

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, June 3, 1925 at 11:15 a.m.

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

The minutes of the meeting of the Federal Reserve Board held on June 2nd were read and approved.

The Governor called up for consideration the special order business and the Committee on Branches, the Committee on Salaries, Expenditures and Efficiency and the Committee on District #5 then submitted a joint report with regard to the recommendation of the Board of Directors of the Federal Reserve Bank of Richmond that a branch of that bank be established at Charlotte, North Carolina; the Committee's report reading as follows:

"Your Committees have examined the data presented to the Board with reference to the establishment of a branch of the Federal Reserve Bank of Richmond at Charlotte, N. C., and after careful consideration beg to submit the following comments and recommendation:

1. The Charlotte banks would doubtless benefit somewhat from the establishment of a branch at that point, but as the city is within overnight train schedule from Richmond and therefore already receives reasonably prompt service on its cash, transit, and discount transactions, the advantages of a branch would not be material.

2. As to the banks in the surrounding territory, it is doubtful whether they would reap any noticeable benefit from having a branch in Charlotte.

3. The reports submitted by the Federal reserve bank indicate that the additional cost to the reserve bank of maintaining the branch, after allowing for the resulting savings at both Richmond and Baltimore would be in the neighborhood of \$100,000 a year. At the present time the Richmond bank is not making sufficient earnings to cover its current expenses, depreciation charges and dividends, and during 1924 the excess of earnings was only \$26,540.

4. While the establishment of a branch in the Carolinas might be the means of bringing some additional banks into the System and

6/3/25

-2-

"might create a somewhat better feeling toward the System in that section of the country, your Committees do not believe that this would justify the additional expense, especially at a time when the Federal reserve bank is not making sufficient earnings to cover all of its dividends, expenses, and other charges.

5. Your Committees therefore recommend that the establishment of the proposed branch be disapproved by the Federal Reserve Board.

(Signed) George R. James
" E. H. Cunningham

I concur in the conclusion of the Committee, and believe that at the present time it would not be advisable to establish a new Federal Reserve branch. I reserve the right, however, when conditions have changed, to bring up the matter again.

(Signed) C. S. Hamlin "

After discussion, Mr. Platt moved that the report be accepted with the understanding that the matter will not again be brought before the Board before December 1st, next.

Mr. Miller moved as a substitute for Mr. Platt's motion that the report of the Committees be received, its recommendations adopted and that the Federal Reserve Bank of Richmond be advised that the Board on examining the supplementary data furnished by the bank is of the opinion that there is no present occasion for the establishment of an additional branch in the Fifth Federal Reserve District.

Mr. Platt accepted the above substitute which being put by the chair was carried, Governor Crissinger voting "no".

The Governor then stated that the next order of business would be the request of Mr. John S. Drum, President of the Mercantile Trust Company for reconsideration by the Board of its action of October 28, 1924 in disapproving the bank's application for permission to purchase the Bank of Burlingame and to establish branches at that point, as well as the desire of the

6/3/25

-3-

bank to establish branches at Palo Alto and Antioch, applications for which were filed with the Federal Reserve Agent at San Francisco, but held by him in view of the Board's disapproval of the Burlingame application.

Mr. Platt read to the Board the following statement:

"It appears that Mr. Drum submitted in December, 1923, a comprehensive brief making tentative application for permission to establish branches in 20 different localities. Examination of this brief shows that it was rather more than a mere blanket application, for each locality is presented under separate heading and in detail.

January 7th the Board wired that blanket authority could not be given - that separate applications must be made. Applications were made to the Federal Reserve Agent at San Francisco for permission to acquire or consolidate with banks at Palo Alto and Burlingame after August 1, 1924, but the only application forwarded to Washington was that of Burlingame. This was turned down, on the ground that it should have been made before August 1st, when the localities were within the area defined as contiguous to San Francisco, but the Board by letter in November 1924 showed that it did not consider the matter finally closed for Mr. Drum was granted a hearing.

By recent letter as well as in the hearing accorded him by members of the Board, Mr. Drum has shown that the Mercantile Trust Company was committed to the consolidations with the Bank of Palo Alto and the Bank of Burlingame before the Federal Reserve Board announced its change of policy by its resolutions of November 7, 1923. It was not possible then, however, to make public applications to the State Superintendent or to the Federal Reserve Board, and he therefore submitted a general brief. It appears to me that he has made out a case for consideration of the applications for Burlingame and Palo Alto as coming in substance within the Board's regulations and its resolution of January 7, 1924, but as the Burlingame application is the only one before us, I move that the Board reconsider its previous action with reference to this application."

Mr. Platt then moved reconsideration of the Board's action of October 23, 1924 in disapproving the application of the Mercantile Trust Company to purchase the Bank of Burlingame and to establish branches at that point.

6/3/25

-4-

Mr. Platt's motion being put by the chair was carried, the members voting as follows:

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

Thereupon ensued a discussion of Mr. Platt's memorandum and whether or not the Burlingame application could properly be considered as having been filed prior to February 1, 1924, following which Mr. Platt submitted the following motion for consideration:

"In view of the fact that the Mercantile Trust Company, through the letter of its President of May 13th and his statements to Messrs. Crissinger and Miller, members of the Board's Executive Committee, at an informal hearing on May 6th, has shown that its application for permission to absorb the Bank of Burlingame and its branch and to operate same as branches, which was disapproved by the Board on October 26, 1924, clearly comes within the provisions of the Board's regulations and its resolution of January 7, 1924, the application of the Mercantile Trust Company to consolidate the Bank of Burlingame with a view to establishing branches is hereby approved."

After discussion, it was voted to postpone consideration of the above motion in order to afford Mr. Platt an opportunity to revise same.

At this point, Mr. McIntosh left the meeting.

Letter dated June 1st from the Deputy Governor of the Federal Reserve Bank of New York, advising of changes in the balance of gold coin earmarked for account of the Argentine Embassy.

6/3/25

-5-

Noted.

Report of Committee on Salaries, Expenditures and Efficiency, submitting memorandum dated May 27th from the Chief of the Board's Division of Bank Operations, on the subject of a budget system for control of expenses of Federal Reserve banks.

Ordered circulated.

✓ Report of Committee on Research and Statistics on memorandum dated May 6th from the Director of the Division of Research and Statistics with regard to the request of the Governor of the Federal Reserve Bank of New York that the Director accompany him on a trip abroad the latter part of June or the first of July for an absence of about two months; the Committee stating that the relations existing between the Board's Division of Research and Statistics and the sources of its information with respect to European financial and economic conditions could be improved from a personal survey, but referring the matter back to the Board for decision.

Mr. Platt moved that Dr. Stewart be authorized to make the trip, at the expense of the Board, for the purpose of studying the operations of some of the more important foreign central banks and money markets and of establishing connections which will be useful in the Board's research and foreign reporting work.

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

Drafts of letters to all Governors and Federal Reserve Agents, transmitting copies of the report of the sub-committee appointed to make a study of the bank examination and credit functions of the Federal Reserve

6/3/25

-6-

Banks; the letter to the Governors requesting their comments and suggestions on the recommendations of the sub-committee relating to the credit function and that to the Federal Reserve Agents requesting an expression of their views of the recommendations with regard to the bank examination function.

Approved.

Draft of letter to Mr. A. B. Trowbridge advising that it now seems desirable to the Board and to the Directors of the Federal Reserve Bank of Atlanta that his full services as Consulting Architect be employed in connection with the proposed Birmingham Branch building and stating that the Board will compensate him to the extent of \$1250 and that the difference between that figure and one per cent of the cost of the proposed building will be paid to him by the Atlanta bank.

Approved.

Letter dated June 1st from the Chairman of the Federal Reserve Bank of Boston, inquiring whether there would be any objection to a trustee of a mutual savings bank in Vermont serving as a Class "B" director of the Federal Reserve Bank.

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

Memorandum dated June 3rd from the Chief of the Division of Bank Operations calling attention to the reduction in the reserve ratio of the Federal Reserve Bank of St. Louis to 46.2% on June 1st, due principally to increased purchases of government securities on account of the recent re-allotment of the System's general account and stating that a further con-

6/3/25

-7-

373

considerable reduction in the bank's reserves would necessitate its re-discounting with other Federal Reserve banks.

Upon motion, the above memorandum was ordered circulated among the members of the Board for their information.

Mr. Platt then announced that in accordance with the established policy of the Board members, he had increased the salary of his Secretary, Mr. Joseph L. Durland, from \$2900 to \$3,000 per annum, effective June 1st.

Mr. James also announced that he had increased the salary of his Secretary, Mr. C. S. Bradley, from \$2850 to \$2950 per annum, effective June 1st.

Governor Crissinger stated he was leaving Washington tonight to attend a bankers' convention in Ohio and would be absent for two or three days.

REPORTS OF STANDING COMMITTEES:

Dated, June 1st, Recommending approval of the application of Mr. Theo. Stempfel to serve at the same time as officer and director of the Fletcher American National Bank of Indianapolis, Ind. and as director of the Belmont State Bank of Indianapolis, Ind.

Approved.

Dated, June 1st, Recommending approval of the application of Mr. Elmer W. Stout to serve at the same time as director and officer of the Fletcher American National Bank of Indianapolis, Ind., and as director of the Belmont State Bank of Indianapolis, Ind.

Approved.

Dated, June 1st, Recommending approval of the application of Mr. Chester L. Robinson to serve at the same time as officer of the Fletcher American National Bank of Indianapolis, Ind. as director of the Virginia Avenue State Bank of

6/3/25

-6-

REPORTS OF STANDING COMMITTEES: (Cont'd)

Indianapolis, Ind., and as director of the Marion County State Bank of Indianapolis, Ind.

Approved.

Dated, June 1st, Recommending approval of the application of Mr. Roy C. Shaneberger to serve at the same time as director of the Fletcher American National Bank of Indianapolis, Ind. and as director of the Virginia Avenue State Bank of Indianapolis, Ind.

Approved.

Dated, June 1st, Recommending approval of the application of Mr. Ralph K. Smith to serve at the same time as director and officer of the Fletcher American National Bank of Indianapolis, Ind. and as director of the Belmont State Bank of Indianapolis, Ind.

Approved.

Dated, June 1st, Recommending approval of the application of Mr. Gustav H. Mueller to serve at the same time as director and officer of the Fletcher American National Bank of Indianapolis, Ind. and as director of the Belmont State Bank of Indianapolis, Ind.

Approved.

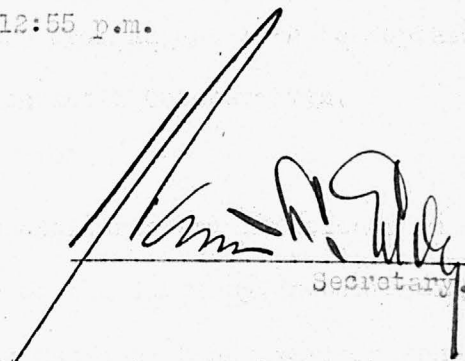
Dated, June 1st, Recommending approval of the application of Mr. George C. Forrey, Jr., to serve at the same time as officer and director of the Fletcher American National Bank of Indianapolis, Ind. and as officer and director of the Belmont State Bank of Indianapolis, Ind., and as director of the Virginia Avenue State Bank of Indianapolis, Ind.

Approved.

The meeting adjourned at 12:55 p.m.

Approved:


Governor.


Secretary.