

A meeting of the Federal Reserve Board was held in the office of the Board on Wednesday, July 22, 1925, at 11:00 a.m.

PRESENT: Mr. James, presiding.
Mr. Hamlin
Mr. Miller
Mr. McIntosh
Mr. Eddy, Secretary.

The minutes of the meeting of the Federal Reserve Board held on July 17th were read and approved.

Report of Committee on Examinations on application of The Insurance Bank of St. Louis, St. Louis, Missouri, for membership in the Federal Reserve System and for 135 shares of stock in the Federal Reserve Bank of St. Louis; the Committee referring to a memorandum of Counsel dated July 17th pointing out that the bank expects to open a real estate and insurance department, authority for which does not appear to be contained in its charter, and recommending that the Board secure further information regarding the proposed new department and the liabilities, etc., which would be created thereby, before approving the application.

Upon motion, the recommendation of the Committee was approved.

Memorandum dated July 21st from Messrs. James, Hamlin, Miller and McIntosh, submitting draft of a letter to the Vice President of the Lincoln Bank and Trust Company, Louisville, Ky., with respect to the proposal of the bank to issue debentures secured by first mortgages on real estate and to sell to investors with its guarantee as to principal and interest real estate mortgage notes, which the Board approved on June 26th, although expressing itself as not in favor of the practice of commercial banks handling business of this kind; the memorandum setting forth that its signers on

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July 20th held a conference with the Vice President of the bank, at his request, for the purpose of discussing with him the views of the Board as to the manner in which the business should be handled, and recommending that the Board approve the proposed letter to the bank, which states that while the Board does not approve the principle of a commercial bank handling business of the kind in question, because of the fact that two other member banks in Louisville are engaged in it, thus placing the Lincoln Bank and Trust Company at a competitive disadvantage, the Board will not object to that institution handling the business, on the following conditions:

- "1. The total liability of the Lincoln Bank and Trust Company as obligor on bonds issued by it and as guarantor of notes or bonds secured by real estate mortgages and sold by it under this plan, plus its aggregate liability to depositors, will not at any time exceed an amount equal to ten times its unimpaired capital and surplus; and
2. The Lincoln Bank and Trust Company will establish a separate company to handle its mortgage loan business under the plan mentioned above as soon as it is able to accumulate a surplus fund sufficient to enable it to provide the necessary capital for the organization of such a company; and
3. In making up its financial statements the Lincoln Bank and Trust Company will carry bonds issued by it on the liability side as "real estate bonds issued" and against this it will carry on the asset side "real estate mortgages purchased". If the Lincoln Bank and Trust Company sells with its guarantee real estate mortgages or notes and bonds secured by real estate mortgages, its contingent liability as guarantor will be carried at the foot of its statement as "contingent liability as guarantor of real estate mortgages sold."

Upon motion by Mr. Hamlin, the proposed letter was formally approved.

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After discussion, Mr. Miller moved -

"That a copy of the above letter to the Lincoln Bank and Trust Company be sent to the Chairman of the Federal Reserve Bank of St. Louis with the request that he bring same to the attention of the Board of Directors of the Bank as representing the attitude of the Board and for their guidance in connection with banks later applying for membership, and that the Chairman be advised that the Board desires him to bring the substance of the above letter to the attention of the Liberty Insurance Bank of Louisville and take up with them the question of a similar arrangement, especially in view of the fact that the Board was not advised that this institution, which is engaged in this type of business, was doing so at the time of admission."

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

The Chairman then presented the matter approved on initials on July 18th, namely, telegram dated July 18th from the Federal Reserve Agent at Kansas City, recommending approval of the application of the Drovers National Bank in Kansas City for original stock (450 shares) in the Federal Reserve Bank of Kansas City, effective if and when the Comptroller of the Currency authorizes the bank to commence business.

Formally approved.

Memorandum from Counsel, dated July 11th, approved by the Law Committee, with regard to the application of The Lynchburg National Bank of Lynchburg, Virginia, for permission to act as "trustee, depositary and registrar of stocks and bonds"; Counsel pointing out that the Board has no authority to expressly grant to the bank the power to act as depositary and that the power to so act is not especially mentioned in the Virginia statute defining the powers which may be exercised by trust companies or like corporations, but that the Board may, if it sees fit, permit The Lynchburg National Bank to exercise the powers

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of trustee and registrar of stocks and bonds.

Upon motion, it was voted to approve the application of the above bank for permission to act as trustee and registrar of stocks and bonds.

Memorandum from Counsel, dated July 17th, on the subject of the application of The Consolidated National Bank of Dubuque, Iowa, for permission to exercise general fiduciary powers; Counsel pointing out that while authority to exercise such powers undoubtedly passed to the applicant bank after its formation by the consolidation of two banks, one of which had authority to exercise the powers, it was felt desirable for The Consolidated National Bank to make a new application in order to eliminate any doubt and to complete the paper record of the consolidation, and that there is no legal reason why the Board should not grant the powers applied for.

Upon motion, it was voted to approve the application.

Memorandum dated July 16th from Counsel on the subject of the application of The Farmers National Bank of Clay, Kentucky, for permission to exercise general fiduciary powers; Counsel stating that the bank had replied to the Board's inquiry as to the manner in which it proposed to exercise fiduciary powers, if granted to it, with particular reference to the investment of trust funds and accounting for income derived therefrom, that it desires to comply with the wishes of the Board in this matter, and recommending that if the Board should decide to approve the application, a letter be addressed to the Bank stating that the Board understands it will abide by the Board's regulations and directions and will not transact the business except in accordance with methods approved by the Board.

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Upon motion, it was voted to approve the bank's application for general trust powers, and the above recommendation of Counsel as to the form of advice to the bank.

Memorandum from Counsel, dated July 17th, with regard to the application of The Laconia National Bank of Laconia, New Hampshire, for permission to act as trustee and registrar of stocks and bonds, in connection with which the Federal Reserve Agent at Boston has recommended that the Board grant special permission to the bank to act as trustee for a bond issue of the Laconia Country Club; Counsel calling attention to the fact that it is contrary to the practice of the Board to grant an application for permission to act in a fiduciary capacity in one particular case and that there is no legal reason why the bank should not be permitted to act both as trustee and registrar of stocks and bonds, which are the powers it has applied for.

Upon motion, it was voted to approve the application of the bank for permission to act as trustee and registrar of stocks and bonds.

Report of Committee on Salaries, Expenditures and Efficiency on letter dated July 17th from the Comptroller of the Currency, recommending approval of an increase from \$4500 to \$5000 in the salary of National Bank Examiner Reginald M. Hodgson; the Committee also recommending approval.

Approved.

Letter dated July 16th from the Federal Reserve Agent at Atlanta, requesting approval of his taking a vacation from July 27th until August 10th and advising that the Deputy Chairman of the Bank has consented to be in the office during the week beginning August 3rd.

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Approved.

Report of Committee on Salaries, Expenditures and Efficiency on letter dated July 16th from the Controller of Administration of the Federal Reserve Bank of Chicago, advising of the employment of Mr. John E. Frieling, painter, at a salary of \$2520 per annum, effective July 16, 1925; the Committee recommending approval of the salary.

Approved.

Letter dated July 17th from the Chairman of the Federal Reserve Bank of Boston, advising of the election of Mr. Albert C. Bowman as Class B Director of that bank, for the unexpired term ending December 31, 1925.

Noted.

Report of Committee on Salaries, Expenditures and Efficiency recommending approval of the budget submitted by the Federal Reserve Bank of Minneapolis, covering statistical and analytical work during the last half of 1925 amounting to \$8,410.

Approved.

Memorandum dated July 13th from Assistant Counsel, with regard to applications executed by the Commissioner of Banking of the State of Texas for surrender of stock in the Federal Reserve Bank of Dallas held by the following insolvent banks; The Farmers State Bank, Ganado, Texas; Guaranty Bank and Trust Company, Orange, Texas; First State Bank, Ladonia, Texas, and the First State Bank, Sabinal, Texas; Counsel recommending that the four applications be approved.

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Referred to the Law Committee.

Draft of letter to the Federal Reserve Agent at San Francisco, advising of the action of the Board in approving an increase from \$4500 to \$4800 per annum in the salary of Examiner C. R. Hupp, effective July 1st, and in approving the extension of the commission of Examiner A. B. Mason, due to a shortage of help in the Examining Department because of the detail of two examiners to the State Banking Department of California in connection with certain special investigations being made with relation to a suit being brought by the stockholders of the Valley Bank of Fresno against the State Banking Department, the Bank of Italy and the Pacific Southwest Trust and Savings Bank, and advising that -

"In approving the extension of the commission of Examiner Mason, the Board does not wish its action construed as approving of your detailing examiners to assist the State Banking Department in the conduct of the investigations referred to. Your action in this matter is disapproved by the Federal Reserve Board on the ground that while a Federal reserve bank may, if convenient, on a request of state banking authorities, furnish examiners and assistants to assist the state banking authorities in the conduct of their examination of a member state bank, (Board's letter of April 7, 1923, X-3688), the "loan" or detail of Federal reserve bank examiners to state banking departments should be made only for the purpose of assisting the state banking departments in such examinations of state banks as are conducted in connection with the discharge of the supervisory duties imposed upon the state banking departments by the laws of the states."

Upon motion by Mr. Miller, it was voted to approve the above letter after changing the paragraph quoted to read as follows:

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"In approving the extension of the commission of Examiner Mason, the Board does not wish its action construed as approving of your detailing examiners to assist the State Banking Department in the conduct of the investigations referred to. On the basis of the information before it, the Board seriously doubts the propriety of your action in the matter. While a Federal reserve bank may, if convenient, on a request of state banking authorities, furnish examiners and assistants to assist the state banking authorities in the conduct of their examination of state member banks (Board's letter of April 7, 1923, X-3688), the "loan" or detail of Federal reserve bank examiners to state banking departments should be made only for the purpose of assisting the state banking departments in examinations of state banks when such examinations are of concern to the Federal reserve bank and when they are conducted by the state banking departments in the regular course of the discharge of the duties imposed upon them by the laws of the respective states."

Report of Committee on Salaries, Expenditures and Efficiency on letter dated July 10th from the Chairman of the Federal Reserve Bank of Richmond, submitting report of a survey made by a special committee of the Board of Directors of the bank as to its organization and setting forth adjustments in personnel made since the first of the year; the Board's Committee submitting for approval draft of a reply expressing the appreciation of the Board of the spirit with which the directors conducted their examination into the personnel conditions of the bank.

Upon motion, the proposed letter was approved.

Report of Committee on Salaries, Expenditures and Efficiency on letter dated July 14th from the Chairman of the Federal Reserve Bank of Atlanta requesting approval of increases, effective July 1st, in the salaries of the following employees; the Board's Committee stating that it does not favor

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general salary adjustments except at the end of the year and cannot, therefore, recommend approval:

J. B. Tutwiler, Assistant Cashier, \$4200 to \$5400.
A. H. Alston, Clerk, Discount Dept., \$2400 to \$2500.
P. L. T. Beavers, Chief Clerk, Transit Dept., \$3300 to \$3500.
V. K. Bowman, Chief Clerk, Discount & Credit Depts., \$3300 to \$3500.
C. R. Camp, Chief Clerk, Service Dept., \$3300 to \$3500.
L. M. Clark, Chief Clerk, Failed Banks Dept., \$2550 to \$2700.
M. G. Russell, Clerk, Failed Banks Dept., \$2400 to \$2700.
J. W. Honour, Assistant Auditor, \$3300 to \$3500.
E. P. Paris, Examiner, \$3300 to \$3600.

Upon motion, the recommendation of the Board's Committee was adopted and the increases were disapproved.

Letter dated July 16th from the Deputy Governor of the Federal Reserve Bank of Atlanta, inquiring as to the eligibility for rediscount of notes secured by warehouse receipts covering cotton seed.

Referred to Counsel.

Mr. McIntosh then reported for the confidential information of the members of the Board that he had been reliably informed that negotiations were under way for the merger of the Bank of Italy with the Pacific Southwest Trust and Savings Bank, the Security Trust and Savings Bank and the First National Bank of Los Angeles, and that an offer has also been made for the stock of the First National Bank of San Francisco.

After discussion, Mr. Miller moved that a telegram along the follow-

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ing lines be sent to the Federal Reserve Agent at San Francisco:

"Rumor has reached Board negotiations under way for merging interests Bank of Italy with Security Trust and Savings Bank, Pacific Southwest Trust and Savings Bank and First National Bank, Los Angeles and also First National Bank, San Francisco. Investigate and advise Board. Please bring this telegram to attention your directors for their confidential information."

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

Mr. Miller then moved that a similar telegram be sent to Mr. Herson, the Board's Chief Examiner, who is now in San Francisco, with instructions to conduct an independent investigation and with further instructions to remain in San Francisco until otherwise directed by the Board.

Carried.

REPORTS OF STANDING COMMITTEES:

Dated, July 17th, Recommending changes in stock at Federal Reserve Banks,
20th, as set forth in the Auxiliary Minute Book of this date.

Approved.

Dated, July 22nd, Recommending action on applications for fiduciary powers
as set forth in the Auxiliary Minute Book of this date.

Approved.

Dated, July 22nd, Recommending action on application for fiduciary powers
as set forth in the Auxiliary Minute Book of this date.

Held.

Dated, July 22nd, Recommending action on admission of state bank, 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.

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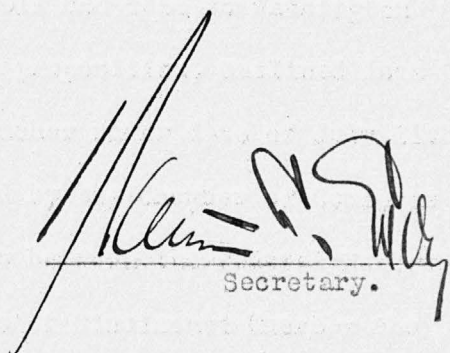
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REPORTS OF STANDING COMMITTEES: (Cont'd)

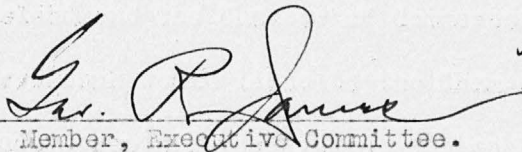
Dated, July 17th, Recommending approval of the application of Mr. Daniel J. Boylan to serve at the same time as director of the Citizens National Bank, Boston, Mass., and as director of the Bronx County Trust Company, New York City.
Approved.

Dated, July 17th, Recommending approval of the application of Mr. Leon J. Shield to serve at the same time as director and officer of the Coleman National Bank, Coleman, Texas, as director of the Dallas National Bank, Dallas, Texas, and as director of the State National Bank, Santa Anna, Texas.
Approved.

The meeting adjourned at 12:10 p.m.


Secretary.

Approved:


Member, Executive Committee.