

MINUTES OF THE
EXECUTIVE COMMITTEE OF THE
FEDERAL ADVISORY COUNCIL

FEBRUARY 14, 1916

The Executive Committee met at the call of the President in the Federal Reserve Board room at the Treasury Department in Washington, D.C., February 14, 1916, at 10:30 A M.

Present: Messrs. James B. Forgan, in the chair, I.L. Rue, D. G. Wing, W. S. Rowe and Merritt H. Grim, secretary, Mr. T J. Record, member of the Council from District No. 11 was also present.

Mr. Forgan stated that Mr. Morgan was in Europe and could not be present at the meeting.

Mr. Rowe suggested that the minutes of the previous meeting of the Federal Advisory Council should be corrected to record the names of members voting against certain recommendations of the Council. The Secretary was instructed to make the corrections as indicated.

On motion of Mr. Rowe, seconded by Mr. Wing, the committee voted to recommend to the Council that the first paragraph of Article VI should be changed to read as follows:

"Regular meetings of the Federal Advisory Council shall be held in the City of Washington on the third Tuesday of the months of February, May, September and November of each year. "

The Chairman laid before the Committee the Topics submitted by the Federal Reserve Board for the consideration of the Council in Mr. Delano's letter of January 4, 1916, (A copy of these topics is hereto appended and made a part of these minutes.)

The Committee prepared tentative statements on topics No. 1 and No. 2 for submission to the Federal Advisory Council and adjourned until 3 P M.

Secretary.

MINUTES OF THE
EXECUTIVE COMMITTEE OF
THE FEDERAL ADVISORY COUNCIL

FEBRUARY 14, 1916
Afternoon session.

The Executive Committee reconvened at 4 P M.

Present: Messrs. James B. Forgan, in the chair, L.L. Rue, D. G. Wing, W. S. Rowe, and Merritt H. Grim, secretary, also Mr. T. J. Record.

The Fifth Topic was taken up for consideration and a tentative statement on same was prepared for the Federal Advisory Council, after which the Committee adjourned until Tuesday, the 15th, at 9 A. M.

Secretary.

MINUTES OF THE
EXECUTIVE COMMITTEE OF
THE FEDERAL ADVISORY COUNCIL.

FEBRUARY 15, 1916.

The Executive Committee met as agreed at 9 A M. February 15, 1916. in the Board room.

Present: Messrs. James B. Forgan, L. L. Rue, D. G. Wing, W. S. Rowe and Merritt H. Grim, Secretary.

The Executive Committee took up the remaining topics.

A tentative statement on Topic No. 3 was prepared for the Council and in connection with Topic No. 4 it was decided that both Mr. Forgan and Mr. Wing should submit to the Council the statements prepared by them on this topic.

The Committee then adjourned.

Secretary.

MINUTES OF
THE FEDERAL ADVISORY COUNCIL

FEBRUARY 15, 1916

A statutory meeting of the Federal Advisory Council was held in the Federal Reserve Board room at the Treasury department in Washington, D. C., at 10 A M February 15, 1916.

The following accredited members were present:

Messrs.

D. G. Wing, Federal Reserve District No. 1
I. L. Rue, Federal Reserve District No. 3
W. S. Rowe, Federal Reserve District No. 4
J. W. Norwood, Federal Reserve District No. 5.
Charles A Lyerly, Federal Reserve District No. 6.
James B. Forgan, Federal Reserve District No. 7.
C. T. Jaffray, Federal Reserve District No. 9.
E. F. Swinney, Federal Reserve District No. 10.
T. J. Record, Federal Reserve District No. 11.
Herbert Fleishhacker, Federal Reserve District No. 12.
Merritt H. Grim, Secretary.

Absent:

Mr. J. P. Morgan, accredited member from Federal Reserve District No. 2; also a representative from Federal Reserve District No. 8, which had not elected its member for this year.

The President, Mr. James B. Forgan, called the meeting to order. He stated that the meeting had been postponed from its scheduled date, January 18th, because some of the Federal Reserve Banks had not elected their members of the Council at that time; that Mr. J. P. Morgan was in Europe and could not be present and that District No. 8, had not yet elected its member for this year.

Mr. Forgan also stated that the Executive Committee had instructed the secretary to make two corrections in the minutes of the last Council meeting, copies of which had been sent to members, so that the names of members voting against certain recommendations of the Council would be so recorded. On motion of Mr. Rue, seconded by Mr. Wing, the minutes of the previous meeting of the council, November 16, 1915, were approved, subject to the corrections as ordered.

The Chairman stated that the next business would be the election of officers of the Council and an executive committee for the ensuing year.

Mr. Lyerly nominated Mr. James B. Forgan as President and there being no other nomination on motion of Mr. Lyerly, seconded by Mr. Fleishhacker, the secretary was instructed to cast the unanimous ballot of the members present for Mr. James B. Forgan as President for the ensuing year, which the secretary did and Mr. Forgan was declared elected.

MINUTES OF
THE FEDERAL ADVISORY COUNCIL. FEBRUARY 15, 1916
Continued page 2.

Mr. Fleishhacker nominated Mr. L. L. Rue as Vice-President and there being no other nomination on motion of Mr. Fleishhacker, seconded by Mr. Rowe, the secretary was instructed to cast the unanimous ballot of the members present for Mr. Rue as Vice-President for the ensuing year, which the secretary did and Mr. Rue was declared elected.

Mr. Fleishhacker nominated for the three elective members of the Executive Committee, Messrs. D. G. Wing, J. P. Morgan and W. S. Rowe, and there being no other nominations on motion of Mr. Fleishhacker, seconded by Mr. Lyerly, the secretary was instructed to cast the unanimous ballot of the members present for these gentlemen as members of the Executive Committee for the ensuing year, which the secretary did and Messrs. Wing, Morgan and Rowe were declared elected.

The President then called for the report of the secretary for the past year ending December 31, 1915, which was read to the meeting and on motion of Mr. Fleishhacker it was approved and ordered placed on file. (A copy of the secretary's report is hereto attached and made a part of these minutes.)

Mr. Rue moved the reappointment of Mr. Merritt H. Grim as secretary of the Council for the ensuing year at the same salary, seconded by Mr. Fleishhacker and carried.

Mr. Lyerly moved that an assessment of \$150 be levied on each of the twelve Federal reserve banks as was done last year to pay the secretarial and incidental expenses for the year 1916, motion seconded by Mr. Fleishhacker and unanimously carried.

The President laid before the Council the recommendation of the Executive Committee that the first paragraph of Article VI of the By-Laws should be so amended as to make the first two statutory meetings of the year occur in February and May instead of in January and April, and on motion of Mr. Record the first paragraph of Article VI. of the By-Laws was amended to read as follows:

"Regular meetings of the Federal Advisory Council shall
"be held in the City of Washington on the third Tuesday of
"the months of February, May, September and November of
"each year. "

The President then laid before the Council the Topics submitted by the Federal Reserve Board in Mr. Delano's letter of January 4, 1915, along with the tentative statements on them prepared by the Executive Committee.

After careful consideration the Council prepared the following statements on the Topics to be submitted to the Federal Reserve Board by the President at the joint conference at 3 PM.

TOPIC FIRST.

The Federal Reserve Board's discount policy. In considering this subject we would like to have the Council address itself particularly to the phase of the subject as to how the discount policy can be handled to bring about a contraction of loans by the banks of the country. A great deal has been said on the subject of the Federal Reserve Board's duty in bringing about contraction of credit at this time, and so discourage inflation, but no concrete suggestion has been offered as to how this should or could be effected.

Ans. The large amount of lawful money released by the reduction in the legal reserve requirements of the national banks, which became effective with the inception of the Federal reserve system, followed by the accumulation of gold resulting from the balance of trade turning so largely in favor of this country has formed the basis, the cause and the incentive for the large expansion of loans that has taken place among the banks of the country.

By maintaining the rediscount rates of the Federal reserve banks higher than the current open market rates for commercial paper the Federal Reserve Board has done all in its power to prevent the facilities of the Federal reserve banks being used to help along this expansion, except through their open market transactions. It is difficult to see how the Federal Reserve Board can do anything practical to bring about a contraction of credit as long as the banks of the country continue to carry idle a large surplus of reserve money. When this surplus is absorbed a change may be expected and the Federal reserve banks will probably be called upon to rediscount more or less freely the lines of commercial paper which the member banks are now buying on the open market at low and unprofitable rates simply to keep their funds employed. The influence of the Federal Reserve Board can then be used to advantage. By maintaining the present rediscount rates or if necessary by raising them the Board will be able to prevent still further expansion and the member banks will be induced to raise their rates which will tend to check expansion and to reestablish normal money market conditions. Until such time comes and these conditions prevail we know of no practical way in which the Federal Reserve Board can bring about a contraction of loans by the banks of the country.

We submit herewith marked Exhibit "A" a statement showing in millions the increase in the principal items of the resources and liabilities of the national banks between December 31, 1914, and November 10, 1915, taken from their consolidated statements as prepared by the Comptroller of the Currency. This statement shows the total excess reserves of the national banks to have been \$891,000,000 on November 10, 1915.

TOPIC SECOND.

Section 11 of the Federal Reserve Act gives the Board power,

"To add to the number of cities classified as reserve and central reserve cities," etc.

Under this authority, the Federal Reserve Board could name the city in which each Federal Reserve Bank is located as a central reserve city. The immediate effect would be to increase the reserves of those cities from fifteen to eighteen percent, and at the same time cause a transfer of reserves in those cities to the Federal reserve banks, both of which objects are desirable, and more easily accomplished at a period of easy money and excess reserves. The Federal Reserve Board would be glad to have a recommendation from the Council on this subject.

Ans. In accordance with the requirements of the Federal Reserve Act reserve deposits of all member banks must ultimately be kept with the Federal reserve banks. Thereafter balances carried with national banks in reserve and central reserve cities will no longer count as legal reserve. When these conditions of the Act have been complied with the banks located in cities so designated can no longer perform the functions of legal reserve agents and the terms "reserve city" and "central reserve city" will lose their present significance.

The object of requiring reserve and central reserve city banks to carry larger legal reserves than banks located in other cities and towns has been for the better protection of the reserve deposits of the banks for which they have acted as legal reserve agents. When they cease to act in this capacity the chief reason for their carrying larger reserves than banks located in other cities will be eliminated.

We know of no good reason why banks located in the same cities with the Federal reserve banks should, in consequence of that fact, be placed on the increased basis required of central reserve cities in the matter of their legal reserves.

After all the reserve deposits of the member banks have been turned into the Federal reserve banks the terms "reserve city" and "central reserve city" as now applied will become misnomers. It may then become desirable to designate the twelve cities in which the Federal reserve banks are located as the reserve cities for the country, but there will be no reason why their member banks should carry larger reserves than are required of those in the cities now known as reserve cities. The probabilities are that many of the cities now acting as reserve cities when the member banks in them cease to act as legal reserve agents will seek to have their designation as such cancelled in order to avail themselves of the lower reserve requirements applicable to other cities, some of which will then be similarly situated to them.

TOPIC SECOND Continued

Before we received the analysis of the reserve city situation furnished by the Federal Reserve Board we had had prepared for us a list of the present reserve cities, of which there are 56 including the three central reserve cities. As our list in addition to giving the population of these cities also shows their banking power as measured by the capitalization of their banks both national and state and as reserve deposits of state banks carried by the national banks in these cities will have some bearing on the legal reserve which they should be required to carry we submit the list herewith as Exhibit "B." Accompanying this list there is also a list of cities of approximately equal population and banking capacity which are not now reserve cities and of which there are ninety. This list also shows their banking power as measured by the capitalization of their banks.

In our opinion when the banks in reserve cities lose their privilege of acting as legal reserve agents they should be placed on a parity as to their legal reserve requirements with the banks in other cities of equal banking capacity. These cities were designated reserve cities at the request and by the voluntary action of the national banks located in them and when their privilege of acting as reserve agents is withdrawn, it would seem that these banks should be entitled to resume their former status. If there is to be in the future any discrimination in regard to the legal reserves carried by the banks in different cities, it cannot continue to be based as it has been on the fact that banks in certain cities have been permitted to act as legal reserve agents for other banks. If such discrimination is necessary or desirable at all it might be based on a combination of their individual population and banking capacity as shown by the capitalization of their banks or it might be related to the aggregate amount of bank deposits carried by the banks in them.

In order to show the lack of uniformity in the legal reserve requirements of the state banks in the different states we have had prepared and submit herewith a synopsis of most of the state laws on the subject. Exhibit "C."

The fact that member banks in these so-called reserve cities have to compete with non-member banks not subject to Federal regulations in regard to their legal reserve requirements should not be overlooked.

TOPIC THIRD

Can the Federal Advisory Council offer any suggestion in the direction of facilitating the provisions of the Act in respect to carrying out clearing operations? The Federal Reserve Board has felt that the subject of clearing was intimately connected with the question of reserves and that it was probably best not to press the matter or insist on any mandatory rule until the reserves should have been paid in. It is evident, however, that before the year of 1916 is over the proportion of reserves withdrawn from other depositaries and paid into the reserve banks will be so considerable that the demands on the reserve banks to take care of the collection not only of checks but of many other items, will be insisted upon by member banks.

Ans. The collection or clearing intra-district and inter-district checks by the Federal reserve banks as contemplated by the Federal Reserve Act forms a complicated and difficult problem, especially so, as the language of the Act is not clear in regard to some of the details of the subject.

We understand the executive officers of the banks have had many conferences among themselves and some with the Federal Reserve Board in an effort to develop a system that will serve the purpose contemplated by the Act, that they have had a tentative intra-district plan on trial for some time and that they also have a universal system now under consideration.

The subject is one of vast detail in connection with which an offhand opinion given by this Council, the members of which are not in touch with its details, would be of little constructive value or assistance. We therefore hesitate to offer any suggestions and will confine ourselves to an expression of our opinion to the effect that until the Federal Reserve banks can undertake the collection of checks for non-member banks as well as for member banks, they are not in a position to develop a check collection system that will be economically effective in connection with the banking business of the country as a whole. In order to be economically effective a check collection system must, it seems to us, be practically universal. All banks handle outside checks promiscuously through their transit departments and an organization that can only handle a part of them, and that the smaller part, can afford but little assistance economically or otherwise in connection with the handling of them.

TOPIC FOURTH

At the last meeting of the Advisory Council, the Council recommended a reduction in the proportion of capital stock which should be paid in by member banks to the Federal reserve banks, basing its conclusions largely upon the argument that Federal reserve banks ought not to be compelled to compete with member banks in periods of inflation. It is obvious that the necessity of earning dividends upon the capital of Federal reserve banks held by member banks may be regarded from opposite points of view. On the one hand, it may be

Topic Fourth Continued -

said that if the Federal reserve bank is compelled to earn six per cent on a considerable capital, it will be compelled to invest not only all its capital, but a good share of its reserve deposits, in rediscounts or in investments bought in the open market, and so compete with its member banks at a time when it might be wiser to stay out of the market. On the other hand, it may be urged that the greater dividend the bank has to earn, the more willing it will be to have interest rates stiffly maintained. This latter reasoning is in the mind of those who suggest that the Federal reserve bank should have no capital, hence no dividend requirements so that they can offer money to their member banks at very low rates of interest, or actively compete with member banks in the open market. Without developing this argument in extenso, it may be seen that the effect of reducing capital stock might easily be to make competition with member banks more keen, rather than less keen. It appears fairly obvious to the Board that there is probably a golden mean between the extremes of public opinion on this question, and we should be very glad to have the opinion of the Advisory Council, based on calculations, of the proportion of capital and reserves which should be invested, in normal times, to earn expenses and dividend requirements, and the proportion which should be held uninvested, or in such liquid form as to be readily convertible into cash or credit.

Ans. Inasmuch as some of the membership in the Federal Advisory Council have changed since the last meeting the question of a reduction in the proportion of capital stock which should be paid in by member banks to the Federal reserve banks was taken up again for discussion.

We believe that no reduction in the present paid-in capital stock of the Federal reserve banks should be made at the present time for the following reasons:

We beg to say that inasmuch as the deposits in Federal reserve banks will be largely increased in May next, with a further increase next November, that the proportion of capital to deposits will steadily diminish, that if any considerable number of state banks join the system, as is to be hoped, the proportion will be still further reduced. One of the criticisms made when the bill was before Congress was that there would be 12 units and that no one would have sufficient capital to command respect and confidence abroad.

The disparity of capital between each Federal reserve bank and some of the larger member banks in each district is marked.

It is conceivable that under the provisions of the Act in regard to purchase of 2 1/2 % government bonds, the Federal reserve banks may, in the course of a few years, have not only all of their capital invested in these bonds, but part of the reserves of member banks as well.

If two-thirds of the paid-in capital be returned, a number of the banks would have more than the remaining capital in government bonds at the end of the first year.

The calling of unpaid subscriptions in times of emergency would undoubtedly be unsettling, not only to the banks, but would create alarm to the country at large. Foreign banks used to large capital in their government and incorporated banks would regard the small capital under which the banks would be operating as a distinct sign of weakness.

We do not regard the deferring of the payment of dividends as of sufficient importance to warrant such action at this time, particularly as the system is as yet in its infancy and has not been tested during a time of stress.

We cannot undertake to estimate the proportion of capital and reserve deposits which should be invested in normal times by the various Federal reserve banks to earn their expenses and dividend requirements. Such proportions would vary with the varying conditions prevailing in the different districts and these conditions are subject to constant change. It would therefore seem impractical to attempt to make any estimate of it.

(Messrs. C. T. Jaffray, E. F. Swinney and J. B. Forgan voted in the negative)

In connection with this topic two reports having been made by the Executive Committee Mr. Rue moved that it is the sense of this meeting that the capital of the Federal reserve banks should not at this time be reduced and that a committee be appointed consisting of Mr. Wing and Mr. Rowe to prepare a report on this subject in conformity with the views as expressed by a majority of the members present and to report at the afternoon meeting. Motion seconded by Mr. Lyerly and passed.

At an adjourned meeting in the afternoon Mr. Wing submitted a report on this topic and on motion duly seconded it was adopted. (Mr. Swinney, Mr. Jaffray and Mr. Forgan voting in the negative, as above indicated) Mr. Jaffray then moved that those who voted in the minority be permitted to make a separate report to the Federal reserve Board on this topic. Motion seconded by Mr. Swinney and carried. The minority report is as follows:

Topic Fourth:

At the last meeting of the Advisory Council the Council recommended a reduction in the proportion of capital stock which should be paid in by member banks to the Federal reserve banks, basing its conclusions largely upon the argument that Federal reserve banks ought not to be compelled to compete with member banks in periods of inflation. It is obvious that the necessity of earning dividends upon the capital of Federal reserve banks held by member banks may be regarded from opposite points of view. On the one hand, it may be said that if the Federal reserve Bank is compelled to earn six per cent on a considerable capital, it will be compelled to invest not only all its capital but a good share of its reserve deposits in rediscounts or in investments bought in the open market, and so compete with its member banks at a time when it might be wiser to stay out of the market. On the other hand, it may be urged that the greater dividend the bank has to earn, the more willing it will be to have interest rates stiffly maintained. This latter reasoning is in the mind of those who suggest that the Federal reserve bank should have no capital, hence no dividend requirements, so that they can offer money to their member banks at very low rates of interest, or actively compete with member banks in the open market. Without developing this argument in extenso, it may be seen that the effect of reducing capital stock might easily be to make competition with member banks more keen, rather than less keen. It appears fairly obvious to the Board that there is probably a golden mean between the extremes of public opinion on this question, and we should be very glad to have the opinion of the Advisory Council, based on calculations, of the proportion of capital and reserve which should be invested, in normal times, to earn expenses and dividend requirements, and the proportion which should be held uninvested or in such liquid form as to be readily convertible into cash or credit.

Ans. The capitalization of the Federal reserve banks is intimately related to the question of how much of their resources they should keep invested under normal conditions or during a period of abnormally easy money such as exists at the present. The Federal Reserve Act provides for a six per cent cumulative dividend on the capital employed and if this dividend obligation is to be met the larger the paid-in capital the larger must be the amount of investments carried and the greater will be the temptation to increase investments when money rates are low and profits correspondingly small.

Topic Fourth (Continued)

This dividend obligation and the temptation to meet it by adopting a policy of expansion in times of easy money when the banking and commercial interests of the country call for a policy just the reverse are the reasons for the recommendation we made at our last meeting for a reduction in the amount of the paid in capital of the Federal Reserve banks.

As a practical illustration we would call your attention to the present situation in connection with the Federal Reserve Bank of Chicago. We refer to the situation there because the Chicago bank stands midway between these banks which show substantial earnings in excess of their operating expenses during the past year and those which show expenses greater than earnings:-

| | |
|----------------------------|--------------|
| With a capital of | \$6,646,000. |
| Resources of | 65,226,000 |
| and Investments, averaging | 12,000,000 |

the Chicago bank is now earning \$500. a day above its operating expenses, or about 2-3/4 per cent per annum on its present paid-in capital.

Were its capital reduced to one-third of its present amount as recommended, its earnings would be a little over eight per cent and all temptation to further increase its investments during the present expansion and easy money market would be removed, while if its member banks continue to be liable for the full amount of their subscriptions and double liability and these subscriptions are made payable at the call of the Federal Reserve Board when and as they deem it necessary or desirable to increase the bank's paid-in capital, its inherent strength will not be impaired.

It could then make a statement in regard to its capital as follows:

| | |
|--|--------------------|
| Capital paid in | \$2,214,666. |
| Capital subscribed by member banks payable - on call of the Federal Reserve Board - | <u>11,073,334.</u> |
| Total capital subscribed by members | 13,288,000 |
| | |
| Double liability of member banks | <u>13,288,000</u> |
| Total capital responsibility- - - - - | 26,576,000 |

This it seems to us would show a sufficiently strong capitalization for all practical purposes. The bank would not only be able without further expansion to pay the six per cent dividend on its stock to its member banks but the government would be in a position to realize a substantial share of the profits whenever conditions arise calling for active rediscounting by the member banks.

We regard it as most undesirable that the banks should continue to roll up a liability to the member banks for unpaid dividends. Such a condition must inevitably reflect on their standing not only with the public and the banks of the country but with foreign banks. The impression will be created that the Federal reserve banks are a failure so far as their ability to earn dividends is concerned. We can therefore only repeat our former recommendation that the paid-in capital should be reduced to one-third of the amount that has already been called in, and that the unpaid capital to the full amount of the member banks' subscriptions for it should be left payable on the call of the Federal Reserve Board.

We cannot undertake to estimate the proportion of capital and reserve deposits which should be invested in normal times by the various Federal Reserve Banks to earn their expenses and dividend requirements. Such proportion would vary with the varying conditions prevailing in the different districts and these conditions are subject to constant change. It would therefore seem impractical to attempt to make any estimate of it. Were the paid-in capital reduced as we have recommended the banks would not have to compete unduly with member banks in normal or abnormally easy times for such purpose and the amount to be invested by each bank during such periods might safely be left to the discretion of the executive officers and directors under the guidance and supervision of the Federal Reserve Board.

Topic Fifth:

At the September meeting of the Council, it recommended to the Federal reserve Board that the Federal reserve banks should not establish joint agencies in foreign lands, but that this field should be kept open for member banks. Since that time the Federal Reserve Board has canvassed the subject through the Federal Reserve agent of each district with a view to ascertaining whether the larger banks in the various districts would be willing to join in the ownership of branches in foreign countries. The replies to these inquiries are not as encouraging as has been hoped they would be for it appears that while for a number of good reasons it seems unwise that the Federal Reserve Banks should undertake this business, there is a great deal of hesitation on the part of most member banks to undertake it themselves. A few banks appear to show a spirit of enterprise in the matter and the Board believes that under any circumstances the door

TOPIC FIFTH Continued

ought to be opened as wide as possible and that Congress should be urged to do all it can to offer to member banks, singly or combined, the opportunity of entering these foreign fields.

In this connection some questions have occurred to the Board in considering this matter upon which it will be glad to have the views of the Advisory Council.

These questions are:

(a) Should the proposed amendment provide that others than member banks be permitted to be stockholders in these banks which are to operate under Federal charters in foreign countries?

Ans. To this we would answer "Yes" Under proper restrictions."

If so, should there be a provision that a majority of the stock be held by member banks?

Ans. This we consider desirable but it might be impractical inasmuch as the stock would be marketable and the control might change at any time. We would however approve an amendment to Section 25 of the Federal Reserve Act which has been submitted to us and which reads as follows:

"Amend Section 25 so as to permit national banks with a capital of not less than \$1,000,000 to become stockholders in either domestic or foreign corporations chartered and licensed to do banking business in foreign countries, provided however that the total liability incurred by reason of said ownership of stock in foreign banks shall not exceed 10 % of the capital and surplus of said bank." (Vote unanimous.)

(b) Would it not be advisable to provide that there should not be a double liability with respect to the stock holders in such banks, but only a liability up to the authorized capital. (Mr. Record voted "No.")

Ans. We see no necessity for a double liability but only a liability up to the authorized capital. (Mr. Record voted "No.")

(c) What if any should be the reserve requirements of these foreign banks? If they are to receive deposits in foreign countries it would subject them to great hazard of fluctuation of exchange if against these foreign deposits they are required to keep reserves in the United States.

Ans. From the published statements of foreign banks doing business in South American countries we notice that they seem to carry much larger cash reserves than are legally required of banks under our Federal Reserve system and probably American banks organized to do business there would have to do likewise. We therefore think that no regulations need be made as to reserves against deposits received in foreign countries. For any deposits they may receive in the United States they should be subject to the reserve requirements applicable to member banks under the Federal Reserve Act. (Vote unanimous).

(d) Should these foreign banks be required to be members of the Federal reserve system?

Ans. We think it might be well to require that these banks should be members of the Federal reserve system in order that they may be brought under the supervision of the Federal Reserve Board and thus become a part of the banking system of the country. It would also be advantageous to them to have the privilege of rediscounting and otherwise.

TOPIC FIFTH C continued.

doing business directly with the Federal reserve banks, but it might be necessary to place special restrictions on their rediscounts. (Vote unanimous)

(e) Should these foreign banks be permitted to invest a definite percentage of their capital and surplus in holdings of foreign banks operating under local charters?

Ans. Yes. (Mr. Forgan, Mr. Fleishhacker, Mr. Swinney and Mr. Record voted "No.")

(f) What restrictions should be placed upon these foreign banks for their operations in the United States? For instance - they might be permitted to accept deposits only where these deposits are incidental to transactions in foreign countries. On the other hand, it would appear that they should be permitted to receive deposits on demand or on time from other banks, particularly from those for which they will act as correspondents or agents in foreign countries.

Ans. We would recommend that in the matter of receiving deposits in the United States such banks should be restricted to such deposits as are incidental to transactions in foreign countries. (Vote unanimous)

(g) Should these foreign banks be permitted to accept and should their "bankers' acceptances" be eligible for rediscount with the Federal reserve banks?

Ans. If their acceptances are restricted to such as "grew out of transactions involving the importation or exportation of goods" and otherwise conform to the requirements of the Federal Reserve Act we see no reason why they should not be permitted to make them or why they should not be eligible for rediscount with or purchase by the Federal reserve banks. (Vote unanimous)

The question of the Comptroller's ruling in regard to banks issuing commercial letters of credit was informally discussed, it being decided to confer informally with the Federal Reserve Board at the joint conference in regard to this matter.

The attention of the Federal Advisory Council was then directed to the proposed amendment to H.R. 15657, entitled an Act to supplement existing laws against unlawful restraints and monopolies and for other purposes, approved October 14, 1914. The amendment in the form of a provision to be added to the second paragraph of Section 8 of said Act reads as follows:

"And provided further that nothing in this Act shall prohibit any officer, director, or employe of any member bank, or a Class A director of a Federal reserve bank, from being an officer, director or employe of one or more other banks, banking associations or trust companies, whether organized under the laws of the United States, or any State, if such other bank, banking association, or trust company is not in substantial competition with such member bank. Nothing contained in this amendment shall impair the powers delegated to the Federal Reserve Board in Section 11 of this Act, to prosecute violations of the same."

MINUTES
FEDERAL ADVISORY COUNCIL

Feb. 15, 1916,
Concluded.

On motion it was unanimously resolved that this Council approves of said proposed amendment and advises the Federal Reserve Board to recommend and support the enactment into law of the said amendment at the present session of Congress.
(Motion by Mr. Fleishhacker, seconded by Mr. Rue.)

The Council then adjourned until 3 P M. at which time a joint conference with the Federal Reserve Board had been arranged for.

Secretary.

MINUTES
OF THE JOINT CONFERENCE
OF THE
FEDERAL RESERVE BOARD
AND
THE FEDERAL ADVISORY COUNCIL. FEBRUARY 16, 1916

As arranged a joint meeting with the Federal Reserve Board was held in the Federal Reserve Board room in the Treasury department at 3 P M.

Present: Hon. W. G. McAdoo, Secretary of the Treasury, Governor C. S. Hamlin, Vice-Governor F. A. Delano, Messrs. W. P. G. Harding, P. M. Warburg, A. C. Miller, Secretary H. Parker Willis and Assistant Secretary Sherman P. Allen of the Federal Reserve Board, and

Messrs. James B. Forgan, President, L.L. Rue, Vice-President, D. G. Wing, W. S. Rowe, J. W. Norwood, Charles A. Lyerly, C. T. Jaffray, E. F. Swinney, T. J. Record, Herbert Fleishhacker and Merritt H. Grim, Secretary, of the Federal Advisory Council.

Hon. W. G. McAdoo called the meeting to order and after a few appropriate remarks withdrew calling Governor Hamlin to the chair.

Governor Hamlin then asked Mr. Forgan as President of the Federal Advisory Council to read his report on the Topics submitted to the Council by the Federal Reserve Board.

Mr. Forgan then read the report of the Federal Advisory Council after which the members present joined in a general discussion of the topics and other matters pertaining to the Federal reserve system, including the ruling of the Comptroller of the Currency in regard to banks issuing commercial letters of credit. This matter was informally left to the Federal Reserve Board for adjustment.

The joint conference then adjourned.

Secretary.
Federal Advisory Council.

Memorandum of Topics
Suggested for Consideration by the
Federal Advisory Council.

on
January 18th, 1916

First:

The Federal Reserve Board's discount policy. In considering this subject we would like to have the Council address itself particularly to the phase of the subject as to how the discount policy can be handled to bring about a (contraction of loans) by the banks of the country. A great deal has been said on the subject of the Federal Reserve Board's duty in bringing about contraction of credit at this time, and so discourage inflation, but no concrete suggestion has been offered as to how this should or could be effected.

Second:

Section 11 of the Federal Reserve Act gives the Board power,

"To add to the number of cities classified as reserve and central reserve cities", etc.

Under this authority, the Federal Reserve Board could name the city in which each Federal Reserve Bank is located as a central reserve city. The immediate effect would be increase the reserves of those cities from fifteen to eighteen per cent, and at the same time cause a transfer of reserves in those cities to the Federal Reserve Banks, both of which objects are desirable, and more easily accomplished at a period of easy money and excess reserves. The Federal Reserve Board would be very glad to have a recommendation from the Council

16
(65) 240

on this subject.

Third:

Can the Federal Advisory Council offer any suggestion in the direction of facilitating the provisions of the Act in respect to carrying out clearing operations? The Federal Reserve Board has felt that the subject of clearing was intimately connected with the question of reserves and that it was probably best not to press the matter or insist on any mandatory rule until the reserves should have been paid in. It is evident, however, that before the year of 1916 is over the proportion of reserves withdrawn from other depositaries and paid into the Reserve Banks will be so considerable that the demands on the Reserve Banks to take care of the collection, not only of checks, but of many other items, will be insisted upon by member banks.

Fourth:

At the last meeting of the Advisory Council, the Council recommended a reduction in the proportion of capital stock which should be paid in by member banks to the Federal Reserve Banks, basing its conclusions largely upon the argument that Federal Reserve Banks ought not to be compelled to compete with member banks in periods of inflation. It is obvious that the necessity of earning dividends upon the capital of Federal Reserve Banks held by member banks may be regarded from opposite points of view. On the one hand, it may be said that if the Federal Reserve Bank is compelled to earn six per

cent on a considerable capital, it will be compelled to invest not only all its capital, but a good share of its reserve deposits, in rediscounts or in investments bought in the open market, and so compete with its member banks at a time when it might be wiser to stay out of the market. On the other hand, it may be urged that the greater dividend the bank has to earn, the more willing it will be to have interest rates stiffly maintained. This latter reasoning is in the mind of those who suggest that the Federal Reserve Bank should have no capital, hence no dividend requirements, so that they can offer money to their member banks at very low rates of interest, or actively compete with member banks in the open market. Without developing this argument in extenso, it may be seen that the effect of reducing capital stock might easily be to make competition with member banks more keen, rather than less keen. It appears fairly obvious to the Board that there is probably a golden mean between the extremes of public opinion on this question, and we should be very glad to have the opinion of the Advisory Council, based on calculations, of the proportion of capital and reserves which should be invested, in normal times, to earn expenses and dividend requirements, and the proportion which should be held uninvested, or in such liquid form as to be readily convertible into cash or credit.

Fifth:

At the September meeting of the Council, it recommended to the Federal Reserve Board that Federal Reserve Banks should not

establish joint agencies in foreign lands, but that this field should be kept open for member banks. Since that time the Federal Reserve Board has canvassed the subject through the Federal Reserve Agent of each District with a view to ascertaining whether the larger banks in the various Districts would be willing to join in the ownership of branches in foreign countries. The replies to these inquiries are not as encouraging as has been hoped they would be for it appears that while for a number of good reasons it seems unwise that the Federal Reserve Banks should undertake this business, there is a great deal of hesitation on the part of most member banks to undertake it themselves.

A few banks appear to show a spirit of enterprise in the matter and the Board believes that under any circumstances the door ought to be opened as wide as possible and that Congress should be urged to do all it can to offer to member banks, singly or combined, the opportunity of entering these foreign fields.

In this connection some questions have occurred to the Board in considering this matter upon which it will be glad to have the views of the Advisory Council. These questions are:

(a) Should the proposed amendment provide that others than member banks be permitted to be stockholders in these banks which are to operate under Federal charters in foreign countries? If so, should there be a provision that a majority of the stock be held by member banks? *While this might be*

yes.

(b) Would it not be advisable to provide that there should not be a double liability with respect to the stock holdings in such banks, but only a liability up to the authorized capital?

(c) What, if any, should be the reserve requirements of these foreign banks? If they are to receive deposits in foreign countries it would subject them to great hazard of fluctuation of exchange if against these foreign deposits they are required to keep reserves in the United States.

(d) Should these foreign banks be required to be members of the Federal Reserve System?

(e) Should these foreign banks be permitted to invest a definite percentage of their capital and surplus in holdings of foreign banks operating under local charters?

(f) What restrictions should be placed upon these foreign banks for their operations in the United States? For instance - they might be permitted to accept deposits only where these deposits are incidental to transactions in foreign countries. On the other hand, it would appear that they should be permitted to receive deposits on demand or on time from other banks, particularly from those for which they will act as correspondents or agents in foreign countries.

(g) Should these foreign banks be permitted to accept and should their "bankers' acceptances" be eligible for rediscount with the Federal Reserve Banks?

The Federal Reserve Board would be glad to have the Advisory Council consider the whole subject and make any suggestions as to these and any other questions involved.

1/4/16.

Washington, D. C., January 24, 1916.

ANALYSIS OF THE RESERVE CITY SITUATION.

First:

Under Clause (e) of Section 11, of the Federal Reserve Act, the Federal Reserve Board is authorized and empowered:

"To add to the number of cities classified as reserve and central reserve cities under existing law in which national banking associations are subject to the reserve requirements set forth in Section twenty (should be 19) of this Act; or to reclassify existing reserve and central reserve cities or to terminate their designation as such."

Second:

The Reserve requirements at the end of thirty-six months after the Banks were organized - i. e. until November 2, 1918, - will be as follows:

At the end of 36 months from the starting of the banks, (i.e. November 2, 1918) the member banks will have the option of keeping the following percentages of their demand deposits in the manner indicated, depending upon their location:

| | (a) | (b) | (c) | (d) | (e) |
|--------------------------|--------------------------------|--|---|----------------------|----------------|
| Member Bank Located In | Required Minimum In own Vaults | Required Minimum Federal Reserve Bank Vaults | Reserve Which at Option of Member Bank may be Kept in Federal Reserve Bank or in Own Vaults | Total of (b) and (c) | Total Reserves |
| Central Reserve Cities) | 6% | 7% | 5% | 12% | 18% |
| Reserve Cities) | 5% | 6% | 4% | 10% | 15% |
| Country Cities & Towns) | 4% | 5% | 3% | 8% | 12% |

Third:

Under Section 19, of the Federal Reserve Act, which is the Section making provision for the payment of reserves into the Federal Reserve Banks, the Banks in cities already known as central reserve cities or hereafter so defined, are required to pay in their reserve deposits at once, whereas, banks in reserve cities and non-reserve cities are given three years in which to transfer their reserves.

Fourth:

There are in the United States at the present time three central reserve cities and fifty ^{two} ~~one~~ reserve cities. Grouping these cities according to the twelve Federal Reserve Districts, the list appears as follows:

List of Central Reserve and Reserve Cities, Grouped by Districts and According to Population.

| <u>DISTRICT No. 1:</u> | | <u>DISTRICT No. 9:</u> | |
|---|--|---|---|
| | Population | | Population. |
| (*) Boston | 670,585 | (*) Minneapolis St. Paul | 301,408 214,744 |
| <u>DISTRICT No. 2:</u> | | <u>DISTRICT No. 10.</u> | |
| (*) New York City Albany | 4,766,883 100,253 | (*) Kansas City, Mo. Kansas City, Kans. Denver Omaha S. Omaha, Nebr. St. Joseph, Mo. Oklahoma City Wichita, Kans. Pueblo, Colo. Lincoln, Nebr. Topeka, Kans. Muskogee, Okla. | 248,381 82,331 213,381 124,096 26,259 77,403 64,205 52,450 44,395 43,973 43,684 25,278 |
| <u>DISTRICT No. 3:</u> | | | |
| (*) Philadelphia | 1,549,008 | | |
| <u>DISTRICT No. 4:</u> | | | |
| (*) Cleveland Pittsburgh Cincinnati Columbus | 560,663 533,905 364,463 181,548 | | |

DISTRICT No. 5:

| | |
|------------------|---------|
| Baltimore | 558,485 |
| Washington | 331,069 |
| (*) Richmond | 127,628 |
| Charleston, S.C. | 58,883 |

DISTRICT No. 11 :

| | |
|-------------|--------|
| San Antonio | 96,614 |
| (*) Dallas | 92,104 |
| Houston | 78,800 |
| Ft. Worth | 73,312 |
| Galveston | 36,981 |
| Waco | 26,425 |

DISTRICT No. 6:

| | |
|-------------|---------|
| New Orleans | 339,075 |
| (*)Atlanta | 154,389 |
| Birmingham | 132,685 |
| Nashville | 110,364 |
| Savannah | 65,064 |
| Chattanooga | 44,604 |

DISTRICT No. 12 :

| | |
|--------------------|---------|
| (*) San Francisco | 416,912 |
| Los Angeles | 319,198 |
| Seattle | 237,194 |
| Portland | 207,214 |
| Spokane | 104,402 |
| Salt Lake City | 92,777 |
| Tacoma | 82,972 |

DISTRICT No. 7:

| | |
|-----------------|-----------|
| (*) Chicago | 2,185,283 |
| Detroit | 465,766 |
| Milwaukee | 373,857 |
| Indianapolis | 233,650 |
| Des Moines | 86,368 |
| Sioux City, Ia. | 47,828 |
| Dubuque | 38,494 |
| Cedar Rapids | 32,811 |

DISTRICT No. 8:

| | |
|----------------|---------|
| (*) St. Louis | 687,029 |
| Louisville | 223,928 |

Federal Reserve Cities marked with (*)

Fifth:

In order to study the reserve situation from the standpoint given under the law, a list of cities having a population of 100,000 or more, in each District, is herein shown, also, a list of cities having 50,000, but less than 100,000. It will be noticed that there are fifty cities in the United States having a population of more than 100,000, and fifty-four cities having more than 50,000, but less than 100,000. For the convenience of the student of this question these cities are grouped by Federal Reserve Districts. (See Exhibit A)

LIST OF CITIES IN UNITED STATES
HAVING A POPULATION OF OVER
ONE HUNDRED THOUSAND

Classified as to Federal Reserve Districts

DISTRICT NO. 1:

| | |
|-------------------|---------|
| (*) Boston, Mass. | 670,585 |
| Providence, R.I. | 224,326 |
| Worcester, Mass. | 145,986 |
| New Haven, Conn. | 133,605 |
| Fall River, Mass. | 119,295 |
| Lowell, Mass. | 106,294 |
| Cambridge, Mass. | 104,839 |
| Bridgeport, Conn. | 102,054 |

DISTRICT NO. 2:

| | |
|-------------------|-----------|
| (*) New York City | 4,766,883 |
| Buffalo, N.Y. | 423,715 |
| Newark, N.J. | 347,469 |
| Jersey City, N.J. | 267,779 |
| Rochester, N.Y. | 218,149 |
| Syracuse, N.Y. | 137,249 |
| Paterson, N.J. | 125,600 |
| Albany, N.Y. | 100,253 |

DISTRICT NO. 3:

| | |
|-----------------------|-----------|
| (*) Philadelphia, Pa. | 1,549,008 |
| Scranton, Pa. | 129,687 |

DISTRICT NO. 4:

| | |
|---------------------|---------|
| (*) Cleveland, Ohio | 560,663 |
| Pittsburgh, Pa. | 533,705 |
| Cincinnati, Ohio | 364,463 |
| Columbus, Ohio | 181,548 |
| Toledo, Ohio | 168,497 |
| Dayton, Ohio | 116,577 |

DISTRICT NO. 5:

| | |
|-------------------|---------|
| Baltimore, Md. | 558,485 |
| Washington, D.C. | 331,069 |
| (*) Richmond, Va. | 127,628 |

DISTRICT NO. 6:

| | |
|------------------|---------|
| New Orleans, La. | 339,075 |
| (*) Atlanta, Ga. | 154,879 |
| Birmingham, Ala. | 132,685 |
| Nashville, Tenn. | 110,364 |

DISTRICT NO. 7:

| | |
|---------------------|-----------|
| (*) Chicago, Ill. | 2,185,283 |
| Detroit, Mich. | 465,776 |
| Milwaukee, Wis. | 373,857 |
| Indianapolis, Ind. | 233,650 |
| Grand Rapids, Mich. | 112,571 |

DISTRICT NO. 8:

| | |
|--------------------|---------|
| (*) St. Louis, Mo. | 687,029 |
| Louisville, Ky. | 223,928 |
| Memphis, Tenn. | 131,105 |

DISTRICT NO. 9:

| | |
|------------------------|---------|
| (*) Minneapolis, Minn. | 301,408 |
| St. Paul, Minn. | 214,744 |

DISTRICT NO. 10:

| | |
|----------------------|---------|
| (*) Kansas City, Mo. | 248,381 |
| Denver, Colo. | 213,381 |
| Omaha, Nebr. | 124,096 |

DISTRICT NO. 11:DISTRICT NO. 12:

| | |
|-------------------------|---------|
| (*) San Francisco, Cal. | 416,912 |
| Los Angeles, Cal. | 319,198 |
| Seattle, Wash. | 237,194 |
| Portland, Ore. | 207,214 |
| Oakland, Cal. | 150,174 |
| Spokane, Wash. | 104,402 |

This list totals 50 Cities.

Note: Federal Reserve Cities
are marked with (*).

LIST OF CITIES IN UNITED STATES
HAVING A POPULATION OF OVER
FIFTY THOUSAND
BUT LESS THAN ONE HUNDRED THOUSAND

Classified as to Federal Reserve Districts.

DISTRICT NO. 1:

| | |
|--------------------|--------|
| Hartford, Conn. | 98,915 |
| New Bedford, Mass. | 96,652 |
| Lynn, Mass. | 89,336 |
| Springfield, Mass. | 88,926 |
| Lawrence, Mass. | 85,892 |
| Manchester, N.H. | 70,063 |
| Portland, Me. | 58,571 |
| Holyoke, Mass. | 57,730 |
| Brockton, Mass. | 56,878 |
| Pawtucket, R.I. | 51,622 |

DISTRICT NO. 2:

| | |
|-----------------|--------|
| Yonkers, N.Y. | 79,803 |
| Troy, N.Y. | 76,813 |
| Utica, N.Y. | 74,419 |
| Elizabeth, N.J. | 73,409 |
| Hoboken, N.J. | 70,324 |
| Bayonne, N.J. | 55,545 |
| Passiac, N.J. | 54,773 |

DISTRICT NO. 3:

| | |
|-------------------|--------|
| Trenton, N.J. | 96,815 |
| Reading, Pa. | 96,071 |
| Camden, N.J. | 94,538 |
| Wilkes Barre, Pa. | 67,105 |
| Harrisburg, Pa. | 64,186 |
| Johnstown, Pa. | 55,484 |
| Altcon, Pa. | 52,127 |
| Allentown, Pa. | 51,913 |

DISTRICT NO. 4:

| | |
|----------------|--------|
| Youngstown, O. | 79,066 |
| Akron, O. | 69,067 |
| Erie, Pa. | 66,525 |
| Covington, Ky. | 53,270 |
| Canton, O. | 50,217 |

DISTRICT NO. 5:

| | |
|------------------|--------|
| Norfolk, Va. | 67,452 |
| Charleston, S.C. | 58,833 |

DISTRICT NO. 6:

| | |
|--------------------|--------|
| Savannah, Ga. | 65,064 |
| Jacksonville, Fla. | 57,699 |
| Mobile, Ala. | 51,521 |

DISTRICT NO. 7:

| | |
|-------------------|--------|
| Des Moines, Ia. | 86,368 |
| Peoria, Ill. | 66,950 |
| Ft. Wayne, Ind. | 63,933 |
| Terre Haute, Ind. | 58,157 |
| South Bend, Ind. | 53,684 |
| Springfield, Ill. | 51,677 |
| Saginaw, Mich. | 50,510 |

DISTRICT NO. 8:

| | |
|------------------|--------|
| Evansville, Ind. | 69,647 |
|------------------|--------|

DISTRICT NO. 9:

| | |
|---------------|--------|
| Duluth, Minn. | 78,466 |
|---------------|--------|

DISTRICT NO. 10:

| | |
|----------------------|--------|
| Kansas City, Kas. | 82,331 |
| St. Joseph, Mo. | 77,403 |
| Oklahoma City, Okla. | 64,205 |
| Wichita, Kas. | 52,450 |

DISTRICT NO. 11:

| | |
|-------------------|--------|
| San Antonio, Tex. | 96,614 |
| (*) Dallas, Tex. | 92,104 |
| Houston, Tex. | 78,810 |
| Ft. Worth, Tex. | 73,312 |

DISTRICT NO. 12:

| | |
|----------------------|--------|
| Salt Lake City, Utah | 92,777 |
| Tacoma, Wash. | 83,743 |

This list totals 54 Cities

Note: Federal Reserve City marked (*)

The question naturally arises, whether this problem of greater reserves in certain banks than in others should be approached,

(a) From the standpoint of the population of the city, on the theory that the banks in cities of considerable population are more vulnerable, e. g. liable to a run, than banks in country districts;

(b) Based on the theory of the size of the bank, banks with large deposits being more vulnerable than banks of smaller deposits; or

(c) Based on the theory that different reserves should be kept against different classes of deposits. For instance, one basis of reserves against individual deposits, and a higher percentage against bank deposits.

If we proceed on the population theory, we can go ahead under the Act as it is; or we can even combine the population theory with that of geographical location, with that of distance and relations of the Federal Reserve Bank as a convenient agency. If, however, we proceed under proposals (b) or (c), we must ask for an amendment to the Federal Reserve Act. It may be said with a good deal of justice that it is unfair to apply a different rule of reserves to a small bank in the suburbs of a large city, which is, to all intents and purposes, a country bank, than applies to a country bank a few miles further away. However, this is an injustice which might be remedied by giving the large city banks the right to operate branches in the same city.

If some intelligent solution of this problem is not found, complaint will certainly be made by banks in central reserve cities that they are required to maintain reserves on a basis of say 18% while given no privileges under the Act (after the three year

period) which do not apply to banks in smaller cities. The result is certain to be that pressure will undoubtedly come to reduce reserve requirements down to the fifteen per cent or even to the twelve per cent level. Already banks in non-reserve cities are asking to have their reserves reduced to nine per cent.

Seventh:

In order to show the effect on Federal Reserve Banks of giving Federal Reserve Cities the designation of Central Reserve Cities as proved in Section 11 of the Act, a table has been prepared showing the ratio to capital and available reserve deposits. This table shows that in New York this ratio is 19 per cent whereas in the three Southern Districts, excluding special Government deposits of \$5,000,000 each, it varies from 31.9 to 34.4 per cent. In order to show what the effect would be of requiring banks in these Federal Reserve Cities to carry 18 per cent reserves instead of 15 per cent reserves, all of which should be paid in at once, another table has been prepared to show the results of this designation. (See Exhibit B *YC*)

In the case of the Minneapolis District, on account of the close proximity and great competition existing between St. Paul and Minneapolis banks, both of these cities have been treated as Central Reserve Cities.

13

STATEMENT OF
CAPITAL and RESERVE DEPOSITS
-also-
PERCENTAGE OF CAPITAL TO THE COMBINED AMOUNTS OF
CAPITAL AND 65% OF RESERVE DEPOSITS
(Figures as of December 1, 1915)
(In thousands of dollars)

| Federal Reserve Bank of | Paid-in Capital | Reserve Deposits | 65 Percent Reserve Deposits | Paid-in capital plus 65% of Reserve Deposits | Percentage of capital to sum of Capital and 65% of Reserve Deposits. |
|-------------------------|-----------------|----------------------------|-----------------------------|--|--|
| BOSTON | 5,171 | 27,252 | 17,714 | 22,885 | 22.2 |
| NEW YORK | 11,061 | 171,144 | 111,244 | 122,305 | 9.0 |
| PHILADELPHIA | 5,270 | 23,728 | 15,423 | 20,693 | 25.5 |
| CLEVELAND | 5,931 | 24,436 | 15,883 | 21,814 | 27.2 |
| RICHMOND | 3,354 | (a) 15,149 (b) 10,149 | 9,847 6,597 | 13,201 9,951 | 25.4 33.7 |
| ATLANTA | 2,421 | (a) 12,100 (b) 7,100 | 7,865 4,615 | 10,286 7,036 | 23.5 34.4 |
| CHICAGO | 6,641 | 52,545 | 34,154 | 40,795 | 16.3 |
| ST. LOUIS | 2,780 | 12,502 | 8,126 | 10,906 | 25.5 |
| MINNEAPOLIS | 2,497 | 13,557 | 8,812 | 11,309 | 22.1 |
| KANSAS CITY | 3,030 | 13,692 | 8,900 | 11,930 | 25.4 |
| DALLAS | 2,756 | (a) 14,053 (b) 9,053 | 9,135 5,885 | 11,891 8,641 | 23.2 31.9 |
| SAN FRANCISCO | 34,942 | 17,331 | 11,265 | 15,207 | 25.9 |
| TOTAL | 54,854 | (a) 397,489 (b) 302,439 | 258,368 248,618 | 313,222 303,472 | 17.5 18.1 |

Notes: (a) Inclusive of \$5,000,000 of Government Funds.
(b) Exclusive of \$5,000,000 of Government Funds.

Division, Reports & Statistics,

1/25/16.

FEDERAL RESERVE DEPOSITS OF NATIONAL BANKS LOCATED IN THE NINE FEDERAL RESERVE CITIES NAMED, AND ST. PAUL;
ALSO ADDITIONAL RESERVE DEPOSITS REQUIRED IN CASE THESE CITIES ARE MADE CENTRAL RESERVE CITIES.

(Figures in thousands of dollars taken from Comptroller's report for November 10, 1915)

| | Net Amount on which reserve is computed. | Due from Federal Reserve Bank. Nov. 10, 1915(a) | | Reserve required after Nov. 16, 1915 | | Reserve required if the cities named were made Central Reserve Cities | | Excess over amount held on Nov. 10, 1915(a) | | Excess over amount required after Nov. 16, 1915. | |
|---|---|---|---------------|--|---------------|---|---------------|---|---------------|--|---------------|
| | | Per ct. | Amount | Per ct. | Amount | Per ct. | Amount | Per ct. | Amount | Per ct. | Amount |
| | | BOSTON | 313,195 | 2.95 | 99,253 | 4 | 12,528 | 7 | 21,924 | 4.05 | 12,671 |
| PHILADELPHIA | 363,144 | 3.50 | 12,713 | 4 | 14,526 | 7 | 25,420 | 3.50 | 12,707 | 3 | 10,894 |
| CLEVELAND | 88,778 | 3.16 | 2,801 | 4 | 3,551 | 7 | 6,214 | 3.84 | 3,413 | 3 | 2,663 |
| RICHMOND | 31,848 | 3.23 | 1,027 | 4 | 1,274 | 7 | 2,229 | 3.77 | 1,201 | 3 | 955 |
| ATLANTA | 23,659 | 4.58 | 1,084 | 4 | 946 | 7 | 1,656 | 2.42 | 572 | 3 | 710 |
| ST. PAUL | 68,749 | 2.52 | 1,733 | 4 | 2,750 | 7 | 4,812 | 4.48 | 3,079 | 3 | 2,062 |
| MINNEAPOLIS | 82,175 | 2.66 | 2,188 | 4 | 3,287 | 7 | 5,752 | 4.34 | 3,564 | 3 | 2,465 |
| KANSAS CITY | 84,377 | 3.55 | 2,994 | 4 | 3,375 | 7 | 5,906 | 3.45 | 2,912 | 3 | 2,531 |
| DALLAS | 24,152 | 3.34 | 806 | 4 | 966 | 7 | 1,691 | 3.66 | 885 | 3 | 725 |
| SAN FRANCISCO | 142,084 | 2.69 | 3,827 | 4 | 5,683 | 7 | 9,946 | 4.31 | 6,119 | 3 | 4,263 |
| TOTAL For nine F. R. Cities and St. Paul. | 1,222,161 | 3.14 | 38,426 | 4 | 48,886 | 7 | 85,550 | 3.86 | 47,124 | 3 | 36,664 |

(a) As shown by Comptroller's report.

Report of Secretary Federal Advisory Council
for year 1915

January 30, 1915

Received from 12 Federal Reserve Banks \$150 each,

\$1,800.00

Disbursements:

Expenses attending four meetings of the Federal Advisory Council in Washington, three meetings of the Executive Committee in Washington and one meeting of the Executive Committee in New York as follows

| Date | R R Fare berths | Hotel meals | Miscels. | Total |
|-----------|--------------------|----------------|-------------|--------------|
| 1915 | | | | |
| Jan.18-20 | \$57. | \$26.10 | \$7.50 | \$90.60 |
| Apr.19-20 | 51. | 26.70 | 8.80 | 86.50 |
| Sep.20-21 | 68.25 | 28.35 | 8.22 | 104.82 |
| Nov.15-16 | <u>51.</u> | <u>22.55</u> | <u>6.21</u> | <u>79.76</u> |
| Total | \$227.25 | \$103.70 | \$30.73 | \$361.68 |

Total traveling expenses

\$361.68

Stenographers

20.

Stationery, leather case, postage, etc.

48.38

Salary 12 months

\$1,200.

Balance in bank, First National, Chicago,
December 31, 1915

169.94

\$1,800.00

First:

The Federal Reserve Board's discount policy In considering this subject we would like to have the Council address itself particularly to the phase of the subject as to how the discount policy can be handled to bring about a contraction of loans by the banks of the country. A great deal has been said on the subject of the Federal Reserve Board's duty in bringing about contraction of credit at this time, and to discourage inflation, but no concrete suggestion has been offered as to how this should or could be effected.

The large amount of lawful money released by the reduction in the legal reserve requirements of the national banks, which became effective with the inception of the Federal reserve system, following ^{ed} by the accumulation of gold resulting from the balance of trade turning so largely in favor of this country has formed the basis, the cause and the incentive for the large expansion of loans that has taken place among the banks of the country.

By maintaining the rediscount rates of the Federal reserve banks higher than the current open market rates for commercial paper the Federal Reserve Board has done all in its power to prevent the facilities of the Federal reserve banks being used to help along this expansion, except through their open market transactions. It is difficult to see how the Federal Reserve Board can do anything practical to bring about a contraction of credit as long as the banks of the country continue to carry idle a large surplus of reserve money. When this surplus is absorbed a change may be expected and the Federal reserve banks will probably be called upon to rediscount more or less freely the lines of commercial paper which the member banks are now buying on the open market at low and unprofitable rates simply to keep their funds employed. The influence of the Federal Reserve Board can then be used to advantage. By maintaining the present rediscount rates or if necessary by raising them the Board will be able to prevent still further expansion and the member banks will be induced to raise their rates which will tend to check expansion and to reestablish normal money market conditions. Until such time comes and these conditions prevail we know of no practical way in which the Federal Reserve Board can bring about a contraction of loans by the banks of the country.

We submit herewith marked Exhibit "A" a statement showing in millions the increase in the principal items of the resources and liabilities of the national banks between December 31, 1914, and November 10, 1915, taken from their consolidated statements as prepared by the Comptroller of the Currency. This statement shows the total excess reserves of the national banks to have been \$891,000,000 on November 10, 1915 :

50

1250

~~350~~
36

Second:

Section 11 of the Federal Reserve Act gives the Board power,

"To add to the number of cities classified as reserve and central reserve cities," etc.

Under this authority, the Federal Reserve Board could name the city in which each Federal Reserve Bank is located as a central reserve city. The immediate effect would be to increase the reserves of those cities from fifteen to eighteen per cent, and at the same time cause a transfer of reserves in those cities to the Federal reserve banks, both of which objects are desirable, and more easily accomplished at a period of easy money and excess reserves. The Federal Reserve Board would be glad to have a recommendation from the Council on this subject.

In accordance with the requirements of the Federal Reserve Act reserve deposits of all member banks must ultimately be kept with the Federal reserve banks. Thereafter balances carried with national banks in reserve and central reserve cities will no longer count as legal reserve. When these conditions of the Act have been complied with the banks located in cities so designated can no longer perform the functions of legal reserve agents and the terms "reserve city" and "central reserve city" will lose their present significance.

The object of requiring reserve and central reserve city banks to carry larger legal reserves than banks located in other cities and towns has been for the better protection of the reserve deposits of the banks for which they have acted as legal reserve agents. When they cease to act in this capacity the chief reason for their carrying larger reserves than banks located in other cities will be eliminated.

We know of no good reason why banks located in the same cities with the Federal reserve banks should, in consequence of that fact, be placed on the increased basis required of central reserve cities in the matter of their legal reserves.

After all the reserve deposits of the member banks have been turned into the Federal reserve banks the terms "reserve city" and "central reserve city" as now applied will become misnomers. It may then become desirable to designate the twelve cities in which the Federal reserve banks are located as the reserve cities for the country, but there will be no reason why their member banks should carry larger reserves than are required of those in the cities now known as reserve cities. The probabilities are that many of the cities now acting as reserve cities when the member banks in them cease to act as legal reserve agents will seek to have their designation as such cancelled in order to avail themselves of the lower reserve requirements applicable to other cities, some of which will then be similarly situated to them.

Before we received the analysis of the reserve city situation furnished by the Federal Reserve Board we had had prepared for us a list of the present reserve cities, of which there are 56 including the three central reserve cities. As our list in addition to giving the population of these cities also shows their banking power as measured by the capitalization of their banks both national and state and as reserve deposits of state banks carried by the national banks in these cities will have some bearing on the legal reserve which they should be required to carry we submit the list herewith as Exhibit "B".

Accompanying this list there is also a list of cities of approximately equal population and banking capacity which are not now reserve cities and of which there are ninety. This list also shows their banking power as measured by the capitalization of their banks.

In our opinion when the banks in reserve cities lose their privilege of acting as legal reserve agents they should be placed on a parity as to their legal reserve requirements with the banks in other cities of equal banking capacity. These cities were designated reserve cities at the request and by the voluntary action of the national banks located in them and when their privilege of acting as reserve agents is withdrawn, it would seem that these banks should be entitled to resume their former status. If there is to be in the future any discrimination in regard to the legal reserves carried by the banks in different cities, it cannot continue to be based as it has been on the fact that banks in certain cities have been permitted to act as legal reserve agents for other banks. If such discrimination is necessary or desirable at all it might be based on a combination of their individual population and banking capacity as shown by the capitalization of their banks or it might be related to the aggregate amount of bank deposits carried by the banks in them.

In order to show the lack of uniformity in the legal reserve requirements of the state banks in the different states we have had prepared and submit herewith a synopsis of most of the state laws on the subject. Exhibit "D".

The fact that member banks in these so-called reserve cities have to compete with non-member banks not subject to Federal regulations in regard to their legal reserve requirements should not be overlooked.

Fifth:

At the September meeting of the Council, it recommended to the Federal Reserve Board that Federal Reserve banks should not establish joint agencies in foreign lands, but that this field should be kept open for member banks. Since that time the Federal Reserve Board has canvassed the subject through the Federal Reserve Agent of each District with a view to ascertaining whether the larger banks in the various Districts would be willing to join in the ownership of branches in foreign countries. The replies to these inquiries are not as encouraging as has been hoped they would be for it appears that while for a number of good reasons it seems unwise that the Federal Reserve banks should undertake this business, there is a great deal of hesitation on the part of most member banks to undertake it themselves.

A few banks appear to show a spirit of enterprise in the matter and the Board believes that under any circumstances the door ought to be opened as wide as possible and that Congress should be urged to do all it can to offer to member banks, singly or combined, the opportunity of entering these foreign fields.

In this connection some questions have occurred to the Board in considering this matter upon which it will be glad to have the views of the Advisory Council.

These questions are:

(a) Should the proposed amendment provide that others than member banks be permitted to be stockholders in these banks which are to operate under Federal charters in foreign countries?

Ans. To this we would answer "yes."

under proper restriction

If so, should there be a provision that a majority of the stock be held by member banks?

desirable but it might be

Ans. This we consider impractical inasmuch as the stock would be marketable and the control might change at any time. *We are of the opinion that no member bank should be authorized to own more than 10% of its*

(b) Would it not be advisable to provide that there should not be a double liability with respect to the stock holdings in such banks, but only a liability up to the authorized capital?

*limited capital
+ surplus an other
items of any foreign
Bank*

Ans. We see no necessity for a double liability but only a liability up to the authorized capital.

(c) What, if any, should be the reserve requirements of these foreign banks? If they are to receive deposits in foreign countries it would subject them to great hazard of fluctuations of exchange if against these foreign deposits they are required to keep reserves in the United States.

Ans. From the published statements of foreign banks doing business in South American countries we notice that they seem to carry such larger cash reserves than are legally required of banks under our Federal Reserve system and probably American banks organized to do business there would have to do likewise. We therefore think that no regulations need be

made as to reserves against deposits received in foreign countries. For any deposits they may receive in the United States they should be subject to the reserve requirements applicable to member banks under the Federal Reserve Act.

(d) Should these foreign banks be required to be members of the Federal Reserve system?

Ans. We think it might be well to require that these banks should be members of the Federal reserve system in order that they may be brought under the supervision of the Federal Reserve Board and thus become a part of the banking system of the country. It would also be advantageous to them to have the privilege of rediscounting and otherwise doing business directly with the Federal reserve banks, but it might be necessary to place special restrictions on their rediscounts.

(e) Should these foreign banks be permitted to invest a definite percentage of their capital and surplus in holdings of foreign banks operating under local charters?

Ans. Yes. Mr. Forgan asked to be recorded as voting "No."

(f) What restrictions should be placed upon these foreign banks for their operations in the United States? For instance - they might be permitted to accept deposits only where these deposits are incidental to transactions in foreign countries. On the other hand, it would appear that they should be permitted to receive deposits on demand or on time from other banks, particularly from those for which they will act as correspondents or agents in foreign countries.

Ans. We would recommend that in the matter of receiving deposits in the United States such banks should be restricted to such deposits as are incident to transactions in foreign countries.

(g) Should these foreign banks be permitted to accept and should their "bankers' acceptances" be eligible for rediscount with the Federal reserve banks?

Ans. If their acceptances are restricted to such as "grow out of transactions involving the importation or exportation of goods" and other wise conform to the requirements of the Federal Reserve Act we see no reason why they should not be permitted to make them or why they should not be eligible for rediscount with or purchase by the Federal reserve banks.

"Exhibit A"

Statement showing in millions
the increase in the principal items
of the
resources and liabilities of the national banks
between
December 31, 1914 and November 10, 1915,
taken from their consolidated statements as prepared by
the Comptroller of the Currency

| | Increase in Central Re- serve Cities | Increase in Reserve Cities | Increase in Country Banks | Total Increase |
|--|--|----------------------------------|---------------------------------|-------------------|
| Loans | 608 | 189 | 110 | 807 |
| Bonds | 95 | 122 | 139 | 356 |
| Due from Federal Res. Banks | 78 | 13 | 12 | 103 |
| Due from Reserve Agents | - | 186 | 126 | 312 |
| Due from Banks | 25 | 77 | 30 | 132 |
| Specie | 190 | 2 | 5 | 197 |
| Legals (Decrease) | <u>-10</u> | <u>0</u> | <u>-4</u> | <u>-14</u> |
| Total net increase in these resources | <u>986</u> | <u>589</u> | <u>417</u> | <u>1992</u> |
| Due Banks | 590 | 230 | 43 | 863 |
| Demand Deposits | 446 | 250 | 199 | 895 |
| Time | <u>21</u> | <u>44</u> | <u>138</u> | <u>203</u> |
| Total increase in Deposits | <u>1057</u> | <u>524</u> | <u>380</u> | <u>1961</u> |
| Increase in Excess Reserve | 91 | 139 | 111 | 341 |
| Total Excess Reserve Nov. 10, 1915 | | | | 892 |
| Actual Reserve Nov. 10, 1915 | 24.66% | 27.39% | 24.96% | |

CENTRAL RESERVE CITIES

| | <u>Population</u> | <u>Banking Capital</u> | <u>National Banks</u> | <u>State Banks</u> |
|-----------|-------------------|------------------------|-----------------------|--------------------|
| New York | 4,766,880. | \$470,632,100. | \$236,975,000 | \$233,657,100 |
| Chicago | 2,550,000 | 141,278,200. | 70,852,767 | 70,425,500 |
| St. Louis | 687,000 | 80,273,000 | 29,140,000 | 51,133,000 |

RESERVE CITIES

| | | | | |
|-------------------|-----------|--------------|-------------|-------------|
| Albany | 103,580 | \$12,316,000 | \$4,700,000 | \$7,616,000 |
| Atlanta | 184,873 | 14,429,500 | 8,636,000 | 5,793,500 |
| Baltimore | 584,605 | 52,705,740 | 20,644,710 | 32,061,030 |
| Birmingham | 174,108 | 6,615,440 | 3,335,000 | 3,280,440 |
| Boston | 745,139 | 112,305,000 | 53,519,000 | 58,786,000 |
| Brooklyn | 1,881,065 | 53,240,300 | 4,350,000 | 48,890,300 |
| Cedar Rapids | 36,583 | 2,328,000 | 1,212,000 | 1,116,000 |
| Charleston, S. C. | 60,427 | 3,926,000 | 2,609,000 | 1,317,000 |
| Chattanooga | 58,576 | 5,067,000 | 3,338,000 | 1,729,000 |
| Cincinnati | 406,706 | 36,138,000 | 24,092,000 | 12,046,000 |
| Cleveland | 656,975 | 46,360,010 | 16,199,000 | 30,161,010 |
| Columbus | 209,722 | 7,116,000 | 4,936,000 | 2,180,000 |
| Dallas | 118,482 | 9,643,920 | 6,815,000 | 2,828,920 |
| Denver | 253,161 | 12,267,000 | 8,028,000 | 4,239,000 |
| Des Moines | 99,144 | 6,938,000 | 3,415,000 | 3,523,000 |
| Detroit | 554,717 | 31,828,000 | 10,250,000 | 21,578,000 |
| Dubuque | 39,650 | 2,116,500 | 730,000 | 1,386,500 |
| Fort Worth | 99,528 | 6,406,000 | 4,458,000 | 1,948,000 |
| Galveston | 41,076 | 2,096,000 | 872,000 | 1,224,000 |
| Houston | 108,172 | 14,623,700 | 7,250,000 | 7,373,700 |
| Indianapolis | 265,578 | 17,331,000 | 9,680,000 | 7,651,000 |
| Kansas City, Ks | 96,854 | 1,975,000 | 923,000 | 1,052,000 |
| " " Mo | 289,879 | 20,628,890 | 11,629,000 | 8,999,890 |
| Lincoln | 46,028 | 2,464,000 | 1,657,000 | 807,000 |
| Los Angeles | 465,367 | 25,015,000 | 9,833,000 | 15,182,000 |
| Louisville | 237,012 | 15,156,000 | 8,087,000 | 7,069,000 |
| Milwaukee | 428,062 | 15,808,000 | 10,243,000 | 5,565,000 |
| Minneapolis | 353,460 | 24,581,000 | 17,361,000 | 7,220,000 |
| Muskogee | 41,263 | 1,285,000 | 1,196,000 | 89,000 |
| Nashville | 115,978 | 6,205,930 | 4,906,000 | 1,299,930 |
| New Orleans | 366,484 | 19,190,000 | 6,730,000 | 12,460,000 |
| Oklahoma City | 88,158 | 2,176,000 | 1,769,000 | 407,000 |
| Omaha | 135,455 | 10,111,000 | 8,261,000 | 1,850,000 |
| Philadelphia | 1,683,664 | 181,334,030 | 62,412,000 | 118,922,030 |
| Pittsburgh | 571,984 | 136,308,600 | 49,623,000 | 86,685,600 |
| Portland, Oreg | 272,833 | 12,860,000 | 8,187,000 | 4,673,000 |
| Pueblo | 52,840 | 1,264,000 | 974,000 | 290,000 |
| Richmond | 154,674 | 18,480,930 | 10,463,000 | 8,017,930 |
| St. Joseph | 83,974 | 2,973,000 | 1,908,000 | 1,065,000 |
| St. Paul | 241,999 | 13,252,000 | 10,395,000 | 2,857,000 |
| Salt Lake City | 113,567 | 7,831,000 | 3,389,000 | 4,442,000 |
| San Antonio | 119,447 | 7,055,000 | 4,066,000 | 2,989,000 |
| San Francisco | 448,502 | 83,280,340 | 49,061,000 | 34,219,340 |
| Savannah | 68,361 | 8,362,900 | 1,826,000 | 6,536,900 |

RESERVE CITIES (Continued)

| | <u>Population</u> | <u>Banking Capital</u> | <u>National Banks</u> | <u>State Banks</u> |
|--------------------------|-------------------|----------------------------|---------------------------|------------------------|
| So. Omaha (See Omaha) | 26,394 | | | |
| Seattle | 330,834 | \$ 12,138,200 | \$ 5,915,000 | \$ 6,223,700 |
| Sioux City | 55,588 | 3,089,000 | 1,935,000 | 1,154,000 |
| Spokane | 142,990 | 7,151,000 | 3,057,000 | 4,094,000 |
| Tacoma | 108,094 | 3,083,000 | 1,237,000 | 1,846,000 |
| Topaka | 47,914 | 1,866,000 | 620,000 | 1,246,000 |
| Waco | 32,756 | 4,048,000 | 2,302,000 | 1,746,000 |
| Washington | 358,679 | 28,715,970 | 12,300,000 | 16,415,970 |
| Wichita | 67,847 | 2,215,500 | 1,170,000 | 1,045,500 |

Cities with a population of 30,000 or more and having a NATIONAL banking Capital of \$1,000,000 or more which are not Reserve Cities

| | | <u>Population</u> | <u>Banking Capital</u> | <u>National Banks</u> | <u>State Banks</u> |
|--------------|-------|-------------------|------------------------|-----------------------|--------------------|
| Mobile | Ala | 56,500 | \$3,379,300 | \$2,292,000 | \$1,087,300 |
| Montgomery | " | 42,500 | 3,509,000 | 2,605,000 | 904,000 |
| Little Rock | Ark | 55,100 | 5,059,000 | 1,543,000 | 3,511,000 |
| Oakland | Calif | 190,800 | 7,440,840 | 2,331,000 | 5,109,840 |
| Sacramento | " | 64,800 | 5,872,775 | 2,769,000 | 3,103,775 |
| San Diego | " | 51,115 | 3,688,100 | 1,722,000 | 1,966,100 |
| Bridgeport | Conn | 118,400 | 4,557,100 | 2,947,100 | 1,610,000 |
| Hartford | " | 108,900 | 16,563,000 | 8,375,000 | 8,188,000 |
| New Haven | " | 147,000 | 11,359,100 | 6,068,800 | 5,290,300 |
| Waterbury | " | 84,700 | 3,537,000 | 1,636,000 | 1,901,000 |
| Filmington | Del | 93,161 | 7,125,175 | 1,342,175 | 5,783,000 |
| Jacksonville | Fla | 73,100 | 5,354,000 | 4,604,000 | 750,000 |
| Tampa | " | 51,500 | 3,126,000 | 1,743,000 | 1,383,000 |
| Macon | Ga | 45,415 | 2,841,000 | 1,959,000 | 882,000 |
| Boise | Ida | 31,700 | 1,728,000 | 1,616,000 | 112,000 |
| Aurora | Ill | 33,600 | 1,440,000 | 1,340,000 | 100,000 |
| Decatur | " | 38,500 | 1,689,000 | 1,338,000 | 351,000 |
| E. St. Louis | " | 72,100 | 1,786,000 | 1,100,000 | 686,000 |
| Joliet | " | 37,400 | 1,503,000 | 1,172,000 | 331,000 |
| Peoria | " | 70,700 | 4,940,000 | 3,620,000 | 1,320,000 |
| Rockford | " | 53,700 | 2,219,000 | 1,969,000 | 250,000 |
| Springfield | " | 59,400 | 3,261,000 | 2,071,000 | 1,190,000 |
| Evansville | Ind | 72,100 | 3,211,000 | 1,850,000 | 1,361,000 |
| Fort Wayne | " | 74,300 | 3,449,000 | 2,203,000 | 1,246,000 |
| Terre Haute | " | 64,800 | 3,665,000 | 2,120,000 | 1,545,000 |
| Waterloo | Iowa | 34,100 | 2,590,000 | 1,505,000 | 1,085,000 |
| Covington, | Ky | 56,500 | 1,853,000 | 1,470,000 | 383,000 |
| Lexington | " | 39,700 | 4,394,800 | 3,063,000 | 1,331,800 |
| Shreveport | La | 34,000 | 2,508,000 | 1,909,000 | 600,000 |
| Portland | Me | 63,000 | 7,564,000 | 3,305,000 | 4,259,000 |
| Brockton | Mass | 65,700 | 1,693,000 | 1,100,000 | 593,000 |
| Fall River | " | 126,900 | 6,538,000 | 3,025,000 | 3,513,000 |
| Haverhill | " | 47,700 | 2,917,000 | 1,992,000 | 925,000 |
| Holyoke | " | 64,000 | 3,173,000 | 1,961,000 | 1,212,000 |
| Lowell | " | 112,100 | 4,583,700 | 1,650,000 | 2,933,700 |
| Lynn | " | 100,300 | 3,841,000 | 2,049,000 | 1,592,000 |
| New Bedford | " | 114,600 | 7,679,000 | 5,116,000 | 2,563,000 |
| Pittsfield | " | 37,500 | 1,976,000 | 1,150,000 | 826,000 |
| Springfield | " | 103,200 | 8,538,000 | 3,200,000 | 5,338,000 |
| Worcester | " | 160,600 | 9,336,500 | 2,832,000 | 6,504,500 |
| Grand Rapids | Mich | 125,700 | 7,064,000 | 3,444,000 | 3,620,000 |
| Saginaw | " | 54,800 | 2,886,000 | 1,200,000 | 1,686,000 |
| Duluth | Minn | 91,900 | 5,423,000 | 4,816,000 | 607,000 |
| Manchester | N. H. | 76,900 | 6,834,000 | 1,413,000 | 5,421,000 |
| Atlantic Cy | N. J. | 55,800 | 3,682,000 | 1,572,000 | 2,110,000 |
| Camden | " | 104,300 | 4,167,000 | 1,882,000 | 2,285,000 |
| Jersey City | " | 300,133 | 11,820,000 | 2,974,000 | 8,846,000 |
| Newark | " | 399,000 | 22,773,000 | 12,118,000 | 10,655,000 |
| Paterson | " | 136,300 | 5,485,000 | 2,150,000 | 3,335,000 |
| Trenton | " | 109,200 | 4,519,000 | 2,450,000 | 2,069,000 |

| | | <u>Population</u> | <u>Banking Capital</u> | <u>National Banks</u> | <u>State Banks</u> |
|--------------|-------|-------------------|----------------------------|---------------------------|------------------------|
| Amsterdam | N. Y. | 36,100 | \$1,993,000 | \$1,279,000 | \$ 714,000 |
| Buffalo | " | 461,300 | 30,905,000 | 12,693,000 | 18,212,000 |
| Elmira | " | 37,900 | 2,336,000 | 1,109,000 | 1,227,000 |
| Jamestown | " | 35,700 | 2,248,300 | 1,087,300 | 1,161,000 |
| Rochester | " | 250,747 | 14,588,000 | 4,275,000 | 10,313,000 |
| Syracuse | " | 152,534 | 11,413,000 | 4,451,000 | 6,962,000 |
| Troy | " | 77,738 | 5,235,000 | 3,054,000 | 2,181,000 |
| Utica | " | 83,876 | 8,332,500 | 5,100,000 | 3,232,500 |
| Charlotte, | N. C. | 38,837 | 3,384,000 | 2,431,000 | 953,000 |
| Akron | Ohio | 82,958 | 2,653,000 | 1,460,000 | 1,193,000 |
| Canton | " | 59,139 | 3,701,000 | 1,289,000 | 2,412,000 |
| Dayton | " | 125,509 | 4,533,000 | 3,537,000 | 996,000 |
| Springfield | " | 50,804 | 2,166,000 | 1,766,000 | 400,000 |
| Toledo | " | 187,840 | 11,555,600 | 6,341,000 | 5,214,600 |
| Youngstown | " | 104,489 | 5,925,000 | 3,100,000 | 2,825,000 |
| Allentown, | Pa. | 61,901 | 4,254,000 | 2,725,000 | 1,529,000 |
| Chester | " | 40,935 | 2,781,000 | 2,005,000 | 776,000 |
| Erie | " | 73,798 | 3,431,000 | 2,050,000 | 1,381,000 |
| Harrisburg | " | 70,754 | 5,717,650 | 1,525,000 | 4,192,650 |
| Johnstown | " | 66,585 | 3,225,000 | 1,800,000 | 1,425,000 |
| Lancaster | " | 50,269 | 5,972,000 | 2,532,000 | 3,440,000 |
| McKeesport | " | 46,743 | 2,655,100 | 1,207,000 | 1,448,100 |
| New Castle | " | 40,351 | 3,464,000 | 2,779,000 | 685,000 |
| Reading | " | 107,594 | 8,471,000 | 4,764,000 | 3,707,000 |
| Seranton | " | 144,081 | 11,036,000 | 6,256,000 | 4,780,000 |
| Wilkesbarre | " | 75,218 | 9,442,000 | 3,973,000 | 5,469,000 |
| Williamsport | " | 33,495 | 4,572,000 | 2,909,000 | 1,663,000 |
| York | " | 50,543 | 4,348,900 | 2,894,000 | 1,454,900 |
| Providence | R. I. | 250,025 | 25,409,675 | 9,419,000 | 15,990,675 |
| Columbia, | S. C. | 34,058 | 3,299,040 | 2,602,000 | 697,040 |
| Knoxville | Tenn | 38,300 | 3,405,000 | 2,578,000 | 827,000 |
| Memphis | " | 146,113 | 8,418,000 | 2,993,000 | 5,425,000 |
| Austin, | Tex | 34,016 | 2,357,000 | 1,951,000 | 406,000 |
| El Paso | " | 51,936 | 4,225,000 | 2,758,000 | 1,467,000 |
| Lynchburg | Va | 32,385 | 4,197,000 | 3,084,000 | 1,113,000 |
| Norfolk | " | 88,076 | 7,314,000 | 4,758,000 | 2,556,000 |
| Roanoke | " | 41,929 | 2,656,000 | 2,126,000 | 530,000 |
| Huntington | W. Va | 43,572 | 2,265,400 | 1,297,000 | 968,400 |
| Wheeling | " | 43,097 | 5,749,200 | 1,825,000 | 3,924,200 |
| LaCrosse | Wis | 31,522 | 1,478,000 | 1,200,000 | 278,000 |

STATES IN WHICH THERE ARE NO RESERVE CITIES

| <u>Cities</u> | <u>Combined Population</u> | <u>Combined National Banking Capital</u> |
|-----------------|-------------------------------|--|
| Arizona | Less than required population | |
| Arkansas 1 | 55,000 | \$1,500,000 |
| Connecticut 4 | 459,000 | 19,000,000 |
| Delaware 1 | 93,000 | 1,340,000 |
| Florida 2 | 124,600 | 6,340,000 |
| Idaho 1 | 31,700 | 1,610,000 |
| Maine 1 | 63,000 | 3,300,000 |
| Mississippi | Less than required population | |
| Montana | " " " | " |
| Nevada | " " " | " |
| New Hampshire 1 | 76,000 | 1,410,000 |
| New Jersey 6 | 1,104,700 | 23,100,000 |
| New Mexico | Less than required population | |
| No. Carolina 1 | 38,800 | 2,430,000 |
| No. Dakota | Less than required population | |
| Rhode Island 1 | 250,000 | 9,400,000 |
| So. Dakota | Less than required population | |
| Vermont | " " " | " |
| West Virginia 2 | 86,600 | 3,120,000 |
| Wyoming | Less than required population | |

STATES IN WHICH THERE IS ONLY ONE RESERVE CITY

| | | |
|--------------------------------|---------|------------|
| Alabama (Birmingham) 2 | 99,000 | 4,800,000 |
| Illinois (Chicago) 7 | 365,500 | 12,600,000 |
| Indiana (Indpls) 3 | 211,200 | 6,100,000 |
| Kentucky (Louisville) 2 | 96,200 | 4,500,000 |
| Louisiana (New Orleans) 1 | 34,000 | 1,900,000 |
| Massachusetts (Boston) 10 | 932,500 | 24,000,000 |
| Michigan (Detroit) 2 | 180,000 | 4,600,000 |
| So. Carolina (Charleston) 1 | 34,000 | 2,600,000 |
| Virginia (Richmond) 3 | 162,300 | 9,900,000 |
| Wisconsin (Milwaukee) 1 | 31,522 | 1,200,000 |

A summary of the foregoing statements discloses the following conditions existing now. There are three (3) Central Reserve Cities, and fifty-three (53) Reserve Cities.

There are ninety (90) cities having a population of thirty (30) thousand or more and NATIONAL BANKING Capital of \$1,000,000 or more which are not Reserve Cities.

There are twenty (20) states in which there are no Reserve Cities. In eleven (11) of these states there are one or more cities having a population in excess of thirty thousand (30,000) and National Banking Capital of \$1,000,000 or more.

There are ten (10) states in which there is only one Reserve City and in which there are one or more cities having a population in excess of 30,000 and National Banking Capital of \$1,000,000 or more.

NOTE: The National Banking Act requires a city to have a population of 25,000 or more to qualify as a Reserve City.

Proposed Substitute for
Fifth Paragraph of Section Thirteen
of the
Federal Reserve Act

Any member bank may accept or agree to accept or pay drafts or bills of exchange drawn upon it and growing out of transactions involving the importation or exportation of goods having not more than six months' sight to run and may undertake that another member bank or a foreign bank or banker shall accept or pay any such drafts or bills of exchange drawn upon such member bank or foreign bank or banker, and may indemnify any member bank or foreign bank or banker against the acceptance or payment of any such bills of exchange drawn upon such other member bank or foreign bank or banker, but no bank shall accept or agree to accept or pay such bills, or undertake that others shall accept or pay such bills, or indemnify others against the acceptance or payment of such bills to an amount equal at any one time in the aggregate to more than one-half of its paid-up and unimpaired capital stock and surplus, except by authority of the Federal Reserve Board, under such general regulations as said Board may prescribe, but not to exceed the capital stock and surplus of such bank, and such regulations shall apply to all banks alike regardless of the amount of capital stock and surplus.

In addition to the powers granted in the preceding paragraph of this Section, any member bank may accept or agree to accept or pay drafts or bills of exchange drawn upon it and payable at sight and may undertake that any other member bank or foreign bank or banker shall accept or pay sight bills drawn on such other member bank or foreign bank or banker and may indemnify any other member bank or foreign bank or banker against the acceptance or payment by such member bank or foreign bank or banker of any such sight drafts or bills of exchange drawn upon such member bank or foreign bank or banker, but no member bank shall accept or agree to accept or pay such sight bills, or undertake that others shall accept or pay such sight bills, or indemnify others against the acceptance or payment of such sight bills to an amount equal at any one time in the aggregate to more than twenty-five per cent of its paid-up and unimpaired capital stock and surplus, except by authority of the Federal Reserve Board, under such general regulations as said Board may prescribe but not to exceed fifty per cent of the capital stock and surplus of such bank.

RESERVE REQUIREMENTS OF
STATE BANKS.

FEDERAL RESERVE DISTRICT NO. 1.

MAINE

Laws of 1904, Chapter 48, Section 80.

Trust and banking companies to keep 15 % reserve on deposits withdrawable on demand or within ten days. Cash reserve to be lawful money or national bank notes.

$\frac{2}{3}$ of the 15 % may be kept in national banks or trust companies located in New England or New York approved by bank examiner.

$\frac{1}{3}$ of the 15 % may consist of bonds of the United States, the District of Columbia, any of the New England states and of other states specifically mentioned.

Trust companies joining the Federal reserve system shall be subject to the reserve requirements of the Federal Reserve Act in substitution of the above state provision.

NEW HAMPSHIRE

Session laws of 1915, Sections 27 and 28, Chapter 109.

15 % reserve required on commercial deposits, $\frac{1}{2}$ to be in lawful money of the United States, gold and silver certificates, Federal reserve notes or national bank notes. $\frac{2}{3}$ may be balance due from other banks approved by the bank commissioner.

Trust companies joining the Federal reserve system shall be subject to the reserve requirements of the Federal Reserve Act in substitution of the above state provision.

VERMONT

Laws of 1910, Chapter 158, Section 33.

15 % reserve against commercial deposits, 3 % on savings deposits.

$\frac{3}{5}$ of the reserve to be in cash and in balances in banks authorized as reserve agents.

$\frac{1}{2}$ of the $\frac{3}{5}$ to be in cash.

Balances in State banks and national banks in same County accepted as $\frac{1}{2}$ of cash requirements.

$\frac{2}{5}$ of the reserve may be in United States bonds or State or bonds of any United States city of 200,000 inhabitants or more.

FEDERAL RESERVE DISTRICT NO 1. continued.

MASSACHUSETTS

Laws of 1902, Section 50, Chapter 115.

15 % cash reserve in vault required on bank's liability for circulation and deposit.

Laws of 1910, Chapter 377.

Trust Companies shall keep reserve of 15 % of demand deposits and of deposits withdrawable within 30 days. Trust companies in Boston, however, to keep 20 %. No reserve required on savings deposits nor on certificates of deposit running longer than 30 days.

Trust companies joining the Federal reserve system shall be subject to the reserve requirements of the Federal Reserve Act in substitution of the above state provision.

CONNECTICUT

Laws of 1915, Chapter 118.

State banks and Trust companies to keep 12 % reserve on demand deposits, 5 % on time.

4/12ths in gold and silver coin, demand obligations of the United States or national bank notes in vault.

The remainder with reserve agents or in bonds which are legal investment for savings banks in State. Reserve agents must be a Federal reserve bank or banks which are members of the Clearing House in New York, Boston, Philadelphia, Chicago or Albany; Or national banks, state banks or trust companies in New Haven, Hartford, Bridgeport, or Waterbury approved by the Bank Commissioner.

RHODE ISLAND

Revised laws of 1909, Chapter 236, Sections 1 ^{and} ~~to~~ 3.

Banks and Trust companies to keep 15 % reserve against aggregate deposits. 2/5ths in gold or silver coin, demand obligations of United States or national bank notes in vault. 3/5ths in balance with other banks designated and approved by bank commissioner.

Reserve agents include only banks and trust companies in and members of the Clearing house association of Providence; national banks and banks and trust companies in New York, Boston, Philadelphia, Chicago and Albany, approved by the Bank commissioner and which maintain a 25 % reserve according to the National Bank Act; banks in Providence, members of the Clearing House maintaining required reserve may be reserve agent for any town in Rhode Island.

FEDERAL RESERVE DISTRICT NO 2.

NEW YORK

Laws of 1914, Chapter 369, Sections 38, 111, 112, 166, 196, and 197.

1st Class cities have a population of 175,000 or more.

2nd Class cities have a population of 50,000 and less than 175,000.

3rd Class all other cities.

Reserve Depositories are designated by the Superintendent.

No bank shall be a depository unless its capital and surplus is:

\$1,000,000 if in a borough with 2,200,000 people.

750,000 if in a borough with 1,000,000 or more and less than 2,200,000 or in a city of 400,000 or more.

500,000 if located elsewhere in the State.

If located in a borough of 2,200,000 people or more a bank cannot be a depository for another bank with more capital and surplus than its own unless the depository's capital and surplus exceeds \$2,000,000. Depositories may also be banks with capital and surplus of \$2,000,000 or more in Chicago, Boston and Philadelphia, such banks to make reports to Superintendent and submit to examination if required.

Banks may deposit with other moneyed corporations if approved by a vote of the majority of the board, exclusive of such directors as are directors, officers or trustees of the corporation designated.

Banks shall keep reserve:

In a borough of 2,000,000 or more 18 %, 12% of which shall be in vaults,

In a borough of 1,000,000 or more and less than 2,000,000 15 %,

10 % of which shall be in vaults,

Elsewhere in state 12 %, 4 % in vaults.

One-half of the cash reserve shall be gold, gold coin, U.S. gold certificates, or U.S. notes; the remainder any other U.S. money except Federal reserve notes.

A bank becoming a member of the Federal reserve system shall keep its reserve as required in that Act. If such a bank is in a borough of 2,000,000 or more the remainder of its reserve shall be kept in vault.

PRIVATE BANKS

15 % reserve if in a city of the first class,

10 % in every other city.

1/10th of required reserve to be in vault, the remainder in state or national banks or trust companies.

FEDERAL RESERVE DISTRICT NO 2. Continued

NEW YORK Continued

TRUST COMPANIES

Depositaries for Trust companies must be approved by majority of Board. Trust Companies must keep the following reserve against aggregate demand deposits:

- 15 % if in a borough of 2,000,000 or more, 10% in vault.
- 13 % if in a borough of 1,000,000, or more and less than 2,000,000;
8 % in vault.
- 10 % elsewhere in State.

If located in cities of first and second class, but not falling within above subdivision, then 4 % in vault. Elsewhere 3 %.

One-half of reserve in vault to be in gold, gold coin, U.S. gold certificates, U.S. notes, remainder in any U.S. currency other than Federal reserve notes.

Trust companies joining the Federal reserve system shall be governed by the reserve requirements of that Act.

NEW JERSEY

Statutes of 1910, Section 20 of Chapter on banks.

All banks shall keep reserve of 15 % on demand deposits;
3/5ths in balances from solvent banks.
2/5ths in vault.

SAVINGS BANKS

May keep uninvested 10 % of their deposits either in vault or in other banks in New Jersey, State or national; or in Trust companies incorporated in New York or Pennsylvania, or in National banks in New York or Pennsylvania approved by a majority of Board.

TRUST COMPANIES

15 % reserve on demand deposits.
4/5ths in other solvent banks and trust companies;
1/5th in vault.

Trust companies may become members of the Federal Reserve system.

FEDERAL RESERVE DISTRICT NO 3.

PENNSYLVANIA

Pepper and Lewis' Digest of laws of 1907, Vol. 1, page 598.

Every bank of deposit to keep reserve:

15 % on demand deposits

1/3 in vault in United States currency or national bank notes or Clearing House certificates representing lawful money deposited.

1/3 may be in bonds of the United States, Pennsylvania or other bonds authorized as investments for Savings banks.

The remainder in banks and trust companies in Pennsylvania approved by Commissioner, or in banks and trust companies in Reserve cities.

SAVINGS BANKS

7 1/2% on all time deposits in banks and trust companies in Pennsylvania approved by Bank Commissioner, or in banks and trust companies in Reserve cities, or in United States money and national bank notes, Clearing house certificates or bonds of Pennsylvania or of cities and counties in Pennsylvania or other bonds authorized for savings investments.

Not more than 1/3 to be in bonds.

DELAWARE

Laws of 1909, Chapter 162.

Banks, private banks and trust companies, in cities of more than 50,000 shall keep reserve of:

15 % on demand deposits,

1/3 in lawful money of the United States or national bank notes.

The remainder in banks or trust companies in Delaware with a capital of \$50,000 and surplus of \$50,000, approved by Insurance Commissioner, or in any bank or trust company, or private banks so approved in Philadelphia, New York or Baltimore.

Elsewhere in the state 10 % reserve on demand deposits,
1/3 as above.

Demand deposits include those payable in thirty days.

Banks and Trust companies may join the Federal Reserve system.

NEW JERSEY

See district No. 2.

FEDERAL RESERVE DISTRICT NO 4.

OHIO

Laws of 1911, House bill 227, Section 9759.

Commercial Banks

15% of total deposits

6% of demand deposits, and 4% of time deposits

in vault in lawful money or national bank notes,

Remainder in other banks approved both by

Board of directors and Superintendent of Banking.

Savings Banks

10% of time deposits;

15% of demand deposits.

6% of demand and 2% of time deposits in vaults;

3/10ths of reserve on time deposits may be invested

in bonds and other securities approved by statute;

Remainder in other banks approved by directors and

Superintendent.

May become member of Federal Reserve system.

KENTUCKY

1915 Statute, Section 584, Article 11.

Banks and Trust Companies to keep reserve

12% on demand deposits

5% on time and savings.

In reserve or central reserve cities

15% on demand

5% on time and savings

1/3 in vault;

The remainder in other banks.

Demand deposits are those payable within thirty

days.

Banks may join the Federal Reserve system.

PENNSYLVANIA

See District No. 3.

WEST VIRGINIA

Code of 1913, volume 27, Sections 3046 and 3047.

All banks shall keep reserve:

15% on demand deposits

3/5ths may be due from National banks or other

West Virginia State banks, and in any other solvent bank approved
by Supervisor.

FEDERAL RESERVE DISTRICT No. 5

MARYLAND

Laws of 1910, Chapter 219, Section 61.

Every bank (other than a savings bank without capital stock) shall keep as reserve:

15% of demand deposits

5% in vault,

10% in banks or trust companies in Maryland, or elsewhere approved by directors.

TRUST COMPANIES

15% of demand deposits,

10% in banks approved by directors,

5% in such banks as are so approved or in

registered bonds of the United States, Maryland, or City of Baltimore, or of any other city or county of Maryland approved by Commissioner.

Securities deposited with State Treasurer counted as part of required reserve.

Cash items not collected are not reserve.

WEST VIRGINIA

See district No. 4.

VIRGINIA

Pollard's 1904 code, Volume 1, Section 1173-A.

No reserve requirements against deposit liabilities, but 25% against circulation to be kept in vault.

May become member of the Federal Reserve system.

NORTH CAROLINA

Revised Statutes of 1908, Volume 1, Chapter 7, Section 231.

All banks and trust companies to keep reserve:

15% of aggregate deposits

2/5ths in vault

SAVINGS BANKS

5% of aggregate deposits in "available funds."

SOUTH CAROLINA

No reserve requirements.

Permission given to join the Federal Reserve system.

DISTRICT OF COLUMBIA

Section 162, Compiled statutes, District of Columbia.

All savings and other banks are subject to the provisions of the revised statutes, and all acts of Congress applicable to National Banking Associations, so far as same may be applicable to such savings or other banks.

FEDERAL RESERVE DISTRICT No. 6

GEORGIA

Georgia Civil Code, Volume 2, Section 2276.

Banks and banking corporations to keep as reserves:
25% of demand deposits which may be cash, due from
banks or the market value of all stocks and bonds actually owned.

May become member of the Federal Reserve system.

FLORIDA

Compile Laws of 1914, Chapter 2, Article 8, Section 2710.

Every banking company shall keep a reserve:
20% of aggregate deposits,
2/5ths in vault
3/5ths due from banks or in bonds of the United
States, of Florida, Counties and Cities of Florida approved by the Comptroller.

TENNESSEE

1913 Session Laws, Bill No. 174.

Banks, firms, persons and corporations doing a banking
business shall keep a reserve of 10% on demand deposits either in cash
or banks.

ALABAMA

Code of 1907, Volume 2, Section 3543.

Banks, persons, firms or corporations doing a banking
business shall keep as reserve:

15% of demand deposits
3/5ths may be due from banks.

May become member of the Federal Reserve system.

LOUISIANA

Marr's Annotated Rev. Statutes, Volume 1, Section 370.

Every banking association shall keep a reserve:

25% of demand deposits
8% in vault
17% in other banks.

May become a member of the Federal Reserve system.

MISSISSIPPI

1914 Session laws, Chapter 123, Section 57

In cities of less than 50,000:

15% of demand deposits,
7% of time and savings deposits

Either in vaults or in solvent banks.

In cities of more than 50,000.

25 % of demand deposits, (Either in vault or
10 % of time and savings deposits. (solvent banks.

FEDERAL RESERVE DISTRICT NO 7.

ILLINOIS

No reserve requirements.

IOWA

Code of 1897, Section 1837.

STATE BANKS

State banks in cities of less than 3,000 to keep a reserve:
10 % of total deposits.
In all other cities 15 % of total deposits.
 $\frac{2}{3}$ ths may be due from State or National banks.

SAVINGS BANKS

Savings banks doing a commercial business in cities less than 3,000, to keep a reserve:
15 % of demand deposits
8 % of time deposits

In other cities
20 % of demand deposits
8 % of time deposits.

Exclusive savings banks 8 % of total deposits in cash funds.
 $\frac{2}{3}$ ths may be due from state and national banks.

INDIANA

Burns' annotated statutes 1914, Section 3369.

Savings banks may keep not to exceed a reserve of 20 %, deposited in state banks in Indiana ~~and~~ or in any national bank.

Laws of 1913, Chapter 193.

Trust Companies receiving commercial deposits shall keep on hand or in bank in cash or in current funds 15 % of aggregate commercial deposits.

MICHIGAN

Howell's statutes of 1913, Section 6420

Each bank shall keep as reserve 15 % of total deposits.
In cities of more than 100,000 20 % of total deposits.

$\frac{1}{2}$ in vault, remainder due from banks approved by Commissioner.

May become members of Federal reserve system.

FEDERAL RESERVE DISTRICT NO. 7 Continued

WISCONSIN

Laws of 1911, Chapter 94, Section 2024-2030

15 % of total deposits either in vaults or in other banks selected by directors and approved as reserve banks by commissioner.

Reserve Banks:

25 % of total deposits either in vaults or in banks approved by commissioner.

Cash items not reserve.

SAVINGS BANKS

5 % of total deposits in vaults or in reserve banks designated by commissioner.

TRUST COMPANIES (Laws of 1915, Chapter 176)

12 % of total deposits, either in vaults or banking institution approved by commissioner.

May become members of the Federal reserve system.

FEDERAL RESERVE DISTRICT NO. 8

MISSOURI

Laws of 1915, Section 71, Article 2.

Every bank shall maintain 15 % reserve of demand deposits if located in a city of 25,000 or over and less than 4 200,000.
6% in vaults.

Banks located elsewhere, maintain 15 % of demand deposits. (No provision seems to be made as to how this reserve should be carried or for cities of specified population other than above.)

In cities over 200,000 Federal reserve notes shall not count as part of reserve on hand.

Banks joining the Federal reserve system shall be subject to the reserve requirements of the Federal reserve Act in substitution of the above provision.

TRUST COMPANIES

Laws of 1915, Section 138, Article 2.

18 % of demand deposits if located in a city of 200,000 or over; 7 % in vaults.

15 % of deposits if located in a city of 25,000 or over and less than 200,000; 6 % in vaults.

15 % of demand deposits if located elsewhere in the state. (No provision seems to be made as to how this reserve should be carried).

Trust companies joining the Federal Reserve system shall be subject to the reserve requirements of the Federal Reserve Act in substitution of the above provision.

In cities of over 200,000 Federal reserve notes shall not count as part of reserves on hand.

ILLINOIS

See District No. 7.

TENNESSEE

See District No. 6.

MISSISSIPPI

See District No. 6.

INDIANA

See District No. 7.

KENTUCKY

See District No. 4.

ARKANSAS

Laws of 1913, Section 25, Act 113.

Every bank shall have on hand reserve of 15 % of deposits.

"A part of said 15 %" shall be in vaults.

Remainder may be kept with other banks approved by Commissioner.

Banks acting as reserve agents for other banks shall keep
20 % reserve of its total deposits.

2/5ths shall be in vaults.

Remainder may be kept with other banks approved by

Commissioner.

FEDERAL RESERVE DISTRICT NO 9.

MINNESOTA

Laws of 1915, Chapter 362.

In reserve cities (as designated by Federal law) :
15 % of demand deposits,
5 % of time deposits.

Elsewhere 12 % of demand deposits,
5 % of time deposits.

1/4th in vault, remainder in solvent banks.

Reserve banks, except those approved by Commissioner shall have a capital and surplus of \$25,000 or more.

Banks may become members of the Federal reserve system.

MICHIGAN

See Federal Reserve District No. 7.

WISCONSIN

See Federal Reserve District No 7.

MONTANA

Session laws of 1915, Section 50, Chapter 89

Banks (not reserve agents) shall keep:
15 % of total deposits either in vaults or other banks
determined by directors and approved by Superintendent.

Banks acting as Reserve agents:
25 % of total deposits either in vault or other banks
determined by directors and approved by superintendent.

State and national banks in reserve and central reserve cities (as designated by Federal authority) or in a city of the first or second class in Montana are eligible to be reserve banks.

Cities of the first class are those having 10,000 or more;
Cities of the second class are those having less than 10,000
and more than 5,000.

Net balances to be the basis of computing reserves.
Banks may join the Federal reserve system.

FEDERAL RESERVE DISTRICT NO. 9. Continued.

NORTH DAKOTA

Compile laws for 1913, Section 5170 as amended by
Laws of 1915, Chapter 58.

After deducting the amount due to other banks a bank shall
keep as reserve:

20 % of demand deposits
10 % of time deposits
2/5ths in vault
3/5ths in banks approved by State Bank board.
Cash items not reserve.

SAVINGS BANKS:

20 % of demand deposits
8 % of time certificates
5 % of savings subject to notice.
2/5ths in vaults
3/5ths in banks approved by the State Bank Board.

May become members of the Federal reserve system.

SOUTH DAKOTA

Laws of 1915, Chapter 102, Section 31.

Every bank shall keep as reserve:
20 % of total deposits.

The Board of Directors to determine what portion shall be
kept in other banks approved by Examiner, which banks are to keep 25 % re-
serve either in approved banks or in vault.

Cash items are not reserve.

Overdrafts to be deducted from cash means before percentage
of reserve is computed.

TRUST COMPANIES

25 % of matured obligations and deposits
3/4ths may be in banks approved by Examiner.

FEDERAL RESERVE DISTRICT NO. 10.

KANSAS

Laws of 1915, Chapter 89

Each bank shall keep as reserve:

In cities of less than 50,000 when its credits due other banks are less than 20 % of its total deposits:

12% of demand deposits

5 % of time deposits

4/12ths in vault

8/12ths in vault or in other banks.

Except in cities of less than 1,000 with approval of Commissioner 3/12ths in vault.

In cities of less than 50,000 when credits due other banks are not less than 20 % of total deposits and in cities of 50,000 or more.

15 % of demand deposits

5 % of time deposits

5/15ths in vault and

10/15ths in vaults or in other banks.

The Commissioner may refuse to count as reserve balances in banks whose stockholders are stockholders in the depositing bank.

Demand deposits are those payable within thirty days.

TRUST COMPANIES

25 % of demand deposits

10 % of time deposits

In the same manner as state banks.

United States bonds and loans secured by United States, State, County and Municipal bonds acceptable in lieu of deposits in banks.

COLORADO

Laws of 1913, Section 25.

Every bank, except savings banks, 20 % of its deposits.

Savings banks, 15 % of savings deposits and 20 % of its other deposits.

All banks shall hold 20 % of reserve in vault.

Remainder of reserve may be kept in other banks designated by the bank examiner, as reserve banks.

Every reserve bank in this state shall keep reserve of 25 % of total deposits. 20% in vaults. Remainder in banks approved by the bank examiner.

MISSOURI

See Federal Reserve District No. 8.

FEDERAL RESERVE DISTRICT NO. 10 Continued.

NEBRASKA

Session laws of 1913, Chapter 85

15 % of aggregate deposits,
1/3 in vaults.

In cities of more than 25,000:

20 % of total deposits,
2/5ths in vault.

Remainder in banks approved by Banking Board.

SAVINGS BANKS:

5 % of aggregate deposits in available funds.
Remainder in banks approved by Banking Board.

May become members of Federal reserve system.

WYOMING

Session laws of 1913, Chapter 4, Section 4032.

20 % of total deposits either in vault or in banks approved
by State Examiner.

TRUST COMPANIES

Laws of 1913, Chapter 105, Section 4):

10 % of its savings deposits in vault or in national banks
or in state banks in Wyoming.

NEW MEXICO

Session laws of 1915, Section 28, Chapter 67.

12 % of total deposits,
40 % of which shall be in vaults.

Remainder in Federal reserve bank or national banks or in
state banks with a capital of \$25,000 or more, designated as Reserve banks
by the Examiner.

FEDERAL RESERVE DISTRICT NO. 10 Continued.

OKLAHOMA

Session laws 1915, Chapter 58, Section 267.

In towns or cities of less than 2,500:

15 % of total deposits

2/3 rds may be due from banks approved by Commissioner.

1/3 rd in vaults.

Banks designated as reserve depositories:

20 % of total deposits in above proportions.

STRICTLY SAVINGS BANKS

10 % of deposits in vault,

10 % in U.S., State, County, School or Municipal bonds of
Oklahoma worth not less than par.

No provision seems to be made for banks in cities of
more than 2,500.

FEDERAL RESERVE DISTRICT NO. 11.

TEXAS

Sayles Statutes 1914, Vol. 1, Article 377.

Every banking corporation shall keep as reserve:

25 % of demand deposits

10 % in vault,

15 % in bank, State or National, approved by Commissioner

having capital of \$50,000 or more. Deposits in any one bank shall not exceed 20 % of the total deposits, capital and surplus of depositing bank.

SAVINGS BANKS

Article 406.

15 % of all assets, either in vaults or on deposit with state or national banks approved by Commissioner with capital of \$50,000 or more, but not to exceed 20 % of total deposits, capital and surplus of such savings bank.

SAVINGS DEPARTMENT IN COMMERCIAL BANKS (Article 435)

15 % of all savings deposits in vault.

ARIZONA

Statutes of Arizona of 1913, Title 4, Article 293.

15 % of aggregate deposits

2/5ths in vaults,

3/5ths in other banks approved by Comptroller.

Savings banks are excepted from this requirement, but no other requirement concerning them is made.

LOUISIANA

See Federal Reserve District No. 6.

OKLAHOMA

See Federal Reserve District No. 10.

NEW MEXICO

See Federal Reserve District No. 10.

FEDERAL RESERVE DISTRICT NO. 12.

CALIFORNIA

Statutes of 1915, Section 20, Chapter 608.

COMMERCIAL BANKS

18 % of total deposits if located in a city of 100,000 or over.

15 % of total deposits if located in a city of 50,000 or over and less than 100,000.

12 % of total deposits if located elsewhere in the State,

2a

$\frac{1}{8}$ in vaults in gold, gold coin, US gold certificates, U S notes.

$\frac{1}{6}$ th in vaults, in any United States currency.

Remainder in vaults or with reserve depositaries.

Superintendent shall designate depositaries which shall be state banks or national banks in California. These depositaries in judicial townships and in cities of less than 50,000 shall keep reserve according to the requirements for banks in cities having a population of 50,000 or more and not less than 100,000.

Banks and national banks to be depositaries shall have capital and surplus :

\$250,000 if in a city of 300,000 or more,

200,000 if in a city of 100,000 or more, but less than 300,000

150,000 if in a city of 50,000 or more, but less than 100,000

100,000 if elsewhere in State.

Depositaries may be banking corporations with capital and surplus of \$1,000,000 or more located in New York, Chicago, Boston, St Louis or Philadelphia.

SAVINGS BANKS AND SAVINGS DEPARTMENTS

5% of total deposits

$2\frac{1}{2}$ % in vault,

$2\frac{1}{2}$ % either in vault or in United States bonds or in reserve

depositaries as designated above, except that no savings bank or savings department need keep in vault a larger reserve than \$400,000. Excess of this amount may be kept in reserve depositaries.

Not more than 5 % of total deposits may be deposited in any one bank, except with the consent of the Superintendent.

Not more than 15 % of total deposits shall be kept with all other banks, except with the consent of the Superintendent.

Savings banks can receive bank deposits only from other savings banks and such deposits shall count as reserve for the depositing bank only up to \$10,000.

Superintendent of banks has power to limit the amount deposited by one commercial bank with another commercial bank.

Banks may become members of the Federal reserve system.

ARIZONA

See Federal Reserve District No. 11.

IDAHO

Laws of 1911, Chapter 124, Section 39

Every bank and trust company shall have on hand 15 % of its aggregate deposits.

5 % in vaults, 9 % in solvent banks. Cash items not considered.

SAVINGS DEPARTMENTS IN TRUST COMPANIES

Chapter 187, Section 4, laws 1913.

5% in vaults of its savings deposits.

Any bank in this state is authorized to join the Federal reserve system and shall be subject to the reserve requirements of the Federal Reserve Act in substitution of the above state provisions.

NEVADA

Laws of 1912, paragraph 629, Section 14.

Every bank shall have on hand 15 % of entire deposits $\frac{2}{3}$ may be kept in solvent banks approved by examiner. $\frac{1}{3}$ in vaults.

Banks acting as reserve agents, keep as reserve 25 % of deposits, Above proportion.

STRICTLY SAVINGS BANKS OR TRUST COMPANIES

10 % of deposits on hand in available funds. $\frac{1}{2}$ may be kept with solvent banks.

All banks authorized to subscribe for and purchase stock of Federal reserve banks and become members of any Federal reserve bank.

UTAH

Laws of 1911, Section 23 to 25, Chapter 25,

Commercial banks shall have on hand lawful money equal to 15 % of deposits and demand liabilities.

1/8th in vault

7/8ths may be kept in solvent banks, other than savings banks.

In cities of 50,000 or more, reserve of 20 % shall be maintained in above proportions.

SAVINGS BANKS

10% of its deposit liabilities.

$\frac{1}{8}$ in vault.

$\frac{7}{8}$ may be kept in solvent banks, other than savings.

Banks having commercial and savings departments shall maintain a lawful money reserve for each department as above provided.

FEDERAL RESERVE DISTRICT NO. 12. Continued

WASHINGTON

Laws of 1915, Section 3343, Chapter 35.

Every bank and trust company shall have on hand available funds of 15 % of its total deposits.

May consist of balances with other solvent banks or cash as approved by state bank examiner.

OREGON

Laws of 1915, Section 4579. Chapter 285

Every State bank and all banks acting as reserve agents for Oregon state banks;

15 % of demand deposits and

10% of total time and savings deposits.

(Postal savings funds and U. S. deposits excepted.)

may be kept with other banks approved by Superintendent in vaults.

No bank with an unimpaired capital and surplus of less than \$75,000 can qualify as a reserve bank.

Permission is given all banks to join the Federal reserve system and shall be subject to the reserve requirements of the Federal Reserve Act in substitution of the above state provisions.