

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, June 2, 1926, at 11:00 a.m.

PRESENT: Vice Governor Platt
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Cunningham
Mr. Eddy, Secretary
Mr. McClelland, Assistant Secretary

The minutes of the meeting of the Federal Reserve Board held on May 27th were read and approved.

Letter dated May 27th from the Secretary of the Federal Reserve Bank of New York, advising that the Board of Directors on that day considered the bank's existing schedule of rates of discount and purchase and made no change.

Noted.

Telegram dated June 2nd from the Chairman of the Federal Reserve Bank of Philadelphia, 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 dated May 28th from the Chairman of the Federal Reserve Bank of Chicago, 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 dated May 27th from the Chairman of the Federal Reserve Bank of Kansas City, 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.

Bond of Dwight C. Meigs, Assistant Federal Reserve Agent at the Denver

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Branch of the Federal Reserve Bank of Kansas City, in the amount of \$50,000.

Approved.

Memorandum dated June 1st from the Board's Chief Telegraph Operator requesting authority to employ a vacation relief operator during the months of July and August.

Approved.

Report of Executive Committee on letter dated June 1st from the Comptroller of the Currency recommending approval of the following increases in the salaries of national bank examiners; the Committee also recommending approval.

Thomas M. Williams,	from \$6,000 to \$7,000 per annum		
L. M. Sawyer	" 5,000 to 5,500 "	"	"
M. C. Wilde	" 5,500 to 6,000 "	"	"

Approved.

Report of Committee on Salaries and Expenditures on letter dated May 28th from the Chairman of the Federal Reserve Bank of Chicago requesting approval of the appointment of Mr. George T. Jarvis as Assistant Cashier of the Detroit Branch, without change in salary, and the appointment of Mr. Floyd L. Bowen as Assistant Auditor of the Branch to succeed Mr. Jarvis, with an increase in salary from \$2,700 to \$3,000 per annum, effective July 1st; the Committee recommending approval.

Approved.

Report of Committee on Examinations on letter dated May 29th from the Federal Reserve Agent at Chicago recommending approval of the establishment by the Federal Commercial and Savings Bank, Port Huron, Michigan, of branches at the corner of 10th and Griswold Streets and the corner of

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Huron Avenue and Broad Street, Port Huron; Mr. Platt, Chairman of the Committee recommending approval, and Mr. Cunningham noting the application.

Approved, Mr. Cunningham voting "no".

Report of Committee on Examinations on letter dated May 28th from the Assistant Federal Reserve Agent at Richmond, transmitting and recommending approval of an application of the Baltimore Trust Company, Baltimore, Md., for permission to open a teller's window branch at 1600 West Baltimore Street, Baltimore; Mr. Platt, Chairman of the Committee, recommending approval, and Mr. Cunningham noting the application.

Approved, Mr. Cunningham voting "no".

Report of Committee on Examinations on letter dated May 25th from the Federal Reserve Agent at San Francisco, transmitting an application of the Mercantile Trust Company of San Francisco, requesting permission for its affiliated corporation, the Mercantile Securities Company, to purchase more than 20 per cent of the capital stock of the Mission Savings Bank of San Francisco, and recommending approval with the understanding that such approval will not in any way commit the Board to a favorable consideration of an application of the Mercantile Trust Company later to take over said bank and operate it as a branch; the Board's Committee also recommending approval.

Approved.

Letter dated May 21st from the Assistant Cashier of the Federal Reserve Bank of Philadelphia, advising that the bank has agreed to act as distributor of Sesqui-Centennial half-dollars for the Sesqui-Centennial Exposition Association and has opened the necessary accounts on its books.

Noted.

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Letter dated May 28th from the Chairman of the Federal Reserve Bank of Chicago, requesting approval of amendments to Sections 8 and 9 of Article II of the by-laws of the Detroit Branch so as to change the meeting date of the branch Board of Directors from the first Wednesday to the first Thursday next preceding the fourth Friday of each month, and the meeting date for the Discount Committee to each Thursday rather than each Wednesday.

Approved.

Letter dated May 27th from the Federal Reserve Agent at Boston, transmitting report of shortages aggregating \$639 in the Currency Division of the Money Department of the bank which have been traced to Miss Laura E. Thurber, a counter in the Division; the Agent stating that the matter has been reported to the local United States District Attorney.

Upon motion, it was voted that a copy of the report should be forwarded to the Department of Justice in the usual manner.

The Vice Governor then presented a copy of the recommendations made to the Federal Reserve Board by the Federal Advisory Council at its meeting on May 21st.

Noted and a copy ordered furnished to each member of the Board.

Draft of reply to letter dated May 14th from the Federal Reserve Agent at Chicago, enclosing copy of a memorandum prepared in the Bank with reference to a criticism of the Federal Reserve System made by Mr. Howard J. Clark, who is a candidate for the Republican primary for the Senatorial nomination in Iowa; the proposed reply stating that it is the feeling of the members of the Board that no Federal Reserve bank should by direct action contribute anything to political controversies or criticisms on the part of candidates for political office, nor should a Federal Reserve bank take steps to insti-

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tute inquiries on the part of those interested in political campaigns as to the policies and functions of the Reserve System, but stating further that this position will not preclude a Federal reserve bank from answering any inquiry made of it concerning the functions and policies of the bank, provided such inquiries are not inspired by the bank or anyone connected with it.

Upon motion, the proposed reply was approved.

Memorandum from Counsel dated May 27th submitting the opinion requested by the Board at the meeting on May 25th, as to the legality of Federal Reserve Agents assuming joint custodianship of reserve stocks of new United States notes, gold certificates and silver certificates to be held at the Federal reserve banks as part of the reserve stock of the Treasurer of the United States; Counsel stating that the provisions of the Appropriation Act, approved May 29, 1920, carry ample legal authority for a Federal Reserve Agent to assume such joint custodianship.

Noted.

Telegram dated May 28th from the Governor of the Federal Reserve Bank of Dallas requesting the views of the Board on a proposal that the Federal reserve bank sell Third Liberty Bonds amounting to \$3,750,000 which are now yielding approximately 3.71 per cent on average purchase price, and buying to replace them a like amount of Treasury 3 3/4 per cent Bonds.

After discussion, Mr. Hamlin moved approval of the proposal of the Dallas bank.

Carried, Mr. Miller voting "no".

Memorandum dated June 1st from the Chief of the Division of Bank Operations with reference to a decline from 53.6 to 40.0 per cent in the

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reserve percentage of the Federal Reserve Bank of St. Louis between May 26th and 29th; the Chief of the Division setting out changes in the bills and securities, total cash reserves, Federal reserve note circulation and total deposits of the bank during the period mentioned.

After discussion, upon motion by Mr. Miller, it was ordered that a report be made to the Board, through the Division of Bank Operations, as to the causes for this change.

The Secretary reported that yesterday, largely as a result of a reduction in acceptance holdings, the reserve percentage of the St. Louis bank increased to 46.6 per cent.

Memorandum from Counsel dated May 25th submitting draft of reply to letter dated April 27th from the Deputy Governor of the Federal Reserve Bank of Kansas City inquiring regarding the eligibility for rediscount at a Federal reserve bank of notes of the Saunders System, Incorporated, which it appears is a parent company owning approximately 75 per cent of the capital stock of a number of Saunders "Drive-it-yourself" corporations throughout the United States, its notes being made to purchase automobiles to be distributed to the various subsidiary companies which are to pay for the cars out of earnings from month to month; the proposed reply stating that in the Board's opinion the transaction is, in substance even if not in form, a borrowing for capital purposes, and that the notes must be considered ineligible for rediscount at a Federal reserve bank.

Upon motion, the proposed reply was approved and a circular letter in accordance therewith ordered transmitted to each Federal reserve bank.

Memorandum dated June 2nd from the Acting Director of the Division of Research and Statistics recommending that Mr. Marcus Nadler be appointed research assistant in the Division of Research and Statistics at a salary

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of \$4,000 per annum, effective August 1, 1926.

Approved.

Letter dated May 28th from the Acting Chairman of the Open Market Investment Committee, advising that the matter of the replacement of United States Treasury Certificates of indebtedness, maturing June 15, 1926, held in the System's Special Investment Account, totalling \$36,525,500, has been taken up with the members of the Open Market Investment Committee and they have agreed that these certificates should be replaced by the purchase of other short term Government securities.

Approved.

Letter dated June 1st from the Chairman of the Federal Reserve Bank of New York with reference to an examination of that institution begun by the Board's examiners on May 29th.

Noted.

Mr. Hamlin then reported that the Chairman of the Board of Directors of the Federal Reserve Bank of Boston had called him over the telephone and stated that the bank desires to give Mr. Clarence A. Bissell, an employee of the Credit Department, leave of absence for sixty days with full pay, that Mr. Bissell is suffering from a nervous disease and that the bank proposes to dispense with his services.

Upon motion, it was voted to refer the matter to the Vice Governor with power.

Mr. James then reported informally on the result of his visit to the

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Federal Reserve Bank of Atlanta in accordance with the instructions of the Board at its meeting on May 20th. He stated that he had communicated the Board's actions of that date to the officers affected and had presented them formally to a special meeting of the Board of Directors of the bank called by the Chairman. He also stated that formal recommendations as to the procedure to be followed in the matter would be submitted to the Board within a few days.

The Vice Governor then presented the following letter addressed to the Governor of the Board by Honorable L. T. McFadden, of the Committee on Banking and Currency of the House of Representatives:

"As you are aware, the House passed the National Bank Bill (H. R. 2) with certain provisions known as the Hull amendments, the effect of which would prohibit National and State member banks from establishing home city branches in any State which might hereafter permit branch banking. There are twenty-six States which do not now permit branch banking and to which the Hull amendments would, therefore, apply. The Senate struck this amendment from the bill.

"The conferees on the part of the House and the Senate are unable to agree on the bill on account of a difference of opinion relative to these provisions and the bill appears to be in danger of defeat on account of the deadlock which has thus ensued.

"As Chairman of the House conferees, I should like very much to have an expression of opinion from you relative to these Hull amendments and such recommendations pertinent thereto as you may see fit to make."

After a lengthy discussion, Mr. Miller moved that the following reply be transmitted to Mr. McFadden:

"I am writing to acknowledge receipt of your letter of June 1st, in which you state, with respect to the National Bank Bill (H. R. 2) and more particularly, the Hull amendments, that 'the conferees on the part of the House and the Senate are unable to agree on the bill on account of a difference of opinion relative to these provisions and the bill appears to be in danger of defeat on account of the

deadlock which has thus ensued.' You state 'I should like very much to have an expression of opinion from you relative to these Hull amendments and such recommendations pertinent thereto as you may see fit to make.'

"You are advised that the Federal Reserve Board this morning considered the Hull amendments in the light of your letter and by unanimous vote, five members being present, reached the conclusion that the Hull amendments should be eliminated."

After further discussion and before action was had on Mr. Miller's motion the Board recessed at 1:40 p.m.

At 3:00 o'clock p.m., the Board reconvened, the same members being present as attended the morning session.

The Vice Governor read to the Board the following telegram from Governor Crissinger:

"Record me as being opposed to the Hull amendments in the McFadden Bill."

After discussion of Mr. Miller's motion, it was put by the Chair and unanimously carried.

Mr. Cunningham stated that in view of the status of the McFadden Bill before the Conference Committee of the House and Senate, which appears to have been deadlocked over the so-called Hull amendments, he voted "aye" on Mr. Miller's resolution even though favoring the Hull amendments.

REPORTS OF STANDING COMMITTEES:

- Dated, May 28th, Recommending changes in stock at Federal Reserve Banks as
29th, set forth in the Auxiliary Minute Book of this date.
June 1st, Approved.
June 2nd,
- Dated, May 29th, Recommending action on applications for fiduciary powers
as set forth in the Auxiliary Minute Book of this date.
Approved.
- Dated, May 26th, Recommending action on application for fiduciary powers

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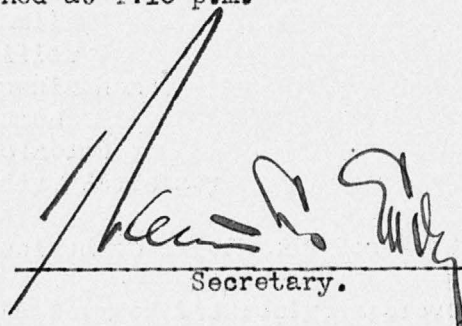
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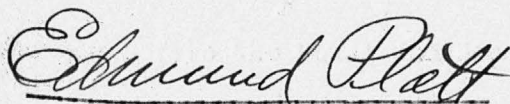
REPORTS OF STANDING COMMITTEES (Continued):

as set forth in the Auxiliary Minute Book of this date.
Refused.

The meeting adjourned at 4:10 p.m.


Secretary.

Approved:


Vice Governor.