

December 8, 1914.

The members of the Federal Reserve Board, sitting as a committee this morning, listened to a discussion presented by representatives of Trust Companies, Savings Banks and State Banks, members of American Bankers Association, with reference to the conditions under which institutions holding State charters may be permitted to enter the Federal Reserve System.

Those present included Messrs. Hamlin, Williams, Harding, Warburg, Delano and Miller of the Federal Reserve Board, and the following bankers:

- W. H. McCarter, President, Fidelity Trust Co., Newark, N. J.
- John W. Platten, President, United States Mortgage & Trust Co.,
New York City.
- Oliver C. Fuller, President, Wisconsin Trust Co., Milwaukee, Wis.
- A. A. Jackson, Vice-President, Girard Trust Co., Philadelphia, Pa.
- John H. Mason, Vice-President, Commercial Trust Co., Philadelphia,
Pennsylvania.
- B. F. Saul, President, Home Savings Bank, Washington, D. C.
- Geo. E. Lawson, Vice-President, Peoples State Bank, Detroit, Mich.

A Statement embracing the views of the bankers was presented to the Board,
as follows:

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STATEMENT FOR THE PRESS.

The representatives of the banking institutions who are present to-day desire to express to your associates of the Federal Reserve Board their appreciation of the courtesy extended to them in permitting them to appear before you and of the efforts which have been made by your Board to meet the convenience of our committee in the postponement of the meeting from December 2nd until to-day.

While we are appreciative of your efforts in this direction, we nevertheless feel that sufficient time has not elapsed since the appointment of our committee by the president of the American Bankers Association, said committee being appointed only on November 9, to have given proper and full consideration to the weighty problems involved in this subject and to have arrived at any conclusion in the settlement of the problems.

The resolution passed by the American Bankers Association, and under which this committee is acting, had for its object the suggestion of such change or changes in the Federal Reserve Act as would permit state chartered institutions to enter the System and, as before stated and for the reasons given, the committee has been unable to offer any

suggestions to the purpose for which they were appointed, and if, in offering some suggestions as to the rules and regulations to be promulgated by the Federal Reserve Board, they have strayed afield from the purpose of their appointment, they would plead their desire of full co-operation with the Government in the furthering of the banking interests of the country by doing everything in their power to assist the Federal Reserve Board in the determination of the problems with which they are now confronted.

While the Trust Companies have given a great deal of consideration involving the subject, frankly we are compelled to admit, for the reasons outlined in the beginning of my remarks, viz: the short time we have had between the date of our appointment and the date of this meeting, that we have been unable to arrive at any conclusion among ourselves by which we could make any suggestions to you looking toward such amendments as might be made to the Act which would encourage Trust Companies to enter the System.

Since, however, it is the intention of the Federal Reserve Board to promulgate certain rules and regulations, it may not be inappropriate to bring to your attention one or two thoughts which have occurred to us and which we would like to suggest to you for your consideration.

POWERS AND RESTRICTIONS.

Fourth. State banks and trust companies may continue to exercise those banking or trust company powers granted them by their state charters when such powers are not in conflict with the limitations imposed by the Federal Reserve Act or the regulations of the Board. No power however granted by a state charter which is not customarily exercised by a bank or trust company and which is not incident to the business of a bank or trust company shall be exercised by any association (incorporated under the laws of any State) which becomes a member of the Federal Reserve System. The Reserve Board reserves to itself the determination as to whether these unusual powers are admissible and consistent. The applying bank must file with its application, as an exhibit, its statement showing powers granted to it by its state charter and those powers which it desires and intends to exercise."

It occurs to us that it may be difficult to determine what are the powers usually exercised by trust companies. Their powers are enumerated in the several state statutes under which they are incorporated. There is considerable difference between the powers granted such companies by the different state laws. In addition to this some of the trust companies are operating under private charters and exercising not only the powers given under such charters, but also the powers given

under the general statutes.

Under these conditions an applying trust company will be confronted with the necessity of immediately determining what powers it would like to exercise in the future and possibly of being compelled to discard some of the powers granted by its charter because the Federal Reserve Board, which is a continuing power, might be of the opinion that some of these powers not customarily exercised were inconsistent with the Federal Reserve System and therefore inadmissible.

Our disposition being in every respect that of supporting the Federal Reserve Board and the recent banking legislation we had thought possibly, after an opportunity had been afforded to the trust companies of watching the operations of the Act as applied to National Banks, that later on any state chartered institution would be able to enter the System and, after a fair trial of the same, if it so desired, might retire therefrom. As the law now reads this cannot be done. The Federal Reserve Act opens the door for voluntary entry of state institutions, but does not permit voluntary exit except through liquidation.

Sec. 10. "The Federal Reserve Board will from time to time make such amendments and adopt and publish such additional regulations and by-laws as may be deemed necessary and advisable."

This regulation seems to us to contain elements of great danger to state chartered institutions entering the System and to impose hardships upon them which are not imposed upon national banks, for the duties, the privileges, and the limitations as applied to national banks in the Federal Reserve Act are defined and prescribed, while under this regulation a future Federal Reserve Board may prescribe regulations for the conduct and management of state chartered institutions which may be difficult to comply with, and the above mentioned class of institutions would have no remedy or power to escape their enforcement except again by liquidation.

In offering these comments, we trust that you will realize that, for the reasons I have already stated, they merely represent the personal views of the members of the legislation committee of the Trust Company Section.