

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, September 23, 1925, at 11:10 a.m.

PRESENT: Governor Crissinger
Mr. Platt
Mr. James
Mr. Cunningham
Mr. Eddy, Secretary
PRESENT ALSO: Mr. P. E. Bowles, President, American
Bank of San Francisco

Mr. Bowles stated that he appeared before the Board to request reconsideration of its action of August 5th, 1925, in disapproving the application of the American Bank of San Francisco for permission to take over the Bank of Alameda and to establish branches in the two locations of that bank in Alameda, which action was taken because of the violation by the American Bank of the condition of membership imposed upon it that it would not directly or indirectly, except with the approval of the Board, acquire an interest in another bank in excess of 20% of the capital of such other bank. Mr. Bowles read to the Board a written statement outlining the negotiations for the acquisition of the Bank of Alameda and pointed out the desirability of the proposed merger, stating that the failure of the American Bank to notify the Board of its intention to purchase the Bank of Alameda was due to an oversight and further that the negotiations could not have been made subject to the approval of the Board.

During the above discussion, Mr. McIntosh entered the meeting and at its conclusion Mr. Bowles retired.

The minutes of the meeting of the Federal Reserve Board held on September 22nd were read and approved as amended.

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Memorandum dated September 15th from the Fiscal Agent, approved by the Committee on Salaries, Expenditures and Efficiency, requesting that the temporary appointment of Miss Marion E. Jones, which expires on September 30th, be extended for an additional three months.

Approved.

Memorandum dated September 18th from General Counsel submitting material for publication in the forthcoming issue of the Federal Reserve Bulletin.

Approved.

Memorandum dated September 18th from the Secretary to the Committee on Salaries, Expenditures and Efficiency, submitting statements showing expenditures for educational and welfare work, etc., made by the Federal Reserve banks during the month of August and during the eight months' period ending August 31, 1925.

Noted.

Draft of letter to the Governor of the Federal Reserve Bank of Dallas, transmitting copy of a letter from Henry L. Doherty and Company of New York, with reference to the statement alleged to have been made by the Ft. Worth representative of the Company that certain bonds of the Empire Gas and Fuel Company are eligible for rediscount or purchase by the Federal Reserve Banks for investment purposes.

Noted.

Report of Committee on Salaries, Expenditures and Efficiency, on letter dated September 15th from the Chairman of the Federal Reserve Bank

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of Atlanta, enclosing copy of the expense budget of the Federal Reserve Bank and its branches for the year 1925; the Committee recommending that the budget be noted and acknowledged.

Upon motion, the recommendation of the Committee was approved.

Drafts of letters to the Secretary of the Governors Conference and to the Chairman of the Executive Committee of the Federal Reserve Agents Conference, prepared under the direction of the Executive Committee of the Board, and advising of the topics which the Board wishes to have considered by the Conferences at their forthcoming sessions.

After discussion, upon motion by Mr. Platt, the letter transmitting the Federal Reserve Agents' topics was approved and that transmitting the Governors' topics approved as amended.

Letter dated September 22nd from the President of the Federal Advisory Council, transmitting copies of the recommendations made to the Board at the meeting of the Council held on September 21st.

Noted and copies ordered furnished to the members of the Board.

The Governor then presented the application of The First National Bank of Oneonta, Ala. for permission to act as trustee, executor, administrator, guardian of estates, assignee, receiver, committee of estates of lunatics or in any other fiduciary capacity in which state banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Alabama; which application was disapproved by the Board on August 26th on the suggestion of Mr. Platt that permission to

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exercise trust powers should not be granted to so small a bank, having only \$25,000 capital. The Governor stated that he did not believe the Board would be justified in refusing the trust application of a well managed bank in a small town simply for the reason that its capital amounted to only \$25,000.

After discussion, Mr. James moved that the Board reconsider its action of August 26th and approve the above application.

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

The Governor then presented the application of The First National Bank of Cloverdale, Ind., for permission to act as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics or in any other fiduciary capacity in which state banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Indiana; together with a notation by Mr. Platt that he is submitting same without recommendation because the bank has a capital of only \$25,000.

Mr. James moved approval of the above application.

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

Application of The First National Bank of Wetumpka, Ala., for permission to act as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics or in any other fiduciary capacity in which state banks, trust companies or other corporations which come into competition with national banks are permitted to

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act under the laws of the State of Alabama; together with a notation from Mr. Platt that he is unwilling to recommend approval of the bank's application because of its \$25,000 capitalization.

Mr. James moved approval of the application.

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

Memorandum from Counsel dated September 4th, submitting draft of reply to a letter dated August 21st from Honorable M. M. Neely, United States Senator from West Virginia, with reference to the eligibility for rediscount at Federal Reserve banks of notes and acceptances given to a power company by certain coal companies covering monthly bills for light and power; the proposed reply stating that the sale of gas and electricity is to be treated in the same manner as the sale of any other commercial products, that notes and drafts made or drawn in payment of current monthly bills for gas and electricity constitute paper issued or drawn for a commercial purpose, that the notes and drafts in question therefor, having maturities not exceeding ninety days, are eligible for rediscount as commercial paper if endorsed by a member bank and if they comply in all other respects with the regulations of the Board, but that whether or not they will be rediscounted is a question for the determination of the Federal Reserve bank at which they are offered and depends upon the acceptability of the paper from a credit standpoint.

After discussion, upon motion by Mr. James, it was voted to approve the proposed reply.

Letter dated September 15th from the Assistant Federal Reserve Agent at Minneapolis, enclosing copy of a letter from the receiver for the First

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National Bank, Wimbledon, N. D., requesting an extension until December 1st of the period in which application may be made for the surrender of stock in the Federal Reserve bank held by that institution.

Upon motion, it was voted to approve the extension.

Memorandum dated September 21st from the Division of Examination, with reference to letter dated September 18th from the Assistant Federal Reserve Agent at Minneapolis, advising of their inability to secure application for surrender of Federal Reserve Bank stock from the liquidating agent of the First National Bank of Hysham, Mont., and requesting permission to cancel the stock and to transfer the proceeds thereof to the suspense account in order that dividend payments may be stopped.

After discussion, at the suggestion of the Comptroller of the Currency, the above matter was referred to him with the request that he secure the necessary application from the liquidating agent.

Report of Committee on Salaries, Expenditures and Efficiency on letter dated September 15th from the Chairman of the Federal Reserve Bank of Atlanta, enclosing reports of the Special Salary Committee of that bank, and requesting approval of a salary of \$3,000 per annum for Mr. R. E. Bentley, employed as field representative in the Failed Banks Division, effective August 27th, and an increase from \$2340 to \$2700 per annum in the salary of Mr. George J. White, Assistant Cashier of the Jacksonville Branch, effective October 1st; the Committee recommending approval.

Approved.

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Draft of letter to all Federal Reserve Agents, prepared in accordance with action taken at the meeting of the Board on September 17th, requesting advice as to the "tested banking experience" of the Assistant Federal Reserve Agents at the various banks and branches.

The Secretary reported that this information was already in possession of the Board, in the form of biographical sketches of the various Assistants, and upon motion, it was voted to reconsider the action of September 17th and cancel the letter in question.

Letter dated September 16th from the Federal Reserve Agent at San Francisco, enclosing a memorandum setting forth certain suggestions for changes in the reserve requirements of member banks.

Upon motion, copy of the memorandum was ordered furnished to each member of the Board.

The Governor then reported that while in Cleveland last week, he had discussed with the officials of the bank the matter considered by the Board at the meeting on September 15th, namely, memorandum from Counsel with reference to the application of the Ohio Trust Company of Cleveland, Ohio, for the surrender of Federal Reserve bank stock held in the name of the Reliance Trust Company and the Commonwealth Banking and Trust Company, both member banks of Cleveland, which were consolidated to form the Ohio Trust Company, without the approval of the Board. The Governor suggested that the application for surrender of stock be approved.

After discussion, Mr. James moved that the application of the Ohio Trust Company for surrender of stock held by the Reliance Trust Company and by the Commonwealth Banking and Trust Company be approved, provided the Ohio

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Trust Company will agree to comply hereafter with the conditions of membership now imposed upon banks admitted to the Federal Reserve System.

Mr. James' motion being put by the Chair was carried.

Letter dated September 16th from the Federal Reserve Agent at Boston, transmitting letter from the President of the Quincy Trust Company, Quincy, Massachusetts, advising that through oversight the board of directors of that bank at their last meeting failed to formally accept the conditions of membership imposed upon that institution by the Board; the Federal Reserve Agent recommending that in view of the fact that the directors of the bank have voted to join the System and have voted to increase the capital stock of the bank to meet the conditions of membership, the bank be permitted to proceed with final arrangements for admission to the System.

Upon motion, it was voted to permit completion of membership arrangements by the bank with the understanding that its board of directors at its next meeting will formally accept the conditions of membership imposed by the Board.

Letter dated September 17th from the Chairman of the Federal Reserve Bank of New York, referring to the Board's circular letter of July 10, 1925, (X-4377) with reference to the employment of expert services by Federal Reserve banks and pointing out that in the opinion of the board of directors of that bank circumstances might arise which might necessitate the employment of counsel or experts to protect its interests or rights without first advising the Board of such employment. The Governor stated that the board of directors of the New York bank had in mind the recent necessity for the

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employment of an expert to file before a fixed date a claim for a revision in taxes payable by the bank. He stated that the employment of such an expert had resulted in a saving to the Federal Reserve Bank of New York of approximately \$250,000 in taxes and that a similar necessity had arisen at the Federal Reserve Bank of Chicago.

After discussion, it was voted that the Federal Reserve Bank of New York be advised that the Board's ruling that the employment of experts be referred to it was not intended to apply in cases where immediate action was necessary in order to protect the rights and interests of the Federal Reserve banks.

The Governor then inquired whether the Board desired to take any action with reference to the request made at this morning's meeting by the President of the American Bank of San Francisco that the Board reconsider its action of August 5, 1925 in voting to disapprove that bank's application for permission to establish branches in the premises of the Bank of Alameda, stock in which was acquired without the approval of the Board.

After discussion, Mr. James moved that the Board reconsider its action of August 5th in disapproving the application.

Carried.

Mr. McIntosh then moved that the Committee on Examinations prepare and present to the Board at a meeting this afternoon a resolution to be used as the basis for future action on the application.

Carried.

Telegram dated September 23rd from the Chairman of the Federal Reserve Bank of Boston, advising of the action of the board of directors of that bank

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in voting to establish a rediscount rate of 4% on all classes of paper of all maturities, effective on the first business day following that on which approved by the Federal Reserve Board.

After discussion, it was voted, in view of the recommendation of the Federal Advisory Council at its meeting on September 21st and in view of the statements made to the Board by the members of the Open Market Investment Committee at the time of their meeting here on September 22nd, that the above matter be laid on the table and that the Governor of the Board attend the meeting tomorrow of the board of directors of the Federal Reserve Bank of New York at which it is expected consideration will be given to the question of a change in the discount rate of that bank.

REPORTS OF STANDING COMMITTEES:

Dated, September 23rd, Recommending changes in stock at Federal Reserve Banks, as set forth in the Auxiliary Minute Book of this date.

Approved.

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

Ordered held.

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

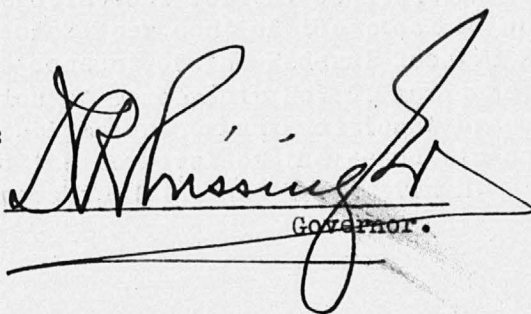
Approved.

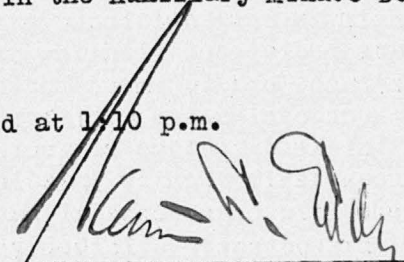
Dated, September 18th, Recommending action on application for admission of state bank, subject to the conditions stated in the individual reports attached to the applications, as set forth in the Auxiliary Minute Book of this date.

Approved.

The meeting adjourned at 1:10 p.m.

Approved:


Governor.


Secretary.