

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, December 17, 1924 at 10:15 a.m.

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

The minutes of the meetings of the Federal Reserve Board held on December 10th and 12th were read and approved.

Memorandum dated December 13th from the Board's Chief Examiner, recommending acceptance of the resignation of Mr. Elmer J. Griffin, Assistant Examiner, effective December 31, 1924 and requesting authority to employ a successor at a salary not in excess of \$3,000 per annum.

Upon motion, Mr. Griffin's resignation was accepted, and authority for the employment of a successor was granted.

Draft of reply to letter dated December 15th from the Chief Clerk of the Treasury Department stating that under the Classification Act of 1923, effective July 1, 1924, part-time charwomen are to be paid at the rate of forty cents an hour and suggesting that the three charwomen now on the Board's payroll, who work under the supervision of the Chief Clerk of the Treasury Department, be given the same salary as those who are subject to the provisions of the Classification Act; the proposed reply stating that arrangements will be made, effective January 1, 1925, to adjust the salaries of the Board's charwomen as suggested.

Upon motion, the proposed letter was approved.

Report of Committee on Salaries, Expenditures and Efficiency on letter dated December 13th from the Acting Comptroller of the Currency, recommending

12/17/24

-2-

approval of a salary of \$2400 per annum for National Bank Examiner Frank R. Denton, to be assigned to the 10th Federal Reserve District; the Committee also recommending approval.

Approved.

Letter dated December 13th from Miss Marietta N. Wallace tendering her resignation as Comptometer Operator in the Division of Bank Operations, effective January 1, 1925; together with a request for leave of absence with pay, on account of sickness, for twelve days in excess of the regular allowance.

Upon motion, Miss Wallace's resignation was accepted and the Secretary was authorized to compensate her for the twelve days' leave as requested in the event there is no legal objection thereto.

Letter dated December 13th from the Chairman of the Federal Reserve Bank of Atlanta, advising of the officers elected by the Board of Directors to serve at the head office, its branches and agencies during the year 1925.

Noted.

Report of Committee on Salaries, Expenditures and Efficiency on the matter held over at the meeting on November 25th, namely, letter dated November 13th from the Secretary of the Federal Reserve Bank of Atlanta, requesting approval of the action of the directors of that bank in voting to contribute not to exceed \$500 to the Atlanta Chapter of the American Institute of Banking; the Committee recommending approval.

Approved.

Letter dated December 15th from the Federal Reserve Agent at

12/17/24

-3-

Philadelphia, referring to the recent action of the Board in approving the recommendation of the Federal Reserve Agents' Conference that adjustments in capital stock holdings of member banks be made semi-annually instead of quarterly and inquiring as to the dates for these semi-annual adjustments.

Upon motion, it was voted that adjustments in capital stock holdings of member banks be made as of January 1st and July 1st each year.

Letter dated December 13th addressed to Mr. James by the Governor of the Federal Reserve Bank of Atlanta, requesting an expression of the Board's opinion as to leasing extra space in the bank's building to the Southern States Life Insurance Company at a rate of seventy cents a square foot per annum; together with telegraphic reply sent by Mr. James on December 15th, on the initials of members of the Board, advising that the Board would favor renting available space at current Atlanta rental rates for comparable space in high class office buildings but that it appears to the Members of the Board that seventy cents is a rather low figure.

Upon motion, Mr. James' telegraphic reply was approved.

Report of Committee on Examinations on the matter referred to it at the meeting on December 10th, namely, letter dated December 4th from the Chairman of the Federal Reserve Bank of San Francisco, transmitting copy of a memorandum addressed to the Board of Directors of that Bank by their Chief Examiner, concerning examinations of state member banks by the California State Banking Department, based upon the observation of the recent simultaneous examination of the Bank of Italy; the Committee

12/17/24

-4-

suggesting that the letter be referred to the Board's Chief Examiner for comment.

Upon motion, the recommendation of the Committee was approved.

Report of Committee on Examinations on letter dated December 8th, from the Federal Reserve Agent at San Francisco, transmitting and recommending approval of the application of the Security Trust and Savings Bank of Los Angeles for permission to establish a branch de novo at or near the intersection of Figueroa and 28th Streets, Los Angeles; the Committee also recommending approval.

Upon motion by Mr. Hamlin, the application was approved, Messrs. Crissinger and Cunningham voting "no".

Governor Crissinger stated that he voted "no" on the ground that the Federal Reserve Bank of San Francisco has not now and has never had any control over Branch Bank organizations in California, and that until such control was established he would vote against any further expansion.

Letter dated December 15th from the Chairman of the Federal Reserve Bank of Richmond, suggesting Friday, February 13, 1925 as the date for the hearing granted the Directors of that bank by the Board to show cause why a branch of the Bank should be established in the southwestern portion of its district.

All members of the Board stated that this date would be agreeable.

Memorandum dated December 8th from Mr. James submitting the following resolution:

12/17/24

-5-

"WHEREAS, in the appointment of the directors of the Branch Federal Reserve Bank at New Orleans, the naming of Mr. F. W. Foote, a banker of Hattiesburg, Miss. for reappointment by the Federal Reserve Board, and the appointment of Mr. Leon C. Simon, a New Orleans merchant, by the Atlanta bank, creates something of a conflict with the Board's regulations of January 25, 1924, relating to directors of Branches, and

WHEREAS, this situation could be satisfactorily corrected and adjusted by having the Federal Reserve Board name Mr. Leon C. Simon as its appointee and the Atlanta Bank naming Mr. F. W. Foote as its appointee,

BE IT RESOLVED, that the Board reconsider its appointment of Mr. F. W. Foote as a member of the Board of Directors of the New Orleans Branch, and

BE IT FURTHER RESOLVED, that the Federal Reserve Board appoint Mr. Leon C. Simon of New Orleans as a director of the Federal Reserve Branch Bank at New Orleans for the term of two years beginning January 1, 1925. "

Adopted.

Memorandum dated December 13th from the Committee on District #6, referring to the inability of Mr. Richard M. Hobbie of Montgomery, Alabama to accept the Board's appointment as Director of the Birmingham Branch of the Federal Reserve Bank of Atlanta, and recommending the appointment of Mr. John P. Kohn of Montgomery for a term of three years beginning January 1, 1925.

Upon motion, Mr. Kohn was appointed Director of the Birmingham Branch for a term of three years vice Mr. Hobbie.

Report of Committee on Examinations on letter dated December 12th from the Chairman of the Federal Reserve Bank of Chicago, recommending disapproval of the application of the Northwestern National Bank of Milwaukee,

12/17/24

Wisconsin, an outlying bank, for a reduction in its required reserves on time deposits from 10% to 7% under the provisions of Section 19 of the Federal Reserve Act; the Committee also recommending disapproval.

Disapproved.

Report of Law Committee recommending approval of the following recommendation of the recent Federal Reserve Agents' Conference:

"That the Federal Reserve Board in determining whether a member bank located in an outlying district of a reserve or central reserve city should be permitted to carry reduced reserves as provided in Section 19, Federal Reserve Act, should be guided in each instance by the results of an analysis of the character of the business of the applicant member bank or of all the banks of the neighborhood group showing a proportion of -

- (1) Balances due other banks
- (2) Balances of corporations
- (3) Public deposits
- (4) Cash in vaults."

Approved.

Report of Committee on Examinations on the matter referred to it at the meeting on December 10th, namely, letter dated December 4th from Mr. G. R. Cooksey, Director of the War Finance Corporation, with regard to the desire of the Corporation that the examiners of the Federal Reserve Board audit, at the time of their examinations of Federal Reserve banks, the War Finance Departments of such banks and their branches serving as custodians of the Corporation except at Atlanta, Richmond and Helena; the Committee submitting and recommending approval of a memorandum dated December 15th from the Board's Chief Examiner recommending - (1) That the War Finance Corporation be asked to continue, for a time at least, the audit of the obligations and securities held at the Branch Federal Reserve Bank at Denver and (2) That the Board

12/17/24

-7-

direct its Division of Examinations to conduct these audits at the time they are making their regular examination of the Reserve Bank or Branch acting as custodian, signing any tracers or necessary correspondence for the Corporation, with the understanding that the Corporation reimburse the Board for actual salaries and per diem allowance of the men employed in the conduct of these audits, provided the scope of the work to be performed and the character of the information to be furnished is confined to the requirements outlined by the Chief Auditor of the Corporation.

Upon motion, the recommendations of the Chief Examiner, concurred in by the Committee, were approved.

Report of Law Committee with regard to the action of the recent Governors' Conference on the question of suggesting to the Federal Reserve Bank of Atlanta the employment of a Counsel representative of all Federal Reserve banks to take part in the pending case of Pousson versus Federal Reserve Bank of Atlanta (the so-called Iota case); the Committee recommending approval of the action of the Conference in voting "that the issues involved in this case are purely local and not a matter of System policy and that, therefore, the Conference would not be justified in asking the Federal Reserve Board to employ Counsel to represent the System as a whole."

Upon motion, the recommendation of the Governors' Conference, concurred in by the Law Committee, was approved.

Report of Committee on Examinations on memorandum dated December 8th from the Secretary, referring to the recent consideration by the Federal Reserve Agents' Conference of the question of abolishing basic line calculations in considering lines of rediscounts granted by the Federal Reserve banks, and

12/17/24

-8-

recommending that the Federal Reserve banks be instructed to discontinue, as of January 1, 1925, furnishing the Board with the semi-monthly reports covering banks borrowing at least three times their basic lines; the Committee approving the suggestion that the Federal Reserve banks discontinue submitting these reports to the Board.

Approved.

Report of Executive Committee with regard to the request of the recent Governors' Conference that the Board express its opinion on the question of principle involved in the Federal Reserve banks adopting inter-bank self-insurance plans for both fidelity and life insurance; the three members of the Executive Committee expressing varying opinions on the subject.

Upon motion, it was voted to postpone consideration of this matter pending the appointment of the new Comptroller of the Currency.

At this point Mr. Platt entered the meeting.

Report of Committee on Salaries, Expenditures and Efficiency, with regard to the recommendation of the recent Governors' Conference that the question of Federal Reserve banks effecting telegraphic transfers over commercial wires for member banks which charge their customers for this service an amount in excess of the actual cost of telegrams, is one which should be left to the discretion of each Federal Reserve bank; the Committee recommending that the Board rescind its action of August 1, 1924 in voting that Federal Reserve banks should not handle telegraphic transfers under such circumstances and adopt the recommendation of the Governors' Conference that the matter be left to the discretion of each Federal Reserve bank.

12/17/24

-9-

After discussion Mr. Hamlin moved that the Board reconsider its action of August 1st, above referred to.

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

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

Mr. Miller then moved that the Secretary be instructed to prepare a new draft of the Board's Leased Wire Regulations to give effect to the principle adopted by the Board on August 1st, namely, "That the Federal Reserve banks should not handle telegraphic transfers for member banks over commercial wires where the member banks charge their customers a fee in excess of the actual cost of the telegrams".

Carried.

Report of Committee on Salaries, Expenditures and Efficiency with regard to the recommendations of the recent Governors' and Federal Reserve Agents' Conferences on the subject of the continuation of voluntary services of the Federal Reserve banks, the Committee's report reading in part as follows:

"The Board's Committee on Salaries, Expenditures & Efficiency finds the discussion centered in the matter of non-cash collections and on the question whether or not the System should discontinue non-cash collections entirely or should impose a charge for such services.

In view of the importance of the question and the agitation aroused on the subject, it is recommended -

(1) That the subject should be considered by the Board not necessarily as a matter of economy but as a matter of principle and of policy.

12/17/24

-10-

"(2) That a Special Committee be requested to make a study and prompt report to the Board on the subject of 'A CHARGE FOR NON-CASH COLLECTION SERVICE', including in the report a statement of the methods to be used and the cost of accounting for, and distribution of, the funds accumulated on account of said charge, in the event the Board should see fit to modify its regulations to the extent of imposing a charge for non-cash collection service.

(3) That the Board make no ruling at this time but that the subject of discontinuing or charging for non-cash collection service be made a special order of business for some future meeting."

In this connection the Governor submitted a letter dated December 12th from the Chairman of the American Bankers Association Committee on Non-Cash Items, urging that the Board's regulations be amended to prohibit the handling of non-cash collection items by Federal Reserve banks.

After discussion, Mr. Platt moved adoption of the report of the Committee on Salaries, Expenditures and Efficiency quoted above.

Carried.

Mr. James then moved that the letter from the Chairman of the American Bankers Association Committee be referred to the Committee of the Board which will undertake a study of non-cash collections, under the above recommendation of the Committee on Salaries, Expenditures and Efficiency.

Carried.

Mr. Hamlin then moved that Mr. James and Mr. Platt be appointed a Special Committee to conduct this study.

Carried.

Report of Committee on Currency dated December 16th, recommending approval of the recommendation of the recent Governors' and Federal Reserve Agents Conferences that the Federal Reserve banks undertake for a limited time and for a limited amount, purely for the purpose of experiment, to pay charges on out-

12/17/24

-11-

going shipments of standard silver dollars but not on incoming shipments.

Approved.

Report of Committee on Salaries, Expenditures and Efficiency with regard to the following recommendations of the recent Conference of Governors:

"(a) That a committee to be composed of Mr. Smead of the Federal Reserve Board and Mr. Rounds of the Federal Reserve Bank of New York and one other person from some of the other Federal reserve banks should be appointed for the purpose of furnishing any interested Federal reserve bank with information and suggestions concerning the adoption of a budget or with any help and advice that might be needed in effecting the adoption of a budget, and

(b) That the Economy and Efficiency Committee of the Federal Reserve Board be requested to advise each Federal reserve bank whether that committee, in view of all the information at its disposal, has any specific suggestions to make to the directors or officers of the several Federal reserve banks as to how further economies, other than the adoption of a budget, might be effected by the respective Federal reserve banks."

The Board's Committee (1) recommending that the Committee suggested by the Conference be composed of Mr. Rounds, Chairman, Mr. Fleming and Mr. Smead, (2) reporting that it has no specific suggestions to make to the Federal Reserve banks at this time with reference to further economies, but that it has certain phases of the Economy and Efficiency program under consideration which it may later be desirable to bring to the attention of some of the banks, and (3) submitting a proposed letter to all Federal Reserve banks advising of the Board's action on the recommendations.

Upon motion, the report of the Committee on Salaries, Expenditures and Efficiency was approved and the proposed letter was ordered transmitted.

The Governor then submitted reports of the Law Committee with regard to the recent action of the Governors' and Agents' Conferences on the subject

12/17/24

-12-

(1) The desirability of all Federal Reserve banks giving full consideration to currency in transit in computing the reserve requirements and penalties for deficiencies in reserves of member banks and (2) The proposal to amend the Board's Regulation "D" so as to permit member banks, in determining the amount of deposits against which reserves must be carried, to deduct items with a Federal Reserve bank in process of collection from gross demand deposits rather than from balances due to other banks, as at present.

After discussion, both of the above matters were ordered referred to a Special Committee on Reserves as recommended by the recent Joint Conference, which is to be assisted in its study of the reserve requirements by a committee of experts from the System consisting of Messrs. Smead, Stewart, Harrison, Gidney, Bowser and such others as may be named from time to time.

Carried.

Mr. Hemlin, Chairman of the Law Committee then brought up the matter on which action was deferred at the meeting on November 20th, namely, letter dated November 8th from the Chairman of the Federal Reserve Bank of Atlanta transmitting (1) A resolution adopted by the directors of that bank, requesting reconsideration of the Board's decision that the fee of the bank's Counsel, Randolph and Parker, in the case brought against it by the Pascagoula National Bank and court costs assessed against the Federal Reserve bank should not be pro-rated among the twelve Federal Reserve banks, but should be borne by the Atlanta bank itself, and (2) Copy of a letter addressed to the Governor of the Bank by Randolph and Parker, suggesting a fee of \$10,000 for their services in connection with the case.

12/17/24

-13-

Mr. Hamlin presented memoranda from Messrs. Baker and Wyatt, the Board's Counsel in the case, recommending that the expenses of the Atlanta bank's Counsel and court costs in the case should not be pro-rated and stating that a fee of \$10,000 for Randolph and Parker for their services in the litigation seems to be entirely reasonable.

The Governor then called attention to and called for a vote on the following motion made by Mr. James at the meeting on November 20th:

"That the Board authorize the levying of an assessment against all Federal Reserve banks to include and cover all expenses of the litigation."

This motion was lost, Mr. James voting "aye".

Mr. Hamlin then withdrew the following motion made by him at the meeting on November 20th:

"That the Federal Reserve Bank of Atlanta bear the expense of the fees of its own Counsel, but that the fees of Special Counsel be pro-rated among the other eleven Federal Reserve banks.

The Governor then called for a vote on the following motion made by Mr. Miller at the meeting on November 20th:

"That the letter dated November 8th, from the Chairman of the Federal Reserve Bank of Atlanta, regarding fees of the bank's Counsel in the case brought against it by the Pascagoula National Bank, be replied to along the following lines -

'It is the sense of the Federal Reserve Board that a fee of not in excess of \$5,000 will be proper compensation for the incidental services necessary to be performed by Randolph and Parker, Counsel for the Federal Reserve Bank of Atlanta, in connection with the defense of the suit brought against the bank by the Pascagoula National Bank and that such fee will be paid by the Federal Reserve Bank of Atlanta and not pro-rated among the twelve Federal Reserve banks.'

12/17/24

-14-

This motion was lost, Mr. Miller voting "aye".

Mr. Hamlin then made the following motion:

"That the Board reaffirm its action of October 24th and that the fees and expenses of Randolph and Parker and court costs are to be borne exclusively by the Federal Reserve Bank of Atlanta and not pro-rated among the other Federal Reserve banks. "

Mr. Hamlin's motion being put by the Chair was unanimously carried.

Mr. Hamlin then moved:

"That the Board reaffirm its action of October 24th and that the Federal Reserve Bank of Atlanta be requested to enter into a contract with Randolph and Parker to cover all their services, both past and future in this litigation, such contract to be subject to the approval of the Federal Reserve Board."

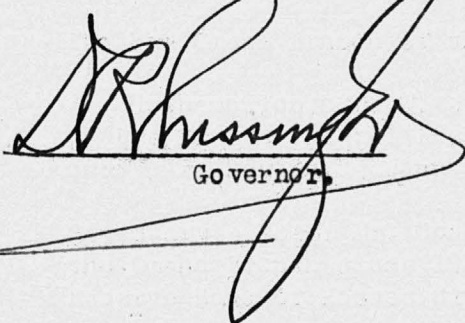
Mr. Hamlin's motion being put by the Chair was carried, Mr. James voting "no".

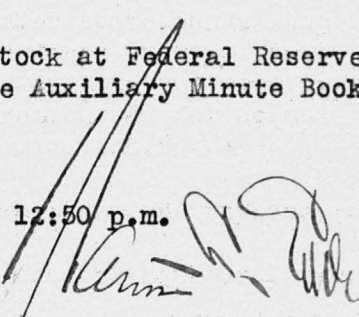
REPORTS OF STANDING COMMITTEES:

Dated, December 12th, Recommending changes in stock at Federal Reserve
13th, Banks, as set forth in the Auxiliary Minute Book
15th, of this date.
16th, Approved.

The meeting adjourned at 12:50 p.m.

Approved:


Governor.


Secretary.