

At a regular meeting of the Federal Reserve Board held in the office of the Board at 11:15 a. m., on Wednesday, January 5,

PRESENT:

Mr. McAdoo, presiding    Mr. Williams

Mr. Hamlin                      Mr. Warburg

Mr. Delano                      Mr. Harding

Mr. Miller

Mr. Willis, Secretary.

The minutes of the meetings of 11:00 a. m. and 2:45 p. m. on Thursday, December 30, were read and approved.

An application for an issue of Federal reserve notes in favor of the Federal Reserve Bank of New York, amounting to \$2,000,000, was approved as follows:

\$10 denomination              \$2,000,000.

The question of stating the rate to be charged for bankers' acceptances by the Federal Reserve Bank of Boston, was referred to Mr. Warburg with power to act.

The Secretary of the Board read an opinion from the Comptroller of the Treasury relative to the use of surplus revenue, if any, of the Federal Reserve Board. The report was received, and the Governor requested to acknowledge it officially, said report of opinion to be spread on the record as follows:

TREASURY DEPARTMENT .

WASHINGTON .

December 31, 1915.

The Governor of the  
Federal Reserve Board.

S i r :

I have your letter of the 11th instant, requesting a decision as to the powers of the Federal Reserve Board in disposing of the surplus of amounts collected from Federal reserve banks, on half-yearly assessments levied to pay the estimated expenses of the Board, remaining unexpended at the end of the half-year for which the assessment and levy were made.

Paragraph 3 of Section 10 of the Federal Reserve Act of December 23, 1913, (38 Stat., 251), provides:

"The Federal Reserve Board shall have power to levy semi-annually upon the Federal reserve banks, in proportion to their capital stock and surplus, an assessment sufficient to pay its estimated expenses and the salaries of its members and employees for the half-year succeeding the levy of such assessment, together with any deficit carried forward from the preceding half-year."

The funds thus collected are public moneys and, as such, are subject to the laws and regulations governing other public moneys. (See 30 Op. Atty. Gen., 308). They constitute a special fund set apart from the general fund in the Treasury and dedicated to the special purpose for which they were collected. Having been set apart and dedicated, they may not be applied, without express statutory authority to any other than the specific purpose for which they were collected (21 Comp. Dec., 454, 456).

Such special funds differ from amounts appropriated from the general fund in the Treasury, in that they do not lapse and that unexpended balances are not required by law to be turned back to the general fund as are unexpended balances of appropriations. Unless otherwise specifically provided by law, moneys in a special fund remain available for the specific purpose for which they were set apart and dedicated until expended, or until otherwise disposed of by law.

There is no provision of law for the disposal of the unexpended surplus of half-



yearly assessments on Federal reserve banks in any other manner than by expenditure for the purpose for which the funds were levied and collected. Therefore, such surplus may not lawfully be returned to the respective banks, nor turned into the general fund in the Treasury.

The funds, of which they are an unexpended part, having been assessed and levied for the purpose of paying the estimated expenses of the Board for the ensuing half-year, the question arises as to whether the surplus may be applied to the expenses of the next succeeding half-year.

It is, of course, impracticable to estimate in advance the exact needs of a given half-year. There will be either a surplus or a deficit in the fund at the end of the half-year. In the case of a deficit, the statute expressly grants power to carry it forward into the estimate for the next half-year, but makes no express provision for the disposition of a surplus. It has been suggested that this omission is significant as an exclusion of a surplus from the fund for the next half-year. It is equally logical, however, to conclude that a specific grant of power to assess for a deficit of a preceding half-year was necessary while no specific grant of authority was needed to apply a surplus to the general purpose of paying expenses of the Board, for which purpose all assessments are levied.

The general purpose of the assessment

and levy is to provide funds to meet the running expenses of the Board. It was clearly not intended to make these collections a source of profit to the Government by turning the surplus into the Treasury, nor to impose an unnecessary burden upon the banks by collecting and accumulating a fund which must lie idle because it is not needed for expenses of the particular half-year for which the estimate upon which the collection was based was made.

That it was not the intention to restrict the use of collections for a given half-year to the expenses of that half-year is evidenced by the fact that such collections are made to cover any deficit in the preceding half-year's collection, instead of making such deficit the subject of a special assessment and levy.

It is more in harmony with the general purpose of the statute and with the equities of the case to conclude that the half-yearly restriction applies to the assessment and levy, and not to the expenditure of the funds.

Where an assessment, levy and collection has been made in good faith to cover estimated expenses for an ensuing half-year, and through ordinary variation in expenses an unexpended surplus of the amount so collected remains at the end of the said half-year, it may be considered in connection with and deducted from the estimate and assessment for the next succeeding half-year and applied to the usual expenses of the Board in con-

nection with the new assessment, levy and collection.

You are authorized to make disbursements accordingly.

Respectfully,

W. W. WARWICK,

Comptroller.

A letter from Mr. J. F. Curtis of New York announcing the forthcoming meeting of the Conference of Governors, having been read, action was suspended until a later meeting.

A report by Mr. Harding relative to the getting of regular reports from member banks, was read and also a suggested draft of a letter to Federal reserve agents transmitting said report. The draft was approved in a modified form, and the Secretary directed to send out the same.

A memorandum from Mr. Broderick relating to dividends at Federal reserve banks was read and approved, and copies thereof ordered sent to the Federal Reserve Banks of Dallas and Atlanta.



7

Discussion of Class "C" directors having been resumed, Mr. Delano reported that Mr. Theodore H. Schulze would not accept appointment, and nominated Mr. William H. Lightner as director and deputy Federal reserve agent at Minneapolis. Mr. Lightner was declared elected.

On motion of Mr. Miller, Mr. Walton Moore was nominated and elected director in the Federal Reserve Bank of San Francisco, and was designated vice chairman and deputy Federal reserve agent.

The resignation of Mr. J. Z. Miller as Federal reserve agent and director in the Federal Reserve Bank of Kansas City was accepted by the Board, and on motion Mr. Charles M. Sawyer was elected director in place of Mr. J. Z. Miller for the unexpired term of the latter two years, being at the same time designated chairman and reserve agent for one year, his salary to be \$7,500.

On motion Mr. F. W. Fleming was elected director of the Federal Reserve Bank of Kansas City subject to the informal agreement that this election might be, on motion reopened for discus-

sion.

On motion the previous election of Mr. W. F. Ramsey as vice chairman and deputy Federal reserve agent at the Federal Reserve Bank of Dallas, was revoked, and Mr. Ramsey was elected as chairman and Federal reserve agent at Dallas.

Mr. Hamlin suggested that the draft of a letter written by Messrs. Delano and Warburg as a special committee, to the Federal Advisory Council, suggesting topics for consideration at the approaching meeting of that body, should be rephased. After discussion it was agreed to leave the matter informally in the hands of the committee.

A telegram from Federal Reserve Agent Perrin of San Francisco suggesting the appointment of an assistant to himself at a salary of \$6,000, having been read and discussed, Mr. Miller was authorized to telegraph Mr. Perrin that in the opinion of the Board, the salary is too high.

A letter from Governor Rhoads of Philadelphia relating to exchange charges having



9

been read was ordered filed.

Opinions of Counsel were disposed of  
as follows:

Relating to the status of National Banks  
Examiners - ordered filed but not published.

Discount of bills of exchange accompanied by  
bills of lading - referred to Committee on Law.

The Secretary of the Board submitted a  
draft of a proposed appendix to the Board's Annual  
Report relating to salaries at Federal reserve banks,  
and the same was approved for publication.

The question how the Board should act in  
reporting and publishing the salaries of national  
bank examiners, was referred to the Committee on  
Audit and Examination.

Letters from Federal Reserve Agents Jay  
and Austin relating to tenure of office of em-  
ployees, having been read, were referred to Mr.  
Warburg with request that he prepare a reply to  
be submitted to the Board.

The Secretary of the Board having called  
attention to a letter from Mr. H. V. Whipple re-

questing a hearing for the Connecticut banks asking transfer, it was agreed that said hearing be held early in February, the date to be established later.

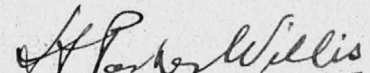
A memorandum from Mr. Broderick relating to clearing house settlements by member and Federal reserve banks, was approved, and the Secretary directed to send the same to all Federal reserve banks.

An application from the Federal Reserve Bank of Philadelphia to be permitted to hold \$175,000 in warrants of the City of Troy, New York, was approved.

A digest of the Federal Reserve Act prepared by Mr. I. B. Lazarus, was ordered returned to Mr. Lazarus with thanks.

On motion at 12:45 p. m. the Board adjourned to meet this afternoon at 3:00 p. m.

APPROVED:

  
Secretary.

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Chairman.