

A meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Governor on Wednesday, July 14, 1926, at 11:00 a.m.

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

PRESENT ALSO: Mr. McIntosh

The Governor referred to Mr. Cunningham's probable prolonged absence from his duties due to illness and at his request Mr. James agreed to take over Mr. Cunningham's memberships on the various Committees of the Board.

The Secretary then presented the following letters transmitted under date of July 12th, in accordance with the action taken by the Board at its meeting on July 2nd:

"Dear Sir:

The Federal Reserve Board has received your letter of July 6th, acknowledging its letter of June 30th, advising that the hearing to be afforded you, under the Board's resolution of June 9, 1926, would be held in the office of the Board on Monday, July 19, 1926, at 10 o'clock a.m.

I am obliged to again inform you of a further postponement of the hearing to a date of which you will be advised later. We have, as you probably know, one member of the Board in Europe; another is expected to sail within the next few days, and two are absent on account of illness.

By order of the Federal Reserve Board.

Very truly yours,

Walter L. Eddy,
Secretary.

Mr. Jos. L. Campbell, Deputy Governor,
Federal Reserve Bank,
Atlanta, Georgia."

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"Dear Mr. Newton:

I am enclosing herewith, for your information and for the records of the Federal Reserve Bank of Atlanta, a copy of a letter I have written today to Mr. Jos. L. Campbell, advising him of the further postponement, to a date of which he will be advised later, of the hearing to be afforded him under the Board's resolution of June 9, 1926.

By order of the Federal Reserve Board.

Very truly yours,

Walter L. Eddy,
Secretary.

Mr. Oscar Newton,
Federal Reserve Agent,
Federal Reserve Bank,
Atlanta, Georgia.

(Enclosure)"

"Dear Mr. Black:

The Board has found it necessary to again postpone the hearing to be afforded Mr. Campbell, under the Board's resolution of July 9th, and he has been so advised. Later on the Board will advise him of the date on which the hearing will be held.

We have, as you probably know, one member of the Board in Europe; another is expected to sail within the next few days, and two are absent on account of illness.

By order of the Federal Reserve Board.

Very truly yours,

Walter L. Eddy,
Secretary.

Mr. Eugene R. Black,
c/o Atlanta Trust Company,
Atlanta, Ga."

Memorandum from Mr. James, dated June 25th, as follows:

"I desire to present herewith a letter received this morning under date of June 24th from Dr. Sydney R. Miller, the physician

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attending Mr. E. H. Cunningham, one of the Board members, who is now undergoing treatment at Johns Hopkins Hospital in Baltimore.

"I should also like to present to the Board the following resolutions:

"WHEREAS, the Federal Reserve Board, by means of a letter addressed to one of its members by Mr. Sydney R. Miller, the physician who is attending Mr. Cunningham, a member of the Federal Reserve Board, at Johns Hopkins Hospital in Baltimore, is advised that 'Mr. Cunningham is in need of a protracted period of treatment and complete rest and freedom from the wear and tear incidental to things in general", and

"WHEREAS, the other members of the Federal Reserve Board are in entire sympathy with the recommendations of Dr. Miller and appreciate thoroughly the desirability of having Mr. Cunningham follow the Doctor's instructions in these matters, and

"WHEREAS, the work incidental to his duties as a member of the Federal Reserve Board can and will be taken care of by the other members during Mr. Cunningham's absence,

"BE IT THEREFORE RESOLVED, that Mr. Cunningham be urged to devote all of his time and attention to the following out of the instructions issued by his physician, and that he be hereby authorized to absent himself from all official duties until such time as his physician gives full and unqualified permission for him to return to his office for work.

"BE IT FURTHER RESOLVED, that the Governor of the Federal Reserve Board be authorized and requested to address a letter to Mr. Cunningham conveying to him the sense of this resolution, and that he also send a letter to Dr. Sydney R. Miller, No. 1115 St. Paul Street, Baltimore, Md., advising him of the Board's action in this matter."

Upon motion, the resolutions set out in Mr. James' memorandum were unanimously adopted.

Letter dated July 6th from the Assistant Attorney General advising that there has been referred to the Bureau of Investigation of the Department of Justice for appropriate action at the earliest possible date the Board's letter of July 1st, requesting resumption of the investigation undertaken by the Department in December, 1924, at the request of the Board, of certain alleged activities of Mr. J. A. McCrary, one of the directors of the Federal Reserve Bank of Atlanta.

Noted.

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Letter dated July 8th from the Secretary of the Federal Reserve Bank of New York, advising that the Board of Directors of the bank on that day considered and made no change in the existing schedule of rates of discount and purchase.

Noted.

Telegram dated July 9th from the Secretary of the Federal Reserve Bank of Cleveland 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 July 8th from the Chairman of the Board of Directors of the Federal Reserve Bank of Richmond 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 July 9th from the Secretary of the Federal Reserve Bank of Atlanta 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 July 7th from the Chairman of the Board of Directors of the Federal Reserve Bank of Dallas 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 July 7th from the Chairman of the Federal Reserve Bank of San Francisco advising that the Board of Directors of the bank at its meeting on July 1st voted to extend leave of absence previously granted

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Mr. L. C. Pontious, Deputy Governor, for two months without pay, beginning July 1st.

Noted.

Letter dated July 1st from the Chairman of the Federal Reserve Bank of San Francisco, advising of the appointment of Mr. F. C. Bold, formerly Chief Clerk and Acting Assistant Cashier at the Head Office, as Assistant Cashier, effective July 1st, to succeed Mr. Mudie McRitchie, transferred to the Los Angeles Branch as Assistant Manager.

Noted.

Letter dated July 7th from the Federal Reserve Agent at New York inquiring whether there would be any objection to his being absent from the bank for about a month and a half beginning about the middle of September.

Discussion ensued as to what officers of the bank would be present during Mr. Jay's contemplated absence and as to whether Governor Strong, who is in Europe at the present time, will have returned before Mr. Jay's departure.

Following the discussion, the Secretary was directed to secure information on these points.

Report of Committee on Salaries and Expenditures on letter dated July 10th from the Secretary of the Federal Reserve Bank of Cleveland requesting approval of the action of the Executive Committee of that bank in voting to authorize the employment of a printer, at a salary not to exceed \$3,600 per annum, to manage a printing department to be installed in the bank; the Committee recommending approval.

Approved.

Report of Committee on Salaries and Expenditures on letters dated June 18th and June 23rd from the Chairman and Governor of the Federal

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Reserve Bank of Boston, respectively, advising of the action of the directors of that bank in ratifying his action in granting, with the Board's approval, a two months' leave of absence with full pay to Mr. C. A. Bissell, clerk in the Credit Department, and in approving the following increases in salaries effective July 1st:

Mr. L. W. Sweetser, Assistant Cashier, \$6,500 to \$7,000.
 Mr. Frank C. Gilbody, Manager, Accounting Division,
 \$3,000 to \$3,300.
 Mr. Walter F. Farrar, Assistant Manager, Discount Division,
 \$3,300 to \$3,600.

The Secretary then read the following memorandum submitted by Mr. Platt and concurred in by Mr. James:

"It seems to me that Governor Harding and Mr. Curtiss have made out a clear case for the increase of \$300 asked for Walter F. Farrar, Assistant Manager of the Discount Department, the Manager of the department having been assigned other duties, so that additional work falls upon Mr. Farrar.

"The case for Mr. Gilbody's increase of \$300 does not appear quite so clear, but it is clear that increases to assistants below the \$2,500 limit, as in the case of Mr. Gramstorff, may occasionally make advisable a small mid-year increase to the head of the department as in the case of Mr. Gilbody.

"If the plan of interchanging with other Assistant Cashiers the supervision of operating departments is new, or if Mr. Sweetser has but recently been put into the plan, and with success, I think the case for his increase as an exception is a good one.

"The record of the Boston bank for economy, I understand, is good. Governor Harding is constantly seeking some way to develop men who can be trusted with supervision and to combine duties in such a way as to save money in the long run. My own feeling is that where the number of mid-year increases does not run above three or four in an institution like the Boston bank, and where the reasons given indicate recent changes of duties we should consider that they come fairly under the exception indicated in our circular letter of August 9, 1922. It seems to me that it would be very difficult, if not actually impractical, to carry on organizations of the size of these Reserve banks without some mid-year adjustments among the department heads and their assistants.

"Perhaps we should, for our own guidance, endeavor to put in writing some statement of just what we will regard as 'exceptional cases where adjustment may be necessary.' We have, of course, already recognized that resignations, and the necessary promotions made

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"necessary to fill vacancies, provide 'exceptional cases.' It seems to me that we should also recognize shifting of responsibilities and duties incident to trying new plans of supervision. It can't be expected that the senior officers and directors of a large bank should foresee at the beginning of each calendar year all the shifting of responsibilities that may take place during the year. If the changes asked for bear some relation to changes of duties, if only a few cases are submitted and if the amounts asked for are small and do not involve the senior officers I think we should usually approve on the theory that the cases are exceptional, with a letter in each case calling attention to the letter of August 9, 1922, and stating that the Board is willing to regard it as exceptional on the representations made."

Thereupon ensued discussion as to whether or not the increases recommended should be considered as "exceptional cases" within the meaning of the Board's letter of August 9, 1922 (X-3500), in which it is stated that "it is expected by the Board that salaries approved for more than \$2,500 will obtain throughout the year, except in exceptional cases where adjustments may be necessary."

Following the discussion, Mr. Platt moved that the cases of Messrs. Sweetser, Gilbody and Farrar be considered as exceptional and that the increases recommended for them be approved, effective July 1st.

Carried.

Mr. James then moved that the Secretary be instructed to prepare for submission to the Board a statement of what the Board in future will consider as exceptional cases warranting mid-year increases in salaries of employees of Federal reserve banks, along the lines of the last paragraph of the memorandum above quoted.

Carried.

Telegram dated July 12th to the Federal Reserve Agent at Atlanta, advising that the Executive Committee is inclined to look favorably upon an application of the Citizens and Southern Bank of Savannah, Georgia, to take over the Bank of East Point, Georgia, and to operate it as a branch, if and when the application is formally presented to the Board.

Upon motion, the telegram was formally approved.

Letter dated July 12th from the Assistant Federal Reserve Agent at Philadelphia, advising that on July 10, 1926, the Fidelity Trust Company

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and the Philadelphia Trust Company, both of Philadelphia, consolidated as the Fidelity-Philadelphia Trust Company.

Noted without objection.

Letter dated July 8th from the Federal Reserve Agent at St. Louis, advising that the Fidelity Bank and Trust Company, Memphis, Tennessee, has entered into a liquidating agreement with the Exchange Bank and Trust Company of Memphis.

Noted.

Letters dated July 8th from the Chairman and Governor of the Federal Reserve Bank of Cleveland with further reference to the donation of \$250 made by that bank to the Chamber of Commerce Military Committee.

After discussion, upon motion by Mr. James, it was voted to approve the donation referred to.

Report of Committee on Salaries and Expenditures on the matter referred to it at the meeting on July 7th, namely, letters dated July 3rd from the Governor and Secretary of the Federal Reserve Bank of Chicago with reference to the action of the Executive Committee of that bank in voting to subscribe to the extent of \$1,000 to the Credit Justice Fund of the National Association of Credit Men; the Committee recommending approval of the subscription.

Approved.

Memorandum from Counsel dated July 2nd, submitting draft of letter to the Federal Reserve Agent at Kansas City with reference to the recent appointment of Mr. E. J. Julick as Assistant Agent at the Oklahoma City Branch, which was approved by the Board as a temporary measure until such time as the bank could be advised of the Board's position with reference

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to the appointment of Assistant Federal Reserve Agents at branches at which unissued Federal reserve notes are carried; Counsel with his memorandum also submitting draft of a letter to all Federal Reserve Agents on the subject of the necessity for Assistant Federal Reserve Agents at branches where unissued Federal reserve notes are carried.

Upon motion, the letters submitted by Counsel were approved.

Memorandum from Counsel dated July 7th, with reference to various Clayton Act applications on which the Board has deferred action pending a probable amendment to the Clayton Act contained in the so-called McFadden Bill, which failed of passage at the last session of Congress; Counsel recommending that action on the applications listed be no longer suspended, but that they be now taken up and disposed of in the usual manner as soon as practicable.

Upon motion, the suggestion contained in the memorandum was approved.

Memorandum from Counsel dated July 9th on the matter referred to the Law Committee on July 2nd, namely, letter dated June 28th from the Governor of the Federal Reserve Bank of Dallas with reference to possible violations of the Federal Reserve Act and the Revised Statutes in the Commercial Guaranty State Bank of Longview, Texas, and the First State Bank and Trust Company of Hereford, Texas; Counsel submitting draft of a reply advising that the facts in each of these cases should be reported to the local United States Attorney and a full report in duplicate transmitted to the Board, but that if it is felt that recommendations of clemency are justified by the circumstances of the cases, the reports may properly include such recommendations.

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Upon motion, the proposed reply was approved.

Report of Committee on Examinations on memorandum dated June 22nd from the Comptroller of the Currency, recommending approval of an application of the First National Bank of Englishtown, New Jersey, for permission to reduce its capital from \$50,000 to \$25,000 on condition that no money be returned to and no assets be trusteeed for the benefit of shareholders, that all bad and doubtful assets be written off or be written down and be retained by the bank, and that efforts be made to salvage as much as possible from these assets for the benefit of the bank; the Committee recommending approval.

Approved.

Report of Committee on Salaries and Expenditures on letter dated July 7th from the Chairman of the Federal Reserve Bank of St. Louis, with reference to an inquiry made by the Board regarding an expense allowance for Mr. W. H. Glasgow, Assistant Cashier at the head office, who is temporarily acting as Manager of the Memphis Branch.

Mr. James moved approval of the continuation of the allowance.

Carried.

Mr. Platt then submitted a letter dated June 12th from Honorable Harry M. Wurzbach, Member of Congress from Texas, with reference to the possibility of the establishment at San Antonio of a branch of the Federal Reserve Bank of Dallas.

Mr. Platt suggested that a letter be written to Congressman Wurzbach stating that the Board appreciates his interest in the matter of a San Antonio Branch, but pointing out that the Federal Reserve Bank of Dallas

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is under heavy expense and that branches are a liability and not an asset.

Upon motion, the above letter was referred to Mr. Platt for reply.

Letter dated July 9th from the Federal Reserve Agent at San Francisco, advising that for the past thirty-five years he has been connected as a director with certain building and loan associations in Los Angeles, and stating that while he would be reluctant to retire from those boards, he will do so if the Board feels that necessity or propriety calls for such action.

Referred to Counsel.

The Secretary then submitted a detailed analysis made by Mr. Carter, Secretary to the Governor, of reports of examinations of trust departments of all National banks in the twelve Federal reserve districts which have been granted fiduciary powers by the Federal Reserve Board, together with a memorandum summarizing the fiduciary activities of the banks, to wit, the number authorized to exercise trust powers, the number actually exercising the powers, the number of trusts in these banks, total assets of trusts, number of banks criticized by the examiners, total number of criticisms reported at time of last examinations, etc.

The Secretary recommended to the Board that Mr. Carter be transferred from the Office of the Governor to his own, with an increase in salary from \$3,000 to \$3,600 per annum, to take charge of a continuous record to be set up in the Secretary's Office, with reference to the exercise of trust powers by National banks.

The Secretary stated that he had discussed the matter with the Comptroller's Office, and it was tentatively agreed that from the suggested record to be maintained by the Board, administrative correspondence should be carried on by the Comptroller's Office with the National banks exercising trust powers in an effort to eliminate the present frequent violations of the Regulations of the Board by these banks.

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Upon motion, the recommendations of the Secretary were approved, including that for an increase in the salary of Mr. Carter from \$3,000 to \$3,600 per annum, effective July 16th.

Mr. McIntosh then moved that a special committee, consisting of Mr. Eddy, the Board's Secretary, Mr. Pole, Chief Examiner in the Office of the Comptroller of the Currency, and Mr. Carter, be appointed to go thoroughly into the method of granting fiduciary powers to National banks and the exercise of such powers by the banks.

Carried.

REPORTS OF STANDING COMMITTEES:

- Dated, July 7th, 8th, 9th, 10th, 12th, Recommending changes in stock at Federal Reserve Banks as set forth in the Auxiliary Minute Book of this date.
Approved.
- Dated, July 7th, 9th, 13th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Approved.
- Dated, July 9th, Recommending action on applications for admission of state banks, subject to the conditions stated in the individual reports attached to the applications, as set forth in the Auxiliary Minute Book of this date.
Approved.
- Dated, July 8th, Recommending action on application for admission of a 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.
Refused.
- Dated, July 7th, Recommending approval of the application of Mr. S. B. Bechtel for permission to serve at the same time as Director of the Old National Bank, Fort Wayne, Ind., and as Director of the Citizens Trust Company, Fort Wayne, Ind.
Approved.
- Dated July 7th, Recommending approval of the application of Mr. Frank H. Cutshall for permission to serve at the same time as Director of the Old National Bank, Fort Wayne, Ind., and as Director of the Citizens Trust Company, Fort Wayne, Ind.
Approved.

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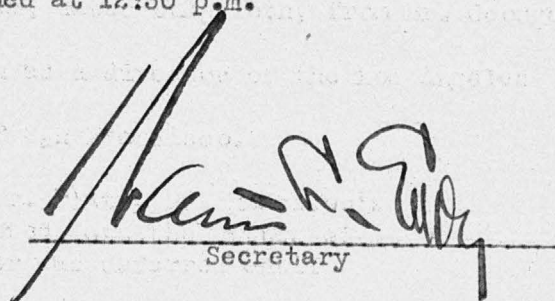
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- Dated, July 7th, Recommending approval of the application of Mr. Edward M. Wilson for permission to serve at the same time as Director of the Old National Bank, Fort Wayne, Ind., and as Director of the Citizens Trust Company, Fort Wayne, Ind.
Approved.
- Dated, July 7th, Recommending approval of the application of Mr. Albert C. Abbott for permission to serve at the same time as Vice President and Director of the First National Bank, Mays Landing, N.J., and as Director of the Chelsea National Bank, Atlantic City, N.J.
Approved.
- Dated, July 7th, Recommending approval of the application of Mr. Reeve Schley for permission to serve at the same time as Vice President and Director of the Chase National Bank, New York, N.Y., and as Director of the Commercial Trust Company, Jersey City, N.J.
Approved.
- Dated, July 7th, Recommending approval of the application of Mr. Henry F. Moellering for permission to serve at the same time as Director of the Old National Bank, Fort Wayne, Ind., and as Director of the Peoples Loan & Trust Company, Fort Wayne, Ind.
Approved.
- Dated, July 9th, Recommending approval of the application of Mr. L. E. Southwick to serve at the same time as Director of the National Bank of Commerce, Lincoln, Nebraska, as President and Director of the First National Bank, Friend, Nebraska, and as Vice President and Director of the Lincoln Joint Stock Land Bank, Lincoln, Nebraska.
Approved.
- Dated, July 9th, Recommending approval of the application of Mr. George S. Silzer for permission to serve at the same time as Director and Chairman of the Board of the Broad & Market National Bank, Newark, N.J., as Director and Chairman of the Perth Amboy Trust Company of Perth Amboy, N.J., and as Director and Chairman of the Board of the New Brunswick Trust Company of New Brunswick, N.J.
Approved.
- Dated, July 12th, Recommending refusal of the application of Mr. John F. Bruns for permission to serve at the same time as Director of the Stapleton National Bank, Stapleton, N.Y., and as Director of the Staten Island National Bank & Trust Company, Port Richmond, N.Y.
Refused.

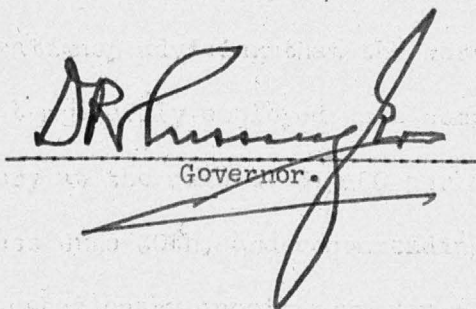
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Dated, July 12th, Recommending refusal of the application of Mr. John Frederick Smith for permission to serve at the same time as Director of the Stapleton National Bank, Stapleton, N.Y., and as Director and Vice President of the Staten Island National Bank and Trust Company, Port Richmond, N.Y.
Refused.

The meeting adjourned at 12:30 p.m.


Secretary

Approved:


Governor.