

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, June 30, 1925 at 11:30 a.m.

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

The minutes of the meeting of the Federal Reserve Board held on June 26th were read and approved as amended.

Memorandum dated June 26th from the Division of Examination, recommending approval of an application of the First National Bank in Webster Groves, Missouri, for original stock (69 shares) in the Federal Reserve Bank of St. Louis, effective if and when the Comptroller of the Currency issues a certificate of authority to commence business; the same having been approved yesterday on the initials of two members of the Executive Committee.

Formally approved.

Memorandum dated June 26th from the Division of Examination, recommending approval of an application of the First National Bank in Lidgerwood, North Dakota, for original stock (18 shares) in the Federal Reserve Bank of Minneapolis, effective if and when the Comptroller of the Currency issues a certificate of authority to commence business; the same having been approved yesterday on the initials of two members of the Executive Committee.

Formally approved.

Memorandum dated June 27th from the Division of Examination, recommending approval of an application of the State National Bank,

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Lovelady, Texas, for original stock (17 shares) in the Federal Reserve Bank of Dallas, effective if and when the Comptroller of the Currency issues a certificate of authority to commence business; the same having been approved yesterday on the initials of two members of the Executive Committee.

Formally approved.

Memorandum dated June 29th from the Division of Examination, recommending approval of an application of the Manufacturers Trust Company of New York for additional stock (3,000 shares) in the Federal Reserve Bank of New York; the same having been approved yesterday on the initials of two members of the Executive Committee.

Formally approved.

Memorandum dated June 29th from the Division of Examination, recommending approval of applications of the Fifth National Bank, and the Gotham National Bank, both of New York City, for surrender of stock (1500 and 1800 shares, respectively) in the Federal Reserve Bank of New York, that of the Gotham National Bank to be effective if and when the Comptroller of the Currency issues notice of liquidation; the same having been approved yesterday on the initials of two members of the Executive Committee.

Formally approved.

Report of Committee on Salaries, Expenditures and Efficiency on letter dated June 27th from the Comptroller of the Currency recommending approval of an increase from \$9,000 to \$9,500 per annum in the salary of Chief National Bank Examiner Ellis D. Robb; the Committee also recommending approval.

Approved.

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Letter dated June 27th from the Chairman of the Federal Reserve Bank of Chicago, advising of the election of Mr. E. L. Harris as Secretary of the Board of Directors of the Bank for the balance of the calendar year.

Noted.

Mr. McIntosh stated that he had appointed Mr. S. E. Kimball as his Secretary and fixed his salary at the rate of \$2600 per annum, effective July 1, 1925.

Report of Committee on Examinations on letter dated June 24th from the Federal Reserve Agent at Boston, recommending approval of an application of the Inman Trust Company, Cambridge, Massachusetts, for an extension until February 1, 1926, of the time in which it may establish the branch approved by the Board for Central Square, Cambridge; the Committee also recommending approval.

Approved.

Report of Committee on Salaries, Expenditures and Efficiency on letter dated June 25th from the Governor of the Federal Reserve Bank of Atlanta, advising that the expenditure of \$125 reported to the Board as a contribution to the "Nashville Booster Trip" should have been reported as traveling expenses of the Manager of the Nashville Branch while on bank relations work through western Tennessee and southwestern Kentucky; the Committee recommending approval of the expenditure.

Approved.

Report of Committee on Salaries, Expenditures and Efficiency on

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letters dated June 25th and 26th from the Federal Reserve Agents at Cleveland, Atlanta, Chicago and Kansas City, submitting recommendations for the designation of Assistant Federal Reserve Agents at the branches of those banks to serve during the six months' period ending December 31, 1925; the Committee recommending approval of the designations.

Upon motion, the following Assistant and Acting Assistant Federal Reserve Agents were designated for the last six months of the year:

Pittsburgh	-	T. M. Jones
Cincinnati	-	P. J. Faulkner
New Orleans	-	W. E. Miller
		J. R. Stevens (alternate)
Detroit	-	J. G. Baskin
		W. C. Schrader (acting)
Omaha	-	T. G. Sanders
Denver	-	D. C. Meigs
Oklahoma City	-	O. A. Leamon

Letter dated June 25th from the Assistant Federal Reserve Agent at Minneapolis, advising of the action of the Board of Directors of that bank in abolishing the office of Assistant Federal Reserve Agent and Auditor at the Helena Branch, transferring the present incumbent, Mr. H. L. Zimmerman, to the head office and providing that there shall be held at the branch an average stock of \$2,500,000 of issued currency, all changes effective July 1st.

Noted.

Report of Committee on Salaries, Expenditures and Efficiency on letter dated June 24th from the Federal Reserve Agent at Boston, suggesting that the salary of Assistant Federal Reserve Agents be charged to general overhead rather than allocated to the several departments under the supervision of the

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Agent; the Committee submitting memorandum from the Chief of the Division of Bank Operations, dated June 30th, commenting on the suggestion, and stating that consideration is being given to a revised manual of instructions in which it is hoped to devise some plan which will be entirely satisfactory to the Federal Reserve Agents and at the same time fairly reflect operating costs.

Noted, and ordered that the Federal Reserve Agent at Boston be advised accordingly.

Memorandum dated June 30th from the Chief of the Division of Bank Operations, referring to letter dated June 25th from the Federal Reserve Agent at Chicago concurring in a suggestion made to him by the Federal Reserve Agent at Philadelphia that the salary of Assistant Federal Reserve Agents be charged to general overhead rather than allocated to the several departments under the supervision of the Federal Reserve Agent; the Chief of the Division calling attention to his other memorandum of this date regarding a similar suggestion by the Federal Reserve Agent at Boston.

Upon motion, it was voted that the Federal Reserve Agents at Philadelphia and Chicago also be advised in accordance with the memorandum above referred to.

Draft of letter to the Federal Reserve Agent at San Francisco, who is Chairman of the Federal Reserve Agents' Conference, submitting as a topic for the next conference, the report recently submitted by the Sub-Committee on the Bank Examination and Credit Functions of the Federal Reserve banks which indicates that at present a uniform policy with reference to assessing the costs of examinations against state member banks examined is not being followed

by all Federal Reserve banks and requesting that the Agents at their next conference draw up a set of rules sufficiently specific to insure that the scope of bank examinations and credit investigations will be substantially uniform in all districts and that as a result charges against member banks to cover the cost of examinations will be made on the same basis by all Federal Reserve banks.

Upon motion, the proposed letter was approved.

Draft of reply, prepared by the Committee on Examinations, to letters dated June 19th and 24th from the Federal Reserve Agent at Chicago, on the subject of branches recently established by Michigan state member banks without the approval of the Board; the proposed reply stating that the Board has no intention of seeking to prevent the establishment of branches in Michigan by well-organized institutions with ample capital but believes that application should be made, formal or informal, for the approval of the Board before branches are opened, and further, that if the additional offices to be opened are merely "tellers windows", a notification to the Board of intention to open, with the endorsement of the Federal Reserve Agent, will be sufficient.

Upon motion by Mr. James, the proposed letter was approved.

Letter dated June 26th from the Federal Reserve Agent at Dallas, suggesting that the Board employ special counsel for the System as a whole, on a retainer basis, so that such Counsel would not only be available for cases like the Atlanta and San Francisco par clearance suits, but could also act as a clearing house for the legal departments of all Federal Reserve banks, and

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suggesting further that this matter might be made a topic for consideration at the next Conference of Governors and at the Conference of Federal Reserve Bank Counsel which will be held in Washington on July 13th.

Upon motion, it was voted that the suggestion be made a topic for consideration at both the Governors Conference and the Conference of Counsel.

Letter dated June 26th from the Federal Reserve Agent at Kansas City, advising of the action of the Board of Directors of that bank in abolishing the office of Assistant Auditor at its branches and advising further that the salary of Mr. T. G. Sanders, who formerly held that position at the Omaha Branch, has been reduced from \$3700 to \$2700 per annum and that of Mr. R. W. Smith, formerly auditor at the Denver Branch, from \$3300 to \$2600 per annum, both effective July 1st.

Noted.

Letter dated June 26th from the Federal Reserve Agent at Boston, transmitting copy of a letter from Mr. William W. Russell, Treasurer of the National Life Insurance Company, Montpelier, Vermont, who was nominated for election as Class "B" Director of the Federal Reserve Bank of Boston, requesting that he be furnished with a copy of the opinion of the Board's Counsel that an officer of an insurance company is not eligible to serve as a Class "B" Director of a Federal Reserve Bank.

Upon motion, it was voted to defer action on the request until Counsel submits to the Board a form of letter to all Federal Reserve banks advising of the opinion.

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Letter dated June 27th from the Chairman of the Federal Reserve Bank of St. Louis, inquiring whether there would be any objection to his taking a vacation of three weeks or a month beginning about July 1st; together with telegraphic reply made yesterday on the initials of two members of the Executive Committee advising that the Board will not object to his taking the vacation.

Upon motion, the telegram was formally approved.

Telegram dated June 29th from the Federal Reserve Agent at Kansas City, advising that a considerable amount of currency is likely to be needed by Denver banks in order to take care of a possible emergency, and requesting that arrangements be made with the Comptroller of the Currency for the direct release to the Branch Federal Reserve Bank at Denver from the Denver Mint of unissued Federal Reserve notes up to \$5,000,000 in denominations specified by the Branch; together with copy of telegraphic reply made yesterday on the initials of two members of the Executive Committee, advising that the Comptroller of the Currency will wire the Director of the Mint to release the currency as requested and stating that as withdrawals are made from the Mint the Branch should wire to the Board the total amount withdrawn and the total amount of each denomination and that formal requisition should also be made and forwarded to the Board in support of each telegraphic advice.

Noted.

Report of Committee on Salaries, Expenditures and Efficiency dated June 29th on the subject of dividend resolution of the Federal Reserve Bank of Dallas, as follows:

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"Net earnings available for dividends, surplus, etc., of the Federal Reserve Bank of Dallas for the five months ending May 31, 1925, amounted to \$45,000 or \$59,400 less than dividends accrued (\$104,400) 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.

Statements furnished by the Dallas bank indicate that on May 31 it had six member banks in an over-extended or unsafe condition and thirty-two closed member banks. The indebtedness to the reserve bank of the six banks in an unsafe condition aggregated \$156,000, on which no loss is anticipated by the Federal reserve bank. The net liability to the Federal reserve bank of the thirty-two closed banks aggregated \$1,901,400, on which \$710,300 had previously been charged to the reserve for losses on account of failed banks. The Federal reserve bank estimates the probable additional loss as \$514,000, or \$10,000 less than the reserve (\$524,072) the bank is now carrying to cover probable losses on failed banks.

In view of the fact that the Dallas bank has a surplus of \$7,592,396, your Committee feels that the payment of the semi-annual dividend is fully warranted and recommends that payment thereof be authorized by the Board."

The recommendation of the Committee having been approved yesterday on the initials of two members of the Executive Committee was formally adopted.

Report of Committee on Salaries, Expenditures and Efficiency on the subject of dividend resolution of the Federal Reserve Bank of Chicago, as follows:

"Net earnings available for dividends, surplus, etc., of the Federal Reserve Bank of Chicago for the five months ending May 31, 1925, amounted to \$585,900 and dividends accrued to that date to \$386,800, leaving net earnings after providing for dividend payments of \$199,100.

Statements furnished by the Chicago bank indicate that on May 31 it had 60 member banks in an over-extended or unsafe condition and 16 closed member banks. The indebtedness to the Reserve bank of the 60 banks in an unsafe condition aggregated \$4,541,400, with respect to which the Federal reserve bank states it has no basis on which to estimate its probable loss. In the

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"case of 2 of the 16 closed banks the indebtedness to the Federal reserve bank has already been charged off. The net liability of the other 14 banks on rediscounted paper aggregates \$865,500 on which the Federal reserve bank estimates that a loss of \$123,000 will be sustained. The Chicago statement also shows "Unpaid collateral notes" of these 14 banks as \$1,867,500. These notes are evidently not included in "Claims account closed or suspended banks" on the Federal reserve bank's balance sheet and accordingly it is recommended that the bank be requested to furnish an explanation of the item. The reserve for losses on account of failed banks now carried by the Federal Reserve bank amounts to \$738,874.90 in addition to which the reserve bank reports recoveries of \$20,600 on losses previously charged off.

The Committee believes that the payment of the semi-annual dividend of the Federal Reserve Bank of Chicago is fully warranted and accordingly recommends that the payment of the dividend be authorized by the Federal Reserve Board."

The recommendations of the Committee having been approved yesterday by two members of the Executive Committee, were formally adopted.

The Governor then presented several copies of a report of the Committee on Voluntary Services Assumed by Federal Reserve banks on the brief filed with the Board by the American Bankers Association Committee on Collection of Non-Cash Items by Federal Reserve Banks.

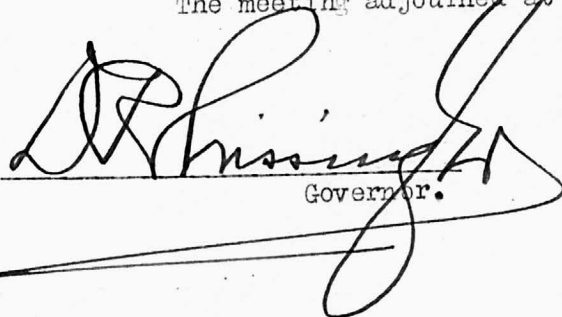
Upon motion, it was voted that copies of the report be distributed among the members of the Board for their information.

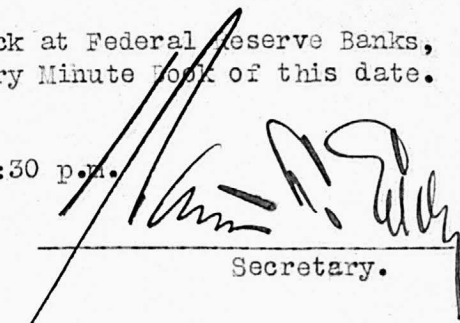
REPORTS OF STANDING COMMITTEES:

Dated, June 29th, Recommending changes in stock at Federal Reserve Banks,
30th, as set forth in the Auxiliary Minute Book of this date.
Approved.

The meeting adjourned at 12:30 p.m.

Approved:


Governor.


Secretary.