

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, March 19, 1925 at 11:05 a.m.

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

PRESENT ALSO: Dr. Stewart, Director of the Division
of Research and Statistics.

The minutes of the meeting of the Federal Reserve Board held on March 16th were read and approved.

The Governor stated that had he been present at the meeting he would have voted against the motion to instruct the Vice Governor to prepare a letter to the Comptroller of the Currency, advising him that in the opinion of the Board names similar to those used by former national banks should not be given new national banks within less than five, and certainly not less than three, years after the date of the closing of the banks originally having such names.

Dr. Stewart then presented the trend of the banking and business situation during February and the first part of March.

Letter dated March 16th from the Deputy Governor of the Federal Reserve Bank of New York, advising that it has recently earmarked for the Argentine Embassy an additional \$1,500,000 in United States gold coin, the total amount earmarked for the Embassy now being \$5,000,000.

Noted.

Letter dated March 17th from the Chairman of the Federal Reserve Bank of Richmond, advising that the data requested by the Board with respect

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to the cost of the proposed branch of the Federal Reserve Bank in the southwestern portion of its District is being prepared by a special committee and would be submitted to the Board following the April meeting of the Board of Directors of the Bank.

Noted.

Report of Executive Committee on letter dated March 12th from the Federal Reserve Agent at San Francisco, recommending approval of an application of the First National Bank of Hillyard, recently annexed to the city of Spokane, Washington, for a reduction in its reserve requirements from 10% of demand deposits to 7% of demand deposits under the provisions of Section 19 of the Federal Reserve Act; the Committee also recommending approval.

Approved.

Report of Committee on Salaries, Expenditures and Efficiency referring to letter dated March 11th from the Controller of Administration of the Federal Reserve Bank of Chicago, and recommending approval of the action of that bank in employing Mr. Grover Rinehart, for service in connection with claims of failed member banks, at a salary of \$4,000 per annum, effective February 1, 1925.

Approved.

Letter dated March 17th from the Chairman of the Federal Reserve Bank of Atlanta, transmitting the resignation of Mr. Joseph A. Chapman of Columbia, Tennessee, as director of the Nashville Branch of the Federal Reserve Bank of Atlanta, effective immediately.

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Upon motion by Mr. Hamlin, it was voted to accept the resignation of Mr. Chapman and to refer to the Committee on District #6 the matter of the appointment of a director to fill the vacancy.

Memorandum dated March 17th from the Acting Comptroller of the Currency, with reference to the application of the Broadway National Bank of Paterson, N.J., in process of organization, for permission to exercise trust powers when chartered; the Acting Comptroller stating that he knows of no reason why the Board should treat this application as an exception to its general policy that newly organized national banks should not be given immediately the privilege of exercising trust powers.

Mr. Platt then moved that the application of the Broadway National Bank of Paterson, New Jersey, for trust powers be held pending an examination.

Carried.

Letter dated March 16th addressed to the Comptroller of the Currency, prepared by the Vice Governor in accordance with action taken at the meeting on March 16th, advising that in the opinion of the Board a name similar to that used by a former national bank should not be given a new national bank for a period of five or certainly not less than three years after the date of the closing of the bank originally having such name.

After discussion, Mr. Miller moved approval of the proposed letter.

Mr. Miller's motion being put by the chair was carried, Governor Crissinger voting "no".

The Governor then presented the matter on which action was withheld at the meeting on March 16th, namely, the application of the New First

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National Bank in Oakland, California, for stock in the Federal Reserve Bank of San Francisco.

Upon motion by Mr. Hamlin, it was voted to approve the application, effective if and when the Comptroller of the Currency issues to the bank a certificate of authority to commence business.

Draft of telegram to the Federal Reserve Agent at San Francisco, as follows:

"Board in receipt following telegram from Commercial Trust & Savings Bank Oakland: 'This bank is in process of conversion to a national bank association to be known as the New First National in Oakland and has been approved by the Comptroller of the Currency stop We are doing a trust business and confidentially expected to continue our trust department and were not advised of the requirement of a twenty percent reserve fund until after approval of the Comptroller of conversion Stop Would you give consideration to a special ruling in our case otherwise we will be compelled to discontinue our trust department Stop Our surplus now twenty-five thousand'. Please communicate with bank, have it file application with you and wire Board your recommendation. Board would be inclined to waive surplus requirement if for no other reason application should be disapproved."

After discussion, Mr. Hamlin moved approval of the telegram with the omission of the last sentence.

Carried.

Letter dated March 5th from the Federal Reserve Agent at San Francisco, inquiring whether in view of circumstances stated the Board would be disposed to reconsider the application for membership of the Federal Trust and Savings Bank of Hollywood, California, which was disapproved by the Board on September 6, 1923.

Upon motion by Mr. Miller, the letter was referred to the Committee on Examinations.

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Letter dated March 10th from the Federal Reserve Agent at Minneapolis, inquiring as to the possibility of cancelling the membership of the Farmers and Merchants State Bank of Heckla, S. D. which is in an insolvent condition and the paper of which is of such character that it would be impossible to restore the bank to solvency.

Referred to the Law Committee.

Report of Committee on District #12 dated March 17th, suggesting the appointment of Mr. W. L. Valentine of San Marino, California, to fill the vacancy on the Board of Directors of the Los Angeles Branch caused by the resignation of Mr. Henry S. McKee and recommending that telegram be sent to the Federal Reserve Agent at San Francisco, requesting him to ascertain whether Mr. Valentine would be disposed to accept the appointment.

Upon motion of Mr. Hamlin, the recommendation was approved.

Memorandum dated March 17th from the Assistant Secretary with reference to letter dated March 13th from the Federal Reserve Agent at Chicago, recommending the authorization of Mr. E. L. Harris, an employee of his department, to sign and act for the Federal Reserve Agent in matters of ordinary routine in the absence or disability of both the Agent and his Assistant; the Assistant Secretary recommending that Mr. Harris be designated by the Board as Acting Assistant Federal Reserve Agent at Chicago upon a clerical rather than an official basis, and that he be empowered to sign as such and further that the Federal Reserve Agent be requested to forward to the Board bond for Mr. Harris in an amount which will be commensurate with his increased responsibilities.

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Upon motion, the recommendations of the Assistant Secretary were approved and Mr. Harris was designated Acting Assistant Federal Reserve Agent for the remainder of the current year.

Memorandum dated March 16th from the Secretary, submitting proposal from the Albemarle Investment Company, owners of the Otis Building, for renewal of lease for space in that building at a rental of \$17,500 per annum for a period of two years for 10,507 net square feet, or \$1.66 per square foot, and a proposal from the agent for the Transportation Building for 10,000 net square feet for \$20,250 per annum, or \$2.02½ per square foot, on a two or three year lease; the Secretary recommending acceptance of the proposal of the Albemarle Investment Company, with the understanding that the new lease will be similar to the old one with the exception that the Board will give sixty days' notice instead of thirty as provided in the present lease.

Upon motion, it was voted to approve the recommendation of the Secretary and to accept the proposal for a renewal of the lease for space in the Otis Building.

Letter dated March 9th from the Governor of the Federal Reserve Bank of Kansas City, transmitting copy of letter addressed to the Nebraska State Bank, Ord, Nebraska, with regard to that bank's complaint against the provision of the Federal Reserve Bank's check collection circular reserving "the right to charge a member bank's account covering cash letters forwarded to it when at any time, in any particular case, it deems it necessary to take such action".

Ordered circulated.

Memorandum dated March 10th from Counsel, referring to letter dated

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February 27th from the Chairman of the Federal Reserve Bank of Atlanta, regarding a petition for an agency of the Federal Reserve Bank at Miami, Florida, and requesting to be advised whether or not a plan could be effected whereby Federal Reserve notes held by the branches and agencies of the Atlanta bank as issued currency could be placed under the custody of an officer or employee of the branch or agency designated as Assistant Federal Reserve Agent; Counsel stating that such a plan would not be a proper compliance with the provisions of Section 16 of the Federal Reserve Act, but that a representative of the Federal Reserve Agent should not be an employee of the Federal Reserve Bank or Branch but should be entirely independent thereof.

After discussion, Mr. Hamlin moved that a copy of Counsel's opinion be sent to the Chairman of the Atlanta bank.

Carried.

Telegram dated March 16th from the Chairman of the Federal Reserve Bank of San Francisco, requesting an expression of the Board's opinion concerning a suggestion by the President of the Federal Advisory Council that each Federal Reserve bank appoint one alternate member of the Federal Advisory Council to serve in case of the inability of the regular member. The Secretary pointed out that two Federal Reserve Banks - Richmond and Dallas - at the beginning of the year elected alternate members of the Federal Advisory Council and called attention to an opinion by Counsel for the Board dated March 27, 1919, that under the terms of the Federal Reserve Act there is no way in which a Federal Reserve bank may legally elect an alternate member of the Council.

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After discussion, Mr. Hamlin moved that advice of this opinion be sent to the President of the Federal Advisory Council and to the Chairmen of all Federal Reserve banks.

Carried.

The Governor then presented telegrams from all Federal Reserve Banks, regarding the resolution tentatively adopted by the Board on March 5th reaffirming previous decisions authorizing the practice of purchase and sale in the open market of bankers acceptances and government securities by Federal Reserve banks from and to banks and qualified dealers under fifteen-day repurchase agreements.

The Governor also presented a letter dated March 13th from the Governor of the Federal Reserve Bank of Kansas City, the only one objecting to the proposed resolution, pointing out the desirability of their continuing purchases of government securities from Federal Land banks under repurchase agreements for longer periods than fifteen days.

After discussion, Mr. Hamlin moved that the Board formally adopt the motion tentatively approved on March 5th, with the understanding that the Federal Reserve Bank of Kansas City will be informed that it may make application to the Board for an exception in the case of government securities purchased from the Federal Land Banks.

Mr. Hamlin's motion being put by the chair was carried, and the motion of March 5th was formally adopted as follows:

"The Federal Reserve Board reaffirms previous decisions authorizing the practice, long continued, of purchase and sale in the open market of bankers acceptances and Government securities, by Federal reserve banks from and to banks and qualified dealers, under 15 day 'repurchase agreements', it being understood that such transactions shall be open,

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"under similar facts and conditions, to all Federal reserve banks with relation to banks and similarly qualified dealers in their respective districts."

Report of Law Committee on letter dated March 13th from the Chairman of the Federal Reserve Bank of New York, transmitting unanimous recommendation of the Board of Directors of that bank that the Board again deny the application for general trust powers of the Liberty National Bank in New York which was refused by the Board on October 7th, 1924; the Committee also recommending that the application be again refused.

Upon motion, the recommendation of the Committee was adopted and the application of the Liberty National Bank in New York for permission to exercise general trust powers was rejected.

Letter dated March 16th from the Governor of the Federal Reserve Bank of Boston, suggesting discussion at the forthcoming Governors' Conference of the bill introduced by Congressman McFadden at the last session of Congress (H.R. 8887) to amend the National Banking Act, and also of the bill introduced by Mr. McFadden (H.R. 12453) to repeal certain war time amendments to the Federal Reserve Act.

Thereupon ensued a discussion during which the members present expressed the opinion that H. R. 8887 should not be made a subject of discussion, but that the Conference should appoint a committee to study and report on, before the next session of Congress, the question of what amendments to the National Bank Act are necessary, in order that national banks may be better enabled to meet banking requirements and that the development of the national banking system may more closely follow the trend of banking development in the country at large, so far as experience shows that this development is along sound and strong lines.

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Memoranda dated February 18th and March 17th from Messrs. James and Platt, respectively, members of the Board's special committee on Non-Cash Collections, with regard to the desirability of curtailing this service of the Federal Reserve banks and suggesting consideration of the following regulation "Effective July 1, 1925, only such non-cash collection items as are payable by or at member banks, or banks that are on the par remitting list of the Federal Reserve banks, or that are collectible through Clearing House Associations, shall be handled by the Federal Reserve System".

After discussion, the Secretary was instructed to furnish copies of the above memoranda to all members of the Board and to submit the report to the Chairman of the Governors' Conference for consideration at the approaching meeting.

The Governor then presented the matters laid on the table at the meeting on February 19, 1925, namely, the application of the Bank of Italy for permission to purchase and establish a branch in the premises of the American National Bank of Santa Ana, California, the First National Bank of El Centro (disapproved by the Board on March 6th, 1923 and opened for reconsideration on May 14, 1924); the State Bank of Venice, the San Fernando Savings Bank and its branch at Newhall, the Santa Monica Boulevard State Bank, Hollywood, and the Arcadia Savings Bank (disapproved by the Board on April 9, 1924).

Mr. Hamlin moved that the Board reconsider its action of April 9, 1924 in voting to disapprove the applications of the Bank of Italy for branches at Venice, San Fernando, Newhall, Hollywood and Arcadia.

Messrs. Platt and James, members of the Committee on Examinations stated that they had no objection to reconsideration.

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

Mr. James stated that his reason for voting in favor of reconsideration was because at the time the applications of the Bank of Italy for permission to establish branches at Venice, Arcadia, San Fernando, Newhall and Hollywood were disapproved, one of the reasons for turning them down was because of the insufficiency of examinations by the California State Banking Department, while at the present time the examinations of that Department were considered satisfactory, a recent examination of the Bank of Italy by the California State Banking Department having been accepted by the San Francisco Bank and by the Federal Reserve Board. It is understood that these applications were filed prior to the date set for making the Board's Regulation "H" effective and that this action in no way conflicts with the said regulation which remains in full effect.

Thereupon the Governor stated that individual action on the applications of the Bank of Italy would be deferred until the meeting tomorrow.

REPORTS OF STANDING COMMITTEES:

Dated, March 16th, Recommending changes in stock at Federal Reserve Banks, as set forth in the Auxiliary Minute Book of this date.

Approved.

Dated, March 19th, Recommending action on application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Approved.

Dated, March 16th, Recommending approval of the application of Mr. Benjamin F. Reed to serve at the same time as director of the Dallas National Bank, Dallas, Texas, as director of the First National Bank, Gorman, Texas and as director of the First National Bank, Rising Star, Texas.

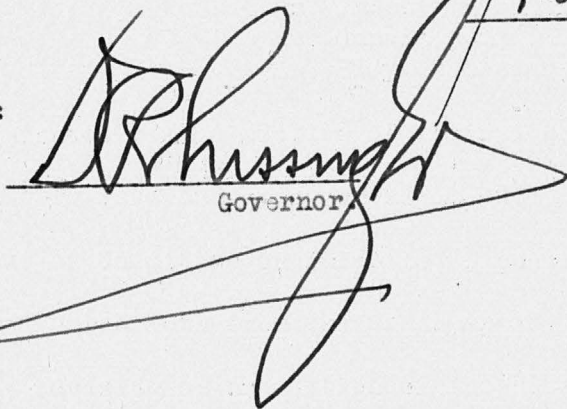
Approved.

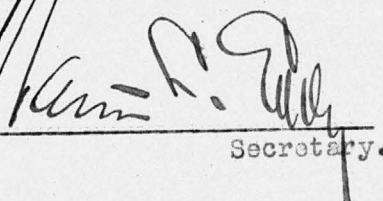
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The meeting adjourned at 12:50 p.m.

Approved:


Governor


Secretary.