A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, February 20, 1924, at 3:10 p.m.

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

The minutes of the meeting of the Federal Reserve Board held on February 19th were read and approved.

Letter dated February 18th from the Federal Reserve Agent at Minneapolis requesting approval of the employment of Brigadier General H. P. Howard, to look after the supervision and protection of the new building of the bank, the date of his employment to be determined later and his salary not to exceed $5,000 per annum.

Referred to Committee on Salaries and Expenditures.

Report of Committee on Discount and Open Market Policy on matter referred to it at the meeting on February 19th, namely, letter dated February 18th from the Governor of the Federal Reserve Bank of New York with regard to the execution by the Open Market Investment Committee of special orders received from Federal Reserve banks, particularly the Federal Reserve Bank of Dallas; the Committee reporting that the manner in which special orders for open market purchases from the Federal Reserve Bank of Dallas have been handled by the Governors' Committee is satisfactory and that Governor Strong be advised that the Board sees no occasion for a departure

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from the understanding reached at the recent conference of the Open Market Policy Committee of the Federal Reserve banks with the Federal Reserve Board.

Approved.

Report of Committee on Examinations on matter referred to it at the meeting on February 19th, namely, letter dated February 11th from the Federal Reserve Agent at San Francisco, advising of the receipt of an application for Federal Reserve bank stock from the Bank of America, Los Angeles, said application being made with a distinct understanding that the bank will be permitted, upon the approval of the State Superintendent of Banks, to establish a reasonable number of branches within the corporate limits of the City of Los Angeles and contiguous territory; the Committee recommending that the regular policy of requiring state banks applying for membership in the System to agree to regulations relative to branches, as well as other conditions, be strictly adhered to in this case, and that the Federal Reserve Bank of San Francisco be instructed to advise the Bank of America that the present definition of "contiguous territory" automatically expires on July 31st and that, in the absence of Congressional action or court decision changing the situation, after August 1st branches will not be permitted outside of the limits of the city of the home office and territory contiguous thereto, as defined in the Board's resolutions of November 7, 1923.

Approved.

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Letter dated February 14th, from the Secretary of the California League of Independent Bankers, transmitting copy of resolution adopted by the Executive Counsel of the League, protesting against the interpretation of the term "territory contiguous thereto" in any manner other than that stated in the Board's resolutions of November 7, 1923.

Mr. Miller moved that any reply to the above letter, other than an acknowledgment, be deferred until the Board has acted on the several motions regarding branch banking that are now before it.
Carried.

Report of Committee on Examinations on letter dated February 13th from the Federal Reserve Agent at San Francisco, transmitting and recommending approval of the application of the Security Trust and Savings Bank of Los Angeles to acquire the National Bank of Huntington Park, Huntington Park, California, and to establish a branch in its premises; the Committee stating that it sees no reason why the application should not be granted, as it seems to be in proper form, with the approval of the State Banking authorities and the Federal Reserve bank, and the location is within territory contiguous to Los Angeles.

Approved.

Report of Committee on Examinations on matter referred to it at the meeting on February 19th, namely, memorandum dated February 15th from the Comptroller of the Currency, recommending approval of the application of the Citizens National Bank of Valliant, Okla., for permission

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to reduce its capital stock from $35,000 to $30,000, the stockholders voluntarily to pay in $8,750 and the entire amount of reduction to be used to take out losses; the Committee recommending approval of the application upon the voluntary payment of $8,750 by the stockholders.

Approved.

Report of Committee on Examinations on matter referred to it at the meeting on February 19th, namely, letter dated February 16th from the Federal Reserve Agent at Minneapolis, requesting permission to dispense with examinations of Michigan state member banks and stating that if any of these banks make application for loans, credit investigations or examinations can then be made; the Committee recommending that the permission requested be granted.

Approved.

Report of Committee on Examinations on matter referred to it at the meeting on February 19th, namely, letter dated February 14th from the Federal Reserve Agent at St. Louis transmitting and recommending approval of the application of the Shaw State Bank of St. Louis for a reduction in its reserve requirements from 10% of demand deposits and 3% of time deposits to 7% of demand deposits and 3% of time deposits under the provisions of Section 19 of the Federal Reserve Act; the Committee recommending approval.

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Mr. James moved approval of the Committee's report.

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

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

Five affirmative votes being necessary to approve, Mr. James' motion was lost.

Mr. Platt then moved that the Federal Reserve Bank of St. Louis be advised that sufficient progress in improving the condition of the bank has not yet been made and that the Board is not ready to approve the reduction.

Carried.

Letter dated February 18th, from Governor Fancher advising that the Governors' Committee on Voluntary Services will meet in Washington on Monday, February 25th at 10:00 a.m.

Noted.

Letter dated February 14th, from the Federal Reserve Agent at San Francisco, enclosing letter from the Superintendent of Banks of the State of California advising that eighty-two applications for the establishment of branches, similar to those filed with the Federal Reserve Board, have been received by that Department from the Bank of Italy but are not being considered at the present time.

Noted.

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Letter dated February 18th from the Consulting Architect of the Board inquiring as to the proper distribution of the expenditures for buildings to house the Branch Federal Reserve banks at Denver and Omaha.

Referred to Committee on Branches.

Counsel submitted a memorandum on the matter referred to him at the meeting on February 12th, namely, letter dated February 7th from the Falconer Company of Baltimore, Md., inquiring whether the Board has any objection to the use on checks manufactured for member banks of a design containing the words "member Federal Reserve System"; Counsel recommending that the Board offer no objection to the design submitted and submitting draft of a letter to the Falconer Company on the subject.

Approved, with the understanding that this action of the Board shall not be used as an endorsement of the product of the company.

Report of Committee on Examinations on matter referred to it at the meeting on February 11th, namely, the question of whether the Board should follow some general procedure in the matter of advising interested parties of the filing of applications for permission to establish branch banks in their localities.

After discussion, Mr. Hamlin moved that Federal Reserve Agents be authorized to give out this information, including the name of the applicant bank, in case inquiry is made.

Carried.

Report of Committee on Examinations on matter referred to it and the Law Committee, jointly, at the meeting on February 11th, namely, letter

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dated February 7th, from the Chairman of the Federal Reserve Bank of Cleveland, advising that of the member banks in the Fourth District which have branches, five were required by the Board to agree to the condition that they would establish no branches without the permission of the Board and sixteen were not and suggesting that the Board interpret, so as to include the opening of branches, its general condition of admission to membership "that except with the approval of the Federal Reserve Board there shall be no change in the general character of the assets or broadening in the functions now exercised by you, such as will tend to affect materially the standard now maintained and required as a condition of membership"; Mr. James recommending approval of this suggestion and Mr. Platt concurring, with the understanding that a bank must ask the permission of the Board in order that it may be ascertained whether the new branches will or will not "tend to affect materially the standard now maintained and required".

After discussion as to the propriety of such an interpretation, the matter was referred to the Law Committee for the preparation of a regulation on the subject.

The Committee on Clearings reported on the matter referred to it at the meeting on December 11th, namely, letter dated December 10th from the Federal Reserve Agent at Richmond, with respect to the amendment of Regulation "J", Series of 1923; the Committee recommending that when Regulation "J" is finally promulgated, sub-section "C" of Section III be retained and amended to read as follows:

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"No Federal Reserve bank shall receive on deposit or for collection any check drawn on any non-member bank which can not be collected at par in acceptable funds."

Referred to Law Committee for preparation of a revision of Regulation "J".

Report of Law Committee on letter dated February 5th, from the Assistant Federal Reserve Agent at San Francisco, with regard to the surrender of Federal Reserve bank stock held by a state member bank which is absorbed by a state non-member bank; the Committee submitting draft of a reply to the effect that the consolidated non-member bank may apply for permission to surrender the stock of the state member bank absorbed.

Approved.

The Law Committee then reported on the matter referred to it at the meeting on February 14th, namely, letter dated February 8th from the Federal Reserve Agent at Richmond, replying to the Board's letter of February 5th concerning the establishment of branch by the New Bern Banking and Trust Company of New Bern, North Carolina, which was not at the time of admission to membership required to agree that it would establish no branches without the approval of the Board; the Committee stating the opinion that the general condition of membership can properly be interpreted so as to require a state bank desiring to establish additional branches to refer the matter to the Board for determination whether the opening of a new branch will result in a broadening of functions "such

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as will tend to affect materially the standard now maintained and required as a condition of membership".

Approved.

Mr. Hamlin stated that he had received a personal letter from the Governor of the Federal Reserve Bank of Boston stating that upon advice of his physician he has arranged to go abroad, planning to leave on March 1st and return about April 15th.

Upon motion by Mr. Hamlin, it was voted that if the Federal Reserve Bank of Boston requests this leave of absence for its Governor, the Board will not object to it.

Mr. Platt then submitted a memorandum on the subject of branch banking for insertion in the Annual Report of the Board for the year 1923.

After discussion, this matter was held over for consideration at a meeting to be held early next week.

REPORTS OF STANDING COMMITTEES:

Dated, February 19th, Recommending changes in stock at Federal Reserve banks, as set forth in the Auxiliary Minute book of this date.
Approved.

Dated, February 20th, 20th, 20th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute book of this date.
Approved.

Dated, February 20th, Recommending approval of the application of Mr. Herman E. Winne to serve at the same time as director of the First National Bank of Jamaica and as director of Queens Bellaire Bank, both of the Borough of Queens, City of New York.
Approved.

The meeting adjourned at 5:00 o'clock.

Approved:

Governor.

Secretary.

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