

Pursuant to the terms of adjournment at the morning session, the Federal Reserve Board reconvened on January 18, 1924 at 3 p.m.

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

By unanimous consent, the Board reconsidered the action taken at the session this morning in voting to refer back to the Committee on District No. 12 its report defining territory contiguous to the cities of San Francisco and Los Angeles.

After discussion, Mr. Dawes moved that that portion of the Committee's report which stated that -

"The committee, therefore, recommends that the area comprised within the limits described below shall be deemed to constitute the territory contiguous to the cities of San Francisco and Los Angeles, California, as an amendment of the Board's resolution of November 7, 1923."

be changed to read -

"The committee, therefore, recommends that the area comprised within the limits described below shall be deemed to constitute the territory contiguous to the cities of San Francisco and Los Angeles, as an amendment of the Board's resolution of November 7, 1923, but this amendment shall be null and void after August 1, 1924 and the definition of contiguous territory as contained in the resolution of November 7, 1923 shall then be in full force and effect."

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

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

1/18/24

Mr. Miller then moved the adoption of the Committee's report as amended.

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

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

At this point Mr. Dawes left the meeting.

Telegram dated January 18th from the Federal Reserve Agent at Richmond advising that the salary committee of that bank wishes to meet with the Board on Friday, January 25th.

Upon motion, the Board voted to receive the committee on the morning of the 25th.

Memorandum dated January 17th from the Secretary of the Board suggesting that there be transmitted to all Federal Reserve banks (1) a copy of the Board's ruling of January 15th on the right of a State member bank to revoke at any time during the required six months period, the notice filed by it with the Federal Reserve bank of its intention to withdraw from membership, such withdrawal of the notice not to affect the membership status of the State bank, and (2) copy of letter of January 16th to the Federal Reserve Agent at St. Louis with reference to the discount of sight and demand bill of lading drafts, in accordance with the amendment of March 4, 1923, to Section 13 of the Federal Reserve Act.

Approved.

1/18/24

-3-

Report of Committee on Examinations on letter dated January 16th from the Federal Reserve Agent at Richmond advising that the Atlantic Exchange Bank and Trust Company of Baltimore, which was admitted to membership on December 31, 1923, had opened on December 26th an additional branch, of which the Board was not advised at the time of the bank's admission to membership; the Committee recommending approval of the additional branch.

Upon motion, the report of the Committee on Examinations was approved, Governor Crissinger "not voting."

Report of Committee on Examinations on matter referred to it at the meeting on January 16th, namely, telegram dated January 15th from the Federal Reserve Agent at San Francisco transmitting and recommending approval of the application of the American Bank of San Francisco, a member bank, for permission to consolidate with the American Bank of Oakland, a non-member, and to maintain branches at the present head office of the American Bank of Oakland and its fourteen branches; the Committee calling to the Board's attention certain information with regard to the condition and management of the banks involved and stating that "the Board should know\*\*\*\* from complete and simultaneous examinations the exact condition of the American Bank of San Francisco, the First National Bank of Oakland and the American Bank of Oakland and its branches\*\*\*\*before the permission asked for is either considered or granted."

Mr. Hamlin moved that the report of the Committee on Examinations be received.

Carried.

After discussion, Mr. Miller moved that the following telegram be sent to Mr. Perrin:

1/18/24

-4-

81

"Board has under consideration your telegram of January 15th transmitting application of American Bank of San Francisco to consolidate with American Bank of Oakland. Before Board can act upon this application it must have information from your bank as to financial condition, soundness and management of American Bank of Oakland. Board understands close affiliation through stock ownership of American Bank of Oakland and First National of Oakland, and therefore requests you to make simultaneous examination of American Bank of Oakland and its branches, and to cover in the examination, besides usual matters affecting management and soundness of bank and branches, anything showing nature of methods that have been pursued in the acquisition of stock control of banks annexed as branches by American Bank of Oakland, and for this purpose to make such examination of First National Bank of Oakland and American Bank of San Francisco as you may find necessary. Board is willing to consider application as filed prior to February 1st and whatever time as may be necessary to complete investigations will be allowed."

Mr. Miller's motion being put by the chair was carried, Mr. Platt voting "no".

Memorandum from Counsel dated January 17th referring to a letter dated December 29th from the Deputy Governor of the Federal Reserve Bank of Kansas City inquiring as to the eligibility for rediscount with Federal Reserve banks of notes of non-member banks secured by Government obligations; Counsel suggesting a form of reply, stating that as notes of non-member banks secured by Government obligations necessarily bear the signatures of such banks, they clearly come within the prohibition of the Board's ruling of July 18, 1923, withdrawing the privilege formerly extended to member banks to rediscount paper acquired from a non-member bank or bearing the signature or endorsement of a non-member bank.

Upon motion, Counsel's memorandum and the letter proposed were approved.

1/18/24

-5-

Memorandum dated January 17th from Mr. James stating that Counsel had ruled, in answer to his inquiry of January 10th, that it would not be legal for the Board to permit member banks of the 7% class to deduct "due from bank balances" in computing required reserves, and submitting for the Board's consideration a resolution favoring an amendment to the law which would permit member banks to deduct such balances from gross demand deposits in computing their required reserves and submitting also a proposed amendment to the Federal Reserve Act, prepared by Counsel, covering the subject referred to.

Referred to Law Committee.

Report of Committee on Examinations, dated January 15, 1924, recommending approval and adoption of the following resolution regarding examinations of State member banks, passed at the recent conference of Federal Reserve Agents:

"We believe it to be essential that the closest cooperation exist between the executive departments of Federal Reserve Banks and the State Banking Commissioners. We also believe that as a matter of good faith with our State member banks and in order to be prepared to extend credit intelligently, credit investigations of State member banks should be regularly conducted. We believe, too, that these credit investigations whenever possible should be made at the same time that State examiner is examining the bank; first, because of the desirability of cooperation; second, because more information can be obtained at less cost; third, because the bank should not needlessly be subjected to additional visits of examiners. We believe also that where special examinations other than credit investigations are made of member State banks the charge for such examination made by the Federal Reserve Bank should not exceed the fee that would be charged by the Comptroller of the Currency if the institution were a National bank."

1/18/24

-6-

83

Upon motion by Mr. Hamlin, the recommendation of the Committee on Examinations was approved, Governor Crissinger voting "no" and Mr. Miller not voting.

Memorandum dated January 7th from Counsel with regard to the application of Mr. George I. Cochran to serve at the same time as director of the Anglo-California Trust Company of San Francisco, the First National Bank of Los Angeles, and the Citizens Trust and Savings Bank of Los Angeles; Counsel concurring in recommendation of the Federal Reserve Agent at San Francisco that the Citizens Trust and Savings Bank and the First National Bank of Los Angeles are in substantial competition and that the Board refuse the application as between these two banks, but approve as between either and the Anglo-California Trust Company of San Francisco.

Upon motion by Mr. Hamlin, the recommendations of the Federal Reserve Agent, concurred in by the Board's Counsel, were approved.

Report of the Committee on Currency, dated January 15th, on the subject "Redistribution of Fit United States Currency between Federal Reserve Banks", as follows:

"Your Committee recommends the adoption of the plan suggested by Mr. Garrard B. Winston, Assistant Secretary of the Treasury, under date of September 27, 1923, said plan being as follows:

- '1. For the present, adopt a ratio of payment at each Federal Reserve Bank of 60 new to 40 fit.
- '2. Where, as a result of the adoption of this ratio of payment, a bank's supply of bills, both fit and new, is excessive or short, that there should be transfers as between banks to equalize the supply of fits, the cost of transportation to be at the expense of the banks.
- '3. The Treasury will apportion its supply of available new bills among the Federal Reserve Banks so that each bank will have an available stock in the ratio of 60 new to 40 fit (after transfers of other fits have been made).

'The Treasury, of course, will be free to withdraw from this plan or to change the ratio at any time.'

"Your Committee also recommends that the Board establish the ruling that the receiving bank shall pay the cost of shipments arising out of the adoption of the above named plan, in cases where the sending bank has absorbed the cost of sorting."

Upon motion by Mr. Hamlin, the report of the Committee on Currency was approved.

Report of Committee on Currency, dated January 15th, on the subject "Cost of Shipments of Currency to Member Banks for Account of Disbursing Officers"; the Committee recommending adoption of the following report of the recent conference of Governors:

"That the costs of shipping currency to member banks for the account of Government officers be absorbed by Federal Reserve Banks, but that the costs of shipping currency to Government officers direct be not absorbed."

Upon motion, the recommendation of the Committee on Currency was approved.

Report of Committee on Currency dated January 15th on the subject "Shipments of Currency by and to Federal Reserve Banks"; the Committee recommending the adoption of the following resolution:

"WHEREAS, it is the purpose and desire of the Federal Reserve Board to equalize the services of the System to the member banks whenever possible; and

"WHEREAS, in securing currency from and depositing currency with the Federal Reserve Banks, member banks located outside of the Reserve Bank and Branch Bank cities are at a considerable disadvantage; and

"WHEREAS, all expenses connected with shipments of currency between the Reserve Banks and member banks are borne by the Reserve Banks; and

"WHEREAS, all insurance is carried and all possible losses in transit are reimbursable to the Federal Reserve Banks; and

"WHEREAS, the legal title to the currency in transit between Federal Reserve Banks and member banks is vested in the Federal Reserve Banks;

1/18/24

-8-

85

"THEREFORE, BE IT RESOLVED, that the Board sees no objection to the Federal Reserve Banks giving full consideration to currency in transit, in computing the reserve requirements and penalties for deficiencies in reserves of member banks; and

"BE IT FURTHER RESOLVED, that a copy of these resolutions be furnished each of the Federal Reserve Banks."

Upon motion, the resolutions recommended were adopted.

The Governor then presented the matter ordered circulated at the meeting on December 21st, namely, memorandum of Counsel dated December 18th, on the subject "Legality of Plan Proposed for Furnishing Federal Reserve Notes of Federal Reserve Bank of Dallas to New York Banks for Export."

Upon motion, Counsel's memorandum was ordered filed without action.

Report of Committee on Discounts and Open Market Policies, dated January 16th, concurring in the view expressed by the recent conference of Governors that the Federal Intermediate Credit Banks should float their debentures through the investment market rather than by direct sale to Federal Reserve banks under repurchase agreement, leaving the Federal Reserve banks nevertheless free to consider each case on its merits and to afford all possible help whenever temporary needs seem to require it.

Upon motion, the report of the Committee on Discounts and Open Market Policies was approved.

Mr. Miller then presented to the Board, without recommendation, the matter referred to the Committee on Discounts and Open Market Policies, at the meeting on January 16th, namely, letter dated January 9th from the Chairman of the Federal Reserve Bank of Boston, suggesting that the Board consider limiting the right of Federal Reserve banks to use as collateral



1/18/24

-9-

86

for Federal Reserve notes bills bought in the open market, such right to be exercised only upon the approval of five members of the Board.

Ordered circulated.

Telegram dated January 18th from the Federal Reserve Agent at San Francisco, transmitting and recommending approval of the application of the Mercantile Trust Company of San Francisco to take over the First Bank of San Anselmo and its two branches, one at San Anselmo and one at Larkspur, and to establish branches in premises occupied by that institution and its two branches.

Mr. Miller stated that both San Anselmo and Larkspur are within the territory defined in today's ruling as contiguous to San Francisco.

Upon motion by Mr. James, the Board then approved the application of the Mercantile Trust Company to establish the branches above mentioned.

REPORTS OF STANDING COMMITTEES

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

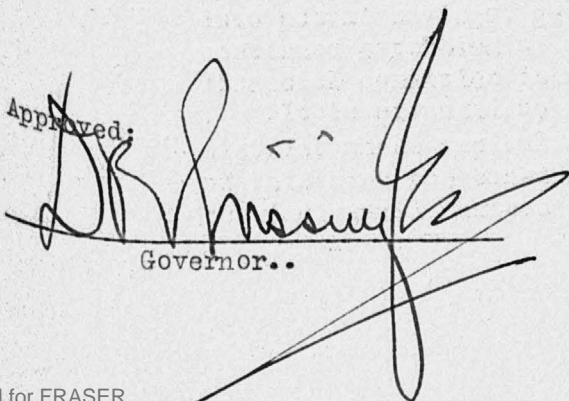
Approved.

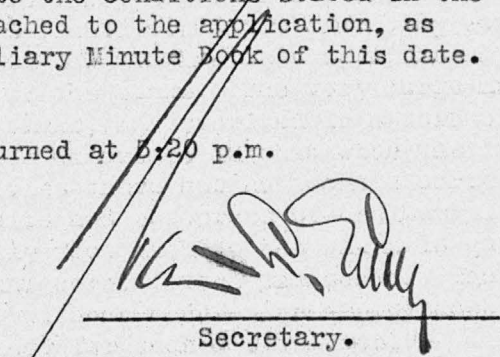
Dated January 17th, Recommending action on application for admission of state banks, subject to the conditions stated in the individual report attached to the application, as set forth in the Auxiliary Minute Book of this date.

Approved.

The meeting adjourned at 5:20 p.m.

Approved:

  
Governor..

  
Secretary.