

Upon call of the Governor a meeting of the Federal Reserve Board was held in the office of the Board on Monday, November 22, 1926 at 11:00 a.m.

PRESENT: Governor Crissinger  
Mr. Platt  
Mr. Hamlin  
Mr. Miller  
Mr. Cunningham  
Mr. Eddy, Secretary  
Mr. McClelland, Asst. Secretary

The reading of the minutes of the meetings of the Federal Reserve Board held on November 9th, 10th and 19th, and the meeting of the Executive Committee held on November 17th was dispensed with.

The Governor presented a letter dated November 20th from the Secretary of the board of directors of the Federal Reserve Bank of Atlanta, advising that at the meeting of that board held on November 16th it was voted to expunge from the records of the bank a certain paragraph contained in the resolution adopted by that board at its meeting on October 8th, transmitted to the Federal Reserve Board under date of October 9th and presented to this Board at its meeting on October 12th, said resolution referring to the action of the Federal Reserve Board in voting to remove Mr. J. L. Campbell from the office of Deputy Governor of the Federal Reserve Bank of Atlanta.

Noted and ordered circulated.

Letter dated November 19th from the Chairman of the Federal Reserve Bank of Atlanta, transmitting copy of a resolution adopted by the board of directors of that bank providing that a committee of three members of the board of directors be appointed to confer with the Federal Reserve Board "on all matters of interest to this bank and the System in an earnest effort that those relations may exist between the two boards which will make for

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the successful conduct of this bank and enable this bank to contribute to the invaluable service of the entire Federal Reserve System, as well as to cooperate fully with the Federal Reserve Board in its efforts toward the same end"; the Chairman stating that the Committee is composed of Messrs. Black, Ware and himself, and inquiring if it would be agreeable for the Committee to meet with the Board on December 6th.

Upon motion, it was voted to advise the Committee that the Board will be glad to meet it on the date suggested.

Letter dated November 20th from the Secretary of the Federal Reserve Bank of Atlanta, transmitting copy of report of a committee appointed by the board of directors of that bank to investigate the expenses of officers and employees of the bank in connection with the shipment of currency made to its Havana Agency on April 10, 1926.

Noted and referred to the Committee on Salaries and Expenditures.

Letter dated November 20th from the Secretary of the Federal Reserve Bank of Atlanta, transmitting copy of report made by the special Salary Committee of that bank in compliance with a request of the board of directors that it investigate an increase in expenses of the bank for the nine-month period ending September 30, 1926, as compared with the same period for the year 1925.

Noted and referred to the Committee on Salaries and Expenditures.

The Governor then referred to the action taken at the recent Conference of Governors, with reference to the ruling relative to the handling of non-

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cash collection items payable at street addresses contained in the Board's letter of September 24, 1926 (X-3677) which ruling suggested that each Federal Reserve bank exercise its own option as to the collection of the items in question. The Governor read to the Board the action of the Conference in voting "that in order to preserve that uniformity which is believed to be so essential to the best interests of the Federal Reserve System, its member banks and the public, the Federal Reserve Board should reconsider its letter of September 24, 1926, and determine whether, from the point of view of the Federal Reserve System as a whole, all Federal Reserve banks shall or whether all Federal Reserve banks shall not continue to handle for collection items which are payable at street addresses."

Following a discussion, Mr. Miller moved that the Board reconsider its action of September 23 in adopting the ruling referred to and that the matter be made special order of business for a meeting of the Board on a date to be fixed by the Governor.

Mr. Miller's motion being put by the Chair was carried.

The Governor then presented letter dated November 19th from the Chairman of the Federal Reserve Bank of Atlanta advising that at a meeting of the Executive Committee of the bank on November 18th, it was determined that Mr. Claude Gilbert, who has been serving there as Assistant Federal Agent, had completed the work which had been outlined for him and that he could be spared to take up such work as the Board may have for him to do. The Governor stated that Mr. Gilbert was in his office and suggested that



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he be called into the meeting for the purpose of discussing the work which he has been doing at the Federal Reserve Bank of Atlanta, as well as the whole question of Federal Reserve examinations of state member banks, it having been contemplated at the time of the adoption of the Board's resolutions of August 11, 1926 that Mr. Gilbert, at the conclusion of his service with the Federal Reserve Bank of Atlanta, might be employed by the Board in accordance with the first paragraph of the resolutions referred to.

Mr. Platt, Chairman of the Committee on Examinations, referred to the action of the Board at the meeting on November 3rd in tentatively approving a report submitted by the Committee on Examinations under date of October 30th and in requesting the Committee to report back in detail an outline of the duties of the examiner whose employment is recommended in its report. On behalf of the Committee, he submitted the following list of questions for the guidance of the examiner in making the survey referred to, in the Committee's report of October 30th:

- (1) Do the examinations now made give the necessary information to enable the Federal Reserve Board to determine whether or not the member banks are operating within the requirements of the Federal Reserve Act, the regulations of the Board and the conditions of membership?
- (2) How are the examining forces of each of the Federal reserve banks selected and organized? Is the personnel of the examining force made up of men qualified and trained for their work? What experience in bank examination did they have before entering the Federal reserve bank?
- (3) Are the Federal reserve banks receiving adequate information as to the condition of the State member banks upon which they may safely act in extending credit?
- (4) Are their examining forces capable of conducting an examination of the larger banks in their districts?
- (5) Are their examining forces making adequate credit investigations, which involve the loan policies, personnel and organization, as well as an appraisal of the assets of a bank?

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- (6) How far do they rely on State examinations? By what means do the Federal reserve banks determine whether State examinations are adequate for their purposes and are the methods by which they determine whether State examinations should be accepted adequate?
- (7) Where Federal reserve examiners participate with State examiners in their examinations of State member banks does such participation tend to raise the standard of State examinations?
- (8) To what extent are Federal reserve banks aware of the development of unfavorable conditions in member banks, through their daily contacts - cash letters, loans, etc.?
- (9) When the Federal reserve bank receives reports of examinations, or makes credit investigations, or otherwise obtains information with relation to the condition of a member bank, is the information properly analyzed and filed so that it can be readily obtained?
- (10) In general what can the Federal Reserve Board do to improve examinations in districts or instates where they are most in need of improvement?
- (9<sup>1</sup>/<sub>2</sub>) What steps are taken by Federal reserve banks to secure the correction of unsatisfactory conditions in member banks?

At this point Mr. Gilbert was invited into the meeting, and there followed an informal conference with reference to banking conditions in the Atlanta district and Mr. Gilbert's experience in banking supervision.

During this discussion, Mr. McIntosh entered the meeting.

Following the discussion, it was moved:

- (1) That the report of the Board's Committee on Examinations, dated October 30, 1926, which report was tentatively approved by the Board at the meeting on November 3rd, be now definitively approved, and the recommendation contained therein, to the effect that a competent examiner be appointed "to make a survey, and report as to the efficiency and thoroughness of examinations and credit investigations made by each Federal reserve bank, and as to the efficiency and thoroughness of examinations of State banking departments", be adopted;
- (2) That the outline of the scope of the proposed survey, presented today in a supplementary report of the Committee on Examinations, be approved;



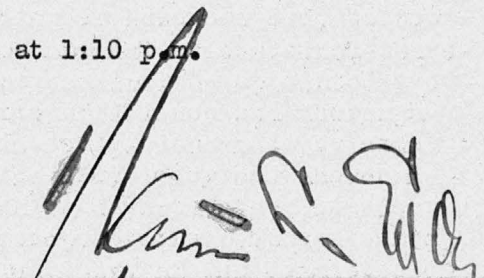
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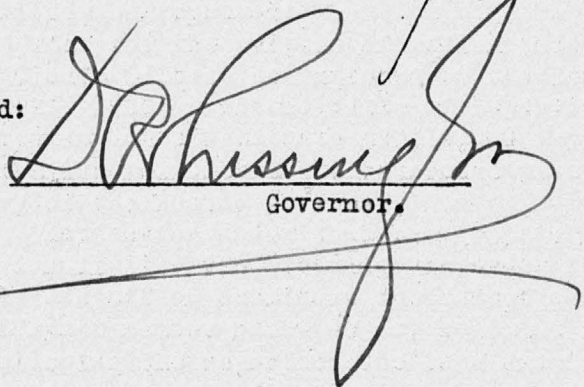
(3) That for the purpose of making this inquiry and survey Mr. Claude Gilbert be employed by the Board, effective November 24, 1926, with the title of Supervisor of Examination, with compensation at the rate of \$10,000 a year, and that for administrative purposes he be connected with the office of the Secretary of the Board; and

(4) That action under that paragraph of the Board's resolution of August 11, 1926, reading "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", be suspended until the results of the survey to be undertaken by the Supervisor are available, when it may be determined how far it may be necessary for the Board to go in itself undertaking member bank examinations through a division of member bank examination.

Action on the above resolutions was deferred until the next meeting of the Board.

The meeting adjourned at 1:10 p.m.

  
Secretary.

Approved:   
Governor.