

In accordance with the action of the Board taken at its meeting on December 13th, a special meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Monday, December 17th at 10:30 a.m.

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

PRESENT ALSO, BY INVITATION:  
 Governor Strong, Federal Reserve Bank, New York  
 Chairman Jay, Federal Reserve Bank, New York

The Governor presented a letter dated December 14th, addressed to him by the Chairman of the Federal Reserve Bank of New York advising that at a meeting held on that date the directors of the bank had discussed the matter of participation in the program contemplating the purchases and sales of short term government securities, suggested by the Open Market Investment Committee under the terms of the Board's resolution of December 3rd, and that while they had voted to participate in the purchases and sales and are in full accord with the general purpose for which such purchases and sales would be made, they are impressed with the necessity of an appropriate public explanation concerning the whole subject of open market operations and without some such public explanation may wish to reconsider their decision to participate in the plan.

The Governor then stated that he had invited Messrs. Strong and Jay to meet with the Board in order that the members might have first hand information regarding the attitude of the board of directors of the New York bank in this matter.

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After a full discussion of advisability of publicity such as that suggested by the New York directors, and the form which any statement issued by the Board might best take, Mr. Hamlin moved:

"It is the sense of the Board that some statement on Open Market policy be made in the January issue of the Federal Reserve Bulletin".

Carried, Mr. Miller voting "no".

The Governor appointed Mr. Hamlin as a committee of one for the Board to cooperate with Messrs. Strong and Jay in the preparation of a form of statement to be submitted to the Board later.

At this point, Messrs. Strong and Jay withdrew from the meeting and the Board proceeded with its regular business.

The reading of the minutes of the last meeting was dispensed with.

In accordance with the action taken at the meeting on December 13th, the Governor appointed Messrs. Hamlin, Miller and Cunningham as a special committee to consider the pension plan recommended to the Board by the Pension Committee of the Governors' Conference and to report thereon to the Board.

Report of Committee on Examinations on the matter referred to it on the meeting of December 13th, namely, telegram dated December 12th from the Federal Reserve Agent at San Francisco, with respect to the proper procedure in connection with the merger on December 31st of the Wells-Fargo Nevada National Bank and the Union Trust Company, both of San Francisco; the Committee recommending approval of the procedure outlined in a memorandum dated December 13th, from the Board's Division of Examination.

Upon motion, the report of the Committee on Examinations was approved.

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Memorandum dated December 11th, from the Comptroller of the Currency, recommending approval of the application of the Farmers and Merchants National Bank of DeLeon, Texas, for permission to reduce its capital stock from \$100,000 to \$50,000.

The application having been approved on December 15th by the initials of four members of the Board, that action was, upon motion, formally ratified.

Report of Committee on Salaries and Expenditures, on letter dated December 13th from the Chairman of the Federal Reserve Bank of Richmond, recommending approval of the application of that bank for authority to close its books at the end of the year, to pay a dividend and to make certain charges against current net earnings.

Upon motion, the recommendation of the Committee on Salaries and Expenditures was approved.

Report of Committee on Salaries and Expenditures, on letter dated December 7th from the Chairman of the Federal Reserve Bank of San Francisco, recommending approval of the application of that bank for authority to close its books at the end of the year, to pay a dividend and to make certain charges against current net earnings.

Upon motion, the recommendation of the Committee on Salaries and Expenditures was approved.

Report of Committee on Salaries and Expenditures, on the proposal of the directors of the Federal Reserve Bank of New York, to make adjustments, ranging from \$50 to \$100, in the salaries of 2648 employees of the bank receiving salaries not in excess of \$5,000 per annum, the adjustments

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totaling \$166,060 and to be retroactive to January 1, 1923; the Committee recommending approval of the adjustments proposed.

Upon motion by Mr. Hamlin, the report of the Committee on Salaries and Expenditures was approved, Mr. Miller voting "no".

At this point, Mr. James left the meeting.

Draft of letter to the trust officer of the First National Bank of Belleville, Illinois, replying to his letter of December 7th, and transmitting a certified copy of the fiduciary certificate issued to that bank under date of December 13, 1918, and stating that while the Board is advised of no law of the state of Illinois which would prohibit the exercise of trust powers therein by national banks, the bank should consult with its local attorney regarding the matter.

Upon motion by Mr. Hamlin, the proposed letter was approved.

Letter dated December 12th, from the Chairman of the Federal Reserve Bank of New York, advising of the appointment by the board of directors of that bank of Messrs. McDougal, Ramsdell and Humphrey as directors of the Buffalo branch, and recommending that the Board appoint as its quota Messrs. Kloepper, Cole and Smith.

Mr. Miller moved that the number of directors of the Buffalo branch be reduced from seven to five, effective January 1, 1925.

Carried.

Upon motion, the letter from Mr. Jay was referred to the Committee on Nominations.

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Letter dated December 12th, from the Chairman of the Federal Reserve Bank of Dallas, advising of the appointment by the board of directors of that bank of Messrs. Coleman, Gossett and Bryan as directors of the Houston branch and Messrs. Weiss, Hurd and Williams as directors of the El Paso branch, and recommending that the Board reappoint its present directors on both boards.

Referred to Committee on Nominations.

Letter dated December 12th, from the Secretary of the Federal Reserve Bank of Cleveland, advising of the appointment by the board of directors of that bank of Messrs. Brown, Mellon and DeCamp as directors of the Pittsburg branch and Messrs. DuPuis, Lee and Manning as directors of the Cincinnati branch.

Noted.

Letter dated December 13th, from the Chairman of the Federal Reserve Bank of Richmond, advising of the appointment by the board of directors of that bank of Messrs. Dudley, Wilcox and Osborne, as directors of the Baltimore branch.

Noted.

At this point, Mr. James returned to the meeting.

Letter dated December 14th, from the Federal Reserve Agent at Richmond, advising that subject to the approval of the Board he has reappointed Messrs. Fry and Lee as Assistant Federal Reserve Agents at the head office, and Messrs. Duley and Donahue as Assistant and Acting Assistant Federal Reserve Agents at the Baltimore branch.

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Mr. Miller stated that he thought it advisable for the Committee on Branches to investigate the matter of the discontinuance of Assistant Federal Reserve Agents at branches of banks whose reserve positions are such that they can carry as issued a sufficient stock of Federal Reserve notes at the branches without unduly depleting their reserves.

Upon motion, the letter from Mr. Hoxton was referred to the Committee on Branches.

Letter dated December 11th, from the Federal Reserve Agent at Dallas, advising that subject to the approval by the Board he has reappointed Messrs. Hall and Reordan as Assistant Federal Reserve Agents at the head office and Mr. W. J. Evans as Acting Assistant Federal Reserve Agent to serve during Mr. Reordan's temporary detail to the El Paso branch.

Upon motion by Mr. Miller, the above mentioned appointments by Mr. Talley were approved.

At this point, Mr. Cunningham entered the meeting.

Memorandum dated December 14th, from Counsel on the subject "Rediscount of Paper for Ineligible Non-member Banks at Increased Rates", submitted in accordance with action taken at the Board meeting on November 27th and memorandum dated December 15th on the subject "Rediscount of Paper for Ineligible Non-member Banks at Rate Borne by Such Paper", requested by the Board at its meeting on December 11th.

Upon motion, Counsel's memoranda were ordered circulated.

The Governor brought up the matter ordered circulated at the meeting on December 11th, namely, memorandum from Counsel dated December 4th, recommending final refusal of the application of Mr. E. S. Welch for permission to serve at the same time as director of the Old Colony Trust Company and the National Union Bank, both of Boston, Massachusetts, said recommendation having the approval of the Law Committee.

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Upon motion, Counsel's recommendation was approved and the application was finally refused.

Letter dated December 15th, from the Federal Reserve Agent at Atlanta, replying to the Board's telegram of December 13th, with regard to the application of the Farmers Bank of Pelham, Georgia, for permission to establish a branch at Sale City, Georgia, and transmitting the additional information requested by the Board.

Referred to the Committee on Examinations.

The Governor brought up the special order of business - report of the Committee on Examinations on the matters referred to it at the meeting on December 13th, namely, three letters dated December 12th, from Mr. M. C. Elliott, Counsel for the Bank of Italy, renewing that bank's applications for permission to establish branches at Watsonville, Long Beach and Santa Maria, California; the Committee recommending that the applications be voted upon by the Board without further comment or investigation by the Committee.

Mr. James called attention to the following letter addressed to the Governor of the Board by the President of the Bank of Italy under date of January 23, 1922:

"Your letter dated the Eighteenth of this month has just been transmitted to me by Hon. John Perrin, Chairman of the Board and Federal Reserve Agent of this District.

In compliance with your request, permit me, on behalf of the Bank of Italy, to give the Federal Reserve Board, through you, our formal assurance that the future action of the Bank of Italy with respect to the acquisition of interests in other banks will be in strict accord with the terms of the following Memorandum of Agreement, which is hereby accepted by way of supplement to Membership Condition No. 8, viz:

'The Bank of Italy agrees that for the future, it will not either directly or indirectly, through affiliated corporations or otherwise, acquire an interest in another bank in excess of 20 per cent of the

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'capital stock of said other bank, nor directly or indirectly promote the establishment of any new bank for the purpose of acquiring such an interest in it, nor make any engagement to acquire such an interest, without first having received the approval of the Federal Reserve Board, following an application on a form approved by said Board'".

The application of the Bank of Italy for permission to take over the Bank of Watsonville and the Watsonville Savings Bank and to convert them into a branch of the Bank of Italy at Watsonville was considered and Mr. Hamlin moved approval of the application.

Mr. Hamlin's motion being put by the chair, the members voted as follows:

Governor Crissinger, "aye"  
Mr. Platt, "aye"  
Mr. Hamlin, "aye"  
Mr. James, "no"  
Mr. Cunningham, "no"  
Mr. Dawes, "no"  
Mr. Miller not voting

The chair announced that the vote had resulted in a tie and Mr. Hamlin's motion to approve the application was lost.

The application of the Bank of Italy for permission to take over the American Savings Bank and the Golden State Bank, both of Long Beach, California, and to convert them into branches of the Bank of Italy was considered and Mr. Platt moved approval of the application.

Mr. Platt's motion being put by the chair, the members voted as follows:



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- Governor Crissinger, "aye"
- Mr. Platt, "aye"
- Mr. Hamlin, "aye"
- Mr. James, "no"
- Mr. Cunningham, "no"
- Mr. Dawes, "no"
- Mr. Miller not voting

The chair announced that the vote had resulted in a tie and that Mr. Platt's motion to approve the application was lost.

The application of the Bank of Italy for permission to establish a branch de novo at Santa Maria, California, was considered and Mr. Hamlin moved approval of the application.

Mr. Hamlin's motion being put by the chair was lost, the members voting as follows:

- Mr. Hamlin, "aye"
- Governor Crissinger, "no"
- Mr. Platt, "no"
- ~~Mr. Hamlin, "no"~~
- Mr. James, "no"
- Mr. Cunningham, "no"
- Mr. Dawes, "no"
- Mr. Miller not voting

Mr. Hamlin, in explanation of his vote stated that he had originally believed that the Bank of Italy had violated the agreement that it entered into with the Board, but that as it appeared the preliminary negotiations were made subject to the approval of the Board, he believed that to be a fair compliance with the agreement.

Mr. James stated that he did not concur with Mr. Hamlin in his conclusions.

In explanation of his having "not voted", Mr. Miller stated he was pursuing the course which he had since the Board had adopted the branch bank

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resolutions of November 7, 1923, and principally for the reason that the meaning and the application of the resolutions of November 7th were not clear to him and that, therefore, the majority of the Board which adopted them was presumably in the best position to know what the resolutions were intended to accomplish and how to apply them to specific cases.

Mr. Miller stated that the vote on the Bank of Italy applications now discloses that there was a division among the majority which had voted for the resolutions of November 7th, with the result that the affirmative and negative votes of the Board on the Bank of Italy's applications had resulted in a tie. He stated that that is an unfortunate and unsatisfactory position in which to leave things, and gave notice that he would ask for a reconsideration of the Bank of Italy's applications at tomorrow's meeting.

The chair ruled that Mr. Miller could make a motion that the Board reconsider its action with respect to the Bank of Italy's applications at the meeting tomorrow.

Governor Crissinger stated that he had cast his vote in favor of the Watsonville and Long Beach applications because he thought it unfair for the Board to refuse those applications in view of the fact that it has granted branches to other banks in California since the adoption of the resolution laying down its policy. The Governor stated further that he voted "aye" because he felt it was not right to put the Board in the position of being partial to other banks as against the Bank of Italy, and that he had voted against the Santa Maria application because it was a branch de novo and was not im-

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portant under the policy adopted by the Board.

REPORTS OF STANDING COMMITTEES:

Dated, December 15th, Recommending changes in stock at Federal Reserve banks, as set forth in the Auxiliary Minute Book of this date.

Approved.

Dated, December 17th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Approved.

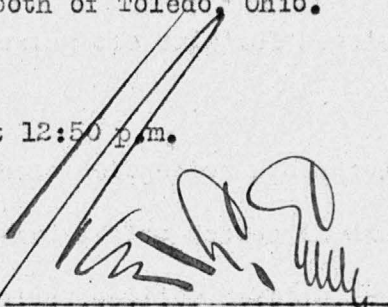
Dated, December 14th, Recommending approval of the application of Mr. Albert M. Creighton to serve at the same time as director and Vice President of the Central National Bank of Lynn, Massachusetts and as director of the National Shawmut Bank, Boston, Massachusetts.

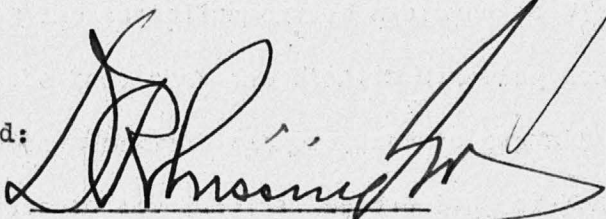
Approved.

Dated, December 14th, Recommending approval of the application of Mr. Charles E. Bunting to serve at the same time as director of the Northern National Bank and of the Summit Trust Company, both of Toledo, Ohio.

Approved.

The meeting adjourned at 12:50 p.m.

  
Secretary.

Approved:   
Governor.