

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, July 22, 1924 at 11:15 a.m.

PRESENT: Vice Governor Platt
Mr. Hamlin
Mr. James
Mr. Dawes
Mr. Eddy, Secretary

The minutes of the meeting held on July 18, 1924 were read and approved as amended.

Mr. Dawes referred to the matter discussed at the previous meeting of the Board, namely, the question of the Board granting trust powers to a newly organized national bank, so that the bank can begin exercising them at the time it opens for business.

Following a discussion on the subject, Mr. Hamlin moved that as a general practice, newly organized national banks should not be given immediately the privilege of exercising fiduciary powers, but that the Board should recognize exceptional cases and be guided in its decision in such cases largely by the recommendation of the Comptroller of the Currency.

Carried.

Letter dated July 17th from the Comptroller of the Currency, requesting approval of a salary of \$3,000 per annum for National Bank Examiner N. A. Telyea, to be assigned to the Ninth Federal Reserve District.

Approved.

Letter dated July 21st from Congressman W. F. Stevenson of South Carolina, requesting that he be afforded an opportunity of being heard by the Federal Reserve Board on the question of the location of any branch Federal reserve bank which may be established to serve the Carolinas.

Upon motion, the Secretary was instructed to advise Congressman Stevenson that the Board will grant his request should it be decided at some future time to establish a branch Federal reserve bank to serve the States of North and South Carolina.

Letter dated July 17th from the Chairman of the Board of Directors of the Federal Reserve Bank of Chicago, advising of the status of a study being made by the bank of the over-extended member banks located in the Seventh Federal Reserve District.

The Vice Governor was instructed to acknowledge the letter and express to the Chairman of the Chicago Bank the hope that as a result of the study he will be able about October 1st to advise the Board of the condition of the affairs at that time of the over-extended banks in his district.

Letter dated July 18th from the Chairman of the Board of Directors of the Federal Reserve Bank of Chicago, with reference to the proposal of the Bank to prepare a Federal reserve exhibit for display at the Convention of the American Bankers' Association to be held in Chicago in September, 1924.

The Vice Governor was requested to advise the Chairman of the Chicago Bank that while the Board has expressed doubt as to the value of such an exhibit, it does not wish to discourage the Chicago Bank in proceeding with the preparation of a suitable exhibit by making use of as much material prepared for exhibits displayed at previous conventions of the American Bankers' Association as is possible, if the Directors of the Chicago Bank feel that an exhibit would be worth while.

The Vice Governor was also requested to suggest to the Chairman of the Chicago Bank that the exhibit be displayed in the reserve bank building rather than in the headquarters of the American Bankers' Association.

Letter dated July 21st from the Secretary of the Federal Advisory Council, advising that on account of the annual meeting of the American

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Bankers' Association to be held in Chicago on September 29, the Executive Committee of the Council has fixed the date of the next meeting of the Council at Washington for Thursday, September 25th.

Noted.

Memorandum, dated July 22, 1924, prepared by General Counsel for the information of the Board, transmitting copy of an opinion of the Supreme Court of the State of Rhode Island, rendered July 9, 1924, upholding the right of national banks in that State to exercise fiduciary powers.

Ordered circulated.

Memorandum dated July 21st from General Counsel, approved by the Law Committee, submitting certain material for publication in the August, 1924 edition of the Federal Reserve Bulletin.

Approved.

The Vice Governor submitted a communication, dated July 15, 1924, addressed to him by the Chairman of the Board of Directors of the Federal Reserve Bank of Dallas, relative to conditions in the cottonseed oil industry; the Chairman in his letter calling attention to the practice of member banks situated at points where cottonseed oil mills are located in making loans to those engaged in the industry which are in excess of the limitations of Section 5200 U. S. R. S.

The Vice Governor was requested to reply to Mr. Talley's letter, and was given power to take up with the Comptroller the matter of the excess loans referred to.

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Letter dated July 18, 1924, prepared by General Counsel and approved by the Law Committee, addressed to the Assistant Federal Reserve Agent at Minneapolis, in response to his inquiry as to the authority of the Nagaunee National Bank of Nagaunee, Michigan, whose capital is only \$100,000, to exercise trust powers in accordance with permission granted to it by the Federal Reserve Board on August 24, 1915, prior to the amendment of the Federal Reserve Act, requiring national banks desiring to exercise trust powers to have capital and surplus equal to that required by State Law of State corporations exercising trust powers; the proposed letter to the Assistant Federal Reserve Agent stating that the Board is of the opinion that the requirements as to the capital and surplus of national banks exercising trust powers, which was inserted into section 11(k) of the Federal Reserve Act by the amendment of September 26, 1918, was not intended to affect the subsequent exercise of fiduciary powers granted prior to the amendment.

Approved.

The Law Committee, as directed by the Board at the meeting on July 11, 1924, submitted redraft of a letter to Congressman Louis T. McFadden, in reply to his communication to the Board on May 31st on the subject of the advisability of legislation designed to prevent member banks from lending on the securities of any corporation unless such corporation furnishes quarterly income statements and balance sheets.

Redrafted letter as submitted by the Law Committee was approved and ordered dispatched.

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The Secretary advised the Board that all Federal Reserve Agents have, as requested by the Board in its letter of May 15, 1924 (X-4057), expressed their views as to the desirability of the Board ruling that a Federal Reserve Agent may not hold as collateral for Federal reserve notes an amount of gold in excess of outstanding issues of notes, and that the majority of the Agents have expressed the opinion that the issuance of such a ruling would accomplish no practical purpose.

Upon motion of Mr. Hamlin, the matter of issuing the ruling in question was laid on the table.

Letter dated July 18th from the Governor of the Federal Reserve Bank of New York, transmitting draft of the minutes of the Open Market Investment Committee, held in Boston, July 16th, at which meeting it was voted to increase the amount of purchases of Government securities from \$400,000,000 to \$500,000,000, and to ascertain the views of the Board and of the reserve banks as to the advisability of increasing the purchases of Government securities to an amount not exceeding \$600,000,000.

Ordered circulated and brought up for discussion at the meeting of the Board to be held on Tuesday, July 29th.

Mr. Hamlin stated that he desires to record his view that the open market purchases of Government securities made by the Committee should be increased to \$500,000,000 and that in his judgment they should later on be increased to \$600,000,000.

Mr. Platt stated that he thought it very doubtful whether the Federal reserve banks should put any more money into the New York market, as that market already has a surplus of funds which appears to be unloanable.

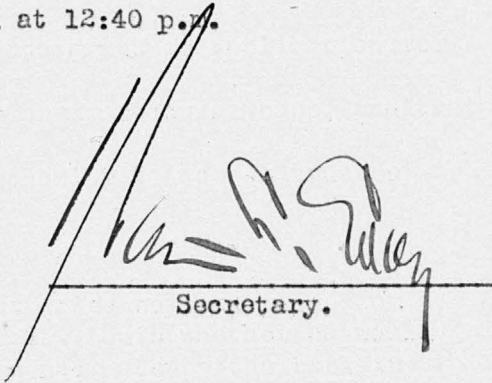
Memorandum dated July 22, 1924, from the Comptroller of the Currency, recommending increases in the salaries of fifty-five national bank examiners, effective as of August 1, 1924.

Approved.

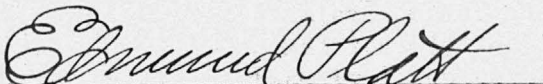
REPORTS OF STANDING COMMITTEES:

- Dated July 19th 21st Recommending changes in stock at Federal Reserve Banks, as set forth in the Auxiliary Minute Book of this date.
Approved.
- Dated July 22nd Recommending approval of the application of Mr. E. Roland Harriman to serve at the same time as director of the Harriman National Bank, the American Trust Company and the Morris Plan Company, all of New York City.
Approved.
- Dated July 22nd Recommending approval of the application of Mr. John S. Baker to serve at the same time as director of the Bank of the Manhattan Co., New York City, and as director of the National Iron Bank, Morristown, New Jersey.
Approved.

The meeting adjourned at 12:40 p.m.


Secretary.

Approved:


Vice Governor.