

A meeting of the Federal Reserve Board was held in the office of the Vice Governor on Tuesday, June 29, 1926 at 12:00 noon.

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

The minutes of the meetings of the Federal Reserve Board held on June 15th and 16th and the meetings of the Executive Committee held on June 21st, 22nd and 24th were ordered circulated in lieu of reading.

The Governor presented the matter ordered circulated at the meeting of the Executive Committee on June 22nd, namely, application of the Trust Company of Northern Virginia, Rosslyn, Va. for membership in the Federal Reserve System and for 55 shares of stock in the Federal Reserve Bank of Richmond; together with the recommendation of the Federal Reserve Bank and the Board's Committee on Examinations that same be refused.

Upon motion by Mr. James, it was voted that the above application be refused.

Report of Committee on Examinations on application by the Greenpoint National Bank of Brooklyn, New York, for membership in the Federal Reserve System, and for 300 shares of stock in the Federal Reserve Bank of New York, effective if and when the institution is converted into a state bank under the title of the Greenpoint Bank of Brooklyn, Brooklyn, N. Y.; the Committee recommending approval, subject to conditions set forth in a report attached to the application.

Approved.

Letter dated June 24th from the Secretary of the Federal Reserve Bank of New York, advising that the board of directors on that day reviewed

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the bank's existing schedule of rates of discount and purchase and made no change.

Noted.

Telegram dated June 25th 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.

Letter dated June 26th from the Deputy Comptroller of the Currency, advising that The National City Bank of New York, N. Y. has absorbed The Peoples Trust Company of Brooklyn National Banking Association of New York, N. Y.

Noted.

Letter dated June 26th from the Assistant Federal Reserve Agent at New York, advising that the Bank of Manhattan Company, New York City, has been authorized by the State Banking Department to open and maintain a branch office on or after June 21st, at 74-08 Jerome Avenue, Queens Borough, New York City, conditioned upon the discontinuance of the branch hertofore maintained at 1119 Liberty Avenue, Brooklyn.

Noted.

Letter dated June 28th from the Assistant Federal Reserve Agent at Cleveland, transmitting request of The Union Trust Company, Cleveland, for an extension of time in which to establish the branch at the corner of Kinsman and Warrensville Center Road, which was approved by the Board on January 13, 1925.

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Upon motion, it was voted to grant an extension of six months from June 13th, 1926.

Report of Committee on Examinations on memorandum dated June 24th from the Comptroller of the Currency, recommending approval of an application of The Peoples National Bank of Henryetta, Okla. for permission to reduce its capital stock from \$100,000 to \$50,000, on condition that no money be returned to the shareholders, but that the amount thereof be used to eliminate slow loans of \$12,194.00, doubtful loans of \$4,369.90 and to depreciate the banking house \$7500 and furniture and fixtures \$3,376.30 and that at least \$10,000 be placed to surplus fund and the remainder to undivided profits; the Committee recommending approval.

Approved.

Matter approved on initials on June 28th, namely, report of Committee on Salaries and Expenditures dated June 28th on the subject of dividend resolution of the Federal Reserve Bank of Chicago, 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 Chicago will amount to \$1,170,000 on June 30, or \$684,000 in excess of accrued dividends estimated at \$486,000.

The dividend resolution of the Chicago bank was not accompanied by statements regarding unpaid indebtedness of failed banks and of banks in an unsafe or overextended condition as requested in the Board's letter St. 4971 of June 8. The bank's balance sheet as of June 24, however, shows claims account closed or suspended banks as \$1,314,210.14 as compared with \$934,930.88 in November 1925, at which time the bank estimated its probable losses at \$90,000. The bank's present reserve against losses is \$1,000,000 exclusive of \$5,531.66 recovered on amounts previously charged off.

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, it was formally voted that the Federal Reserve Bank of Chicago be authorized to pay the usual semi-annual dividends on June 30th.

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Memorandum dated June 28th from the Assistant Secretary, with respect to charges aggregating \$94.60 made by the local telephone company against the Board for the cost of telephone calls between the State Department and the United States Embassy at Havana, Cuba under date of April 10th, in connection with the financial disturbance in Havana on that day. The Secretary inquired whether the cost of these telephone calls should be borne by the Board or charged against the Federal Reserve Bank of Atlanta, which assumed all other expenses in connection with meeting the situation referred to.

Upon motion by Mr. James, it was voted that the above expense should be paid by the Board.

Memorandum dated June 26th from the Chief of the Division of Bank Operations, enclosing statements of expenditures by Federal Reserve banks for educational and welfare work, etc. during the month of May and for the five month period ending May 31st; the statement showing, as exceptional expenditures, a donation of \$250 by the Federal Reserve Bank of Cleveland to the Cleveland Chamber of Commerce - Military Committee and one by the Federal Reserve Bank of Kansas City to the Grand Avenue Improvement Association amounting to \$145.

Upon motion, the Secretary was directed to communicate with the Federal Reserve banks of Cleveland and Kansas City with a view to obtaining further information with respect to the expenditures referred to.

Telegram dated June 29th from the Federal Reserve Agent at Chicago, advising that Mr. William C. Schrader, who had expected to resign as Acting Assistant Federal Reserve Agent at the Detroit Branch on July 1st, has consented to continue to act temporarily.

Noted.

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Telegrams dated June 25th, 26th and 27th exchanged by the Secretary of the Board with the Governor and Deputy Governor of the Federal Reserve Bank of Dallas, with reference to the necessity for building up that bank's deposit in the Gold Settlement Fund in Washington to meet transfers out of that district during the next thirty or sixty days.

The Secretary stated that an addition of \$4,500,000 to the fund would be made by the sale of government securities held independently by the Dallas bank. He stated, however, that this would not be a sufficient addition to the fund to meet requirements and that the Dallas bank wished also to negotiate with the Federal Reserve Bank of New York with a view to selling to that bank temporarily \$5,000,000 of gold held by the Federal Reserve Bank of Dallas, credit for same to be taken in the Gold Settlement Fund and the actual gold to be earmarked at the Federal Reserve Bank of Dallas for the Federal Reserve Bank of New York. The Secretary stated that the earmarking was an innovation in the System, but that as the additional gold in the Settlement Fund would only be required for about sixty days the cost of actually shipping the gold to Washington or New York would be saved by handling the transaction in the manner suggested.

After discussion, Mr. Platt moved that the Board interpose no objection to the Federal Reserve Bank of Dallas entering into negotiations with the Federal Reserve Bank of New York as suggested for a temporary period of not to exceed sixty days, the question of general earmarking to be taken up at a later date and the present action of the Board not to be considered as a precedent for general adoption.

Mr. Platt's motion being put by the Chair was carried, Mr. James voting "no".

Letter dated June 24th from the Federal Reserve Agent at Richmond, requesting the appointment as Federal Reserve Bank Examiners of Messrs. R. S. Brock, Jr., and Roger W. Mercer.

Approved.

Letter dated June 24th from the Federal Reserve Agent at Atlanta, with

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reference to the exercise of trust powers by national banks in the state of Florida; the Federal Reserve Agent transmitting a letter from the Comptroller of the State of Florida requesting the attitude of the Board toward a policy adopted by him of not chartering trust companies with a smaller capital than \$100,000 and a paid-in surplus of 50%.

After discussion, the above letter was referred to the Law Committee.

The Governor then presented the matter considered by the Executive Committee at its meeting on June 24th, namely, letter dated June 21st from the Deputy Governor of the Federal Reserve Bank of New York, advising of the action of the Open Market Investment Committee at their recent meeting in approving a recommendation that the Federal Reserve banks extend the repurchase agreement practice with recognized dealers in government securities to include Third Liberty Loan Bonds; the Executive Committee at its meeting on June 24th having voted to recommend to the Board that the action of the Open Market Investment Committee be approved.

After discussion, upon motion by Mr. Hamlin, it was voted to approve the recommendation of the Committee that the Federal Reserve banks extend the repurchase agreement practice with recognized dealers in government securities to include Third Liberty Loan Bonds.

Letter dated June 24th from the Secretary of the Open Market Investment Committee, submitting copy of the minutes of the joint meeting of the Committee and the Federal Reserve Board held in Washington on June 21st.

Ordered circulated.

Memorandum dated June 25th from the Chief of the Division of Bank Operations on letter dated June 23rd from the Chairman of the Federal Reserve

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Bank of New York, submitting a modification of the plan for standardization of positions, grades and salaries in the Auditing Department of that Bank; the Chief of the Division stating that the duties, classifications and ranges of salaries shown for each of the positions in the Auditing Department seem to be reasonable and in harmony with the analysis for the other departments of the bank previously furnished the Board.

Referred to the Committee on Salaries and Expenditures.

Memorandum from Counsel dated June 21st, submitting draft of reply to letter dated June 9th from the Assistant Federal Reserve Agent at San Francisco, with reference to the Clayton Act cases of Messrs. J. E. Fishburn and W. L. Woolwine.

Upon motion, the proposed reply was approved.

Letters dated June 26th from Hon. Jos. W. Byrns and Hon. Cordell Hull, members of the House of Representatives from Tennessee, and from Hon. Kenneth McKellar and Hon. L. D. Tyson, United States Senators from Tennessee, with reference to a long standing controversy between the Fourth and First National Bank of Nashville, Tennessee and the Federal Reserve Bank of Atlanta, arising out of certain Liberty Bond transactions; the members of Congress suggesting that the Board approve of the controversy being submitted to arbitration.

Thereupon ensued a discussion of the transactions which gave rise to the controversy during which Mr. Hamlin suggested that Governor Harding of the Federal Reserve Bank of Boston, who at the time of the transactions was Governor of the Federal Reserve Board, be requested to submit to the Board a full and complete statement concerning them and his views as to the advisability and possibility of arbitration between the member bank and the Federal Reserve bank concerned.

Upon motion, Mr. Hamlin's suggestion was approved, Mr. James voting "no".

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Memorandum from Counsel dated June 17th submitting draft of circular letter to all Federal Reserve banks, advising of the ruling adopted by the Board at the meeting on June 15th, with respect to the right of a Federal Reserve bank to strike from the par list the name of a non-member institution which for reasonable cause is deemed by a Federal Reserve bank to be an unfit or unsafe agent for collection.

Upon motion, the proposed circular was approved.

Memorandum from Counsel dated June 18th submitting draft of reply to letter dated June 2nd from the Federal Reserve Agent at St. Louis, advising that the Arkansas Valley Bank of Fort Smith, Ark., a member bank, desires to reduce its capital from \$100,000 to \$60,000 which latter amount is less than the capital that would be required for the organization of a national bank in the place in which the Arkansas Valley Bank is located, and inquiring whether the Board would approve an application from the bank for permission to reduce its capital to \$60,000, with the understanding that the same would be increased to \$100,000 within five years, in accordance with the provisions of Section 9 of the Federal Reserve Act and the Board's Regulations; the proposed reply setting out the various actions which may be taken by the Board, stating that the Board does not feel it should express an opinion in advance as to what action it would take in case the reduction was effected, and advising that if the bank reduces its capital stock below \$100,000, the Board desires to have his recommendation as to whether proceedings should be instituted for the forfeiture of membership of the bank, his opinion as to

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whether the bank would be a desirable member if permitted to remain in the System upon agreement to increase its capital to \$100,000 within five years, and also any additional facts not already before the Board which might be of interest in considering the questions involved.

After discussion, the proposed reply was approved, Mr. Hamlin not voting.

Memorandum from Counsel dated June 4th, submitting draft of circular letter to all Federal Reserve banks, advising of the ruling of the Board adopted at the meeting on June 2nd as to the eligibility for rediscount of notes of the Saunders System, Inc.

Upon motion, the proposed circular was approved.

Memorandum from Counsel submitting draft of letter to the Governor of the Federal Reserve Bank of Dallas and circular letter to the Governors of all other Federal Reserve banks, with reference to the question whether Federal Reserve banks are authorized to accept securities for safekeeping from Farm Loan Registrars, Federal Land Banks and Intermediate Credit Banks; Counsel's memorandum and the proposed letter stating that Federal Reserve banks may properly receive securities for safekeeping from Federal Intermediate Credit Banks but are without authority to do so for Farm Loan Registrars or Federal Land Banks.

Ordered circulated.

Memorandum from Counsel dated June 23rd on letter dated June 17th from Mr. Charles A. Marshall, counsel for the First Federal Foreign Investment Trust, with respect to certain policies which the corporation proposes to adopt with reference to business in the United States and with reference to the

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investment of temporarily idle funds; Counsel stating that all of the proposals made seem to be entirely within the law and within the Regulations of the Board and that no action appears to be necessary.

Noted, with approval.

The Secretary then presented letters addressed to the Board under date of May 26th and 28th by the Federal Reserve Agents at Philadelphia, Chicago and St. Louis, with reference to their replying to a circular letter addressed to them by Honorable James G. Strong, member of the House of Representatives from Kansas, requesting their views on certain amendments to the Federal Reserve Act which would charge the Federal Reserve Board and the Federal Reserve banks with responsibility for the stabilization of price levels.

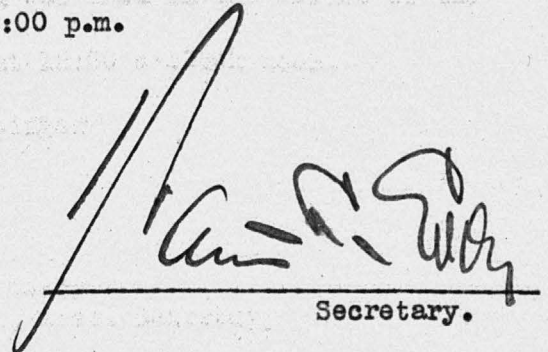
Upon motion, the above letters were ordered circulated.

REPORTS OF STANDING COMMITTEES:

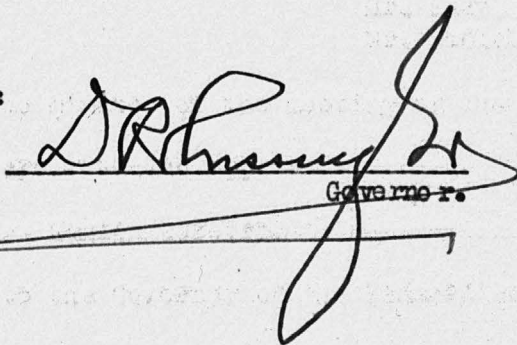
- Dated, June 26th, 28th, Recommending changes in stock at Federal Reserve Banks as set forth in the Auxiliary Minute Book of this date.
Approved.
- Dated, June 26th, 28th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Approved.
- Dated, June 25th, Recommending approval of the application of Mr. Wm. J. Ahearn for permission to serve at the same time as trust officer of the First National Bank of Brooklyn, N. Y. and as Vice President and director of the Central Park National Bank of Central Park, N. Y.
Approved.
- Dated, June 28th, Recommending approval of the application of Mr. T. J. Brant for permission to serve at the same time as Asst. Cashier and director of the Merchants National Bank of Los Angeles, Cal. and as director of the Title Insurance and Trust Company of Los Angeles.
Approved.
- Dated, June 28th, Recommending approval of the application of Mr. J. E. Sirrene for permission to serve at the same time as director of the First & Merchants National Bank of Richmond, Va. and as director of the First National Bank of Greenville, S. C.
Approved.

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The meeting adjourned at 1:00 p.m.


Secretary.

Approved:


Governor.