

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, May 21, 1925 at 11:10 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 April 23rd were read and approved.

The minutes of the meetings of the Executive Committee held on April 27th, 29th and May 5th, 8th and 14th, having been circulated among the members of the Board and read by them, were formally approved.

Memorandum dated April 19th from the Division of Examination submitting application of the Mercantile National Bank in Dallas, Texas, a new organization, for permission to exercise fiduciary powers if and when authorized by the Comptroller of the Currency to commence business; the memorandum recommending that in accordance with the policy of the Board the application be referred to the Comptroller of the Currency.

After discussion, Mr. Platt moved approval of the application subject to approval by the Comptroller of the Currency.

Carried.

Memorandum dated May 14th from the Division of Examination recommending approval of the application of the Citizens National Bank, Marlin, Texas for original stock (75 shares) in the Federal Reserve Bank of Dallas, effective if and when authorized to commence business; the same having been approved on May 15th on the initials of members of the Executive Committee.

Formally approved.

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Memorandum dated May 15th from the Division of Examination, recommending approval of the application of the First National Bank of Bailey, Texas for original stock (17 shares) in the Federal Reserve Bank of Dallas, effective if and when authorized to commence business; the same having been approved on May 15th on the initials of members of the Executive Committee.

Formally approved.

Telegram dated May 14th from the Federal Reserve Agent at Minneapolis, recommending approval of the application of the Farmers National Bank of Lidgerwood, North Dakota, for original stock (21 shares) in the Federal Reserve Bank of Minneapolis, effective if and when authorized to commence business; the same having been approved on May 15th on the initials of members of the Executive Committee.

Formally approved.

Memorandum dated May 14th from the Division of Examination, recommending approval of the applications of the Franklin National Bank, Nutley, New Jersey, for original stock (75 shares) in the Federal Reserve Bank of New York and of the Security National Bank, Collinsville, Texas and the First National Bank, Evant, Texas, for original stock (24 and 15 shares respectively) in the Federal Reserve Bank of Dallas, effective if and when authorized to commence business; the same having been approved on May 15th on the initials of members of the Executive Committee.

Formally approved.

Memorandum dated May 16th from the Division of Examination, recommending approval of the application of the National Bank of Topeka, Kansas

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for original stock (300 shares) in the Federal Reserve Bank of Kansas City, effective if and when authorized to commence business; the same having been approved on May 16th on the initials of members of the Executive Committee.

Formally approved.

Memorandum dated May 16th from the Division of Examination, recommending approval of the applications of the First National Bank, Melvin, Texas and the Security National Bank, Paducah, Texas for original stock (24 and 60 shares, respectively) in the Federal Reserve Bank of Dallas, effective if and when authorized to commence business; the same having been approved on May 16th on the initials of members of the Executive Committee.

Formally approved.

Memorandum dated May 16th from the Division of Examination, recommending approval of the application of the State National Bank of Grand Saline, Texas for original stock (30 shares) in the Federal Reserve Bank of Dallas, effective if and when authorized to commence business; the same having been approved on May 18th on the initials of members of the Board.

Formally approved.

Memorandum dated May 19th from the Division of Examination, recommending approval of the application of the First National Bank of Hale Center, Texas, for original stock (19 shares) in the Federal Reserve Bank of Dallas, effective if and when authorized to commence business; the same

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having been approved on May 19th on the initials of members of the Board.

Formally approved.

Report of Committee on Salaries, Expenditures and Efficiency on letter dated May 13th from the Comptroller of the Currency, recommending an increase from \$3600 to \$3900 per annum in the salary of National Bank Examiner R. E. Power; the Committee also recommending approval.

Approved.

Report of Committee on Salaries, Expenditures and Efficiency on letter dated May 15th from the Comptroller of the Currency, recommending an increase from \$3600 to \$4,000 per annum in the salary of National Bank Examiner Ralph W. Byers; the Committee also recommending approval.

Approved.

Report of Committee on Salaries, Expenditures and Efficiency on letter dated May 16th from the Acting Comptroller of the Currency, recommending approval of a salary of \$3,000 per annum for National Bank Examiner Charles P. Weigand to be assigned to the Twelfth Federal Reserve District; the Committee also recommending approval.

Approved.

Report of Committee on Salaries, Expenditures and Efficiency on letter dated May 19th from the Acting Comptroller of the Currency, recommending approval of a salary of \$3,000 per annum for National Bank Examiner Grant H. Hess, to be assigned to the Ninth Federal Reserve District; the Committee also recommending approval.

Approved.

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Letter dated May 18th from the Chairman of the Federal Reserve Bank of Atlanta, requesting approval of increases from \$3,000 to \$3,300 per annum in the salary of Mr. George S. Vardaman and from \$2400 to \$2700 per annum in the salary of Mr. Herbert Ayers, employees of the Auditing Department, effective April 15, 1925.

Upon motion by Mr. James, the increases recommended were approved.

Letter dated May 18th from the Chairman of the Federal Reserve Bank of Atlanta, requesting approval of an increase from \$3600 to \$4200 per annum in the salary of Mr. W. S. McLarin, Jr., Cashier of the Jacksonville Branch, effective May 1, 1925.

Upon motion by Mr. James, the increase recommended was approved.

Letter dated May 16th from the Chairman of the Federal Reserve Bank of Dallas, advising of the resignation of Mr. C. L. Whitley, Auditor at the Houston Branch, and the temporary transfer to that position without change in salary, of Mr. George W. Porter, an employee of the Auditing Department at the head office.

Noted.

Letter dated May 20th from the Chairman of the Federal Reserve Bank of Philadelphia, advising of the resignation of Mr. William A. Dyer, Cashier and Secretary, and the appointment to succeed him of Mr. C. A. McIlhenny, formerly Assistant Cashier, with an increase in salary from \$9,000 to \$10,000 per annum, effective May 30th; the Chairman also requesting approval of a salary of \$2800 per annum for Mr. Hobart B. Dietz, appointed Assistant

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Examiner, effective June 15th.

Upon motion by Mr. James, it was voted to approve the salaries recommended for Mr. McIlhenny and Mr. Dietz.

Letter dated May 20th from the Secretary of the Federal Reserve Bank of New York, advising of the death of Mr. Carlton Smith, one of the Board's appointees to the directorate of the Buffalo Branch and inquiring whether the Board wishes the Federal Reserve Bank of New York to suggest a successor to Mr. Smith.

Referred to the Committee on District #2.

Letter dated May 18th from the Chairman of the Federal Reserve Bank of Dallas, transmitting letter from Mr. R. M. Farrar, Director of the Houston Branch, with reference to his serving as a member of the Harris County Navigation District Commission which administers the affairs of the port of Houston.

After discussion, it was voted to advise Mr. Talley that Mr. Farrar's service on the Commission does not come within the restrictions of the Board's Circular #21, Series of 1915, on the subject "Eligibility for Candidates for Directorships".

Letter from the Governor of the Federal Reserve Bank of New York, advising of the action of the directors of that bank in directing George L. Harrison, Deputy Governor, to proceed to London for the purpose of making a study of the gold market there.

Noted.

Letter dated May 15th from the Chairman of the Federal Reserve Bank

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of New York, advising that the Board of Directors of the Bank have granted a leave of absence of approximately three months, without pay, to Mr. Howard M. Jefferson, a junior officer of the bank, who has been invited by the Chilian Ambassador to be the banking member of a financial mission to that country.

Noted.

Letter dated May 7th from the Chairman of the Federal Reserve Bank of Philadelphia, requesting approval of the action of the Board of Directors of that bank in voting to grant to Governor Norris a three months' leave of absence with full pay beginning about June 1st.

Upon motion by Mr. Hamlin, it was voted to interpose no objection to the action of the directors of the bank.

Letter dated May 7th from the Chairman of the Federal Reserve Bank of Boston, advising that the Board of Directors at their meeting on May 6th authorized the Governor to arrange for that bank's participation in the credit recently opened by the Federal Reserve Bank of New York for the Bank of England.

Noted.

Letter dated May 13th from the Federal Reserve Agent at Cleveland, transmitting and recommending approval of an application of the Fourth and Central Trust Company, Cincinnati, Ohio, for permission to establish a branch at Mariemont, Cincinnati.

Upon motion by Mr. James, the above application was approved.

Letter dated May 26th from the Assistant Federal Reserve Agent at

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San Francisco, transmitting and recommending approval of an application of the Bank of Italy for permission to establish a branch de novo at the corner of McAllister and Fillmore Streets, San Francisco.

Upon motion by Mr. James, the above application was approved.

Letter dated May 14th from the Assistant Federal Reserve Agent at San Francisco, referring to the Board's action of May 14th in approving temporary transfer of the branch of the Pacific Southwest Trust and Savings Bank located at 3927 West Sixth Street and advising that he had misinterpreted the request of the bank which desires to move the branch to temporary quarters at 3915 West Sixth Street instead of 3907 West Sixth Street, pending erection of permanent quarters at the northeast corner of Sixth Street and Western Avenue.

Upon motion, it was voted to approve the removal to the temporary quarters mentioned.

Memorandum dated May 13th from the Division of Examination, calling attention to the fact that certain banks in the Second and Seventh Districts have recently established branches without securing the approval of the Board.

Referred to the Committee on Examinations.

Letter dated May 16th from the President of the Mercantile Trust Company of California, with regard to the consummation of plans for the consolidation with that institution of the Bank of Palo Alto and the Bank of Burlingame with its branch, and the desire of the Mercantile Trust Company to establish branches in their premises.

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Referred to the Committee on Examinations.

Letter dated May 18th from the Federal Reserve Agent at Minneapolis, inquiring whether the Board will approve the abolition of the office of Assistant Federal Reserve Agent and Auditor at the Helena Branch.

Upon motion, it was voted that the Board should interpose no objection.

Letter dated May 18th from the Federal Reserve Agent at Minneapolis, with regard to conditions in the Ninth Federal Reserve District, particularly the situation with regard to the granting of rediscounts to the banks already in an extended condition.

Noted.

Letter dated May 18th from the Chairman of the Federal Reserve Bank of Atlanta, requesting approval of the action of the Board of Directors of that Bank in voting to authorize the establishment of a revolving currency fund to be deposited with the First National Bank of Miami, Florida.

Upon motion, the Secretary was instructed to secure further information with regard to the fund.

Letter dated May 19th from the Chief of the Division of Bank Operations, submitting a quarterly statement showing deficiencies in member bank reserve balances.

Referred to the Law Committee.

Memorandum dated May 8th from the Assistant Counsel, referring to letter dated April 24th from the Federal Reserve Agent at Atlanta, suggesting the designation of Mr. J. R. Stevens, Vice President of the Canal-Commercial Trust and Savings Bank of New Orleans, to serve as alternate

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Assistant Federal Reserve Agent at New Orleans, under bond of \$100,000 and at an annual salary of \$12.00, with further compensation at the rate of \$5.00 for each time he is called upon to serve; Counsel stating that there is no provision of law which forbids the appointment of an officer of a member bank as an Assistant Federal Reserve Agent and that the question is one of policy.

After discussion it was voted to interpose no objection to the designation of Mr. Stevens on the terms suggested.

Memorandum dated May 14th from General Counsel, with regard to letter dated April 16th from the Federal Reserve Agent at San Francisco on the subject of irregularities in the trust department of the Seattle National Bank, Seattle, Washington; Counsel stating that such matters come within the province of the Comptroller of the Currency, and submitting draft of a reply to the Federal Reserve Agent advising that his letter is being referred to the Comptroller for attention.

After discussion, it was voted to approve the proposed letter to the Federal Reserve Agent and it was directed that a letter be addressed to the Comptroller of the Currency advising him of the Board's disapproval of the practice of the Seattle National Bank in depositing at interest uninvested trust balances, without crediting revenue therefrom to the trusts.

Upon motion by Mr. Hemlin, it was also voted to request the Board's Counsel for an opinion as to the power of the Board to terminate authority granted a national bank for the exercise of trust powers.

Memorandum dated May 13th from Counsel, with reference to letter dated May 8th from the Deputy Governor of the Federal Reserve Bank of

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Kansas City, requesting an opinion on the question whether balances due from foreign branches of banks in this country can be treated as a part of the item "Due From Banks" to be deducted from the total of "Due To Banks" in computing reserves; Counsel stating that such balances payable in foreign currency may not be deducted, balances payable in dollars may be deducted and that balances payable either in dollars or in foreign currency due from a member bank's own foreign branch may not be deducted.

Referred to the Law Committee.

Memorandum dated May 16th from the Committee on Salaries, Expenditures and Efficiency, submitting functional expense reports for the first quarter of 1925 and a memorandum dated May 12th from the Chief of the Division of Bank Operations regarding same.

Noted and ordered circulated.

Memorandum from Counsel dated April 28th, with regard to the application of the National City Bank of New York for permission to establish a sub-branch, agency or office of its Cuban Branch in the town of Vertientes, Province of Camaguey, in the Republic of Cuba; Counsel stating there is no legal reason why the application should not be granted.

Upon motion, the following was ordered spread upon the minutes:

"The National City Bank of New York having, on or about April 23, 1925, filed an application with this Board for the purpose of obtaining authority to establish a sub-branch, agency or office of its Cuban Branch in the town of Vertientes, Province of Camaguey, in the Republic of Cuba, and the said application having been considered; and it

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"appearing that the said application is properly made under the laws of the United States of America and should be granted, Now, therefore, it is

ORDERED, That the said application be and it hereby is approved, and that the said Bank be and it hereby is authorized to establish a sub-branch, agency or office of its Cuban Branch in the town of Vertientes, Province of Camaguey, in the Republic of Cuba."

Telegram dated May 15th from the Federal Reserve Agent at Dallas, advising that the Bank of Safford, Safford, Arizona, which the Executive Committee on May 5th directed to appear before the Board to show cause why it should not be required to surrender its stock in the Federal Reserve Bank of Dallas and to forfeit all rights and privileges of membership in the Federal Reserve System, has waived its right to a hearing before the Board and will appear before the Federal Reserve Agent at Dallas on May 23rd to submit evidence for transmittal to the Board.

Noted.

Letter dated May 6th from the Secretary of the Open Market Investment Committee enclosing copy of minutes of the meeting of the Committee held in New York on April 30, 1925; said minutes containing a discussion with respect to the apportionment to be followed in the event the Committee should exercise its authority to purchase an additional \$50,000,000 of government securities in accordance with action taken at the Conference of Governors in Washington on April 6th.

After discussion, Mr. Miller moved that the above letter be acknowledged and that the Committee be advised that the Board notes that no purchases have been made against the authority granted on April 6th and on review of existing conditions feels that before any purchases to increase the aggregate of the System's special investment account are made they should be referred to the Board for consideration.

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

Letter dated May 15th from the Deputy Governor of the Federal Reserve Bank of New York, enclosing statement of a further re-distribution amounting to \$28,000,000 of government securities in the System account, under the plan outlined by the Open Market Investment Committee at its meeting on April 30th.

Ordered circulated.

Letter dated May 7th from the Federal Reserve Agent at Dallas, on the subject of assessments against member banks for the costs of examinations made by the Federal Reserve Bank and inquiring as to the status of the study of this question being conducted by a special committee of the Board.

Referred to the Committee on Examinations.

Order of the President of the United States dated May 1st as follows:

"Under the provisions of the Federal Reserve Act (Section 10) approved December 23, 1913, D. R. Crissinger is hereby designated Governor of the Federal Reserve Board for the period from May 1, 1925, to April 30, 1926, or until otherwise directed."

Telegram dated May 20th from the Federal Reserve Agent at San Francisco, recommending approval of an application of the Peoples National Bank of Los Angeles, a conversion of the Peoples Bank and Trust Company of Los Angeles, for original stock (500 shares) in the Federal Reserve Bank of San Francisco, effective if and when authorized by the Comptroller of the Currency to commence business.

Approved.

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The Secretary then read a letter dated April 23rd from the Secretary of the Governors' Conference submitting the following action taken by the Conference held on April 6 - 8, 1925, upon which action was taken by the Board as stated below:

(1) Where the Conference voted to approve the report and recommendations of the Open Market Investment Committee relative to certain additional purchases and to re-apportionment of the existing account.

This matter is covered by Mr. Miller's motion previously carried at this meeting and no further action is considered necessary.

(2) Where it was voted that the Federal Reserve Board be requested to arrange to have representatives of the Board meet with a committee of operating men to be appointed by the Federal Reserve banks with a view to determining whether some of the statements and reports now submitted to the Federal Reserve Board by the Federal Reserve banks may be reduced, simplified or eliminated.

The Secretary reported that the Director of the Division of Research and Statistics, the Chief of the Division of Bank Operations, the Board's Chief Examiner and himself, had conferred regarding the above matter and after eliminating some of the reports now required, had found all others to be necessary.

Upon motion, it was voted that no action be taken by the Board.

(3) Where it was suggested by the Conference that the question of legislation in regard to both Federal Reserve Inter-bank Fidelity Insurance and the Federal Reserve Pension Plan might properly be referred to the new Legislative Committee recently appointed by the Board.

After discussion, it was voted that no action be taken toward referring the above matter to the Legislative Committee.

(4) Where it was voted to be the sense of the Conference that the Federal Reserve System should continue its membership in the American Acceptance Council.

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Upon motion, it was voted that no action was necessary in view of the previous action of the Board in voting to allow reasonable expenditures for such memberships by Federal Reserve banks.

(5) Where it was voted to recommend to each Federal Reserve bank that it continue its membership in the American Bankers Association for the present, with the hope that if membership is extended beyond the current year a better working relationship will be established by the American Bankers Association in their consideration of matters having to do with the Federal Reserve System.

The question of expenditures for membership in various organizations having already been decided upon, the Board voted that no further action is considered necessary on the above.

(6) Where it was voted to reaffirm all of the recommendations with regard to non-cash collections contained in the report of the Voluntary Services Committee to the Federal Reserve Board under date of April 6, 1924 and to approve the supplementary report filed by the Standing Committee on Collections with the Conference of Governors and the Federal Reserve Board under date of April 6, 1925.

The Standing Committee on Collections having been requested on April 23rd to file a new report, consideration of the above recommendation was withheld.

(7) Where it was voted to raise the present limit of the Federal Reserve Exchange Draft from \$5,000 to \$50,000, with the understanding, however, that each Federal Reserve bank give each other Federal Reserve bank immediate advice of the names of member banks to which permits are given to draw exchange drafts and that care be exercised by all Reserve Banks in checking up such permits before passing credit on any exchange draft, making telegraphic inquiry in any questionable cases. It was also understood that permits might be withdrawn under advice to all other Reserve Banks to that effect.

Upon motion by Mr. Hamlin, the above action of the Conference was approved by the Board.

(8) Where the Conference considered the request of the Federal Reserve Board whether or not each Federal Reserve bank should pay a pro rata share of the expense of prosecuting an appeal in the case of the Capital Grain and Feed Company vs. Federal Reserve Bank of Atlanta.

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Upon motion, action was deferred pending receipt of an opinion from Honorable Newton D. Baker, to whom was referred the Board's previous action in voting that an appeal should be taken in the above case.

Telegram dated May 7th from the Federal Reserve Agent at Dallas, advising of his election as Governor of the Bank to succeed Mr. B. A. McKinney, resigned, the resignation of Mr. Marion Sansom, Class "B" Director, and certain adjustments in the junior official staff due to the resignation of Mr. Val J. Grund, Deputy Governor.

Referred to the Committee on District #11.

Telegram dated May 20th from the Federal Reserve Agent at Dallas advising that although the resignation of Mr. B. A. McKinney as Governor of the bank became effective May 16th, he (the Federal Reserve Agent) has not vacated the Agent's office to assume the duties of Governor, preferring to wait until his successor is named; the Federal Reserve Agent advising that under the by-laws of the bank, Deputy Governor Gilbert becomes Acting Governor.

Upon motion, it was voted to request Mr. Talley to continue as Federal Reserve Agent until otherwise requested by the Board.

Mr. James then presented a telegram addressed to him by the Federal Reserve Agent at St. Louis, with reference to the prosecution of an officer of the Union and Planters Bank and Trust Company of Memphis, and suggesting that the Board request the Department of Justice to furnish special counsel to assist in the prosecution of the case which comes

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to trial on May 25th.

After discussion, it was voted that the Federal Reserve Bank of St. Louis be advised that the Board feels it can not act at this late date and that the matter should be handled by the bank in the exercise of their best judgment.

REPORTS OF STANDING COMMITTEES:

Dated, May 16th; 20th; Recommending changes in stock at Federal Reserve Banks, as set forth in the Auxiliary Minute Book of this date.

Approved.

Dated, May 21st, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Approved.

Dated, May 21st, Recommending action on application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Disapproved.

The meeting adjourned at 1:00 o'clock.

Approved:

[Handwritten signature]
Gov. Rep.

[Handwritten signature]
Secretary.