

At a meeting of the Executive Committee of the Federal Reserve Board held in the office of the Governor of the Board on Thursday, April 12, at eleven a.m.,

PRESENT:

Mr. Harding, presiding, Mr. Delano,
Mr. Warburg, Mr. Willis, Secretary.

Present also during the latter part of the session, Mr. Hamlin and Mr. Miller.

Business was presented by the Governor of the Board and disposed of as follows:

A letter from the Comptroller of the Currency and a memorandum of the Acting Chief of the Issue Division, asking that some other arrangement be made for safeguarding the safe of the Gold Settlement Fund, were read. It was agreed to suggest temporary postponement of the matter until it could be seen what disposition Congress would make of the Board's amendments to the Federal Reserve Act.

A telephone message from Vice President Rue of the Advisory Council was read, Mr. Rue having stated that he would like to have all suggested topics sent to him in New York. It was agreed that this be done, and there was informal

expression of opinion that care should be taken to bring out in connection with the forthcoming meeting of the Advisory Council the fact that the Board was in no way responsible for pending Government loan plans, and that its inquiries on the subject were directed merely to the question how such plans would affect the banks.

A letter from Governor Aiken of Boston with reference to rates of interest on Government bonds as affected by the savings banks situation in Massachusetts, was read, and the matter placed in the hands of the Governor for management as he might think best.

A letter from Federal Reserve Agent Jay with reference to depositing trust company reserves with reserve banks, and transmitting a letter passed at a meeting of trust company representatives in New York, was read and noted.

A copy of a letter addressed to the Secretary of the Treasury by the First National Bank of Renovo, Pa., suggesting that bank reserves be carried in part in Government bonds, was read and noted.

A letter from Mr. G. M. Dahl of the Chase National Bank as to granting Federal charters to banks organized

for foreign trade, was read and the matter referred to the Law Committee to report upon.

A letter informally inquiring as to the number of members of the Board who would be able to attend the meeting of the American Bankers Association Executive Committee at Briarcliff Lodge, were read, and the opinion was informally expressed that a committee of two would suffice.

Various communications from the State Department transmitting requests from foreign governments having to do with financial affairs, were read, the Governor informing the Committee that he had acknowledged the same.

Mr. Warburg expressed a wish that the letter to the Banco de la Nacion of Argentina with reference to relations with the reserve system, be sent in the State Department's private pouch. It was agreed that he should make arrangements to that effect.

A letter from Senator Poindexter as to the establishment of a branch for the Pacific Northwest at Spokane in the State of Washington, was read and noted.

At this point Mr. Miller, who had entered the meeting was called upon for a report as to the results of his visit

to San Francisco, from whence he had just arrived. Mr. Miller prefaced his San Francisco report with the statement that while en route to the East he had stopped at the Federal Reserve Bank of Chicago, and had discussed with them the following topics:

Faulty vault protection, and the desire of the bank to improve conditions in this respect;

A recent error with regard to the release of Federal reserve notes, due to the use of an erroneous test word in the transmission of the message of the Comptroller of the Currency;

The probability of a number of State bank members, including the Union Trust Company, the Standard Trust Company and the Merchants Loan & Trust Company.

Mr. Miller then sketched the San Francisco visit.

He said that on the first afternoon of his stay he sat with the board of the bank for four hours, and found the board generally adverse in its attitude, thinking that the branch was not needed, that an agency was enough, and that if established the Reserve Board must take the responsibility for creating a branch. The cost of an agency was estimated at \$25,000 in addition to rentals.

On the following afternoon occurred an informal hearing on the views of bankers from Seattle, Portland and Spokane. Mr. Mills of Portland who was prevented from being present, filed a good statement by mail, while a satisfactory statement was also made by Mr. McKenzie of Spokane. Seattle was represented by Mr. Spangler and others, and did not present so strong a case as either Portland or Spokane. The statement of Portland was long, while that of Spokane was vigorous and presented a strong argument, with special promises of large business for the branch growing out of local needs. The hearing proved educative to the board of directors of the Federal Reserve Bank of San Francisco. On that evening all the visiting bankers were entertained by Mr. Perrin at the Pacific Union Club. On the following morning the hearing was continued, stress now being laid upon the aspect of the Federal reserve system as a regular operating factor in the financial markets of the country, and not a mere emergency proposition. The Board of the San Francisco Bank then (on Wednesday, April 4) held a meeting with reference to the question of the establishment of a branch.

Messrs. McIntosh and Moore were still strongly opposed, while Messrs. Perrin and Kains and Lynch were favorable. The final voting approved the establishment of a branch, but the question where to place it was left open.

After a day out of the city, Mr. Miller reported, he spent Saturday morning (April 7) at the bank, telegraphing then to Mr. Harding that Spokane proposed that should a branch be established there, it should take over all the local clearing house functions, while it was understood that all local State banks would agree to be members of the System, the branch to be reimbursed for the expenses incurred for the examination of clearing house banks. Seattle would undertake to offer the same proposal as Spokane; and later Portland bankers were expected to agree to do likewise.

Finally the whole situation was left as follows: It was proposed to establish a branch for the Pacific Northwest with offices at Seattle, Portland and Spokane. Each such office would take over the local clearing house, and at each place the State banks would be expected to become members, the national bankers undertaking to induce

them to come in. Each place would be assigned two directors, and a seventh, who should be manager, would be named by the parent office.

Mr. Miller having finished his report, Governor Harding stated to the Committee that he had just been informed by Sir Hartman Lever that information had been received to the effect that the delegation of English statesmen and financiers whose coming had been announced in the newspapers, would arrive shortly. He suggested that the Board consider the question of suitable entertainment for the Governor of the Bank of England, who was a member of the party.

On motion at 12.15 p.m. the Committee adjourned.

H. P. Willis
Secretary.

APPROVED:

Harding
Chairman.