

At an adjourned meeting of the Federal Reserve Board held in the office of the Board at 3:00 p. m., on Tuesday, December 28,

## PRESENT:

Mr. McAdoo, presiding      Mr. Williams

Mr. Hamlin                      Mr. Warburg

Mr. Delano                      Mr. Harding

Mr. Miller

Mr. Willis, Secretary.

The minutes of the meetings at 11:00 a. m., Tuesday, December 21; at 3:15 p. m., Wednesday, December 22; and at 3:00 p. m., Thursday, December 23, were read and approved.

Mr. Delano, to whom had been referred the minutes of a conference with the Executive Committee of Governors, held on December 16, and the minutes of a conference with the Executive Committee of the National Bank Section of the American Bankers' Association, held on December 15, reported these minutes, and they were accordingly ordered entered in the book of Conference Minutes.      The Chairman

voted in favor of entering these conference minutes, but with the proviso that his action should not commit him to an assent to the existence of the Conference of Governors. Thereupon Mr. Miller stated that it was not his understanding that the receipt of such minutes committed any member to the contents of such minutes or to the existence of any organization.

On motion applications for issues of Federal reserve notes, duly recommended by the Committee on Issue and Redemption, were approved as follows:

For the Federal Reserve Bank of San Francisco, \$3,800,000, as follows:

\$5 denomination	\$1,000,000
10 "	600,000
20 "	1,200,000
50 "	1,000,000.

For the Federal Reserve Bank of Kansas City, \$2,000,000, as follows:

\$5 denomination	\$280,000
10 "	1,040,000
20 "	480,000
50 "	200,000.

On motion the action of the Federal Re-

serve Bank of Richmond in declaring a 5% dividend to members, was approved on the basis of statements filed by the officers of the bank, and the Secretary of the Board ordered so to inform the Federal Reserve Bank of Richmond.

On motion the reduction of the capital stock of the Citizens National Bank of Stamford, Texas, in the amount of \$50,000, duly recommended by the Comptroller of the Currency, and approved by the Federal Reserve Bank of Dallas, was voted.

The special orders for the day being taken up, the Chairman laid before the meeting the question of reports of bank examiners, and the matter of placing these reports in the hands of Federal reserve banks. He presented to the Board a letter received from the Comptroller of the Currency as follows:

TREASURY DEPARTMENT  
WASHINGTON

December 28, 1915.

Dear Mr. Secretary:

I have read the memorandum prepared by Mr. Harding, entitled, "Examinations of Member Banks and Reports Thereon". Mr. Harding says:

"The Comptroller of the Currency has offered to require chief examiners to furnish Federal Reserve banks with abstracts of reports and he has also agreed to permit the Federal Reserve agent, the Governor, or a duly authorized representative of either official, to examine the copies of reports which are on file in the Examiner's office and to make such memoranda from them as they desire. My understanding is, however, that the Comptroller has reserved the right to instruct the Chief Examiners to decline to show the office copies of the reports and to authorize them to furnish abstracts instead."

My understanding is that every request which any Federal Reserve Bank has ever made for permission to examine the reports of National Bank Examiners has been complied with. Mr. Harding speaks of the Comptroller reserving the right to decline to show reports. I do not think that any point need be made of that reservation so long as reports are all being made accessible to the proper officers of the Reserve Banks. If the Comptroller should ever refuse access to a report, it will be because he thinks there is a good reason for doing so. If the Reserve Bank should, however, think the reason an insufficient one, should that not be time enough to object to the present arrangement?

Mr. Harding says:

"It is difficult, therefore, to conceive any valid reason why Federal Reserve Agents should not be furnished with complete copies of reports of examinations of member banks in their respective districts."

Whether the reason is a valid one or not, it is a fact that many banks do object to having the detailed reports of their condition as made by Examiners exhibited to the Reserve Banks when they are asking no favors or loans or other accommodations of these banks and are merely carrying with them large credit balances.

In answer to this Mr. Harding says:

"Any member bank is liable to offer paper for rediscount at any time, and there will always be the possibility, after the clearing system has been fully developed, of a member bank's reserve account showing an overdraft."

Mr. Harding says that it would be inconvenient for the Federal Reserve Bank in New York to send to the Custom House for credit information, etc. As a matter of fact, the Reserve Bank is in instantaneous communication with the Examiner's office in the Custom House by telephone; and it would also be practicable to have all Chief Examiners have their offices either in the same building as the Reserve Bank or within a hundred yards of it.

As you probably know, I have already advised the Reserve Board that the Governor, Federal Reserve Agent, Auditor or Credit Man of any of the Reserve Banks might, any or all, have access to the re-

ports of Chief Examiners in the case of any bank asking credit, and that if they wished to see the report of any other bank not asking for credit, a request for such permission would receive prompt attention. No request has ever been refused by me, to the best of my knowledge and belief.

Furthermore, I have furnished to the Federal Reserve Banks in the past twelve months more than 45,000 statements of banks, these statements including not only the assets and liabilities of the banks, but a great deal of vital and interesting data, which should enable the Reserve Banks to keep themselves well posted as to the progress and condition of their members.

However, if you think it desirable to act further upon Mr. Harding's request, or suggestion, and give the Federal Reserve Agents copies of Examiners' reports, we can go still further and, with your approval, I will be willing to have the Federal Reserve Agents furnished with a copy of the main body of the Examiner's report, directing Examiners that information of a confidential nature which it would seem unwise to place on file in the Reserve Bank, be embraced in a supplement to the Examiner's report and sent to this office.

As to what, if any, portions of the present form of Examiner's report should be transferred to the supplement, - I think that Mr. Harding and I could take that matter up and readily agree. The understanding would be, if an arrangement of this sort were carried out, that the Federal Reserve Agent would hold these reports in a special file, under lock and key, the reports to be held

entirely confidential by him and not to go beyond him without the permission of this office. Information contained in the reports would, of course, be considered by the Reserve Agents in discussing with the authorities of the bank, any proper business of the bank and the reports may, if necessary be shown in confidence to the Governor.

Sincerely yours,

JOHN SKELTON WILLIAMS,

Hon. W. G. McAdoo,  
Secretary of the Treasury.

Discussion ensued, and Mr. Harding offered the following resolution:

RESOLVED, That the Federal Reserve Board hereby authorizes the Federal Reserve Agents to receive copies of reports of National banks by national bank examiners, on the terms and conditions set forth in the letter of this date to the Secretary of the Treasury, signed by the Comptroller of the Currency.

On being put to a vote, the resolution prevailed, and it was declared carried.

The chairman then presented the question of membership of national bank examiners in directorates of Federal reserve banks. Discussion ensued, and

various members of the Board suggested that the language of the Federal Reserve Act prohibits the payment of remuneration by Federal reserve banks to such examiners. It was finally agreed to obtain the opinion of Counsel with reference to this question, and discussion of that phase of the matter was postponed.

The general question of the policy of placing national bank examiners on directorates continued under discussion, and after the members of the Board had expressed their views with reference to it, the Chairman offered the following resolution:

"RESOLVED, That National Bank Examiners shall not hereafter be appointed or act as Federal Reserve, or Deputy Federal Reserve Agents of Federal Reserve Banks, and that the designation as Deputy Federal Reserve Agents of National Bank Examiners now serving as Directors of Federal Reserve Banks be, on and after January 1, 1916, or as soon thereafter as possible, revoked."

On being put to vote, the resolution prevailed.

Thereupon the Chairman offered the fol-

Following resolution:

"RESOLVED, That as the future policy of this Board, National Bank Examiners shall not hereafter be elected or appointed to Directorships in Federal Reserve Banks."

On being put to a vote the resolution prevailed.

Mr. Williams asked to be excused from voting on either of the last above cited resolutions, and did not vote on either.

Mr. Harding stated to the Board that he had understood that in two reserve banks at the present time, Government directors were not permitted to serve as members of the executive committee. He thought that this was an unsatisfactory state of affairs, and recommended that the Board express its disapproval of such action on the part of reserve banks. It was agreed that before voting upon this resolution, the matter be referred to Counsel with request for a report as to the legal aspects of such discrimination, if actually found to exist. The Secretary of the Board was directed to ascertain from all reserve banks whether, in fact, such dis-

crimination does exist, and if so, to what extent.

Further consideration of the question of the appointment of Class "C" directors having been postponed until a subsequent meeting, the Chairman offered the following resolution:

WHEREAS, The Federal Reserve Act in Section 12 provides for an Advisory Council, obviously intended to act independently of the Federal reserve banks, and to give to the Federal Reserve Board the advantage of outside and unbiased advice as to banking conditions in each district; and

WHEREAS, Membership of representation of the Federal reserve banks in the said Advisory Council tends to deprive such Council of the character which it was the plain intent of the Act to bestow upon it;

RESOLVED, That it is the sense of the Federal Reserve Board that directors, Governors or other officers of Federal reserve banks should not serve as members of the Advisory Council.

RESOLVED FURTHER, That a copy of this resolution be sent to each Federal reserve bank, and that each such bank be requested to govern its action accordingly.

After brief discussion it was agreed to

refer this resolution to the Committee on Law.

Thereupon the Chairman offered the following resolution:

WHEREAS, It is in the interest of good administration that the officers of the Federal reserve banks shall have a definite tenure of office, subject to renewal at a specified date, according as the incumbent exhibits efficiency and merit or the reverse; and

WHEREAS, It is the plain intent and meaning of the Federal Reserve Act that the Federal Reserve Board shall exercise direct and continuous oversight of the affairs of the Federal reserve banks with a view to maintaining an efficient and economical administration thereof;

RESOLVED, That the Federal Reserve Board formally expresses the opinion that each Federal reserve bank should annually elect or re-elect its officers and employees, and that the list thereof, with salaries, should be submitted to the Federal Reserve Board at the beginning of each year for approval.

It was agreed that this resolution likewise be referred to the Committee on Law, and that that Committee be requested to report on the form of both resolutions at a meeting to be held at 3:00 p. m., on Wednesday, December 29.

On motion at 5:30 p. m. the Board adjourned to meet at 3:00 p. m. on Wednesday, December 29.

*J. P. Ke. Willis*  
Secretary.

APPROVED:

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Chairman.