

d. A. B. Hephner
Chairman of the Board
Chase National Bank
NY
1914.

[See also NY State
Commission to Review
the Banking Law]

February 13, 1914.

A. B. Hepburn, Esq., Chairman,
No. 83 Cedar Street,
New York, N. Y.

Dear Sir:-

Having received Part 1 of Counsels' Draft of the Proposed Revision of the Banking Law on Wednesday, there was not time for me to read carefully the entire report so I will omit Articles 4 and 6 relating respectively to private bankers and savings banks, and I now respectfully submit the following suggestions in regard to the other sections of the report.

Page 8. The definition of aggregate demand deposits would exclude from deduction balances carried in foreign banks or bills held by foreign banks for account of New York State institutions under arrangements which enable the New York institutions to draw against such bills without mail advice. Balances in foreign banks and bills which are subject to immediate discount are in some respects a more important and available form of reserve than are balances in banks in this country, the value of such balances and bills being the ability in time of need to convert them into gold for import. I believe, therefore, that amounts due on foreign exchange, foreign balances and foreign bills which are subject to check by New York City institutions, should be allowed as a deduction from gross deposits in computing aggregate demand deposits, and in order to accomplish this I suggest the following addition to the language of the first paragraph on Page 8 - "All balances with foreign banks, including time bills of exchange or moneys on special deposit where the arrangements with the foreign banks enable demand drafts to be drawn against them" - The enclosed copy of a letter addressed to the State Bank Examiner of this district explains in some detail the object of the change suggested above.

Page 18. The paragraph at the top of the page provides for an annual pension to retired employees of the banking department. As I read the Bill this will be charged against banks and is not payable by the State Treasury. The question occurs to me as to whether it is desirable that any employee of the State should be retired on a pension the cost of which is assessed against any one class of corporations.

Page 26. The word "given" in the eleventh line is misspelled.

Page 27. The provision contemplated for licensing foreign corporations to do business in this State, subject to the supervision of the Department, makes no reference to the terms upon which such license may be issued. Instances may arise where other

states may impose burdens and restrictions upon New York institutions that desire to open offices for the transaction of business within those states. This may be particularly true of foreign countries, and as we are entering upon a new development of our banking business which may lead to a considerable extension of our banking machinery into foreign countries, it occurs to me that it may be wise to provide by this Act that such licenses shall be issued to the corporations of other States and countries with equal privileges and upon like terms to corporations of this State.

Page 28. Should the above suggestion be considered, paragraph 29 might be enlarged so that the Superintendent will be authorized to withdraw such licenses should adverse legislation by other States or foreign countries impose burdens upon New York State institutions which we do not impose upon the institutions of those States or countries.

Page 29. I suggest the use of the word "deficiency" in place of "encroachment" in sub-paragraphs A, B, C and D of paragraph 30.

Page 31. There are a number of priorities now established in this State by law. Paragraph 31 on page 30 makes no reference to other priorities such as the deposits of savings banks, trust funds, etc. Might it not be well to make clear that all deposits entitled to legal priority rank equally as between different classes of such priorities?

Page 34. Paragraph 37 - the words "if such corporation or banker" in the middle of this paragraph is not quite clear to me. Is there not some word omitted?

Page 35. Have you considered that the effect of this paragraph will be to restrict the larger trust companies in New York City, and specifically the Guaranty and the Bankers, in distributing their reserve deposits among two or three institutions? At the present time the Bankers Trust Company has on deposit with its various depositories \$59,500,000. of which \$12,000,000. is principally in foreign banks. If we are permitted to carry our reserve deposits only with the banks which comply with the provisions of this paragraph, we would be obliged to divide \$27,000,000. between the National City Bank, the National Bank of Commerce and the First National Bank. These three institutions alone have insufficient capital to qualify them as a reserve depository for the Guaranty Trust Company and the Bankers Trust Company.

After the Federal Act becomes operative the amount of cash reserves held in vault by member banks will be so materially reduced that we might thereafter be restricted from carrying our reserve accounts with one or more of the institutions named. This is an exceedingly important provision of the Law and I cannot help but feel that it would be a serious mistake to have it adopted in its present form.

Page 36. In the sixteenth line - should not the word "its" be "their". In this same paragraph, I suggest that the Committee consider whether it might not be wise to provide that such institutions shall be subject to no other examinations than those of the Banking Department.

Page 39. Fourth line from the top - is it wise to serve notice upon a clerk in the employ of a bank or banker?

Page 39. Paragraph 43, contemplates publishing separately a report of con-

dition of each bank, trust company or private or individual banker in Albany, although the word "summary" is used which would indicate that it is a form similar to the one published in pamphlet form by the Department. If it is a summary that is contemplated, should this sentence not read "within thirty days after the receipt of quarterly reports of banks, trust companies, private or individual bankers, the Superintendent, etc." ?

Page 40. The last sentence of paragraph 45, creates another priority which like comment to the above applies.

Page 47. Paragraph 56, seventh line - the word "by" is omitted after the word "licensed".

Page 50. Sub-paragraph C, the number of the section to which reference is made is omitted.

Page 50. Paragraph 59, I suggest a slight change in the language so that it will read as follows: "Whenever the Superintendent is entitled to take possession of any such corporation for any reason set forth in section 57".

Page 57. Paragraph 70, the same remarks regarding priorities apply to this paragraph.

Page 58. In second sentence I suggest that the word "leases" be included so that the Superintendent may lease real estate pending sale.

Page 60. I suggest the following change of language commencing eighth line from bottom of page - "but accepted claims shall be presented to the Supreme Court pursuant to section 78 of this Article for determination as to their priority of payment".

Page 61. Second paragraph, the six months time within which action may be commenced against the Superintendent, impresses me as being too short. I suggest a year.

Page 70. The word "specie, fourth line from bottom might exclude other lawful money. Should this not read "specie and lawful money" or would not the words lawful money include specie and all forms of reserve money?

Page 71. Sub-paragraph 5, would it not be desirable for the Superintendent to recommend amendments covering the banking law and the Penal Code? Many of the provisions of the Penal Code apply specifically to the Banking corporations.

Page 76. Sub-paragraph 6, there seems to be no limit mentioned as to the maximum number of directors authorized for a State bank although in the Trust Company section the directors are limited in number to 30.

Page 78. The word "corporation" in the first line is misspelled.

Page 89. Sub-paragraph 2 of paragraph 109, compels the amortization of investments by a fixed rule from which I cannot find that the Superintendent of Banks has any authority to depart by ruling or otherwise. This impresses me as being a very

dangerous practice and one which would seriously interfere with institutions which have bond departments and which must be permitted a certain degree of latitude in the work of carrying their investments on their books. It would require two sets of books and a large amount of extra work and some confusion. Furthermore, it seems to conflict with the rules as now developed by the Treasury Department under the Federal Income Tax law. It might, in fact, require the writing down of securities purchased at a premium which had actually increased in market value. The amortization is made applicable also to stocks which have no maturity date, and the rule of amortization provided in this paragraph would not apply to any security which did not have a fixed date of payment. Furthermore, many securities have more than one date of payment or optional dates of payment, etc. This paragraph, as I read it, would not permit a conservatively managed institution to figure its undivided profits upon the basis of the actual value of its assets. This may be remedied if the Committee so desires by two methods:

One - by giving the Superintendent of Banks authority by regulation to permit amortization and the other by the addition of the words "market value or their" between the words "their" and "present" in the seventh line of the second sub-paragraph. The latter suggestion I believe is preferable, and I earnestly recommend that further consideration be given to this matter before the Report is submitted in this form.

Page 91. Sub-paragraph B - the last three lines seem to contain a retro-active provision. I have not asked for a legal opinion upon this point but suggest that there may be objection to this language on the Constitutional grounds.

Page 92. Paragraph 112, banks in New York City which become members of the Federal Reserve System would seem to be required to maintain cash reserves in their vaults of 12%, but under the Federal Reserve Act they would be obliged in addition to carry a deposit reserve with the Federal Reserve Bank of 7%, so that State banks becoming members of the Federal Reserve System would carry 1% greater reserve than are required of national banks. This is not an important matter, of course, but to obtain the exact equality between State national banks would require a slight further modification of this paragraph. -

I have already submitted a memorandum on the subject of reserves which I will not repeat here.

Page 93. The last two lines of the first paragraph - "or any other form of currency authorized by the laws of the United States" would seem to include Federal Reserve notes. I have already submitted a memorandum in respect of this feature of the law to which I would like once more to refer. This will form the basis, and a most insidious one, for inflation in my opinion, and I would regret to see our State Law permit or encourage a tendency in this direction.

Page 106. Paragraph 126, provides for the submission of a statement describing the collateral to loans as of the date of the meeting. In a large institution this is almost a physical impossibility if such record is to be made a permanent record as contemplated by the Statute. I hope the Committee will see the wisdom of modifying this so that the record of collateral can be that of the close of business the second day previous to the day of the meeting, allowing one business day in which to prepare the reports.

Page 107. Paragraph 129 contains a provision the wisdom of which I believe is

undoubted. It does, however, make it the duty of the Examining Committee to obtain knowledge or information about matters which may not be disclosed at all by the Company's records, and I have some doubt as to whether it is safe to place such a responsibility upon a Committee under the language of this paragraph. Would the object to be accomplished not be made just as certain by requiring the directors to make special inquiry as to loans or collateral where the records of the Company disclosed that the officers or directors had interests? And then, make it the duty of the officers or directors of a trust company who apply for a loan or receive a loan, to disclose his interest in case it is one which would affect the judgment of the officers of the Company in making the loan.

Page 108. A somewhat similar comment would apply to the first complete paragraph on this page. How may the officers or directors of a bank or trust company know anything about the stock ownership of directors or officers unless it is voluntarily disclosed in most cases. The use of the word "known" in the fourth line possibly meets the criticism.

Page 109. Paragraph 132, the reports to the Superintendent in their complete form contain many long schedules which it has not been necessary to publish, and which it is, undoubtedly, not the intention of the Committee to require. If my surmise is correct, should not the words "a summary of" be inserted before the word "every" on the third line from the bottom.

Page 113. The number of the section is omitted, second line from the top.

Page 113. Paragraph 136, might not the provision at the foot of this page be in conflict with the statute of limitations as to certain causes of action?

Page 116. Last paragraph, this provision of the law has been discussed by a Committee of the Trust Companies Association of this State, of which I am a member, and we learn that strong objection has been made to a general prohibition of loans to officers by the trust companies and banks in the smaller cities and towns. The majority who have considered the matter feel that it was a mistake to permit loans by banks and trust companies to their own officers and I share that view. It is particularly objectionable in the smaller institutions where credits are more likely to be extended upon the authority of one officer who is the one directly affected by the transaction. I therefore wish to submit to the Committee the personal view which I hold that the law should prohibit loans by banking institutions to salaried officers of the institution but that it should permit loans to directors who are not salaried officers upon the approval of the directors. In this same paragraph, reference is made to the ownership or control of a majority of the stock of another corporation, and this is information it is difficult to obtain and would not be disclosed in many transactions unless the burden of disclosing it were placed upon the borrower. The word "control" is indefinite and broadly construed - might apply to a moral control rather than to a money control, and leaves this whole matter open to wide and various interpretation which I cannot help but feel is unwise.

Page 120. I suggest the addition of sub-paragraph "E" - to provide any such language as the Commission may deem wise that licenses to foreign banking corporations

be extended where similar licenses upon equal terms are extended to New York institutions.

Page 120. The last paragraph of section 143, would restrict banking institutions from making time loans for correspondents and from making any loans for corporations who were not engaged in the business of banking. I presume this has been carefully considered by the Commission. This is the kind of provision which is liable to be violated or avoided by subterfuge, and I doubt if the practice of making loans for manufacturing, commercial or transportation companies, would be controlled by this provision, and on the whole I am not sure that it is wise.

Page 120. The first line of paragraph 144, refers to the "applicant". Should this not describe more particularly the foreign corporations or else refer to the previous paragraph?

Page 122. The right of examination vested in the Superintendent of Banks, as elsewhere described in the law, specifies that he shall examine personally or by his deputies or examiners. Should this not be the language employed in this paragraph?

Page 165. Sub-paragraph 8; similar comments in respect of loans to officers and directors apply as above to this paragraph and the similar comment in regard to the majority of the stock or the interest of officers and employees in a corporation borrowing money.

Page 166. Paragraph 192; I presume the Commission's attention has been drawn to the fact that the Federal Reserve Act will undoubtedly result in a withdrawal of the deposit of Postal Savings funds from all depositaries which do not become members of the Federal Reserve System. There is nothing, however, in the New York State law to prevent Savings Banks in this State from depositing their funds with national banks that become members of the Federal Reserve System.

Page 167. Sub-paragraph 2 of paragraph 194; the remarks made above in regard to amortization apply equally to this paragraph.

Page 168. Sub-paragraph 4; the last sentence contains a misprint. Should it not read "any trust company which refuses, etc."?

Page 170. Sub-paragraph one; Trust Companies in the City of New York which become members of the Federal Reserve System would be required to keep 10% cash in vault and 7% with the Federal Reserve Bank, plus 1% which would be optional. This would be slightly different from that required of trust companies which do not become members of the Federal Reserve System.

Page 171. Similar remarks in regard to the use of Federal Reserve notes and reserves apply to this paragraph.

Page 182. Paragraph 208: I would strongly recommend the minimum number of directors for a trust company be reduced. In fact I can see no reason why the minimum should not be five as required for state banks.

Page 186. Similar remarks in regard to the record of collateral to be submitted to a meeting of the Board, apply to this paragraph.

Page 190. Nineteenth line - should not the words "a summary of" be added before the word "every"?

Page 193. Last paragraph - similar remarks in regard to loans to officers and directors apply here.

Page 194. Paragraph 233 - in this paragraph as elsewhere in the Law, it seems to me that the terms upon which foreign corporations may open offices in this State should be substantially equal to institutions in this State desiring to open offices in other States or foreign countries.

Part 1 of the Committee's report does not include that portion of the Banking law applying to the merger of trust companies. There are a number of important modifications of the law in that particular respect which should be considered, and I trust to have opportunity to read what is proposed by the Commission.

In conclusion, permit me to express my very strong admiration of the character of work that has been done by the Commission. A revision of the whole banking Law has long been necessary and only by much personal sacrifice of time by busy men could it have been accomplished, and I feel that every institution in the State is under a great obligation to those gentlemen who have been willing to undertake the office.

Yours very truly,

BS-A

* Referring again to paragraph 192, Page 166 - the proposed withdrawal of Postal Savings deposits from State institutions which do not become members of the Federal Reserve System is simply a means of coercion applied by the Federal Act. Many institutions have qualified by purchasing large amounts of bonds and will find it impossible to become member banks until State laws are modified. It seems as though this might be the opportunity by amendments to the State law to bring a little pressure upon our Washington friends to withhold a radical treatment of State institutions which now have Postal Savings fund accounts.

The Chase National Bank

A. Barton Hepburn.
CHAIRMAN OF THE BOARD.

New York August 5th, 1914

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Benjamin Strong, Jr., Esq.,
c/o Bankers Trust Company,
14 Wall Street,
New York City.

My dear Ben:

I enclose two telegrams from John Mitchell.
I have wired him that I did not think any additional
legislation was necessary, but he thinks it a good
time for the Trust Companies to score, and I told
him I would put the matter up to you.

Very truly yours,



COPY

Aug. 5th,

A. B. Hepburn,

CHASE

We have been in telephonic communication with Secretary McAdoo this AM. We asked if the limit could not be taken off of amount Vreeland currency Banks could take out subject to Secretary's consent so as to enable Trust Companies and State Banks whose deposits are greater than the National Bank; the Banks to get currency through the National Banks. He answered rest assured if the occasion demands the limit will be removed. This is important. Better follow it up in New York through Trust Companies.

J. J. Mitchell

AUG 21 1914

COPY

COPY

Aug. 5th,

A. B. Hepburn

CHASE

How does the general financial situation look to you this morning? I was in hopes Congress would not make a limitation to Aldrich-Vreeland currency leaving the amount discretionary with secretary of the Treasury, in doing this it would enable Trust Companies and State banks to get what they needed through their national banks. Do you think this could be put up to McAdoo by the New York Trust Companies. I think it most important.

J. J. Mitchell.

COPY

5 Holly, W. P.
Chase National Bank
+
Secretary
Cotton Loan Committee
1914-1916

235

GOLD FUND COMMITTEE

NEW YORK CLEARING HOUSE BUILDING

77 CEDAR STREET

ALBERT H. WIGGIN, CHAIRMAN.
WILLIAM WOODWARD.
JAMES S. ALEXANDER.
FRANCIS L. HINE.
BENJAMIN STRONG, JR.
FRANK A. VANDERLIP.
JAMES N. WALLACE.

NEW YORK, November 13, 1914.

W. P. HOLLY,
SECRETARY.

Benjamin Strong, Jr., Esq.,
c/o Federal Reserve Bank,
62 Cedar Street,
New York City.

Dear Sir:

At the call of the Chairman, a meeting of the Gold Fund
Committee will be held to-day, Friday, November 13, 1914, at 3:30
P. M. at the New York Clearing House.

Yours very truly,



Secretary.

23

GOLD FUND COMMITTEE

NEW YORK CLEARING HOUSE BUILDING

77 CEDAR STREET

ALBERT H. WIGGIN, CHAIRMAN.
WILLIAM WOODWARD.
JAMES S. ALEXANDER.
FRANCIS L. HINE.
BENJAMIN STRONG, JR.
FRANK A. VANDERLIP.
JAMES N. WALLACE.

NEW YORK, November 16, 1914.

W. P. HOLLY.
SECRETARY.

Benjamin Strong, Jr., Esq.,
c/o Federal Reserve Bank,
62 Cedar Street,
New York City.

Dear Sir:

At the call of the Chairman, a meeting of the Gold Fund Committee will be held to-day, Monday, November 16, 1914, at 3:30 P. M. at the New York Clearing House.

Yours very truly,



Secretary.

235

GOLD FUND COMMITTEE

NEW YORK CLEARING HOUSE BUILDING

77 CEDAR STREET

ALBERT H. WIGGIN, CHAIRMAN.
WILLIAM WOODWARD.
JAMES S. ALEXANDER.
FRANCIS L. HINE.
BENJAMIN STRONG, JR.
FRANK A. VANDERLIP.
JAMES N. WALLACE.

NEW YORK, November 17th, 1914.

W. P. HOLLY,
SECRETARY.

Benjamin Strong, Jr., Esq.,
c/o Federal Reserve Bank,
62 Cedar Street,
New York City

Dear Sir:

At the call of the Chairman a meeting of
the Gold Fund Committee will be held at the New York
Clearing House at 3:30 P.M., Wednesday, November 18th,
1914.

Yours very truly,



Secretary.

23

GOLD FUND COMMITTEE

NEW YORK CLEARING HOUSE BUILDING

77 CEDAR STREET

ALBERT H. WIGGIN, CHAIRMAN.
WILLIAM WOODWARD.
JAMES S. ALEXANDER.
ANCIS L. HINE.
BENJAMIN STRONG, JR.
FRANK A. VANDERLIP.
JAMES N. WALLACE.

NEW YORK, November 24, 1914.

W. P. HOLLY,
SECRETARY.

Benjamin Strong, Jr., Esq.,
c/o Federal Reserve Bank,
62 Cedar Street,
New York City.

Dear Sir:

At the call of the Chairman, a meeting of the Gold Fund Committee will be held at the office of the Chase National Bank, 83 Cedar Street, to-day, Tuesday, November 24, 1914, at 5:00 P. M.

Yours very truly,



Secretary.

COTTON LOAN FUND

CENTRAL COMMITTEE.

W. G. MCADOO, CHAIRMAN, WASHINGTON, D. C.
J. S. WILLIAMS, WASHINGTON, D. C.
CHARLES S. HAMLIN, WASHINGTON, D. C.
PAUL M. WARBURG, WASHINGTON, D. C.
A. DELANO, WASHINGTON, D. C.
W. P. G. HARDING, WASHINGTON, D. C.
A. C. MILLER, WASHINGTON, D. C.

NEW YORK CLEARING HOUSE

77 CEDAR STREET

COTTON LOAN COMMITTEE.

W. P. G. HARDING, CHAIRMAN, WASHINGTON, D. C.
PAUL M. WARBURG, WASHINGTON, D. C.
ALBERT H. WIGGIN, NEW YORK, N. Y.
JAMES S. ALEXANDER, NEW YORK, N. Y.
JAMES B. FORGAN, CHICAGO, ILL.
FESTUS J. WADE, ST. LOUIS, MO.
LEVI L. RUE, PHILADELPHIA, PA.
WILLIAM A. GASTON, BOSTON, MASS.

W. P. HOLLY,
SECRETARY.

NEW YORK, November 24, 1914.

Benjamin Strong, Jr., Esq.,
c/o Federal Reserve Bank,
62 Cedar Street,
New York City.

Dear Sir:

Please find enclosed copy of minutes of meeting of Cotton Loan Committee held at the Federal Reserve Bank on November 20th, 1914.

You will receive, under separate cover, a loose-leaf portfolio marked with your name. Please be good enough to advise its receipt. Minutes of the various meetings of the Committee, prepared for insertion in this portfolio, will be forwarded to you from time to time.

Yours very truly,



Secretary.

It is proposed to create a fund of approximately \$133,333,000. to be divided into subscriptions of two classes: Class "A" subscribers to the extent of \$100,000,000. to consist of banks, firms, corporations or individuals located in states other than cotton producing states, and Class "B" subscribers to the extent of approximately \$33,333,000. to consist of banks and bankers located in the cotton producing states of Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Texas and Tennessee.

Class "A" subscribers shall receive a participation certificate for monies paid into the fund entitling such subscriber to share in the distribution of the proceeds of such fund; the certificate to be a first lien on all monies or assets of the fund including the monies received from the Guarantee Fund hereinafter provided, and to be retired in full before any of the Class "B" certificates shall be retired.

Class "B" subscribers shall consist of those who forward applications for loans and are prepared to provide 25% of the amount of such loans and shall receive a participation certificate entitling them to share in the distribution of funds and assets of the Fund after the claims of Class "A" subscribers have been paid and satisfied.

All certificates shall bear interest at the rate of six per cent per annum, payable quarterly.

The Fund shall be administered under the direction of a committee to be known as the Central Committee which shall be composed of the members of the Federal Reserve Board. The Central Committee shall appoint a sub-committee for the general administration of the Fund, to be known as the Administration Committee, to consist of the following:

W. P. G. Harding, Chairman, Washington, D. C.
Paul M. Warburg, Washington, D. C.
Col. E. M. House, Austin, Texas.
R. H. Stewart, Dallas, Texas.
Henry Walters, Wilmington, N. C.
Albert H. Wiggin, New York
James S. Alexander, New York.
James B. Forgan, Chicago, Ill.
Festus J. Wade, St. Louis, Mo.
Levi L. Rue, Philadelphia, Pa.
Wm. A. Gaston, Boston, Mass.
G. Gunby Jordan, Columbus, Ga.

The Administration Committee shall appoint committees from each of the cotton producing states above named to be known as the State Committees, and each State Committee shall appoint local committees in sufficient number to safeguard the interests of the plan.

Applications for loans shall be made through bankers (who will subscribe to Class "B" certificates to the extent of 25% of the amount of such applications) and shall be approved by the Local Committee and by the State Committee, and by two members of either the Central or the Administration Committee.

After applications have been approved as above, loans will be forwarded to the New York depository of the Fund with instructions as to disposition of proceeds. 75% of the amount of each loan shall be provided by Class "A" subscribers, and 25% by Class "B" subscribers. Each loan shall be accompanied by a New York draft of the bank through which application is made to order of the New York depository in the amount of 25% of the loan, to be evidenced by the issue of a Class "B" certificate.

All ~~xxx~~ loans are to be against notes in form approved by the Administration Committee and secured by cotton; and for an amount not to exceed the value of such cotton on the basis of six cents per pound, middling, accompanied by receipts of approved warehouses and proper insurance policies.

At the making of each loan the borrower shall (in addition to providing the security as above specified) pay to the Administration Committee a sum equal to two per cent of the face value of the loan; such sum to be used as a mutual borrower's Guarantee Fund in the manner hereinafter specified.

The Guarantee Fund so created shall be used for the following purposes (1) to defray the expenses of administration; (2) to pay losses sustained, if any; (3) any balance shall be returned to the borrowers in the proportion of their contributions to the Guarantee Fund.

All cotton accepted as security for loans must be deposited in warehouses or buildings under the ownership and control of some firm, person or corporation other than the borrower; such cotton shall be properly insured and the Local and State Committees hereinbefore referred to, in approving such loans, shall pass upon the sufficiency of the warehouse receipts and the insurance, and shall be satisfied that such cotton is free from all liens except that created by the loans herein specified, and is of the grade or quality specified in the application. All warehouse charges and insurance premiums shall be borne by the borrower.

The Central Committee shall have full power to make such rules and regulations as it, in its judgment, may deem necessary for the carrying out of the purposes and the administration of the Fund, including the rejection of any application for loans.

Bankers eligible to subscribe for Class "B" certificates shall signify their intention to avail themselves of the privileges of this Fund and forward loan applications not later than January 15th 1915. All loans shall mature on or before January 15th 1916, provided, however, upon application of the original applicant, on behalf of the original borrower, such loans may be extended by the Central Committee for a further period not to exceed six months.

Calls for payment of subscriptions shall be made upon subscribers as nearly pro rata as possible, and in the event of application for the full amount not being received by January 15th 1915, the Fund shall be closed at the amount applied for and granted, and subscribers shall be released from further calls on account of their original subscriptions.

It is definitely understood that the subscriptions for \$100,000,000. to be represented by Class "A" certificates are contingent on the entire amount of \$100,000,000. being pledged.

GOLD FUND COMMITTEE

NEW YORK CLEARING HOUSE BUILDING

77 CEDAR STREET

ALBERT H. WIGGIN, CHAIRMAN.
WILLIAM WOODWARD.
JAMES S. ALEXANDER.
ANCIS L. HINE.
BENJAMIN STRONG, JR.
FRANK A. VANDERLIP.
JAMES N. WALLACE.

235
NEW YORK, November 30, 1914.

W. P. HOLLY,
SECRETARY.

Benjamin Strong, Jr., Esq.,
c/o Federal Reserve Bank,
62 Cedar Street,
New York City.

Dear Sir:

At the call of the Chairman, a meeting of the Gold Fund Committee will be held at the New York Clearing House to-day, Monday, November 30th, 1914, at 4:30 o'clock.

Yours very truly,



Secretary.

November 30th, 1914.

Dear Sir:

I beg to acknowledge receipt
of loose-leaf portfolio in connection with
the Cotton Loan Fund. Please accept my
thanks for same.

Very truly yours,

B.S. Jr.
Governor. *W.C.M.*

W. P. Holly, Esq.,
Secretary, Cotton Loan Fund,
77 Cedar Street, New York City.

B.S. Jr./VCM-2

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GOLD FUND COMMITTEE

NEW YORK CLEARING HOUSE BUILDING

77 CEDAR STREET

ALBERT H. WIGGIN, CHAIRMAN.
WILLIAM WOODWARD.
JAMES ALEXANDER.
FRANCIS L. HINE.
BENJAMIN STRONG, JR.
FRANK A. VANDERLIP.
JAMES N. WALLACE.

NEW YORK, December 3d, 1914.

W. P. HOLLY,
SECRETARY.

Benjamin Strong, Jr., Esq.,
c/o Federal Reserve Bank,
62 Cedar Street,
New York City.

Dear Sir:

At the call of the Chairman, a meeting of the
~~Gold Fund Committee~~ will be held at the New York Clearing
House at 3:30 P. M., to-day, Thursday, December 3d, 1914.

Yours very truly,



Secretary.

COTTON LOAN FUND

CENTRAL COMMITTEE.

W. G. MCADOO, CHAIRMAN, WASHINGTON, D. C.
J. S. WILLIAMS, WASHINGTON, D. C.
CHARLES S. HAMLIN, WASHINGTON, D. C.
PAUL M. WARBURG, WASHINGTON, D. C.
F. A. DELANO, WASHINGTON, D. C.
W. P. G. HARDING, WASHINGTON, D. C.
A. C. MILLER, WASHINGTON, D. C.

NEW YORK CLEARING HOUSE

77 CEDAR STREET

COTTON LOAN COMMITTEE.

W. P. G. HARDING, CHAIRMAN, WASHINGTON, D. C.
PAUL M. WARBURG, WASHINGTON, D. C.
ALBERT H. WIGGIN, NEW YORK, N. Y.
JAMES S. ALEXANDER, NEW YORK, N. Y.
JAMES B. FORGAN, CHICAGO, ILL.
FESTUS J. WADE, ST. LOUIS, MO.
LEVI L. RUE, PHILADELPHIA, PA.
WILLIAM A. GASTON, BOSTON, MASS.

W. P. HOLLY,
SECRETARY.

B.A. Jr.
DEC 8 1914

NEW YORK, December 5th, 1914.

Benjamin Strong, Jr., Esq.,
c/o Federal Reserve Bank,
New York City.

Dear Sir:

For your information I take the liberty of enclosing herewith copy of call for meeting of the Cotton Loan Committee in Washington on December 14, 1914; also copy of letter, under date of December 4th, 1914, sent by Mr. Harding to the Chairman of each State Committee.

Yours very truly,

W. P. G. Harding

Secretary.

7.2

COPY OF A LETTER SENT TO THE CHAIRMEN OF THE STATE LOAN COMMITTEES

COTTON LOAN FUND

BENJ. STRONG, Jr.
PERSONAL.

C O P Y

WASHINGTON, D. C.

December 4, 1914.

My dear Sir:

A conference will be held in Washington on Monday, December 14th, between the members of the Cotton Loan Committee and the chairmen of the State Loan Committees. Your attendance at this conference is earnestly desired, but in case you should be unable to come you are requested to designate some member of your committee to represent you. It is the wish of the Central Committee that the plan be put into operation as speedily as possible, and it is suggested that you call your committee together at once and appoint such number of local committees as you may deem necessary to represent your committee in the different towns of your state. It is hoped that this can be done before you come to Washington, as the object of the conference here is to bring about a discussion and thorough understanding of all the details deemed essential for the safe and efficient administration of the fund.

Very truly yours,

Chairman, Cotton Loan Committee.

COPY OF CALL SENT TO MEMBERS OF THE COTTON LOAN COMMITTEE

New York, Dec. 5th, 1914.

Dear Sir:

At the call of the Chairman, a meeting of the Cotton Loan Committee will be held at the Treasury Building, Washington, D. C., on Monday, December 14th, 1914, at which meeting the Chairman of the respective State Committees have been requested to be present. It is earnestly requested that you be present at this meeting either in person or by a duly authorized representative. In order that you may have definitely before you the importance of this meeting, I take the liberty of enclosing copy of letter, under date of December 4th, which Mr. Harding sent to the Chairman of each State Committee.

Yours very truly,

Secretary.

P. S. The hour of the meeting will be advised to you later.

BENJ. STRONG, Jr.
PERSONAL.

December 7th, 1914.

Dear Sir:

Enclosed herewith please find letter
from Mr. W. T. Crump, Cashier of the Bank of
Wagram, which is referred to you for answer.

Very truly yours,


Governor.

Mr. Wm. P. Holley,
Chase National Bank,
New York City.

VOM-5

BENJ. STRONG, JR.
PERSONAL.

December 7th, 1914.

Dear Sir:

Your favor of the third inst. is received. Mr. W. P. Holley of the Chase National Bank of New York is Secretary of the Cotton Loan Committee and your letter has been referred to him for reply.

Very truly yours,


Governor.

W. T. Crump, Esq.,
Care Bank of Wagram,
Wagram, North Carolina.

BSJr/VCH-3

COTTON LOAN FUND

CENTRAL COMMITTEE.

W. G. MCADOO, CHAIRMAN, WASHINGTON, D. C.
J. S. WILLIAMS, WASHINGTON, D. C.
CHARLES S. HAMLIN, WASHINGTON, D. C.
PAUL M. WARBURG, WASHINGTON, D. C.
F. A. DELANO, WASHINGTON, D. C.
W. P. G. HARDING, WASHINGTON, D. C.
A. C. MILLER, WASHINGTON, D. C.

NEW YORK CLEARING HOUSE

77 CEDAR STREET

COTTON LOAN COMMITTEE.

W. P. G. HARDING, CHAIRMAN, WASHINGTON, D. C.
PAUL M. WARBURG, WASHINGTON, D. C.
ALBERT H. WIGGIN, NEW YORK, N. Y.
JAMES S. ALEXANDER, NEW YORK, N. Y.
JAMES B. FORGAN, CHICAGO, ILL.
FESTUS J. WADE, ST. LOUIS, MO.
LEVI L. RUE, PHILADELPHIA, PA.
WILLIAM A. GASTON, BOSTON, MASS.

W. P. HOLLY,
SECRETARY.

BENJ. STRONG, Jr.
PERSONAL.

NEW YORK, December 7th, 1914.

Benjamin Strong, Jr., Esq.
c/o Federal Reserve Bank,
New York City

Dear Sir:

Enclosed please find copy of completed Plan for the Cotton Loan Fund containing approval of the Central Committee, and form of subscription, - the same having been duly prepared for insertion in the loose leaf folder previously sent you. Also please find enclosed, prepared as above, copy of minutes of meeting of the Central Committee of the Cotton Loan Fund held in Washington on December 4th, 1914, together with list of names of State Cotton Loan Committees referred to in the said minutes.

Yours very truly,

W. P. Holly

Secretary.

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GOLD FUND COMMITTEE

NEW YORK CLEARING HOUSE BUILDING

77 CEDAR STREET

ALBERT H. WIGGIN, CHAIRMAN.
WILLIAM WOODWARD.
JAMES ALEXANDER.
FRANCIS L. HINE.
BENJAMIN STRONG, JR.
FRANK A. VANDERLIP.
JAMES N. WALLACE.

NEW YORK, December 8th, 1914.

W. P. HOLLY,
SECRETARY.

BENJ. STRONG, JR.
PERSONAL.

Benjamin Strong, Jr.,
c/o Federal Reserve Bank,
New York City

Dear Sir:

Please find enclosed, prepared for insertion in minute book, copies of form letters and receipts used in connection with the repayment, under date of December 7th, 1914, of a third 10% of the first instalment to the respective subscribers to the Gold Fund.

Yours very truly,

W. P. Holly

Secretary.

COTTON LOAN FUND

NEW YORK CLEARING HOUSE

77 CEDAR STREET

CENTRAL COMMITTEE.

W. G. MCADOO, CHAIRMAN, WASHINGTON, D. C.
J. S. WILLIAMS, WASHINGTON, D. C.
CHARLES S. HAMLIN, WASHINGTON, D. C.
PAUL M. WARBURG, WASHINGTON, D. C.
F. A. DELANO, WASHINGTON, D. C.
W. P. G. HARDING, WASHINGTON, D. C.
A. C. MILLER, WASHINGTON, D. C.

COTTON LOAN COMMITTEE.

W. P. G. HARDING, CHAIRMAN, WASHINGTON, D. C.
PAUL M. WARBURG, WASHINGTON, D. C.
ALBERT H. WIGGIN, NEW YORK, N. Y.
JAMES S. ALEXANDER, NEW YORK, N. Y.
JAMES B. FORGAN, CHICAGO, ILL.
FESTUS J. WADE, ST. LOUIS, MO.
LEVI L. RUE, PHILADELPHIA, PA.
WILLIAM A. GASTON, BOSTON, MASS.

W. P. HOLLY,
SECRETARY.

BENJ. STRONG, JR.
PERSONAL.

NEW YORK, December 8th, 1914.

Benjamin Strong, Jr., Esq.,
c/o Federal Reserve Bank,
62 Cedar Street,
New York City.

Dear Sir:

Referring further to my letter of the 5th instant,
I beg to advise you that the meeting of the Cotton Loan Com-
mittee at the Treasury Building, Washington, D. C., on Monday,
December 14th, 1914, will be held at Chairman Harding's office
at 11:00 A. M.

Yours very truly,



Secretary.

BENJ. STRONG, JR.
PERSONAL.

December 8th, 1914.

Dear Sirs:

Receipt is hereby acknowledged of copy of
call for meeting of the Cotton Loan Committee in
Washington on December 14th, also, copy of letter
sent by Mr. Harding to the Chairman of each State
Committee.

Thanking you for same, I am,

Very truly yours,

Governor.

Cotton Loan Fund,
New York Clearing House,
77 Cedar Street,
New York City.

VCM

741

COTTON LOAN FUND

NEW YORK CLEARING HOUSE

CENTRAL COMMITTEE.

W. G. MCADOO, CHAIRMAN, WASHINGTON, D. C.
J. S. WILLIAMS, WASHINGTON, D. C.
CHARLES S. HAMLIN, WASHINGTON, D. C.
P. M. WARBURG, WASHINGTON, D. C.
F. A. DELANO, WASHINGTON, D. C.
W. P. G. HARDING, WASHINGTON, D. C.
A. C. MILLER, WASHINGTON, D. C.

77 CEDAR STREET

COTTON LOAN COMMITTEE.

W. P. G. HARDING, CHAIRMAN, WASHINGTON, D. C.
PAUL M. WARBURG, WASHINGTON, D. C.
ALBERT H. WIGGIN, NEW YORK, N. Y.
JAMES S. ALEXANDER, NEW YORK, N. Y.
JAMES B. FORGAN, CHICAGO, ILL.
FESTUS J. WADE, ST. LOUIS, MO.
LEVI L. RUE, PHILADELPHIA, PA.
WILLIAM A. GASTON, BOSTON, MASS.

W. P. HOLLY,
SECRETARY.

BENJ. STRONG, JR.
PERSONAL.

NEW YORK, December 8th, 1914.

Benjamin Strong, Jr., Esq.,
Governor, Federal Reserve Bank,
New York City.

Dear Sir:

I beg to acknowledge yours of the 7th instant enclosing a letter from Mr. W. T. Crump, Cashier of the Bank of Wagram, Wagram, N. C., and in accordance with your request we have today written that institution in answer to their inquiry.

Yours respectfully,



Secretary.

TO THE BOARD OF DIRECTORS OF THE FEDERAL RESERVE BANK OF ST. LOUIS
FROM THE BOARD OF DIRECTORS OF THE FEDERAL RESERVE BANK OF NEW YORK
SUBJECT: [Illegible]

RECEIVED

DEC 9 1914 8 59 AM
FEDERAL RESERVE BANK
OF NEW YORK

RECEIVED
DEC 9 1914 8 59 AM
FEDERAL RESERVE BANK
OF NEW YORK

W. C. MILLER, Chairman
M. B. C. HARRING, Secretary
E. A. DEGEN, Treasurer
J. W. MURPHY, Director
C. H. B. HARRIS, Director
T. E. MILLER, Director
M. B. C. HARRING, Director

ST. LOUIS BOARD

11 CEDAR STREET
NEW YORK OFFERING HOUSE
COTTON LOAN FUND

WILLIAM A. DAVENPORT, Chairman
GEORGE T. HILL, Secretary
LESLIE J. WARD, Treasurer
JAMES E. BOWMAN, Director
JAMES E. VICKHART, Director
ALBERT H. MASON, Director
DAVID H. MURPHY, Director
M. B. C. HARRING, Director

COTTON LOAN COMMITTEE

BENJ. STRONG, Jr.
PERSONAL.

CENTRAL COMMITTEE.

W. G. MCADOO, CHAIRMAN, WASHINGTON, D. C.
J. S. WILLIAMS, WASHINGTON, D. C.
CHARLES S. HAMLIN, WASHINGTON, D. C.
P. M. WARBURG, WASHINGTON, D. C.
F. A. DELANO, WASHINGTON, D. C.
W. P. G. HARDING, WASHINGTON, D. C.
A. C. MILLER, WASHINGTON, D. C.

COTTON LOAN FUND

NEW YORK CLEARING HOUSE

77 CEDAR STREET

COTTON LOAN COMMITTEE.

W. P. G. HARDING, CHAIRMAN, WASHINGTON, D. C.
PAUL M. WARBURG, WASHINGTON, D. C.
ALBERT H. WIGGIN, NEW YORK, N. Y.
JAMES S. ALEXANDER, NEW YORK, N. Y.
JAMES B. FORGAN, CHICAGO, ILL.
FESTUS J. WADE, ST. LOUIS, MO.
LEVI L. RUE, PHILADELPHIA, PA.
WILLIAM A. GASTON, BOSTON, MASS.

W. P. HOLLY,
SECRETARY.

NEW YORK, December 11th, 1914.

Benjamin Strong, Jr.,
c/o Federal Reserve Bank,
New York City

Dear Sir:

Please find enclosed the following documents prepared
for insertion in Cotton Loan Fund loose-leaf portfolio previously
sent you:

Minutes of meeting of Central Committee held on December
9th, 1914.

Minutes of meeting of Central Committee held on December
10th, 1914.

In a single binding, copies of the following: form of
application for loan; form of agreement and Class "B" subscription
for bank or banker through whom application is forwarded; form for
approval of Local and State Committees; and form of completed Plan
for Cotton Loan Fund.

Copy of circular of advice to State and Local Committees.

Copy of form of note prescribed by the Cotton Loan Committee.

Yours very truly,

W. P. Holly

Secretary.

BENJ. STRONG, JR.
PERSONAL.

741

COTTON LOAN FUND

NEW YORK CLEARING HOUSE BUILDING

77 CEDAR STREET

CENTRAL COMMITTEE.

W. G. MCADOO, CHAIRMAN, WASHINGTON, D. C.
J. S. WILLIAMS, WASHINGTON, D. C.
CHARLES S. HAMLIN, WASHINGTON, D. C.
PAUL M. WARBURG, WASHINGTON, D. C.
F. DELANO, WASHINGTON, D. C.
W. P. G. HARDING, WASHINGTON, D. C.
A. C. MILLER, WASHINGTON, D. C.

COTTON LOAN COMMITTEE.

W. P. G. HARDING, CHAIRMAN, WASHINGTON, D. C.
PAUL M. WARBURG, WASHINGTON, D. C.
ALBERT H. WIGGIN, NEW YORK, N. Y.
JAMES S. ALEXANDER, NEW YORK, N. Y.
JAMES B. FORGAN, CHICAGO, ILL.
FESTUS J. WADE, ST. LOUIS, MO.
LEVI L. RUE, PHILADELPHIA, PA.
WILLIAM A. GASTON, BOSTON, MASS.

W. P. HOLLY, SECRETARY.
RUSHMORE, BISBEE & STERN, COUNSEL

NEW YORK,

December 18th, 1914.

Benjamin Strong, Jr., Esq.,
c/o Federal Reserve Bank,
New York City.

Dear Sir:

Please find enclosed, duly prepared for insertion in portfolio, previously sent you, copy of minutes of meeting of the Cotton Loan Committee held at Washington, D.C. on December 14th, 1914, together with copies of exhibits referred to therein.

Please also find enclosed copies of minutes of meeting of the Central Committee held in Washington on December 16th, 1914, together with copy of list of the various Local Committees therein approved.

Yours very truly,

W. P. Holly

Secretary.

P.S. We also enclose copy of minutes of meeting of Central Committee held at Washington on December 18th, 1914.

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COTTON LOAN FUND

CENTRAL COMMITTEE.

W. G. MCADOO, CHAIRMAN, WASHINGTON, D. C.
J. S. WILLIAMS, WASHINGTON, D. C.
CHARLES S. HAMLIN, WASHINGTON, D. C.
PAUL M. WARBURG, WASHINGTON, D. C.
F. DELANO, WASHINGTON, D. C.
W. P. G. HARDING, WASHINGTON, D. C.
A. C. MILLER, WASHINGTON, D. C.

NEW YORK CLEARING HOUSE BUILDING

77 CEDAR STREET

COTTON LOAN COMMITTEE.

W. P. G. HARDING, CHAIRMAN, WASHINGTON, D. C.
PAUL M. WARBURG, WASHINGTON, D. C.
ALBERT H. WIGGIN, NEW YORK, N. Y.
JAMES S. ALEXANDER, NEW YORK, N. Y.
JAMES B. FORGAN, CHICAGO, ILL.
FESTUS J. WADE, ST. LOUIS, MO.
LEVI L. RUE, PHILADELPHIA, PA.
WILLIAM A. GASTON, BOSTON, MASS.

W. P. HOLLY, SECRETARY.

RUSHMORE, BISBEE & STERN, COUNSEL

BENJ. STRONG, JR.
PERSONAL.


NEW YORK, December 22d, 1914.

Benjamin Strong, Jr., Esq.,
c/o Federal Reserve Bank,
62 Cedar Street,
New York City.

Dear Sir:

Please find enclosed, duly prepared for insertion in your portfolio, copy of supplemental circular of advice to State and Local Committees; also copy of delegation of authority from the Central Committee to the Cotton Loan Committee.

Yours very truly,



Secretary.

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BENJ. STRONG, Jr.

PERSONAL.

ALBERT H. WIGGIN, CHAIRMAN.
WILLIAM WOODWARD.
JAMES S. ALEXANDER.
FRANCIS L. HINE.
BENJAMIN STRONG, JR.
FRANK A. VANDERLIP.
JAMES N. WALLACE.

GOLD FUND COMMITTEE

NEW YORK CLEARING HOUSE BUILDING

77 CEDAR STREET

NEW YORK, December 28th, 1914.

W. P. HOLLY,
SECRETARY.

Benjamin Strong, Jr., Esq.,
c/o Federal Reserve Bank,
New York City.

Dear Sir:

At the call of the Chairman, a meeting of the Gold Fund Committee will be held at the New York Clearing House at 3:00 P. M., Tuesday, December 29th, 1914.

Yours very truly,



Secretary.

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COTTON LOAN FUND

CENTRAL COMMITTEE.

W. G. MCADOO, CHAIRMAN, WASHINGTON, D. C.
J. S. WILLIAMS, WASHINGTON, D. C.
CHARLES S. HAMLIN, WASHINGTON, D. C.
P. M. WARBURG, WASHINGTON, D. C.
F. A. DELANO, WASHINGTON, D. C.
W. P. G. HARDING, WASHINGTON, D. C.
A. C. MILLER, WASHINGTON, D. C.

TREASURY BUILDING

COTTON LOAN COMMITTEE.

W. P. G. HARDING, CHAIRMAN, WASHINGTON, D. C.
PAUL M. WARBURG, WASHINGTON, D. C.
ALBERT H. WIGGIN, NEW YORK, N. Y.
JAMES S. ALEXANDER, NEW YORK, N. Y.
JAMES B. FORGAN, CHICAGO, ILL.
FESTUS J. WADE, ST. LOUIS, MO.
LEVI L. RUE, PHILADELPHIA, PA.
WILLIAM A. GASTON, BOSTON, MASS.

W. P. HOLLY,
SECRETARY.

BENJ. STRONG, JR.
PERSONAL.

WASHINGTON, D. C.

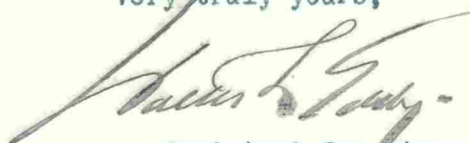
December 29, 1914.

R.A.H.
DEC 31 1914
Heu.

Dear Sir:-

I enclose herewith Mr. W. P. G. Harding's delegation of yourself
to act as proxy for him in connection with the administration of the Cot-
ton Loan Fund in New York.

Very truly yours,


Assistant Secretary.

Mr. Benjamin Strong, Jr.,
62 Cedar Street,
New York City.



741

COTTON LOAN FUND

NEW YORK CLEARING HOUSE BUILDING

77 CEDAR STREET

CENTRAL COMMITTEE.

W. G. MCADOO, CHAIRMAN, WASHINGTON, D. C.
 J. S. WILLIAMS, WASHINGTON, D. C.
 CHARLES S. HAMLIN, WASHINGTON, D. C.
 PAUL M. WARBURG, WASHINGTON, D. C.
 F. W. DELANO, WASHINGTON, D. C.
 W. P. G. HARDING, WASHINGTON, D. C.
 A. C. MILLER, WASHINGTON, D. C.

COTTON LOAN COMMITTEE.

W. P. G. HARDING, CHAIRMAN, WASHINGTON, D. C.
 PAUL M. WARBURG, WASHINGTON, D. C.
 ALBERT H. WIGGIN, NEW YORK, N. Y.
 JAMES S. ALEXANDER, NEW YORK, N. Y.
 JAMES B. FORGAN, CHICAGO, ILL.
 FESTUS J. WADE, ST. LOUIS, MO.
 LEVI L. RUE, PHILADELPHIA, PA.
 WILLIAM A. GASTON, BOSTON, MASS.

W. P. HOLLY, SECRETARY.
 RUSHMORE, BISBEE & STERN, COUNSEL

BENJ. STRONG, Jr.
 PERSONAL.

NEW YORK, December 30th, 1914.

Benjamin Strong, Jr., Esq.,
 c/o Federal Reserve Bank,
 New York City.

Dear Sir:

Please find enclosed, duly prepared for insertion in your portfolio, copy of minutes of meeting of the Central Committee held at Washington, D. C., on December 28th, 1914, together with list of Local Committees approved at the said meeting.

We also enclose copy of minutes of meeting of the Central Committee held at Washington, December 29th, 1914, at which meeting the Committee approved the designation of certain banks to act as custodians of warehouse receipts and insurance certificates in their respective States.

Yours very truly,

Secretary.

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COTTON LOAN FUND

CENTRAL COMMITTEE.

W. G. MCADOO, CHAIRMAN, WASHINGTON, D. C.
J. S. WILLIAMS, WASHINGTON, D. C.
CHARLES S. HAMLIN, WASHINGTON, D. C.
PAUL M. WARBURG, WASHINGTON, D. C.
F. W. DELANO, WASHINGTON, D. C.
W. P. G. HARDING, WASHINGTON, D. C.
A. C. MILLER, WASHINGTON, D. C.

NEW YORK CLEARING HOUSE BUILDING

77 CEDAR STREET

COTTON LOAN COMMITTEE.

W. P. G. HARDING, CHAIRMAN, WASHINGTON, D. C.
PAUL M. WARBURG, WASHINGTON, D. C.
ALBERT H. WIGGIN, NEW YORK, N. Y.
JAMES S. ALEXANDER, NEW YORK, N. Y.
JAMES B. FORGAN, CHICAGO, ILL.
FESTUS J. WADE, ST. LOUIS, MO.
LEVI L. RUE, PHILADELPHIA, PA.
WILLIAM A. GASTON, BOSTON, MASS.

W. P. HOLLY, SECRETARY.
RUSHMORE, BISBEE & STERN, COUNSEL

NEW YORK, January 2nd, 1915.

Benjamin Strong, Jr., Esq.,
c/o Federal Reserve Bank,
New York City

Dear Sir:

We have to advise you that the total of signed Class "A" subscriptions now in the hands of the Cotton Loan Committee exceeds \$100,000,000., and the Fund has therefore been declared operative. Telegraphic advice has been forwarded to the Chairman of each State Committee advising him of the fact that the Cotton Loan Committee is in a position to make loans upon receipts of applications in conformity with the provisions of the Plan. A detailed list making up the total of Class "A" subscriptions will be sent you for your records as soon as the Committee is in receipt of formal subscriptions covering the small balance still outstanding.

Yours very truly,

W. P. Holly
Secretary.

741

COTTON LOAN FUND

CENTRAL COMMITTEE.

W. G. MCADOO, CHAIRMAN, WASHINGTON, D. C.
J. S. WILLIAMS, WASHINGTON, D. C.
CHARLES S. HAMLIN, WASHINGTON, D. C.
PAUL M. WARBURG, WASHINGTON, D. C.
F. DELANO, WASHINGTON, D. C.
W. P. G. HARDING, WASHINGTON, D. C.
A. C. MILLER, WASHINGTON, D. C.

NEW YORK CLEARING HOUSE BUILDING

77 CEDAR STREET

COTTON LOAN COMMITTEE.

W. P. G. HARDING, CHAIRMAN, WASHINGTON, D. C.
PAUL M. WARBURG, WASHINGTON, D. C.
ALBERT H. WIGGIN, NEW YORK, N. Y.
JAMES S. ALEXANDER, NEW YORK, N. Y.
JAMES B. FORGAN, CHICAGO, ILL.
FESTUS J. WADE, ST. LOUIS, MO.
LEVI L. RUE, PHILADELPHIA, PA.
WILLIAM A. GASTON, BOSTON, MASS.

W. P. HOLLY, SECRETARY.
RUSHMORE, BISBEE & STERN, COUNSEL

NEW YORK, January 23rd, 1915.

Benjamin Strong, Jr., Esq.,
c/o Federal Reserve Bank,
62 Cedar Street,
New York City

BENJ. STRONG, JR.
PERSONAL.

Dear Sir:

Please find enclosed, duly prepared for insertion in your portfolio, copy of minutes of meeting of the Central Committee held at Washington, D.C. on January 6th, at which meeting the Committee approved certain additions and changes in regard to Local Committees for the State of Arkansas.

We also enclose, prepared as above, specimen of Class "A" and Class "B" certificates, together with a complete list of Class "A" subscriptions to the Fund, making up the total of \$101,036,100.

Yours very truly,



Secretary.

P.S. We also enclose copy of minutes of meeting of the Central Committee held at Washington, D.C. on January 7th, at which meeting the substitution of J. R. Scurlock for Joseph Wolf as a member of the Local Committee for Piggott, Ark., was approved.

GOLD FUND COMMITTEE

NEW YORK CLEARING HOUSE BUILDING

77 CEDAR STREET

ALBERT H. WIGGIN, CHAIRMAN.
WILLIAM WOODWARD.
JAMES S. ALEXANDER.
FRANCIS L. HINE.
BENJAMIN STRONG, JR.
FRANK A. VANDERLIP.
JAMES N. WALLACE.

NEW YORK, January 11th, 1915.

W. P. HOLLY,
SECRETARY.

Benjamin Strong, Jr., Esq.,
c/o Federal Reserve Bank,
New York City

Dear Sir:

At the call of the Chairman, a meeting of the Gold Fund Committee will be held at the New York Clearing House on Wednesday, January 13th, 1915, at 3:30 P.M.

Respectfully,



Secretary.

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GOLD FUND COMMITTEE

NEW YORK CLEARING HOUSE BUILDING

77 CEDAR STREET

BENJ. STRONG, JR.
PERSONAL.

ALBERT H. WIGGIN, CHAIRMAN.
WILLIAM WOODWARD.
JAMES S. ALEXANDER.
FRANCIS L. HINE.
BENJAMIN STRONG, JR.
FRANK A. VANDERLIP.
JAMES N. WALLACE.

NEW YORK, January 20th, 1915.

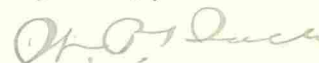
W. P. HOLLY,
SECRETARY.

Benjamin Strong, Jr., Esq.,
c/o Federal Reserve Bank,
New York City.

Dear Sir:

At the call of the Chairman, a meeting of the Gold Fund Committee will be held at the New York Clearing House, Friday, January 22d, 1915, at 3:00 P. M.

Yours very truly,



Secretary.

COTTON LOAN FUND

NEW YORK CLEARING HOUSE BUILDING

77 CEDAR STREET

CENTRAL COMMITTEE.

W. G. MCADOO, CHAIRMAN, WASHINGTON, D. C.
J. S. WILLIAMS, WASHINGTON, D. C.
CHARLES S. HAMLIN, WASHINGTON, D. C.
PAUL M. WARBURG, WASHINGTON, D. C.
F. A. DELANO, WASHINGTON, D. C.
W. P. G. HARDING, WASHINGTON, D. C.
A. C. MILLER, WASHINGTON, D. C.

COTTON LOAN COMMITTEE.

W. P. G. HARDING, CHAIRMAN, WASHINGTON, D. C.
PAUL M. WARBURG, WASHINGTON, D. C.
ALBERT H. WIGGIN, NEW YORK, N. Y.
JAMES S. ALEXANDER, NEW YORK, N. Y.
JAMES B. FORGAN, CHICAGO, ILL.
FESTUS J. WADE, ST. LOUIS, MO.
LEVI L. RUE, PHILADELPHIA, PA.
WILLIAM A. GASTON, BOSTON, MASS.

W. P. HOLLY, SECRETARY.
RUSHMORE, BISBEE & STERN, COUNSEL

NEW YORK, January 28th, 1915.

BENJ. STRONG, Jr.
PERSONAL.

Benjamin Strong, Jr., Esq.,
c/o Federal Reserve Bank,
New York City

Dear Sir:

Please find enclosed, duly prepared for insertion
in your portfolio, copy of minutes of meeting of the Central
Committee held at Washington, D.C. January 20th, at which meeting
the Committee approved the appointment of the Local Committee for
Shelbyville, Tenn.

Yours very truly,

W. P. G. Harding

Secretary.

241

BENJ. STRONG, Jr.
PERSONAL.

January 29, 1915.

W. P. Holly, Esq., Secretary,

Cotton Loan Fund,

77 Cedar Street, New York.

Dear Sir:-

I write to acknowledge receipt of your letter of January 28th with enclosure as stated, and also of your letter of January 23rd and the specimen certificates which came under separate cover.

Yours very truly,

Secretary.

JFC/LGE/2

741

COTTON LOAN FUND

NEW YORK CLEARING HOUSE BUILDING

77 CEDAR STREET

CENTRAL COMMITTEE.

W. G. MCADOO, CHAIRMAN, WASHINGTON, D. C.
J. S. WILLIAMS, WASHINGTON, D. C.
CHARLES S. HAMLIN, WASHINGTON, D. C.
PAUL M. WARBURG, WASHINGTON, D. C.
F. A. ELANO, WASHINGTON, D. C.
W. P. G. HARDING, WASHINGTON, D. C.
A. C. MILLER, WASHINGTON, D. C.

COTTON LOAN COMMITTEE.

W. P. G. HARDING, CHAIRMAN, WASHINGTON, D. C.
PAUL M. WARBURG, WASHINGTON, D. C.
ALBERT H. WIGGIN, NEW YORK, N. Y.
JAMES S. ALEXANDER, NEW YORK, N. Y.
JAMES B. FORGAN, CHICAGO, ILL.
FESTUS J. WADE, ST. LOUIS, MO.
LEVI L. RUE, PHILADELPHIA, PA.
WILLIAM A. GASTON, BOSTON, MASS.

W. P. HOLLY, SECRETARY.
RUSHMORE, BISBEE & STERN, COUNSEL

NEW YORK, February 24th, 1915.

Benjamin Strong, Jr., Esq.,
c/o Federal Reserve Bank,
New York City

Dear Sir:

I beg to enclose herewith copy of a memorandum of minutes adopted by the Cotton Loan Committee in connection with the closing of the Cotton Loan Fund; also certification to the effect that the form of approval incorporated in the said memorandum has been duly signed by all members of the Cotton Loan Committee.

Yours very truly,



Secretary.

Enc.

COTTON LOAN FUND

NEW YORK CLEARING HOUSE BUILDING

77 CEDAR STREET

CENTRAL COMMITTEE.

W. G. MCADOO, CHAIRMAN, WASHINGTON, D. C.
J. S. WILLIAMS, WASHINGTON, D. C.
CHARLES S. HAMLIN, WASHINGTON, D. C.
PAUL M. WARBURG, WASHINGTON, D. C.
F. A. DELANO, WASHINGTON, D. C.
W. P. G. HARDING, WASHINGTON, D. C.
A. C. MILLER, WASHINGTON, D. C.

COTTON LOAN COMMITTEE.

W. P. G. HARDING, CHAIRMAN, WASHINGTON, D. C.
PAUL M. WARBURG, WASHINGTON, D. C.
ALBERT H. WIGGIN, NEW YORK, N. Y.
JAMES S. ALEXANDER, NEW YORK, N. Y.
JAMES B. FORGAN, CHICAGO, ILL.
FESTUS J. WADE, ST. LOUIS, MO.
LEVI L. RUE, PHILADELPHIA, PA.
WILLIAM A. GASTON, BOSTON, MASS.

W. P. HOLLY, SECRETARY.
RUSHMORE, BISBEE & STERN, COUNSEL

NEW YORK, April 6th, 1916.

Benjamin Strong, Jr., Esq.,
c/o Federal Reserve Bank,
New York City.

Dear Sir:

For the completion of your records, I enclose herewith a copy of communication under date of April 4th, 1916, addressed by the Central Committee to Class "A" subscribers to the Cotton Loan Fund, notifying the latter that all of the Cotton Loans had been paid and that liability under subscriptions to the Fund had terminated.

Yours sincerely,



Secretary.

c) Weggen, A H

President

Class material

Boule

1914-1915.

BENJ. STRONG, JR.

PERSONAL. 207 31

New York Clearing House,

77-83 CEDAR STREET,

March 2d, 1914.

Dear Sir:

For your information please find copy of Correspondence between the Reserve Bank Organization Committee and the New York Clearing House Committee.

Respectfully,

WILLIAM SHERER,

Manager.

A. H. WIGGIN,

Chairman Clearing House Committee.

RESERVE BANK ORGANIZATION COMMITTEE

Washington, D. C.

February 6th, 1914.

Sir:—

Section 13, page 14, of the Federal Reserve Act provides, among other things, as follows:

"Upon the indorsement of any of its member banks, with a waiver of demand, notice and protest by such bank, any Federal reserve bank may discount notes, drafts, and bills of exchange arising out of actual commercial transactions; that is, notes, drafts, and bills of exchange issued or drawn for agricultural, industrial or commercial purposes, or the proceeds of which have been used, or are to be used, for such purposes, the Federal Reserve Board to have the right to determine or define the character of the paper thus eligible for discount, within the meaning of this Act."

It will be observed that the paper thus made eligible for rediscount is defined as that arising out of "actual commercial transactions. * * * the proceeds of which have been used, or are to be used, for such purposes."

The true definition of "commercial paper" or "commercial transactions" gives rise to a great difference of opinion on the part of bankers generally, and is susceptible of a very broad or very narrow interpretation. The point has been frequently raised, and insisted upon, that "commercial paper" in a purely technical sense should be construed to mean obligations which represent the purchase price of some commodity sold.

Attention has been called to the fact, however, that trade customs in the United States have developed along lines which would limit such paper to a proportionately small amount if this strict and technical interpretation were adopted.

In other words the established practice now appears to be that instead of the purchaser executing his note to the vendor for the whole or any part of the purchase price of the commodity sold, it has become customary, in order to obtain the benefit of cash discounts, for the purchaser to borrow directly from the banks and to use the proceeds of such loans to make the payment due the vendor. This being true, the question of identification of Commercial Paper presents some practical difficulties.

In the exercise of the power vested in the Federal Reserve Board to determine or define what shall be treated as "commercial paper" the Committee is of the opinion that the Board will desire to have before it the views of practical bankers so that the matter may be considered from all important standpoints.

With this in view, I am directed by the Committee to ask your Clearing House to give consideration to this provision of the law, and to submit on or before the first of March, 1914, a suggested definition of "commercial paper" and also to submit such suggestions or recommendations as to standard forms of Notes, Drafts, and Bills of Exchange covering the various kinds of commercial transactions as may seem to you advisable, to the end that there may be established, as far as possible, a uniform practice among all Federal Reserve and member banks with respect to the creation of the eligible paper provided for in the Federal Reserve Act.

The Bill furthermore provides, in section 16, page 19, as follows:

"The Federal Reserve Board shall make and promulgate from time to time regulations governing the transfer of funds and charges therefor among Federal reserve banks and their branches, and may at its discretion exercise the functions of a clearing house for such Federal reserve banks, or may designate a Federal reserve bank to exercise such functions, and may also require each such bank to exercise the functions of a clearing house for its member banks."

The Committee also directs me to request that you give consideration to this provision of the Act, and submit for its consideration suggested regulations governing the transfer of funds, and the charges therefor, among the Federal reserve banks and their branches, and also submit your views and suggestions as to how the Federal Reserve Banks themselves could best perform the clearing house functions contemplated in the Act.

Any suggestions that you may deem advisable to make in connection with these two provisions will receive consideration and be appreciated by the Federal Reserve Board.

Respectfully,

(Signed)

M. C. ELLIOTT,

Secretary, Reserve Bank Organization Committee.

President, New York Clearing House Ass'n, New York, N. Y.

New York Clearing House.

February 27, 1914.

M. C. ELLIOTT, ESQ.,

Secretary, Reserve Bank Organization Committee,
Washington, D. C.

Dear Sir:—

Your letter of the 6th instant, addressed to the President of the New York Clearing House Association, was submitted by him to the Clearing House Committee for their attention.

We have given careful consideration to the inquiries put by the Reserve Bank Organization Committee as set forth in your letter, and duly appreciate the importance of arriving at such definition of the character of paper eligible for discount by the Federal reserve banks as shall meet the requirements of the business of the country in respect of providing an elastic and stable currency, and, at the same time, provide a definite measure of security.

It is obvious that what the Organization Committee desires is not so much a technical, however accurate, definition of "commercial paper," or "commercial transactions," or "commercial purposes," as the same may be understood in the general sense by bankers or lawyers, but an expression of views as to how the Federal Reserve Board, acting within the powers conferred upon it by the Federal Reserve Act, shall "determine or define what shall be treated as commercial paper," eligible to discount, in order to carry out the true purpose of the Act.

The terms "commercial transactions" and "commercial purposes," in their broadest sense, would cover any transaction and any purpose connected with commerce. Commerce is not confined to the buying, selling or bartering of commodities, but is a term of large significance and, as was said by Mr. Justice Harlan, of the United States Supreme Court, "comprehends traffic, intercourse, trade, navigation, communication, the transit of persons, and the transmission of messages by telegraph—indeed every species of commercial intercourse * * which is carried on between man and man."

The purpose of the Federal Reserve Act is primarily "to furnish an elastic currency, to afford means of rediscounting commercial paper." That it was not intended that all paper that might by strict construction come within the general definition of commercial paper should be eligible for discount at a Federal reserve bank is made clear by the provisions of Section 13 of the Act, and especially by the clause excluding "notes, drafts or bills covering merely investments, or issued or drawn for the purpose of carrying or trading in stocks, bonds or other investment securities, except bonds and notes of the Government of the United States." It is unnecessary, therefore, to attempt to define commercial paper in its broadest sense. A fundamental requirement is that the paper shall be used not only in connection with the commerce of the country, but that it shall be either directly used in the purchase of commodities or that the proceeds shall be intended to be so used, so that it will have the presumptive security of the commodities, or the avails of a resale thereof, back of it. The custom in this country of sellers of commodities granting discounts for what are known as cash payments has resulted in the practical abandonment of former trade methods whereby the purchaser gave his note to the order of the seller in completion of the transaction, and in the establishment of the practice of bank borrowings by purchasers for the procurement of funds with which to discount their bills. Although such practice could not well be discontinued abruptly, nevertheless we deem it a matter of the utmost importance that there should be a general restoration of the former conditions in this respect. The use of acceptances abroad is a prime factor in the open discount market and a similar system should prevail in this country. The purpose of issue of that class of paper is apparent on its face; and as it retires itself automatically it is an efficient aid in making an elastic circulation. It is evident from the language of the Federal Reserve Act that the advantages of this system were appreciated, and we urge that every legitimate effort be made to encourage its general adoption. One aid to that end that suggests itself is the establishment of a difference in rates by the Federal reserve banks which would favor commercial paper of the class referred to. In the meantime, we realize that existing conditions must govern in the determination by the Federal Reserve Board of the character of paper that shall be eligible to discount by the Federal reserve banks. Having in mind the essential requirement of approximately liquid, or quickly marketable assets,

presumptively back of the paper, and the limitations expressed in the Act and its general purposes, we would suggest that promissory notes of each of the above mentioned classes, to be so eligible for discount, may be defined as follows:

(a) A written instrument, negotiable in form, made by a merchant or manufacturer, or a corporation engaged in either of such occupations, whereby the maker contracts to pay, at some fixed or determinable future time, a definite sum of money stated therein, for the procurement of funds to be used in payment for goods, wares or merchandise intended for resale in some form, but not in the form of real property, and not merely for investment; and which shall bear the endorsement of the payee; and which has not been issued for the purpose of carrying or trading in stocks, bonds or other investment securities; and which shall have a maturity in conformity with the requirements of the Federal Reserve Act.

(b) A written instrument, negotiable in form, whereby the maker contracts to pay, at some fixed or determinable future time, to the order of some merchant, manufacturer, farmer, dealer in live stock or agricultural products, or mine owner, or a corporation engaged in any such occupation, a definite sum of money stated therein, representing in whole or in part the purchase price of goods, wares or merchandise purchased by the maker from the payee, and intended for resale in some form, but not in the form of real property, and not merely for investment; and which shall bear the endorsement of the payee; and which shall not have been issued for the purpose of carrying or trading in stocks, bonds or other investment securities; and which shall have a maturity in conformity with the requirements of the Federal Reserve Act.

(c) A draft or bill of exchange, for the purposes of the Act, may be defined as:

An unconditional order in writing addressed by a merchant, manufacturer, farmer, dealer in live stock or agricultural products, or a mine owner, or a corporation engaged in any such occupation, to another person or corporation, signed by the person or corporation giving it, requiring the person or corporation to whom it is addressed to pay, at a fixed or determinable future time, a sum certain in money to order, and which shall have been accepted by the drawee, and shall have been drawn for the purchase price of goods, wares or merchandise sold by the drawer to the drawee and intended for resale in some form, but not in the form of real property, and not merely for investment; and shall not have been issued, drawn, or accepted for the purpose of carrying or trading in stocks, bonds or other investment securities; and which shall have a maturity in conformity with the requirements of the Federal Reserve Act.

(d) The usual and customary form of notes, drafts and bills of exchange which are directly secured by staple agricultural products, or other goods, wares or merchandise; and such as have been issued or drawn for the purpose of purchasing or of carrying or trading in bonds or notes of the Government of the United States, and which shall have a maturity in conformity with the requirements of the Federal Reserve Act.

The next question to consider is as to how the banker is to determine the qualification of the maker of the note, or the drawer of the draft or bill of exchange, and as to whether or not the paper is to be used for the purposes hereinabove specified. Although the requirement of endorsement by member banks seeking rediscount carries with it a contingent liability measured by the amount loaned thereon by the Federal reserve bank, nevertheless, it would obviously be placing too great a burden upon the member banks to require them to assume any other responsibility for all of these facts. We suggest, therefore, that a standard form of promissory note and draft or bill of exchange should be prepared which will contain representations on the part of the maker, and in some cases also of the payee, of the note, and of the drawer of the draft or bill of exchange, to cover these requirements, and that some penalty shall be provided by law for any false statement in these particulars.

We would suggest, merely by way of illustration, the following forms:

Form No. 1.

New York,191

\$.....

after date, the undersigned, for value received, promise to pay to.....
or order, at

..... Dollars.
The undersigned represents that (he, she or it) is a (merchant, or manufacturer, as the case may be) and that this promissory note is given for the procurement of funds to be used in payment for goods, wares or merchandise intended for resale in some form, but not in the form of real property, and not for investment nor for the purpose of carrying or trading in stocks, bonds or other investment securities.

Form No. 2.

New York,191

\$.....

after date, the undersigned, for value received, promise to pay to
or order, at

Dollars.

The undersigned and the above-named payee each represents that the said payee is a (merchant, or manufacturer, or farmer, etc., as the case may be), and that this promissory note is given for goods, wares or merchandise purchased by the maker from the payee, and intended for resale in some form, but not in the form of real property, and not for investment nor for the purpose of carrying or trading in stocks, bonds or other investment securities.

Form No. 3.

New York,191

\$.....

.....days after, pay
to the order of

Dollars,

value received, and charge the same to account of the undersigned who represents that (he, she or it) is a (merchant, or manufacturer, or farmer, etc., as the case may be), and that this bill of exchange has been drawn for the purchase price of goods, wares, or merchandise, sold by the drawer to the drawee and intended for resale in some form, but not in the form of real property, and not for investment nor for the purpose of carrying or trading in stocks, bonds or other investment securities.

To Messrs.

It may be urged that borrowers mingle their funds and ought not to be held accountable, therefore, for the strict application to the purpose specified of the particular moneys borrowed upon paper of the character designated. There are three answers to this: One, that the provision for penalties may be directed towards the intent at the time of the issuance of the paper; two, that inasmuch as it is necessary, in order to carry out the true purposes of the law, that commodities or their avails should actually be back of the rediscounted paper, merchants, manufacturers, etc., should be required to limit their use of paper of this character to the strict application to the purposes therein set forth, and should make a division of their funds and accounts accordingly; because, three, they can borrow for other legitimate purposes without making the representations required.

The subject of the exercise by the Federal Reserve Board of the functions of a clearing house for Federal reserve banks, and the exercise of like functions by the Federal reserve banks for their member banks, is one requiring careful study. The practical questions that enter into its solution are manifold. The necessity for prompt notice of dishonor of repudiated items in order that the parties interested may not suffer by delay, the tremendous amount of business cleared every day, and the fact that many State institutions are not and may never become members of the Federal reserve system, point to the necessity of the retention of the existing local clearing houses. Whether or not in the future conditions should so change that these institutions could be made departments of the Federal reserve banks is something that must await developments for its determination.

Very truly yours,

ALBERT H. WIGGIN,

Chairman, Clearing House Committee,
New York Clearing House Association.

The Chase National Bank

Albert H. Wiggin, PRESIDENT

New York September 15, 1914.

Personal

Benjamin Strong, Jr., Esq.,
C/o Bankers Trust Company,
New York City.

Dear Ben:

Yours of even date at hand.

I will do my best to get in touch with you tomorrow. Confidentially, the New York Committee is already appointed. It is the one that I suggested to you. In regard to the method of procedure I shouldn't think of reducing the amount. I think \$150,000,000. should be the minimum. Speaking without authority, I am satisfied the New York banks will do whatever their fair share is and I think this could be safely promised, the prorating of the fair share to be fixed after the Reserve Board posted itself as to the holding of gold of the reserve cities of the whole country. In other words, I would make it a matter entirely independent of the municipal financing and proceed on the basis that New York would take its full proportion.

The foreign exchange figures have changed somewhat since I saw you because of reports received from other banks. They are substantially all in now. I will show them to you in confidence if you find time to stop in the office.

I am perfectly willing to go to Washington, but it would be a little indelicate for the Chairman of the Clearing House Committee to go there unless the authorities ask him to. His visit might be misunderstood. I think, for you and for me, it is most important that the New York Clearing House maintain this position.

All in the strictest of confidence.

Yours sincerely,

AW

The Chase National Bank
NEW YORK

235

BERT H. WIGGIN, President

September 2d, 1914.

Dear Ben:

I have just received your letter of Monday this morning. I will have the figures in hand Thursday afternoon. I suggest you and I get together here at the bank, say at about four o'clock, Thursday. I am planning to take the night train, as I cannot get away early enough in the afternoon to get a decent train. Please advise.

I will try to get such figures as I think will be of use, and will appreciate it if you will let me know in advance what figures you think it would be well for us to have.

Yours sincerely,

He

Benjamin Strong, Jr., Esq.,
c/o Bankers Trust Company,
New York City.

The Chase National Bank
NEW YORK

ALBERT H. WIGGIN, President

September 19, 1914.

Benjamin Strong, Jr., Esq.,
c/o Bankers Trust Co.,
New York City.

Dear Ben:

I submit the enclosed for your approval.

I have confidence that yours will be better.

Yours sincerely,



New York Clearing House

77-83 Cedar Street,

New York.

September 19th, 1914.

William Sherer,
Manager.
William J. Gilpin,
Asst. Manager.

Benjamin Strong, Jr., Esq.,
c/o Bankers Trust Company,
New York City.

Dear Sir:

Acting for the Clearing House Association, and at the request of the Federal Reserve Board, the Clearing House Committee has appointed a Committee to represent the New York banks and trust companies and to co-operate with Committees from various other cities of the country in securing a pledge of a gold fund, and to assist in assembling and managing this fund for the purpose of relieving the present foreign exchange situation. You are earnestly requested to serve on such committee. Your associates will be:

Albert H. Wiggin,
William Woodward,
Francis L. Hine,
J. S. Alexander,
Frank A. Vanderlip.

I shall appreciate it if you will attend a meeting for organization and general discussion on Monday, September 21st, 3:30 P. M., at the New York Clearing House.

Yours sincerely,

Albert H. Wiggin

Chairman, Clearing House Committee.

6

SUGGESTED FORM OF LETTER TO NEW YORK BANKS AND TRUST COMPANIES.

September , 1914.

At the request of the Federal Reserve Board, the New York Clearing House Committee has appointed a Committee to represent the banks and trust companies of New York in securing the pledge of a gold fund of \$100,000,000. to relieve the present foreign exchange situation, and to aid in the assembling and administration of this fund. The undersigned, acting as such Committee, request your approval of the plan and your assistance.

The banking and commercial interests of this country are suffering from the chaotic condition of our international trade and banking arrangements. European credits are curtailed and foreign exchange in volume is unobtainable. It is of fundamental importance that the credit of the banks, corporations, firms and individuals of this country be maintained. (C)

Federal Reserve Board

The Directors of the Federal Reserve Bank of the United States recognize the serious situation and ask the co-operation of the entire country. The members of the Federal Reserve Board are Government Officers, and the membership of the Board includes the Secretary of the Treasury of the United States and the Comptroller of the Currency. The Federal Reserve Board, owing to the authority vested in it, is the organization best able to cope with this national situation, and proposes to request the banks in all the central reserve cities and reserve cities of the country to contribute to this gold fund, if it is evident that the banks of New York, Chicago, St. Louis, Boston and Philadelphia, where the largest supplies of gold are held, will co-operate.

The problem is a national one. The amount to be raised will be apportioned as the holdings of gold in the central reserve cities and reserve cities are to the whole, and the apportionment in New York will be made on a basis equitable to all. The success of the plan depends upon New York, and the ability of New York to do its share depends upon the willingness of each and every institution to help. Co-operate.

The proportion of the \$100,000,000 fund to be contributed by New York is \$45,000,000. Your share of this contribution based upon your holding of gold in proportion to the total holding of gold of the banks of this City will be \$. Will you advise this Committee promptly if we may count upon your co-operation and contribution in this matter. It will be provided that no bank will have more than 25% of its contribution in the fund at one time. As soon as the success of the plan is assured, we will post you further as to details.

Yours sincerely,

with their endorsement & recommendation
Submit this

in the proportion that

Share

2nd 10/20/14

SUGGESTED FORM OF LETTER TO NEW YORK BANKS AND TRUST COMPANIES.

September , 1914.

A plan for securing the pledge of a gold fund of \$100,000,000 to relieve the present foreign exchange situation has been formulated by a committee appointed at Washington on September 5th, at the conference of delegates from Clearing House associations of the various reserve and central reserve cities. This plan has received the approval of the Secretary of the Treasury and the unanimous approval of the Federal Reserve Board. In accordance with the recommendations so approved, the Clearing House Committee of the New York Clearing House Association, has appointed the undersigned a committee to represent the banks and trust companies of New York in securing the pledge of the amount proportioned to the institutions of this city, and to manage the transaction.

The banking and commercial interests of this country are suffering from the chaotic condition of our international trade and banking arrangements. European credits are curtailed and foreign exchange in volume is unobtainable. It is of fundamental importance that the credit of the banks, corporations, firms and individuals of this country be maintained. It is also imperative that our merchants and manufacturers be relieved of the expense and embarrassment now imposed upon them in settling their foreign accounts.

The Federal Reserve Board recognizes the serious situation and asks the co-operation of the entire country. The members of that Board are Government Officers, and the membership of the Board includes the Secretary of the Treasury of the United States and the Comptroller of the Currency. The Federal Reserve Board is best able to cope with this national situation, and proposes to submit this request, with their endorsement and recommendation, to the banks and trust companies in all the central reserve cities and reserve cities of the country to contribute to this gold fund, if it is evident that the banks of New York, Chicago, St. Louis, Boston and Philadelphia, where the largest supplies of gold are held, will co-operate.

The problem is a national one. The amount to be raised will be apportioned to each city in the proportion that the holdings of gold in the central reserve cities and reserve cities bear to the whole, and the apportionment in New York will be made on a basis equitable to all. The success of the plan depends upon New York, and the ability of New York to do its share depends upon the willingness of each institution to co-operate.

The proportion of the \$100,000,000 fund to be contributed by New York is \$45,000,000. Your share of this contribution based upon your holding of gold in proportion to the total holding of gold of the banks and trust companies of this City will be \$. Will you advise this Committee promptly if we may count upon your co-operation and contribution in this matter. It will be provided that no bank will have more than 25% of its contribution in the fund at one time. As soon as the success of the plan is assured, we will post you further as to details.

Yours sincerely,

WESTERN UNION TELEGRAPH COMPANY

INCORPORATED

25,000 OFFICES IN AMERICA.

CABLE SERVICE TO ALL THE WORLD

pany TRANSMITS and DELIVERS messages only on conditions limiting its liability, which have been assented to by the sender of the following message. can be guarded against only by repeating a message back to the sending station for comparison, and the Company will not hold itself liable for errors or delays in trans- delivery of Unrepeated Messages, beyond the amount of tolls paid thereon, nor in any case beyond the sum of Fifty Dollars, at which, unless otherwise stated below, this ssage has been valued by the sender thereof, nor in any case where the claim is not presented in writing within sixty days after the message is filed with the Company for transmission. This is an UNREPEATED MESSAGE, and is delivered by request of the sender, under the conditions named above.

THEO. N. VAIL, PRESIDENT

BELVIDERE BROOKS, GENERAL MANAGER

RECEIVED AT 711

W 125 NY 114 DH KIW

DA NEW YORK 19

20
1914 SEP 19 AM 11 25
10

9/19/14

BENJAMIN STRONG ESQ JR

CARE NEW WILLARD HOTEL WASHINGTON DC

I AM CALLING MEETING OF FOREIGN EXCHANGE COMMITTEE AT NEW YORK CLEARING HOUSE MONDAY SEPTEMBER TWENTY FIRST AT THREE THIRTY PLEASE PLAN TO BE THERE MOST IMPORTANT THAT YOU SHOULD IT WILL HELP TREMENDOUSLY IF WE HAVE A LETTER READY TO SUBMIT TO THIS COMMITTEE FOR THEIR APPROVAL ADDRESSING EACH BANK EXPLAINING THE SUBJECT AND ASKING THEIR CONSENT IMPORTANT THAT LANGUAGE OF OUR LETTER FOLLOW LANGUAGE OF REPORT OF FORGAN COMMITTEE AND ALSO LANGUAGE OF LETTER THAT FEDERAL RESERVE BOARD WILL SEND TO OTHER CITIES WONT YOU WORK OUT SUCH LETTER I WILL

WESTERN UNION TELEGRAM



711

1914 SEP 19 AM 11 25

GEORGE W. E. ATKINS, VICE-PRESIDENT

NEWCOMB CARLTON, PRESIDENT

BELVIDERE BROOKS, VICE-PRESIDENT

RECEIVED AT Wyatt Building, Cor. 14th and F Sts., Washington, D. C. ALWAYS OPEN

SEP 19 1914

DO THE SAME I WILL BE IN TOWN SUNDAY NIGHT IN CASE YOU
ARE IN TOWN PLEASE TELEPHONE ME AT MY APARTMENT

ALBERT H. WIGGIN.

11050

Copy of letter, original
of which was sent to C. S. Hamlin,
Governor, Federal Reserve Board
on October 27th, 1914.

235
COPY

COMMITTEE

4
Gold Fund Committee

rk, October 27th, 1914.

rd,
Washington, D. C.

Dear Governor:

The call for payment of the first instalment of subscription to capital stock of the Federal Reserve Bank of New York, which we received today from the Federal Reserve Board, issued by you as Governor, has been called to my attention, and it occurs to me, in behalf of the Gold Fund Committee, I should write you in regard to it.

In the paragraph instructing us as to the remittance, your circular letter makes the plain suggestion that if checks or drafts are to be used, arrangements should be made with the banks on which such drafts are drawn for the payment of the gold or gold certificates. You will recall clearly I think that, when the Gold Fund plan was made up and the question as to whether to ask banks in cities other than Reserve Cities to contribute was discussed, it was agreed that it was wise to stop with reserve cities, for the reason that all banks would be expected to make their gold payments to the Reserve Banks out of their own gold holdings. In fact, if you will review the letter sent out at the time the Gold Fund was arranged, you will see that this suggestion was put into words. I write at this time because we believe that the banks in many of the cities that contribute the Gold Fund are going to be greatly embarrassed by requests that payments be made and the gold supplied for the account of out of town banks. As we read the instructions, it is directly contrary to the understanding that we had when we used our efforts in the Gold Fund, which has resulted so successfully and been so beneficial to the interests of the country.

I should very much appreciate a word from you and the Board that will enable the Gold Fund Committee to appreciate the situation and the reason for the change. We all have many difficulties, but being chairman of the Gold Fund Committee is not the lightest of my duties at the moment. I should very much appreciate your co-operation.

Yours sincerely,

290 Albert H. Wessm
Chairman.

235
COPY

GOLD FUND COMMITTEE

New York, October 27th, 1914.

Hon. Charles S. Hamlin, Governor,
Federal Reserve Board,
Washington, D. C.

Dear Governor:

The call for payment of the first instalment of subscription to capital stock of the Federal Reserve Bank of New York, which we received today from the Federal Reserve Board, issued by you as Governor, has been called to my attention, and it occurs to me, in behalf of the Gold Fund Committee, I should write you in regard to it.

In the paragraph instructing us as to the remittance, your circular letter makes the plain suggestion that if checks or drafts are to be used, arrangements should be made with the banks on which such drafts are drawn for the payment of the gold or gold certificates. You will recall clearly I think that, when the Gold Fund plan was made up and the question as to whether to ask banks in cities other than Reserve Cities to contribute was discussed, it was agreed that it was wise to stop with reserve cities, for the reason that all banks would be expected to make their gold payments to the Reserve Banks out of their own gold holdings. In fact, if you will review the letter sent out at the time the Gold Fund was arranged, you will see that this suggestion was put into words. I write at this time because we believe that the banks in many of the cities that contribute the Gold Fund are going to be greatly embarrassed, by requests that payments be made and the gold supplied for the account of out of town banks. As we read the instructions, it is directly contrary to the understanding that we had when we used our efforts in the Gold Fund, which has resulted so successfully and been so beneficial to the interests of the country.

I should very much appreciate a word from you and the Board that will enable the Gold Fund Committee to appreciate the situation and the reason for the change. We all have many difficulties, but being chairman of the Gold Fund Committee is not the lightest of my duties at the moment. I should very much appreciate your co-operation.

Yours sincerely,

Edw Albert H. Weissen
Chairman.

GOLD FUND COMMITTEE

NEW YORK CLEARING HOUSE BUILDING

77 CEDAR STREET

ALBERT H. WIGGIN, CHAIRMAN.
WILLIAM WOODWARD.
JAMES S. ALEXANDER.
FRANCIS L. HINE.
BENJAMIN STRONG, JR.
FRANK A. VANDERLIP.
JAMES N. WALLACE.

NEW YORK, Nov. 24th, 1914.

W. P. HOLLY,
SECRETARY.

Benjamin Strong, Jr., Esq.,
c/o Federal Reserve Bank of New York,
62 Cedar Street, New York City.

Dear Ben:

Yours of the 23rd in regard to the Gold Fund Committee received. I suppose this is a matter that should properly be handled by the Sub-Committee in charge of the exchange purchases and sales. I will turn it over to them.

Yours sincerely,

Albert H. Wiggin
Chairman.

GOLD FUND COMMITTEE

NEW YORK CLEARING HOUSE BUILDING

77 CEDAR STREET

ALBERT H. WIGGIN, CHAIRMAN.
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BENJAMIN STRONG, JR.
FRANK A. VANDERLIP.
JAMES N. WALLACE.

W. P. HOLLY,
SECRETARY.

NEW YORK, January 6th, 1915.

BENJ. STRONG, JR.
PERSONAL.

R.A.H.
JAN 9 1915

Benjamin Strong, Jr., Esq.,
c/o Federal Reserve Bank of New York,
62 Cedar Street,
New York City.

Dear Ben:

I think it is evident that in the near future the Gold Fund Committee will conclude that it is advisable to make some statement to the various participants as to the status of the Gold Fund and possibly give some reason for keeping it alive. I should very much appreciate it if you would draw up some such statement as you think it would be advisable to send out. We spoke of this some days ago. I am only putting it before you in writing so that it will not escape your memory.

With thanks in anticipation,

Yours sincerely,

W.P.H.

BENJ. STRONG, Jr.
PERSONAL.

January 9th, 1915.

Dear Albert:

The enclosed memorandum may suggest a few ideas for the circular letter to be sent to the contributors to the Gold Fund. This is a very hasty dictation and possibly we should discuss it before making use of any part of it.

Very truly yours,

Albert H. Wiggin, Esq.,
Chairman, Gold Fund Committee,
Chase National Bank,
New York City.

BSJr/VCM-3

BENJ. STRONG, Jr.
PERSONAL.

January 9th, 1915.

Dear Albert:

I wrote Mr. Warburg following my
conversation with you and his reply is as fol-
lows:

"Let me add that I am entirely in
accord with your suggestion of keeping the
Gold Fund Committee together. In times
like these, it is never advisable to let
any fire engine get out of commission. No-
body can tell in advance how many we shall
need and at what time."

Very truly yours,

Albert H. Wiggin, Esq.,
Chairman, Gold Fund Committee,
Chase National Bank,
New York City.

BSJr/VCM-1

BENJ. STRONG, Jr.
PERSONAL.

23

There is enclosed herewith an account of the transactions of the Gold Fund Committee to and including _____ date. You will observe that against the original call for a pledge of \$100,000,000 of gold, \$ _____ was pledged by _____ Institutions representing contributions from _____ cities throughout the United States.

The Committee's plan contemplated calling in the first instance 25 % of the total amount pledged and adjusting the amount pledged in excess of \$100,000,000 by reducing the percentage of the last call, in case the entire fund was required.

As was stated at the time the plan was recommended and adopted, the Committee was of the opinion that the entire amount of the pledged gold would not be shipped and that, in fact, the influence of the creation fund would prove to be of greater value to the country as a whole than the immediate shipment of any considerable portion of the fund. The Committee was, also, of the opinion that the object of the fund would be better served if sales of exchange could be so made as to effect a prompt reduction in the rates then prevailing for foreign drafts and cable transfers and that the success of the Committee in bringing this about would naturally reduce the profits resulting from the sales of exchange and possibly result in little if any profit at the time of the final account.

The statement enclosed herewith indicates that the Committee's anticipations in these matters have been verified.

Pledges by contributors to this fund were made in conformity with the terms of the report dated September 7, 1914, addressed to the Secretary of the Treasury and the Federal Reserve Board by a Committee of bankers, a copy of which has been sent to each contributor. By the terms of that report, this Committee is authorized "to arrange for shipment of gold to other countries, as well as exchange and cable transfers against such shipments at such prices as they may fix to determine to

to whom and under what conditions foreign exchange may be sold, to distribute the proceeds of such sales among the contributing banks in New York and to fix a date for the final settlement of the fund."

In conformity with this authority, the Committee has shipped a total of \$.....of gold against which it has sold \$.....of exchange of which amount \$.....was sold to the United States Government at cost and paid for by the Government in gold which is now held by the Committee.

Rates of exchange have now reached a point where in normal times it might be expected that gold would be imported to this country. The absence of any such movement indicates to the Committee the desirability of continuing the gold fund in operation for the present, although it is not expected that the Committee will be called upon to undertake any further transactions at the present time.

Jan. 18th, 1915.

My dear Albert:

In connection with the possible distribution of funds held by the Gold Fund Committee, I would like to submit the suggestion that distribution be effected as largely as possible through the Federal Reserve Bank of New York.

We are now creditor with most of the other Federal Reserve Banks and I have no doubt they will be very glad to extend their facilities for the distribution of the fund among the members who have contributed by direct credit to the accounts of member banks on the books of the Federal Reserve Banks, making the necessary distribution in their various districts as may be directed by the contributors.

This will avoid shipping a large amount of cash and will automatically effect an adjustment of Federal Reserve Bank balances. Will you be good enough to advise me how this suggestion appeals to you and your associates, and oblige,

Yours very truly,

Albert H. Wiggin, Esq.,
Chairman, Gold Fund Committee,
Chase National Bank,
New York City.

BSJr/VCM

235

GOLD FUND COMMITTEE

NEW YORK CLEARING HOUSE BUILDING

77 CEDAR STREET

ALBERT H. WIGGIN, CHAIRMAN.
WILLIAM WOODWARD.
JAMES S. ALEXANDER.
FRANCIS L. HINE.
BENJAMIN STRONG, JR.
FRANK A. VANDERLIP.
JAMES N. WALLACE.

NEW YORK, January 19th, 1915.

W. P. HOLLY,
SECRETARY.

BENJ. STRONG, JR.
PERSONAL.

Benjamin Strong, Jr., Esq.,
c/o Federal Reserve Bank,
New York City

Dear Ben:

Yours of the 18th instant in regard to a method of distribution of the Fund now in the hands of the Gold Fund Committee received. Your suggestion is entirely in order. In fact, Mr. Alexander made this same suggestion at the last meeting of the Committee. It is the simplest way of handling the transaction, and means economy in both labor and expense.

Yours sincerely,

W. H. Wiggins
Chairman.

Noted for Mr. Strong

RAE

noted R.F.

PERSONAL

June 13, 1921.

My dear Mr. Wiggin:

We have only within the last few weeks been able to conclude the final accounting of the expenses of the various Liberty loans, and determine to what extent, if any, expenditures made by the organization could not be reimbursed by the Treasury under existing law, or rules of the Department. We find that the total amount of such items that cannot be reimbursed is \$2,535.97. Of this sum, the Federal Reserve Bank is able to absorb \$2,229.74. The remainder, \$306.23, I have paid personally.

The Liberty Loan Committee passed a resolution, agreeing personally to assume certain charges, up to a limited amount, which as I recall was \$1,000. If the members of the committee care to pay their respective shares of this sum, the amount of each committeeman's proportion will be \$23.55.

Had these operations been conducted since the passage of the Volstead Act, it would not have been necessary to ask the committee to make any contribution.

Yours very truly,

Albert H. Wiggin, Esq.,
57 Broadway,
New York, N. Y.

BS:MM

FIFTY-SEVEN BROADWAY
NEW YORK

*From A. H. Wiggin
(23.55)*

P.A.
JUN 15 1921

*No Letter
check.*

Hon. Benjamin Strong,

c/o Federal Reserve Bank,

15 Nassau Street,

New York City.

PERSONAL.

FIFTY-SEVEN BROADWAY
NEW YORK

*From A. H. Higgin
(23.55)*

P.A.
JUN 15 1921

*No Letter
check.*

Hon. Benjamin Strong,
c/o Federal Reserve Bank,
15 Nassau Street,
New York City.

PERSONAL.

June 15, 1921.

My dear Mr. Wiggin:

I thank you for the remittance of \$23.55
enclosed in your favor of June 14.

Yours very truly,

Albert H. Wiggin, Esq.,
57 Broadway,
New York, N. Y.

GB:MM

May 27, 1925.

Dear Mr. Wiggin:

At the meeting of the Clearing House Committee on April 13, 1925, at which you were good enough to have Mr. Harrison and me present, there were four matters discussed which, one way or another, concerned relations of this bank with members of the Clearing House Association.

I am writing now to mention each of them and what is my understanding of the status in which they were left.

Separate Sort of Checks Drawn on Branch Banks:

As you remember, the Clearing House had asked us to consider the possibility of eliminating or reducing the number of sorts of checks drawn upon branches of banks that are on what we call our Manhattan, Bronx and Brooklyn Clearing Arrangement list. We reported to you at the meeting that we had carefully considered this question and that, in our opinion, it would not be wise or entirely fair to all concerned, arbitrarily to eliminate the present branch bank sorts if only because of the fact that such sorts were a part of our understanding with those banks which have agreed with us to collect their items at this bank each morning. We feel, however, as you do, that the increase in the number of branch bank sorts, especially if continued, may become unduly burdensome to other banks in New York City generally. We proposed, therefore, in order to maintain the number of these sorts as low as is practicable in all the present circumstances, not to require in future separate sorts for new branch banks that may be established except in unusual cases, such, for instance, as the consolidation of two or more going institutions which are now sorted separately, or perhaps in a case where a branch may grow large enough to justify a

separate sort on grounds of convenience to all. We outlined to the committee our views on all the various aspects of this question, and it is our understanding that after some discussion your committee was entirely in agreement with the position which we proposed to take.

Collection of Non-Cash Items Payable in New York City:

At the present time we do not handle for New York City banks any non-cash items that are payable in New York City except above 125th Street or in the outlying districts. I mentioned to your committee that we had received an informal suggestion from some of our city member banks that they would like us to consider the collection of all city items for them ^{even} at a charge, if necessary, that would cover the cost of service. While we realize that certain city banks would probably not care to make use of such a service for all of their non-cash items, nevertheless, because we already have an extensive messenger service in New York City to handle non-cash items for all out-of-town member banks as well as cash items for all member banks, city and country alike, it has occurred to us that there might now be a sufficient demand on the part of city banks to justify our consideration of an extension of the service so as to make it available to them for non-cash items payable anywhere in New York City, just as it is now available to them for items payable throughout the country or in the outlying districts of this city. My purpose in mentioning this matter to the committee was simply to ascertain whether there is such a demand.

The present policy of the Federal Reserve System, as you perhaps know, is to handle for any member bank, free of charge for our service, all non-cash items which are payable outside of the city in which the member bank is located. The only exception to that general rule is the one I have just mentioned relative to non-cash items payable in the outlying districts of New York City. But it would probably not be feasible for us to extend the exception to this general policy by handling for New York City banks all non-cash items payable in New York City unless we make a per item charge sufficient to

offset approximately the cost of that unusual service.

As I remember, some of the members of your committee said that they would like to think over the question in order to determine whether the service that we might be able to offer would be of a scope and character that would justify its being utilized by the Clearing House banks. I assume that if there is any desire on their part to have us extend to them the service in the manner which I discussed, we will be advised of it.

Cost of Membership of the Federal Reserve Bank
in New York Clearing House:

I also discussed with the committee the present cost to this bank of clearing items through the New York Clearing House. Our assessment for that service is based upon the proportion that the total dollar amount of items that we send to the Clearing House bears to the total dollar amount of all items cleared. We consequently pay proportionately the same amount of the total expense of operating the Clearing House as any other member of that Association pays with the exception that we do not in any way contribute to the expense of conducting the Clearing House examination of its own members. It has been our feeling, as I mentioned to your committee, that the present basis of assessing members of the Clearing House the expenses (other than examinations) operates largely to the disadvantage of this bank.

As you remember, I told your committee that many of the other Federal Reserve Banks and Branches (including our branch in Buffalo) make no contribution whatever to the local Clearing Houses in whose clearings they participate. The Federal Reserve Bank of New York pays a relatively larger amount than any other Federal Reserve Bank. In the circumstances, I asked, and you stated that your committee would be glad to consider the whole question, with a view to determining whether some other basis of payment might be more equitable to all concerned. You will recall that one of the considerations which I mentioned, justifying a review of the proportion of expense borne by the Federal Reserve Bank, was the fact that almost all members of the Clearing House Association now deposit with us most of the items drawn upon us instead of sending them

through the clearings, thereby reducing the amount which they otherwise would send and likewise the proportion of expense which they pay.

We are unable to propose any special amount or any special plan, as it would require more information than we now have as to Clearing House expenses; but if there is any further information or data in connection with the question which you may care to have from us, please do not hesitate to let us know. Our only thought is to have our assessment fixed upon some basis that will more fairly represent the relative advantages to us and our privilege of being a clearing member, and to you in the several advantages that result because of our membership and the privilege of settling balances upon our books without all the labor and expense that was incident to the previous methods of settlement.

Averaging Reserves at the End of Each Weekly Period:

It appears to be a growing practice by some of the larger member banks to borrow heavily from the Federal Reserve Bank on Friday in order to make good any deficiency in their reserves of the six previous days, and then repay all or a large part of these borrowings on Saturday. As exhibiting this tendency, the attached figures show the amounts borrowed on Friday and repaid on Saturday from January 1 to date.

This has various effects which we believe are undesirable. One is that the statement of the Federal Reserve Bank, which is issued on Friday as of the close of business Wednesday, does not reflect a true picture of amounts borrowed from this bank. Another is that the Clearing House statement of member bank condition issued Saturday noon does not reflect the true average or actual reserve position of the Clearing House members. A third is that in some cases (although not all, by any means) it results in a number of member banks frequently being under the amount of reserve required by law.

It is impossible for us to determine to what extent this situation arises

because of wire transfers made from New York to other Federal Reserve districts in order to bring up the average reserves of banks in other large cities where the system of averaging reserves is practiced as it is in New York.

There appear to be two methods of dealing with this matter in order that the objections above enumerated may be eliminated. One is simply to secure the co-operation of the member banks in New York so as to make a greater effort to maintain their reserves throughout the week more evenly than is done at present. The other is to rearrange the period in which the reserve averages are figured in the different Reserve districts, so that unexpected wire transfers will not be concentrated at the end of the week and so result in unexpected impairment of reserves.

We are especially concerned with the second method, as it may be that the system of averaging now practiced by the Federal Reserve Banks can be modified so as to aid in overcoming the difficulty. In order to determine to what extent these transfers are responsible for reserve impairments late in the week, it will be necessary to ask certain of the members of the Clearing House to keep a record of transfers made for individual banks which keep New York accounts for a period of a few weeks. We believe that the recurrence of transfers by individual banks will enable us to determine whether a rearrangement of the periods in which the reserve average is figured in other Reserve districts may not result in a more even distribution of these transfers throughout the week in New York. For example, if it could be arranged that Chicago would figure their average as of Monday, Boston as of Tuesday, Philadelphia as of Wednesday, Cleveland and San Francisco as of Thursday, and all of the other Federal Reserve Banks as of Friday, it might be possible to so separate the transfers throughout the week that the New York member banks would escape this unexpected reserve impairment.

I am therefore enclosing a form, which is merely a suggestion upon which such record may be kept, and at the end of three or four weeks when the data is complete, we will be glad to study it with our own records and ascertain whether this may not be a solution of the difficulty.

5/27/25.

We are highly appreciative of the cooperation of the Clearing House in these matters, and beg that you will not hesitate to send us any further suggestions as to these matters or other services in which we are mutually interested. We are glad to discuss them at any time.

I beg to remain,

Very truly yours,

HENRY STONG
Governor.

Albert H. Wiggin, Esq.,
Chairman, Clearing House Committee,
c/o Chase National Bank,
67 Broadway, New York.

Encs.
22.13

NET AMOUNTS BORROWED OR PAID OFF BY NEW YORK CITY MEMBER BANKS

AT FEDERAL RESERVE BANK OF NEW YORK

End of Week Periods

1925

(In millions of dollars)

Week End	Thursday		Friday		Saturday	
	Borrowed	Paid	Borrowed	Paid	Borrowed	Paid
Jan. 1,2,3	Holiday	-	-	15.5	13.2	-
8,9,10	12.0	-	-	8.6	-	8.6
15,16,17	-	26.3	23.1	-	-	42.1
22,23,24	44.4	-	48.0	-	-	70.8
29,30,31	35.4	-	51.1	-	-	59.9
Feb. 5,6,7	-	2.1	-	17.9	-	3.6
12,13,14	Holiday	-	74.8	-	-	47.0
19,20,21	-	30.2	60.9	-	-	44.0
26,27,28	0.5	-	-	29.8	-	9.3
Mar. 5,6,7	-	17.4	4.4	-	-	3.5
12,13,14	-	18.6	21.8	-	-	51.5
19,20,21	11.2	-	-	12.6	13.6	-
26,27,28	12.2	-	-	4.3	-	0.3
Apr. 2,3,4	19.1	-	32.7	-	-	16.1
9,10,11	3.9	-	-	10.8	12.7	-
16,17,18	-	23.9	57.6	-	-	40.1
23,24,25	7.9	-	-	7.5	-	2.1
May 30,1,2	21.7	-	12.7	-	9.0	-
7,8,9	-	7.1	9.8	-	-	34.6
14,15,16	7.3	-	64.5	-	-	75.7
21,22,23	19.5	-	51.3	-	-	48.1
Total	195.1	125.6	512.7	107.0	48.5	557.2

Mr. Harrison

May 29, 1926.

Dear Mr. Wiggin:

I regret to find that there is a slight error in the letter which went to you on May 27th.

In mentioning the contribution made to the local clearing houses by other Federal reserve banks and branches, I find that our own Buffalo Branch is included with those which make no contribution. As a matter of fact, I now find that the Buffalo Branch of the New York Federal Reserve Bank contributes \$300. per annum to its local clearing house.

While this is not a very large matter, I am mentioning it so that there may be no misstatement to the members of the Clearing House Committee. Perhaps you will see fit to call it to their attention.

Very truly yours,

EDWARD J. STRONG
Governor.

Albert H. Wiggin, Esq.,
Chairman, Clearing House Committee,
c/o Chase National Bank,
67 Broadway, New York City.

ESH:LS