

At a regular meeting of the Federal Reserve Board held in the office of the Board at 11:10 a. m. on Thursday, January 13,

## PRESENT:

Mr. Hamlin, presiding Mr. Warburg

Mr. Delano Mr. Harding

Mr. Williams Mr. Miller

Mr. Willis, Secretary.

The minutes of the meeting of January 11, were read and approved.

Mr. Hamlin stated to the Board that he had been specially investigating the question of the conversion of 2% bonds into 3's, and had reached the conclusion that the provisions of the refunding section did not contemplate limiting the bonds to be converted to those against which no Federal reserve bank circulation was outstanding, but included also those against which no national bank circulation is outstanding.

The Secretary of the Board presented a telegram from Federal Reserve Agent Perrin inquir-

ing about the Board's attitude with request to permitting member banks to withdraw applications for the sale of bonds through the Treasurer with the intent of effecting an exchange through the Federal reserve bank. After discussion a telegram approving of such withdrawal, but cautioning Mr. Perrin that the matter is still an open one in all particulars, was read and ordered transmitted.

An informal poll of the Board for the purpose of testing opinion upon the question, resulted in expressions of approval on the part of Messrs. Hamlin, Warburg, Miller and Delano for a policy which would convert bonds in excess of \$25,000,000 annually, but within reasonable limits as to the amount, into 3% instead of 2% bonds. Mr. Harding refrained from voting, not having reached a definite conclusion, and Mr. Williams expressed himself against the policy.

On motion it was voted that the Committee on Law draft for submission to the Board a resolution expressive of the Board's policy with reference to

the conversion of 2% into 3% bonds.

Mr. Harding called the attention of the Board to the fact that his private secretary had been temporarily transferred to the examining staff, and requested that he be permitted to appoint Mr. R. R. Burklin acting secretary with the regular pay of the secretary of a member of the Board.

After discussion it was voted that it is the sense of the Board that the transfer and appointment be approved, the matter to be placed in the hands of the Committee on Staff to make the proper adjustments necessitated by the transfer.

Mr. Williams referred to the question of arrears of salary payment due to himself from the time he took office as Comptroller to the organization of the Board, and reviewed the history of the Board's action with reference to the payment of salaries, as well as the gist of Counsel's opinions on the same matter. The question was referred to the Committee on Expenditures.

At the request of Mr. Delano a resolution

offered by him on an earlier occasion and referred to Counsel, with reference to the annual approval of salaries of national bank examiners, was called up. An opinion of Counsel relating to the same and holding that such approval might be required annually, was presented. The matter having been tabled temporarily in order to give the Comptroller of the Currency time to consider Counsel's opinion, was then put to a vote, and the following resolution adopted:

WHEREAS, the Federal Reserve Act in Section 21, provides that the Federal Reserve Board, on recommendation of the Comptroller of the Currency, shall fix the salaries of all bank examiners and make report thereof to Congress, and

WHEREAS, the Federal Reserve Board has adopted the policy of annual review of salaries of all officers and employees of Federal Reserve Banks, be it, therefore,

RESOLVED, that the Comptroller of the Currency be requested to submit annually a list of National bank examiners and the salary recommended by him in each case for approval of the Board.

On motion it was voted that in order not

to interfere with salary disbursements of January 15, the present schedule of examiners' salaries be temporarily approved by the Board until further orders, all details in relation to the matter being referred to the Committee on Staff with power to act.

Mr. Williams inquired when consideration and approval of the salaries of reserve bank officers and employees would occur, and was advised that salary lists were nearly all in hand and could be presented at practically any date desired.

The Secretary of the Board having presented the result of an investigation into the present status of Class "C" directors at Federal reserve banks, showing that discrimination against them exists either in the by laws, or as the result of the customs of the various banks, was instructed to address a letter to the Federal reserve agents requesting that such discrimination be eliminated, the letter to be submitted to the Board.

Reports from Mr. Warburg approving of the

request of the Federal Reserve Bank of Cleveland to purchase \$175,000 of the City of Lexington, Kentucky, notes, and to hold the same, and also to purchase \$5,000 of the bonds of the City of Delaware, Ohio, were presented to the Board and approved.

Mr. Warburg reported relative to Recommendation 19 (b) of the Governors' Conference relating to penalties for impairment of reserves. On motion the report was adopted, and the Secretary directed to advise the Conference accordingly at the proper time.

Mr. Warburg reported relative to Topic No. 23 regarding the initiation of discount rates. On motion the report was laid on the table for the time being.

Mr. Miller reported with reference to Topic No. 2 (b) on behalf of the Committee on Issue and Redemption, the same being the destruction of Federal reserve notes. On motion the report was adopted.

The question of requiring endorsement of directors on paper offered for rediscount at Federal reserve banks, having been brought up, with certain instances involving the policy of the Federal Reserve Bank of Dallas, it was voted that the policy of requiring such endorsement in the case in question was justified, and may be justified in a variety of cases; and it was further voted that the matter be referred back to Mr. Harding with request that he write an informal ruling embodying the substance of his own memorandum on the Dallas case expressive of the general policy of the Board on this subject.

Mr. Harding reported in favor of permitting payments to be made from the Gold Settlement Fund in behalf of the Federal Reserve Bank of Richmond for the purpose of reimbursing the 5% fund of the member banks in the Richmond district. The general policy on the matter was taken up for discussion, and it was agreed that the same privileges be extended to all Federal

reserve banks, provided that such transfers be made in sums of \$10,000 or multiples thereof. The Secretary was directed to prepare a letter on the subject for transmission to the reserve banks, and was authorized to publish the same in the Federal Reserve Bulletin as a ruling.

On motion of Mr. Delano it was agreed that Mr. Miller retire from the chairmanship of the sub-committee on Operation in charge of the Kansas City Bank, and be assigned to that in charge of the Minneapolis Bank, Mr. Delano being transferred from Minneapolis to Kansas City.

On motion it was voted that henceforward each member of the Board shall, on or before November 15, present all of his recommendations with reference to changes in the Boards of Directors of the banks to which he is assigned as committee chairman.

Mr. Hamlin reported that he had duly considered the questions submitted by Messrs. Hollis and Wilcox relative to the holding of

political office, and held that the office of moderator of elections is clearly a public office, and as such, must be resigned, but that Mr. Hollis may, at his discretion, serve out his term; while the office of delegate to a political convention is not to be regarded as falling within the scope of the resolution. The report was approved, and letters ordered written accordingly.

Mr. Hamlin called the attention of the Board to a resolution recently offered by Senator J. H. Lewis asking for an investigation of salaries at banks under the jurisdiction of the Board. He was authorized to write a letter to Senator Lewis calling his attention to the fact that the desired data are now in the hands of the Comptroller of the Currency.

The Secretary of the Board presented the usual weekly discount rate notices, calling attention to the fact that no changes were asked for.

The Secretary of the Board called atten-

tion to the fact that the next meeting of the Governors' Conference was now definitely set for January 19.

The Secretary of the Board presented a letter from the Massachusetts Commissioner of Banking, stating his policy with reference to trust company investments.

The Secretary of the Board presented a telegram from the Fort Worth Clearing House Association relative to the provisions of the Lever Cotton Futures Law. The telegram was ordered filed.

The Secretary of the Board presented a letter from the Federal Reserve Bank of Boston announcing the appointment of Mr. Daniel G. Wing as member of the Advisory Council for the year 1916.

The Secretary of the Board presented a report from Governor Wold of Minneapolis regarding certain collection matters brought forward by Mr. E. S. Lewis of Philadelphia. The report was received and ordered filed.

On motion at 1:00 p. m. the Board  
adjourned to meet this day at 3:00 p. m.

*H. Parker Willis*

Secretary.

APPROVED:

*C. H. Amelun*

Chairman.