A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, May 25, 1926, at 10:30 a.m.

PRESENT: Governor Crissinger  
Mr. Hamlin  
Mr. Miller  
Mr. James  
Mr. McIntosh  
Mr. Eddy, Secretary  
Mr. McClelland, Asst. Secretary

The minutes of the meeting of the Federal Reserve Board held on May 24th were read and approved.

Telegram dated May 25th from the Chairman of the Federal Reserve Bank of Philadelphia, stating that based upon advices received from the Federal Reserve Bank of New York on May 20th and 21st of changes in its schedule of rates for purchases of bankers acceptances, the schedule of such rates at the Philadelphia bank was changed to the following:

<table>
<thead>
<tr>
<th>Period</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 30 days</td>
<td>3 1/8%</td>
</tr>
<tr>
<td>31 to 90 days</td>
<td>3 1/4%</td>
</tr>
<tr>
<td>4 months</td>
<td>3 3/8%</td>
</tr>
<tr>
<td>5 and 6 months</td>
<td>3 3/4%</td>
</tr>
<tr>
<td>Sales contracts</td>
<td>3 1/2%</td>
</tr>
</tbody>
</table>

Noted with approval.

Letter dated May 24th from the Federal Reserve Agent at New York, advising that the Equitable Trust Company of New York has been authorized by the State Banking Department to open and maintain a branch, on or after June 7th, at the corner of Madison Avenue and 26th Street, Manhattan.

Noted.

Report of Committee on Examinations on letter dated May 22nd from the Assistant Federal Reserve Agent at Cleveland, recommending approval of an application of the Citizens Trust and Savings Bank, Columbus, Ohio, for
Permission to operate a branch on Main Street, near Ohio Avenue, Columbus; the Committee recommending approval.

Approved.

Memorandum dated May 17th from Mr. James, Chairman of the Board's Special Committee on Non-Cash Collections, submitting copies of correspondence with Mr. John W. Barton, Chairman of the American Bankers Association Committee on Non-Cash Items, and offering the following resolution for the purpose of disposing of the question of the Federal Reserve System's handling of non-cash collections:

"Be it resolved, That the Federal Reserve Board makes it optional with each Federal reserve bank as to discontinuing the collection of non-cash items at street addresses."

The Governor called attention to the fact that the above memorandum bears a notation by Mr. Platt, the other member of the Special Committee on Non-Cash Collections, to the effect that he disagrees with the resolution proposed by Mr. James, as drawn.

After discussion, it was voted that consideration of Mr. James' proposed resolution be deferred for a meeting of the full Board.

Report of Committee on Examinations on letter dated May 21st from the Federal Reserve Agent at St. Louis, transmitting and recommending approval of an application of the First State Bank, Palmyra, Illinois, for approval of its action on January 15, 1926, in absorbing the Palmyra State Bank, a non-member; the Committee recommending approval.

Approved.

At this point, Mr. Platt entered the meeting.
Letter dated May 14th from the Assistant Secretary of the Treasury referring to the recent action of the Secretary of the Treasury in designating the Federal reserve banks and branches as agents for the redemption of United States currency unfit for further circulation and in modifying the redemption procedure so as to eliminate the capital now required to finance shipments of cancelled unfit currency in transit to the Treasury; the Assistant Secretary stating that a considerable additional amount of capital is required to finance shipments of new currency in transit to the Federal reserve banks and branches and requesting the comments of the Board on a proposal to establish at the Federal Reserve banks and at the Pittsburgh, Cincinnati, Detroit and Los Angeles branches, reserve stocks of new notes to be held in the joint custody of the Federal Reserve Agents and the Federal reserve banks, as a part of the reserve stock of the Treasurer of the United States and to be issued upon order of the Treasurer.

The Secretary of the Board stated that he had discussed the matter with the Assistant Secretary and that the proposal to place such stocks at the branches named had been withdrawn due to lack of vault facilities or the absence of an Assistant Federal Reserve Agent at the branches. The Secretary also stated that he had raised a question as to the legality of the Federal Reserve Agents acting as joint custodians of the stocks of notes and read to the Board from a letter addressed to the Under Secretary of the Treasury by the Acting Solicitor of the Treasury, Department of Justice, wherein it is stated that the Federal Reserve Agents may legally act in the capacity.

Mr. James moved approval of the proposal subject to an opinion by the Board's Counsel as to the legality of the Federal Reserve Agents' custodianship.

Carried.
The Governor then advised the Board that the letter to the Secretary of the Treasury, approved on May 21st, on the subject of the future operation of the Federal Reserve agencies in Cuba has not yet been transmitted. He stated that Mr. C. E. Mitchell, President of the National City Bank of New York, was to be in Washington within the next day or so to discuss with the Secretary of the Treasury, and probably the Secretary of State, the situation in Cuba, and inquired whether the Board wishes to have its letter delivered to the Secretary of the Treasury or withheld until the result of Mr. Mitchell's visit can be ascertained.

After discussion, the Governor was requested to forward the letter to the Secretary of the Treasury in the form approved at the meeting on May 21st.

Mr. Cunningham then joined the meeting.

The Governor then read to the Board a memorandum from Counsel submitting the opinion requested by the Board yesterday as to the interpretation of the provision of Section 21 of the Federal Reserve Act that "The Federal Reserve Board shall, at least once each year, order an examination of each Federal Reserve bank ***"; Counsel stating that in his opinion it will constitute a compliance with this provision if the Federal Reserve Board, at the beginning of each year, issues a general order to its Chief Examiner directing him to "make at least one examination of each Federal Reserve bank within the present year".

Discussion then ensued as to the advisability of the Board complying with the request of the Federal Reserve Bank of New York that the Board's
Chief Examiner, upon his arrival to make an examination of that bank, present a letter from the Board addressed to the bank, stating in substance that the Examiner and his force are authorized to examine the bank as of the date specified in the letter.

Mr. Platt moved that the Board approve the form of letter submitted by the Chief Examiner at yesterday's meeting, which the Examiner stated he believed would be satisfactory to the New York bank.

Mr. Miller moved as a substitute that the following letter be addressed to each Federal Reserve bank:

"You are advised that in compliance with the provision of Section 21 of the Federal Reserve Act that 'The Federal Reserve Board shall, at least once each year, order an examination of each Federal reserve bank ...', the Federal Reserve Board has ordered its Chief Examiner, through its Division of Examination, to make an examination of each Federal Reserve bank at least once during the calendar year.

"In accordance with this action, the Board has directed Mr. J. F. Herson, its Chief Examiner, to make at least one examination of the Federal Reserve Bank of -- during the year 1926.

"The Board has also empowered its Chief Examiner to select the dates on which all examinations will be begun.

"You are requested to give him and his force all proper assistance in making the examinations."

After discussion, Mr. Miller's substitute motion was put by the Chair and carried, Mr. Platt voting "no".

Mr. James then moved that pursuant to the above resolution, the Board's Chief Examiner be notified of the sending of the letter quoted to each Federal reserve bank, and that he be directed to conduct at least one examination of each Federal reserve bank during the calendar year 1926, on dates to be fixed by himself.

Carried, Mr. Platt voting "no".
Mr. Platt expressed the opinion that to send the above letter to the Federal Reserve Bank of New York at this time would place the Board in a curious position and practically give notice to the bank that an examination was in contemplation.

REPRESENTS OF STANDING COMMITTEES:

Dated, May 24th, Recommending change in stock at Federal Reserve Bank as set forth in the Auxiliary Minute Book of this date. Approved.

Dated, May 24th, Recommending action on application for admission of state bank, subject to the conditions stated in the individual report attached to the application, as set forth in the Auxiliary Minute Book of this date. Approved.

The meeting adjourned at 12 o'clock noon.

Approved: [signature]

[signature] Secretary.

[signature] Governor.