

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, October 2, 1924, at 10:15 a.m.

PRESENT: Governor Crissinger
Mr. Hamlin
Mr. James
Mr. Dawes
Mr. Noell, Assistant Secretary

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

The Governor presented a memorandum dated September 27th from Mr. Cunningham with regard to the motion made by Mr. Hamlin at the meeting on September 26th that the Board reconsider its action of September 22nd and approve the request of the Federal Reserve Bank of Boston for permission to reimburse employees the cost of educational courses taken at the Boston Chapter of the American Institute of Banking during the school year 1924-25, which was voted on with the understanding that any member might change his vote after he had an opportunity of giving the matter further consideration. In Mr. Cunningham's memorandum he stated:

"I have been advised that with the approval of the Federal Reserve Board the Federal Reserve Bank of Boston has been for the past three years or more reimbursing those of its employees who qualify to take the examinations in any of the educational courses given by the Boston Chapter of the American Institute of Banking; that the employees of the Boston bank are now enrolling to take courses for the school year beginning October 1, 1924, and that they are undoubtedly doing so with the understanding that they will, as has been the case in previous years, be reimbursed by the reserve bank for the amount of the enrollment fee. I am also advised that during the past three years the reserve bank has reimbursed only 153 of its employees who have taken courses in the American Institute of Banking, and that such reimbursement amounted to \$1,712, an average yearly charge of \$570.

Because of this state of affairs, I desire to change my vote on the foregoing (Mr. Hamlin's) motion from "no" to "aye". I wish

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"it distinctly understood that this action on my part does not commit me to vote in the affirmative on any proposals of a similar nature coming from the Federal Reserve Bank of Boston, or any other Federal reserve bank, which involve the contribution of Federal reserve bank funds to so-called educational and welfare work among the Federal reserve bank employees, and in voting "Aye" on this particular proposal of the Federal Reserve Bank of Boston, I do so with the understanding that the subject of the legality and advisability of the expenditure of Federal reserve bank funds for educational and welfare work is to be discussed and reported upon by the next conference of governors and Federal reserve agents, following which the Federal Reserve Board is to adopt a fixed policy for its future guidance."

In view of the above action by Mr. Cunningham, Mr. Hamlin's motion above referred to stands adopted, the members votes being cast as follows:

Mr. Platt, "aye"
Mr. Hamlin, "aye"
Mr. Cunningham, "aye"
Mr. James, "no"

Governor Crissinger stated that had he been present at the meeting on September 26th he would have voted "no" on the above motion.

The Governor then stated that the term of Mr. James as a member of the Executive Committee expired on September 30th, and designated Mr. Cunningham as a member of the Committee for the quarter ending December 31, 1924.

The Governor presented the bond of Mr. John R. Mitchell, Federal Reserve Agent and Chairman of the Board of Directors of the Federal Reserve Bank of Minneapolis, in the amount of \$100,000.

Approved.

Letter dated September 30th from the Treasurer of the United States,

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advising that no applications have been received from national banks during the quarter ending September 30, 1924, for the sale of bonds under Section 18 of the Federal Reserve Act.

Noted.

Letter dated September 27th from the Chairman of the Federal Reserve Bank of Kansas City, requesting approval of an amendment to that section of the By-laws of the Bank relating to the duties and powers of the Governor, said amendment having been changed to conform to the suggestion made in the Board's letter of September 18th.

Approved.

Report of Committee on Salaries, Expenditures and Efficiency on letter dated September 26th from the Deputy Governor of the Federal Reserve Bank of New York, requesting approval of the employment at not to exceed \$50 per week of Adam Anderson as foreman of the carpenter and general repair shops of the Bank and H. Dunne as foreman painter; the Committee recommending approval.

Approved.

Memorandum dated September 29th from the Assistant Secretary with regard to an application of the First National Bank of Eagle Pass, Texas, for permission to accept drafts drawn for the purpose of furnishing dollar exchange, particularly in Mexico which is not on the list of countries designated by the Board as those which require dollar exchange; the Assistant Secretary recommending that the Board institute an investigation to determine whether conditions make it desirable to authorize the acceptance by American banks of drafts drawn by bankers in Mexico for the purpose of furnishing dollar exchange.

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Upon motion, the investigation suggested by the Assistant Secretary was ordered made.

Draft of reply to letter dated September 30th from Mr. Rafael Mancera of Mexico City, inquiring whether the Board would have any objection to a Spanish translation of its pamphlet entitled "Approved Methods for the Preparation of Balance Sheet Statements"; the proposed reply stating that the Board would have no objection provided there be incorporated in every publication thereof a statement that the Board does not guarantee the correctness of the translation and can not in any way be responsible for any mistakes which may occur therein.

Upon motion, the proposed letter was approved.

Draft of letter to the auditor of the First National Bank of Laramie, Wyoming, with regard to the proposal of that bank, through a properly organized trust department to act as trustee or agent in negotiating loans to livestock interests in excess of the limits imposed by Section 5200 of the United States Revised Statutes; the proposed letter stating that before passing upon the matter the Board desires a copy of a typical mortgage used in financing the livestock industry, copy of the proposed trust or agency agreement under which the bank will function, and information as to what liabilities the trustee bank will incur under the proposed agreement whether for the repayment of the loan or for the preservation of the livestock collateral or otherwise.

Upon motion, the proposed letter was approved.

The Governor then presented the matter approved on September 30th on the initials of the members of the Board, namely, memorandum dated September 29th, from the Assistant Secretary recommending that the following telegram

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be sent to all Federal Reserve banks:

"Board has fixed November 17th as date for opening polls for election Class A and B directors. No change in group classifications in effect since 1918".

Upon motion, the above recommendation was formally approved.

The Governor then presented a letter dated September 29th addressed to the Chief of the Secret Service Division by the Operative in Charge at Birmingham, Alabama, with regard to the proposed new building to house the Birmingham branch; the Operative recommending the construction of a tunnel or subway between the Federal Reserve branch building and the postoffice building across the street with iron gates at each end. The Assistant Secretary then reported that the Chief of the Secret Service had personally recommended that in addition to the steel gates suggested by his Operative there be erected at the bank's end of the subway a solid steel door to be closed outside of banking hours.

Upon motion, it was ordered that a copy of the above letter be sent to the Federal Reserve Bank of Atlanta and that the bank also be advised of the recommendation of the Chief of the Secret Service.

The Governor then presented a memorandum dated September 29th from the Assistant Secretary listing topics which have been suggested by the Board for discussion at the forthcoming Conference of Governors and Federal Reserve Agents and requesting to be advised of any further topics which the Board desires placed on the program; together with memoranda from Mr. James suggesting the addition of the following topics:

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- (1) Currency and silver program of the Treasury.
- (2) Time deposits and the manner in which proper reserves are computed thereon in the 12th Federal Reserve District.
- (3) Advisability of an amendment to Section (d) of the Board's regulations which would permit items with a Federal Reserve bank in process of collection to be deducted from gross demand deposits in computing reserves instead of from balances due to other banks as now permitted.

Upon motion, the Secretary was ordered to advise the Chairman of the Conferences of the topics which the Board desires placed on the program.

Memorandum dated October 1st from Mr. James recommending adoption of the following resolutions:

"WHEREAS, Mr. James has reported to the Board that information developed during his recent visit to the San Francisco District, and certain inquiries made by him relative to the application then pending before the Board of (a) the American Bank of San Francisco to take over and operate as a branch the two banks at San Leandro, and (b) the Mercantile Trust Company to establish a branch at Burlingame, indicated that it would be desirable for the Board to have and consider the reports of the examiners relating to these matters -

THEREFORE, BE IT RESOLVED, That the Federal Reserve Agent at San Francisco be instructed to have the examiner who made the investigations in these matters send to the Board over his own signature all the original drafts of any and all reports and memoranda furnished the Board of Directors, Executive Committee or Federal Reserve Agent in connection with these applications, together with all his working papers."

Adopted.

The Governor then presented a letter dated September 26th from the President of the Federal Advisory Council, enclosing mimeograph copies of the following resolution adopted by the Council at its meeting on September 25th:

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"Whereas, a further easing of money rates at this time might render it extremely difficult to ward off a period of acute inflation with its subsequent evil consequences with which the country is only too well familiar, and

Whereas, forced investments of Federal reserve banks in our market and continued substantial importations of gold into the United States are factors that might tend to enhance the plethora of money already existing,

Resolved, that this Council recommend to the Federal Reserve Board to consider the question whether the time has come for Federal reserve banks to exercise their power to invest some of their funds in foreign bills with approved American banking indorsements and payable by and repayable to Federal reserve banks in dollars.

The Council believes that observing these safeguards and by properly scattering its purchases the Federal Reserve System can safely invest substantial amounts abroad, without any risk of loss on account of exchange or otherwise, and in doing so ward off to that extent the inflow of gold, incidentally assisting the foreign countries involved in their efforts to stabilize their exchanges and to bring them back to definite gold relations."

Upon motion, it was voted that the foregoing resolution be brought to the attention of the Governors' and Federal Reserve Agents' Conference.

Memorandum dated September 29th from the Board's Chief Examiner, recommending that the Board instruct the Federal Reserve Agent at San Francisco to defer an investigation of the Bank of Italy proposed in connection with an examination of the bank by the State Authorities on October 11th until such time as the Federal Reserve System can conduct an independent examination and that he confine the activities of his representatives at the state examination to an observation of the methods employed for the purpose of advising the directors of the San Francisco bank with respect to the sufficiency of the state examination.

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Mr. James moved approval of the recommendation of the Chief Examiner.
Carried.

Report of Law Committee on the matter referred to it ~~at the meeting~~ on August 6th, namely, letter dated July 31st from the Assistant Federal Reserve Agent at Minneapolis, transmitting the application of the Farmers and Merchants State Bank of Hutchinson, Minnesota, for the Board's permission to broaden its functions through the exercise of trust powers which have been granted it by the State Authorities; the Law Committee recommending that action by the Board be postponed until another examination of the applicant bank has been made by the Federal Reserve bank; the Committee stating further that if the applicant were a national bank they would recommend disapproval of the application.

Upon motion, the recommendation of the Law Committee was approved and action was withheld pending the next Federal Reserve examination.

REPORTS OF STANDING COMMITTEES:

- Dated, September 27th, 29th, Recommending changes in stock at Federal Reserve Banks, as set forth in the Auxiliary Minute Book of this date.
Approved.
- Dated, October 2nd, 2nd, 2nd, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Approved.
- Dated, October 2nd, 2nd, 2nd, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Ordered held.
- Dated, October 2nd, Recommending approval of the application of Mr. A. M. Thompson to serve at the same time as

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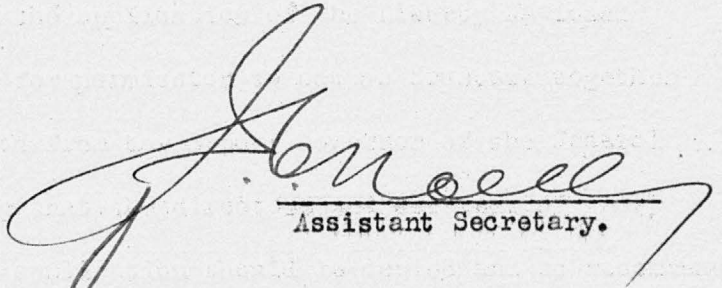
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REPORTS OF STANDING COMMITTEES: (Cont'd)

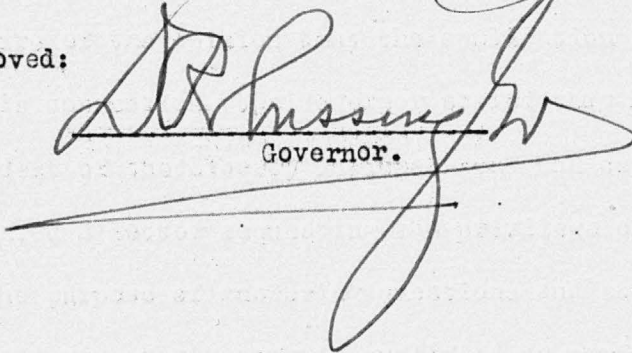
director of the First National Bank,
Turtle Creek, Pa., and as director of
the Commonwealth Trust Company, Pittsburgh,
Pa.

Approved.

The meeting adjourned at 11:00 o'clock.


Assistant Secretary.

Approved:


Governor.