

A meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Vice Governor on Wednesday, September 22, 1926 at 11:15 a.m.

PRESENT: Mr. James
Mr. Hamlin
Mr. Miller
Mr. Eddy, Secretary
Mr. McClelland, Assistant Secretary

PRESENT ALSO: Mr. Cumingham

Mr. James referred to the fact that the Board on May 25th voted to refer to a meeting of the full Board a resolution submitted by him that the Federal Reserve Board make it optional with each Federal Reserve bank as to discontinuing the collection of non-cash items at street addresses. No action has been taken on this motion, which Mr. James stated he submitted with the thought that the Board's Counsel had previously rendered an opinion that the handling of non-cash items by Federal Reserve banks is optional with the banks and that the Board has no authority to direct them to do so. He stated that the American Bankers' Association Committee was desirous of having the question of the continuance of the non-cash function of the Federal Reserve banks decided by the Board before the convention of the Association early next month, and that it should be made special order of business for an early meeting of the Board. He suggested, however, that before taking it up the Board secure a formal opinion from its Counsel as to its authority to direct a Federal Reserve bank to continue the collection of non-cash items.

After discussion, it was unanimously voted that the Board's Counsel be requested to render an opinion whether the Federal Reserve Board has any authority to direct a Federal Reserve bank to continue the collection of non-cash items.

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Letter dated September 16th from the Assistant 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 September 15th from the Chairman of the Federal Reserve Bank of 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 September 16th 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 initials on September 18th, namely, application of The National Stock Yards National Bank of National City, Ills. for original stock (450 shares) in the Federal Reserve Bank of St. Louis, effective if and when the Comptroller of the Currency issues a certificate of authority to commence business.

Formally approved.

Letter dated September 14th from Miss Burnetta Black tendering her resignation as clerk in the Office of the Board's Fiscal Agent, effective at the close of business September 30, 1926.

Accepted.

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Letter dated September 18th from the Chief Clerk of the Treasury Department, recommending that Lizzie Freeman, charwoman, be dropped from the rolls of the Board at the close of business September 19, and that Christina Green be appointed to succeed her, with compensation at the rate of forty cents an hour, effective September 20.

Approved.

Matter approved on initials on September 18th, namely, letter dated September 18th from the Comptroller of the Currency, requesting approval of a salary of \$3,000 per annum for National Bank Examiner Jennings L. Bailey, to be assigned to the Fifth Federal Reserve District.

Formally approved.

Report of Executive Committee on letter dated September 21st from the Comptroller of the Currency, requesting approval of a salary of \$2700 per annum for National Bank Examiner Paul Boardman, to be assigned to the Eleventh Federal Reserve District; the Committee also recommending approval.

Approved.

Report of Committee on Salaries and Expenditures on letter dated September 16th from the Federal Reserve Agent at Kansas City, requesting approval of an increase from \$2700 to \$2820 per annum effective September 1st in the salary of Edward E. Fisher, Foreman in charge of carpenter work at that bank; the Committee also recommending approval.

Approved.

Report of Committee on Salaries and Expenditures on letter dated September 17th from the Secretary of the Federal Reserve Bank of Atlanta, advising of the action of the board of directors of that bank in voting to

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elect Mr. James A. Goethe as Assistant Manager of the Savannah Agency, subject to the approval of the Board, at an annual salary of \$2400 per annum to succeed Mr. D. E. Avery, resigned; the Committee noting the action with approval.

Noted, no action being required as the salary proposed is less than \$2500 per annum.

Memorandum dated September 18th from the Secretary, advising that the Treasury Department has made available to the Board for immediate occupancy additional space in the Treasury Building totaling 2245 square feet; the Secretary requesting the authorization of an expenditure up to \$1500 to prepare these offices for occupancy and for moving to the Treasury Building certain Divisions of the Board now located in the Otis Building.

Approved.

The Secretary then stated that the Board in billing the Treasury Department for telegrams sent over the Federal Reserve Leased Wire has classified its charges according to the Treasury Appropriations out of which they should be met. He stated that telegrams chargeable to the Treasury's Appropriation - Contingent Expense Freight, Telegrams, etc. averaged about \$200 a month and that he has been advised officially by the Treasury Department that the appropriation is not sufficient to permit payment of the Board's bills covering this particular class of telegrams. In view of the fact that these telegrams are closely connected with the work of the Federal reserve banks, he recommended that he be authorized to discontinue the rendition of bills against the particular appropriation referred to until such time as the appropriation may contain sufficient funds to enable the Treasury to meet the bills.

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After discussion, the recommendation of the Secretary was approved, and he was authorized to discontinue billing the Treasury Department for telegrams chargeable to the appropriation in question.

In this connection, Mr. Miller referred to the Leased Telephone Wires maintained by the Board and inquired whether the business transacted by the Board warranted the continuance of both the Washington to New York direct line and the circuit wire connecting Washington, New York, Boston and Philadelphia.

After discussion, the Secretary was instructed to make a study of business over these two wires during the month of October and to report to the Board not later than November 10th his findings thereon.

Memorandum from Counsel dated September 20th, submitting draft of letter to the Federal Reserve Agent at New York relative to the right of Messrs. T. H. Eckerson, J. M. Enright, Frank C. Ferguson, Eugene F. Kinkead and Thomas J. Maloney to serve the Pavonia Bank, Jersey City, N. J. in addition to the Merchants National Bank of Jersey City and other institutions they are now serving with the permission of the Board; the proposed reply stating that the Board understands that the shareholders of the Merchants National Bank own all of the stock of the Pavonia Bank and that the Pavonia Bank is not in substantial competition with any institutions now served by the gentlemen named and that under the circumstances their services on the directorate of the Pavonia Bank in addition to their service of the other banks do not come within the prohibitions of the Clayton Act.

Upon motion, the proposed letter was approved.

Letter dated September 20th from the Federal Reserve Agent at Chicago,

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inquiring as to the date of the opening of polls for the forthcoming elections of Class A and B Directors of the Federal Reserve Banks.

At the suggestion of the Secretary, it was unanimously voted that Monday, November 15th be fixed as the date for opening the polls.

Thereupon, ensued a discussion as to the necessity for a revision in the group classifications governing in the elections of Class A and B Directors and of what, if any other improvements could be brought about in the election system.

Following the discussion, it was voted that the various Chairmen be requested to advise the Board of their opinions as to the manner in which the present election system is working, what if any criticisms they hear, and whether or not they would suggest any change in the existing group classifications, and that this matter also be placed on the program for discussion at the forthcoming conference of Federal Reserve Agents.

Memorandum dated September 18th from the Chief of the Division of Bank Operations, submitting statement of expenditures of the Federal Reserve banks for educational and welfare work, etc. during the month of August and for the eight-month period ending August 31st.

Ordered circulated.

Telegram dated September 20th from the Assistant Federal Reserve Agent at New York, advising that at the close of business September 18th The National Butchers and Drovers Bank, New York City, merged into the Irving Bank - Columbia Trust Company under the new title Irving Bank and Trust Company; the Assistant Federal Reserve Agent advising that the new bank has a capital of \$18,500,000 and surplus of \$8,500,000 and deposits of \$391,717,022 and that later its capital and surplus will be increased to \$22,000,000 and \$12,000,000, respectively.

Noted.

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Report of Committee on Examinations on memorandum dated September 15th from the Comptroller of the Currency, recommending approval of an application of the First National Bank of Parlier, Cal. for permission to reduce its capital stock from \$200,000 to \$100,000 on condition that the entire amount of the released capital be applied to the removal of losses on loans amounting to \$70,723.01 and doubtful items up to \$15,951, the particular doubtful items to be removed to be decided by the directors, and the marking down of furniture and fixtures to \$5,000, and further, that banking house be left at present carrying figures with the understanding that it will be marked down annually to provide for depreciation, and that the assets absorbed by the released capital be retained in the bank; the Committee also recommending approval subject to the conditions specified.

Upon motion, it was voted to approve the application subject to the conditions suggested by the Comptroller.

Report of Committee on Examinations on memorandum dated September 16th from the Comptroller of the Currency, recommending approval of an application of the Live Stock National Bank of South Omaha, Nebraska, for permission to reduce its capital stock from \$650,000 to \$450,000 with the understanding that Mr. Nelson Morris, one of the principal stockholders, will personally purchase \$61,000 of real estate carried on the books for cash and liquidate same for the benefit of the bank, returning to the bank any excess he receives over and above his investment, and on condition that no money be returned to the shareholders, but that the amount of the reduction be used to charge off paper as selected by the Chief National Bank Examiner at Kansas City; the Committee also recommending approval subject to the conditions specified.

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Upon motion, it was voted to approve the application subject to the conditions suggested by the Comptroller of the Currency.

Thereupon ensued a discussion as to the ratio of capital to deposit liabilities in the two banks above mentioned, following which Mr. Miller moved that in these two cases the Board attach as a further condition that the banks will engage to increase their capital account (capital and surplus), so as to maintain it at not less than 10% of their deposit liabilities.

After discussion, it was voted that action on this motion be deferred for a meeting of the Board and that advice of the action just taken by the Executive Committee on the two applications be withheld pending action on Mr. Miller's motion.

Report of Committee on Examinations on the matter referred to it at the meeting on September 15th, namely, memorandum dated September 8th from the Division of Examinations, with reference to the action of the Bank of Monroe, Ga. in taking over the Union Banking Company of Monroe, another member bank; the Committee suggesting in order that the Bank of Monroe shall conform with the general practice that the Federal Reserve Bank of Atlanta be requested to ask The Bank of Monroe to make application to the Board for approval of its action.

Upon motion, the suggestion of the Committee was approved.

At this point, the Secretary was called from the meeting to answer a call over the long distance telephone from the Federal Reserve Bank of Atlanta, and upon his return he reported that the call was from Mr. Black, Chairman of the Special Committee appointed by the Board of Directors of the Federal Reserve Bank of Atlanta to investigate all circumstances in connection with the shipment

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of currency made by the Federal Reserve Bank of Atlanta to its Havana Agency on April 10th. He stated that Mr. Black, who was holding the telephone wire open, had advised him that the Committee had completed its investigation and had its report ready, but before filing same with the directors of the Federal Reserve Bank of Atlanta, desired to come to Washington and see Governor Crissinger informally, for the purpose of ascertaining whether in any way the report could be construed as a violation of the stipulations under which the Board on September 10th furnished the Committee with the information upon which it is proceeding against Mr. Joseph L. Campbell, Deputy Governor of the Federal Reserve Bank of Atlanta, in the matter of his conduct in connection with the currency shipment. The Secretary stated he had advised Mr. Black that both Governor Crissinger and Vice Governor Platt were out of the city and that it was not certain either would be in his office tomorrow, but that he had advised Mr. Black that he would take the matter up with the members of the Board present.

Discussion then ensued, and the Secretary was instructed to advise Mr. Black that in the opinion of the members of the Board present today, the Board's stipulations concerning the use of the information were clear, and that they were willing to trust to the Committee's discretion in the matter.

The Secretary again left the room and when he returned reported he had delivered the message to Mr. Black, who had thereupon stated that the Committee would probably come on to Washington and endeavor to see some member of the Board.

Memorandum from Counsel dated September 13th, submitting drafts of a letter to the Federal Reserve Agent at San Francisco and a circular letter to all Federal Reserve Agents advising of the action taken by the Board at

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its meeting on September 8th, with reference to the discretion of a Federal Reserve Agent in accepting or rejecting paper offered as collateral for Federal Reserve Notes.

Upon motion, the proposed letters were approved.

REPORTS OF STANDING COMMITTEES:

Dated, September 17th, Recommending changes in stock at Federal Reserve
20th, Banks, as set forth in the Auxiliary Minute Book
21st, of this date.

Approved.

Dated, September 17th, Recommending action on application for fiduciary
powers as set forth in the Auxiliary Minute Book
of this date.

Ordered held.

Dated, September 17th, Recommending approval of the application of Mr.
Leon G. Voorhees for permission to serve at the
same time as officer and director of the Tradesmens
National Bank, Oklahoma City, Okla. and as officer
and director of The First National Bank in Ardmore,
Okla.

Approved.

Dated, September 18th, Recommending approval of the application of Mr.
Stanton M. Smith for permission to serve at the
same time as director of the Union Trust & Hudson
County National Bank, Jersey City, N. J. and as
director of The Pavonia Bank, Jersey City, N. J.

Approved.

Dated, September 18th, Recommending approval of the application of Mr.
S. W. Kagan for permission to serve at the same
time as director of the Union Trust & Hudson
County National Bank, Jersey City, N. J. and as
director of The Pavonia Bank, Jersey City, N. J.

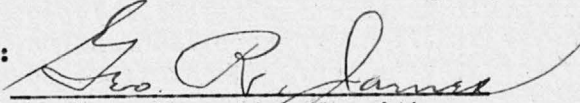
Approved.

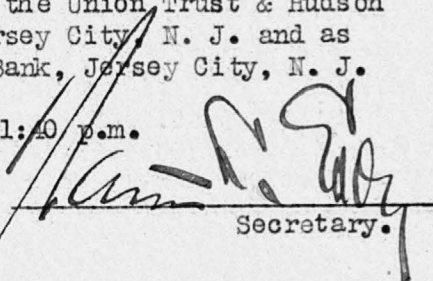
Dated, September 18th, Recommending approval of the application of Mr.
Robert C. Bonham for permission to serve at the
same time as director of the Union Trust & Hudson
County National Bank, Jersey City, N. J. and as
director of The Pavonia Bank, Jersey City, N. J.

Approved.

The meeting adjourned at 1:40 p.m.

Approved:


Member, Executive Committee.


Secretary.