

At a regular meeting of the Federal Reserve Board held in the office of the Board on Friday, September 24, at 10:10 a. m.

PRESENT:

Mr. Hamlin, presiding	Mr. Warburg
Mr. Delano	Mr. Harding
Mr. Williams	Mr. Willis, Secretary.

The minutes of the meeting of Thursday, September 23, were read and approved.

On motion it was voted that the Secretary wire the Federal Reserve Bank of San Francisco suggesting that there be only one rate for paper running more than 90 days in order to avoid confusion in agricultural paper rates.

On motion it was voted that before making any change in the form of the Weekly Statement designed to show the amount of different kinds of money on hand in the several banks, the Secretary of the Board should write each Federal reserve bank to inquire its opinion of the proposed change.

On motion a report from Chief of Division Broderick relative to the application of the City National Bank of Belfast, Maine, for fiduciary powers, was re-

ferred to the Committee on State Banks for investigation and report. //

On motion it was voted to ask Mr. Broderick to make a short report to the Board relative to the status of Deputy Federal Reserve Agent Hackney of Boston, as to the duties performed, and the amount of pay drawn by him.

The Secretary of the Board having presented an opinion of Counsel relative to the application of the Mutual National Bank of Boston for power to sell \$200,000 of United States 2% bonds, with a report on the subject prepared by Mr. Warburg and Mr. Harding, it was voted that -

- (1) Banks desiring to dispose of their bonds may file applications now if they choose, but
- (2) The Board will make no assignments requiring a purchase of any such bonds until the end of the next quarterly period, namely, March 31, 1916.

The Secretary of the Board was directed to publish the facts as to the action thus taken.

The Secretary of the Board presented a letter from Governor Aiken of Boston relative to the participation of his institution in the task of supplying funds

to other Federal reserve banks through rediscounts. On motion, a committee consisting of Mr. Warburg, Mr. Harding and Mr. Delano was appointed to report on the question of Government deposits and rediscounts between Federal reserve banks. To this committee were referred the letters of Governors Aiken and Strong, read on September 23, with reference to the same subject, and a letter from Governor McDougal of Chicago transmitting the resolution of his board of directors as to deposits and rediscounts, the latter having been previously referred to the Secretary of the Treasury.

A letter relating to the policy to be pursued by the Federal Reserve Bank of Dallas in making transfers under the Gold Fund, the same having been prepared by Mr. Warburg to whom the matter had been referred, was read to the Board. On motion it was voted that the proposed reply be transmitted, but that it be addressed to the Governor of the bank.

The Secretary of the Board having presented a memorandum from Chief of Division Broderick suggesting a form of letter to Mr. J. Z. Miller relative to vault conditions at Kansas City, the same having been ap-

proved by Mr. Warburg and Mr. Harding, it was, on motion, voted that the Secretary write to Mr. Miller along the lines suggested.

Mr. Harding reported that he had carefully examined the papers growing out of the Dallas-Kansas City controversy, and that he recommended that representatives of the Dallas and Kansas City banks be invited to come to Washington for a conference. On motion the plan was adopted, and the Secretary of the Board directed to arrange for a meeting of the kind referred to as soon as possible.

Mr. Warburg reported a form of reply to the Federal Reserve Bank of Cleveland with reference to its recent letter asking for an interpretation of the Board's policy as to the purchase of warrants. On motion the proposed form was approved and ordered transmitted.

// Mr. Warburg having reported his views with reference to the question of purchasing acceptances on behalf of national banks of Wilmington, North Carolina, the subject was discussed, and the terms of his report informally agreed to. It was, however,

agreed that a report substantially along the lines of Mr. Warburg's suggestions should be transmitted informally by Mr. Harding to Governor Seay in a personal letter.

A memorandum from Chief of Division Broderick relating to the acceptance of State bank examinations for certain member banks in Missouri, Kansas, Minnesota, Illinois, Wisconsin and Massachusetts, having been received, the same was approved, and action ordered taken accordingly.

The Secretary of the Board having presented a draft of a letter to Federal Reserve Agent Martin, relative to the method of ascertaining the population of a city in which State banks applying for membership may be situated, when published data as to such population conflict, the proposed draft was approved, and on motion, ordered transmitted.

The Secretary of the Board having presented a letter from the South Bend National Bank of South Bend, Indiana, asking for arbitration between the Comptroller of the Currency and the bank, and transmitting certain real estate bonds as exhibits, the

matter was, on motion, referred to Counsel for expression of opinion.

The Secretary of the Board having read a letter received from the Comptroller of the Treasury relative to the Board's power to expend its own funds, it was, on motion, voted that said letter be entered in full in the minutes of the meeting as follows:

TREASURY DEPARTMENT

WASHINGTON

September 16, 1915.

The Governor
of the Federal Reserve Board,
Washington, D. C.

Sir :

I have your letter of the 10th instant, requesting a re-consideration of a decision of this office rendered August 24, 1915, to the fiscal agent of the Federal Reserve Board in which it was held, in accordance with general laws and rulings governing the allowance of traveling expenses of Government officers, that the assistant counsel of the Board might not lawfully be reimbursed for the expense of travel incurred by him in a trip from Jamestown, R. I., to his official station at Washington, D. C., and return to Jamestown, he being on leave of absence at Jamestown when the exigencies of the service required this trip to Washington.

The general rule is correctly stated in this decision, but certain relevant facts peculiar to the organization and operation of the Federal Reserve Board, which are not discussed in the decision, merit careful consideration in this connection.

While it is true, as has been held by this office and by the Attorney General, that the Federal Reserve Board is a "board" or "establishment" of the Government within the statutes governing the accounting for expenditures of public moneys (See 21 Comp. Dec., 454), it is also true that the funds from which expenses of the Board are paid are not appropriated by Congress from the general fund in the Treasury, but are raised by assessment against member banks in the Federal Reserve organization. Having no appropriation other than the general statute authorizing the assessment, collection and expenditure of these funds, no opportunity is given to the Board to get from Congress special exceptions necessary or appropriate to its operations. It must be recognized that the general restrictions placed by Congress on the use of appropriations can not be applicable to the Federal Reserve Board funds.

In the expenditure of its funds the Board is the judge of what is necessary within the limits of its lawful operations. Only in case of an expense clearly not connected with its work is the Comptroller justified in refusing to sanction an expense which the Board has authorized and approved.

In re-submitting this question you state that the Board has definitely fixed as its policy that when an employee on annual leave is ordered by the Board to return tem-

porarily on account of pressing official business, his expenses of travel thus incurred are to be paid by the Board. Under this policy such expenses, duly authorized and approved by the Board, constitute a just and lawful charge against the funds of the Board, and the former decision of this office hereinbefore referred to is modified accordingly.

Payment of the voucher in question is authorized, if correct in all other respects.

Respectfully,

W. W. WARWICK,

Comptroller.
F.

Informal discussion of the terms of the letter ensued.

Inquiry presented by the Treasury Department regarding certain new items in the daily statement relating to Federal reserve notes, were presented, and on motion referred to the Committee on Issue and Redemption for report.

The Secretary of the Board having presented an opinion of Counsel relative to the holding of reserve balances by trust companies, the same to be counted as a part of the reserves of State banks which are members of the Federal reserve system, the opinion

was approved, and its publication authorized.

The Secretary of the Board having presented a letter from Mr. J. P. Cotton commenting upon the speech of Honorable Carter Glass before the Conference Committee of Congress engaged on the Federal Reserve Act, it was, on motion, voted that Mr. Dalano write a letter to Mr. Glass as to the clearing situation, and transmit him a copy of Mr. Cotton's letter.

On motion it was voted that for the present data relating to the expense of examining national banks should not be printed in the October 1st issue of the Federal Reserve Bulletin.

The question of the status of certain banks in New Jersey which had applied for fiduciary powers, coming up, the Secretary of the Board presented a report from the Committee on State Banks submitted by Mr. Harding. The matter was made a special order for Wednesday, September 29.

Mr. Williams read to the Board a telegram sent by him to Chief Examiner Starek on the same subject and a letter from Mr. Starek in reply. The latter was read to the Board and referred to the Committee on

Audit and Examination.

On motion the following applications for new capital stock in Federal reserve banks, duly recommended by Mr. Harding, were approved:

DISTRICT NO.		Shares.
1.	Norwood National Bank	Norwood, Mass. 15
4.	First National Bank	Higginsport, Ohio 1
6.	First National Bank	Alexander City, Ala. 1
	First National Bank	Floralala, Ala. 1
7.	First National Bank	Steward, Ill. 18
	First National Bank	Richmond, Mich. 1
8.	Farmers National Bank	Madisonville, Ky. 2
11.	First National Bank	Nogales, Ariz. 15
	First National Bank	Wichita Falls, Tex. 105
	Citizens National Bank	Brownwood, Tex. 6
	First National Bank	Robert Lee, Tex. 1
	First National Bank	Ft. Stockton, Tex. 1
7.	First National Bank	Rembrandt, Iowa. 15

DISTRICT NO. 12.		Shares.
First National Bank	Hemet, Cal.	15
First National Bank	St. Maries, Idaho	17

On motion the following applications for the surrender of capital stock in Federal reserve banks, duly recommended by Mr. Harding, were approved as follows:

DISTRICT NO. 4.		Shares.
First National Bank	Belpre, Ohio.	17
First National Bank	Scenery Hill, Pa.	8

DISTRICT NO. 10.		Shares.
First National Bank	Oshkosh, Nebr.	16

A letter from Mr. G. H. Lemmon, regarding cotton loans, was read to the Board, noted and ordered filed.

A letter from the Federal Reserve Bank of Philadelphia relative to certain questions as to reserves, bond conversions, and terms of office of directors, was read and, on motion, referred to Counsel for opinion.

A letter from the Federal Reserve Bank of Atlanta relating to rediscounts on behalf of the Hibernia Bank and Trust Company, was referred to Mr.

Harding for report.

A letter from Federal Reserve Agent Wellborn, relative to the appointment of associate counsel of the New Orleans Branch, was on motion, referred to Mr. Harding.

The Secretary of the Board presented a letter from the Comptroller of the Currency informing the Board of the present status with regard to supplying portions of the reports of bank examiners to the member banks examined. The letter of the Comptroller was noted and ordered filed.

The Secretary of the Board presented a suggestion from the Comptroller of the Currency that Federal Reserve Agent Bosworth be requested to investigate the questions raised in certain correspondence relating to the paper of Armour & Company by sending for the writer of the letter in which the charges referred to were made. The Board agreed to the proposal, and the Secretary was directed to communicate with Mr. Bosworth accordingly.

On motion at 12 noon the Board adjourned to meet on Tuesday, September 28, at 11:00 a. m.

H. Parker Willis
Secretary.

APPROVED.

C. S. Hamlin
Chairman.