

A meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Vice Governor on Thursday, June 24, 1926 at 10:30 a.m.

PRESENT: Vice Governor Platt
 Mr. Hamlin
 Mr. James
 Mr. Eddy, Secretary
 Mr. McClelland, Asst. Secretary

Mr. James stated that Mr. Jay, Chairman of the Federal Reserve Bank of New York, had called him over the telephone and stated that he wished to meet with the Board on Friday, with reference to some adjustments in salaries of employees of that bank. Mr. James stated he had advised Mr. Jay that a quorum of the Board would not be present tomorrow but that Mr. Jay stated he desired to come to Washington regardless.

The Vice Governor then presented to the Board the following telegram from the Deputy Governor of the Federal Reserve Bank of Atlanta dated June 22nd:

"Eddy

Washington

Receipt acknowledged your wire this date advising postponement of hearing.

Campbell"

Mr. Platt then presented application of the Farmers State Bank of Palouse, Palouse, Washington, for membership in the Federal Reserve System for 18 shares of stock in the Federal Reserve Bank of San Francisco. He stated that as the only member of the Committee on Examinations present he concurred in the recommendation of the Federal Reserve Bank and the Board's

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sub-committee that action on the application be deferred for at least six months.

Upon motion by Mr. James, it was voted that action on the application be deferred for a period of six months.

Letter dated June 21st from Mr. J. H. Case, Acting Chairman of the Open Market Investment Committee, requesting approval by the Board of the action of the Committee at its recent meeting in voting to adopt a recommendation of the Governor of the Federal Reserve Bank of Chicago that the Federal Reserve banks extend the repurchase agreement practice with recognized dealers in government securities to include Third Liberty Loan Bonds, which mature September 15, 1928 and now have only a little more than two years to run; the letter stating that the volume of United States Treasury Certificates and notes outstanding has been greatly reduced and it would seem proper to increase the volume of short-term securities which dealers can borrow on from Federal Reserve banks by the addition of the Third Liberty Loan Bonds.

After discussion, upon motion by Mr. James, it was voted that the Committee should recommend to the Federal Reserve Board approval of the action of the Open Market Investment Committee and that the Acting Chairman of the Committee should be advised accordingly.

Letter dated June 22nd from the Federal Reserve Agent at Atlanta, enclosing newspaper clippings with respect to the absorption by the City National Bank and Trust Company, Miami, Fla., of the Commercial Bank and Trust Company and the Miami Bank and Trust Company, both of the same city.

Noted.

Memorandum dated June 23rd from the Fiscal Agent, submitting an estimate

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of expenses of the Federal Reserve Board for the last six months of 1926, and recommending that an assessment of eleven hundredths of one percent (.0011) of the total paid-in capital stock and surplus of the Federal Reserve banks, as of the close of business June 30, 1926, be levied.

Upon motion, the following resolution was unanimously adopted:

"Whereas, under Section 10 of the act approved December 23, 1913, and known as the Federal Reserve Act, the Federal Reserve Board is empowered to levy semi-annually upon the Federal reserve banks in proportion to their capital stock and surplus an assessment sufficient to pay its estimated expenses, including the salaries of its members, assistants, attorneys, experts and employees for the half-year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half-year; and

Whereas, it appears from estimates submitted and considered that it is necessary that a fund equal to eleven hundredths of one per cent of the total paid-in capital stock and surplus of the Federal reserve banks be created for the purpose hereinbefore described, exclusive of the cost of engraving and printing of Federal reserve notes; Now, therefore,

Be it resolved, That pursuant to the authority vested in it by law, the Federal Reserve Board hereby levies an assessment upon the several Federal reserve banks of an amount equal to eleven hundredths of one per cent of the total paid-in capital and surplus of such banks as of June 30, 1926, and the Fiscal Agent of the Federal Reserve Board is hereby authorized to collect from said banks such assessment and execute, in the name of the Board, receipts for payments made. Such assessments will be collected in two installments of one-half each; the first installment to be paid July 1, 1926, and the second half on September 1, 1926."

The Vice-Governor stated that the next order of business would be consideration of the reports of the Committee on Salaries and Expenditures on resolutions adopted by eleven of the Federal Reserve banks authorizing the payment of dividends as of June 30, 1926. The Secretary presented a statement of the estimated financial results of the operations of the Federal Reserve banks during the year 1926 and he reviewed the estimated operations at each Federal Reserve bank as the report of the Committee covering same was considered.

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Report of Committee on Salaries and Expenditures dated June 22nd,
on the subject of dividend resolution of the Federal Reserve Bank of Boston
as follows:

"From available reports on file in the Division of Bank Operations it is estimated that current net earnings of the Federal Reserve Bank of Boston will amount to \$691,000 on June 30, or \$427,000 in excess of accrued dividends estimated at \$264,000."

The Boston bank states that it holds under discount no paper of member banks which are considered to be in an unsafe condition or of banks that have failed.

The dividend resolution of the bank is in proper form, and it is recommended that the semi-annual dividend be authorized by the Board."

Upon motion by Mr. Hamlin, it was voted that the Federal Reserve Bank of Boston be authorized to pay the usual semi-annual dividends on June 30th.

Report of Committee on Salaries and Expenditures dated June 21st,
on the subject of dividend resolution of the Federal Reserve Bank of New
York as follows:

"From available reports on file in the Division of Bank Operations it is estimated that current net earnings of the Federal Reserve Bank of New York will amount to \$1,750,000 on June 30, or \$725,000 in excess of accrued dividends estimated at \$1,025,000."

The New York bank states that it holds under discount no paper of member banks which are considered to be in an unsafe condition or of banks that have failed. The dividend resolution of the bank is in proper form, and it is recommended that the semi-annual dividend be authorized by the Board."

Upon motion by Mr. Hamlin, it was voted that the Federal Reserve Bank of New York be authorized to pay the usual semi-annual dividends on June 30th.

Report of Committee on Salaries and Expenditures dated June 21st,
on the subject of dividend resolution of the Federal Reserve Bank of
Philadelphia as follows:

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"From available reports on file in the Division of Bank Operations it is estimated that current net earnings of the Federal Reserve Bank of Philadelphia will amount to \$720,000 on June 30, or \$355,000 in excess of accrued dividends estimated at \$365,000.

The Philadelphia bank states that the unpaid indebtedness to it of failed banks amounts to \$66,543.85, but that the bank is well secured and expects to sustain no loss on such paper.

The bank's dividend resolution is in proper form and it is recommended that the semi-annual dividend be authorized by the Board."

Upon motion by Mr. Hamlin, it was voted that the Federal Reserve Bank of Philadelphia be authorized to pay the usual semi-annual dividends on June 30th.

Report of Committee on Salaries and Expenditures dated June 21st, on the subject of dividend resolution of the Federal Reserve Bank of Cleveland as follows:

"From available reports on file in the Division of Bank Operations it is estimated that current net earnings of the Federal Reserve Bank of Cleveland will amount to \$800,000 on June 30, or \$398,000 in excess of accrued dividends estimated at \$402,000.

The Cleveland bank states that it holds under discount no paper of member banks which are considered to be in an unsafe condition or of banks that have failed.

The bank's dividend resolution is in proper form and it is recommended that the semi-annual dividend be authorized by the Board."

Upon motion by Mr. Hamlin, it was voted that the Federal Reserve Bank of Cleveland be authorized to pay the usual semi-annual dividends on June 30th.

Report of Committee on Salaries and Expenditures dated June 21st, on the subject of dividend resolution of the Federal Reserve Bank of Richmond as follows:

"From available reports on file in the Division of Bank Operations it is estimated that current net earnings of the Federal Reserve Bank of Richmond will amount to \$500,000 on June 30, or \$317,000 in excess of accrued dividends estimated at \$183,000.

The Richmond bank reports the unpaid indebtedness of failed banks as of June 1 as \$259,176.68, on which it estimates its loss as \$85,300. The bank also holds under discount \$2,084,594.93 of

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"paper of banks considered to be in an unsafe condition, and estimates its loss on such paper at \$75,000. This makes a combined estimated loss of \$160,300 as compared with \$200,300 estimated last November. The bank has a reserve to take care of such losses amounting to \$300,000.

The bank's dividend resolution is in proper form and it is recommended that the semi-annual dividend be authorized by the Board."

Upon motion by Mr. Hamlin, it was voted that the Federal Reserve Bank of Richmond be authorized to pay the usual semi-annual dividends on June 30th.

Report of Committee on Salaries and Expenditures dated June 21st, on the subject of dividend resolution of the Federal Reserve Bank of Atlanta as follows:

"From available reports on file in the Division of Bank Operations it is estimated that current net earnings of the Federal Reserve Bank of Atlanta will amount to \$760,000 on June 30, or \$614,000 in excess of accrued dividends estimated at \$146,000.

The Atlanta bank reports the unpaid indebtedness of failed banks as of May 31 as \$945,040.11, on which it estimates a loss of \$100,000. No losses are anticipated by the bank on paper held under discount for member banks in an unsafe condition. Last November the Atlanta bank estimated its loss on unpaid indebtedness of failed banks and banks in an unsafe condition as \$1,296,629, and since that date has charged off losses amounting to \$1,273,812. The bank has no reserve at the present time to take care of probable losses on paper of failed banks.

The bank's dividend resolution is in proper form and it is recommended that the semi-annual dividend be authorized by the Board."

Upon motion by Mr. Hamlin, it was voted that the Federal Reserve Bank of Atlanta be authorized to pay the usual semi-annual dividends on June 30th.

Report of Committee on Salaries and Expenditures dated June 21st, on the subject of dividend resolution of the Federal Reserve Bank of St. Louis as follows:

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"From available reports on file in the Division of Bank Operations it is estimated that current net earnings of the Federal Reserve Bank of St. Louis will amount to \$504,000 on June 30, or \$348,000 in excess of accrued dividends estimated at \$156,000.

The St. Louis bank reports the unpaid indebtedness of failed banks as of June 1, 1926, including one bank which failed on June 3, as \$457,563.35, on which it estimates its loss as \$184,500. The bank also holds under discount \$196,992.70 of paper for member banks considered to be in an unsafe condition and \$333,242 of paper for member banks considered to be in an unsatisfactory condition. The bank does not anticipate any loss on such paper. The above estimated loss of \$184,500 is \$25,869 in excess of the estimate furnished the Board last November. The bank's present reserve against losses if \$250,000, or \$65,500 in excess of estimated losses.

The bank's dividend resolution is in proper form and it is recommended that the semi-annual dividend be authorized by the Board."

Upon motion by Mr. Hamlin, it was voted that the Federal Reserve Bank of St. Louis be authorized to pay the usual semi-annual dividends on June 30th.

Report of Committee on Salaries and Expenditures dated June 21st, on the subject of dividend resolution of the Federal Reserve Bank of Minneapolis as follows:

"From available reports on file in the Division of Bank Operations it is estimated that current net earnings of the Federal Reserve Bank of Minneapolis will amount to \$230,000 on June 30, or \$136,000 in excess of accrued dividends estimated at \$94,000.

The Minneapolis bank reports the unpaid indebtedness of failed banks as of May 31, 1926, as \$1,985,257.73, on which it estimates its loss as \$313,950. The bank also holds \$944,049.80 of paper under discount for member banks considered in an unsafe or overextended condition, but estimates that it will not sustain any loss on such paper with the possible exception of the First National Bank, Conrad, Mont. The estimated loss as of May 31 of \$313,950 is \$50,650 less than the estimate submitted to the Board last November. The bank has a reserve to take care of losses on paper of failed banks amounting to \$700,000.

The bank's dividend resolution is in proper form and it is recommended that the semi-annual dividend be authorized by the Board."

Upon motion by Mr. Hamlin, it was voted that the Federal Reserve Bank of Minneapolis be authorized to pay the usual semi-annual dividends on June 30th.

Report of Committee on Salaries and Expenditures dated June 22nd, on the subject of dividend resolution of the Federal Reserve Bank of Kansas City as follows:

"From available reports on file in the Division of Bank Operations it is estimated that current net earnings of the Federal Reserve Bank of Kansas City will amount to \$530,000 on June 30, or \$403,000 in excess of accrued dividends estimated at \$127,000.

The Kansas City bank reports the unpaid indebtedness of failed banks as of June 1 as \$300,091.42, on which it estimates its loss as \$90,000. The bank also holds under discount \$2,167,218.06 of paper of banks considered to be in an unsafe condition, and estimates its loss on such paper at \$216,700. This makes a combined estimated loss of \$306,700. If to this amount is added \$26,216.08 charged off since last November, the present estimate is \$35,252.54 in excess of the November estimate. The bank now has a reserve of \$296,060.35 available to take care of losses on paper of failed banks.

The bank's dividend resolution is in proper form and it is recommended that the semi-annual dividend be authorized by the Board."

Upon motion by Mr. Hamlin, it was voted that the Federal Reserve Bank of Kansas City be authorized to pay the usual semi-annual dividends on June 30th.

Report of Committee on Salaries and Expenditures dated June 22nd, on the subject of dividend resolution of the Federal Reserve Bank of Dallas as follows:

"From available reports on file in the Division of Bank Operations it is estimated that current net earnings of the Federal Reserve Bank of Dallas will amount to \$426,000 on June 30, or \$297,000 in excess of accrued dividends estimated at \$129,000.

The Dallas bank reports net unpaid indebtedness of failed banks as of June 1 as \$101,363.63, but estimates that it will sustain no losses thereon, nor does it anticipate any loss on paper held under discount for banks considered in an unsafe condition. Last November the Dallas bank estimated its loss on paper of failed banks and banks in an unsafe condition as \$644,605.78 and since that time has charged off losses amounting to \$586,250.77. It now has a balance of \$199,495.75 available as reserve to take care of losses on paper of failed banks.

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"The bank's dividend resolution is in proper form and it is recommended that the semi-annual dividend be authorized by the Board."

Upon motion by Mr. Hamlin, it was voted that the Federal Reserve Bank of Dallas be authorized to pay the semi-annual dividends on June 30th.

Report of Committee on Salaries and Expenditures dated June 21st, on the subject of dividend resolution of the Federal Reserve Bank of San Francisco as follows:

"From available reports on file in the Division of Bank Operations it is estimated that current net earnings of the Federal Reserve Bank of San Francisco will amount to \$929,000 on June 30, or \$680,000 in excess of accrued dividends estimated at \$249,000.

The San Francisco bank reports the unpaid indebtedness of failed banks as of May 29, 1926, as \$2,808,774.75, on which it estimates its loss at \$1,697,000. No losses are anticipated by the bank on paper held under discount for banks which might be considered in an unsatisfactory condition. The estimated loss of \$1,697,000 on paper of failed banks is \$85,000 less than the estimate submitted by the bank last November. The bank has a reserve to take care of probable losses amounting to \$1,252,000.

The bank's dividend resolution is in proper form and it is recommended that the semi-annual dividend be authorized by the Board."

Upon motion by Mr. Hamlin, it was voted that the Federal Reserve Bank of San Francisco be authorized to pay the usual semi-annual dividends on June 30th.

REPORTS OF STANDING COMMITTEES:

Dated, June 22nd, 23rd, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date.
Approved.

The meeting adjourned at 11:50 a.m.

Approved: Edmund Platt
Vice-Governor.

Hamlin
Secretary.