

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, May 27, 1925 at 11:00 a.m.

PRESENT: Governor Crissinger
Mr. Platt
Mr. Hamlin
Mr. Miller
Mr. Cunningham
Mr. Noell, Assistant Secretary

The reading of the minutes of the meetings of the Federal Reserve Board held on May 19th and 21st was dispensed with.

Telegram dated May 26th from the Federal Reserve Agent at Dallas, recommending approval of an application of the Citizens National Bank, Lone Oak, Texas, for original stock (15 shares) in the Federal Reserve Bank of Dallas; the same having been approved on May 26th on the initials of members of the Board, effective if and when the bank is authorized by the Comptroller of the Currency to commence business.

Formally approved.

Telegram dated May 25th from the Federal Reserve Agent at New York, requesting approval of the application of the Hamilton National Bank, Union, New Jersey, for original stock (72 shares) in the Federal Reserve Bank of New York; the same having been approved on May 25th on the initials of members of the Board, effective if and when the bank is authorized by the Comptroller of the Currency to commence business.

Formally approved.

Memorandum dated May 23rd from the Division of Examination, recommending approval of an application of the Commercial National Bank of Belleflower, California, for original stock (19 shares) in the Federal Reserve

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Bank of San Francisco; the same having been approved on May 26th on the initials of members of the Board, effective if and when the bank is authorized by the Comptroller of the Currency to commence business.

Formally approved.

Memorandum dated May 25th from the Division of Examination, recommending approval of an application of the Quinlan National Bank, Quinlan, Texas for original stock (15 shares) in the Federal Reserve Bank of Dallas; the same having been approved on May 26th on the initials of members of the Board, effective if and when the bank is authorized by the Comptroller of the Currency to commence business.

Formally approved.

Memorandum dated May 25th from the Division of Examination, recommending approval of the application of the North Texas National Bank in Dallas, Texas, for original stock (720 shares) in the Federal Reserve Bank of Dallas; the same having been approved on May 26th on the initials of members of the Board, effective if and when the bank is authorized by the Comptroller of the Currency to commence business.

Formally approved.

The Governor then presented the matter approved on initials on May 22nd, namely, application of the National Bank of Topeka, Kansas, which opened for business on May 18th, for permission to exercise general fiduciary powers; the same having been approved by the Federal Reserve Agent and the Comptroller of the Currency.

Upon motion, the above application was formally approved.

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Memorandum dated May 23rd from the Division of Examination, recommending that the Board cancel one additional share of stock in the Federal Reserve Bank of Dallas granted to the Guaranty State Bank of Denton, Texas on May 15th, because of a charge off in the surplus of the bank making the additional stock unnecessary.

Upon motion, the above recommendation was approved.

Memorandum dated May 26th from the Director of the Division of Research and Statistics, recommending that an extension of sick leave until June 1st be granted to Mr. Russell C. Engberg, an employee of the Division.

Approved.

Memorandum dated May 26th from the Director of the Division of Research and Statistics, recommending the extension of sick leave until June 1st to Mrs. Dorothy B. Riefler, an employee of the Division.

Approved.

Report of Committee on Salaries, Expenditures and Efficiency on letter dated May 22nd from the Acting Comptroller of the Currency, recommending a salary of \$3300 per annum for National Bank Examiner Harry C. Libby, to be assigned to the 10th Federal Reserve District; the Committee also recommending approval.

Approved.

Draft of reply to letter dated May 23rd from the Federal Reserve Agent at Chicago, referring to the action of the Board on Sept. 25, 1923 in

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directing that the application of the First National Bank of Tipton, Indiana for fiduciary powers be held pending improvement in the bank's condition and stating that reports of subsequent examinations of the bank have not disclosed sufficient improvement to justify recommending approval of the application; the proposed reply stating that in view of the fact there has been no improvement in the bank's condition since September 14, 1923, no further action will be taken by the Board at this time.

Upon motion, the proposed reply was approved.

✓ Memorandum dated May 26th from the Director of the Division of Research and Statistics, stating that he has been requested by the Governor of the Federal Reserve Bank of New York to join him in a trip abroad the latter part of June or the first part of July, which would give him (Dr. Stewart) an opportunity to study the operation of some of the more important foreign central banks and money markets and to establish connections which will be useful in the Board's research and foreign reporting work; the Director also stating that the trip would involve his being absent from Washington for about two months but that the organization of the Division could satisfactorily handle the work in his absence.

Referred to the Committee on Research and Statistics. ✓

Letter dated May 25th from the Governor of the Federal Reserve Bank of New York, referring to the Board's letter of May 21st and advising that it appears unnecessary at the present time to consider exercising the authorization recently granted the Open Market Investment Committee to increase

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the System account in government securities by a possible further purchase of approximately \$50,000,000 and that he would not feel willing to do so now without further consultation with the Committee and the Board.

Noted.

Letter dated May 21st from the Chairman of the Federal Reserve Bank of San Francisco, advising of the action of the board of directors of that bank in voting to grant a three months' leave of absence with full pay to Mr. E. C. Mailliard, Assistant Cashier of the Bank, on account of illness.

Upon motion, it was voted that the Board interpose no objection to the above action.

Letter dated May 20th from the Federal Reserve Agent at Chicago, stating that if agreeable to the Board he would like to arrange to be away from the Bank for ten days or two weeks after the first of June.

Upon motion, it was voted to interpose no objection.

Letter dated May 21st from the Chairman of the Federal Reserve Bank of San Francisco, advising of the transfer of Mr. R. B. Motherwell from the position of Managing Director of the Salt Lake City Branch to that of Managing Director of the Los Angeles Branch, effective June 1st.

Noted.

Draft of letter to Mr. Howard E. Young, referring to his application to serve at the same time as Director of the National Bank of Baltimore, the Union Trust Company and the Mercantile Trust Company, all of Baltimore,

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which the Board recently found to be in substantial competition, and stating that a recent investigation of the records of the Board discloses that he was granted permission in October 1916 to serve those banks and that under that permission he may legally continue to serve on their Boards of Directors.

Approved.

Letter dated May 27th from the Chairman of the Federal Reserve Bank of St. Louis, inquiring whether service by Mr. Moorhead Wright, Chairman of the Board of Directors of the Little Rock Branch, as Treasurer of the Broadway-Main Street Bridge District in Little Rock is in violation of the terms of the Board's Circular #21, Series of 1915 on the subject "Eligibility of Candidates for Directorships".

Upon motion, it was voted that no objection be raised to Mr. Wright's continuing in the capacity mentioned.

Draft of reply to letter dated May 21st from Mr. W. A. Stuart, Director of the Oklahoma City Branch, advising that because of his physical condition he is unable to give the position the time and attention which it requires, and for this reason would resign in favor of Mr. A. D. Kennedy of Okmulgee, Okla., in the event that Mr. Kennedy meets with the Board's approval; the proposed reply stating that the office of director of a Branch Federal Reserve Bank does not carry with it the privilege of selecting a successor, but that at such time as Mr. Stuart's resignation is received and has been acted upon by the Board, consideration will be given to the name he suggests, although in tendering his resignation it should be distinctly

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understood that its acceptance by the Board does not carry a commitment to appoint Mr. Kennedy to the place.

Mr. Hamlin moved approval of the proposed reply.

Mr. Miller moved as a substitute for Mr. Hamlin's motion that the following reply be sent to Mr. Stuart:

"The Federal Reserve Board learns with regret that the condition of your health is such that you can no longer continue to regularly attend the meetings of the Board of Directors of the Oklahoma City Branch or to give to the affairs of the institution the time and attention required of a director. Under the circumstances the Board accepts your resignation. No effective date having been suggested in your letter the Board hopes that you can, without prejudice to your health, remain as a director of the Branch until July 1st on which date your resignation could be made effective."

Mr. Miller's substitute motion being put by the Chair was lost, Mr. Miller voting "aye".

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

Telegram dated May 21st from the Federal Reserve Agent at Dallas, outlining the proposed procedure for the election of a Class "B" Director of that bank to succeed Mr. Marion Sanson, resigned, together with telegraphic reply made on May 22nd on the initials of members of the Board approving the arrangement outlined.

Formally approved.

Letter dated May 23rd from the President of the Federal Advisory Council, submitting copies of recommendations of the Council made at its meeting on May 22nd.

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Copies of the recommendations having been distributed among the members of the Board, no action on the above is necessary.

Letter dated May 21st from the Federal Reserve Agent at San Francisco, advising that the Bank of America, Los Angeles, whose application for membership in the System is being held in abeyance, has purchased banks at Anaheim and Huntington Park, California, and has been authorized by the Superintendent of Banks to convert same into branches.

Noted.

Letter dated May 25th from the Assistant Federal Reserve Agent at Philadelphia, with reference to a proposed Federal Reserve System Exhibit at the Convention of the American Bankers Association to be held in Atlantic City in September.

Referred to the Director of the Division of Research and Statistics for recommendation.

Letter dated May 21st from the Chairman of the Federal Reserve Bank of Boston, requesting approval of the action of the directors of that bank in voting to reimburse members of the bank's Stockholders Advisory Committee for expenses in attending not to exceed three meetings of the Committee each year, the amount involved to be approximately \$300 a year.

Approved.

Memorandum dated May 20th from Counsel, submitting draft of a letter to Mr. E. C. Mays of St. Louis, Missouri, with regard to his application for permission to serve at the same time as President and Director of the Missouri National Bank and as Vice President and Director of the Grand

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Avenue Bank, both of St. Louis; the proposed letter stating that the two banks appear to be in substantial competition and the Board has no power to grant the application but that in view of the fact that a consolidation of the two banks into a national bank is proposed on June 1st, no action will be taken by the Board at this time.

Upon motion, the proposed letter was approved.

Memorandum from Counsel dated May 6th, approved by the Law Committee, submitting draft of a letter to the Federal Reserve Agent at Boston, returning Clayton Act applications of Messrs. S. W. Jones, F. L. Richardson, and F. J. Hale, for amendment.

Upon motion, the proposed letter was approved.

Memorandum dated May 19th from Counsel, submitting a letter from Honorable Newton D. Baker, to whom was referred the question of an appeal in the case of the Federal Reserve Bank of Atlanta v. The Capital Grain and Feed Company, Mr. Baker stating that in his opinion it would be wise to dismiss the writ of error proceedings now pending in the Supreme Court of the United States.

Upon motion by Mr. Hamlin, it was voted to reconsider the action of the Board taken on Feb. 3, 1925 in voting that an appeal should be taken in the above case and to direct a dismissal of the proceeding now pending.

Draft of letter to Honorable Louis T. McFadden, with regard to a bill introduced by him prior to the adjournment of Congress, to amend the Federal Reserve Act so as to prohibit the use of gold and purchased bankers

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acceptances as collateral for Federal Reserve Notes and to permit member banks to retain up to 40% of their reserves in their own vaults; the proposed letter stating (1) that the Board is not in favor of prohibiting the use of gold as collateral for Federal Reserve Notes, (2) that it believes the proposed elimination of purchased acceptances as collateral would also be undesirable and (3) that the carrying of reserves in vault would greatly enlarge the lending and investing power of member banks and would be an influence toward credit inflation.

Upon motion, the proposed letter was approved and ordered transmitted.

Draft of reply prepared by the Committee on Examinations to letter dated May 7th from the Federal Reserve Agent at Dallas on the subject of assessments against member banks to cover the costs of Federal Reserve examinations; the proposed reply stating that for the present at least there does not appear to be any prospect of changing the requirements that all state member banks be assessed for the actual cost of examinations made by the examiners of the Reserve banks, that because certain state members have converted into national banks charges for examinations made previous to their conversion should not be waived and that it is proposed to send to each Federal Reserve bank in the near future copy of the report of the special committee appointed to study the bank examination and credit functions of the Federal Reserve banks.

Upon motion, the proposed letter was approved.

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Report of Law Committee on the matter referred to it at the meeting on May 21st, namely, memorandum dated May 19th from the Chief of the Division of Bank Operations submitting quarterly statement of deficiencies in member bank reserve balances; the Committee recommending approval of the suggestion that letters be addressed to the Federal Reserve Agents in the Districts concerned, asking what steps have been taken to induce member banks continually deficient to maintain required reserves with the Federal Reserve banks and what reasons member banks give for being chronically deficient in their reserves.

Upon motion, the forms of letters suggested were ordered written.

Report of Committee on Examinations on the matter referred to it at the meeting on May 21st, namely, memorandum dated May 13th from the Division of Examination reporting the establishment of branches without the approval of the Board by certain member banks in the 2nd and 7th Districts; the Committee recommending that the Federal Reserve Agents at New York and Chicago be instructed to take the matter up with the member banks concerned with a view to having them hereafter comply with the regulations of the Board.

Upon motion, the recommendation of the Committee was approved.

Telegram dated May 23rd from the Vice President of the Bank of Safford, Safford, Arizona, which the Board on May 5th directed to show cause why it should not be required to surrender its stock in the Federal

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Reserve Bank of Dallas and forfeit all rights and privileges of membership in the Federal Reserve System, either at a meeting before the Board on June 4th or before the Federal Reserve Agent at Dallas on a date to be fixed by him; the telegram stating that the bank will waive its right to appear before the Board only in the event that after reading the transcript of a hearing before the Federal Reserve Agent on May 23rd the Board will permit the bank's notice of intention to withdraw to run to expiration, and requesting an extension of the privilege of a hearing before the Board until June 11th.

Referred to the Governor with power.

Letter dated May 26th from the Federal Reserve Agent at Boston, advising of the death of Mr. E. R. Morse, who has served as a Class "B" director of that bank since its organization.

Noted, with regret.

Letter dated May 26th from the Federal Reserve Agent at Boston, outlining proposed arrangements for the election of a Class "B" director of that bank to succeed Mr. Morse, and inquiring whether the group classification previously in effect will apply for this election.

Upon motion, it was voted to approve the arrangements submitted and to advise Mr. Curtiss that the existing classification is to apply in the present election.

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Report of examination of the Federal Reserve Bank of Minneapolis, and its Helena Branch, made as at the close of business February 14, 1925.

Referred to the Committee on Examinations and Committee on District #9.

Report of examination of the Federal Reserve Bank of Chicago and its Detroit Branch, made as at the close of business February 26, 1925.

Referred to the Committee on Examinations and Committee on District #7.

Mr. Miller then called attention to the manuscript of the forthcoming issue of the Board's Monthly Review which contains a statement with regard to the revolving credit of \$200,000,000 arranged by the Federal Reserve Bank of New York for the Bank of England. Mr. Miller stated that as this was the only official statement of the Board regarding the arrangement, he believed the manuscript should be studied by the members of the Board and for that reason had requested the Director of the Board's Division of Research and Statistics to withhold printing of the Monthly Review until authorized by the Governor to proceed.

REPORTS OF STANDING COMMITTEES:

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| Dated, May 21st,
22nd,
25th,
26th, | Recommending changes in stock at Federal Reserve Banks, as set forth in the Auxiliary Minute Book of this date.
Approved. |
| Dated, May 27th, | Recommending action on application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Approved. |
| Dated, May 27th, | Recommending action on application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Ordered held. |
| Dated, May 27th, | Recommending action on application for admission of state bank, subject to the conditions stated in the individual reports attached to the application, as set forth in the Auxiliary Minute Book of this date.
Approved. |

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REPORTS OF STANDING COMMITTEES:

Dated, May 25th, Recommending approval of the application of Mr. J. R. Burrows, Jr., to serve at the same time as officer and director of the Central National Bank, Topeka, Kansas, as officer and director of the First National Bank, Smith Center, Kansas and as director of the First National Bank, Harveyville, Kansas.

Approved.

Dated, May 16th, Recommending approval of the application of Mr. Fred W. Kiesel to serve at the same time as officer and director of the California National Bank, Sacramento and as director of the Placerville National Bank, Placerville, California.

Approved.

Dated, May 16th, Recommending approval of the application of Mr. Joseph Gardner Bradley to serve at the same time as director of The National Shawmut Bank of Boston, Mass., and as director of the Dauphin Deposit Trust Company, Harrisburg, Pa.

Approved.

Dated, May 18th, Recommending approval of the application of Mr. M. E. Singleton to serve at the same time as director of the First National Bank, St. Louis, as director of the St. Louis Union Trust Company of St. Louis and as director and officer of the Insurance Bank of St. Louis.

Approved.

The meeting adjourned at 12:10 o'clock.

Approved:


Governor.


Assistant Secretary.