

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, August 5, 1925 at 10:30 a.m.

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

The minutes of the meeting of the Board held on July 22nd and the meetings of the Executive Committee held on July 24th, 27th, 28th, 29th and 31st, having been circulated among the members, were formally approved.

Memorandum dated August 3rd from the Acting Chief of the Division of Research and Statistics, transmitting the resignation of Miss Helen D. Drake, Statistical Clerk, and recommending that same be accepted effective September 15th, at the expiration of one month of annual leave.

Upon motion, the resignation was accepted and the employee granted thirty days leave with pay, less the number of days she has been absent with pay during 1925 to date.

Memorandum dated July 31st from the Division of Examination with reference to letter dated July 29th from the Federal Reserve Agent at Richmond, with regard to stock in the Federal Reserve Bank held by the Peoples Bank of Georgetown, South Carolina, and the Farmers Bank of St. George, South Carolina, both of which are in the hands of a liquidating agent; the memorandum recommending approval of the recommendation of the Federal Reserve Agent that no action be taken at this time looking to the cancellation of the stock held by the banks in question.

Approved.

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Memorandum dated August 3rd from the Assistant Secretary recommending approval of a change in the Interdistrict Time Schedule, agreed upon by the Federal Reserve Banks of Dallas and St. Louis, whereby items between Dallas and Little Rock would be placed on a one day basis, each way, instead of two days as at present.

Approved.

Draft of reply to letter dated August 1st from Mr. A. B. Trowbridge, Consulting Architect, advising that the architects for the proposed Birmingham Branch building have requested him to pass upon plans and specifications for the branch building, and advising that he has not had time to give proper consideration to the drawings; the proposed reply stating that the Board does not desire that he report to it on the proposed plans and specifications until he has had sufficient time to study same and render a comprehensible report.

Upon motion, the proposed reply was approved.

Memorandum dated July 27th from the Chief of the Division of Bank Operations, approved by the Secretary, submitting draft of a letter to the Governors of all Federal reserve banks requesting that they furnish the Board with a list of non-member banks maintaining clearing accounts with them on July 1st, 1925, together with the amount of the balances standing to the credit of such banks on that date.

Upon motion, the proposed letter was approved.

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Report of Committee on Examinations on memorandum dated August 1st from the Acting Comptroller of the Currency, recommending approval of an application of the Boonville National Bank, Boonville, Missouri, for permission to reduce its capital stock from \$200,000 to \$100,000, on condition that no money be returned to the shareholders and that the amount of the reduction be applied to removing doubtful assets and slow paper, all assets removed to be trusted for the benefit of shareholders at the date of reduction; the Committee also recommending approval.

After discussion, as to the adequacy of the reduced capital in relation to the deposits of the bank, Mr. Hamlin moved approval of the application.

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

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

Mr. Miller then moved that the Comptroller of the Currency be advised that in the judgment of the Board, the proposed reduction is too great.

Carried.

Letter dated July 28th from the Assistant Federal Reserve Agent at San Francisco, transmitting and recommending approval of an application of the Bank of Italy for permission to establish a branch de novo at the corner of Union and Webster Streets, San Francisco.

Mr. James then presented to the Board certain figures with regard to the capitalization of the Bank of Italy and its sufficiency for the establishment of

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additional branches and stated that he would have no objection to the approval of the application if the Board felt the Bank of Italy to be adequately capitalized.

After discussion, Mr. Platt moved approval of the application.  
Carried.

Letter dated July 27th from the Assistant Federal Reserve Agent at San Francisco, transmitting and recommending approval of an application of the Pacific Southwest Trust and Savings Bank for permission to move its branch now operated at 4321 South Park Avenue, Los Angeles, to a new location at 4335 South Park Avenue.

Noted, without objection.

Letter dated July 27th from the Assistant Federal Reserve Agent at San Francisco, transmitting and recommending approval of an application of the Pacific Southwest Trust and Savings Bank for permission to move its branch now operated at 670 West Jefferson Street, Los Angeles, to a new location at 724 West Jefferson Street.

Noted, without objection.

Letter dated August 1st from the Chairman of the Federal Reserve Bank of New York, with reference to the previous action of the Board in deciding that service by Mr. W. J. Humphrey, Director of the Buffalo Branch, as member of the Republican County Committee of Wyoming County, New York, is inconsistent with the provisions of the Board's Circular No. 21, Series of 1915; the Federal Reserve Agent transmitting a letter from Mr. Humphrey stating he will be glad to resign as a Director of the Branch,

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and expressing the hope that the Board will allow Mr. Humphrey to continue as a Director until the expiration of his present term on December 31, 1926.

After discussion, Mr. Platt moved that the Board approve the recommendation of the Chairman of the Federal Reserve Bank of New York that the Board permit Mr. Humphrey to serve until the expiration of his term.

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

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

Letters dated July 27th and 28th from the Assistant Federal Reserve Agent at San Francisco and the Chief Examiner of the Board, respectively, advising of the results of investigations made of the rumored negotiations for the merger of the Bank of Italy, San Francisco, with the Security Trust and Savings Bank, the Pacific Southwest Trust and Savings Bank and the First National Bank of Los Angeles and the First National Bank of San Francisco, both letters stating that there is no foundation for the rumor as received, but that negotiations are under way by the Bank of Italy looking to consolidation with the Citizens National Bank and the Citizens Trust and Savings Bank of Los Angeles and the First National Bank of San Francisco.

Noted.

Mr. Platt then moved that the Board rescind its order of July 22nd, to its Chief Examiner that he remain in San Francisco until otherwise instructed by the Board.

Carried.

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Report of Committee on Salaries, Expenditures and Efficiency on letter dated July 29th from the Federal Reserve Agent at Dallas, requesting reconsideration by the Board of its action in disapproving the salary expenditure involved in the three months' leave of absence granted by the Executive Committee of the Bank to Mr. Reece T. Freeman, whose services as Assistant Cashier have been discontinued; the Federal Reserve Agent advising of certain facts which actuated the Executive Committee of the Bank in granting the leave of absence to Mr. Freeman and stating that he assumes responsibility for failure to take the action subject to the approval of the Board; the Board's Committee recommending reconsideration of previous action and approval of the expenditure in question.

After discussion, Mr. James moved that the Board reconsider its action of July 28th and approve the salary expenditure involved in the leave of absence granted Mr. Freeman.

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

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

Memorandum dated July 31st from Counsel submitting copy of report of the recent conference of Counsel of the Federal reserve banks and representatives of the Office of the Comptroller of the Currency with reference to proof of claims against insolvent national banks; Counsel stating that the conference resulted in an agreement on all points dis-

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cussed and calling attention to the action of the conference in voting that it is not essential to the proper administration of the Federal reserve banks to employ advisory counsel for general supervision of legal matters affecting the System, as suggested by the Federal Reserve Agent at Dallas in his letter of June 26, 1925.

Upon motion, Counsel's memorandum was ordered referred to the Law Committee and circulated among the members of the Board for their information.

Memorandum of Counsel, dated July 17th, on letter dated July 15th from Messrs. Shearman and Sterling, transmitting application of the National City Bank of New York for permission to open a sub-branch, agency or office of its Cuban branch in the Town of Moron, Province of Camaguey, Cuba; Counsel stating that the application is in proper legal form and that there is no legal reason why it should not be granted.

After discussion, upon motion by Mr. Platt, the following was ordered spread upon the minutes:

"The National City Bank of New York having, on or about July 15, 1925, filed an application with this Board for the purpose of obtaining authority to establish a sub-branch, agency or office of its Cuban Branch in the town of Moron, Province of Camaguey, in the Republic of Cuba, and the said application having been considered; and it appearing that the said application is properly made under the laws of the United States of America and should be granted, Now, therefore, it is

ORDERED, that the said application be and it hereby is approved, and that the said Bank be and it hereby is authorized to establish a sub-branch, agency or office of its Cuban Branch in the town of Moron, Province of Camaguey, in the Republic of Cuba."

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Memorandum from Counsel, dated July 9th, submitting draft of a letter to all Federal Reserve Agents on the subject "Estimating population of towns and cities in which banks applying for membership are located".

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

Draft of reply, prepared by Counsel, to letter dated July 20th, from the Federal Reserve Agent at Chicago, inquiring whether a recent amendment to the statutes of Michigan, which requires that a State bank exercising trust powers shall segregate a portion of its capital for the benefit of the creditors of the bank in its trust department, applies to or affects national banks as well as State banks; the proposed reply stating that Section 11 (k) of the Federal Reserve Act does not require a national bank to segregate a portion of its capital to its trust department, even in a case where the State law requires such segregation and that there is no law authorizing a national bank to segregate a portion of its capital for any purpose and it is very doubtful that any such allocation by a national bank in the absence of specific statutory authority would have any legal effect, and further that the Board is of the opinion that the amendment to the Michigan laws cannot be construed to apply to or affect national banks which, if they have the requisite capital, may properly be authorized to exercise fiduciary powers without regard to the provisions of the amendment.

Upon motion, the proposed letter was approved.

Draft of letter to Mr. Alexander Wall, Secretary of the Robert Morris Associates, Lansdowne, Pennsylvania, with reference to an inquiry made by



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him in a letter addressed to Mr. Hamlin regarding the interpretation of the provision of the Board's Regulation "A", which requires separate statements of corporation or firms closely affiliated with a borrower unless the statement of the borrower shows clearly that the note offered for rediscount is both eligible and acceptable; the letter stating that the interpretation of this provision and its application to particular cases which may arise are matters primarily for the determination of the Federal reserve banks, and that up to the present time the banks have not requested the Board to issue any ruling interpreting this provision.

Upon motion, the proposed letter was approved.

Memorandum from Counsel, dated July 31st, approved by the Law Committee, with regard to the application of Mr. Edward B. Aldrich for permission to serve as Director of the Industrial Trust Company and the National Exchange Bank, both of Providence, Rhode Island, which was refused by the Board on the ground that the two institutions appeared to be in substantial competition, the applicant being permitted to file additional evidence; Counsel stating that the evidence submitted fails to show whether the two banks serve different classes of customers and recommending that a hearing be granted to the applicant at some convenient date.

Upon motion, it was voted that a hearing be granted Mr. Aldrich, on a date to be arranged by the Board's Counsel.

The Secretary then reported that all Federal reserve banks had signified their willingness to bear a pro rata share of any expense incurred by the Board in employing Honorable Newton D. Baker to assist in

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the preparation and trial of the appeal in the case brought against the Federal Reserve Bank of San Francisco by the Brookings State Bank and suggested that a circular letter be addressed to all Federal Reserve banks advising them that Mr. Baker has been retained and that his expense will be pro rated in the usual manner.

Upon motion, the suggestion of the Secretary was approved.

Letter dated August 3rd from the Deputy Governor of the Federal Reserve Bank of New York, submitting for the approval of the Board, the action of the directors of that bank in voting to grant increases, aggregating \$1,320 per annum, in the salaries of seven employees, all effective August 1, 1925; the Deputy Governor stating that the directors appreciate the desire of the Board to have increases for the clerical force of the bank take place only at the end of the year, but in view of the particular nature of the cases under consideration, believe it is most important to make the increases recommended at the present time.

Upon motion, the above letter was ordered circulated and redocketed.

The Secretary then reported that one of the employees of the Division of Bank Operations, Miss Marjorie F. Jones, had applied to the United States Employees Compensation Commission for compensation due to an injury sustained through continuous operation of a comptometer machine in the Division; and submitted memorandum from Counsel, dated August 1st, expressing the opinion that the employees of the Federal Reserve Board are entitled to the benefits of the compensation act.

Noted.

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Draft of letter prepared by the Acting Director of the Board's Division of Research and Statistics to the Federal Reserve Agent at Philadelphia commenting upon charts and other material submitted by the Agent for inclusion in a proposed Federal reserve exhibit to be displayed at the Fall convention of the American Bankers' Association at Atlantic City.

Approved as amended.

Letter dated July 14th from the Assistant Federal Reserve Agent at San Francisco, transmitting and recommending approval of an application of the American Bank of San Francisco for permission to purchase the Bank of Alameda, Alameda, California, and to establish branches in the quarters of that institution at Central Avenue and Park Street and at Webster and Santa Clara Avenues, Alameda; the Federal Reserve Agent submitting data on the application which indicates that negotiations for the purchase of the bank are already under way and that the bank through inadvertence failed to apply for the Board's approval prior to the opening of negotiations under the condition of membership imposed by the Board that it would not "directly or indirectly through affiliated corporations or otherwise, acquire an interest in another bank in excess of 20% of the capital stock of said other bank, nor directly or indirectly promote the establishment of any new bank for the purpose of acquiring such an interest in it nor make any arrangements to acquire such an interest without first having received the approval of the Federal Reserve Board, filing an application on a form approved by said Board."

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After discussion, Mr. James moved that the Board disapprove the application of the American Bank, in view of its violation of the condition of membership above quoted.

Mr. James' motion being put by the chair was carried, Mr. Platt voting "no".

Mr. Miller then moved that the Governor prepare and submit to the Board at its next meeting a letter to the Federal Reserve Agent at San Francisco, advising of the above action.

Carried.

Letter dated July 28th from the Assistant Federal Reserve Agent at San Francisco, transmitting copies of correspondence with the American Bank of San Francisco, advising that it has under consideration the establishment of one or more branches in the City of San Francisco and stating that it assumes the Federal Reserve Board will interpose no objection to the opening of local or neighborhood branches in the city of the head office, after the bank has first secured the approval of the State Superintendent of Banks.

After discussion, Mr. Miller moved that the Governor prepare and submit to the Board at its next meeting a reply to the above letter stating that it has been the policy of the Board not to interpose objection to or decline permission for the establishment of de novo branches in head office cities, except for very compelling reasons.

Carried.

The Secretary then stated that the Board had never adopted a uniform application to be submitted by State member banks desiring the Board's approval for the establishment of branches and suggested that a form of application be prepared for submission to the Board in which the applicant

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bank would be required to set forth for the information of the Board various information regarding the application which is required under the regulations of the Board. He stated that under the present procedure, the duty of assembling this information fell upon the Federal reserve banks.

Upon motion by Mr. Miller, the suggestion of the Secretary was approved.

Mr. Hamlin then stated that he had granted to his Secretary, Mr. J. P. Moore, a two month's leave of absence without pay, to be taken during his own absence abroad.

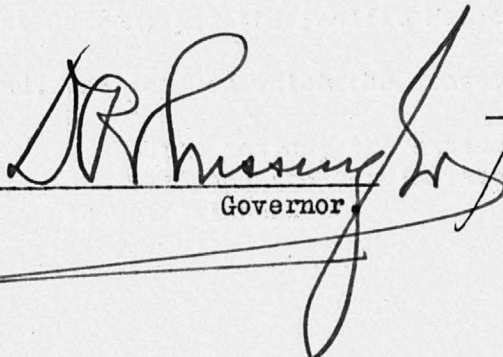
Noted.

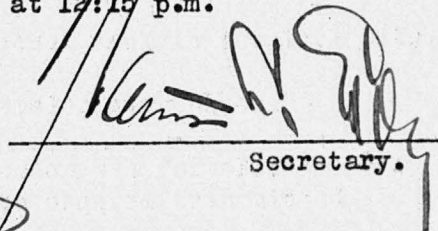
REPORTS OF STANDING COMMITTEES:

- Dated, July 31st, Recommending changes in stock at Federal Reserve banks,  
 Aug. 3rd, as set forth in the Auxiliary Minute Book of this date.  
 4th, Approved.
- Dated, Aug. 5th, Recommending action on applications for fiduciary powers,  
 as set forth in the Auxiliary Minute Book of this date.  
 Approved.
- Dated, Aug. 5th, Recommending action on application for fiduciary powers,  
 as set forth in the Auxiliary Minute Book of this date.  
 Ordered held.
- Dated, Aug. 4th, Recommending approval of the application of Mr. R. P.  
 Brewer to serve at the same time as Director and officer  
 of the First National Bank, Tulsa, Okla., and as director  
 of the Commerce Trust Company, Kansas City, Mo., and as  
 director of the First National Bank, McAlester, Okla.  
 Approved.

The meeting adjourned at 12:15 p.m.

Approved:

  
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 Governor

  
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 Secretary.