

A meeting of the Federal Reserve Board was held in the office of the Board on Wednesday, August 11, 1926 at 11:30 a.m.

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

The minutes of the meeting of the Federal Reserve Board held on July 23rd were read and approved.

The minutes of the meetings of the Executive Committee held on July 27th and on August 3rd, 4th and 6th were read and upon motion the actions recorded therein were ratified.

Mr. Platt stated that although he voted in favor of approving the minutes of the meeting of the Executive Committee held on August 4th he questioned the propriety of including therein the detailed report of the statement made by Dr. Goldenweiser with reference to the New York rate situation.

Mr. Hamlin then referred to the fact that the Board has been operating for the last month or more mainly through Executive Committee meetings due to inability to maintain a quorum for regular Board meetings. He inquired whether the Board would have any objection to requesting the Attorney General for an opinion as to the right of the Board by regulation to fix four members as its quorum.

Upon motion by Mr. James, the Law Committee was requested to prepare and submit to the Board a letter to the Secretary of the Treasury suggesting that the opinion referred to be requested.

Telegram dated August 6th from the Secretary of the Federal Reserve

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Bank at 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.

Bond of Mr. Joseph Vion Papin, Acting Assistant Federal Reserve Agent at the Federal Reserve Bank of St. Louis, dated August 2, 1926, in the amount of \$50,000.

Approved.

Memorandum from Counsel dated August 10th, requesting authority to employ an additional stenographer temporarily for a period of six weeks at a salary not to exceed \$150 per month.

Approved.

Memorandum dated August 7th from the Chief Telegraph Operator, approved by the Secretary, recommending the appointment of Mr. William J. Walsh as telegraph operator, effective August 16th, at a salary of \$165 per month.

Approved.

Letter dated August 5th from the Federal Reserve Agent at San Francisco, transmitting and recommending approval of an application of the Pacific Southwest Trust and Savings Bank for an extension of six months in which to establish the branch in the vicinity of Santa Monica Boulevard and Fairfax Avenue, Los Angeles, approved by the Board on February 15, 1926.

Upon motion, it was voted to grant an extension of six months from August 15th.

Letter dated August 6th from the Chairman of the Federal Reserve Bank of New York, advising that the Bank of the Manhattan Company expects to absorb the Greenpoint Bank of Brooklyn as of August 14th, and thereafter to

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operate it as a branch, and has purchased 72% of the stock of the Bronx Borough Bank which it will continue to operate as a unit bank.

Noted.

Letter dated August 6th from the Chairman of the Federal Reserve Bank of New York, with reference to the proposed consolidation of the Central Mercantile Bank and the National American Bank, both of New York City, which will be effected under state charter.

Noted.

Memorandum from Counsel dated August 9th, with reference to the action of the Board at its meeting on August 4th in voting to temporarily refuse the Clayton Act applications of Messrs. C. Walter Lotte, Wilmer A. Cadmus, George W. Renkel and Albert H. Slater, involving the Broadway National Bank and the National Bank of America, both of Paterson, N. J., with the usual opportunity to the applicants to present additional evidence on the question of substantial competition; Counsel recommending that in accordance with the recommendation of the Federal Reserve Agent at New York these gentlemen be advised that the Board will not require an adjustment of their directorships until at the end of the year, and further, that they be given until September 7th to notify the Board in case they wish to present additional evidence in support of their application, the Board's refusal, effective at the close of the year, not to become definite until that date.

Upon motion, the recommendations of Counsel were approved.

Letter dated August 5th from the Deputy Governor of the Federal Reserve Bank of New York, advising that the last renewal of the \$10,000,000

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credit extended to the Bank of Poland expires on August 25, 1926, and that the bank has been requested to grant a renewal of this credit or part of it; the Deputy Governor stating that the directors have voted to renew the present credit for a period of three months only, on the same terms and conditions as the old credit but at a rate of interest to be determined on or about August 25th.

After discussion, upon motion by Mr. James, it was voted to approve a three month extension as authorized by the New York directors.

Letter dated July 20th from the Federal Reserve Agent at Atlanta, transmitting, with the approval of the Executive Committee of that bank, application of the Citizens and Southern Bank of Savannah, Ga. for permission to establish a branch office at East Point, Ga.; together with another letter from the Federal Reserve Agent transmitting copy of a communication from the President of the Citizens and Southern Bank, advising of the decision of that institution not to take over the Bank of East Point, informal application to do so having been favorably acted upon by the Executive Committee of the Board at its meeting on July 14th.

Mr. Platt submitted correspondence regarding the above application with the Chairman of the Federal Reserve Bank of Atlanta, and moved that the application be approved as an exception to the Board's Regulations on the ground of public necessity.

Mr. Platt's motion being put by the Chair was lost, Mr. Platt voting "aye".

Matter approved on initials of members of the Executive Committee on August 7th, namely, telegram dated August 6th from the Governor of the Federal Reserve Bank of Dallas, requesting approval of the earmarking of an

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additional \$2,500,000 of gold coin for account of the Federal Reserve Bank of New York for a period of sixty days, under the same terms as the transaction approved by the Board on July 27th.

Formally approved.

Letter dated July 30th from the Secretary of the United States Civil Service Commission, requesting that the Board issue at this time a warning against political assessments and activities on the part of its employees.

Noted, with approval.

Letter dated August 5th from the Federal Reserve Agent at Boston, advising of a meeting of the Executive Committee of the Federal Reserve Agents Conference held in Chicago on August 3rd and enclosing a tentative program for the Fall Conference; the Agent advising that early in October he will come to Washington and confer with the Board regarding the final program.

Referred to the Executive Committee.

Memorandum from Mr. James dated August 7th, submitting letter addressed to him by the Federal Reserve Agent at Atlanta, with reference to consideration at a meeting of the Executive Committee of that bank from which he was absent, of an expense voucher in the amount of \$505.21 submitted by five clerks who accompanied the recent currency shipment made by that bank to its Havana Agency.

Ordered circulated.

Memorandum from Counsel dated August 5th, submitting draft of reply to letter dated July 26th from the Federal Reserve Agent at San Francisco, with reference to membership in the System of the Lake County Loan and

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Savings Bank of Lakeview, Ore., the bank's charter having expired on January 11, 1925 and new charter not having been issued until June 18, 1926; the proposed reply stating that the Board is of the opinion that the bank formed under the charter which was issued on June 18, 1926 does not succeed to the membership in the Federal Reserve System of the bank formed under the charter which expired on January 11, 1925, and that it will be necessary for the new bank to make application for membership in the usual manner.

Upon motion, the proposed reply was approved.

Dr. Goldenweiser entered the meeting and stated that in accordance with the Board's action of August 4th he had proceeded to Boston and conferred with Governor Harding and Chairman Curtiss of that bank, regarding the pamphlet descriptive of the operations of the Federal Reserve System which the bank proposes to distribute to the member banks in its District and to their customers. He stated that the suggestions which he made to the Board and repeated to Messrs. Harding and Curtiss were all adopted and that as the pamphlet now stands it seems to be in satisfactory shape.

After discussion, upon motion by Mr. Hamlin, it was voted to approve the issuance of the pamphlet in its revised form.

Dr. Goldenweiser also reported that he had communicated with the Chairman of the Federal Reserve Bank of Richmond, regarding that bank's proposed re-issuance of its book "Questions and Answers on the Federal Reserve System" and stated that a manuscript of the revision would be

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submitted to him before publication.

Dr. Goldenweiser also submitted manuscript of an address delivered recently before the Industrial Club of Chicago by the Federal Reserve Agent at New York. He stated that the organization wished to publish the address in pamphlet form and that he saw no objection.

Upon motion by Mr. Platt, it was voted that the Board should interpose no objection to its publication.

Dr. Goldenweiser then referred to the amendment approved by the Board on August 3rd to its principles governing research and statistical work in the Federal Reserve System and stated that he had found it necessary in advising the banks of this amendment to make certain minor changes in the language of other portions of the principles. He read the revised principles to the Board.

Upon motion, it was voted to approve the principles as read and that they should be transmitted to all Federal Reserve Agents.

Dr. Goldenweiser referred to the Board's action of February 9, 1926 in requesting his Division to prepare a full report with respect to losses to depositors in connection with failed banks throughout the country. He stated that this matter was receiving attention in the Division, that information was being assembled but that it was not yet in shape for submission.

At this point, Dr. Goldenweiser left the meeting.

The Secretary then presented copy of reply made under date of August 10th to letter dated August 9th from the Chief Clerk of the Treasury Department, with reference to the proposal of the Treasury to allot to the

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Board 1300 square feet of additional space in the Treasury Building; the Secretary's reply stating that in discussing the matter informally with the members of the Board the question was raised as to whether or not 1300 square feet of additional space will enable the Board to move any one of its important units into the Treasury Building and that he was requested to state that the Board will at its next meeting officially request the Treasury Department to allot to it at least 2500 square feet of additional space.

Upon motion by Mr. James, it was formally voted that the Board should request the Treasury Department to allot not less than 2500 square feet of additional space to the Board.

Memorandum from Mr. James dated August 5th, with reference to an application of the Polk County National Bank, Bartow, Fla., approved by the Executive Committee of the Federal Reserve Bank of Atlanta, for the privilege of rediscounting with the Federal Reserve Bank eligible paper of certain non-member institutions; Mr. James stating that he is willing to vote in favor of granting the application on one condition - that the paper offered shall be strictly eligible and that it shall likewise be good and collectible and with the understanding that the paper is not to be taken subject to renewal and that the privilege granted shall not extend for a period exceeding six months from August 1st.

After discussion, upon motion by Mr. Platt, it was voted to authorize the Federal Reserve Bank of Atlanta to rediscount for the Polk County National Bank, for a period of not to exceed six months from August 1st, paper which is eligible, good and collectible, acquired from the following non-member banks:

Lee County Bank, Title and Trust Company,
Ft. Myer, Fla.
First Trust and Savings Bank, Avon Park, Fla.

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Frostproof State Bank, Frostproof, Fla.
 State Bank of Dundee, Dundee, Fla.
 Commercial Bank and Trust Company, Haines City, Fla.
 State Bank of Boca Grande, Boca Grande, Fla.

Letter dated August 7th from the Assistant Federal Reserve Agent at St. Louis, acknowledging the Board's letter of August 3rd, instructing that bank, in view of the recent opinion of the Attorney General of the State of Missouri, to make examinations at least once a year of the state banks in Missouri that are members of the Federal Reserve Bank of St. Louis, the expenses of such examinations to be borne by the banks examined; the Assistant Federal Reserve Agent advising that arrangements are being made for a conference between the Attorney General of Missouri and Counsel for the Federal Reserve Banks of St. Louis and Kansas City, and it is possible that the Attorney General's opinion will be modified in such a way that former relations with the State Banking Department can be resumed.

Noted.

Letter dated August 6th from the Federal Reserve Agent at Kansas City, acknowledging the Board's letter of August 3rd, instructing that bank, in view of the recent opinion of the Attorney General of the State of Missouri, to make examinations at least once a year of the state banks in Missouri that are members of the Federal Reserve Bank of Kansas City, the expenses of such examinations to be borne by the banks examined.

Noted.

Memorandum from Counsel dated July 13th, submitting drafts of letters to the Federal Reserve Agent at Kansas City, The Elgin State Bank, Elgin, Nebraska, and the Guarantee Fund Commission of the State of Nebraska, advising of a hearing to be held before the Board at its offices in Washington at which

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representatives of the member bank are requested to appear to show cause why the institution should not be required to surrender its stock in the Federal Reserve Bank of Kansas City and to forfeit all rights and privileges of membership in the Federal Reserve System because of its failure to maintain with the Federal Reserve bank the reserve required by the Federal Reserve Act; the proposed letter stating that in the event the member bank desires to waive its right to appear before the Board, it may appear before the Federal Reserve Agent on a date to be fixed by him, to present such evidence as it may care to have transmitted to the Federal Reserve Board, provided reasonable notice in advance is given both to the Board and the Agent of intention to so appear.

Upon motion, the proposed letters were approved, after September 7th had been fixed as the date for the hearing before the Board.

The Governor then reported on the matter referred to him at the meeting on July 23rd and submitted letters exchanged with Honorable Newton D. Baker, with reference to the statement in the amount of \$35,262.28, submitted by him for fee and expenses in connection with the par clearance case of the Pascagoula National Bank v. Federal Reserve Bank of Atlanta et al; one payment of \$10,000 having already been made to Mr. Baker.

Thereupon ensued a discussion during which the letters presented by the Governor were read to the Board by the Secretary.

Following the discussion, Mr. Platt moved that the Board approve Mr. Baker's statement as submitted, that it be forwarded to the Federal Reserve Bank of Atlanta for payment and that the amount thereof be pro-rated among the Federal Reserve banks in the same manner as in previous cases.

Carried.

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At 1:15 p.m. the meeting recessed and reconvened at 2:30 p.m. the same members being present as attended the morning session.

The Governor presented the application of the Capitol National Bank of New York, New York for permission to act under Section 11 (k) of the Federal Reserve Act as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver and committee of estates of lunatics; together with a letter from the Federal Reserve Agent at New York recommending that the application be disapproved for the present and correspondence between the Governor of the Board and the Capitol National Bank with regard to the application. Mr. Hamlin referred to the fact that the bank in the past has frequently been deficient in its reserves and expressed the opinion that no bank habitually deficient should be granted trust powers.

Following the discussion, Mr. James moved that the application be approved.

Mr. James' motion being put by the Chair was carried the members voting as follows:

Governor Crissinger, "aye"
Mr. James, "aye"
Mr. McIntosh, "aye"
Mr. Platt, "no"
Mr. Hamlin, "no"

The Governor then brought up the special order business for today's meeting, namely, the question of 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.

Thereupon ensued a discussion, during which the various members of the Board expressed their opinions on the question.

During the discussion, Mr. James moved adoption of the following resolutions:

"RESOLVED, That the Board employ a competent bank examiner for the purpose of analyzing the reports of examination of each member state bank as they are received by the Board and report to the Board, through the chief executive officer, his opinion of the adequacy of the examination and whether or not in his opinion the condition of the bank or character of examination conducted by the State Department or the examination policies of the State Banking Department, as disclosed by the report of examination, warrants the Board's directing a special examination be made in accordance with Section IX of the Federal Reserve Act.

"BE IT FURTHER RESOLVED, in order that there may be available a staff of examiners to conduct such special examinations of state member banks as may be found necessary by the Board following the report of the bank examiner referred to in the previous resolution, that the Governor be authorized to employ as and when necessary the services of a sufficient number of bank examiners."

Following the discussion, Mr. James' motion was put by the Chair and carried, Mr. Platt voting "no".

Mr. Hamlin stated that he voted "aye" on the assumption that the Board understood his views in opposition to a centralized policy of examination and that by special examinations the above resolution does not mean general examinations of member banks as made now by the Federal Reserve banks.

Mr. Platt stated that he favored the first paragraph of the resolutions, but that he voted "no" because of his opposition to the second paragraph.

Mr. Hamlin, Chairman of the Law Committee then referred to the Board's action at the meeting on August 6th, in referring to Counsel for the preparation of a ruling the Board's recent correspondence with reference 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

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banks bankers acceptances drawn by an elevator company and secured by a terminal warehouse receipt of the elevator company which draws the draft. In making this reference the Board requested Counsel to prepare a ruling along the lines of a suggestion made by Mr. Hamlin at that meeting 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.

Mr. Hamlin stated that he concurred in a recommendation of the Board's Counsel that the above matter should be given further consideration by the Governors' Conference before being acted upon by the Board, and upon motion by him it was voted that the subject be placed on the program for consideration at the next Conference.

The Secretary then read to the Board a memorandum dated August 11th setting forth the present status of all articles of unfinished business carried on the Board's docket following which he was directed to address follow-up memoranda to the members, committees and officers of the Board to whom the various items were referred.

REPORTS OF STANDING COMMITTEES:

Dated, August 6th, Recommending changes in stock at Federal Reserve Banks,
7th, as set forth in the Auxiliary Minute Book of this date.
9th, Approved.

10th,

Dated, August 9th, Recommending action on applications for fiduciary powers
as set forth in the Auxiliary Minute Book of this date.
Approved.

Dated, August 9th, Recommending approval of the application of Mr. George S. Eccles for permission to serve at the same time as director and officer of the First National Bank, Ogden, Utah and as director of the First National Bank, Rock Springs, Wyo.
Approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, August 9th, Recommending approval of the application of Mr. M. A. Browning for permission to serve at the same time as director and officer of the First National Bank, Ogden, Utah and as director of the First National Bank, Rock Springs, Wyo.

Approved.

Dated, August 9th, Recommending approval of the application of Mr. Chandler Bullock for permission to serve at the same time as director of the Merchants National Bank, Worcester, Mass. and as director of the American Trust Company, Boston, Mass.

Approved.

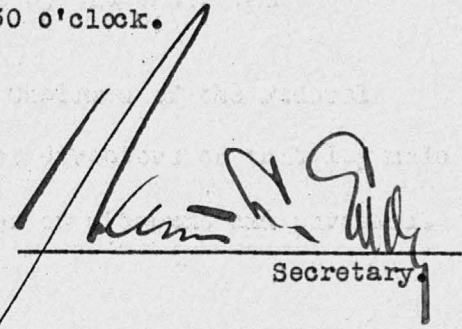
Dated, August 9th, Recommending approval of the application of Mr. M. S. Eccles for permission to serve at the same time as director and officer of the First National Bank, Ogden, Utah, as director of the Deseret National Bank, Salt Lake City, Utah and as director of the First National Bank, Rock Springs, Wyo.

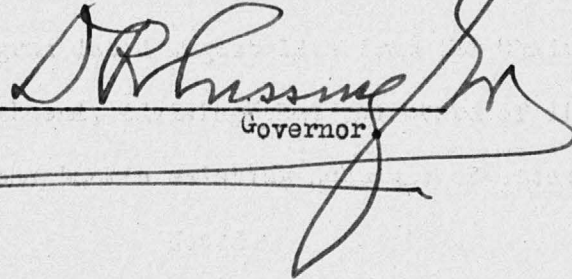
Approved.

Dated, August 6th, Recommending approval of the application of Mr. F. J. Hollocher for permission to serve at the same time as director of the Grand National Bank, St. Louis, Mo. and as director of the First National Bank, Clayton, Mo.

Approved.

The meeting adjourned at 4:30 o'clock.


Secretary

Approved: 
Governor