

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, May 22nd, at 10:40 a.m.

PRESENT: Governor Crissinger  
 Mr. Platt  
 Mr. Hamlin  
 Mr. Miller  
 Mr. James  
 Mr. Dawes  
 Mr. Hoxton, Secretary

The minutes of the meetings of the Federal Reserve Board held on May 17th and 18th were read and on motion approved.

Letter dated May 22nd, from the Railway Loan Advisory Committee of the Federal Reserve Board, recommending approval of the form of obligation submitted by the Seaboard Air Line Railway Company for a loan of \$6,759,000 (in seven parts, the carrier electing at this time to take over the first part of the loan in the amount of \$1,259,000) under the provisions of Section 210 of the Transportation Act, 1920, as amended.

Approved.

Letter dated May 15th, from the Federal Reserve Agent at San Francisco, transmitting, with favorable recommendation, the application of the Bank of Italy to purchase the Colma State Bank, Colma, California, and to establish a branch on its premises.

Approved, Governor Crissinger voting "no".

Letter dated May 16th, from the Chairman of the Federal Reserve Bank of Atlanta, advising that the Atlanta bank building will be entirely completed by July 1st; that the Board of Directors proposes to have the formal opening on July 12th and extending an invitation to the members of the Board to attend this opening.

Noted.

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Telegram dated May 18th, from the Federal Reserve Agent at Dallas, advising of the resignation of Mr. Floyd Ikard, Manager of the Houston branch of the Federal Reserve Bank of Dallas.

Noted.

Letter dated May 17th, from the Chairman of the Federal Reserve Bank of Boston, in the matter of a suggested appropriation of \$2500 by that bank to help carry on the work of the Treasury Savings Sales, the request for such appropriation coming from Mr. F. C. Ayres, local director of the Treasury Savings Sales.

Referred to the Governor for consultation with the Treasury Department.

Letter dated May 17th, from the Chairman of the Federal Reserve Bank of Boston, advising that at the regular meeting of the Board of Directors of that bank, held on May 17th, the following vote was regularly adopted:

"VOTED that the agreement between the Federal Reserve Banks of Atlanta and Boston proposed by their respective Governors in the joint letter to the Federal Reserve Board dated May 15, 1923 and referring to the establishment of an agency of the Federal Reserve Bank of Boston in the City of Havana, Cuba, be, and the same is, hereby ratified."

Noted.

Letter dated May 21st, prepared for the signature of the Assistant Secretary, and addressed to Mr. E. J. G. Baraba, Continental Bond and Mortgage Corporation, Detroit, Michigan, with reference to the request of Mr. Baraba to reprint from the April 1923 edition of the Federal Reserve Bulletin, the article entitled, "Finance Companies", said letter being submitted by Mr.

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Miller for the approval of the Board.

Approved.

Draft of letter dated May 19th, prepared by General Counsel, for the signature of the Governor addressed to the Federal Reserve Agent at New York, with reference to the bank affiliations of Class "B" Directors, said letter being submitted with a favorable recommendation by Mr. Hamlin and Mr. Platt.

Approved.

Memorandum dated May 17th, from the Comptroller of the Currency, transmitting with favorable recommendation, the application of the First National Bank of Anthony, Kansas, for permission to reduce its capital stock from \$75,000 to \$40,000.

Approved.

Letter dated May 21st, from the Deputy Comptroller of the Currency, transmitting the resignation of Miss Bessie C. Kelly, Clerk-Counter, salary \$1020 per annum, effective without prejudice, at the close of business on May 21, 1923.

Noted with approval.

Letter dated May 18th, from the Comptroller of the Currency, requesting approval of a salary of \$3300, for Mr. Arthur R. Chambers, a National Bank Examiner, assigned to the Tenth Federal Reserve District.

Approved.

The Governor submitted telegrams as follows:

"San Francisco, May 19 1205 p

Board, Washington

Have transmitted telegram from Superintendent of Banks giving information about Security State Bank, Ontario a non-

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member bank. I am of the opinion that it would be of advantage to Ontario to have bank failure avoided by permitting Auxiliary Corporation of Bank of Italy to take over bank as requested by Superintendent of banks. Application has been filed and is being forwarded.

Perrin."

"San Francisco, May 19 1210 p

Crissinger, Washington

In regard Security Bank, Ontario, deposit liability one hundred seventy-six thousand stop. Bills payable and rediscounts thirty thousand and eight hundred stop Deposits include maturing time certificates forty-six thousand which bank unable to meet account exhaustion reserves stop Management incompetent and must be removed stop Liquidation inevitable unless sale can be made to Bank of Italy stop Consider that bank has sufficient assets to cover deposit liability stop I consider it to be for the public convenience and advantage to save this community from shock of enforced liquidation and hope you will favorably consider bank of Italy's application to make this purchase.

J. F. Johnson, Supt. of Banks."

"Los Angeles, Calif. May 18 9 37 pm

W G McAdoo

Care Shoreham Hotel, Washington

Per request Superintendent Banks Stockholders Auxiliary today closed contract subject examination for purchase Security State Bank, Ontario, urgent case suggest you have Federal Reserve grant branch permit immediately Superintendent Banks upon application can inform Board of Bank's condition

A. T. Giannini."

"El Centro, California, May 22 1 19 am

D. R. Crissinger,

Governor of Federal Reserve Board, Washington.

Advisable that Bank of Italy be permitted to take over Security State Bank of Ontario, California, would urge

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permission be wired immediately.

J. F. Johnson,  
Superintendent of State Banks of California."

Mr. Hamlin stated that he had on April 10th, 1923, presented certain resolutions setting forth the terms of a general policy covering the Federal Reserve Board's attitude towards applications for branches by state member banks, and requested that his resolutions be recorded upon the minutes of that date, but laid aside for the present as Unfinished Business.

Mr. Hamlin further stated that he now desired to amend the resolutions aforesaid, and to have them recorded upon these minutes as follows, with the request that the amended resolutions be treated at this time as were the original, and laid aside for the present as Unfinished Business:

"Resolved:

That, in passing upon the establishment of Branches by Member State Banks and Trust Companies, whether de novo or through voluntary purchase of existing Banks, the Board will take into consideration the need of the community for additional or improved facilities and the effect of the establishment of the proposed Branch on the condition of the Parent Bank.

Resolved:

That, the Board will accept the decision of the State Banking Department as to the need of the community for additional or improved banking facilities.

Resolved:

That, the Board will not undertake to lay down any general policy as to territorial limitations or spheres of influence, but will accept the policy of the State with regard thereto, as determined by the State authorities."

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Thereupon there ensued a discussion of the application of the Stockholders' Auxiliary Corporation of the Bank of Italy, to take over the Security State Bank of Ontario, California.

Mr. Miller moved that the Board approve the application of the Stockholders' Auxiliary Corporation of the Bank of Italy to acquire the Security State Bank of Ontario, but with definite advice to the parties at interest that the Federal Reserve Board if requested to approve the establishment of a branch at Ontario will decline approval.

Mr. Hamlin moved as an amendment that the Board approve the application of the Stockholders' Auxiliary Corporation of the Bank of Italy to acquire the Security State Bank of Ontario, without prejudice to any further action, the Federal Reserve Board may wish to take if application is submitted to it by the Bank of Italy for permission to establish a branch at Ontario.

Mr. Hamlin's motion being put by the chair was lost. The roll being called the members voted as follows:

- Mr. Platt, "aye"
- Mr. Hamlin, "aye"
- Governor Crissinger, "no"
- Mr. Miller, "no"
- Mr. James, "no"
- Mr. Dawes, "no"

The chair then put Mr. Miller's original motion which was lost. The roll being called, the members voted as follows:

- Mr. Miller, "aye"
- Mr. Hamlin, "aye"
- Governor Crissinger, "no"
- Mr. Platt, "no"
- Mr. James, "no"
- Mr. Dawes, "no"

Mr. Hamlin thereupon moved the adoption of the following

resolution:

"In view of the critical situation existing at Ontario, as attested by the Federal Reserve Agent at San Francisco and the Superintendent of Banks of California, the application of the Stockholders' Auxiliary Corporation of the Bank of Italy to take over said Security State Bank of Ontario, California, is hereby approved, it being under-

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stood that this shall in no way interfere with any future policy of the Board as to the acquisition of branches which it may lay down."

Mr. Hamlin's motion being put by the chair was lost on a tie vote, the roll being called, the members voted as follows:

- Mr. Platt, "aye"
- Mr. Hamlin, "aye"
- Mr. James, "aye"
- Governor Crissinger, "no"
- Mr. Miller, "no"
- Mr. Dawes, "no"

At 11:45 o'clock, a recess was taken for the purpose of attending the meeting of the Federal Advisory Council.

At 3:00 o'clock the Board reassembled, those members being present who were present at the morning session.

PRESENT ALSO, AT THEIR REQUEST FOR A HEARING:

- Mr. W. G. McAdoo, and
- Mr. M. C. Elliott, (Representing the Bank of Italy, San Francisco, California.)

Mr. McAdoo presented to the Board further arguments in favor of a reconsideration by the Federal Reserve Board of action previously taken, by which the application of the Bank of Italy to establish branches at Yuba City and Sacramento, California, were disapproved. Mr. McAdoo also urged the Board to take favorable action upon the application of the Stockholders' Auxiliary Corporation of the Bank of Italy to acquire the Security State Bank of Ontario, California, in view of the possible serious loss to the public in Ontario, should the bank referred to be permitted to fail, and this action Mr. McAdoo emphasized should be taken entirely aside from any

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general policy which the Federal Reserve Board may adopt with a view to governing and controlling the extension of branch banks by member state banks in California.

After Mr. McAdoo and Mr. Elliott had withdrawn from the room and full discussion of the matter had been held, Mr. Dawes moved that the Board reconsider the action taken at the morning session under which Mr. Hamlin's resolution last referred to in the minutes of the morning session had been lost on a tie vote.

Mr. Dawe's motion being put by the chair was carried.

It was then, upon motion, voted that the following telegram be approved by the Board, and ordered transmitted to Mr. Perrin at San Francisco:

"The Board is in receipt of your telegram of May 19th, recommending approval of purchase of the Security State Bank of Ontario by the Stockholders Auxiliary Corporation of the Bank of Italy, it being noted that your recommendation and that of the State Superintendent of Banking is based upon the need for prompt action of this character in order to save disaster to the community through possible failure of this bank. The Board would not wish to withhold its consent to action thought necessary by you and the State Superintendent of Banking to save a critical banking situation in Ontario, but at the same time I must in all frankness advise you that the Board has had some hesitation in taking favorable action on your recommendation because it might seem to imply a precedent permissive of extension of the Bank of Italy into the Southern California territory. Such extension raises questions of general policy with respect to branch banking in California which now are under consideration by the Board but upon which conclusions have not yet been reached. However, on full consideration of your present recommendation and that of the State Superintendent of Banking the Board has decided to grant permission to the Stockholders Auxiliary Corporation of the Bank of Italy to purchase the Security State Bank of Ontario on the distinct assent of the State Superintendent of Banking and the Bank of Italy to an understanding with the Board that this action on the part of the Board will not be used as a precedent for applications for the extension of the Bank of Italy into Southern California until the Board has settled questions of general policy."



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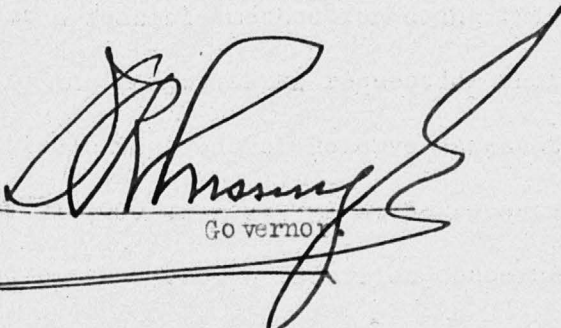
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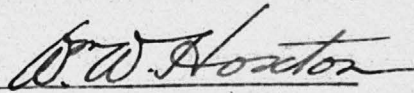
REPORTS OF COMMITTEE NO. 1:

- Dated May 17th, 18th, 19th, Recommending changes in stock at Federal Reserve Banks, as set forth in the Auxiliary Minute Book of this date.  
Approved.
- Dated May 17th, 18th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.  
Approved.
- Dated May 21st, Recommending approval of the application of Mr. P. A. Dinsmore to serve at the same time as director of the First National Bank of Oakland, Cal., and of the First National Bank of Concord, Cal.  
Approved.
- Dated May 19th, Recommending approval of the application of Mr. John G. Groves to serve at the same time as director of the Drovers National Bank, the Commerce Trust Company, both of Kansas City, Mo.  
Approved.
- Dated May 22nd, Recommending approval of the application of Mr. John A. Carroll to serve at the same time as Director and President of the Hyde Park State Bank, the South Shore State Bank, and the Jackson Park National Bank, all of Chicago, Illinois.  
Approved.
- Dated May 22nd, Recommending approval of the application of Mr. William J. Pringle to serve at the same time as Director of the Jackson Park National Bank, the Hyde Park State Bank and of the South Shore State Bank, all of Chicago, Illinois.  
Approved.

The meeting adjourned at 5:15 P.M.

Approved:

  
Governor

  
Secretary.