A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, March 27, 1924, at 11:30 a.m.

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

The minutes of the meeting of the Federal Reserve Board held on March 26th were read and approved as amended.

Letter dated March 25th from Mr. E. R. Kenzel, Chairman of the general Acceptance Committee, advising that a meeting of the sub-committee of the General Acceptance Committee will be held in New York early in April to consider the subject of domestic acceptance credits prior to the next Conference of Governors, and requesting that Messrs. Wyatt and Herson of the Board's staff be permitted to attend the meeting.

Referred to the Governor with power.

Memorandum from General Counsel dated March 26th, with regard to a letter addressed to him by the attorneys of the First Federal Foreign Banking Association of New York City enclosing a notice to shareholders of the Association of a special meeting for the approval of a proposed merger of the interests of the Association with those of the Bank of The Manhattan Company, New York City.

Noted and ordered returned to Counsel for consideration of the legality of the notice.

Memorandum from General Counsel dated March 18th, transmitting draft of a letter to the Governors of all Federal Reserve banks on the subject
"Interpretation of the word 'borrower' as used in Section 13," prepared in accordance with action taken by the Board at the meeting on March 14th.

Upon motion, the proposed letter was approved.

Memorandum from General Counsel dated March 24th, on the subject "Legality of the Proposed Inter-insurance Plan of the Federal Reserve Banks"; the memorandum stating that the question is a very doubtful one and it is impossible to express a definite opinion on the matter which is one that can not be settled definitely until the courts pass on it or until Congress legislates on the subject.

Upon motion, Counsel's memorandum was approved and advice ordered transmitted to the Insurance Committee of the Governors' Conference.

Mr. James then presented a letter dated March 25th addressed to him by certain banks and organizations in Santa Barbara, protesting against the application of the Bank of Italy for permission to establish a branch in that city, similar letters having been addressed to other members of the Board.

Noted.

Draft of reply to letter dated March 26th from the Chairman of the Fidelity National Bank and Trust Company of Kansas City, Missouri, inquiring whether municipal warrants may be deposited in the trust department of a national bank as collateral security for funds held in such trust department temporarily awaiting investment or distribution, which funds are deposited by the trust department in the commercial department of the bank; the proposed
reply stating that the Board sees no objection to the use for that purpose of warrants of unquestioned value, provided they are readily marketable and comply with the other requirements of the Board's regulation, and that the question of marketability is one to be determined by the bank itself in the exercise of ordinary banking discretion.

Upon motion, the proposed letter was approved.

Memorandum dated March 26th from the Director of the Division of Research and Statistics, stating that the Division is prepared to undertake the study of branch banking referred to in the Board's resolution of March 14th and outlining some of the important phases of the problem.

Ordered circulated.

Mr. Hamlin read to the Board the following paragraph which he said might, if desired, be offered as a substitute for Paragraph 1 of Section 6 of the proposed regulation "H", in the event the Secretary should vote in the negative on the motion to amend that paragraph made by Mr. Miller at the meeting yesterday:

"The Federal Reserve Board will as a general principle 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, as said territory has been defined in the Board's resolution of November 7, 1923, excepting in instances where the State banking authorities have certified and the Board finds that public necessity and advantage renders a departure from the principle necessary or desirable."

At this point Mr. James left the meeting.
During the discussion which followed, the Secretary of the Treasury, Mr. James and Mr. Dawes entered the meeting and the Secretary of the Treasury took the chair.

Mr. Hamlin then reread for the benefit of the members who had just entered the meeting his draft of a possible substitute for Paragraph 1 of Section 6, as above quoted.

The Chairman stated that its adoption would be agreeable to him.

Mr. Miller, however, suggested the elimination of the words "tributary to and connected with the city of location of the parent bank in usual banking relations" and the substitution therefor of the words "contiguous thereto".

Mr. Hamlin accepted Mr. Miller's suggestion and moved the substitution of the following for Paragraph 1 of Section 6 of the proposed Regulation "H":

"The Federal Reserve Board will as a general principle 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 contiguous thereto, as said territory has been defined in the Board's resolution of November 7, 1923, excepting in instances where the State banking authorities have certified and the Board finds that public necessity and advantage renders a departure from the principle necessary or desirable."

The Chairman then directed that the roll be called and the members voted as follows:

- The Chairman, "aye"
- Mr. Hamlin, "aye"
- Mr. James, "aye"
- Mr. Cunningham, "aye"
- Mr. Dawes, "aye"
- Governor Crissinger, "no"
- Mr. Platt, "no"
- Mr. Miller, "no"
The attention of the Chairman was then called to the fact that he had not recorded his vote on the several motions before the Board at the meeting yesterday and he stated that he wished to be recorded as voting "no" on the motion made by Mr. Miller, that the following be substituted for 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, excepting in instances where the situation is such that peculiar and substantial conditions exist making departure from the rule necessary or desirable."

Because of the action of the Chairman in so recording his vote, the motion made by Mr. Miller at yesterday's meeting was lost and the motion before the Board was that made at the meeting yesterday by Mr. James that the Board adopt the proposed Regulation "H" in its present form.

By unanimous consent, Mr. James amended his motion to read as follows:

"That the Board adopt the proposed Regulation "H", as amended by the above motion of Mr. Hamlin."

The roll being called, the members voted as follows:

The Chairman, "aye"
Mr. Hamlin, "aye"
Mr. James, "aye"
Mr. Cunningham, "aye"
Mr. Dawes, "aye"
Governor Crissinger, "no"
Mr. Platt, "no"
Mr. Miller, "no"
Mr. Cunningham then stated that he wished to call to the attention of the Board several recent instances of newspaper publicity to proceedings of the Board.

Thereupon ensued a discussion of the practice which has developed of giving out unauthorized statements regarding action taken and discussions had at meetings of the Board.

REPORTS OF STANDING COMMITTEES:

Dated, March 26th, 27th,

Recommending changes in stock at Federal Reserve Banks, as set forth in the Auxiliary Minute Book of this date.

Approved.

Dated, March 27th,

Recommending action on application for admission of state bank, subject to the conditions stated in the individual reports attached to the application, as set forth in the Auxiliary Minute Book of this date.

Ordered held.

The meeting adjourned at 12:50 p.m.

Approved:

[Signature]

Governor

[Signature]

Secretary