

A meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Federal Reserve Board on Friday, March 5, 1926 at 11:40 a.m.

PRESENT: Vice Governor Platt
Mr. Hamlin
Mr. Miller
Mr. Noell, Assistant Secretary
Mr. McClelland, Asst. Secretary

The Vice Governor presented the matter referred to the Executive Committee with power at the meeting of the Board yesterday, namely, letters dated February 13th 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 take over the First National Bank of Compton and the Farmers and Merchants Bank of Compton, together with its branch at Lynwood and to establish branches at Compton and at Lynwood. On behalf of the Committee on Examinations he presented a formal report along the lines of the verbal report made yesterday, recommending approval of the application.

Upon motion by Mr. Hamlin, it was voted unanimously to approve of the Security Trust and Savings Bank taking over the banks and establishing branches at the points mentioned.

Mr. Miller then referred to the report by the Vice Governor at the meeting yesterday that the Open Market Investment Committee for the Federal Reserve System, was contemplating a meeting at some date prior to March 15th. Upon inquiry he was advised by the Vice Governor that the Board was not informed as to the place of the meeting. Mr. Miller then submitted the following motion which he requested be voted on at the next meeting of the Board:

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"That Washington be designated as the future regular meeting place of the Open Market Investment Committee, except when the Committee is authorized by the Board to meet elsewhere".

Letter dated March 4th from the Secretary of the Federal Reserve Bank of New York, advising that the board of directors on that day made no change in the bank's existing schedule in rates of discount and purchase.

Noted.

Telegram dated March 4th from the Federal Reserve Agent at San Francisco, advising that the board of directors on that day made no change in their existing schedule of rates of discount and purchase.

Noted.

Letter dated February 27th from the Assistant Federal Reserve Agent at San Francisco, advising that the Bank of Italy on March 1st would move the branch formerly located at 5025 Third Street, San Francisco, to permanent quarters at 5000 Third Street.

Noted.

Letter dated February 27th from the Federal Reserve Agent at San Francisco, summarizing recommendations made by him during the year 1925 at the request of the Comptroller of the Currency on applications for permission to organize national banks and the subsequent action of the Comptroller as regards chartering the institutions.

Ordered circulated and copy sent to the Comptroller of the Currency for his information.

Letter dated February 26th from the Chairman of the board of directors of the Federal Reserve Bank of San Francisco, on the subject of the destructive

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effect of over lending to member banks; the Chairman commenting upon the credit policies of the Federal Reserve Bank of San Francisco, principally in relation to member bank failures in the State of Idaho.

Ordered circulated.

Letter dated February 27th from Mr. Milton N. Nelson of the Ohio State University requesting permission, in connection with the compilation of a book of readings on the subject of corporation finance, to use the article on finance companies which appeared in the Federal Reserve Bulletin for January 1923, making certain adaptations.

After discussion it was voted that permission for the use of the article be granted, but that attention be called to the practice of the Board of requiring that material reprinted from the Federal Reserve Bulletin be used in the exact form in which it appears in the Bulletin.

In accordance with the statement made by him at the meeting yesterday, Mr. Miller then submitted tentative draft of a letter to the President of the Federal Advisory Council, advising of the action taken by the Board yesterday with respect to securing information concerning loans on securities by New York City banks borrowing from the Federal Reserve bank and stating the Board intends to follow a similar procedure in the near future with respect to reporting member banks at Boston, Philadelphia, Cleveland, Chicago, St. Louis and San Francisco; the letter stating that the Board is desirous of ascertaining the views of the Council with regard to proper relation of Federal Reserve banks to the call loan market; the relation of Federal Reserve bank rates to call loan rates and the proper function under our banking system as modified by the establishment of the Federal Reserve banks

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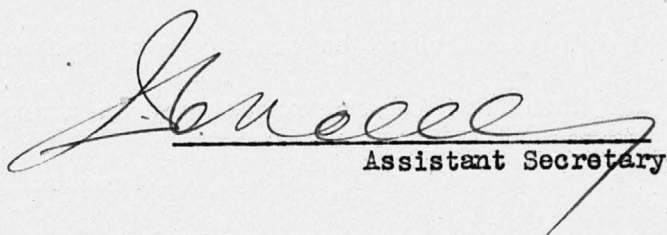
of banking investment in call loans; the letter also requesting recommendations from the Council as to what the Board and Federal Reserve banks can do to develop a procedure which will check or altogether eliminate the misuse of Federal Reserve credit facilities to support the extension of loans by member banks to the call market.

After discussion, a copy of the proposed letter was ordered furnished to each member of the Board for his information in advance of consideration at a later meeting of the Board.

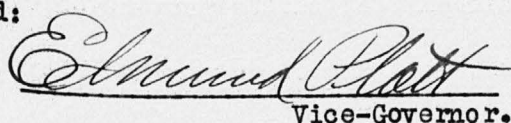
Mr. Miller then stated that he had in contemplation, if possible, a visit to Europe for a period of six weeks or two months, beginning some time in June. He stated that he was giving this notice because of the provision of the By-laws that absences of members shall be so arranged as not to conflict with the expeditious conduct of the Board's business.

Mr. Hamlin then referred to the adjournment of this morning's meeting made necessary by the inability to maintain a quorum and gave notice of his intention to move an amendment to the By-laws of the Board so as to reduce from five to four the number of members required for the transaction of business.

The meeting adjourned at 12:15 p.m.


Assistant Secretary

Approved:


Vice-Governor.