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BEFORE THE  
**FEDERAL RESERVE BOARD**

AT WASHINGTON.

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In the Matter of **APPLICATION TO TRANSFER  
CERTAIN BANKS IN LOUISIANA FROM THE  
ELEVENTH FEDERAL RESERVE DIS-  
TRICT TO THE SIXTH FEDERAL  
RESERVE DISTRICT.**

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**BRIEF OF RESPONDENT,  
THE FEDERAL RESERVE BANK OF DALLAS.**

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**To the Honorable Federal Reserve Board:**

The respondent, the Federal Reserve Bank of Dallas, was advised that an application had been filed, either by member banks in Louisiana, or by the New Orleans Branch Bank of the Federal Reserve Bank for the Sixth District, and immediately wired your Board to be furnished with a copy of the petition and brief so filed. The Secretary of your Board advised that he was asking the Branch Bank at New Orleans to send respondent copies of the petition and brief. A copy of a brief was sent us, but no copy of the petition was ever sent. We then wired the Secretary of your

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Board, asking him for a copy of the petition sent you by the member banks in Louisiana, asking for a transfer from the Eleventh District to the Sixth District. We received no reply to this telegram, but we did receive a telegram from the Branch Bank in New Orleans, giving us the names of certain banks, but still no copy of the petition signed by these banks, if they ever signed a petition, was furnished respondent. The respondent bank, therefore, is compelled to reply to a brief filed by the New Orleans Branch Bank of the Federal Reserve Bank of the Sixth District, without knowing that the member banks in Louisiana have ever filed any petition, or what that petition contains.

The member banks of the Eleventh District, situated in Louisiana, number twenty-six, and are as follows:

**List of Member Banks in Louisiana.**

Abbeville .....	First National Bank
Alexandria .....	First National Bank
Arcadia .....	First National Bank
Crowley .....	First National Bank of Arcadia Parish
DeRidder .....	First National Bank
Eunice .....	First National Bank
Gibsland .....	First National Bank
Homer .....	Homer National Bank
Jeanerette .....	First National Bank
Lafayette .....	First National Bank
Lake Charles .....	Calcasieu National Bank
Lake Charles .....	First National Bank

Lake Providence .....	First National Bank
Minden .....	First National Bank
Monroe .....	Ouachita National Bank
Morgan City .....	First National Bank
New Iberia .....	New Iberia National Bank
New Iberia .....	Peoples National Bank
New Iberia .....	State National Bank
Opelousas .....	Opelousas National Bank
Opelousas .....	Planters National Bank
Shreveport .....	American National Bank
Shreveport .....	Commercial National Bank
Shreveport .....	First National Bank
Ville Platte .....	First National Bank
Winnfield .....	First National Bank

On August 28, 1914, the Federal Reserve Board promulgated rules governing procedure in appeals from the decision of the Reserve Bank Organization Committee. These rules govern: (1) Petitions for change of designations of Federal Reserve cities, and (2) Petitions for changes in the geographical limits of Federal Reserve Districts.

Under paragraph 2 with reference to petitions for changes in the geographical limits of Federal Reserve Districts, the first requirement is as follows:

“Petitions for a review of the determinations of the Federal Reserve Districts by the Organization Committee must be signed by duly authorized officers of at least two-thirds of the member banks in the territory

which the petition asks to have taken out of one district and annexed to another.”

As stated above, we do not know what the petition, if there is a petition, asks, because we have never been furnished with a copy of the petition, but the brief of the New Orleans Branch Bank asks that all the banks in Louisiana within the Eleventh Federal Reserve District be transferred from the Eleventh District to the Sixth District.

The brief filed by the New Orleans Branch Bank states that twenty out of the twenty-five banks ask for this transfer. The New Orleans Branch Bank must be in error about this, and the statement thus made must be “the father to the wish,” because out of the twenty-six banks in Louisiana within the Eleventh District, thirteen banks, or one-half of the number, have written letters either to the Federal Reserve Board or the Federal Reserve Bank at Dallas, indicating their desire to remain in the Eleventh District, rather than to be transferred to the Sixth District.

As absolute proof of the statement just made, respondent will here insert exact copies of letters from the member banks referred to, which letters were written either to the Federal Reserve Board, or to this Bank.

On January 18th, Mr. L. M. Tooke, president of the First National Bank of Arcadia, La., in a letter ad-

dressed to Mr. R. L. Van Zandt, Governor of the Federal Reserve Bank of Dallas, Texas, says:

“I am again calling your attention to the fact that we want to remain in the Dallas District; we voted first for Dallas and have every time anything came up to remain with Dallas. There are many reasons why we prefer to remain with you. First, your bank is the parent bank. Second, E. K. Smith is our Director. Third, you are Governor and were National Bank Examiner, and are very familiar with conditions throughout North Louisiana. Fourth, we have received the best of treatment from our bank and have no reason to even want to change. Fifth, we have much better mail service to Dallas than N. O., and there are many more reasons why we should stick. Please do everything to keep us with Dallas. We don't want to be transferred to New Orleans or any other district and will never vote to be removed. We would feel that we could not get the treatment that we have received with any other bank everything taken in consideration. Hoping there will be no change made in the district and that every bank will remain just as they are, your friend,

L. M. TOOKE, President.”

On January 15, 1916, the First National Bank of Crowley, La., writing to your Board, says:

“We have been informed that there has again been presented a petition to your Honorable Board to transfer the Louisiana Banks in the Eleventh District, to the Sixth District, and as a member of the Eleventh District, we wish to say we are perfectly satisfied for our membership to remain where it is.

“We have received excellent service from Dallas and are perfectly satisfied, and possibly a change at this time may not be to the best interest of all concerned.

“Trusting and believing that you will act to the best interest of all banks concerned, we are,

Yours very truly,  
W. L. TRIMBLE, President.”

On the same day, the First National Bank of Crowley, Louisiana, wrote Mr. R. L. Van Zandt, Governor of the Federal Reserve Bank of Dallas, Texas, as follows:

“I am in receipt of your favor of the 14th inst. relative to the contemplated transfer of the Louisiana Banks in your District to the Atlanta District, and in reply will state I have written the Board at Washington on this line and have expressed our willingness to remain with you. In fact, I have made it stronger and state we would prefer not to have a change at this time.

“When this question was up before I made the same request that we remain in your District.

“We have had such satisfactory service from your good institution I would very much regret a change.

“With personal regards to you, I am,

Yours very truly,  
W. L. TRIMBLE, President.”

On May 29, 1915, the First National Bank of DeRidder, Louisiana, wrote Mr. R. L. Van Zandt, Governor of the Federal Reserve Bank of Dallas, as follows:

“Replying to your letter of the 26th inst. in regard to petition to include this portion of Louisiana in the Atlanta District, beg to advise that this petition was sent to us some time ago **from the Commercial National Bank, New Orleans, La., and we returned same unsigned,** advising them that we were very well satisfied with our present connection with the Federal Reserve Bank, Dallas, Texas.

“Thanking you for past favors and assuring you

that we do not wish to be 'divorced' from your good bank, we are,  
 Yours very truly,  
 D. E. SHAW, Cashier."

On January 22, 1916, the First National Bank of DeRidder, La., wrote your Board as follows:

"We are informed that the New Orleans Branch of the Federal Reserve Bank of Atlanta has petitioned your honorable body to transfer the Louisiana banks from the Federal Reserve Bank of Dallas to the Federal Reserve Bank of Atlanta, this we wish to offer protest against, as we are very well satisfied with our connection with the Federal Reserve Bank of Dallas and do not think it would be to our best interest to make a change."

On June 5, 1915, the First National Bank of Eunice, La., wrote R. L. Van Zandt, Governor of Federal Reserve Bank, as follows:

"I am in receipt of your letter of the 4th inst. enclosing credit memorandums for the proceeds of notes discounted with you, aggregating \$10,810.60, which were sent to you in our letter of the 2nd inst.

"While acknowledging receipt of this letter, I can not refrain from expressing my appreciation for the prompt and efficient manner in which this matter as well as others are handled by your institution.

"Your very able letter of May 26th has been received, read and discussed at a board of directors' meeting and our board is in perfect accord with the explanations as contained in the letter.

"Our Mr. Mayer remembered of having signed the petition in question without any thought except that it would be to our advantage to be affiliated with a New Orleans Federal Bank; however, after thinking the



matter over and thoroughly weighing situation, we are of the opinion that we could not better the situation one bit, as our various experiences have shown us by practical demonstration that we could have no prompter service than the splendid service your good bank is giving.

“With every kind assurance, we beg to remain,

Yours very truly,

J. LEER LACOMBE, Cashier.”

On January 15, 1916, the First National Bank of Eunice, La., wrote your Board as follows:

“We note with much interest that the question of changing the banks situated in Louisiana which are now a part of District No. 11 of Dallas to the District of Atlanta on account of the fact that New Orleans has been given a Branch Bank and that an effort is to be made to have us join the branch at New Orleans.

“In connection with this change we wish to express an opinion and a request that we be left in the Dallas District, at least during the organization period.

“We make this request for the reason that it would certainly be unfair to our Dallas friends to want to divorce after they have done every thing in their power to assist us.

“We only speak for ourselves, but our mail service to Dallas is as prompt as to New Orleans and they have at all times accorded us every accommodation requested and we do not think it would be fair to them did we not make this request.

“Thanking you for the consideration, we are.”

On January 18, 1916, the First National Bank of Gibsland, La., wrote Mr. J. W. Hoopes, Vice-Governor of the Federal Reserve Bank of Dallas as follows:

“Replying to your telegram of today relative to remaining with your good bank at Dallas, will say, we wrote the Board at Washington some time ago, stating that we were satisfied and perfectly willing to remain with the Dallas Bank.

“Trusting this letter will be of some benefit to you, with kind regards, I am,

Yours very truly,  
L. W. BAKER, Cashier.”

On January 18th, the Homer National Bank, of Homer, La., wrote Mr. J. W. Hoopes, Vice-Governor of the Federal Reserve Bank of Dallas, as follows:

“In answer to your telegram dated January 18th, which read as follows:

“‘Please forward us today copy of letter Federal Reserve Board, Washington, in which you indicated your willingness to remain in the Eleventh District.’

“Beg to advise that the blank forwarded us by the Federal Reserve Board at Washington, to be used for that purpose was properly executed and returned to them, same having expressed our willingness to remain in the Eleventh District.

“Our connection with the Federal Reserve Bank at Dallas has been very pleasant indeed, and we have no desire whatever to sever our connection with the Eleventh District.

“Trusting the above is the information desired, and with the highest of regard, I remain,

Yours very truly,  
C. O. FERGUSON, President.”

On January 24, 1916, the First National Bank of Lake Providence, La., wired Mr. J. W. Hoopes, Vice-

Governor of the Federal Reserve Bank of Dallas, as follows:

“Copy of letter Board Washington. We have been requested to give your Board an expression of our relation with the Federal Reserve Bank of Dallas, Texas. It affords us much pleasure in stating that we have been treated at all times with the greatest consideration and courtesy, promptness and general satisfaction, in all respects, from the bank and each individual connected therewith.

FIRST NATIONAL BANK.”

On January 18th, the First National Bank of Minden, La., wrote Mr. J. W. Hoopes, Vice-Governor of the Federal Reserve Bank of Dallas, as follows:

“I beg to acknowledge receipt of your telegram of even date, and beg to confirm our wire in answer to same as follows:

“‘Have no copy of letter, indicated our willingness to remain in Eleventh District on form of letter sent us from Federal Reserve Board, Washington, said letter was signed by me and forwarded to Washington under date tenth ultimo.

“We failed to keep copy of letter; but the information stated above was taken from our minute book and reads in part as follows: ‘It is our preference to remain in the Eleventh District (Dallas) instead of being transferred to the New Orleans Branch of the Sixth District.’ This is under date of December 10, 1915.

“If there is any further information desired, kindly call upon us.

Yours very truly,

ARTHUR F. DUPUY, Cashier.”

On January 17th, the First National Bank of Morgan City, La., wrote Mr. R. L. Van Zandt, Governor of the Federal Reserve Bank of Dallas, as follows:

“This is to acknowledge receipt of your favor of 15th inst. concerning petition of the Federal Reserve Board of the New Orleans Branch.

“On October 20, 1915, our board of directors authorized me to write the Federal Reserve Board at Washington, D. C., and state that this bank did not desire to change to the New Orleans Branch. This letter was sent in response to the inquiry from Washington.

“We have not yet changed our minds in the matter and you are at liberty to use this letter in so informing the Board at Washington.

Yours very truly,  
K. R. HOOD, Cashier.”

On October 15, 1915, the American National Bank of Shreveport, La., wrote the Hon. H. Parker Willis, Secretary of the Federal Reserve Board, as follows:

“Replying to your favor of the 8th inst. we enclose herewith the request of Board of Directors that the Federal Reserve Board not make any change, and we preferring to remain connected with the Dallas Federal Reserve Bank.

“We believe that our business would be a great deal more facilitated by holding membership in the Eleventh District, rather than in the Sixth, by reason of the short distance and the fact that Shreveport and Louisiana have been represented on the Board of Directors of the Dallas Board, and that they are now familiar with the business, and have handled the same to our entire satisfaction.

“We would regret very much being moved, although we feel kindly toward New Orleans.”

On the same date the American National Bank of Shreveport, La., wrote the Hon. W. P. G. Harding, a member of your Board, as follows:

“We would regret very much being moved from the Eleventh District to the Sixth. The Federal Reserve Bank, at Dallas, has handled our business in a satisfactory manner. We have had a Director on the Board, from our city, Mr. E. K. Smith.

“The Dallas Bank has gained knowledge of the business, familiarizing themselves with the people of the section of Louisiana belonging to the Eleventh District, and have rendered, as far as we know, every assistance that they possibly could under their rules. We do not believe that there has been a complaint against the Dallas Bank, and we feel that we would be better served, under the existing circumstances, by remaining in the Eleventh District.

“We are not fighting New Orleans, and do not wish them to feel hard against us.

“I sincerely trust that you will use your influence to have Shreveport, at least, retained as at present.”

On January 18, 1916, the American National Bank of Shreveport, La., furnished to the Federal Reserve Bank of Dallas, a copy of the minutes of the meeting of their Board of Directors, held on Tuesday, October 12, 1915, reading as follows:

“Extract from minutes of a regular meeting of directors of American National Bank of Shreveport, Louisiana, held at the bank Tuesday, October 12, 1915:

“Resolved: That it is the opinion of the board that it will be better to retain our connection with the Federal Reserve Bank of Dallas in District Eleven, and the cashier is instructed to communicate the preference to Federal Reserve Board at Washington.”

“I certify that the above is a true extract from the minutes of the meeting of directors of American National Bank, held Oct. 12, 1915.

Jan. 18, 1916. M. A. McCUTCHEN, Cash. & Sec’y.”

On January 22, 1916, the Commercial National Bank of Shreveport, La., wrote the Federal Reserve Board at Washington, as follows:

“The question has been brought to our attention in regard to the branch of the Federal Reserve Bank at New Orleans endeavoring to have Shreveport changed as a member from the Dallas Reserve Bank to the Branch at New Orleans.

“We beg to state that as far as the Commercial National Bank of Shreveport is concerned, we can see not one single reason why this change should be made. In the first place, Shreveport is 180 miles from Dallas, and 325 miles from New Orleans. The mail service between Dallas and Shreveport is far better than that with New Orleans. In addition to this Shreveport is quite a commercial center for the interior banks and has a great number of accounts from the interior banks throughout this section, and we think that Shreveport has as many accounts from East Texas as they have in the State of Louisiana.

“Our relations with the Federal Reserve Bank at Dallas have been all that could be asked, and in fact, all business transacted with them since the organization, has been most satisfactory. We have discounted a large amount of notes with them and the manner in which they have been handled has been such that we would not care to make a change and to be forced to handle this business through the Branch at New Orleans.

“In addition to this there is, in our opinion, a great rivalry between New Orleans and Shreveport, both in a banking and commercial way, and we are inclined to believe that Shreveport would not receive the same treatment at the hands of the branch of the Federal Reserve Bank at New Orleans as they have received and will receive from the Federal Reserve Bank at Dallas. It is our sincere request that, if any change is to be

made, that Shreveport will be permitted to remain with the Federal Reserve Bank at Dallas.

Respectfully,  
N. KAHN, Vice-President.”

On January 13th, the First National Bank of Winnfield, La., wrote the Federal Reserve Board at Washington, as follows:

“Some time since we signified our willingness to be transferred from Dallas Federal Reserve District to New Orleans, La., District. But upon more thorough investigation of the conditions, etc., we have reconsidered the matter and have decided that we much prefer to remain with the Dallas Bank, and will thank you for any consideration you may give us in this regard.

Yours very truly,  
M. M. FISHER, President.”

In addition to the above letters, we are informed in confidence by another member that it has written your Board, expressing a desire to remain in the Eleventh District, with the Dallas Federal Reserve Bank.

There is being organized in Shreveport a bank of Five hundred thousand dollars capital, by the stockholders of the Red River Valley Bank & Trust Company. On Jan. 12, 1915, the directors agreed upon for this new bank authorized the president and cashier selected by them to represent the new bank, to write the Hon. W. P. G. Harding, a member of your Board, at Washington, as follows:

“The stockholders of the Red River Valley Bank & Trust Company of this city contemplate the liquida-

tion of this bank and the organization of a new National bank here, with a capital stock of not less than Four hundred thousand dollars. The establishment of this bank is assured. Its stock subscription list is nearly complete and we are nearly ready to apply for articles of association and to perfect the other details necessary to a permanent organization.

“As we expect shortly to enter the National system of banks, we naturally feel a very keen interest in the question of redistricting the territory of the Federal Reserve Districts. Permit us therefore to express our views on this point in so far as we may be affected by any change. We will very much prefer to be attached to the Dallas Reserve Bank than to be under the jurisdiction of the New Orleans Branch of the Atlanta Reserve Bank, and we sincerely trust that no action will be taken by your Honorable Body, the effect of which would be to divorce this section of Louisiana from the Eleventh Federal Reserve District or the Federal Reserve Bank of Dallas.

“This matter has been fully discussed with Colonel J. B. Ardis, who will be president of the new bank here, and he is thoroughly in accord with the sentiment herein expressed. We believe that we are also expressing the desires of a large majority of those who will be directors of our new National Bank.”

On January 12th, the cashier of the Red River Valley Bank & Trust Company, who will be cashier of the new bank, wrote Mr. J. W. Hoopes, Vice-Governor of the Federal Reserve Bank of Dallas, as follows:

“Enclosed herewith, I beg to hand you carbon copy of a letter signed by Mr. Jordan and myself, which I am this day forwarding to the Hon. W. P. G. Harding, of the Federal Reserve Board, at Washington, D. C.

“Hoping that this letter will have some weight on



the Federal Reserve Board, and with kindest personal regards from Mr. Jordan and myself, I beg to remain,

Yours respectfully,

WM. L. YOUNG, Cashier."

In this connection, we wish to call the attention of the Board to the fact that out of the twenty-six banks in the Eleventh District which are situated in Louisiana, we have set out copies of letters or telegrams from twelve, stating that they desire to be permitted to remain in the Eleventh Federal Reserve District. We have an assurance that one other has written your Board, asking to remain in the Eleventh District, and in addition, we have an expression from the organizers of the new bank at Shreveport asking that Shreveport be allowed to remain in the Eleventh District; so, out of a possible twenty-seven member banks in Louisiana, fourteen have already definitely decided and expressed the desire, to remain in the Eleventh District with the Dallas Federal Reserve Bank, rather than to be transferred to the Sixth District.

On the second page of the brief of the Branch Bank at New Orleans, is found the statement that twenty out of the twenty-five banks, of **their own volition**, have come forward and asked to be transferred to the New Orleans District. If twenty member banks in Louisiana have ever expressed themselves as desiring to be transferred to the New Orleans District, it is quite evident **from the letters** above shown that at least seven of those

banks, upon further investigation and consideration of the matter, have changed their minds as to what District would suit them best and **now desire** to remain in the Eleventh District and to remain a member of the Dallas Federal Reserve Bank.

If the Board adheres to its ruling promulgated on August 28, 1914, and requires at least two-thirds of the member banks in the territory sought to be transferred to sign a petition asking for such transfer, then it will only be necessary for the Board to consider the expressions from the thirteen member banks set out above, and it will see that its requirement of August 28, 1914, with reference to petitions of this character, has not been complied with, and therefore, the request of the branch bank of New Orleans would necessarily have to be declined.

The statement is made in the brief of the New Orleans Branch Bank that twenty out of the twenty-five banks, **of their own volition**, have come forward and asked to be transferred to New Orleans. It may be well for the Board to consider at this juncture, the correctness of the statement that any of these banks of their own volition took any action whatever in the matter.

On May 29, 1915, the First National Bank of Lake Providence, La., which bank, by the way, has already advised your Board that it now desires to remain in the Eleventh District rather than to be transferred to

the Sixth District, wrote Mr. R. L. Van Zandt, Governor of the Federal Reserve Bank of Dallas, as follows:

“This petition reached me through Mr. J. H. Fulton, president of the Commercial National Bank of New Orleans, La., with request that we sign same and return to him, which we did.

“Our signature was attached purely to be obliging Mr. Fulton, our friend and head of our correspondent bank of New Orleans, and entirely without any feeling or special interest whatsoever. Our relations with the Dallas institution which you so worthily head, have been entirely agreeable and harmonious in all respects, and we are entirely pleased with our present connection in every way.”

On May 29th, the First National Bank of Alexandria, La., wrote Mr. R. L. Van Zandt, Governor of the Federal Reserve Bank of Dallas, in part as follows:

“I permitted myself to be persuaded by Mr. Fulton, president of the Commercial National Bank, to sign the petition that you refer to in your letter.”

On January 18th, the Ouachita National Bank of Monroe, La., in writing Mr. J. W. Hoopes, Vice-Governor of the Federal Reserve Bank of Dallas, said in part:

“When asked by you the direct question if I had any objection to remaining in the Dallas District, I stated frankly, and now state, from a personal standpoint, No, I have no objection, as I am well pleased with the treatment North Louisiana received at the hands of our Texas friends in permitting us to name one of the members of the Board of Directors, Mr. E.

K. Smith of the Commercial National Bank of Shreveport. Had we applied to the Federal Reserve Bank of Dallas for any accommodation or opened up any business connection with them, I am sure we would have been shown every courtesy, and we have no cause from that standpoint to desire a change. So far, however, we have had no business dealings with your bank, and therefore, from a standpoint of business connection, it is a matter of no importance to us whatever with what District we might be connected.’’

These expressions from banks which the New Orleans bankers persuaded to sign the petition, are given for the purpose of showing to your Board that any action taken with reference to this proposed transfer was taken upon the initiative of the New Orleans bankers, which city would, of course, profit by the establishment of a branch bank and by its success.

The bankers at New Orleans were not only moved in instigating this contest by State pride and city pride, but they had a financial reason as well. On page 123 of the Federal Reserve Bulletin of July 1915, is found this statement.

“Incidentally, it may be mentioned that the banks comprising the New Orleans Clearing House Association have undertaken to make good for the first year of operation, any difference between the expenses of conducting the new branch bank now proposed and the revenues to be derived from it.’’

It is, of course, natural to assume that the members of the New Orleans Clearing House Association were moved by patriotic feelings of state pride and city pride,

and by the financial reason that if the branch bank at New Orleans did not make expenses for the first year, the New Orleans banks comprising the New Orleans Clearing House Association were obligated to make good the deficit.

In this connection, respondent would state that if petitions instigated by rival cities are to be given serious consideration by your Board, it will be impossible to establish permanent lines for any District, because rival cities desiring Branch Banks will always be willing and able to go among the bankers of their acquaintance and seek to institute contests for removals of portions of territory from one District to another.

Respondent respectfully states that, from a careful investigation made by it in Louisiana, it is convinced that, had it not been for the activity of the New Orleans bankers in seeking to bring about this proposed transfer, all of its member banks situated in the State of Louisiana would have continued to be perfectly satisfied to remain in the Eleventh District and to do business with your respondent as they have done heretofore; and, even with this activity on the part of the New Orleans bankers, the majority of the member banks, or at least one-half of the member banks in Louisiana, after a full consideration of the matter, have come forward now and expressed in writing to your Board their desire that no change be made in the District lines, and that they be permitted to remain in the Eleventh

District and to do business with the respondent, which business has heretofore been satisfactory both to the member banks and to the respondent, and which business respondent feels confident will remain satisfactory. The quotations from the letters as shown above demonstrate that even those banks asking for a transfer are not doing so on account of dissatisfaction with respondent.

One of the first contentions made in the brief of the Branch Bank of New Orleans is that the State of Louisiana as at present divided between the Sixth District and the Eleventh District, "is unnatural, as the whole State of Louisiana should be in the Sixth District." The framers of the Federal Reserve Act did not consider it unnatural, unwise, or impractical to permit the creation of Districts which did not follow State lines, but provided that the Districts should not necessarily be coterminous with any State or States. In the opinion of the Federal Reserve Bank Organization Committee, it was not unnatural, nor unwise, to put a portion of the State of Louisiana within the Eleventh District, as was done.

In fact, it will appear from an examination of the map, that a majority of the banks, or at least one-half of the member banks, in Louisiana, in the Eleventh District, are situated as near to Dallas as to New Orleans.

The brief of the New Orleans Branch Bank states that such a division is unwise, "as is clearly shown by

the attitude of the banks of Louisiana which have been apportioned to the new District," and the brief then states that turning first to the banks which have been apportioned to New Orleans, you will find them entirely satisfied with the disposition made of them, but "on the other hand, the banks situated in Louisiana which are apportioned to the Dallas District are anything but satisfied."

There have been set out above for your consideration copies of letters from twelve banks in Louisiana within the Eleventh District, which show that they are not only entirely satisfied with their allotment, but, in addition, show an earnest desire upon their part to be permitted to remain as they are and as they were placed by the Reserve Bank Organization Committee. As stated above, the Federal Reserve Board has on file a letter from another member bank in Louisiana within the Eleventh District, showing its satisfaction with the District as thus created and its desire not to be transferred and the Board also has a letter from a bank to be organized at Shreveport, La., within the Eleventh District as now constituted, showing its preference to be in the Eleventh District and to do business with the respondent at Dallas.

It hardly comes with good grace from the Branch Bank at New Orleans to insist that the member banks in Louisiana within the Eleventh District are dissatisfied, when that institution, or the bankers of New Orleans,

are the authors of such dissatisfaction as exists, if any.

In the brief of the Branch Bank of New Orleans, there is a statement to the effect that the Commercial National Bank of Shreveport, of which E. K. Smith is president, is eliminated from the discussion and placed in the position of benevolent neutrality. The Commercial National Bank of Shreveport, headed by Mr. E. K. Smith, does not desire to be placed in a position of benevolent neutrality, but desires it to be distinctly understood that it is a fighting institution and insists upon remaining in the Eleventh District, and doing business with the Dallas Bank.

On the second page of the brief of the New Orleans bank are found two reasons asserted by that institution why these Louisiana banks should be transferred from the Eleventh District to the Sixth District and permitted to do business with the New Orleans Branch Bank. It is regretted that we are forced to take issue with some of the statements made in paragraphs 1 and 2 of page 2 of the brief of the New Orleans Branch Bank; but it is not admitted that New Orleans is the industrial center of the entire District where these member banks are situated, or that all of these banks procure and have heretofore procured from New Orleans the money to move their crops. We quote from a statement of a Shreveport bank with reference to this matter as follows:



“Cotton produced in this territory, amounting to about Two hundred thousand bales annually, is purchased through our banks here, with the aid of New York, St. Louis and Chicago, and without the assistance of New Orleans banks, and the greater part of our shipments are made through Texas ports for the reason that the coastal shipping points of Port Arthur and Galveston are nearer by One hundred and forty-five and eighty-five miles respectively, so that our cotton and lumber shipments from this part of the State do not go to New Orleans. The same thing will apply to oil and shipments of oil, fully seventy-five per cent going through Port Arthur, Texas. Upon investigation, you will find that very few, if any, of our cotton factors, wholesale merchants, oil men, lumber men, carry New Orleans accounts, whereas they do carry Shreveport, Houston, Dallas, St. Louis and New York accounts. The sugar and rice industries are tributary to New Orleans by reason of the fact that these commodities are raised principally on the low-lands of Southern Louisiana. The cotton, oil and lumber interests extend from the center, and include the northern half of Louisiana and Eastern part of Texas, and their business comes through this point. The cypress manufacturers have their headquarters in New Orleans for the reason that New Orleans is surrounded by cypress swamps. At the same time, the cypress companies referred to carry good accounts in Shreveport.

“We note that they quote Shreveport banks a number of times when, as a matter of fact, only one bank out of five in Shreveport, is in favor of this change.

“Shreveport, as the second city of Louisiana, is the natural banking center for this territory, which includes East Texas, and to take away from us this territory, and transfer us to a branch bank of the Federal Reserve Bank in New Orleans would work a great hardship, not only on the banks of Shreveport, but on the

whole of North Louisiana. This bank, and the banks in North Louisiana, have received assistance through the Federal Reserve Bank at Dallas which would not have been allowed to us had we been in the New Orleans District. First, because they are too far away from this section to be thoroughly familiar with the character of our paper; and, second, because the business interests of New Orleans would absorb the total available resources of their Branch Bank without regard to this section."

From the foregoing statement, it appears that the northern portion of Louisiana, in which a large amount of cotton is raised, lumber sawed, and oil produced, does not do its principal business with New Orleans and never has, and does not make its principal shipments to New Orleans and never has; but that about two hundred thousand bales of cotton annually are purchased through Shreveport banks with money furnished by New York, St. Louis and Chicago, and without the assistance of New Orleans, and that the greater part of these shipments are made through Texas ports, and that the same thing applies to lumber, oil and other products.

This statement of the Shreveport bank is a clear cut statement of fact and concedes to New Orleans that line of business justly due it, but shows clearly that the northern portion of Louisiana does not do that great volume of business with New Orleans which is claimed in the brief of the New Orleans Branch Bank, so that it is apparent that while the southern portion of Louisiana, in which the rice, sugar and cy-

press are produced, may do its business principally with New Orleans, yet, in the northern portion of the State and in the portion tributary to Shreveport, the course of business is not to New Orleans, but to Shreveport, Dallas, and the Gulf ports of Texas.

Much stress is laid by the brief of the New Orleans Branch Bank on the natural course of business; and if its contention should prevail in all respects then it would be impossible to maintain the lines of any of the Districts as now constituted, because there are small portions of all of them where the course of business would not be directly to the Bank of that District. The purpose of the framers of the Federal Reserve Act, however, was to equalize the finances of the country and give stability to the business of all portions of the country. If the Board should follow to its logical conclusion the contentions made by the Branch Bank of New Orleans, such contention would necessarily destroy that Branch itself, and practically all of the Banks situated outside of the Eastern centers.

To the end that undue regard may not be given by the Federal Reserve Board to the argument of the Branch Bank at New Orleans with reference to the trend of business being toward New Orleans, respondent respectfully shows that New Orleans has long been a reserve city, and as such, National Banks in Louisiana outside of New Orleans, have been authorized to count their balances with the National Banks of New Orleans as

part of their legal reserve. This in itself, without the added incentive of 2% per annum interest on balances, and parring facilities, has been sufficient to make New Orleans exchange desirable or at a premium with National Banks in Louisiana. Whatever trend of business there has been towards New Orleans has been stimulated by the desirability of New Orleans exchange to make balances there for the Louisiana Banks. Therefore, this having been of common advantage to all Louisiana banks, the interchange of business between them has naturally resulted in the exchange of New Orleans drafts between them.

On account of the proximity of New Orleans to a portion of the Louisiana banks and the railroad facilities to that city, it has been possible for those Louisiana banks to forward shipments of currency for their credit and these shipments have immediately created reserve. The point to be made in this connection is, were not the balances in New Orleans counted as legal reserve currency would not have been shipped to that city. Had not remittances of New Orleans exchange and items on outside points, through parring facilities, created reserve balances in New Orleans, the trend of business toward that city would have been immaterial. New Orleans exchange would not, therefore, have been acceptable and remittances which would form reserve balances at some other centers would have been sought as being more desirable.

After an elapse of thirty-six months from the establishment of the Federal Reserve Banks, balances in New Orleans will no longer form a part of the legal reserve of Louisiana National banks and the trend of business toward that city will be materially reduced.

The importance of New Orleans as a port is admitted, but it has long been practically axiomatic in banking practice that the documents do not always follow the shipment, and that the volume of exchange drawn in reimbursement of shipments forwarded and received at the port, may be far less than the value of the shipments received at the port for export. Galveston is frequently referred to as the second port of the United States in point of exports, yet the transactions representing the value of these exports are by no means consummated at Galveston. A very small percentage of exchange drawn against shipments to that port for export, is drawn on Galveston.

Under special arrangements made by the Federal Reserve Bank of Dallas, currency may be shipped from Louisiana member banks to it at the same or at less cost than it may be shipped to New Orleans.

Since the Federal Reserve Act provides that the Federal Reserve Banks may act as clearing houses for their member banks, the Louisiana banks will have greater par facilities for clearing miscellaneous cash items through the Federal Reserve Bank of Dallas than they have ever enjoyed through the New Orleans banks.

When the reserves of National banks may only be carried either in their vaults or in the Federal Reserve Banks, the trend of business will be toward Federal Reserve Banks and the Federal Reserve cities will be established as new financial centers so far as reserve and discounting operations of member banks are concerned. The interests of all would therefore be conserved by postponing a decision until such time as the effect of the elimination of Reserve cities, as now provided for by law, can be observed.

The Louisiana banks would not suffer in the interim, as they have not suffered by reason of their connection with the Federal Reserve Bank of Dallas. The Federal Reserve Bank of Dallas has not only been in a position and willing to accord the Louisiana banks every service and assistance, but it has done so.

Since this argument is supported by facts, it should be apparent that if the Federal Reserve Board were to be influenced by the argument of trend of business and should divorce the Louisiana banks from the Eleventh District at this time, it will impair the ability of the Federal Reserve Bank of Dallas by reducing its capital, its reserve deposits, and a necessary diversification of interests without any off-setting advantage, even to the Louisiana banks.

The ability of the Federal Reserve Bank of Dallas should, therefore, not be impaired by reducing its membership and territory at this time, but it is the ultimate

effect upon the Federal Reserve Bank of Dallas and its remaining membership that should be considered more than the immediate effect.

The Branch Bank of New Orleans in its brief quotes from several letters received by it from member banks in Louisiana. It refers several times to quotations from a bank, or banks, in Shreveport. That the Federal Reserve Board may not obtain an erroneous impression from these numerous quotations from a Shreveport bank in the brief of the New Orleans bank, we beg to state that there is only one bank in Shreveport that has indicated a desire for this change, that bank being the First National Bank of Shreveport, and it may be possible that the attitude of that bank with reference to the matter is somewhat influenced by the fact that the head of a strong opposition bank in Shreveport is one of the Directors of the Federal Reserve Bank of Dallas.

The Branch Bank of New Orleans quotes from a letter received by it from one of the largest banks attached to the Dallas District, and from the quotation, and from the statement that it is one of the largest banks attached to the Dallas District, we naturally assume that this is the same letter from the First National Bank of Shreveport. Out side of the business done by the First National Bank of Shreveport through the Federal Reserve Bank of Dallas, that bank, in September, 1915, had 580 items handled through the Security National Bank of Dallas, amounting to \$156,580.02. During

the same month, that bank had items on nearby towns handled through the Security National Bank of Dallas, amounting to \$46,911.08. For the month of October, 1915, the First National Bank of Shreveport had handled through the Security National Bank of Dallas 752 items, amounting to \$195,915.00, and for the same month, the Security National Bank handled items for it on nearby towns in the amount of \$124,602.78. It will therefore be seen that a large amount of business is handled, even by this bank, through Dallas; and these figures do not include the items handled through the Federal Reserve Bank of Dallas.

In order that the Board may not be misled about the nearness of New Orleans to the member banks in Louisiana, respondent would show that Shreveport is 325 miles distant from New Orleans. It is 180 miles distant from Dallas. Therefore, banks in northern Louisiana, which are not over 75 miles from Shreveport, are nearer to Dallas than they are to New Orleans. Hence practically the entire northern part of Louisiana, in point of distance, is nearer to Dallas than it is to New Orleans.

It will be noted, from the letters quoted by the New Orleans Branch Bank in its brief, excepting one letter from the First National Bank of Shreveport, that practically all of these letters are from banks in Southern Louisiana.

If the Board follows its ruling promulgated on Au-



gust 28, 1914, before it could grant the petition, the petition would have to be signed by at least eighteen of the member banks in Louisiana. If such a petition is presented to the Board, then it is apparent to the Board, from the letters quoted above, which are being filed with the Secretary of your Board, that a portion of the banks signing such petition have, after careful consideration, changed their minds, and now desire to remain in the Dallas District. As the record now stands, 14 out of a possible 27 member banks in Louisiana desire to remain in the Dallas District, with 13 asking to be transferred to the Sixth District.

Respondent urges that, in the interest of the general good of the Federal Reserve system, the petition of the New Orleans Branch Bank be denied in toto.

If, however, your Board decides to disregard its ruling promulgated on August 28, 1914, with reference to the number of petitioners who must sign a petition for transfer, then respondent respectfully urges that under no circumstances should your Board transfer to the Sixth District those banks in Louisiana now in the Eleventh District, who are asking to remain in the Eleventh District.

Respondent views with alarm the efforts of rival cities to encroach upon its territory and to seek to cut the limits of its District. Having been in operation a little over a year, it is one of the Federal Reserve Banks which have, by conscientious work and effort, fair and

liberal treatment to its member banks, been able to pay a dividend; and it recognizes that if its boundaries are further confined, it will not be able to perform in a satisfactory manner those functions required of it by the Federal Reserve Act and expected of it by the Federal Reserve Board. If the bankers of the United States will only stop their efforts to further change the District lines, and will hold up the hands of the Federal Reserve Board and the Directors and Officers of the Federal Reserve Banks, the success of the Federal Reserve System is assured, and the benefits flowing therefrom will be widespread and substantial.

Respondent therefore submits this matter to the careful consideration of the Board, sincerely believing that the action of the Organization Committee in establishing the present lines was correct and proper and will result beneficially both to the member banks within the Eleventh District, in the State of Louisiana, and to the Federal Reserve Bank of Dallas.

Respectfully submitted,

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