

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, March 26, 1924, at 11:15 a.m.

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

The minutes of the meeting of the Federal Reserve Board held on March 21st were read and approved.

Mr. Hamlin advised the Board that the Solicitor General had raised an objection to the insertion in the Federal Reserve Bulletin, at the present time, of his brief in the case of the Burnes National Bank of St. Joseph, Missouri.

The minutes of the meeting of the Federal Reserve Board held on March 25th were read and approved, as amended.

The Governor stated that special order business for this morning would be the resolutions offered and moved by Mr. Cunningham at the meeting yesterday with regard to the statements alleged to have been made by Curtiss L. Mosher, Assistant Federal Reserve Agent of the Federal Reserve Bank of Minneapolis, attacking the so-called McNary-Haugen agricultural bill now pending in Congress.

After discussion it was moved and voted that action on the resolutions be deferred pending a reply from officials of the Federal Reserve Bank of Minneapolis to a letter to be written by the Governor requesting a statement of facts in the matter.

Report of Committee on Salaries and Expenditures on letter dated March 24th from the Chairman of the Federal Reserve Bank of New York, re-

3/26/24

requesting approval of the employment of Mr. Charles Papenfus as Assistant Chief Engineer, at a salary of \$2600 per annum; the Committee recommending approval.

Approved.

Report of Committee on Salaries and Expenditures on letter dated March 22nd from the Secretary of the Federal Reserve Bank of Cleveland, requesting approval of an increase from \$2400 to \$3000 per annum in the salary of Mr. George Smirk, Manager of the bank's cafeteria; the Committee recommending approval.

Approved.

Report of Committee on Examinations on letter dated March 25th from the Chairman of the Federal Reserve Bank of Richmond, replying to the Board's letter of March 12th with regard to the application of the Carolina Banking and Trust Company of Elizabeth City, North Carolina, for permission to establish a branch at Plymouth, North Carolina; the Committee recommending that the letter be circulated.

Approved.

The Governor then brought up the request of the American Exchange National Bank of New York City, that the Board reconsider its previous action in voting to deny the application of Mr. William Skinner to serve at the same time on the boards of directors of the American Exchange National Bank, the Irving Bank-Columbia Trust Company and the Pacific Bank, after conversion into a national bank, all of New York City.

Mr. Hamlin moved that the application again be denied.

Carried.

3/26/24

-3-

320

The Governor then announced that the next order of business would be consideration of the following motions made at the meeting on March 18th, with regard to the adoption of a revised regulation "H", amended to contain principles governing the establishment of branches by state member banks:

"Mr. James moved the adoption of regulation 'H' as amended."

"Mr. Miller moved as a substitute for Mr. James' motion that regulation 'H' as amended be adopted, with the omission of the proposed Paragraph 1 of Section 6 thereof, relating to 'contiguous territory'."

Mr. Miller then presented the following draft of a substitute Paragraph 1 of Section 6, prepared by the Secretary of the Treasury:

"The Federal Reserve Board will restrict the establishment of branches, agencies or additional offices by such banks or trust companies to the city of location of the parent bank and the territorial area within the state tributary to and connected with the city of location of the parent bank in usual banking relations, excepting in instances where the situation is such that peculiar and substantial conditions exist making departure from the rule necessary or desirable."

By unanimous consent Mr. Miller was permitted to withdraw his substitute motion made at the meeting on March 18th, and then moved as a substitute for the motion of Mr. James that the paragraph prepared by the Secretary of the Treasury and presented in his behalf be substituted for the present Paragraph 1 of Section 6 of the proposed regulations.

At this point Mr. Dawes left the meeting to consult with the Secretary of the Treasury.

Mr. Miller's substitute motion being put by the chair, Mr. Hamlin raised a point of order that as one member had left the meeting, no vote

3/26/24

-4-

should be taken on Mr. Miller's motion until his return.

The Chair sustained the point of order.

Upon Mr. Dawes' return to the meeting, he moved to amend the substitute motion of Mr. Miller to read as follows:

"That the following paragraph be substituted for the present Paragraph 1 of Section 6 of the proposed regulations.

"The Federal Reserve Board will restrict the establishment of branches, agencies or additional offices by such banks or trust companies to the city of location of the parent bank and the territorial area within the state tributary to and connected with the city of location of the parent bank in usual banking relations, said territory having been defined in the Board's resolutions of November 7, 1923, as amended on January 7, 1924, excepting in instances where the situation is such that peculiar and substantial conditions exist making departure from the rule necessary or desirable."

It was then agreed that votes should be taken on the foregoing motions with the understanding that the Secretary of the Treasury may, if he desires, record a vote.

Mr. Dawes' motion to amend being put by the Chair was lost, the members voting as follows:

The Secretary of the Treasury,
Governor Crissinger, "no"
Mr. Platt, "no"
Mr. Hamlin, "no"
Mr. Miller, "no"
Mr. James, "aye"
Mr. Cunningham, "aye"
Mr. Dawes, "aye"

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

The Secretary of the Treasury,
Governor Crissinger, "aye"
Mr. Platt, "aye"
Mr. Hamlin, "aye"
Mr. Miller, "aye"
Mr. James, "no"
Mr. Cunningham, "no"
Mr. Dawes, "no"

Mr. Hamlin then moved that the following be substituted for the present Paragraph 2 of Section 6 of the proposed regulations:

"The Federal Reserve Board will, except in extraordinary emergencies, grant no further applications of state member banks for branches unless there has been made within one year from the date of such application a satisfactory simultaneous examination of the parent bank and its branches by the Federal Reserve or by the State Authorities, nor unless the condition of the proposed branch is found to be satisfactory from an examination by the Federal Reserve Authorities".

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

The Secretary of the Treasury,
Governor Crissinger, "no"
Mr. Miller, "no"
Mr. James, "no"
Mr. Cunningham, "no"
Mr. Dawes, "no"
Mr. Platt, "aye"
Mr. Hamlin, "aye"

Mr. Miller then moved the adoption of Regulation "H" as amended.

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

The Secretary of the Treasury,
Governor Crissinger, "aye"
Mr. Platt, "aye"
Mr. Hamlin, "aye"
Mr. Miller, "aye"
Mr. James, "no"
Mr. Cunningham, "no"
Mr. Dawes, "no"

Mr. Platt made the following statement:

"In voting for the amendments to regulation "H" I have yielded strong convictions on several points because in some important matters the proposed regulations are a considerable improvement over the resolutions of November 7th which they supersede.

3/26/24

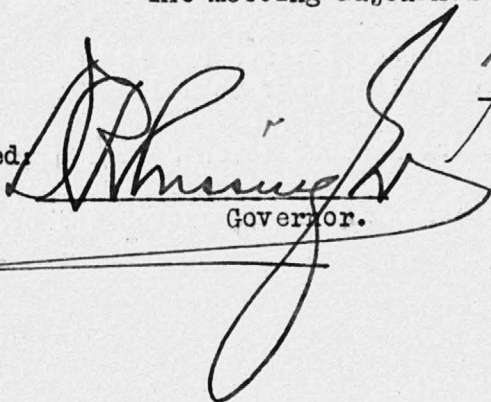
"I regret that the regulations in general tend rather to discourage than to encourage branch banking, and I doubt the legality and the wisdom of the attempt to override the will of the people of any state in the matter of territorial restriction of branches. Distance from the home office, within the boundaries of any state, can hardly be sufficient to form a banking reason against the establishment of a branch in these days of the telegraph and telephone. The amendment to Paragraph 1, Section VI is nevertheless not arbitrary and can be defended with some grace.

"With further experience in examining branch banking systems I am confident that the maintenance of simultaneous control of head office and all branches in making examinations will not be found necessary for the purpose of 'furnishing the Federal Reserve Board with sufficient information as to the condition of such bank and the character of its management to enable it fully to protect the public', but am willing to have the matter fully tested. The law seems clearly to place upon Federal Reserve authorities the duty of examination, but it is at least a good banking reason for limiting the extension of branches that their number is approaching a point where examination by the method considered standard is imposing too great a burden upon those responsible."

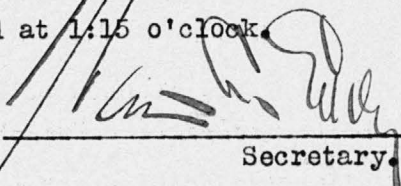
Mr. Hamlin explained his affirmative vote for the regulations as a whole as finally amended by stating that he accepted all but two of the regulations; that he was opposed to the zoning regulation as originally drawn but was willing to accept the draft offered by the Chairman of the Board as a fair, workable compromise which did not violate Section 9 of the Federal Reserve Act as he construed the draft; that he was opposed to the regulation as to refusal to entertain applications for branches from State banks not being simultaneously examined by the State banking authorities and voted against it when it was offered; but that, taking the regulations as a whole, he regarded so many of them as good that he was willing to vote for them as a whole, reserving the right to move in the future to amend them by striking out the part he believed to be objectionable.

The meeting adjourned at 1:15 o'clock.

Approved:



Governor.



Secretary.