

At a special meeting of the Federal Reserve Board held in the office of the Board at 3.00 p. m. on Wednesday, March 3d

## PRESENT:

Mr. Hamlin, presiding, Mr. Warburg

Mr. Delano Mr. Harding

Mr. Williams Mr. Miller

Mr. Willis, Secretary.

The proposed draft of a letter to be sent to Federal Reserve Agents with reference to the clearing of checks, the same to take the place of the various circulars heretofore proposed, which had been tentatively considered and approved at the morning meeting, was presented and read to the Board, and on motion was adopted, with instructions that it be sent out over the Governor's signature as follows:

## F E D E R A L R E S E R V E B O A R D

Washington.

March 4, 1915.

Sir:

The Federal Reserve Board has determined to deal with the provisions of the Federal Reserve Act in respect to the clearing of checks and drafts by Federal reserve banks, under three heads:

(a) Intra-district clearing in which each Federal reserve bank clears checks on and for its

own member banks.

(b) Inter-district clearing in which each Federal reserve bank clears checks for its own member banks on all other member banks, either directly or through other Federal reserve banks.

(c) The settlement of balances between Federal reserve banks.

The Board believes that more rapid and certain progress will be made if one step is taken at a time, in order that experience may be obtained as a basis for further development.

As a beginning, the Board is, therefore, directing Federal reserve agents in districts which have not yet established a general clearing plan, to take up with their respective boards of directors the establishment at as early a date as practicable, of a general system for the clearing of checks drawn upon member banks within such districts.

The plan which has commended itself to the Board is based upon the immediate debit and credit of items deposited by and drawn on assenting member banks, under a voluntary reciprocal arrangement by which each assenting bank agrees to maintain such a balance as may be necessary, and authorizes the immediate debit of checks on it received by its Federal reserve bank from other banks assenting to the plan.

The Board does not deem it necessary at this time to elaborate the details of a working plan; this is left to the judgment and discretion of each reserve bank. The Board wishes, however, to be advised of the action taken by your board of directors, and to be kept informed of the progress made in giving effect to the plan above outlined. On the basis of the experience thus obtained, the Board will then consider whether further steps should be taken to harmonize the practice and procedure in the various districts, and also what additional steps will be necessary in the further development of clearance under the Federal Reserve Act.

Respectfully,

Governor.

A memorandum stating the substance of a conversation between Senator J. H. Lewis of Illinois, and one of the employees of the Board, in which Senator Lewis made request for certain information, was read to the Board, and the Secretary was directed to send the information desired by Senator Lewis.

Senator Lewis having also requested that he be supplied with information as to the affiliations of reserve bank directors with institutions other than the Federal reserve banks. The subject was referred to Mr. Delano for such action as he might deem best.

Mr. Harding presented a revised report relating to methods of designating reserve cities, and after discussion the said report was adopted in the following form:

The Federal Reserve Board announces the policy that will hereafter be adopted by it in the consideration of applications for designation as reserve cities.

I

(a) It must be shown to the satisfaction of the Board that the applying city has a population within its legally constituted limits, together with its contiguous and dependent suburbs, of at least 50,000.

(b) The National banks in the applying city must have a combined capital and surplus of at least \$3,000,000, with total deposits of not less than \$10,000,000.

(c) Each application must be endorsed by at least 50 National banks located outside the applying city, who will state that they are either carrying, or intend to carry upon such designation, accounts with a National bank in the applying city.

## II

Before final action is taken by the Federal Reserve Board, every application will be referred for report and recommendation to the Federal reserve bank of the district in which the applying city is located, whose chairman shall certify to the Board the names of the National banks that have endorsed said application.

On motion it was voted that the application of the City of Nashville for designation as a reserve city be approved, subject to the favorable recommendation of the Federal Reserve Agent at Atlanta, such approval however, to be held confidential until the report is received.

On motion, the application of Federal Reserve Agent Jay for two million dollars of Federal Reserve notes as follows:

Five dollar notes .....	\$1,000,000
Ten dollar notes .....	1,000,000

was approved, the same having been duly recommended by the Committee on Issue and Redemption.

A draft of a letter prepared by Counsel relating to the proper definition to be given to the term "U. S. Notes" having been read to the Board, was referred to the Governor of the Board for reconsideration.

The Secretary of the Board stated the substance of a conversation with Mr. F. G. Lee, President of the Broadway Trust Co., in which the latter had asked for early action on the admission of his company to the Federal Reserve system. On motion the matter was referred to Mr. Harding for report.

On motion it was voted to send out a letter relating to advertising the savings accounts of national banks in the form recommended by the Governor and Mr. Miller; and the Secretary of the Board was directed to take the necessary steps.

On motion a letter relating to the exercise of powers of executor, trustee, etc., addressed to each Federal Reserve Agent was approved and the same ordered sent out.

Certain applications for stock in Federal Reserve banks recommended by Mr. Harding, were approved by the Board, as follows:

District No. 4.

National Bank of	Hustonville, Ky.
Paintsville National	Paintsville, Ky.
First National	Barbourville, Ky.
First National Bank of Hazard	Hazard, Ky.
Georgetown National	Georgetown, Ky.
First National	Brooksville, Ky.
First National Bank	Jenkins, Ky.

DISTRICT No. 9.

Scandinavian American National	Sioux Falls, S. D.
First National Bank	Bristol, S. D.
First National	Yankton, S. D.
First National	Langdon, N. D.
Farmers & Merchants National	Jamestown, N. D.

DISTRICT No. 10.

First National	Lincoln, Nebraska
Commonwealth National	Kansas City, Mo.
First Nat'l. Bank of	Blue Jacket, Okla.
First National	Sheridan, Wyo.

DISTRICT No. 11.

Farmers National	Hammon, Okla.
Merchants & Planters National	Ada, Okla.
First National	Haworth, Okla.
Francis National	Francis, Okla.
First National Bank of	Duncan, Okla.
First National	Kenefick, Okla.
First National	Sayre, Okla.
Tishomingo National	Tishomingo, Okla.
Temple National	Temple, Okla.
Oklahoma National	Chickasha, Okla.
First National	Kingston, Okla.
First National	Idabel, Okla.
Antlers National	Antlers, Okla.
Durant National	Durant, Okla.

DISTRICT No. 12.

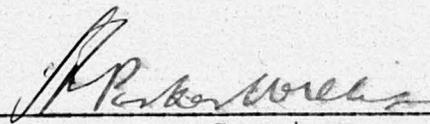
Corona National Bank	Corona, Cal.
First National	Glendale, Cal.
First National	Gilroy, Cal.
Rideout Smith National	Oroville, Cal.
First National	Reedley, Cal.
First National	Vallejo, Cal.
Commercial National	Upland, Cal.
First National Bank of	Orland, Cal.
Third National Bank	Walla Walla, Wash.
National Bank of	Tacoma, Wash.
First National Bank	Kent, Wash.
First National	Harrington, Wash.

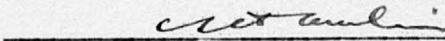
The Board took up the question of the establishment of branches of the National City Bank in the West Indies, the question at issue being whether the Board has power to authorize the establishment of a branch in a foreign country which branch may establish sub-branches in other foreign countries, it being understood that the request for a branch at Porto Rico is disapproved, while the establishment of a branch in Havana with sub-branches in Cuba is satisfactory. The subject was on motion referred to Mr. Warburg, he to discuss it further with Counsel and report back to the Board.

Mr. Delano reported for the Committee on Issue and Redemption relating to the distribution of Federal reserve notes by banks and denominations. After discussion the report was on motion adopted and a requisition was directed to be made on the Comptroller of the Currency for the preparation of the notes.

On motion, at 5.30 p. m. the Board adjourned.

APPROVED:

  
Secretary.

  
Chairman.