

At a regular meeting of the Federal Reserve Board held in the office of the Board on Thursday, July 29, at 11.00 a. m.

PRESENT:

Mr. Hamlin, presiding,      Mr. Williams

Mr. Delano                      Mr. Harding

Mr. Willis, Secretary.

The minutes of the meeting of Wednesday, July 28, were read and approved.

The Governor of the Board read the draft of a proposed letter to be sent to Mr. H. R. Fowler with reference to a brief lately filed by the latter. On motion the letter was referred to Counsel for further examination and revision, and upon receipt of a favorable report from him the letter was approved in a slightly revised form and ordered transmitted.

On motion the application of the Union National Bank of Newark, N. J. for the surrender of 1800 shares of stock in the Federal Reserve Bank of Philadelphia, and the allotment of a like amount in the Federal Reserve Bank of New York, was approved.

On motion the application of the Cordell National Bank of Cordell, Oklahoma, for the surrender of 21 shares of

stock in the Federal Reserve Bank of Dallas, and a corresponding allotment in the Federal Reserve Bank of Kansas City, was approved.

The Secretary of the Board presented the facts with respect to certain banks in the State of Washington which had applied for executor and trustee powers, but which had been placed upon the suspended list at a previous meeting on account of the lack of complete information, he calling attention to the fact that such information appeared to be unavailable. On motion the papers relating to these banks were referred back to the Committee on State Banks.

On motion a memorandum from Chief of Division Broderick relative to the personnel of the Division of Audit and Examination, was approved as follows:

DIVISION OF AUDIT AND EXAMINATION

July 28, 1915.

Three men are engaged in the regular examination work of the Board, the undersigned and Messrs. Grayson and Burklin, junior assistants. During the past five or six months valuable assistance has been rendered by Messrs. Gidney and Adelson. With the permission of the members of the Board and of the Secretary, it is the intention to utilize the services of the Secretaries of the various members of the Board whenever they can be conveniently spared.

Since February the Federal Reserve Banks of New York, Richmond, Atlanta, St. Louis, Kansas City, Phila-

delphia, San Francisco and Dallas have been examined. The accounts of the Federal Reserve Agents of these banks have also been examined. Re-examinations have been made of the accounts of the Federal Reserve Agents at New York, St. Louis and Kansas City. Under the plan of procedure approved by the Board, it is the intention to examine every Federal reserve bank twice each year, and the accounts of the Federal Reserve agents four times each year. In addition thereto, it will be necessary for the Division to examine State bank members whenever such examinations are deemed necessary or advisable, these examinations to be made either in conjunction with State authorities or with the examiners designated at the request of the Federal reserve banks. At the request of the Board, each bank has sent in the names of members of the staff who are recommended for designation as special examiners. In view of the increased work of the Division, it is necessary that the force be placed on a permanent basis and for that reason it is very desirable that there should be two additions to the force at the present time.

1. An experienced practical bank examiner, familiar with general banking and business customs, with the technique of examination, and capable of conducting important examinations.

2. An experienced bank man familiar with general bank accounting and practices, and particularly with the conditions in Southern states.

For the last named position it is recommended that Mr. J. L. Cross, now Auditor of the First National Bank of Birmingham, Ala., be engaged, (date to be fixed later) at a salary of \$300.00 per month. Mr. Cross is well recommended, has an excellent record, has good accounting and banking experience and gives every prospect of developing into a very valuable addition to the staff. At the present time, there are certain State banks in Ala-

bama which it will be necessary to examine, owing to the fact that the State law appears to prevent the Bank Commissioner of Alabama from furnishing the Federal Reserve Board with the required reports of State examinations. If agreeable to the Board, it is very desirable that the undersigned should be authorized to direct Mr. Cross to examine certain institutions before reporting at Washington.

Respectfully submitted,

J. A. BRODERICK.

Mr. Delano presented to the Board a memorandum prepared by the Division of Audit and Examination with reference to the probable appointment at a later date of an additional examiner, recommending the action. There was informal expression of approval on the part of the Board.

On motion a letter addressed to the Bank of New York, N. B. A., relating to the cost of examinations under the present system, was approved, and the Secretary ordered to transmit it.

A memorandum prepared by the Division of Audit and Examination with reference to the issuance of travel orders to the members of the examination staff, was approved, subject to the concurrence of Counsel.

A memorandum relating to the method of making examinations of State banks, enumerating the personnel of

individuals available as special examiners, prepared by the Division of Audit and Examination, was approved as follows:

EXAMINATION OF STATE BANKS APPLYING FOR MEMBERSHIP  
and  
STATE BANKS WHICH HAVE BEEN ADMITTED TO MEMBERSHIP  
in the  
FEDERAL RESERVE SYSTEM.

July 28, 1915.

Under date of June 24th a letter was addressed to the Federal Reserve Agent in each district, requesting that recommendations be made as to officers and employees who would be suitable for designation as special examiners of State institutions, in case such examinations should be deemed necessary or desirable. In accordance with the suggestions made, it is recommended that the following men be authorized to act as special examiners in the examination of State banks applying for membership and State banks which have been admitted to membership in the Federal Reserve system, whenever such examinations are deemed necessary or desirable by the Federal Reserve Board, it being understood that a special authorization shall be issued for each examination. Special examiners will be permitted to use the envelopes and stationery provided by the Board only in connection with examinations authorized by the Board.

With the view of providing for uniform methods in connection with examinations, a memorandum has been prepared making suggestions as to the points to be covered.

SUGGESTED FOR DESIGNATION AS SPECIAL EXAMINERS.

BOSTON: Ernest M. Leavitt, Asst. Cashier  
Russell B. Spear  
Chester C. Bullen

NEW YORK: H. M. Jefferson, Auditor  
J. D. Higgins, Chief Accountant  
J. A. May, Accounting staff

PHILADELPHIA: Frank M. Hardt, Cashier  
 Arthur E. Post, Sec'y. to Chairman  
 Thomas Gamon, jr., Chief Clerk  
 Wm. I. Rutter, jr., Auditor  
 J. Edw. Kerr, General ledger bookkeeper

CLEVELAND: Horace G. Davis, Asst. to F. R. A.  
 M. J. Fleming, Auditor  
 L. W. Manning, Chief Clerk  
 Alternate -  
 Guy M. Shanks, General bookkeeper

RICHMOND: William E. Cadwalader, Auditor  
 Charles H. Wyatt, Asst. Auditor  
 Charles A. Peple, Vice-Governor

ATLANTA: J. B. Pike, Cashier  
 W. Sproull Graves, Auditor  
 R. H. Hemphill, Manager Credit Bureau

CHICAGO: B. G. McCloud, Cashier  
 S. B. Cramer, Acting Auditor  
 Raymond Burgess, General man  
 Frank Lindsten, Clerk  
 C. R. McKay, Deputy Governor  
 W. F. McLallen, Secretary  
 C. H. Bosworth

ST. LOUIS: T. C. Tupper, Deputy F. R. A.  
 A. H. Hail, Auditor  
 O. M. Attebery, Manager Transit Dept.  
 R. R. Clabaugh, Manager Discount Dept.

MINNEAPOLIS: F. C. Dunlop, Auditor

KANSAS CITY: Charles M. Sawyer  
 Asa E. Ramsay  
 J. Z. Miller, jr.

DALLAS: J. W. Hoopes, Vice-Governor  
 S. R. Lawder, Chief Clerk

SAN FRANCISCO: Russell Lowry, Deputy Governor  
 Clifford J. Shepherd, Asst. Cashier & Asst. to F.R.A.

Ira Clerk, Auditor  
J. U. Calkins, Teller

Respectfully submitted,

J. A. BRODERICK.

The Secretary of the Board presented the usual weekly discount recommendations, noting that all Federal reserve banks recommended the same rates for the coming week as heretofore, and calling the Board's attention to an inquiry from Federal Reserve Agent Perrin as to the attitude of the Board regarding a differential rate of one per cent less than ordinary paper in favor of trade acceptances, the same to be submitted to the board of directors of the San Francisco Bank. On motion the Board voted to approve Mr. Perrin's suggestion.

The Secretary of the Board presented an opinion of Counsel relative to the question of submitting national bank applications for trustee powers to State authorities, a question which had been raised by Federal Reserve Agent Wills. The opinion of Counsel on the subject was approved, and the Secretary instructed to inform Mr. Wills accordingly.

The Secretary of the Board presented an opinion of Counsel relative to a certain note endorsed by the Chatauqua

Institution and rediscounted by the Federal Reserve Bank of Philadelphia, holding that the said note was ineligible for rediscount as commercial paper. The opinion was approved, and the Secretary directed to take action accordingly.

An opinion submitted by Mr. J. P. Cotton relative to the question of arrangements with State authorities whereby such State authorities would recognize national banks as trustees and executors, provided that after examination they found that such banks were in suitable condition to exercise trustee powers, was presented to the Board, and, on motion, it was voted to refer the matter to Counsel with authority to take up the proposal therein made with the Attorney General of Illinois, the State in which the matter had originated, with the aid of counsel of the Federal Reserve Bank of Chicago, securing such additional aid of counsel as might be deemed necessary and advisable.

Mr. Delano presented a revised draft of a proposed procedure in the case of State banks applying for admission to the system, and, on motion, the same was adopted as follows:

STATE BANK APPLICATIONS - PROCEDURE.

1. The State bank or trust company will send its application to the Federal Reserve Agent.
2. The Federal Reserve Agent will immediately notify the Federal Reserve Board of the receipt of the application and then submit such application to the Counsel of the Federal Reserve Bank for his certification.
3. If the Federal Reserve Agent and the Governor of the Bank consider the standard of State examinations to be satisfactory, arrangements should then be made to inspect the report of the last examination of the applicant bank made under the direction of the State Bank Supervisor.
4. The Federal Reserve Agent, after securing the proper certificate from Counsel of the Federal Reserve Bank, will submit the application and report of the last State examination to a committee composed of himself, the Governor of the Federal Reserve Bank and at least one other member of the Board of Directors.
5. If, after inspection of the State Bank report and of such other information as may be obtained, the reserve Bank committee is prepared to make a favorable recommendation, it will be satisfactory to the Federal Reserve Board, in lieu of a special examination, to have a certificate signed by the State Supervisor, based upon the report of the last examination. A suggested form of certificate is attached to this memorandum. This certificate should be accompanied by two duplicate copies of the report of the last State examination (one of which may be retained for the files of the Federal Reserve Bank.) If the report is voluminous, a digest, contain-

ing the material items, will be satisfactory. The report or digest should contain the examiner's comments and criticisms, a complete list of investments, giving book and current values, based upon the last available quotations; a memorandum of direct and indirect liabilities of officers and directors, and a memorandum of outside corporations under the control or operated in behalf of the applicant bank.

6. If a special examination is recommended by the Federal Reserve Bank or considered desirable or necessary by the Federal Reserve Board, the Board will then instruct the Federal Reserve Agent as follows:
  - (a) To arrange with the State Supervisor to have the applicant bank examined by a State examiner who shall submit report in duplicate and a certificate of condition; or
  - (b) To arrange with the State Supervisor to have the applicant bank examined by a State examiner, in connection with an examiner appointed by the Federal Reserve Board, upon recommendation by the Federal Reserve Bank. The State Supervisor should be asked to file two duplicate copies of the report of the examination.
  - (c) That the Federal Reserve Board has arranged to designate members of the staff of the Federal Reserve Bank to examine the applicant bank, or that the Board has arranged to have a member or members of its staff of examiners examine the bank, and that the certificate and report of such examiner or examiners will be forwarded to the Federal Reserve Bank as soon as filed.
7. On receipt of the report and the certificate of the examiner or State Supervisor, the Reserve Bank committee will transmit the application with its report and letter of recommendations to the Federal Reserve Board.



Form 84.

EXAMINATION OF STATE BANKS OR TRUST COMPANIES

CERTIFICATE OF EXAMINER.

(authorized)

I hereby certify that I have been duly (appointed) by \_\_\_\_\_ to make an examination of the affairs and conditions of the \_\_\_\_\_ that on the \_\_\_\_\_ day of \_\_\_\_\_, 191 , I examined fully into the books, papers and affairs of the said corporation and that the annexed report shows its true condition to the best of my knowledge and belief.

I further certify, from my knowledge of its affairs based upon such examination, that such corporation is solvent and its capital stock unimpaired.

Dated \_\_\_\_\_

\_\_\_\_\_  
Name of Examiner.

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STATE BANK APPLICATIONS - PROCEDURE REVISED

- I. State bank or trust company will send its application to the Federal Reserve Agent.
- II. The Federal Reserve Agent will immediately notify the Federal Reserve Board of receipt of application

and request instructions as to the nature of the examination to be required of the applicant bank.

- III. The Federal Reserve Agent, after securing the proper certificate of Counsel of the Federal reserve bank, will submit application to committee composed of himself, the Governor of the Federal reserve bank and at least one other member of the board of directors.
- IV. The Federal Reserve Board will then instruct the Federal Reserve Agent
- (a) To arrange with the State bank supervisor to have the applicant bank examined by a State examiner who shall submit a report and certificate of condition on prepared form to the Federal Reserve Agent;
  - (b) To arrange with the State Supervisor to have the applicant bank examined by a State examiner, in connection with an examiner appointed by the Federal Reserve Board after designation by the Federal Reserve Bank. The State supervisor should be asked to file two duplicate copies of the report of the examination.
  - (c) (In case State authorities have examined applicant bank a short time before filing of application). To arrange with the State Bank Supervisor to file the examiner's certificate himself, basing his report on the last State examination of applicant bank; The State supervisor should be asked to file two duplicate copies of the report of the examination.
  - (d) That the Federal Reserve Bank has arranged to designate, upon recommendation of the Federal Reserve Agent and the Governor of the Federal Reserve Bank, members of the

staff of the Federal Reserve Bank to examine the applicant bank; or that the Board has arranged to have a member or members of its staff of examiners examine the applicant bank, and that the certificate or report of such examiner or examiners will be forwarded to the Federal Reserve Bank as soon as filed.

(e) To send after consultation with the Governor of the Bank, the names of competent officers and employees of the Federal Reserve Bank whom it is desired to have designated by the Board to examine the applicant banks.

V. On receipt of the certificate and report of the examiner, the Committee of the Board of Directors will transmit the application, with its report and recommendations, to the Board.

VI. The Board will, on the basis of the application and information contained therein, the certificate and report of the examiner, and the report and recommendations of the committee of the Board of Directors, approve or disapprove the application and will so notify the Federal Reserve Agent.

On motion Dr. P. H. Saunders was designated as chairman of the board of directors of the New Orleans Branch of the Federal Reserve Bank of Atlanta, Counsel, who was present, concurring.

On motion it was voted that the Board shall bear the fee necessitated by the appointment of Mr. O. E. Foulk, secretary to Governor Hamlin, as a notary public, it being the understanding that Mr. Foulk is to perform notarial work for the Board without charge.

The draft of a proposed circular letter to be addressed to Federal reserve agents relating to the moving of crops, particularly the cotton crop, was read to the Board, considered, and, on motion, action deferred until the next meeting.

On motion it was voted that the letter to be sent to Mr. H. R. Fowler be given to the press.

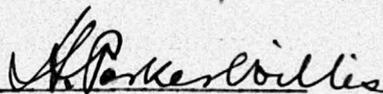
// On motion it was voted that the proposed letter to Governor Strong of New York, relating to lines of acceptance credit, be sent out immediately. //

The Secretary of the Board read a letter from the Fidelity Trust Company of Kansas City accepting membership in the Federal reserve system under the conditions prescribed by the Board. On motion the letter was referred to Counsel for an opinion as to whether it is in proper form.

The Secretary of the Board read a letter relating to the exchange question, from Governor Charles M. Sawyer of Kansas City, which was noted and ordered filed.

On motion at 1.15 p. m. the Board adjourned to meet at 11.00 a. m. on Friday, July 30.

APPROVED:

  
Secretary.

  
Chairman.