appointed Assistant Federal Reserve Agent and assigned to the Havana Agency.

"6. Your Committee is very emphatic in its opinion that the Havana Agency of the Federal Reserve Bank of Atlanta should be housed independently of any commercial banking institution doing business in Cuba and to this end the matter was discussed with General Crowder with a view of having the Agency housed in the same building as the United States Embassy, the Consulate, the commercial and military attaches and the United States Chamber of Commerce. General Crowder heartily approved of this idea and promised to take the matter up with Mr. Horter, the owner of the Horter Building, where the United States Embassy is located. Since returning to the United States your Committee has received a letter from General Crowder stating that he can provide suitable accommodations for the Federal Reserve Agency on the fourth floor of the Horter Building and would make every effort to meet the wishes of the Federal Reserve Board when they are duly communicated. However, it will take some time to work out this matter of housing and the Committee, therefore, recommends that for the time being the agency be housed in the premises of the National City Bank, which is undoubtedly able and willing to furnish all the facilities required.

"7. The Committee is deeply impressed with the responsibility of providing a clean currency for Cuba and believes that a solution of the situation now existing there regarding the Currency can be found along certain lines which the Committee would like to submit to, and discuss orally with, the Board before it proceeds to work out the details."

In connection with the recommendations last quoted, Mr. James presented a tentative plan for the future operation of the Havana Agency in the event of the adoption of the Committee's recommendations

by the Board. He expressed the opinion that a tentative approval of the recommendations and the plan was desirable at this time, but that before formal approval the Board might wish to consult with officials of the Royal Bank of Canada and American banks which have branches in Cuba, as well as with officials of the Federal Reserve Banks of Boston and Atlanta. Thereupon ensued a detailed discussion of the various phases of the plan submitted by the Committee and of the desirability of the Board's giving tentative approval to the Committee's recommendations.

During the discussion, Mr. Hamlin moved that the Federal Reserve Bank of Boston be notified that a Committee of the Board has reported favoring discontinuance of the Havana Agency of that bank.

(Secretary's Note: The meeting recessed before a vote was taken on this motion.)

At this point, Governor Crissinger left the meeting and upon his return, by unanimous consent, presented to the Board the following revised schedule of rates for purchases of bankers acceptances adopted by the Federal Reserve Bank of New York, effective today, of which he had just been advised over the telephone:

1 to 30 days	-	3 1/8%
31 to 90 days	-	3 1/4%
4 months	-	3 1/2%
5 and 6 months	-	4%
Sales contracts	-	3 1/2%

Noted with approval.

Thereupon, at one o'clock the Board recessed.

At 2:45 p.m. the Board reconvened, the same members and officers being present as attended the morning session.

Governor Crissinger presented a resume of the action taken during the morning, calling attention to the fact that recess was taken before action was had on Mr. Hamlin's last motion. The Board, however, proceeded with

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further detailed discussion of the recommendations and plan submitted by the Special Committee with reference to the future operation of the Federal Reserve bank agencies in Havana. During the discussion, certain members of the Board expressed themselves as inclined to favor the plan submitted by the Committee in the event the Board should decide in favor of the continuance of any agency relations in Cuba. Mr. Miller stated that he had voted against the establishment of the agencies in 1923 and was still of the opinion that their maintenance was undesirable. He called attention of the fact that the agencies were permitted to be established by the Board because of the unique relations of the United States with Cuba, because of the provisions of the so-called "Platt Amendment", and also because the currency of the United States has been made legal tender by act of the Cuban Government. He further stated that the establishment of the agencies in 1923 had had the approval of the President of the United States and the State Department, and expressed the opinion that before any steps are taken to effect a change in their operation, the position of the administration at the present time should be ascertained. He suggested that the Governor or a committee of the Board should request a conference with the Secretary of State for the purpose of obtaining advice as to the position of the Government.

Mr. Hamlin then moved that the Governor of the Board, Mr. James and Mr. Miller be appointed a committee of three to confer regarding the proposed plan with the Secretary of the Treasury, as Chairman of the Board, and that the details of the plan be set forth in a letter to the Chairman to be submitted to the Board for approval.

Unanimously carried.

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Mr. James then referred to the action taken by the Board this morning in requesting him to personally communicate the Board's actions to the Federal Reserve Bank of Atlanta and the officials concerned, and he stated that he felt the motion should be amended so as to include both members of the Board's Committee on the Atlanta District - himself and Mr. Hamlin.

Mr. Cunningham stated that he felt the suggestion was a good one and thereupon moved that the actions by the Board at the morning session of this meeting be communicated personally to the Federal Reserve Bank of Atlanta and the officials concerned by Mr. James and Mr. Hamlin, members of the Committee on District #6.

Mr. Hamlin thereupon stated that he felt a sense of delicacy in the matter of dealing directly with the Atlanta bank, in view of the fact that he is a resident of the Boston District and it appears, from statements made during the discussion of the proposal to consolidate the two agencies, that there is some conflict between the Boston and Atlanta banks as to which should operate an agency in Cuba if the two existing agencies are consolidated. He also stated he felt that Mr. James was perhaps better qualified to pursue the matter in view of his having been chosen by the Board to investigate the circumstances in connection with the recent shipment of currency to Cuba from the Federal Reserve Bank of Atlanta.

Mr. James stated that under the circumstances referred to by Mr. Hamlin he was prepared to go through with the matter in his capacity as a committee of one appointed by the Board to investigate and report on the activities of the Cuban agencies in connection with the recent banking disturbance in Cuba and as a member of the Committee on District #6.

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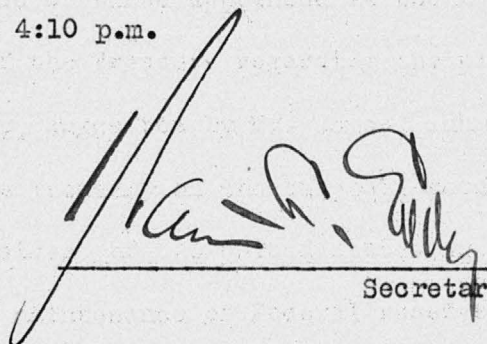
In view of Mr. James' statement, the Chair did not call for a vote on Mr. Cunningham's motion.

The Governor then presented a telegram from the Deputy Governor of the Federal Reserve Bank of New York, advising that effective tomorrow the minimum rates at that bank for purchases of bankers acceptances of long maturities will be as follows:

4 months	-	3 5/8%
5 and 6 months	-	3 3/4%

Noted with approval.

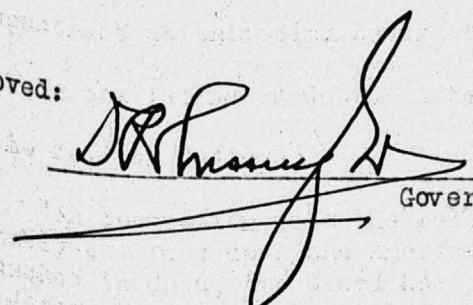
The meeting adjourned at 4:10 p.m.




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 Secretary.

Approved:




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 Governor.