

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, March 11th, 1924, at 11:00 a.m.

PRESENT: Governor Crissinger
 Mr. Platt
 Mr. Hamlin
 Mr. Miller
 Mr. James
 Mr. Cunningham
 Mr. Noell, Assistant Secretary

The minutes of the meeting of the Federal Reserve Board held on March 7th were read and approved as amended.

The Governor then presented a memorandum from Counsel on the matter referred to him at the meeting on March 6th, namely, majority and minority reports of the Committee on Examinations on the application for admission of the Industrial Saving Trust Company of St. Louis; the majority of the Committee, Messrs. James and Dawes, having recommended disapproval and Mr. Platt, approval of the application. Counsel stated in his memorandum that there is no legal reason why the Industrial Saving Trust Company of St. Louis should not be admitted to membership in the System.

Mr. Platt moved that the application be approved.

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

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

Letter dated March 4th from the Chairman of the Federal Reserve Bank of San Francisco, advising that the head office of the Valley Bank of

3/11/24

Fresno and its branches at Colinga, Biola, and Kerman have been taken over by the Pacific Southwest Trust and Savings Bank and that its branches at Monterey, Sanger, Reedley, Selma and West Fresno have been taken over by the Bank of Italy.

Noted.

Letter dated March 5th from the Federal Reserve Agent at San Francisco, quoting expressions of opinion regarding the taking over of the Valley Bank of Fresno and its branches by the Bank of Italy and the Pacific Southwest Trust and Savings Bank.

Noted.

Letter dated March 3rd from the Federal Reserve Agent at San Francisco, enclosing copy of a letter from the Mercantile Trust Company of San Francisco, advising that their branch located at 34 Market Street, San Francisco, will be moved to permanent quarters at 225 Market Street.

Noted, with approval.

Letter dated March 8th from the Controller of Administration of the Federal Reserve Bank of New York advising of the arrest of Mr. Francis G. Adams, Assistant Chief in the Country Collection Department of that bank, who has confessed to the misappropriation of money in the sum of about \$8400.

Referred to Counsel for preparation of a letter to the Federal Reserve Bank of New York requesting that bank to follow the procedure outlined in the Board's letter of April 4, 1923 (X-3683).

3/11/24

-3-

Letter dated March 10th from the Assistant Attorney General, replying to the Board's letter of March 4th with which was transmitted report of defalcation by Mr. Ralph Edwards, a former employee of the Little Rock Branch of the Federal Reserve Bank of St. Louis, and stating that in view of circumstances the Board will not object to the extension of clemency in this case; the Assistant Attorney General advising that the matter has been ordered presented to the Grand Jury in the usual way leaving that body free to exercise its own judgment.

Noted, it being the sense of the Board that in future, cases of this kind should be transmitted to the Department of Justice without recommendation.

Letter dated March 7th, from the Chairman of the International Acceptance Bank, Inc., of New York City, acknowledging receipt of the Board's letter of March 6th advising that approval has been given to his request for a modification of the agreement between that bank and the Board whereby the bank's reserves may be carried in the form of call loans to discount corporations and bill brokers secured by acceptances eligible for rediscount or purchase by Federal Reserve banks, as well as in the form of bank balances.

Noted.

Letter dated March 7th from the Federal Reserve Agent at Atlanta, requesting approval of the redesignation as special examiner of Mr. Lawson Brown, Assistant Federal Reserve Agent at New Orleans.

Approved.

3/11/24

Report of Committee on Examinations on letter dated March 4th from the Federal Reserve Agent at San Francisco, inquiring whether the Board feels that it is desirable to establish a rule that prior to the making of a recommendation regarding an application by one bank to absorb another, it should be ascertained that consent has been given by the bank proposed to be absorbed; the Committee expressing the belief that it would be very desirable to know if there was opposition on the part of the minority stockholders, and if so, that due consideration should be given to reasons for the minority opinion or objections, when consideration is given to the granting of permission for the consolidation.

Upon motion, the report of the Committee was approved.

Report of Committee on Examinations on letter dated March 4th, from the Federal Reserve Agent at San Francisco transmitting and recommending approval of the application of the Bank of Italy for permission to establish a branch at the southwest corner of Geary and Jones Streets, San Francisco; the Committee submitting a report signed by Mr. James recommending disapproval and one signed by Mr. Platt stating that he sees no reason for denying the application.

Mr. Miller moved that the application be approved.

Mr. Miller's motion being put by the chair was carried, Messrs. James & Cunningham voting "no".

Mr. James stated that he had voted "no" on the application because the provisions of Section 2 of the Board's proposed regulations on branch

3/11/24

banking would not permit its establishment.

Report of Committee on Examinations on letter dated March 6th from the Federal Reserve Agent at Richmond with regard to the application of the Eastern Bank and Trust Company of New Bern, North Carolina, to establish a branch de novo at Vanceboro, North Carolina, stating that the officers of that bank do not feel that the present capitalization of the parent bank is sufficient to take care of and give proper protection to the business of the additional branch, or in fact, to the business of the branches already established,- the present capital of the head office and four branches being \$145,000, and the usual capital requirement for the bank and five branches \$225,000; the Committee recommending that the application be denied on the ground that the Eastern Bank and Trust Company has not sufficient capital to justify their extending or enlarging the scope of their operations to the extent of taking on the additional branch. Mr. Platt agreed on the understanding that the Board's letter to the Federal Reserve Bank of Richmond indicates that permission will be granted if and when the capital is increased to the required amount.

Mr. Hamlin moved that the application be granted upon the condition that the bank's capital is increased by \$80,000.

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

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

3/11/24

-6-

Letter dated March 10th from the Clerk of the Committee on Banking and Currency of the House of Representatives, referring to Senate Joint Resolutions 3 and 51, authorizing the Federal Reserve Bank of Kansas City to expend in the erection of buildings at Denver and Omaha, \$550,000 each, including the cost of vaults, electrical fixtures, elevators and heating plants; the letter requesting estimates of the cost of the buildings, vaults, permanent fixtures, elevators and heating plants, separately, and requesting also information regarding the buildings of the Federal Reserve banks and the number of officers and employees of the branches.

Referred to Vice Governor with power.

Letter dated March 10th, from the Executive Manager of the American Bankers Association, quoting a statement critical of the Federal Reserve System from an article prepared by Mr. M. C. Corey of the Federal Farm Loan Board for insertion in a booklet of the Association, and stating that the quotation will be stricken from the article as published.

Referred to the Governor with power.

The Governor then presented a letter dated March 6th from Mr. Henry B. Thompson of Wilmington, Delaware, tendering his resignation as Class "C" director and Deputy Chairman of the Federal Reserve Bank of Philadelphia.

In this connection, Governor Crissinger also presented a letter addressed by Mr. Thompson to Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, suggesting the appointment of Mr. W. C. Spruance

3/11/24

-7-

of Wilmington as his successor and Mr. Hamlin presented a letter addressed to him by Governor Norris making a similar recommendation.

Upon motion, Mr. Thompson's resignation was accepted with regret and the matter of the appointment of his successor was referred to the Committee on District #3.

The Committee on Discount and Open Market Policy submitted the following report:

"The Committee on Discount and Open Market Policy, at its meeting of November 8, 1923, considered the proposal made in Mr. Gilbert's letter of August 6th with regard to gold payments by Federal reserve banks. After discussion of the proposal the Committee recommended to the Board the following resolution:

Whereas it is the sense of the Federal Reserve Board that it is desirable that gold certificates be restored to circulation in order again to build up a secondary reserve; and

Whereas it is important that a system policy in respect to gold payments should be adopted by the Federal Reserve System;

Resolved that the Federal Reserve banks, acting in cooperation with the Federal Reserve Board (due regard being had to the reserve position of the respective banks) shall restore to circulation during the year 1924 an amount of gold certificates to an aggregate amount of five hundred millions of dollars;

Resolved further that the Governor be instructed to advise the Federal Reserve banks of these resolutions and to transmit to the Federal Reserve banks such further instructions as may be necessary to carry them into effect.

The Committee also considered the suggestion made in Mr. Gilbert's letter of August 3rd concerning the maintenance of a differential between the rediscount rate for commercial paper and open market rates. The Committee believes that the Board should reaffirm the principle that a differential should be recognized between rediscount rates on commercial paper and open market rates, and that the types of paper entitled to this differential and the extent of such differential should be given specific consideration in connection with any future general revision of rediscount rates.

The Committee adjourned at 4:30 p.m."

3/11/24

-8-

Upon motion, the report of the Committee was received.

Mr. Miller then reported that in a telephone conversation on Friday, March 7th, Governor Strong had informed him that he contemplated sailing on Saturday, March 22nd, on the Olympic for a week's visit in London with the Governor of the Bank of England, returning on the same boat and stated that Governor Strong would like to have Mr. Stewart, Director of the Board's Division of Research and Statistics, make the trip with him, but that he, Mr. Miller, had informed Governor Strong that Mr. Stewart was resigning and, even if he were not, could not be spared by the Board at this time.

Letter dated March 10th from the Federal Reserve Agent at Richmond, advising of receipt of a tentative application from the Carolina Banking and Trust Company, Elizabeth City, North Carolina, to absorb the United Commercial Bank of Plymouth, North Carolina, and to establish a branch at that point; the Federal Reserve Agent inquiring if the Board would entertain the proposal should he forward the application with all necessary data and his own recommendation.

After discussion, Mr. Miller moved that a letter along the following lines be sent to the Federal Reserve Agent at Richmond:

"Receipt is acknowledged of your letter of March 10th inquiring if the Board would entertain an application from the Carolina Banking and Trust Company, Elizabeth City, North Carolina, to absorb the United Commercial Bank of Plymouth, North Carolina and to establish a branch at that point, should you forward the application with all necessary

3/11/24

-9-

"data and your own recommendation.

Before answering this question, the Board would like information on the following points:

Have you made an investigation of the situation involving the Carolina Banking and Trust Company and its proposed merger with the United Commercial Bank of Plymouth?

If so, are you satisfied that this would be an advantageous merger?

If so, the Board would be glad to be advised of the specific grounds upon which you based your conclusion and the character of the investigation you have made;

Specifically, the Board wishes to be informed whether Plymouth, which from your letter appears to be about forty miles from Elizabeth City, comes within territory that may properly in a commercial and banking sense be regarded as tributary to Elizabeth City."

Mr. James moved, as a substitute, that action on Mr. Miller's motion be deferred until the Secretary of the Treasury and the Comptroller of the Currency can attend a meeting and record their votes.

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

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

Mr. Miller'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. Miller then presented a report of the Committee on Salaries and Expenditures signed by Mr. James, recommending approval of the action of

3/11/24

the directors of the Federal Reserve Bank of Minneapolis in voting to employ Brigadier General H. P. Howard to supervise the care and protection of the bank's new building at a salary of not to exceed \$5,000 per annum and recommending also that the Minneapolis bank be advised to make a comparison of its expenditures on account of buildings, care, protection and operations, with like expenditures in other banks with a view of keeping such expenditures at the lowest possible figure; Mr. Miller stated that he could not concur in the recommendation as he did not agree that the employment of General Howard should be approved.

After discussion, Mr. Hamlin moved that the file be circulated for the information of the members.
Carried.

Mr. Platt then called attention to H. R. 214 providing for the appointment of a Congressional Committee to investigate the conduct of the receivership of the Lehigh Machine Company of the Borough of Lehigh, Carbon County, Pennsylvania, and to ascertain, among other things, whether any losses in the connection were caused through improper conduct on the part of the Federal Reserve Board.

Upon motion, the Secretary was instructed to transmit a copy of the resolution to the Federal Reserve Agent at Philadelphia with the request that he furnish the Board with any information he may have in the matter.

Report of Examination of the Federal Reserve Bank of San Francisco and its branches made as at the close of business on October 20, 1923.

Referred to the Committee on Examinations and the Committee on District #12.

3/11/24

Report of Examination of the Federal Reserve Bank of Kansas City and its branches made as at the close of business on November 10, 1923.

Referred to the Committee on Examinations and the Committee on District #10.

Report of Examination of the Federal Reserve Bank of Minneapolis and its branch made as at the close of business on December 1, 1923.

Referred to the Committee on Examinations and the Committee on District #9.

REPORTS OF STANDING COMMITTEES:

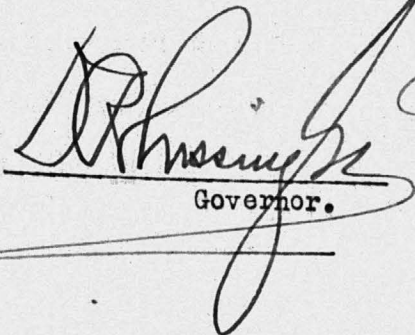
Dated, March 8th, 10th, Recommending changes in stock at Federal Reserve banks, as set forth in the Auxiliary Minute Book of this date.
Approved.

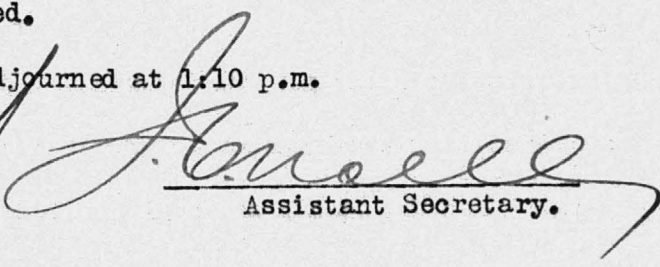
Dated, March 11th, 11th, 11th, Recommending action on application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Approved.

Dated, March 7th, 8th, Recommending action on applications for admission of state banks, subject to the conditions stated in the individual reports attached to the application, as set forth in the Auxiliary Minute Book of this date.
Approved.

Dated, February 20th, 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.
Disapproved.

The meeting adjourned at 1.10 p.m.

Approved: 
Governor.


Assistant Secretary.