

A meeting of the Executive Committee of the Federal Reserve Board was held in the Office of the Governor on Friday, August 6th, 1926, at 11 a.m.

PRESENT: Governor Crissinger
 Mr. James
 Mr. Hamlin
 Mr. Eddy, Secretary

ALSO PRESENT: Mr. McIntosh

The Governor stated that Dr. Goldenweiser, Acting Director of the Board's Division of Research & Statistics, had discussed with him the advisability of holding a conference in Washington of members of the research and statistical staffs of the Federal reserve banks, and had suggested September 13th and 14th as the dates for the conference.

After discussion, it was decided to withhold action on the matter until after the return of Mr. Miller, Chairman of the Board's Committee on Research & Statistics.

The Secretary reported that Mr. H. E. Rank, who was designated an Assistant Federal Reserve Examiner in accordance with the authority granted by the Board at its meeting on July 2nd, has returned to Washington following the completion of the recent examination of the Federal Reserve Bank of Atlanta, begun on July 10th, and has turned in the commission as Federal Reserve Examiner issued to him at the time of his appointment.

The Secretary was instructed to cancel the commission in question.

Letter dated August 5th from the Secretary of the Federal Reserve Bank of New York advising that on August 5th the Board of Directors considered and made no change in the bank's existing schedule of rates of discount and purchase.

Noted.

Telegram dated August 4th from the Chairman of the Federal Reserve Bank

8/6/26

-2-

72

of St. Louis 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 August 4th from the Assistant Federal Reserve Agent at 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 August 5th from the Chairman of the Federal Reserve Bank of San Francisco 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.

Matter approved on the initials of four members of the Board on August 5th, namely, application of the South Broadway National Bank of Denver, Colo., for 135 shares of stock in the Federal Reserve Bank of Kansas City, effective if and when the Comptroller of the Currency issues a certificate of authority to commence business.

Formally approved.

Memorandum dated August 5th from the Acting Director of the Division of Research & Statistics, recommending the continuation of the temporary appointments of Mrs. E. Bess Hamilton and Mrs. Kathleen B. Perry as statistical clerks in the Division, with salary at the rate of \$130 per month, for the period from September 1st to December 1st, and also recommending that the temporary appointment of Miss Merle R. Robinson be extended for the period from August 17th to November 17th, with salary at the rate of \$120 per month.

On motion, the recommendations contained in the memorandum were approved.

8/6/26

-3-

The Secretary reported that in accordance with the authority granted by the Board on August 4th, he had employed Frederick G. Burrows as a messenger in the Board's Telegraph Division, with salary at the rate of \$50 per month, effective August 6th.

Approved.

Letter dated August 5th from the Comptroller of the Currency recommending approval of a salary of \$3,000 per annum for National Bank Examiner Lawrence R. Connor, assigned to the First Federal Reserve District.

Approved.

Letter dated August 4th from the Assistant Federal Reserve Agent at St. Louis, requesting the Board's approval of the action of the Executive Committee of the bank on that date in granting an extension of sixty days from July 13th in the leave of absence on account of illness granted Miss Grace Toler, a clerk in the Transit Department, who has previously been granted four months leave of absence with full pay; Mr. James, Chairman of the Board's Committee on Salaries and Expenditures recommending approval and that the St. Louis bank be advised that further leave of absence with pay will not be granted to Miss Toler.

Upon motion, the recommendation of Mr. James was approved.

Memorandum dated August 4th from the Chief of the Division of Bank Operations, submitting letter dated July 30th from Deputy Governor Moore of the Federal Reserve Bank of Minneapolis, together with a tabular statement in which the expenses incurred during the first half of the present year are compared with this year's and last year's budgets and also with expenses during the first half of last year; the memorandum commenting on the increases

8/6/26

-4-

and reductions of the expenses of the various functions; Mr. James, Chairman of the Board's Committee on Salaries and Expenditures recommending that the communication from the Minneapolis bank be noted and that a letter be transmitted to the bank conveying the substance of Mr. Smead's comments.

Noted and the Secretary directed to transmit to the bank the substance of Mr. Smead's comments.

Matter referred to the Law Committee on August 3rd, namely, letter dated July 26th from the Governor of the Federal Reserve Bank of Minneapolis, replying to the Board's letter of July 24th, requesting his views on letter addressed to the Board on July 9th by Mr. Kenzel, Deputy Governor of the Federal Reserve Bank of New York, with regard to the recommendation of the last Governors' Conference that Regulation "A" be amended so as to make eligible for rediscount or purchase by Federal reserve banks bankers acceptances drawn by an elevator company and secured by a terminal warehouse receipt of the elevator company which draws the draft.

Mr. Hamlin suggested that the Board interpret its Regulation "A" to mean that regular registered terminal warehouse receipts constitute documents for commodities so controlled by a third party independent of the borrower, as to make them good and eligible collateral.

The Secretary was instructed to refer the above correspondence and Mr. Hamlin's suggestion to Counsel for the preparation of a ruling along the lines of Mr. Hamlin's suggestion, for submission to the Board at its next meeting.

Memorandum dated August 3rd from Counsel, referring to the previous action of the Board in referring to the last Governor's Conference for recommendation the questions of the advisability of issuing regulations governing the discount of adjusted service certificates issued under the

8/6/26

-5-

75

World War Adjusted Compensation Act, and as to what form the regulations should take if issued, the Governors' Conference having referred the questions back to the Board with the request that they be submitted to the next Conference; Counsel stating that the Director of the United States Veterans Bureau, in a letter to the Governor dated July 14th, has requested that the Board give its views on the questions, and Counsel recommending that they be referred to the next Governors' Conference for consideration and recommendation.

Ordered placed on the program for the next Governors' Conference.

Report of Examination of the Federal Reserve Bank of Atlanta, its branches and agencies, as at the close of business July 10th, which was referred for comment to the Committee on Examinations and the Committee on District #6, at the meeting on August 3rd; Mr. James, member of the Committee on Examinations and Chairman of the Committee on District #6, and Mr. Hamlin, member of the Committee on District #6, submitting the following memorandums:

"I concur in the views and recommendations set out in the memorandum of the Chief Examiner under date of July 31, 1926, with which he transmitted this report to the Federal Reserve Board, except in the suggestion 'That the Board authorize a letter to be addressed to the Governor of the Bank in say sixty days requesting a detailed report of what action has been taken on the criticisms and suggestions listed by the examiner'. In this I should substitute the suggestion that the Board address a letter to the Chairman and Federal Reserve Agent of the bank within thirty days after the next meeting of the Board of Directors of the Atlanta Bank asking him to report to the Board what action had been taken relative to the criticisms and suggestions listed by the Examiner.

"The Atlanta Board is scheduled to have its next meeting on August 13th at which time no doubt the report of examination will be presented to the Directors.

"One item referred to in the report, namely, the revolving fund at Miami, Florida, should in my judgment have immediate at-

8/6/26

-6-

attention . On page 7 of the report is set out the following comment: 'On May 18, 1926, the agreement covering the revolving currency fund with the First National Bank of Miami, Florida, was supplemented by a new agreement limiting the amount of the fund to \$2,000,000. against collateral having a market value of \$3,000,000. The new agreement provides that funds in excess of \$2,000,000 shall be shipped to the Federal Reserve Bank of Atlanta unless permission is granted to the Miami Bank to retain them, in which event additional collateral with a market value equivalent to such excess shall be pledged".

"On Page 39 of the report is the statement of the revolving fund at the First National Bank of Miami, Florida, showing a cash balance on July 10, 1926, of \$3,000,000 and with securities held in custody by the Federal Reserve Bank as collateral to the above fund amounting in par value to \$3,000,000 and having a market value of \$3,026,180. As I see it, the bank had on July 10, 1926, approximately a million dollars in cash in Miami over and above the agreed upon amount.

"I feel that the Board should be advised at once (a) why this violation of the agreement was permitted, and (b) what steps have been taken to correct this situation.

"In view of the fact that it is evidently possible for the agreement under which the revolving fund was created and is operated to be and is disregarded, my judgment is that the revolving fund at Miami should be discontinued at the earliest practicable date.

(Signed) Geo. R. James"

"I have read this report, and feel that it is very thoroughly worked out. I should like, however, to be furnished with a general resume bringing out in general form the major criticisms, and a statement of conclusions based on the findings in the report as to the general standard of efficiency of the Bank. With this in view, I would suggest that the Chief Examiner be directed:

"(1) To give the Board a statement showing briefly in what respects the policies and operations of the Bank are below the standard fairly to be expected of a Federal Reserve Bank.

"(2) To state specifically the facts contained in his report on which he bases the conclusion in the unsigned memorandum accompanying the report, dated July 31, 1926, as to the control of the Governor over the Bank officers and operations, which the memorandum states should be broken, and also to state the facts found by him justifying his conclusion that the majority of the board of directors conforms to the Governor's wishes in most matters of importance, and that "consequently it resolves itself almost into a one-man organization.

(Signed) C. S. Hamlin"

8/6/26

-7-

On motion, the suggestions of Mr. James and Mr. Hamlin were approved.

Letter dated August 5th from Deputy Governor Harrison of the Federal Reserve Bank of New York, referring to his conference with the Board on July 27th, and reviewing his statements made at that conference concerning political and financial conditions in France as communicated to him by Governor Strong.

Noted.

Discussion then ensued as to the advisability of the Board establishing a Division of Bank Examinations for the purpose of examining State banks which are members of the Federal Reserve System, when, in the opinion of the Board, examinations by the Board appear to be necessary.

The members of the Board present expressed their views as to the scope of the work to be undertaken by such a division in the event that it is decided to establish it, and the matter was made the special order of business for a meeting of the Board to be held on Wednesday, August 11th.

REPORTS OF STANDING COMMITTEES:

Dated, August 4th, Recommending changes in stock at Federal Reserve Bank as set forth in the Auxiliary Minute Book of this date.

Approved.

Dated, August 4th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

5th,

Approved.

Dated, August 5th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Refused.

Dated, August 4th, Recommending approval of the application of Mr. Charles B. Veghte for permission to serve at the same time as Director of the Broad & Market National Bank, Newark, N. J. and as President and Director of the New Brunswick Trust Company of New Brunswick, N. J.

Approved.

8/6/26

The meeting adjourned at 12:45 p.m.

Wm. A. G. [Signature]
Secretary.

Approved:

[Signature]
Governor.