

Pursuant to the terms of adjournment of the meeting this morning, a meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, December 18th, at 2:50 p.m.

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

Letter dated December 17th from the Comptroller of the Currency advising of the resignation, effective December 31, 1923, of Mrs. Martha Copeland, bookkeeper in the Federal Reserve Issue and Redemption Division.

Accepted.

Telegram dated December 17th from the Comptroller of Investments of the Federal Reserve Bank of Chicago requesting approval of the application of the Illinois Merchants Trust Company of Chicago for authority to accept dollar exchange drafts drawn by banks or bankers in countries on the approved list, which includes Argentine.

Approved.

Letter dated September 14th from the Federal Reserve Agent at Chicago transmitting the application of the Illinois Merchants Trust Company for permission to accept up to 100% of its capital and surplus.

Approved.

Letter dated December 15th from the Chairman of the Federal Reserve Bank of Atlanta advising of the reelection by the board of directors of that bank of directors for its branches at New Orleans, Birmingham, Jacksonville

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and Nashville.

Noted.

Letter dated December 15th from Chairman of the Federal Reserve Bank at Atlanta transmitting the recommendation of the directors of that bank that the Board reappoint for the year 1924 its present appointees on the directorates of the branches of that bank.

Referred to Committee on Nominations.

Mr. Hamlin moved that the terms of all branch bank directors hold over until their successors are elected and qualified.

Carried.

Letter dated December 15th from the Chairman of the Federal Reserve Bank of Atlanta advising of the election of Mr. Oscar Wells, President of the First National Bank of Birmingham, as member of the Federal Advisory Council from the Sixth Federal Reserve District for a term of one year, ending December 31, 1924, to succeed Mr. E. W. Lane.

Noted.

Letter dated December 15th from the Federal Reserve Agent at Atlanta advising of the reappointment, subject to the approval of the Board, of Assistant Federal Reserve Agents and Alternate Assistant Federal Reserve Agents to serve, for the year ending December 31, 1924, at the head office and branches.

Referred to Committee on Branches.

Letter dated December 17th from the Comptroller of the Currency recommending approval of the application of the First National Bank of

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Havensville, Kansas, for permission to reduce its capital stock from \$40,000 to \$25,000.

Approved.

Report of Committee on Salaries and Expenditures, on letter dated December 12th from the Chairman of the Federal Reserve Bank of New York, 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 8th from the Secretary of the Federal Reserve Bank of Chicago, recommending approval of the application of that bank for permission 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 report of the Committee on Salaries and Expenditures was approved.

Report of the Committee on Salaries and Expenditures, on letter dated December 13th from the Chairman of the Federal Reserve Bank of Kansas City, 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 report of the Committee on Salaries and Expenditures was approved.

Report of Committee on Salaries and Expenditures, on letters dated

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December 11th from the Chairman of the Federal Reserve Bank of Dallas, 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 report of the Committee on Salaries and Expenditures was approved.

Report of the Committee on Salaries and Expenditures, on letter dated December 8th from the Governor of the Federal Reserve Bank of Cleveland, recommending approval of the application of that bank for authority to close its books at the end of the year and to make certain charges against current net earnings.

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

The Secretary stated that he submitted the above applications for charge-offs to Mr. Miller, the third member of the Board's Committee on Salaries and Expenditures, and that Mr. Miller stated he was willing to accept without examination the reports which bear the signatures of the majority of the Committee.

The Governor then presented the report of the Committee on Salaries and Expenditures with regard to the organization of the Federal Reserve Board, recommending certain changes in the organization and increases in the salaries of certain employees, the increases aggregating \$19,975.

Mr. Hamlin moved that the Board reconsider action formerly taken, and that the pegging of the salary of the Board's General Counsel at \$8,000 per annum be rescinded.
Carried.

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Thereupon, upon motion for each division, the changes in organization and salary increases recommended by the Committee on Salaries and Expenditures were unanimously approved.

Upon motion, the question of discontinuing the Division of Architecture was referred to the Executive Committee with power.

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The minutes of the meeting of the Federal Reserve Board held on December 17th were read and approved as amended.

The chair then stated that the special order of business was Mr. Miller's motion to reconsider the action of the Board at the meeting yesterday in disapproving the applications of the Bank of Italy for permission to establish branches at Watsonville, Long Beach and Santa Maria, California.

Mr. James inquired whether the Board was aware of the correspondence between Governor Harding and the Bank of Italy in January, 1922, which he had inserted in the minutes yesterday, and Mr. Miller explained that the Board was cognizant of the correspondence, and, as a matter of fact, that he was the author of the conditions imposed upon the Bank of Italy as contained in Governor Harding's letter.

Mr. Miller's motion to reconsider action taken on the above mentioned applications of the Bank of Italy being put by the chair, was carried, the members voting as follows:

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

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Thereupon, 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 reconsidered and Mr. Hamlin moved approval of the application.

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

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

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 reconsidered and Mr. Platt moved approval of the application.

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

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

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

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proval of the application.

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

Governor Crissinger, "no"

Mr. James, "no"

Mr. Cunningham, "no"

Mr. Dawes, "no"

Mr. Platt, "aye"

Mr. Hamlin, "aye"

Mr. Miller, "aye"

In explanation of his affirmative vote on the Bank of Italy applications Mr. Miller stated that some of those who had voted "no" yesterday against the applications had so voted not because an "aye" vote would have contravened the intent and principle of the branch bank resolutions of November 7th, but for the reason that the Bank of Italy had violated the terms of an earlier agreement with the Board regarding the conditions which should govern the acquisition of stock ownership in banks. It appears that in the absence of such violations the Bank of Italy's applications would have been favorably reported and recommended by the Committee on Branch Banks and would have been granted by the Board in general pursuit of the course which a majority of the Board has followed since the adoption of the resolutions of November 7th.

Mr. Miller stated that he believed that a consistent application of the resolutions of November 7th as hereinbefore interpreted by the Board's Committee on Branches and by a majority of the Board required that in all fairness the present applications of the Bank of Italy should be granted. To deny them as a punitive measure on the ground that the Bank of Italy had been guilty of a violation of an earlier agreement with the Board would be an

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extreme measure and moreover one which would have little meaning as regards the future in view of the fact that the gate for the admission of branches would be automatically closed after February 1, 1924.

It was Mr. Miller's opinion that the Board should be extremely careful in view of all the complicated questions of equity of treatment entering into the problem of branch banking in California to pursue a course under the resolutions of November 7th which would not give any ground for the allegation of unfair discrimination or favoritism in the treatment of the application of different California banks. The establishment of a definite date by the Board after which the door for the admission of branches would be automatically closed had given an altogether different complexion to the administrative problem with which the Board would be concerned in acting upon branch bank applications from what it had had in the past.

Governor Crissinger and Mr. Hamlin called attention to the explanation of their votes made at the meeting on yesterday.

The Governor stated that the charge had been made by a member of the Board that the Bank of Italy has violated the rules of the Board and a contract made with the Board, and that to his mind the matter should be referred to the Law Committee for the preparation of a resolution forfeiting its membership, and requesting action.

No motion on this matter was offered.

Letter dated December 4th, from the President of the Security Trust and Savings Bank of Los Angeles regarding the policy recently adopted

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by the Board with respect to the establishment of branches by members of the Federal Reserve System, and requesting approval of the program of that bank for the establishment of city branches, for the present not to exceed 25 in number; said branches to be established from time to time as permits are granted by the Superintendent of Banks and satisfactory arrangements can be made for suitable locations which will probably require a year or two to complete, and approval of the plan of the bank for the establishment of branches in a number of contiguous and non-contiguous cities and towns in the metropolitan district surrounding Los Angeles.

Mr. Hamlin moved:

"That the Secretary be instructed to acknowledge receipt of Mr. Sartori's letter and inform him that applications which are or may be filed with reference to the city of Los Angeles are not affected by the time limit set in the resolutions of November 7th, and that applications for all other branches may be filed before February 1, 1924, in the regular manner."

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

Report of the Committee on Examinations on the matter referred to it at the meeting on December 17th, namely, letter dated December 15th from the Federal Reserve Agent at Atlanta transmitting and recommending approval of the application of the Farmers Bank of Pelham, Georgia, for permission to take over the Bank of Sale City, Georgia, and operate it as a branch, the Committee recommending approval and stating that the proposed merger will strengthen the smaller institution materially and that it sees no

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objection to granting the application.

Upon motion, the report of the Committee on Examinations was approved, Governor Crissinger voting "no", and stating that the Pelham bank is not, in his opinion, in strong enough condition to have a branch.

REPORTS OF STANDING COMMITTEES:

Dated, December 18th, Recommending changes in stock at Federal Reserve banks, as set forth in the Auxiliary Minute Book of this date.

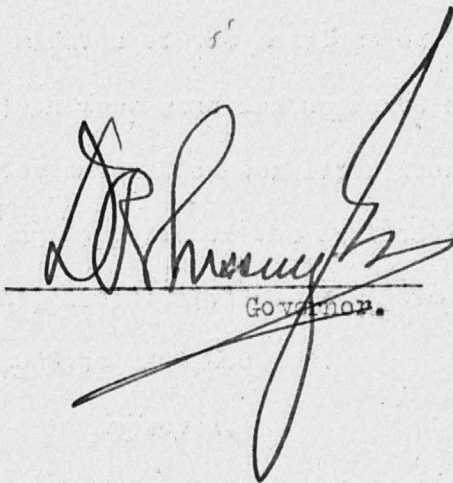
Approved.

Dated, December 18th, Recommending action on application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

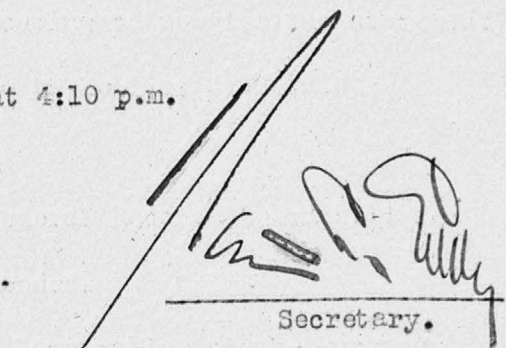
Approved.

The meeting adjourned at 4:10 p.m.

Approved:



Governor.



Secretary.