

A meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Vice Governor on Thursday, August 26, 1926 at 11:00 o'clock a.m.

PRESENT: Vice Governor Platt  
 Mr. Hamlin  
 Mr. Miller  
 Mr. Noell, Asst. Secretary  
 Mr. McClelland, Asst. Secretary

Telegram dated August 25th from the Chairman of the Federal Reserve Bank of San Francisco, advising of the establishment of the following rates for purchases of bankers' acceptances:

1 to 30 days	-	3 1/2%
31 to 60 days	-	3 5/8%
61 to 90 days	-	3 3/4%
Repurchase	-	3 3/4%

Noted, with approval.

Memorandum dated August 25th from the Acting Director of the Division of Research and Statistics, recommending (1) That the temporary appointment of Mr. Walter R. Gardner, Research Assistant, be made permanent at a salary of \$3,000 per annum; (2) That the temporary appointment of Mr. J. Courtland Elliott, which expires at the end of August, be extended for two months beginning October 15th, at a salary of \$200 per month, his present rate of compensation; and (3) That the temporary appointment of Miss Aryness Joy, which expires the end of August, be extended until September 15th at her present rate of compensation - \$150 per month.

Approved.

Letter dated August 23rd from the Chairman of the Federal Reserve Bank of New York, advising that the President of the First National Bank of

8/26/26

-2-

Albany, N. Y. has obtained control of the Albany Trust Company and plans to consolidate the two institutions early this fall.

Noted.

Letter dated August 25th from the Deputy Governor of the Federal Reserve Bank of New York, commenting upon criticisms contained in the report of examination of that bank made by the Board's examiner as of the close of business, May 29, 1926.

Noted.

Report of Executive Committee on the matter referred to it at the meeting on August 11th, namely, letter dated August 5th from the Federal Reserve Agent at Boston enclosing a tentative program for the Fall Conference of Federal Reserve Agents; the Committee recommending that to the program submitted the following topic be added:

"The policy of reducing reserve requirements on demand deposits from 10% to 7% in outlying banks of the large cities - should this policy be continued - are there cases where the permits should be revoked and the banks required to keep a 10% reserve."

Approved.

Letter dated August 24th from the Secretary of the Federal Advisory Council, advising that a meeting of the Council will be held in Washington on September 17th, setting forth topics which the Council would like to discuss with the Board and requesting advice as to matters which the Board desires the Council to consider.

After discussion, Mr. Miller moved that the Secretary of the Council be advised that the Board will be glad to discuss with the Council and hear its views on the topics

8/26/26

-3-

set forth in his letter, and that it would like to have the Council in connection with its discussion of recent rate policies, give consideration to the recent open market policies of the System.

Carried.

Mr. Platt then suggested that the question of reductions in reserve requirements, just referred to the Federal Reserve Agents' Conference, also be submitted to the Advisory Council, and upon motion, this suggestion was approved.

Matter referred to the Executive Committee at the meeting on August 24th, namely, letter dated August 11th from the Chairman of the Federal Reserve Bank of Minneapolis expressing the opinion that no further substantial economies can be effected at the Federal Reserve banks except through the elimination of some of the free services, particularly the handling of non-cash items, and suggesting discussion at a joint conference of Federal Reserve Agents and Governors and with the Federal Advisory Council of the question whether the maintenance of earning assets to meet the expenses of these functions does not subject the System to criticism.

After discussion, it was voted that the Vice Governor advise Mr. Mitchell that in the opinion of the Board the question discussed in his letter should not be raised at this time.

Memorandum from Counsel dated August 19th, with reference to the provision of the laws of the State of Kentucky as to the duty of trust companies and other fiduciaries to account to beneficiaries for income received from the investment of trust funds; Counsel stating that under opinions rendered by Counsel of the Federal Reserve Banks of St. Louis and Cleveland there is no authority in the Kentucky law for the practice of fiduciaries in using

8/26/26

-4-

trust funds in any way desired, merely accounting for principle and 5% interest and submitting drafts of letters to the Federal Reserve Agents at St. Louis and Cleveland advising accordingly.

After discussion, the above letters were referred to the Vice Governor for revision so as to request that this matter be called to the attention of state banks and trust companies in Kentucky which are members of the Federal Reserve System, advising them that the practice referred to is not authorized by law.

Memorandum from Counsel dated August 24th, with reference to furnishing to the Department of Justice report of examination of the Commercial Guaranty State Bank of Longview, Texas, which disclosed apparent violations of criminal provisions of the revised statutes; Counsel calling attention to the fact that it has been the practice of the Board to decline to furnish to any one copies of reports of examinations of member banks except upon a valid order of a court of competent jurisdiction, and submitting draft of letter to the Attorney General transmitting merely a copy of that part of the report which has to do with the violations.

Upon motion, the proposed letter was approved.

Mr. Hamlin then referred to the method of consideration of applications of national banks for permission to exercise fiduciary powers, and called attention to a letter addressed by the Board in 1915 to all Federal Reserve Agents, setting forth certain conditions in connection with the operations of national banks under which it is not to be deemed advisable to grant permits for the exercise of fiduciary powers.

After discussion, Mr. Hamlin moved that the Comptroller of the Currency be requested to advise the Board of any other matters which in his opinion

8/26/26

-5-

would justify the Board's refusing an application of a national bank for permission to exercise trust powers.

Carried.

Memorandum dated August 5th from the Chief of the Division of Bank Operations, transmitting reports received from the Federal Reserve Agents for the month of June, showing bills and securities of finance and credit companies held by member banks; the memorandum stating that the purpose for which these reports were inaugurated has apparently been served and recommending, therefore, that the Federal Reserve Agents be authorized to discontinue submitting them to the Board.

Upon motion, the above recommendation was approved.

The Assistant Secretary then read to the Board draft of a proposed reply to a letter dated August 14th from the Federal Reserve Agent at Kansas City, submitting a plan for the maintenance of a stock of unissued Federal Reserve notes at the branches of that bank without the necessity of maintaining Assistant Federal Reserve Agents at the branches; the proposed reply requesting certain additional information as to the method of handling releases from the supplies of unissued notes.

Upon motion, the proposed letter was approved.

Mr. Miller then referred to the action of the Board at its meeting on August 25th in appointing Mr. Platt and him as a special committee to consider possible amendments to the By-laws of the Board to eliminate certain difficulties of administration which lead some members of the

8/26/26

-6-

Board to the opinion that the quorum of five provided in the By-laws should be changed to four. He submitted the following proposed revision of Article VI of the By-laws:

Article VI.

The Executive Committee.

Sec. 1. There shall be an Executive Committee of the Board consisting of three members, which shall include the Governor, Vice-Governor and one of the appointive members of the Board. The appointive member of the Committee shall be nominated and elected at a regular meeting of the Board. Members of the Board shall serve as far as practicable in rotation and for approximately equal terms. The presence of three members shall be requisite for the transaction of business by the Executive Committee, and action shall be taken only on unanimous vote of the Committee.

Sec. 2. In the absence of the Governor and Vice-Governor the appointive member of the Executive Committee shall act as Chairman and shall, with two other appointive members of the Board present in Washington to be chosen by him in the order of their seniority, exercise the powers and discharge the duties of the Executive Committee. In the absence of all three regular members of the Executive Committee the three remaining appointive members of the Board, provided there be three in Washington, shall act as an interim committee and exercise the powers and discharge the duties of the Executive Committee, the senior member acting as Chairman.

The Secretary of the Board shall serve as Secretary of the Executive Committee.

Sec. 3. It shall be the duty of the Executive Committee to review and submit drafts of important correspondence involving the expression of opinions or decisions of the Board, and to prepare and make recommendations governing the conduct of the Board's business.

Sec. 4. The Executive Committee shall also have charge of all matters appertaining to the internal organization of the Board, and shall make recommendations from time to time on this matter. It shall also prepare annually a budget of proposed expenditures.

Sec. 5. In the absence of a quorum of the Federal Reserve Board and for the transaction of business requiring action during the absence of such quorum, the Executive Committee is authorized to transact business which can be transacted in accordance with established principles and policies of the Board and to perform such additional duties as may be specifically delegated to it from time to time by instruction of the Federal Reserve Board.

After discussion, upon motion by Mr. Hamlin, it was voted that the Executive Committee should recommend to the Board adoption of the revision above quoted.

8/26/26

-7-

REPORTS OF STANDING COMMITTEES:

Dated, August 25th, 26th, Recommending changes in stock at Federal Reserve Banks, as set forth in the Auxiliary Minute Book of this date.

Approved.

Dated, August 24th, 25th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Approved.

Dated, August 24th, Recommending action on application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Ordered held.

Dated, August 23rd, 24th, 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.

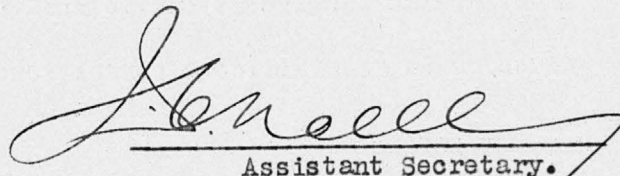
Dated, August 24th, Recommending approval of the application of Mr. Edward B. Doherty for permission to serve at the same time as director of the Flatbush National Bank, Brooklyn, N. Y. and as employee of the Seaboard National Bank, New York, N. Y.

Approved.

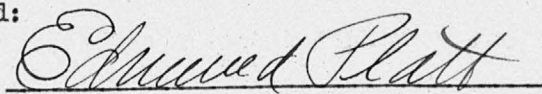
Dated, August 24th, Recommending approval of the application of Mr. Isaac Alpern for permission to serve at the same time as director and officer of the Perth Amboy Trust Company, as director and officer of the Peoples National Bank, Elizabeth, N. J. and as director of the Broad & Market National Bank, Newark, N. J.

Approved.

The meeting adjourned at 12:15 p.m.

  
Assistant Secretary.

Approved:

  
Vice-Governor.