A meeting of the Federal Reserve Board was held in the office of
the Federal Reserve Board on Thursday, June 25, 1925 at 11:00 a.m.

PRESENT: Governor Crissinger
Mr. Platt
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Noel, Assistant Secretary

The minutes of the meeting of the Federal Reserve Board held on
June 23rd were read and approved as amended.

The Governor announced that the term of Mr. Miller as a member
of the Executive Committee expires on June 30th and that Mr. James would
serve for three months ending September 30, 1925.

Memorandum dated June 25th from the Secretary requesting authority
to employ a stenographer for a period of three months, with salary at the
rate of $1500 per annum to substitute in the Office of the Fiscal Agent for
Miss Josephine Lally, salary $1760 per annum, who is absent without pay on
account of sickness.

Approved.

Memorandum dated June 25th from the Director of the Division of
Research and Statistics recommending that Mr. Kenneth H. Hunter be
appointed to the Division for a period of three months beginning July 1st
at a salary of $300 a month.

Approved.

Report of Committee on Salaries, Expenditures and Efficiency on
letter dated June 24th from the Comptroller of the Currency recommending
increases aggregating $17,800 in the salaries of the following named national
bank examiners; the Committee also recommending approval:
<table>
<thead>
<tr>
<th>Examiner</th>
<th>From</th>
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Upon motion by Mr. James, the increases recommended were approved.

Report of Committee on Examinations on letter dated June 16th from the Federal Reserve Agent at San Francisco transmitting and recommending approval of an application of the Security Trust and Savings Bank of Los Angeles for permission to establish a branch de novo at 710 West Tenth Street, Los Angeles; the Committee also recommending approval.

Approved.

Memorandum from Counsel dated June 23rd, submitting draft of reply to letter dated May 29th from the Treasurer of the French American Banking Corporation requesting approval to the Corporation’s establishing two clerks on the dock at the French line at the time of arrival and departure of steamers to buy and sell foreign currency, the proposed reply stating that the Board has no objection to the corporation putting into effect the plan described.

Upon motion by Mr. Hamlin, the proposed reply was approved.

Mr. Platt stated that he doubted whether the Federal Reserve Board had any authority in the above matter.

Memorandum dated June 27th from the Chief of the Division of Bank Operations, recommending that permission be given to The Annalist of New York City to print the current week’s statement of condition of member banks in its weekly issue, which goes into circulation between twelve and one o’clock each Friday.

Approved.
The Governor then read the following telegram addressed to Mr. C. C. Walsh of San Angelo, Texas, who was designated Federal Reserve Agent and Chairman of the Board of Directors of the Federal Reserve Bank of Dallas, in reply to his telegram inquiring as to the salary of $15,000 per annum approved for him as compared with the salary of $18,000 received by the present incumbent:

"The Board's Committee for the Eleventh District to whom your telegram to Eddy was referred sincerely hopes and earnestly urges that you proceed to qualify and take office in accordance with the written tender by the Board and your acceptance thereof. Stop Committee feels that a few months of actual experience in office will demonstrate the justification of an adjustment of salary by first of the year on an entirely satisfactory basis. Stop Will greatly appreciate your wiring statement acquiescing to this request."

Mr. Platt then read the following telegraphic reply received from Mr. Walsh this morning:

"Answering your courteous message this date. In view of explanations which are greatly appreciated will proceed to qualify and take oath July 1st in accordance with terms of original tender by your Board and acceptance by me. Am writing fully."

Report of Committee on Salaries, Expenditures and Efficiency on the subject of dividend resolution adopted by the Board of Directors of the Federal Reserve Bank of Boston as follows:

"Net earnings available for dividends, surplus, etc., of the Federal Reserve Bank of Boston for the five months ending May 31, 1925, amounted to $376,500, and dividends accrued to that date to $200,300, leaving net earnings after providing for dividend payments of $176,200."
"The bank's dividend resolution was forwarded to the Board prior to its receipt of the Board's letter of June 12, asking for information regarding unpaid indebtedness of failed banks and of banks in an unsafe or over-extended condition, and as yet no such statements have been received by the Board. The bank's daily balance sheets, however, show that it has no claims on account of closed or suspended banks, and it is assumed that no material losses are anticipated on paper of any banks in an over-extended or unsafe condition.

Your Committee therefore recommends that the payment of the semi-annual dividend by the Federal Reserve Bank of Boston be authorized by the Board."

Upon motion by Mr. Hamlin, it was voted to approve the recommendation of the Committee.

Report of Committee on Salaries, Expenditures and Efficiency on the subject of dividend resolution adopted by the Board of Directors of the Federal Reserve Bank of New York as follows:

"Net earnings available for dividends, surplus, etc. of the Federal Reserve Bank of New York for the five months ending May 31, 1925, amounted to $1,621,000, and dividends accrued to that date to $772,200, leaving net earnings after providing for dividend payments of $848,800.

The New York bank states that it holds no paper under discount for member banks in its district which are considered to be in an unsafe condition and that there is no unpaid indebtedness of closed member banks to the Federal reserve bank. The dividend resolution of the New York bank is in proper form and it is recommended that payment of the semi-annual dividend be authorized by the Board."

Upon motion by Mr. Hamlin, it was voted to approve the recommendation of the Committee.

Report of Committee on Salaries, Expenditures and Efficiency on the subject of dividend resolution adopted by the Board of Directors of the Federal Reserve Bank of Philadelphia as follows:

"Net earnings available for dividends, surplus, etc. of the Federal Reserve Bank of Philadelphia for the five months ending May 31, 1925, amounted to $376,000 and dividends accrued to that date to $200,000, leaving net earnings after providing for dividend payments of $176,000."
"The Philadelphia bank estimates its probable loss on account of indebtedness of failed or suspended banks at $200, which represents the indebtedness of a bank in Lewistown, Montana, but anticipates no loss on paper held under discount for member banks in its district. The dividend resolution of the Philadelphia bank is in proper form and it is recommended that the payment of the semi-annual dividend be authorized by the Board."

Upon motion by Mr. Hamlin, it was voted to approve the recommendation of the Committee.

Report of Committee on Salaries, Expenditures and Efficiency on the subject of dividend resolution adopted by the Board of Directors of the Federal Reserve Bank of Cleveland as follows:

"Net earnings available for dividends, surplus, etc. of the Federal Reserve Bank of Cleveland for the five months ending May 31, 1925, amounted to $557,000, and dividends accrued to that date to $322,000, leaving net earnings after providing for dividend payments of $235,000.

The Cleveland bank states that it held no paper under discount for member banks in its district at the end of May, on which it expects to sustain a loss and that no failed banks were indebted to it except the First National Bank of Carnegie, Pa., which was liable on $110,481.43 of trade acceptances. These trade acceptances were, however, paid in full on June 4.

The dividend resolution of the Cleveland bank is in proper form and it is recommended that the payment of the semi-annual dividend be authorized by the Board."

Upon motion by Mr. Hamlin, it was voted to approve the recommendation of the Committee.

Report of Committee on Salaries, Expenditures and Efficiency on the subject of dividend resolution adopted by the Board of Directors of the Federal Reserve Bank of Richmond as follows:

"Net earnings available for dividends, surplus, etc. of the Federal Reserve Bank of Richmond for the five months ending May 31, 1925, amounted to $114,000, or $34,700 less than the amount of dividends accrued ($148,700) to that date. On June 15, however, the Richmond bank, owing to larger holdings of United States securities had reduced this deficit to $1,400, and by the end of June the bank should have an excess of earnings over expenses and dividends."
"The bank has furnished a statement showing 13 closed banks, on which it has an unpaid indebtedness of $789,000, with estimated losses of $110,300, and a statement showing 19 banks considered to be in an overextended or unsafe condition with a total indebtedness to the Federal reserve bank of $2,061,600, on which it estimates a loss of not to exceed $85,000. Against the estimated losses on paper of failed banks and banks in an overextended or unsafe condition, of $195,300, the bank now carries a reserve for probable losses of $300,000.

The dividend resolution of the Richmond bank is in proper form and it is recommended that the payment of the semi-annual dividend be authorized by the Board."

Upon motion by Mr. Hamlin, it was voted to approve the recommendation of the Committee.

Report of Committee on Salaries, Expenditures and Efficiency on the subject of dividend resolution adopted by the Board of Directors of the Federal Reserve Bank of Atlanta as follows:

"Current expenses of the Federal Reserve Bank of Atlanta for the five months ending May 31, 1925, exceeded gross earnings by $25,000, and accrued dividends to that date amounted to $115,000. The earning position of the bank is somewhat better now, however, because of its larger holdings of United States securities, which were allotted to it by the Open Market Investment Committee during May.

Statements furnished by Atlanta indicate that it has five banks in an unsafe condition with aggregate indebtedness to the Federal reserve bank of $175,500. No losses are anticipated on any of such paper, however. The indebtedness of 24 suspended banks to the Federal Reserve Bank of Atlanta on June 11, 1925, amounted to $2,633,122, on which the Federal reserve bank estimates a loss of $1,018,400, or $469,000 in excess of the bank's present reserve to cover losses, which amounts to $549,000. The Atlanta bank now has a surplus fund amounting to $8,950,000, and it is apparent, therefore, that even should the full dividend, together with the deficit in earnings be charged to the surplus account, it would still leave a balance in the surplus account of about $8,900,000. The bank's surplus account is, therefore, sufficient in the opinion of the Committee to warrant the payment of the usual semi-annual dividend and it is recommended that such payment be authorized by the Board."
"The dividend resolution submitted by the Atlanta bank, however, is not in the best form and it is suggested that in authorizing the payment of the dividend the bank be advised that no charge should be made to the surplus account on June 30 as a result of the payment of the dividend, but that the full amount should be charged to the item "Accrued dividends unpaid" appearing in the Miscellaneous Liabilities block on form 34.

It is also recommended that the Board suggest to the Atlanta bank that the last paragraph of its dividend resolution be omitted and the second paragraph amended to read as follows: "WHEREAS it is estimated that the earnings of this bank for the semi-annual period ending June 30, 1925, will not be sufficient to cover operating expenses, depreciation in the assets of the bank, probable losses and dividend requirements, but that the deficit will be small in comparison with the bank's surplus, which now amounts to $8,950,309.14; now, therefore,"

Upon motion by Mr. Hamlin, it was voted to approve the recommendations of the Committee.

Report of Committee on Salaries, Expenditures and Efficiency on the subject of dividend resolution adopted by the Board of Directors of the Federal Reserve Bank of St. Louis as follows:

"Net earnings available for dividends, surplus, etc., of the Federal Reserve Bank of St. Louis for the five months ending May 31, 1925, amounted to $56,000, or $71,600 less than dividends accrued ($127,600) to that date. The earning position of this bank is somewhat better now, however, because of its larger holdings of United States securities, which were allotted to it during May by the Open Market Investment Committee.

A statement submitted by the St. Louis bank shows unpaid indebtedness of closed banks as $256,000, on which the bank estimates that it will sustain a loss of $115,000. The bank also lists 20 banks that are considered to be in an unsafe or extended condition with a total unpaid indebtedness to the Federal Reserve Bank of $1,970,000. The bank fails to state, however, whether or not it expects to sustain a loss on any of this paper, and in notifying it of the Board's action on its dividend resolution it is recommended that the bank be asked to furnish the Board with an estimate of the probable loss, if any is anticipated, on such paper. The probable loss on paper of failed banks, $115,000, is $126,000 less than the reserve ($243,335) the bank is now carrying to cover probable losses on paper of failed banks.
"Inasmuch as the St. Louis bank now has a surplus of $9,971,000, your Committee feels that the payment of the usual semi-annual dividend is fully warranted and therefore recommends that such payment be authorized by the Board."

Upon motion by Mr. Hamlin, it was voted to approve the recommendations of the Committee.

Report of Committee on Salaries, Expenditures and Efficiency on the subject of dividend resolution adopted by the Board of Directors of the Federal Reserve Bank of Minneapolis as follows:

"Net earnings available for dividends, surplus, etc., of the Federal Reserve Bank of Minneapolis for the five months ending May 31, 1925, amounted to $78,900, or $1,500 less than the amount of dividends accrued ($80,400) to that date.

The Minneapolis bank has furnished a statement relating to suspended banks, which shows an estimated loss of $333,000 as of May 31, 1925, on $7,730,000 of suspended bank paper holdings as of that date. Governor Young states, however, that the $333,000 includes interest and expense, and that as the expense has already been charged up and no interest has been accrued, the estimated loss to be charged against the $700,000 reserve the bank is now carrying would amount to only $250,000. The bank has also enclosed a list of banks that are considered to be in an unsafe or over-extended condition, giving the indebtedness of each such bank to the Federal reserve bank. While the total amount of such indebtedness aggregates $2,553,080, Governor Young states that no loss is expected on any of the banks with the possible exception of four, and that in his opinion such loss will be very small. The aggregate indebtedness to the Federal Reserve bank of these four banks amounts to $153,039. In view of Governor Young's statements it would seem that the probable losses to be sustained by the Minneapolis bank are very materially less than the present reserve carried and this fact taken in conjunction with the fact that that bank has a surplus of $7,497,000 would seem to warrant the payment of the usual semi-annual dividend and your Committee recommends that such payment be authorized by the Board."

Upon motion by Mr. Hamlin, it was voted to approve the recommendation of the Committee.
Report of Committee on Salaries, Expenditures and Efficiency on the subject of dividend resolution adopted by the Board of Directors of the Federal Reserve Bank of Kansas City as follows:

"Net earnings available for dividends, surplus, etc., of the Federal Reserve Bank of Kansas City for the five months ending May 31, 1925, amounted to $61,400 or $46,700 less than dividends accrued ($108,100) to that date. The earning position of this bank is somewhat better now, however, because of its larger holdings of U. S. securities which were allotted to it during May by the Open Market Investment Committee.

The statement submitted by the Kansas City bank shows unpaid indebtedness of eleven closed banks as $308,800, on which the bank estimates that it will sustain a loss of $114,200. The bank also lists thirty-six banks that are considered to be in an over-extended or unsafe condition with a total unpaid indebtedness to the Federal reserve bank of $1,849,000, on which the bank estimates the probable loss in case of suspension as $184,600. Total estimated losses on account of failed banks and member banks in an over-extended condition are about $23,000 less than the reserve ($322,276) the bank is now carrying to cover probable losses on paper of failed banks.

In view of the fact that the Kansas City bank has a surplus of $8,976,660.60, your Committee believes that the payment of the semi-annual dividend is fully warranted and recommends that its payment be authorized by the Board."

Upon motion by Mr. Hamlin, it was voted to approve the recommendation of the Committee.

Report of Committee on Salaries, Expenditures and Efficiency on the subject of dividend resolution adopted by the Board of Directors of the Federal Reserve Bank of San Francisco as follows:

"Net earnings available for dividends, surplus, etc., of the Federal Reserve Bank of San Francisco for the five months ending May 31, 1925, amounted to $161,100, or about $42,200 less than dividends accrued ($203,300) to that date. The earnings position of this bank is somewhat better now, however, because of its larger holdings of United States securities, which were allotted to it during May by the Open Market Investment Committee."
"Statements furnished by the San Francisco bank indicate that on May 16 it had 19 banks in an over-extended or unsafe condition and 37 closed member banks. The indebtedness to the Reserve Bank of the 19 banks in an over-extended condition aggregated $1,359,000, on which apparently no loss is anticipated but in notifying the bank of the Board's action on the dividend resolution it is recommended that it be asked to furnish the Board with an estimate of the probable loss, if any is anticipated, on paper discounted for these banks. Indebtedness to the Reserve bank by the 37 closed banks totaled $4,441,540.32. The San Francisco bank estimates a loss of $1,772,000 will be sustained on the indebtedness of 33 of these banks but has not classified the paper of the other 4 banks and has not estimated the probable loss on the indebtedness of these banks which amounted to $637,610.53. A reserve of $897,000 for losses account of failed banks is now carried by the Reserve bank.

Inasmuch as the San Francisco bank now has a surplus of $15,070,993.11, your Committee feels that the payment of the usual semi-annual dividend is fully warranted and therefore recommends that such payment be authorized by the Board and that the Reserve bank be advised of the Board's action by telegraph as requested by Mr. Moore in his letter submitting the bank's dividend resolution."

Upon motion by Mr. Hamlin, it was voted to approve the recommendation of the Committee.

At this point Mr. McIntosh entered the meeting.

Memorandum from Counsel dated June 22nd on letter dated May 29th from the Chairman of the Federal Reserve Bank of Atlanta enclosing copy of a proposed contract by and between the Federal Reserve Bank of Atlanta and the First National Bank of Miami, Florida, covering the deposit of a revolving currency fund of $2,000,000 in Miami to take care of the currency requirements of member banks in that city, Counsel stating that in his opinion there is no legal objection to the establishment of the revolving fund in Miami in accordance with the terms of the proposed contract.
After discussion, Mr. Hamlin moved that the Board approve of the Federal Reserve Bank of Atlanta entering into an agreement, in the form submitted, for the deposit with the First National Bank of Miami of a revolving currency fund of $2,000,000.

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

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

Memorandum from General Counsel dated June 25th advising that eleven of the Federal reserve banks have expressed a wish to be represented at the proposed conference with the office of the Comptroller of the Currency on the subject of the proof of claims by Federal reserve banks against insolvent national banks and that July 13th is the most convenient date for all parties to attend the conference.

After discussion, Mr. Hamlin moved that the Board approve July 13th as the date for the conference.

Carried.

Mr. Hamlin then reported that he had conferred with Honorable Newton D. Baker regarding the desire of the Federal Reserve Bank of San Francisco that Mr. Baker participate in the proposed appeal of the par clearance case brought against the Federal Reserve Bank of San Francisco by the Brookings State Bank. He stated that it would not be convenient for Mr. Baker to go to San Francisco at this time and that Mr. Baker had suggested that Mr. Agnew, who will be in Washington on July 13th,
proceed with preparations for the appeal and bring the record of the case with him when he comes to Washington, at which time Mr. Baker could review the matter. Mr. Hamlin further stated that Mr. Baker would be able to go to Oregon for the trial, which will take place in September.

After discussion, Mr. Hamlin moved that authority be given to the Governor to retain Mr. Baker in the preparation and trial of the above case, provided all Federal reserve banks agree that his expenses should be pro-rated as a System matter and provided that after consultation with Mr. Baker the Governor is satisfied that his fee in the case will be reasonable, and further that the following telegram be immediately transmitted to all Federal reserve banks:

"Trial of par clearance damage suit based on same allegations as injunction suit, Brookings State Bank v. Federal Reserve Bank of San Francisco (see opinion injunction suit sent you July 6, 1922, X-5466) resulted in verdict against Federal Reserve bank $1 actual and $17,500 punitive damages. Court refused to follow Brandeis decision in Atlanta case and held that Federal reserve banks have no authority to collect checks on nonmember State banks in any manner which results directly or indirectly in depriving them of exchange charges. Board feels that this and other rulings of court raise questions of great importance to entire System; also that System cannot afford to remain under stigma of verdict for punitive damages growing out of par clearance which is essentially a System matter. Calkins recommends that Baker be retained immediately on System basis to assist in preparation of appeal and trial of case. Board strongly of opinion that this should be done. Please wire whether your bank is willing to bear pro rata share of expense of employing Baker. Immediate decision highly important. You will recall your bank assumed pro rata share Davis' fee in connection this case."

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

Mr. James then requested permission to send to Deere and Company, Moline,
Illinois, copy of letter from the Governor of the Federal Reserve Bank of Chicago replying to the Board's letter of June 19, 1925, regarding the necessity for the filing of separate financial statements by subsidiaries of Deere and Company under the provisions of the Board's regulations.

Upon motion, the authority requested was granted.

The Governor then presented a telegram just received from the Federal Reserve Agent at Dallas stating he had been advised that Mr. C. C. Walsh will qualify as Federal Reserve Agent and Chairman of the Board of Directors of the Dallas Bank on July 1st and inquiring whether the Board desires to have a representative in Dallas at that time to verify the assets in the present Agent's custody and to make formal transfer to Mr. Walsh.

Referred to the Governor with power.

The Governor then reported on the proceedings of the Open Market Investment Committee held in New York City yesterday, and presented the formal report submitted at the meeting by the Chairman of the Committee, which was ordered circulated.

Memorandum dated June 25th from the Director of the Division of Research and Statistics, recommending that the salary of Miss Elsie Rackstraw, Librarian, be increased from $2400 to $2800 per annum, effective July 1st.

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

Memorandum dated June 24th from the Director of the Division of Research and Statistics requesting authority to purchase a Monroe calculating machine for use in the Division at a price of $300, less an allow-
ance of $50.00 on an old unsatisfactory machine now in use.

Upon motion by Mr. James, the authority requested was granted.

Mr. Miller then stated that he would be away from Washington during part or all of the week beginning June 29th.

The Governor stated that a meeting of the Board will be held tomorrow morning at which special order of business would be reconsideration of the application of the Mercantile Trust Company, San Francisco, for permission to establish a branch at Burlingame.

The Governor then presented report of the Committee on Examinations recommending approval of the application of the Glenside Bank and Trust Company, Glenside, Pennsylvania, for 93 shares of stock in the Federal Reserve Bank of Philadelphia, subject to conditions 1 to 9, as contained in the Board's Regulation H; the Committee also recommending approval of the bank's application for permission to acquire the business of the Glenside National Bank.

Upon motion, it was voted to approve both the application for membership and the application to take over the national bank.

REPORTS OF STANDING COMMITTEES:

Dated June 24th Recommending changes in stock at Federal Reserve banks, 25th as set forth in the Auxiliary Minute Book of this date. Approved.

Dated June 25th Recommending action on applications for fiduciary powers, 25th as set forth in the Auxiliary Minute Book of this date. Approved.

Dated June 22nd Recommending action on application for admission of state banks, subject to the conditions stated in the individual report attached to the application, as set forth in the Auxiliary Minute Book of this date. Approved.
Dated June 23rd

Recommendng approval of the application of Mr. George B. Durell to serve at the same time as director of the Citizens First National Bank of Frankfort, N. Y. and as director of the Union Trust Company of Cleveland, Ohio.

Approved.

Dated June 24th

Recommendng approval of the application of Mr. Wm. D. Baldwin to serve at the same time as director of the Burnett National Bank, Jacksonville, Fla. and as director of the Westchester County National Bank, Peekskill, N. Y.

Approved.

The meeting adjourned at 1:00 p.m.

Approved:

[Signature]

Governor.