

a) McKay, C.R.

122

FEDERAL RESERVE BANK OF CHICAGO

79 WEST MONROE STREET

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W. F. McLALLEN SECRETARY
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A. H. VOGEL, MILWAUKEE, WISCONSIN

A.A.H.
SEP 29 1916

September 26, 1916.

My dear Governor Strong:

I beg to acknowledge receipt of your letter of the 23rd instant addressed to Mr. McDougal which will be referred to him upon his return to the office next Monday. He is attending the convention of the A.B.A. at Kansas City.

We regretted very much your absence at the last meeting at Boston and were unable to bring back any new Scotch stories.

The collection system is working out all right and it is a mighty good thing that we were not obliged to carry the "float", because believe me there is some "float". It is not at all imaginary as some of our friends tried to convince us some time ago.

Hoping that you are receiving the full benefit of your rest in the mountains, I beg to remain with kindest regards,

Yours sincerely,

C. R. McKay
Deputy Governor.

Benjamin Strong, Esq.,
Estes Park, Colorado.

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Estes Park, Colo.,

September 29th, 1916.

Dear Mr. McKay:

I am glad to receive yours of the 26th and particularly to learn that Mr. McDougal decided to go to Kansas City, after all. The Federal Reserve System will be represented by about half of the Governors, two members of the Federal Reserve Board and representatives from a number of the other banks. While Mr. Warburg, who has just been here, is optimistic about what the Convention will do, I am not at all certain but what the country bankers may succeed in stirring up trouble.

Would you mind giving me your ideas of how we can reduce the float? Also, where most of it now originates? It has been running between \$28,000,000 and \$35,000,000 for some weeks past, and when one considers that every dollar of that is a conversion of our gold reserve into uncollected checks, the real importance of the float situation is made apparent. Mr. Warburg is ready to deal with this matter whenever it is put into proper shape. Do you figure that daily settlements would have any beneficial effect?

I am getting along up here but am restless, of course, at being away.

With best regards to all in the bank, I am,

Sincerely yours,

C. R. McKay, Esq.,
Deputy Governor, Federal Reserve Bank,
Chicago, Ill.

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October 3, 1916.

Benjamin Strong, Esq.,
Estes Park, Colorado.

Dear Mr. Strong:

I have your very welcome letter of the 29th ultimo and note you have not lost interest in the collection system. My remarks about the "float" in my letter of the 26th were not intended to convey the impression that the Federal Reserve Banks were carrying it. The "float" I referred to was that represented by the uncollected funds which are credited to the member banks' accounts but are not subject to immediate withdrawal. The average amount outstanding of such credits here for the month of August which are not available for reserve to our member banks was about \$5,000,000. In September it increased to about \$7,000,000. The amount of "float" we are carrying in our transit account representing checks on non-member banks which cannot be charged up and which take more than two days to collect in this district amounts to only \$15,000. In fact the largest amount of "float" we carry is the Clearing House checks which are received too late for clearings and have to be held over until the next day. This amounts to about \$500,000. Out of 993 member banks only about 180 are short in their reserves and the aggregate deficiency for the month of August was \$1,200,000, so you see the amount of "float" we are carrying is not of great consequence as compared with our member bank deposits of \$79,000,000. Of course there is the amount you refer to due from other Federal Reserve Banks which is carried for a week pending the weekly settlement and a large portion of this represents exchange purchased upon which we do carry the "float", but the amount of exchange we purchase is within our own control at least in this district inasmuch as we can sell as well as buy at the market rate.

I do not feel that it is yet advisable to have settlements oftener than once a week, but in order that the published statement might show a smaller amount due from other Federal Reserve Banks reports to the settlement fund could be made at the close of business Thursday instead of Wednesday. It might be necessary later on to have a settlement say twice a week, but it would seem to me that it would be inadvisable to attempt to have daily settlements as the amount of work it would necessitate and the liability for errors would probably

B. S.

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10-3-16

more than offset the advantage gained.

While on this subject, it occurs to me that you might be interested in knowing how our transactions with your bank are working out in the Gold Settlement Fund. During the month of September your bank cleared for us \$4,781,000, while we cleared for you \$10,758,000, thus leaving a balance in the Gold Settlement Fund in your favor of \$5,977,000. I might also state that during the last month we ordered shipped from your bank \$2,000,000 in silver certificates and legal tender notes in small bills, as there was a demand for small currency here from the Chicago banks. This relieved your bank of \$2,000,000 silver certificates and legals collected from the New York Clearing House.

We feel here that the collection system is working out all right and that the Gold Settlement Fund is also operating satisfactorily.

Mr. McDougal informs me that he has advised you regarding the Kansas City Convention. The reports that I have received from bankers who have attended are to the effect that the addresses by Messrs. Warburg and Harding were well received and helped materially to create a better feeling regarding the Federal Reserve Banks. In fact one banker told me that if Mr. Warburg had given his address the first day that the opposition to the Federal Reserve System which developed the first day or two of the Convention would not have appeared.

With kindest regards in which the other officers of the bank join me, I beg to remain

Yours sincerely,


Deputy Governor.

C

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Estes Park, Colo.,

October 6th, 1916.

Dear Mr. McKay:

Thank you for yours of October 3rd.

I realize now that I misread your letter, but nevertheless what I said about the float which we do carry, I believe is justified. You will notice that it runs constantly now at about \$30,000,000, and has greatly increased since a year ago. We should find the means some way or other of cutting it down. That portion which arises from the purchase of New York exchange is, as you say, under control but nevertheless takes gold out of the System and particularly out of the Reserve Bank of New York.

The expense of a daily settlement in the Gold Fund would be considerable and I am not quite yet prepared to advocate that course, but it will be necessary when our System gets fully into operation. I think we all realize in New York - certainly I do - that you have cooperated with us like a soldier in this exchange matter. All of these kinks will be worked out in time and the Governors meetings will be the medium, so I hope they are not permitted to be discontinued.

We got past the Kansas City Convention in much better shape than I had expected.

To C. R. McKay, Esq.

Oct. 6, 1916.

Many thanks for your letter. If you have time write me again, addressing me after the 15th of this month at 4100 Montview Boulevard, Denver.

With warmest regards,

Sincerely yours,

C. R. McKay, Esq.,
Deputy Governor, Federal Reserve Bank,
Chicago, Ill.

BS/VCM

Dictated by Mr. Strong but
signed in his absence.

FEDERAL RESERVE BANK
OF CHICAGO

MEMORANDUM FOR

Mr. McDougal

December 21, 1916.

FRC

Mr. McKay

WITH REGARD TO THE FOLLOWING VOTE OF THE TRANSIT MANAGERS' CONFERENCE
WHICH WAS ADOPTED BY THE GOVERNORS' CONFERENCE:

"Voted that it is the sense of this meeting that charges for transfers be discretionary with and fixed by the Federal Reserve Bank with which the transaction actually originates; that the Federal Reserve Bank originating a wire transfer should notify the other Federal Reserve Bank interested."

If the action as indicated in this vote should become effective in the Federal Reserve Banks, wire transfers of funds could be made free of charge at the option of the Federal Reserve Bank with which the transaction originated.

The practice of making wire transfers without charge is not only inadvisable but dangerous. In Chicago there is a firm market for New York, Philadelphia and Boston exchange. Within the past year, the rates have fluctuated from 25¢ per thousand discount to about 5¢ per thousand premium. Transactions in the purchase and sale of mail and wire transfers aggregate millions of dollars daily in the Federal Reserve Bank of Chicago. All such transactions are made at the market rate for exchange which is established by the exchange brokers. The rate for selling wire transfers to New York, Boston and Philadelphia is 10¢ per \$1,000 higher than the rate for mail transfers inasmuch as two days' time is saved by making a wire transfer instead of a mail transfer, the 10¢ per thousand additional charge for a wire transfer representing approximately 2% interest for two days. This rate is fixed at 2% owing to the fact

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that the eastern banks pay 2 % interest on bank balances.

If charges for wire transfers are not made by the eastern Federal Reserve Banks, the Chicago banks, instead of purchasing the wire transfers from us, will request their New York correspondents to make the wire transfers through the Federal Reserve Bank of New York and if no charge is made by the Federal Reserve Bank of New York, the Federal Reserve Bank of Chicago will be obliged to furnish currency to the Chicago banks in whatever volume they may require. Furthermore, this will force the Federal Reserve Bank of Chicago to receive at par all the New York exchange the Chicago banks desire to dispose of, whereas the market for New York exchange at the present time, and since the first part of this year, has continuously ruled at a discount, the average rate being about 15¢ per thousand discount. Mail transfer drafts would not be offered for sale in the market as they would be available for transfer by wire at par the day they reached destination. This bank would then be in the position of being obliged to take at par whatever volume of eastern exchange the Chicago banks desired to dispose of.

The reason that eastern exchange has been at a discount is because of the large payments that are being made in the East for exports, a large volume of which originates in Chicago and the West. Domestic exchange rates between the West and the East are governed by the balance of trade in the same manner and for the same reason as the rates for foreign exchange

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in normal times. This bank cannot undertake to make a par market for eastern exchange, which must normally be at a discount, as long as the West is a creditor in the trade balances, as it would be a physical impossibility for us to convert into currency the enormous volume of exchange which is continually accumulating in New York to the credit of the Chicago banks. As long as there is a firm market for New York exchange, these currency shipments are regulated, inasmuch as currency is ordered from New York by the Chicago banks when the exchange rate goes below 20¢ per thousand discount, as it is then more advantageous to pay the cost of the currency shipments than to pay the discount in selling the exchange. On the other hand, when New York exchange goes to a premium of 20¢ or better, currency moves East.

This bank ordered and received currency shipments from the Federal Reserve Bank of New York amounting to \$6,000,000. within the last three months in legal tender notes and silver certificates at a time when the Federal Reserve Bank of New York had a large supply of legal tender notes taken in the payment of its creditor balances in the New York Clearing House. The legal tender notes we received were immediately turned over to the Chicago banks for the reason that when a bank sells exchange, it must have currency. Furthermore, the currency received was in the form of small bills for which there was a demand from the country banks.

FEDERAL RESERVE BANK
OF CHICAGO

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This demand could not be filled by the issue of Federal Reserve Notes for the reason that in most cases money which would count as legal reserve was required.

The illustration given shows the relation the market rate of exchange bears to the movement of currency which is governed by the same rule that applies in foreign exchange to gold shipments.

A market for eastern exchange has existed in Chicago for 25 years to my personal knowledge and we believe that any attempt made to influence the market rates of exchange by artificial means or any practice not in accord with the economic law governing exchange is bound to result disastrously.

While it is true that we have a means of effecting transfers through the Gold Settlement Fund, it should be borne in mind that if wire transfers are to be made without cost, the Treasury Department will have to carry the burden of all currency shipments from the East to the West and currency shipments will only be in one direction as long as present trade conditions continue, which make the East a continuous debtor to the West. It is questionable as to whether the Treasury Department would be willing to assume the cost of moving this currency West; therefore, the cost might ultimately fall on the Federal Reserve Banks.

Regardless of the question as to whether it is possible to effect wire transfers through the Gold Settlement Fund without cost, it is of the greatest importance that a protective rate be established in all the

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Federal Reserve Banks for wire transfers and that the present rates for wire transfers be continued and made obligatory.

These rates are at present based on the rate of 2% for the time saved by making a wire transfer as compared with a mail transfer.

As long as we have the protection afforded by a firm market for eastern exchange, we are able to control our own situation. Without a market rate, we would be at the mercy of the local banks and would have no control over the disposition of our own funds.

~~Attached hereto are statements of exchange bought and sold, including wire transfers for four days which are typical of our exchange transactions. You will note that we deal with non-member banks as well as member banks and also that we have frequent transactions with other Federal Reserve Banks. We buy and sell exchange at the market rate and you will note from the sheets that exchange is sold on the same day at the same rate as we paid for it. Occasionally the market fluctuates 5¢ or 10¢ per \$1,000 between the morning rate, before clearings, and the afternoon rate. Our principal transactions are in New York, Boston, Philadelphia and St. Louis exchange. Occasionally we buy exchange on Baltimore, Cleveland, and Kansas City and are prepared to buy or sell on any of the Federal Reserve Cities. The buying and selling of eastern exchange has been~~

FEDERAL RESERVE BANK
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MEMORANDUM FOR

FROM

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conducted here for a great many years by exchange brokers who receive a commission of 3¢ per \$1,000 from the seller. Their transactions were naturally limited to the amount of exchange for sale by the local banks, and they were frequently unable to supply the exchange needed quickly enough, nor were they able to sell large quantities of exchange promptly. Since the Federal Reserve Bank has become a factor in the exchange market, we have been able to either buy or sell any quantity of exchange that our member banks may require to meet their needs and are therefore rendering them better service than could possibly be given by the brokers, besides saving them the brokers' commission.

A considerable amount of our profit in exchange operations has been due to the large wire transfers upon which we get approximately two days' interest at 2% over the market rate. For wire transfers to New York, Boston and Philadelphia, we charge 10¢ per \$1,000 above the market rate for mail transfers. Before we entered the exchange market, the price for wire transfers was 25¢ per thousand above the rate for mail transfers.

The exchange brokers here are still doing business to some extent and it is through them that the market rates are established. We sell a moderate amount through the brokers in order that the rate may be firmly established and represent actual conditions at all times.

Our member banks are well satisfied with their exchange transactions with us and we also do a large business with some of the non-member banks. Inasmuch as they are all free to patronize the brokers,

FEDERAL RESERVE BANK
OF CHICAGO

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the volume of business which we are now handling would indicate that our services are more satisfactory not only to our member banks but to non-member banks as well. In dealing with the other Federal Reserve Banks, we also give them the benefit of the market rate and do not make any profit on such transactions.

In view of the conditions governing the market for exchange, as stated above, it should be apparent that it is impracticable to maintain a par rate for telegraphic transfers between Federal Reserve Banks and that such a practice would be unsound and contrary to established principles of banking.

FEDERAL RESERVE BANK OF CHICAGO

MEMORANDUM FOR

Mr. McDougal

FROM

Mr. McKay

January 15, 1917.

COMMENT ON GOVERNOR SEAY'S PLAN FOR MAKING DRAFTS ON
FEDERAL RESERVE BANKS IMMEDIATELY AVAILABLE FOR RESERVE
IN ALL FEDERAL RESERVE BANKS.

1. If this plan were put into operation without restriction as to the amount for which drafts could be drawn, the large banks could throw the whole burden of currency shipments upon the Federal Reserve Banks. Aside from the question as to whether it would be sound banking policy for the Federal Reserve Banks to attempt to carry this burden, it is questionable as to whether they could afford to absorb the expense or be able to handle the volume of currency and supply all denominations of bills required by their members.

The total resources of the Federal Reserve Banks are small when compared with the total resources of the member banks to which should be added those of the non-member banks which in most cases carry accounts with member banks and depend upon the latter to supply their requirement for currency.

It should be borne in mind that domestic trade net balances between the east and the west and the east and the south and between other districts must finally be settled in currency. If all domestic exchange transactions were to go through the Federal Reserve Banks, the net trade balances would still have to be settled in currency.

2. Drafts on Federal Reserve Banks should not be sent out of the district for the purpose of effecting transfers of funds. Member banks should request their Federal Reserve Banks to make such transfers for them. If a transfer draft is issued it should be drawn on a bank in the place where the payment is to be made.

FEDERAL RESERVE BANK OF CHICAGO

MEMORANDUM FOR

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2.

One of the worst evils in connection with country bank business is the practice on the part of the country banker of sending for credit to his city correspondent transfer drafts drawn on other points and then drawing his draft against the credit thus created.

Commercial banks in Chicago have been and still are discouraging this unsound practice. It is also the cause of most of the overdrafts of member banks in the Federal Reserve Banks.

3. Drafts used under the plan proposed would be sent by the banks in which deposited to whatever point they desired to accumulate funds or to the city whose exchange was in demand.

The Treasury Department was obliged to stop a similar practice on the part of banks located in Sub-Treasury cities. Payments for 5% redemption fund would be ordered made in the city whose exchange was at a discount or in the city farthest away. As an illustration, Chicago might receive an order from a Peoria bank to deposit for its account in the 5% redemption fund, and, St. Louis exchange being at a discount, Chicago would request its St. Louis correspondent to make the deposit. If New Orleans funds were at a discount in St. Louis, the request would be relayed to New Orleans and possibly the New Orleans bank might want to dispose of San Francisco funds and relay the request to San Francisco and so on. There were cases where it took over two weeks for the money to be covered into the Treasury Department. If drafts on Federal Reserve Banks were made available only at New York and Chicago, there would only be three places to send them instead of twelve or thirteen if we include the New Orleans branch.

FEDERAL RESERVE BANK OF CHICAGO

MEMORANDUM FOR

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3.

4. The subject of wire transfers is referred to in Governor Seay's plan. Although apparently not a part of the plan, on page eleven, third paragraph, it is proposed that no charge for the transit time saved should be made for wire transfers. With regard to this question, the views of the writer are given in another memorandum, the matter having been under consideration as a separate topic at the last Governors' Conference.

There is one point, however, in connection with the proposal to make wire transfers free which may not have been made clear at that meeting. If no interest charge is imposed by Federal Reserve Banks on wire transfers for the transit time saved, member banks doing a domestic exchange business will be enabled to sell mail exchange short; covering the sale by purchasing wire transfers on the day the exchange reaches destination. It would be easy for a large member bank to borrow millions of dollars in this manner without payment of interest. This practice would be very profitable to banks located two days distant from New York, and to banks located four days distant or more the temptation to indulge in it would be hard to resist.

In foreign exchange transactions, demand exchange sold is frequently settled for by cable transfers. The rate for the latter, however, is always higher than for demand exchange, the difference representing the interest saved.

The proposal to sell wire transfers free or at the same rate as mail transfers if put into practice would violate one of the oldest and most firmly established principles of banking and one which is recognized by bankers in all parts of the world.

FEDERAL RESERVE BANK OF CHICAGO

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It is desirable that a safe method be found which will provide country banks with a form of exchange to be sold over the counter to their local customers which will be as acceptable as New York or other exchange, so that they may be relieved of the burden of carrying accounts solely for exchange purposes. Many of the large banks will, in any event, continue to carry accounts in New York and other centers. The plan proposed by Governor Seay, if modified and properly safe-guarded, could be made available to such banks as do not carry balances in banks located outside of their Federal Reserve district and to those which desire to close such accounts.

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The foregoing objections to the plan would be removed if it were amended to include the following safe-guards:-

1. Drafts to be made available as reserve at Federal Reserve Banks of New York and Chicago only.
2. The facilities of drawing drafts which will be immediately available as reserve in all Federal Reserve Banks to be extended to country member banks only, excluding all member banks which are required to keep more than 12% reserve against demand deposits.
3. No draft to be drawn for more than \$10,000.00.
4. No draft to be drawn for transfers of funds from one bank to another. (This does not apply to remittances in payment for checks and collections.)
5. Drafts to be charged to account of member bank upon receipt of advice in all cases except when draft is presented before advice is received.

FEDERAL RESERVE BANK OF CHICAGO

MEMORANDUM FOR

FROM

5.

6. In case advice is not forwarded on date draft is drawn, an interest charge or other penalty should be imposed.

7. Member banks receiving the drafts on deposit should be obliged to send them to their own Federal Reserve Bank or direct to the drawee Federal Reserve Bank for account of their Federal Reserve Bank.

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R.A. Jr.
FEB 2 1917

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A. H. VOGEL, MILWAUKEE, WISCONSIN

January 30, 1917.

Mr. Benjamin Strong,
4100 Montview Boulevard,
Denver, Colorado.

Dear Governor Strong:

At a committee meeting held in Washington last week, Mr. Treman handed me a copy of your letter to him regarding Governor Seay's plan for making drafts on Federal Reserve Banks immediately available at all other Federal Reserve Banks. I was very much interested in what you had to say in the matter particularly as nearly every point you make agrees with my own views on the subject. In view of your interest in the question, I am taking the liberty of enclosing herein a memorandum which was also presented at the meeting in Washington.

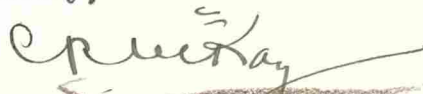
There is another subject which I believe is of even more importance than the matter of making checks on Federal Reserve Banks immediately available as reserve, and that is the question of making wire transfers free. I am also enclosing another memorandum of mine on the latter subject. If you are interested, would be pleased to have your views regarding free wire transfers. This question has come up again and there is a possibility that it will be reopened for discussion at the next Governors' Conference.

There is also one other matter which we feel here should be reconsidered and that is the practice of carrying single accounts with the other Federal Reserve Banks, which has been in operation since the first of the year. I expect to prepare a brief on the last subject and if you feel interested in these Federal Reserve Bank matters shall send you a copy.

We had the pleasure of a short visit from Mr. Curtis and Mr. Green Saturday and hope they are enjoying Colorado.

With best wishes and warmest regards,

Yours sincerely,


Deputy Governor.

Enclosures (2)

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C. G. McKay
122

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A. H. VOGEL, MILWAUKEE, WISCONSIN

February 6, 1917.

Mr. Benjamin Strong,
4100 Montview Boulevard,
Denver, Colorado.

Dear Governor Strong:

I have your letters of the first and second instant. In regard to the question of free telegraphic transfers, the only banks which voted against it at the last Conference were Minneapolis and Chicago. It is expected, however, that this matter will be re-opened at the next Governors' Conference, inasmuch as some of the banks would like to reconsider their action.

With reference to Governor Seay's plan, it was modified by the committee and now stands as follows:-

- "1. That the privilege of drawing 'Federal Reserve Exchange' drafts should be limited to the country banks, or in other words, to those banks carrying a 12% reserve.
2. That the drafts should be limited, as to the amount drawn in any one day by a member bank, to \$10,000.
3. That the drafts should be drawn by member banks upon their own Federal Reserve Bank and made receivable for immediate availability at par at any one Federal Reserve Bank specified in the draft.
4. That a special uniform form of draft be adopted by all the Federal Reserve Banks, such drafts when drawn upon this form to be the only ones which are receivable for immediate credit at par.
5. That the drawing bank be required to give immediate advice to its Federal Reserve Bank of all 'Federal Reserve Exchange' drafts drawn, and that such drafts be immediately charged to the member bank's account on receipt of advice.
6. That this plan become operative when the final transfer of reserves has become effective, and be made available to such member banks as may agree to terms formulated by the Federal Reserve Bank."

B. S.

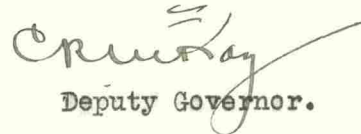
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If the limit of \$10,000 is not increased, and the privilege of drawing Federal Reserve Exchange drafts is confined to country banks, the volume may not be great enough to seriously inconvenience the Federal Reserve Banks although it is my personal belief that the principle of the thing is not sound. If drafts on Federal Reserve Banks are to be made available in other places, they should be actually paid at the place where presented.

With kindest regards, in which Mr. McDougal joins me most heartily,

Yours very truly,


Deputy Governor.

C

122

Denver, Colorado,
February 2, 1917.

Dear Mr. McKay:

I have just finished reading the enclosures which came with yours of the 30th. We seem to be in complete agreement, both as to parring checks and free telegraphic transfers. Can you explain to me why when New York, Chicago and Boston were all opposed to these developments that they are nevertheless going to be imposed upon us? I regard them as dangerous and sincerely hope that they will not be put into effect.

Thank you for sending me the papers.

Very sincerely yours,

C. R. McKay, Esq.,
Federal Reserve Bank,
Chicago, Ill.

BS/CC

Denver, Colorado,
March 31, 1917.

PERSONAL.

Dear Mr. McKay:

What can you tell me about Mr. R. S. Hecht, formerly of the First National Bank of Chicago and now of the Hibernia in New Orleans? I would like to know in what line he has been particularly trained, how good he is as a banker, his personal qualifications, whether of agreeable personality, whether he is a college man or not and whether he is a man of refinement, etc.

Anything you can let me have will be of value to me and will be treated in strict confidence.

Hoping that you all keep well and with best regards,

Sincerely yours,

C. R. McKay, Esq.,
Federal Reserve Bank,
Chicago, Ill.

BS/CC

FEDERAL RESERVE BANK OF CHICAGO

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S. B. CRAMER ASST. CASHIER

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A. H. VOGEL MILWAUKEE, WISCONSIN
W. F. McLALLEN
DEPUTY FEDERAL RESERVE AGENT
E. L. JOHNSON WATERLOO, IOWA
E. T. MEREDITH DES MOINES, IOWA
G. M. REYNOLDS CHICAGO, ILLINOIS

PERSONAL

R. A. Fr. April 2, 1917.

Mr. Benjamin Strong,
4100 Montview Boulevard,
Denver, Colorado.

APR 2 1917

My dear Mr. Strong:

I have your inquiry of the 31st ultimo regarding Mr. R. S. Hecht of the Hibernia Bank and Trust Company, New Orleans. Mr. Hecht at one time was connected with the Commercial National Bank of this city before it was consolidated with the Continental National Bank. He occupied a clerical position in the Foreign Exchange Department. He has not been in the employ of the First National Bank of Chicago.

I have known him for several years and have a good opinion of him as a banker. Do not know whether he is a college graduate or not. He has a pleasing personality and I believe him to be a man of education and refinement. I understand that for the last two years he has handled the trust business for his bank and previous to that time had been in the Foreign Exchange Department. My impression of Mr. Hecht is that he is a man of good ability and that he is energetic and progressive.

If you are in need of a man to take care of the foreign exchange business in the Federal Reserve Bank of New York, it occurs to me to mention Mr. John J. Arnold, one of the Vice-Presidents of the First National Bank of Chicago, who has charge of their foreign exchange business. The reason I mention his name is that about two years ago he advised me that he was much interested in the development of the Federal Reserve System and as to what the policy of the banks would be in regard to their foreign exchange operations. He is very comfortably situated where he is, but I believe would be open to an offer if the job were big enough to make it worth his while to consider it.

I have known Mr. Arnold for over twenty years and believe him fully qualified to fill any position connected with foreign exchange. He has had a broad experience, has a large acquaintance and besides knowing his business has exceptional talents in public speaking. He is also well posted on banking conditions in South America and has been Chairman of the Foreign Trade Division of the Association of Commerce which is a very large and active association. The First National Bank, as you know, have graduated some excellent foreign exchange men and if Mr. Arnold is as good as the others he should be worthy of consideration.

B. S.

2.

4-2-17

I have taken the liberty of suggesting his name if you are in need of a man to handle the foreign exchange business for the New York bank.

I am enclosing a copy of a letter written by Mr. McDougal several days ago regarding Mr. Hecht in reply to an inquiry from Mr. Treman. Mr. McDougal left today to attend the Governors' Conference in Washington on the fourth instant.

Hoping that everything is going well with you and with warm personal regards, I beg to remain

Yours very truly,

A handwritten signature in cursive script, appearing to read "C. R. ...". The signature is written in dark ink and is positioned to the right of the typed closing "Yours very truly,".

C

Enclosure

Denver, Colorado,
April 4, 1917.

Dear Mr. McKay:

Thank you heartily for yours of April 2nd about Mr. Hecht, which answers my inquiry very fully.

I am also grateful for what you say about Mr. Arnold and will take steps to develop this matter a little later. Meantime please hold the whole subject in confidence.

Very sincerely yours,

C. R. McKay, Esq.,
Deputy Governor, Federal Reserve Bank of Chicago,
Chicago, Ill.

BS/CC

FEDERAL RESERVE BANK OF CHICAGO

79 WEST MONROE STREET

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C. R. MCKAY DEPUTY GOVERNOR
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G. M. REYNOLDS CHICAGO, ILLINOIS

B. A. Fr.

APR 17 1917

April 9, 1917.

Mr. Benjamin Strong,
4100 Montview Blvd.,
D e n v e r, Colorado

My dear Mr. Strong:

I have your letter of the 4th instant and assure you the matter referred to therein will be held in confidence.

There is another name which I should like to suggest; that is, Mr. H. G. P. Deans, a Vice-President of the Merchants Loan and Trust Company and Manager of their Foreign Exchange Department. Mr. Deans is regarded very highly here as an expert in his line and has not only had experience here but in England. Although I have never heard him express any desire to make a change, I feel that he would consider any proposition that was worth while.

-0-

Mr. Warburg gave an excellent address here Saturday night before the Commercial Club. The result, I am sure, will be highly beneficial to this bank and the Federal Reserve System. His message was particularly well received by the prominent State Bankers of the city and we confidently expect some of the important ones to become members of this bank in the near future.

With best wishes,

Yours very sincerely,

C. R. McKay

C

Denver, Colorado,
April 17, 1917.

PERSONAL.

Dear Mr. McKay:

Many thanks for yours of the 9th. Mr. Deans, confidentially, was considered for the position over a year ago and declined. I am sorry that he did for I believe he is an excellent man and would fill the position.

I am glad Mr. Warburg's speech took so well.

Very sincerely yours,

C. R. McKay, Esq.,
Federal Reserve Bank,
Chicago, Ill.

BS/CC

FEDERAL RESERVE BANK
OF NEW YORK

WIRE TRANSFER DIVISION

SENT BY

1925 NOV. 4 PM 3 05

SEND TO FILES

COPY OF TELEGRAM

FEDERAL RESERVE BANK
OF NEW YORK

McKay

Chicago

November 4, 1925.

Kindly transmit following to Dr. Schacht at Blackstone Hotel

"Kruiffmann drahtet dass letztens unter vielen Antraegen nur drei
Anleihen genehmigt wurden naemlich drei millionen dollar Oldenburg eine Million
Dollar Nuernberg 3 koma 75 millionen Dollar Hessen stop Genehmigung
Electrizitaetsanleihe Berlin bevorstehend da Electrowerke erkluertan koma dass
Versorgung Industrie sonst gefaehrdet waere. WEISMANN"

CASE

b) Cramer, A. B.

SERVE BANK
W YORK

Sent by

(SEND TO FILES)

FEDERAL RESERVE BANK
COPY OF TELEGRAM

GB

1/6/20

Jan. 6, 1920

Cramer

F. R. BK of Chicago

Will you please get in touch with Mr. Strong at the Blackstone and tell
him that Lord Cunliffe, former Governor of the Bank of England, died today.

I shall greatly appreciate your courtesy.

Beyer

Secretary to Mr. Strong

COPY OF TELEGRAM

GB

1/6/20

Jan. 6, 1920

Cramer,

Federal Reserve Bank, Chicago.

Will you have transportation man deliver the following message to Mr. Strong before he leaves Chicago this evening:

"London, Jan. 6, 1920.

We grieve to say Gunliffe died last night. Cokayne and Norman"

Beyer,