

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, August 2, 1923, at 11:00 a. m.

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

The minutes of the meeting of the Federal Reserve Board held on July 31st were read and approved as amended.

Draft of circular letter, dated August 2nd, to be sent, over the signature of the Assistant Secretary, to all Federal Reserve Agents, advising them of an announcement by the Director of the Bureau of Engraving and Printing of a reduction of \$7.92 per thousand sheets in the rate to be charged for Federal Reserve notes, a new rate of \$42.50 per thousand sheets to be effective until further notice.

Approved and ordered transmitted to all Federal Reserve Agents.

Mr. Miller, on behalf of the Committee on Economy and Efficiency, submitted a proposed draft of circular letter, dated August 2nd, to be sent to the Governors of all Federal Reserve Banks, on the subject "Currency Standard".

Approved and the Secretary instructed to transmit same to the Governors of all Federal Reserve Banks.

At this point Mr. Gilbert, Under Secretary of the Treasury, entered the room and the Governor submitted to the Board two letters, dated July 24th and July 26th, from Mr. Gilbert with reference to the policy of paying out gold at the Federal Reserve Banks. Mr. Gilbert stated that the Treasury Department believes that the best interests of the country would be served by paying out gold into circulation to a much larger extent than has been attempted by the Federal Reserve Banks and that in view of the Board's letter of May 4, 1923 to the Federal Reserve Banks the Treasury Department has been hoping that some such

policy would be adopted at this time by the Federal Reserve Board. He further stated his belief that the more general payment of gold by the Federal Reserve Banks for their own account would tend to reduce the temptation to inflation. Mr. Gilbert expressed the opinion that the responsibility for the currency of the country is vested jointly in the Secretary of the Treasury and the Federal Reserve Board, and stated that while the Treasury had a stated policy and was following it, the Federal Reserve Board, so far as he knew, had never adopted a policy. He expressed the desire that the Board consider the matter and reach some conclusion, and suggested that a resolution in the following form be adopted:

"Resolved, That the Federal Reserve Board believes that gold certificates should gradually be restored to general circulation and that the occasion has passed for the continued accumulation of gold in the Federal Reserve Banks; and further, that in pursuance of this policy the Federal Reserve Banks should pay out gold certificates freely with other forms of currency in making current payments, both for their own account and in their capacity as depositaries and fiscal agents of the United States."

Mr. Miller stated that he would be willing to concur in the proposal made by Mr. Gilbert, providing the Board should not adopt the plan proposed by him for stating the reserve positions of the Federal Reserve Banks, said plan involving a gold policy for the Federal Reserve System.

Mr. Hamlin stated that should Mr. Miller's proposed plan be brought to a vote during his absence, he desired to be recorded as being in favor of that plan.

After further discussion, it was voted that the Governor be requested to order this entire matter placed upon the docket for consideration at the earliest practicable date.

At this point Mr. Gilbert withdrew from the room.

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Three letters, dated July 20th and July 26th, from Hon. J. L. Milligan, Member of Congress, recommending that certain counties in western Missouri be transferred from the Eighth Federal Reserve District to the Tenth Federal Reserve District.

Ordered referred, with all enclosures, to a joint committee composed of the members of the Committees on Districts Eight and Ten; Messrs. James and Hamlin for District No. Eight and Messrs. Cunningham and Miller for District No. Ten.

Letter, dated July 30th, from the Federal Reserve Agent at Dallas, with reference to conditions in the Eleventh District, and requesting approval of the Board to completing an arrangement with the Federal Reserve Bank of New York to sell \$1,232,000.00 of U. S. 3% Conversion bonds to the Federal Reserve Bank of New York on a 4% basis, with a repurchase agreement, before actually rediscounting with other Federal Reserve Banks. Mr. Talley also inquired whether the Board has in mind any minimum ratio to which the Federal Reserve Bank of Dallas should permit its reserve to drop before rediscounting paper with other Federal Reserve Banks.

The Secretary was instructed to advise Mr. Talley by wire that the Board will interpose no objection to the completion of an arrangement with the Federal Reserve Bank of New York in the matter of the sale of the U. S. 3% Conversion bonds above referred to, and further to advise Mr. Talley that the Board is of the opinion that the Federal Reserve Bank of Dallas should not permit its combined reserve ratio to drop below 40 per cent, but should at that point apply to the Board for permission to rediscount with other Federal Reserve Banks.

The Governor then stated that Senator Curtis had advised him that a Committee of bankers and citizens of Wichita, Kansas would be in Washington on September 6th for the purpose of discussing with the Board the question of a branch Federal Reserve Bank at Wichita.

This matter was ordered docketed for September 6th.

Letter of July 31st, from the Deputy Governor of the Federal Reserve Bank of New York, with reference to the letter of July 18th from the Under Secretary

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of the Treasury, inquiring what the attitude of the Federal Reserve Banks would be in case they were requested by the Intermediate Credit Banks to receive subscriptions to a forthcoming offering of debentures.

Mr. Platt moved that the recommendations made in Mr. Case's letter be accepted and approved as the action of the Board. Carried.

Memorandum, dated August 2nd, from General Counsel, subject "Bonds of Federal Intermediate Credit Banks as collateral security for direct loans by Federal Reserve Banks to member banks", prepared in response to a telephonic inquiry from Hon. R. A. Cooper, Member of the Farm Loan Board, on the subject.

Approved, and the Secretary directed to inform Mr. Cooper by phone of the opinion of Counsel in the matter.

Letter dated August 2nd, prepared by the Secretary of the Board, in reply to a letter, dated July 25th, from the Deputy Governor of the Federal Reserve Bank of St. Louis, with reference to the routing of checks on par-remitting non-member banks direct to those banks or through members.

Approved.

The Governor stated that following the conference yesterday with the Advisory Committee of Federal Reserve Bank Governors and Messrs. Claiborne and Adams, appearing on behalf of the Committee of Five on Exchange of the American Bankers' Association (said conference having been stenographically reported), the Advisory Committee had submitted a report upon the so-called Claiborne-Adams plan for check clearing and collection, including in that report certain other recommendations.

Thereupon the Secretary read to the Board the report as follows:

"August 1, 1923

"Gentlemen:

In compliance with your request that we should make a statement of our

"views on the three subjects discussed at today's conference, we beg to advise you as follows:

Amended Regulation 'J' suggested by Messrs. Claiborne and Adams on behalf of the Committee of Five on Exchange of the American Bankers' Association.

"We are entirely and unanimously opposed to this plan for the following reasons:

(1) It would reinstate and perpetuate one of the most glaring faults of the old banking system - the creation of a fictitious reserve.

(2) It would be a substantial abandonment of the par collection system and would pave the way for the imposition upon the commerce and business of the country of an annual charge of over \$100,000,000.

(3) If immediate availability were to be given by each bank on all items in its district there would probably be added to the float over \$300,000,000, calculating simply on the basis of the present weekly consolidated statement of the System. In practice this float would be enormously increased.

Human nature being what it is, it is inconceivable that banks would not take advantage of the unusual opportunity afforded them. Instead of forwarding to their own Federal reserve bank checks payable in other Federal reserve districts, they would naturally send such items to correspondents in other Federal reserve bank cities, which correspondents could deposit them in their own Federal reserve banks and receive immediate credit and availability without being subject to the exchange charge. This would result in giving immediate credit and availability for practically all checks, as received at each Federal reserve bank or branch. It is also evident that it would make possible unlimited 'kiting'.

(4) As these additional credits would be either checked out or used to reduce loans, there would not only be a reduction in the reserve ratio of the Federal reserve system but there would be a still further very large reduction in the actual reserves of the member banks which were practically cut in half when the Federal reserve system was established.

"These objections might be elaborated and various others might be cited, but the mere enumeration of those stated above seems sufficient wholly to condemn the plan. In view of these considerations and of the further facts which were brought out at the hearing today, this Committee respectfully and earnestly recommends that the Board promptly announce its rejection of the proposed plan.

Effective date of Amended Regulation 'J'.

"In view of the fact that a revision of the phraseology of amended Regulation 'J' seems desirable, it is recommended that the postponement of the effective date for this Regulation be continued until further notice.

Changes in practice of making collections on banks not willing to remit at par.

"In order to conform to the fullest possible extent to the spirit, as well as the letter, of the recent decisions of the Supreme Court of the United States in the par clearance cases, it is recommended that the use of agents other than banks for the purpose of making collections at par of items upon non par-remitting

"banks be discontinued in any district where any such practice may now exist.

Respectfully,

The Federal Reserve Board,
Washington, D. C.

(Signed) Geo. W. Norris,
(Signed) J. H. Case,
(Signed) J. B. McDougal,
(Signed) E. R. Fancher,
(Signed) W. P. G. Harding,
(Signed) Chas. A. Peple

Advisory Committee of Governors"

Upon motion, the Governor was authorized to deliver a copy of the report to Messrs. Claiborne and Adams and, simultaneously, to give out a press release transmitting the full text of the Claiborne-Adams proposal and the Advisory Committee's report.

In order to give force and effect to the third recommendation contained in the report of the Advisory Committee, the Governor was requested to transmit the following telegram to the Governors of all Federal Reserve Banks:

"In order to conform to the fullest possible extent to the spirit, as well as the letter, of the recent decisions of the Supreme Court of the United States in the par clearance cases, it is directed that the use of agents other than banks for the purpose of making collections at par of items upon non par-remitting banks be discontinued at the earliest possible date in any district where any such practice may now exist."

The two remaining recommendations contained in the report of the Advisory Committee, together with the Claiborne-Adams proposal, were referred to the Committee on Clearings, with the understanding that the matter will be submitted to the next meeting of the Federal Advisory Council for consideration and report.

The Committee on Examination submitted a report, dated August 2nd, upon the application of the Bank of Italy, San Francisco, dated July 11, 1923, and transmitted to the Board by Mr. Perrin in his letter of July 12, 1923, for the Board's approval of preliminary negotiations by that bank looking to the estab-

lishment of two additional branches through the purchase of the American Savings Bank of Long Beach, California, and the Golden State Bank of Long Beach, California; said report recommending that the application be disapproved.

Upon motion of Mr. James, the recommendation of the Committee on Examination was adopted as the action of the Board. Upon call of the roll, the members voted as follows:

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

The Committee on Examination submitted a report, dated August 2nd, upon the application of the Pacific-Southwest Trust and Savings Bank, Los Angeles, dated July 14, 1923, and transmitted to the Board by Mr. Perrin in his letter of July 16, 1923, to absorb the Pioneer Bank of Porterville, California, and its branches at Exeter and Strathmore; said report recommending that the application be disapproved.

Upon motion of Mr. James, the recommendation of the Committee on Examination was adopted as the action of the Board. Upon call of the roll, the members voted as follows:

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

The Committee on Examination submitted a report, dated August 2nd, upon the application of the Pacific-Southwest Trust and Savings Bank, Los Angeles, dated June 14, 1923, and transmitted to the Board by Mr. Perrin in his letter of July 20, 1923, to establish a branch on Vermont Avenue, between Santa Barbara

and Slauson Avenues, Los Angeles; said report recommending that the application be disapproved.

Mr. Hamlin moved that the application of the Pacific-Southwest Trust and Savings Bank to establish the Vermont Avenue branch be approved. Upon call of the roll on Mr. Hamlin's motion, the members voted as follows:

- Mr. Platt, "aye"
- Mr. Hamlin, "aye"
- Mr. Miller, "aye"

- Governor Crissinger, "no"
- Mr. James, "no"
- Mr. Cunningham, "no"
- Mr. Dawes, "no"

The Chair announced that Mr. Hamlin's motion to approve the application was lost by a vote of four to three and that the recommendation of the Committee on Examination was adopted as the action of the Board.

With reference to the action taken by the Board at the meeting on July 31, 1923, whereby the Committee on Examination was instructed to prepare a tentative draft of reasons upon which action should be based in the event that the Board finally decided to decline the applications for branches of the Bank of Italy and the Pacific-Southwest Trust and Savings Bank, the Chairman of the Committee reported that it had been unable to reach an agreement and there were, therefore, submitted a majority report and a minority report.

Thereupon the Secretary read the majority report submitted by Messrs. Dawes and James and the minority report submitted by Mr. Platt, as follows:

MAJORITY REPORT

"WHEREAS, the Pacific-Southwest Trust and Savings Bank, now having seventy-five branches situated in various parts of California, over an area many miles in extent, has made application to the Federal Reserve Board for permission to establish certain additional branches in said State; and likewise the Bank of Italy, now having seventy-one branches situated in various parts of California, over an area many miles in extent, has made application to the Board for permission to establish certain additional branches in said State;

"WHEREAS, it would become highly impracticable for the Federal Reserve Bank of the Twelfth District to make a simultaneous examination of either of

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"the aforementioned parent banks and their respective branches if either of them were permitted to establish any additional branches, for the reason that said Federal Reserve Bank could not command a sufficient force of experienced bank examiners;

"WHEREAS, it is the belief of the Board that should further additions of branches be permitted to either of the aforementioned banks, it would become practically impossible for the officers of either of these parent banks to conduct the administration of their respective branches in a manner consistent with the Federal Reserve Act and the historic customs and principles of American Banking and of the member banks of the Federal Reserve System operating in other States;

"WHEREAS, it is the intent of the Federal Reserve Act that conferring the privileges of membership in the Federal Reserve System to the Banks should constitute a protection to the public, and further that such member State Banks should conduct their business in conformity with sound banking practices;

"WHEREAS, the Federal Reserve Banks and the Federal Reserve Board are required to have due regard to the claims and demands of all member banks, and the Federal Reserve Board feels that it should not permit any one member Bank so to conduct its business as to impose an undue burden upon the Federal Reserve System; and

"WHEREAS, the Federal Reserve Act specifically provides that in acting upon applications of State banks for membership in the Federal Reserve System the Federal Reserve Board shall consider whether or not the corporate powers exercised are consistent with the purposes of the Federal Reserve Act, and the Federal Reserve Board is of the opinion that the power to establish an unlimited number of branches scattered over an entire State is inconsistent with the purposes of the Federal Reserve Act, the Board believes that it is its duty to impose a reasonable limitation on the establishment of branches by banks which are members of the Federal Reserve System, even though such banks were incorporated under State laws which permit them to establish an unlimited number of branches;

"NOW, THEREFORE, BE IT RESOLVED, that the Board holds the reasons stated above as sufficient grounds for its action in disapproving the application of the Pacific-Southwest Trust and Savings Bank for the establishment of branches at Porterville, Exeter and Strathmore, and on Vermont Avenue, Los Angeles; and for its disapproval of the application of the Bank of Italy for the establishment of branches at Long Beach and Yuba City. The Board considers it unnecessary to refer to other and important reasons which could be named as additional grounds for its decision and as to which the Board makes reservation.

Respectfully submitted,

(signed) Henry M. Dawes, Chairman,
(signed) George R. James. "

MINORITY REPORT

"It seems to me that if the Federal Reserve Board should pass the resolutions recommended by the majority of the Committee with relation to branch banks it would take a position and express opinions so directly contrary to its previous policies and expressions that State bank managers will be justified in feeling that they cannot depend upon continuity or consistency of policy on the part of the Federal Reserve Board in matters affecting State bank members.

"In these resolutions it is stated that 'the Federal Reserve Board is of the opinion that the power to establish an unlimited number of branches scattered over an entire State is inconsistent with the purposes of the Federal Reserve Act'. This is the first intimation the Board has ever given that it held any such opinion. The 'power to establish an unlimited number of branches scattered over an entire State' existed in California when its great State banks were admitted to the System, and furthermore it exists in several other States. The California State banks maintaining branches were admitted not only with full knowledge on the part of the Federal Reserve Board of the existence of this power, but with assurance issued on the authority of the Board that the privilege of establishing new branches when the State authorities certified that their establishment was to the public advantage, would not be curtailed so long as the affairs of the banks were soundly administered. These banks were solicited to join the reserve system, and did join at a time when the addition of their subscriptions and deposits to the resources of the Reserve Bank of San Francisco were greatly needed. It is safe to say, I think, that if such an opinion as is expressed in this resolution had been expressed then they would not have joined. They have not been large borrowers, according to the Board's records, the borrowings of the Bank of Italy in fact having been exceptionally small.

"It seems to me furthermore that even if the Committee and the Board feel that there should be a limit to the number of branches which any bank should be permitted to maintain the statement of that opinion should not be made in terms so broad. If this resolution should pass it will put the Board on record as of the opinion that the mere 'power to establish an unlimited number of branches scattered over an entire State is inconsistent with the purposes of the Federal Reserve Act'. Can it possibly be maintained that the power to establish Trust Company branches throughout the State in Rhode Island is 'inconsistent with the purposes of the Federal Reserve Act'? That power exists today in Rhode Island. I am not disposed to get into argument over definitions, as to just what the majority report means by the word 'unlimited', but I think it can be argued that the power to establish branches of State banks under the California laws is not 'unlimited' as, for instance, in England and Canada where banks may establish branches wherever their managers think they are needed or can be made to pay, without interference from or the permission of any governmental authority. In California the State banking Superintendent must grant a certificate of public convenience and advantage. He has absolute authority to refuse to grant a certificate, and if he refuses the bank apparently has no right of appeal. Certainly the Federal Reserve Board has no power to authorize the establishment of a branch in California if the Superintendent of banks refuses his written approval. It must be remembered also that the California law says that approval 'shall not be given by him until he has ascertained to his satisfaction that the public convenience and advantage will be promoted by the opening of such branch office'. In addition to this the law provides capital requirements which must sometimes operate as a limit.

"The wording of this paragraph of the preamble affords some ground for the belief that the majority of the committee is of the opinion that branch banking generally, whether limited or unlimited, is inconsistent with the purposes of the Federal Reserve Act. Undoubtedly the Federal Reserve Act was passed largely for the purpose of bringing together the many scattered institutions of a unit banking system, but there were National banks with branches - one of the most notable cases in California - when the Federal Reserve Act was passed, and the National Banking Act expressly provided that State banks maintaining branches could be

"converted to National Banks and retain their branches. There is therefore nothing in the law that implies that branch banking is inconsistent with the Federal Reserve Act. On the contrary the central banking institutions of other great commercial countries which to some extent served as a model for the Federal Reserve banks, all deal chiefly, and some of them almost exclusively, with branch banking. It seems to me that one of the chief difficulties in the administration of the Federal Reserve Act arises from the really tremendous differences in size, in resources and in opportunities among our multitudinous unit banks. Policies which fit the great banks of the financial centres, banks which somehow manage to do a nation wide business in spite of the handicaps of the law, are frequently not suited to the small country bank, in a limited territory where there is always more demand for money than can possibly be saved by the people of the neighborhood. The tendency of branch banking is to reduce these tremendous inequalities, through the conversion of the small banks with their limited loaning power into branches of strong institutions operating over considerable territory, with the loaning power of city banks.

The Examination Question

"The second paragraph of the preamble to the resolution submitted by the majority of the committee states that 'it would be highly impracticable for the Federal Reserve Bank of the Twelfth District to make a simultaneous examination of either of the aforementioned parent banks and their respective branches if either of them were permitted to establish any additional branches, for the reason that the Federal Reserve Bank could not command a sufficient force of experienced bank examiners'.

"It seems to me that the ability of the Federal Reserve Bank of San Francisco to make unaided an examination of either of these large institutions is not now pertinent, since the Federal Reserve Board has authorized the Federal Reserve Bank of San Francisco to accept the examinations made by the State authorities, and the Reserve Bank has agreed, with the Board's approval, to furnish men to aid the State authorities in making simultaneous examinations of head offices and branches, compensation for the services of such men to be paid by the State.

"The Pacific Southwest Trust and Savings Bank was examined September 8, 1922, and the Bank of Italy September 30, 1922, under similar arrangements authorized by the Board. In each case the parent bank and all branches were examined simultaneously, and the banks were found to be in sound condition. Both the Banking Department of the State of California and the responsible directors and officers of the Reserve Bank most directly concerned have stated their belief that future examinations of the same banks can be satisfactorily made. Federal reserve banks, furthermore, have been authorized to make credit investigations, the primary purpose of which is to determine the soundness of the loaning policy of the banks under investigation, and there has been no claim that the Federal Reserve Bank of San Francisco was unable to obtain all the credit information it needs from these large institutions for the purpose of determining its loaning policy towards them.

"It seems to me therefore that the Board would not be justified in refusing to grant its permission for further branches of the Bank of Italy and the Pacific Southwest Trust and Savings Bank on the ground that they cannot be adequately examined. The State and the Federal Reserve Bank of San Francisco declare that they can be satisfactorily examined and no new conclusions would seem to be warranted until after the next examinations are held.

"I do not understand that the majority of the Committee holds the view that the situation has been greatly changed by the addition of new branches to these institutions since last September, yet the wording quoted with reference to examinations seems to imply that the limit in the number of branches that can be examined has been reached and that these institutions should go no further in the establishment of branches under any circumstances. It may be that a limit will be reached at some time, or that a limit should be fixed, but I see no sufficient reason now for arbitrarily closing the door to future expansion which may be to the advantage of the people of California, and I do not believe that the Federal Reserve Board, three thousand miles from California, should undertake to take the decision from the hands of the people of that State as to the sort of banking system they wish to develop. It appears to me probable that a natural economic limit on the number of branches that may be successfully maintained in a State like California will be reached in due time, and will make unnecessary any arbitrary limit imposed by law or by authority. If an arbitrary limit should seem necessary I believe it should be imposed by the people of California, rather than by the Federal Reserve Board which obtains its authority not directly through express legal grant of power, but indirectly through the provision for imposing conditions on State banks at the time of their admission to the System. "

Mr. Platt moved that his minority report be accepted by the Board, as a statement of its position, in lieu of the majority report.

Thereupon Mr. Miller raised a point of order, the point of order being that the Committee on Examination had been asked to prepare a statement of reasons upon which adverse action of the Board could be based and that Mr. Platt's report was, in fact, a statement of reasons upon which favorable action should have been based.

The Chair sustained the point of order.

Mr. James said he would have no objection to the inclusion of Mr. Platt's report as a part of the proceedings of the meeting, as showing the attitude of the two members who had voted in favor of granting the applications.

The motion of Mr. Dawes, that the majority report be accepted by the Board as a statement of its position, being put by the Chair, was carried.

Upon call of the roll, the members voted as follows:

Governor Crissinger,	"aye"
Mr. James,	"aye"
Mr. Cunningham,	"aye"
Mr. Dawes,	"aye"

Mr. Platt, "no"
 Mr. Hamlin, "no"
 Mr. Miller, "no"

Governor Crissinger stated that while he had voted for the majority report, he had voted to decline the applications of the California banks mentioned for reasons as stated in the majority report and additional reasons.

Mr. Daves and Mr. James stated that they were in the same position with reference to this matter as that held by Governor Crissinger, and Mr. James submitted a memorandum, addressed to the Governor, setting forth his objections to granting to member banks in the Federal Reserve System permission to operate branches.

Mr. Hamlin moved that the resolutions submitted in the majority report of the Committee on Examination and adopted by the Board be sent to the Federal Reserve Agent at San Francisco, with directions to him to transmit copies thereof to the banks at interest, namely, the Bank of Italy, San Francisco, and the Pacific-Southwest Trust and Savings Bank, Los Angeles.

Mr. Miller offered as a substitute for Mr. Hamlin's motion a draft of letter addressed to Mr. Perrin, as follows:

"Dear Mr. Perrin:

"The Federal Reserve Board has had before it applications (1) from the Pacific Southwest Trust and Savings Bank of Los Angeles, Cal., for permission to establish the following additional branches: -

Pioneer Bank of Porterville, Cal., with its
 branches at Exeter and Strathmore, Cal.

Branch on Vermont Avenue between Santa Barbara and
 Slauson Avenues, Los Angeles, Cal.;

and (2) from the Bank of Italy, San Francisco, Cal., for the Board's approval of preliminary negotiations by that bank looking to the establishment of the following additional branches: -

American Savings Bank, Long Beach, Cal.
 Golden State Bank, Long Beach, Cal.

"The Pacific Southwest Trust and Savings Bank with the approval of the State Banking Department of California and with the permission of the Federal Reserve Board has established and now operates 75 branches, including in this total 35 local offices in the metropolitan area tributary to Los Angeles, where the parent bank is located.

"The Bank of Italy has established and operates 71 branches, including 21 offices in the metropolitan area tributary to San Francisco, where the parent bank is located.

"The Board has denied the applications for the additional branches asked for by the two above named institutions. It has been led to take this action because of the serious magnitude of the problem of adequately examining and supervising such extensive branch systems as these two institutions in California already held. It is well known that both in California and in the nation at large there are wide differences of opinion as to the merits of the branch banking system when applied under American conditions. It has not been necessary for the Board, however, to take cognizance of considerations of general economic and banking policy in acting upon the applications of the two above named institutions. Until it is demonstrated by experience that adequate examination and satisfactory supervision of institutions operating such large numbers of branches as the two above named institutions can be provided in California, the Board will deny applications from them for the establishment of additional branches.

"You are requested to communicate the above conclusion under registered cover to the Presidents respectively of the Pacific Southwest Trust and Savings Bank of Los Angeles, Cal., and the Bank of Italy of San Francisco, Cal.

Very truly yours, "

Mr. Miller's substitute motion being put by the Chair was lost.
Upon call of the roll, the members voted as follows:

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

Mr. Hamlin's original motion being put by the Chair was carried.
Upon call of the roll, the members voted as follows:

Governor Crissinger,	"aye"
Mr. Platt,	"aye"
Mr. Hamlin,	"aye"
Mr. Miller,	"aye"
Mr. James,	"aye"
Mr. Cunningham,	"aye"
Mr. Dawes,	"aye"

Governor Crissinger stated that he had voted "aye" on both motions,
because he would prefer to send to the banks at interest both Mr. Miller's

suggested letter and the resolutions adopted from the report of the Committee on Examination.

Mr. Miller made the following statement:

"I voted to deny two of the applications and also voted to disapprove both statements of reasons. I voted against the applications on the grounds which I have stated in the letter to Mr. Perrin submitted to the Board. I voted "aye" on the motion of Mr. Hamlin to send to the banks interested a copy of the majority report, in spite of the fact that I do not approve of all the reasons therein stated, because I think they are entitled to a statement of reasons approved by a majority of the Board."

Mr. Platt stated that he had voted for the transmission of the majority report on the same grounds as those expressed by Mr. Miller.

Mr. James submitted to the Board an operating chart covering the organization of the Federal Reserve Board and its staff, and moved the following resolution:

"WHEREAS, On June 28th, 1923, the Federal Reserve Board adopted and promulgated a new set of By-Laws; and

"WHEREAS, Said new By-Laws established certain committees and otherwise changed the working procedure of the organization; and

"WHEREAS, In order to function efficiently the units of the working force should operate under proper guidance and system;

"BE IT RESOLVED, That the accompanying chart be hereby approved and adopted as the basis or outline for the relationship of the various units to and with the Board; and

"BE IT FURTHER RESOLVED, That the title of 'Secretary' be changed to 'General Secretary'; and

"BE IT FURTHER RESOLVED, That the title of 'Assistant Secretary' be changed to 'Executive Secretary'; and

"BE IT FURTHER RESOLVED, That the office and title of 'Assistant to Secretary' be created and conferred upon Mr. E. M. McClelland in compliance with the Board's instructions of July 24th, 1923 to the Secretary to employ a capable male stenographer, whose duty would be to attend all 'meetings' and 'hearings' of the Board for the purpose of accurately recording all motions, resolutions and important statements as made."

Carried.

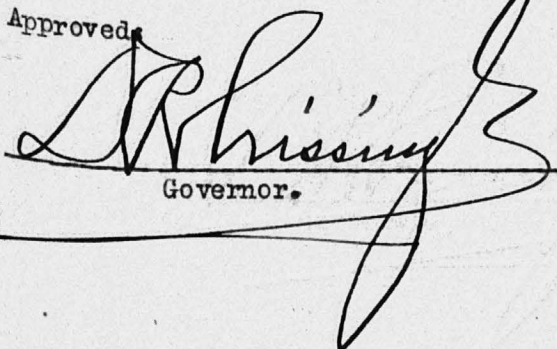
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REPORTS OF STANDING COMMITTEE:

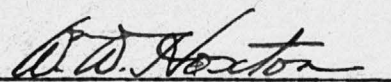
- Dated July 31st Recommending action on application for admission of state bank, subject to the conditions stated in the individual report attached to the application, as set forth in the Auxiliary Minute Book of this date.
Approved.
- Dated July 31st Recommending action on application of Mr. Samuel Stewart to serve at the same time as director of the Manufacturers National Bank, Lewiston, Maine, and as Trustee of the Augusta Trust Company, Augusta, Me.
Approved.
- Dated July 31st Recommending action on application of Mr. Willard F. Smith to serve at the same time as director of the Union Trust Company, Springfield, Mass. and as director of the Lee National Bank, Lee, Mass.
Approved.
- Dated July 31st Recommending action on application of Mr. Louis F. Butler to serve at the same time as director of the First National Bank, Boston, Mass. and as director of the First National Bank, Hartford, Conn.
Approved.
- Dated August 1st Recommending action on application of Mr. J. C. Traphagen to serve at the same time as director of the Nyack National Bank, Nyack, N. Y. and as Vice President of the Seaboard National Bank, New York, N. Y.
Approved.

The meeting adjourned at 2:30 p.m.

Approved:



Governor.



Secretary.