

Upon call of the Governor a meeting of the Federal Reserve Board was held in the office of the Governor on Monday, August 23, 1926 at 11:45 a.m.

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

The Governor presented a letter dated August 11th from the Governor of the Federal Reserve Bank of Boston, advising of the following action of the Board of Directors of that bank:

"The directors of the Federal Reserve Bank of Boston have carefully considered the situation in Cuba with especial reference to the present operation of two agencies in Havana carried on respectively by the Federal Reserve Bank of Atlanta and the Federal Reserve Bank of Boston. The directors of the Federal Reserve Bank of Boston are convinced that operating through two agencies is not the best method of handling the situation and that there should be a single agency only, conducted by some Federal reserve bank to be selected by the Federal Reserve Board, for the joint account of all Federal reserve banks. Having this in mind, and with a desire to simplify the situation, this bank believes that it should withdraw from its present agency and close the same at an early date."

After discussion, Mr. James moved that the above letter be laid on the table until such time as the Board takes action on other matters relating to the conduct of the Cuban Agency which it now has before it.

Carried.

The Governor then presented a letter dated August 18th from the Chairman of the Federal Reserve Bank of Atlanta, advising of the action

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of the Board of Directors of that bank in voting, subject to the approval of the Board, to establish a revolving currency fund of \$2,000,000 at Tampa, Fla., under contract with the First National Bank of Tampa, Fla. as custodian, similar to the contract now had between the Federal Reserve Bank of Atlanta and the First National Bank of Miami, Fla.

Mr. James requested that before taking action on this matter the Board consider the recommendation contained in his memorandum of August 4, 1926, submitted to the Board at its meeting on August 6th, that "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 it is disregarded, my judgment is that the revolving fund at Miami should be discontinued at the earliest practicable date."

Mr. James then stated to the Board verbally his reasons for this recommendation including the fact that the contract under which the revolving fund is operated has been amended without the approval of the Board and that under this amended contract currency has been deposited in the fund in a sum equal to the amount of collateral deposited by the custodian, whereas the contracts which received the Board's approval contemplated that collateral \$1,000,000 in excess of the fund should be maintained.

Following the discussion, Mr. James moved that the revolving currency fund in Miami, Florida, heretofore approved by the Federal Reserve Board, be and it hereby is discontinued, effective on and after October 15, 1926, and that the Federal Reserve Bank of Atlanta be so notified and instructed to maintain in the meantime a collateral margin of not less than 50%.

Mr. James' motion being put by the Chair was unanimously carried.

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Mr. James then moved that the action of the directors of the Federal Reserve Bank of Atlanta in voting to establish a revolving currency fund at Tampa, Florida, be disapproved.

Unanimously carried.

Letter dated August 13th from the President of the Fourth National Bank at Atlanta, Ga., transmitting copy of resolutions adopted by the Atlanta Clearing House Association abolishing exchange charges on all checks collectible through the Federal Reserve Bank.

Noted.

Letter dated August 18th from the Assistant Attorney General, transmitting copy of report made by Mr. Howard E. Rank, special accountant in the Department of Justice, who was temporarily designated an assistant Examiner of the Federal Reserve Board to assist in the recent examination of the Federal Reserve Bank of Atlanta, and reports by Mr. R. L. Shivers, a Special Agent in the department.

Ordered circulated.

Letters dated August 14th and 19th from the Federal Reserve Agent at Atlanta, transmitting copies of reports on the situation in Florida, submitted by Mr. Claude Gilbert, recently appointed Assistant Federal Reserve Agent, and jointly by Mr. Gilbert and Mr. Creed Taylor, Deputy Governor of the bank, the latter report dealing particularly with the situation in Polk County, Florida.

Ordered circulated.

Letter dated August 12th from the Secretary of the Federal Reserve Bank of New York, advising that the board of directors on that day made

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no change in their existing schedule of rates for purchases of bankers' acceptances, but established a rate of 4% for purchases of government securities under agreement to resell.

Noted, with approval.

Telegram dated August 16th from the Deputy Governor of the Federal Reserve Bank of New York, advising of the establishment of the following open market rates:

Acceptances, 1 to 45 days	-	3 3/8%
" 46 to 90 days	-	3 1/2%
" 4 months	-	3 5/8%
" 5 and 6 months	-	4%
Trade Acceptances	-	4%
Acceptances Repurchase	-	3 1/2%
Governments Repurchase	-	4%

Noted.

Letter dated August 19th from the Secretary of the Federal Reserve Bank of New York, 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 23rd from the Deputy Governor of the Federal Reserve Bank of New York, advising that effective today their rates for purchases of acceptances are as follows:

Repu rchase	-	3 3/4%
1 to 15 days	-	3 3/8%
16 to 45 days	-	3 1/2%
46 to 90 days	-	3 3/4%
3 and 4 months	-	3 3/4%
5 and 6 months	-	4%
Trade bills	-	4%

Noted, with approval.

Telegram dated August 17th from the Chairman of the Federal Reserve

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Bank of San Francisco, advising of the establishment of the following rates for purchases of bankers' acceptances:

1 to 45 days	-	3 3/8%
46 to 60 days	-	3 3/8%
61 to 90 days	-	3 1/2%
Repurchase	-	3 1/2%

Noted, with approval.

Telegram dated August 16th from the Chairman of the Federal Reserve Bank of Atlanta, advising of the establishment of the following rates for purchases of bankers' acceptances:

1 to 45 days	-	3 3/8%
46 to 90 days	-	3 1/2%
91 to 120 days	-	3 5/8%
121 to 180 days	-	4%

Noted, with approval.

Telegram dated August 18th from the Assistant Federal Reserve Agent of the Federal Reserve Bank of Philadelphia, advising that due to lack of a quorum no meeting of the Board of Directors of the bank was held on that day.

Noted.

Matter approved on initials this morning, namely, telegram dated August 13th from the Chairman of the Federal Reserve Bank of Chicago, advising that the Executive Committee on that day made no change in the bank's existing schedule of rates of discount and purchase other than to establish a rate of 4% for purchases of government securities under agreement to resell.

Noted, with approval.

Bond of Mr. Claude Gilbert, Assistant Federal Reserve Agent at the Federal Reserve Bank of Atlanta, dated August 5, 1926, in the amount of \$50,000.

Approved.

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Memorandum from Counsel dated August 17th, with reference to the Clayton Act applications of Messrs. John F. Smith and John F. Bruns which the Board on July 14th voted to refuse temporarily, requesting the applicants, however, to file additional evidence before the refusal became final; Counsel stating that in view of the facts brought out by additional evidence submitted he is of the opinion that the banks involved, The Stapleton National Bank of Stapleton, N. Y. and the Staten Island National Bank and Trust Company of Port Richmond, N. Y., are not in substantial competition and that the Board may, if it so desires, approve these applications.

Upon motion by Mr. Hamlin, the applications of Messrs. Smith and Bruns were unanimously approved.

Memorandum from Counsel dated August 19th, with reference to the application of Mr. Bruce F. Failey, involving the Terre Haute National Bank and the United States Trust Company, both of Terre Haute, Ind. which the Board on July 21st temporarily refused with the usual opportunity to the applicant to present additional evidence in support of his application; Counsel stating that additional evidence submitted is not sufficient to negative the presumption of substantial competition, but recommending that the Board permit Mr. Failey to continue his present directorates until January 1, 1927, by which time it may be that a proposed consolidation of the two institutions will have been effected.

Upon motion, Counsel's recommendation was approved.

Telegram dated August 16th from the Federal Reserve Agent at New York, advising that the Greenpoint Bank of Brooklyn, N. Y. on August 14th merged into The Bank of the Manhattan Company, New York City.

Noted.

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Letter dated August 20th from the Federal Reserve Agent at Atlanta, advising that the Hibernia Bank and Trust Company, New Orleans, La. on August 9th opened the branch office at the Bourbon Street entrance of the D. H. Holmes Company, Ltd. department store, New Orleans, the establishment of which was approved by the Board on April 15th.

Noted.

Letter dated August 12th from the Assistant Federal Reserve Agent at Cleveland, transmitting an application of the Guardian Trust Company of Cleveland for an extension of time in which to establish the branch approved for Parkwood Drive and St. Clair Avenue.

Upon motion, it was voted to grant an extension of 60 days from August 9th.

Report of Committee on Salaries and Expenditures on letter dated August 16th from the Chairman of the Federal Reserve Bank of Richmond, requesting approval of the action of the Board of Directors of that bank in granting leave of absence on account of illness for thirty days from August 14th, with full pay, to Miss Mary E. K. Howat, an employee of the Baltimore Branch; the Committee also recommending approval.

Approved.

Report of Committee on Examinations on memorandum dated August 11th from the Comptroller of the Currency, recommending approval of an application of the First National Bank of Chatham, Va. for permission to reduce its capital from \$50,000 to \$25,000, conditioned upon the bank's first paying its liability to the Federal Reserve Bank; the Committee also recommending approval.

Approved.

Report of Committee on Examinations on memorandum dated August 20th from the Comptroller of the Currency, recommending approval of an application of the Farmers National Bank of Butler, Pennsylvania, for permission to reduce its capital from \$250,000 to \$200,000, provided any loans that are made excessive thereby are brought within the new loaning limit; the Committee also recommending approval.

Approved.

Report of Committee on Examinations on letter dated August 12th from the Chairman of the Federal Reserve Bank of New York, transmitting an application of the Central Mercantile Bank of New York City for permission to merge with the National American Bank of New York City, with the recommendation that it be approved subject to the approval of the State Banking Department; the Board's Committee stating that it sees no objection to the Board's giving approval.

Upon motion the application was approved,
subject to the approval of the State Banking
Department of New York.

Letter dated August 16th from the Assistant Federal Reserve Agent at Philadelphia, requesting approval of the appointment as assistants to examiners of Messrs. Morris Foulk and William N. Sanders, employees of that bank.

Approved.

Letter dated August 17th from the Federal Reserve Agent at Chicago, advising that a recent report of condition of the Gilbert Savings Bank, Gilbert, Iowa, indicates that the capital of the institution has been reduced from \$50,000 to \$25,000 without the approval of the Board and that apparently the reduction in capital has been transferred to the surplus fund; the Agent stating that he will correspond with the bank, which he is

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certain had no intent to ignore the regulations of the Board, and endeavor to secure action on the part of the directors requesting approval of the reduction.

Noted.

Report of Committee on Salaries and Expenditures on letter dated August 21st from the Federal Reserve Agent at Chicago, requesting approval of the action of the Executive Committee of that bank in granting leave of absence with full pay for three months, on account of illness, to Mr. Frank D. Anderson of the Auditing Department; the Committee also recommending approval.

Approved.

The Secretary then stated that a day or two ago one of the local newspapers requested permission to publish the statement of noon buying rates in New York City for cable transfers payable in foreign currencies, which the Board now publishes for its own information and for that of other Government Departments. He stated that the information shown in the statement was telephoned to the Board daily from the Federal Reserve Bank of New York, the Board assuming no responsibility as to the accuracy of the rates quoted. He stated further that he had consulted with both the Federal Reserve Bank of New York and the Undersecretary of the Treasury regarding the release of this statement to the press and that neither had voiced any objection.

After discussion, upon motion by Mr. Hamlin, it was unanimously voted that the Board should hereafter issue the data above referred to as a regular press release, with the statement, however, that the Board assumes no responsibility as to the accuracy of the rates quoted.

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Letter dated August 19th from the Secretary of the Open Market Investment Committee advising that approval has been received from all Federal Reserve banks to the sale to the Treasury from the System's holdings of approximately \$40,000,000 of Third Liberty Loan 4 1/4% bonds, without replacement; the Secretary of the Committee transmitting a telegram from the Governor of the Federal Reserve Bank of Richmond setting forth his views with regard to this transaction.

Noted.

Letter dated August 18th from the Deputy Governor of the Federal Reserve Bank of New York, advising of communications exchanged with the Bank of Poland regarding a renewal of the \$10,000,000 gold credit to the bank and stating that the proposed renewal will not become effective.

Noted.

Memorandum dated August 16th from Mr. James with reference to a conference held in his office on August 13th with reference to the Board's ruling regarding bankers' acceptances as applied to the financing of the storage of cotton seed, at which conference it was the consensus of opinion that the ruling should be modified in order that the borrower might have access to the seed for the purpose of inspection when accompanied by a proper representative of the warehouse corporation; Mr. James submitting a formal memorandum prepared by Counsel containing the following ruling:

"Bankers' acceptances secured by cotton seed stored in a warehouse owned by the owner of the cotton seed but leased to an independent public warehouse corporation under bona fide lease, the corporation assuming full control and management of such warehouse and operating it as a public warehouse bonded and licensed under the United States Warehouse Act, may be eligible for re-discount at a Federal reserve bank, although the owners

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of the cotton seed are permitted access to the seed in storage at proper and reasonable times, provided that on all such occasions the consent of the independent warehouse corporation is first secured and that the owner of the seed or his representative is accompanied by a proper representative of the warehouse corporation."

Thereupon ensued a discussion, during which it was the consensus of opinion that the ruling, if adopted, should read as follows:

"Bankers acceptances secured by cotton seed stored in a warehouse owned by the owner of the cotton seed but leased to an independent public warehouse corporation under bona fide lease, the corporation assuming exclusive control and management of such warehouse and operating it as a public warehouse bonded and licensed under the United States Warehouse Act, may be eligible for rediscount at a Federal Reserve bank, although the owners of the cotton seed are permitted access to the seed in storage at proper and reasonable times, for the purpose only of inspecting the condition of the seed, provided that on all such occasions the consent of the independent warehouse corporation is first secured and that the owner of the seed or his representative is accompanied by a proper representative of the warehouse corporation."

Following a discussion, upon motion by Mr. James, it was voted that the ruling prepared by Counsel, as amended, be adopted and published in the September issue of the Federal Reserve Bulletin, and further that copies be forwarded to all Federal Reserve Agents and to participants in the recent conference, namely, Mr. Yohe of the Department of Agriculture, Mr. J. T. Thomas, President of the Grenada Bank, Grenada, Mississippi, Mr. Christie Benet, General Counsel for the Cotton Seed Crushers Association, and Mr. Kenzel, Deputy Governor of the Federal Reserve Bank of New York.

Letter dated August 20th from the Deputy Governor of the Federal Reserve Bank of Atlanta, transmitting a statement of expenses to date to be pro-rated among the Federal Reserve banks in connection with the recent par clearance case of the Pascagoula National Bank vs. the Federal Reserve Bank of Atlanta.

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Noted.

The Governor then brought up the question of the employment of examiners to conduct examinations of State member banks in accordance with the resolutions adopted by the Board at its meeting on August 11th. He discussed informally with the Board certain prospective appointees and inquired as to salaries, which in the opinion of the Board, should be paid.

Following a discussion, Mr. James moved that a Committee consisting of the Governor and the Comptroller of the Currency be appointed with power to negotiate for the employment of the necessary examiners.

Carried.

Mr. James then brought to the attention of the Board a letter addressed by him under date of July 20th to the Secretary of Agriculture, quoting a telegram addressed to the Federal Reserve Bank of San Francisco by member banks in Medford, Ore., with reference to a regulation imposed by the Bureau of Chemistry of the Department of Agriculture on shippers of fruit with reference to spray residue and requesting a modification of the regulation.

The Governor also submitted a letter on the same subject addressed to him under date of August 20th by the Vice President of the Chase National Bank of New York.

After discussion, the above matter was referred to the Governor with the request that he personally take same up with the Secretary of Agriculture.

Memorandum dated August 13th from the Deputy Comptroller of the Currency, with reference to the matter referred to the Law Committee at the meeting on July 2nd, namely, the action of the First National Bank of Green River, Wyo., in hypothecating Federal Reserve bank stock held by it to secure a deposit of the County Treasurer; the Deputy Comptroller

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advising that the matter has been taken up with the National bank which has repossessed the Federal Reserve bank stock.

Noted.

Letter dated August 10th from the Vice President of the National Bank of West Palm Beach, Florida, advising of the use by the First American Bank and Trust Company of that city, a non-member bank, of checks formerly used by the First National Bank, which bear the notation "Member Federal Reserve System."

After discussion, the above matter was referred to Counsel, with instructions to prepare a letter to the non-member bank ordering discontinuance of the use of the checks in question.

Memorandum from Mr. James dated August 13th, with reference to letter addressed to the Board under date of August 10th by the Governor of the Federal Reserve Bank of Atlanta, regarding the currency situation in Cuba with particular reference to the furnishing of one and two dollar bills.

After discussion, it was voted that the above matter be laid on the table until such time as the Board takes action on other matters relating to the conduct of the Cuban Agency which it now has before it.

Memorandum from Counsel dated August 12th on the matter referred to him at the meeting on July 14th, namely, letter dated July 9th from the Federal Reserve Agent at San Francisco, with reference to his continuing to serve as a director of certain building and loan associations in Los Angeles; Counsel stating that while there is not believed to be any legal prohibition against such a connection there would seem to be a serious question whether a Federal Reserve Agent should from the standpoint of policy be permitted

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to retain a connection as director of a building and loan association.

After discussion, it was voted that the above matter be referred to Mr. Miller, Chairman of the Committee on District #12, with the request that he personally advise Mr. Newton that the Board does not believe he should continue the connections referred to.

Memorandum dated August 11th from the Comptroller of the Currency, suggesting cancellation and destruction of some \$25,360,000 of Federal Reserve bank notes stored in the Issue Division of his office.

After discussion, it was unanimously voted to approve the destruction of these notes, with the understanding that this action should involve no expense upon the Federal Reserve banks.

Letter dated August 14th, from Honorable Morton D. Hull, member of the House of Representatives, requesting a copy of certain portions of the report of the Conference on Branch Banking held by the Board on September 12, 1923.

Thereupon ensued a discussion during which it was the consensus of opinion that it would be inadvisable for the Board to make public the portion of its records referred to.

Mr. McIntosh stated that practically the same testimony given at this Conference was given before a hearing of the Committee on Banking and Currency of the House of Representatives, and following a discussion it was voted that Congressman Hull should be advised accordingly.

Memorandum dated August 19th from the Committee on Salaries and Expenditures as follows:

"Attached hereto is a letter dated August 4, with four enclosures, from Deputy Governor Sailer of the Federal Reserve Bank of New York, regarding the salary grade standardization plan for employees of the New York bank.

The plan under which the New York bank has been operating since January 12, 1926, when the Board authorized that bank to make promotions under certain

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"conditions where the salary to be paid did not exceed \$5,000 per annum, did not work out satisfactorily to the officials of that bank, and accordingly, Messrs. Eddy, Sailer and Smead submitted a memorandum to the Board's Committee on Salaries and Expenditures under date of June 29, recommending certain revisions in the plan approved by the Board on January 12. Mr. Sailer was advised under date of July 1 that the Board had tentatively approved the recommendations and if approved by the board of directors of the New York bank, the plan should be formally submitted to the Federal Reserve Board for its definite and final approval.

The Federal Reserve Board has not been advised that the new plan has been finally acted upon by the board of directors of the Federal Reserve Bank of New York, and consequently the bank should be operating under the plan approved by the Board under date of January 12, which provides that no promotion shall be made from one grade to another where the salary to be paid is in excess of \$2,500 per annum, or of employees occupying 'appraised' positions, except Cafeteria employees, without the prior approval of the Federal Reserve Board.

It is noted, however, from statement 3 enclosed with Mr. Sailer's letter of August 4 that the bank has made promotions as of July 1 without the approval of the Federal Reserve Board of a number of employees from one grade to another where the salary to be paid is in excess of \$2,500 and of certain employees occupying 'appraised' positions. If and when the revised personnel plan submitted under date of June 29, 1926, is approved, the New York bank will have authority to make promotions of the kinds referred to without securing the prior approval of the Federal Reserve Board, but the bank is not authorized to make such promotions under the plan now in effect, that is, the one approved on January 12, 1926,

It is, therefore, recommended

- (a) That a letter be sent to the Federal Reserve Bank of New York advising that according to the personnel plan approved by the Federal Reserve Board on January 12, and which is still in effect, certain of the promotions made on July 1 should have been submitted to the Federal Reserve Board for approval before they became effective;
- (b) That the New York bank be asked to formally submit all of the promotions made as of July 1, which come within the restrictions above referred to for the action of the Federal Reserve Board.
- (c) That a copy of this memorandum be sent to the New York Bank."

Upon motion by Mr. James, the recommendations of the Committee were unanimously approved.

The minutes of the meeting of the Federal Reserve Board held on August 12th were read and approved.

REPORTS OF STANDING COMMITTEES:

Dated, August 12th,	Recommending changes in stock at Federal Reserve Banks,
13th,	as set forth in the Auxiliary Minute Book of this date.
14th,	Approved.
16th,	
17th,	

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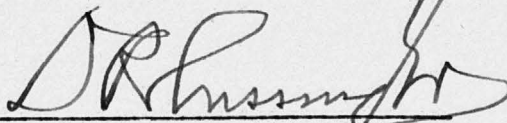
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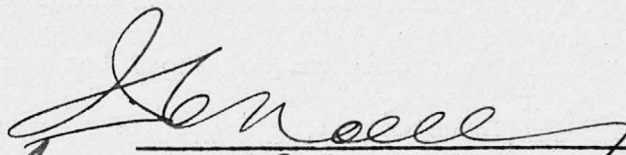
REPORTS OF STANDING COMMITTEES: (Cont'd)

- Dated, August 18th, 19th, 20th, 21st, Recommending changes in stock at Federal Reserve Banks, as set forth in the Auxiliary Minute Book of this date.
Approved.
- Dated, August 16th, 18th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Approved.
- Dated, August 17th, Recommending action on application for admission of state bank, subject to the conditions stated in the individual reports attached to the application, as set forth in the Auxiliary Minute Book of this date.
Approved.
- Dated, August 18th, Recommending approval of the application of Mr. Henry J. Fuller for permission to serve at the same time as Member of the firm of private bankers of Aldred & Company, New York City, as director of the First National Bank of Boston, Mass. and as director of The Bank of America, New York City.
Approved.
- Dated, August 12th, Recommending approval of the application of Mr. John B. Kates for permission to serve at the same time as director of the Collingswood National Bank, Collingswood N. J. and as director of the Westmont National Bank, Westmont, N. J. and as director and President of the Broadway-Merchants Trust Company, Camden, N. J.
Approved.

The meeting adjourned at 1:15 p.m.

Approved:


Governor.


Secretary.