

At an adjourned meeting of the Federal Reserve Board held in the office of the Board at 2:40 p. m., on Saturday, February 5,

PRESENT:

Mr. McAdoo, presiding Mr. Williams

Mr. Hamlin Mr. Warburg

Mr. Delano Mr. Harding

Mr. Miller

Mr. Willis, Secretary.

Mr. Harding presented the following memorandum for insertion in the Annual Report such memorandum being a re-draft of a similar statement prepared and submitted by Mr. Warburg about a month ago:

"There is a feature of the Federal Reserve Act which in the opinion of some, though not all members of the Board, should be discussed briefly in this report. This refers to the matter of divided authority in the administration of the Federal Reserve System. Section 15 of the Act provides that the moneys held in the general fund of the Treasury, except the funds for the redemption of National bank notes and Federal reserve notes, may

upon the direction of the Secretary of the Treasury, be deposited in Federal reserve banks. The power thus given to the Secretary of the Treasury to make deposits with all Federal reserve banks or with such Federal reserve banks as he may select, irrespective of the wishes of the Federal Reserve Board, gives to the Secretary, in the opinion of some members of the Board, a power which can be so used as to affect or counteract the discount policy adopted by the Board and thereby to place him in a position to weaken or at times even to nullify the ability of the Board adequately to discharge the all important responsibility with which it is specifically vested, to regulate according to its judgment as to what will best "accommodate commerce and business", discount rates and rediscount operations between Federal reserve banks.

Furthermore, in the matter of examination, the appointment of National bank examiners by the Comptroller of the Currency is required by the law to be approved by the Secretary of the Treasury and not by the Board, which has power only to pass upon the recommendations made by the Comptroller as to salaries. Some members of the Board desire to point out that the law does not give the Board power to call for the reports of these examinations, although it is given authority to order additional examinations of a special and independent nature, at the expense of the member bank so examined. The Comptroller has the authority

to furnish these reports but he also has the right under the law to refuse to deliver them for the use of the Federal Reserve Board. The Board is given no power whatever in the matter of reports of condition which are made to the Comptroller of the Currency by member banks, which contain, besides the essential facts relating to the financial status or solvency of the individual member banks, such statistical information. The Board has no voice whatever as to the dates or frequency of these reports, and has no control over the matter that is included in them. While the Board has the power to issue regulations concerning the transactions of the Federal reserve banks, it has no authority as to rulings by the Comptroller's office, and in many cases the Board's regulations governing the operation of the Federal reserve banks, may in effect, be nullified by contrary rulings of the Comptroller as to transactions of the national banks. While the difficulties arising from this dual or triple control may be overcome, and as a matter of fact, have been generally overcome so far by negotiation and agreement with the two offices concerned, through the courtesy and cooperative spirit shown by the present incumbents, no agreement can be made that can not at any time be ended by any future incumbent. Therefore, some members of the Board deem it the duty of the Board to refer to these conditions which some member banks and many non-member banks

having in contemplation membership in the system, have characterized as a source of weakness and a possible danger to its future growth".

Further discussion ensued, and Messrs. Delano, Warburg, Miller and Harding expressed themselves as in general accord with the view contained in this memorandum. Mr. McAdoo said he thought that a general statement of this kind if inserted would show the existence of differences among the members of the Board, and that if the Board should decide to put such a statement into the report, he would feel called upon to insert a statement of his own views both with respect to this matter and several others.

Mr. Harding withdrew his proposed memorandum, stating that he would submit a substitute later.

Mr. Delano having been requested to submit in concrete form his suggestions for changes in the relations between the Board and the Comptroller of the Currency, submitted the

following:

"We should either amend Section 21 of the Federal Reserve Act so as to provide:

(a) That, with the approval of the Federal Reserve Board, the Comptroller of the Currency shall appoint all examiners and fix their compensation;

(b) That, with the approval of the Federal Reserve Board, the Comptroller of the Currency shall prepare the forms of condition reports to be made by member banks as often as five times per year;

(c) That the Federal Reserve Board shall have access for its own use and for any officers under its jurisdiction whom it may designate, to all reports, statistics or other information gathered by the Comptroller of the Currency;

(d) That the cost of administering the functions of the Comptroller's office shall be under the general supervision of the Federal Reserve Board and shall be distributed against the Federal Reserve Banks in exactly the same way as the expenses of the Federal Reserve Board, except that the cost of bank examinations shall be distributed as now provided by law;

(e) That all administrative orders, rulings and circulars issued from the office of the Comptroller of the Currency shall be approved by the Federal Reserve Board;

or else the Act should be so amended

as to relieve the Federal Reserve Board from any responsibility in the matter".

Mr. McAdoo said that as a result of the discussion he was convinced that what was needed was not more laws but effective cooperation between the Board and the Comptroller's office, and suggested the advisability of this course in preference to any request for new legislation, saying that he himself would be glad to do all in his power to bring about such cooperation, and that if after experience, such cooperation was not secured, the matter of further legislation could be considered.

Mr. Miller offered the following as a suggestion for the closing paragraph of the report:

"The Board has deemed it best also to forbear entering at this time into the discussion of some questions of large significance affecting the administration of the Federal Reserve Act and the operation of the Federal reserve banks concerning which differences of opinion exist and on which it is therefore deemed

best to postpone report and recommendations."

Mr. Harding offered the following resolution as a substitute for all preceding recommendations for changes in the report:

RESOLVED, That the Annual Report of the Board as thus far agreed upon, be signed and forwarded to the Congress, with the following amendment and addition near the foot of page 4 CB 8 YX:

"It is believed that the enactment of all of these amendments would result in greatly strengthening the operations of the Federal Reserve Act, besides making the system more attractive to national banks. The text of the amendments designed to carry out these recommendations will be submitted by the Board at an early date. The Board has under consideration other suggestions for amendments to the Federal Reserve Act concerning which no conclusions have yet been reached and regarding which the Board will take the liberty of submitting its views to the Congress at an appropriate time in the future".

After discussion, the resolution was adopted.

On motion it was voted that at any time prior to June 30, 1916, the Board will, at the

request of any two or more members, officially transmit to Congress majority and minority reports relating to any amendment to the Federal Reserve Act upon which an expression and recommendation may be desired by such members.

The Secretary of the Board was authorized to make minor changes in the language of the report for the purpose of correcting manifest errors or defects.

After further discussion of relations between the Board and the office of the Comptroller of the Currency it was informally agreed that Mr. Harding be named as the representative of the Board to consider from time to time with the Comptroller matters relating to the work of the latter's office in which the Board may be interested or in which joint action may be necessary.

On motion applications for additional stock in Federal reserve banks, duly recommended by Mr. Harding, amounting to 1,798 shares, were

approved as follows:

DISTRICT No. 1.

Shares.

First National Bank	Enosburg Falls, Vt.	1
Produce National Bank	S. Deerfield, Mass.	1
Edgartown National Bank	Edgartown, Mass.	1
Second National Bank	Barre, Mass.	1
Blue Hill Nat'l Bank	Milton, Mass.	15
First National Bank	Bath, Maine.	1
National Bank of -	Fairhaven, Mass.	1
Safety Fund Nat'l Bank	Fitchburg, Mass.	60
Kezar Falls Nat'l Bank	Kezar Falls, Me.	1

DISTRICT No. 2.

First National Bank	Westwood, N. J.	1
Tottenville Nat'l Bank	Tottenville, N. J.	2
First National Bank	Rockville Centre, N. Y.	3
First National Bank	Pompton Lakes, N. J.	1
First National Bank	Pompton Lakes,	3
First National Bank	Ovid, N. Y.	3
North Creek Nat'l Bank	North Creek, N. Y.	1
First National Bank	Newark, N. Y.	1
Frontier National Bank	Morristown, N. Y.	1
First National Bank	Marion, N. Y.	1
National Bank of -	Liberty, N. Y.	1
First National Bank	Grand Gorge, N. Y.	1
East Hampton Nat'l Bank	East Hampton, N. Y.	3
First National Bank	Dryden, N. Y.	4
Cooperstown National	Cooperstown, N. Y.	1
Central National Bank	Buffalo, N. Y.	696
Bridgehampton Nat'l Bank	Bridgehampton, N. Y.	1
Somerset National Bank	Barker, N. Y.	2

Peoples National Bank	Pulaski, N. Y.	2
Bliss National Bank	Bliss, N. Y.	3
Saratoga National Bank	Saratoga Springs, N. Y.	32

DISTRICT No. 3.

Sussex National Bank	Seaford, Del.	1
First National Bank	Blackwood, N. J.	2
Clayton National Bank	Clayton, N. J.	1
First National Bank	Merchantville, N. J.	2
First National Bank	Ocean City, N. J.	3
First National Bank	Princeton, N. J.	6
Allentown National Bank	Allentown, Pa.	30
Berwyn National Bank	Berwyn, Pa.	2
First National Bank	Birdsboro, Pa.	6
Farmers National Bank	Canton, Pa.	1
Codorus National Bank of Jefferson	Codorus, Pa.	1
First National Bank	East Conemaugh, Pa.	1
First National Bank	Fairfield, Pa.	1
First National Bank	Gettysburg, Pa.	30
First National Bank	Gratz, Pa.	1
First National Bank	Herndon, Pa.	3
First National Bank	Howard, Pa.	1
Grange National Bank of Lycoming County	Hughesville, Pa.	1
First National Bank	Landisville, Pa.	3
First National Bank	Leesport, Pa.	1
Luzerne National Bank	Luzerne, Pa.	6
First National Bank	Middleburg, Pa.	3
Farmers National Bank	Millheim, Pa.	2
First National Bank	Montgomery, Pa.	3
Nanticoke National Bank	Nanticoke, Pa.	3
Farmers National Bank	Newville, Pa.	1
First National Bank	Patton, Pa.	15
Market Street Nat'l Bank	Philadelphia, Pa.	60
Quaker City Nat'l Bank	Philadelphia, Pa.	30
First National Bank	Schuylkill Haven, Pa.	3

First National Bank	Scranton, Pa.	150
Market Street Nat'l Bank	Shamokin, Pa.	3
First National Bank	State College, Pa.	1
National Bank of	Topton, Pa.	1
Peoples National Bank	West Conshohocken Pa.	1
First National Bank	Williamsburg, Pa.	3
First National Bank	York, Pa.	1

DISTRICT No. 4.

German National Bank	Newport, Ky.	6
Marine National Bank	Ashtabula, Ohio.	1
First National Bank	Bowling Green, O.	1
Second National Bank	Bucyrus, Ohio	24
National Commercial Bank	Cleveland, Ohio	150
First National Bank	Canton, Ohio	30
City National Bank	Columbus, Ohio	15
First National Bank	Convoy, Ohio	3
Eaton National Bank	Eaton, Ohio	6
National Bank of -	Elvria, Ohio	3
Citizens National Bank	Galion, Ohio	6
Farmers & Traders Nat'l	Hillsboro, Ohio	6
First National Bank	Ironton, Ohio	1
New Knox National Bank	Mt. Vernon, O.	6
Citizens National Bank	New Lexington, O.	1
First National Bank	Okeana, Ohio	1
First National Bank	Ottawa, Ohio	1
Second National Bank	Ravenna, Ohio	9
Ripley National Bank	Ripley, Ohio	1
First National Bank	Sardinia, Ohio	2
Commercial Nat'l Bank	Tiffin, Ohio	15
City National Bank	Tiffin, Ohio	1
First National Bank	Wadsworth, Ohio	1
Auglize National Bank	Wapakoneta, O.	2
Braddock National Bank	Braddock, Pa.	60
Merchants National Bank	Butler, Pa.	1
First National Bank	Cairnbrook, Pa.	3
First National Bank	Cherry Tree, Pa.	3
National Bank of -	Corry, Pa.	3

Citizens National Bank	Monaca, Pa.	1
First National Bank	New Kensington, Pa.	3
First National Bank	Swissvale, Pa.	3

DISTRICT No. 5.

District National Bank	Washington, D.C.	24
Franklin National Bank	Washington, D.C.	6
National Bank of -	Chesapeake City Md.	1
Peoples National Bank	Denton, Md.	2
Citizens National Bank	Havre de Grace, Md.	3
Second National Bank	Bel Air, Md.	1
County National Bank	Lincolnton, N.C.	2
First National Bank	Lenoir, N. C.	1
First National Bank	Burlington, N.C.	1
Farmers & Merchants Nat'	Ayden, N. C.	5
First National Bank	Durham, N. C.	9
First National Bank-	Mount Olive, N.C.	1
First National Bank	Hickory, N. C.	6
Citizens National Bank	Hendersonville, N. C.	15
Peoples National Bank	Columbia, S. C.	1
First National Bank	Walterboro, S.C.	1
St. Matthews National	St. Matthews, S.C.	3
Conway National Bank	Conway, S. C.	1
First National Bank	Hartsville, S.C.	1
National Loan & Exchange	Columbia, S.C.	30
First National Bank	Sharon, S. C.	1
National Bank of	Leesville, S. C.	2
First National Bank	Cheraw, S. C.	1
American National Bank	Spartanburg, S.C.	1
Peoples National Bank	Rocky Mount, Va.	1
First National Bank	New Market, Va.	2
First National Bank	Lawrenceville, Va.	1
Citizens National Bank	New Market, Va.	1

National Bank of -	Herndon, Va.	1
Boston National Bank	South Boston, Va.	1
Central National Bank	Richmond, Va.	1
Page Valley Nat'l Bank	Luray, Va.	1
First National Bank	Appalachia, Va.	3
First National Bank	Luray, Va.	1
First National Bank	Blackstone, Va.	1
Hallwood National Bank	Hallwood, Va.	1
National Bank of -	Manassas, Va.	1
Farmers National Bank	Salem, Va.	1
First National Bank	Ripley, W. Va.	1
Matewan National Bank	Matewan, W. Va.	1
Beckley National Bank	Beckley, W. Va.	2
First National Bank	Ravenswood, W. Va.	3
Empire National Bank	Clarksburg, W. Va.	21
First National Bank	Glendenin, W. Va.	1
Huntington Nat'l Bank	Huntington, W. Va.	21
Peoples National Bank	Elkins, W. Va.	1
Merchants National Bank	Montgomery, W. Va.	3
First National Bank	Logan, W. Va.	2
First National Bank	Logan, W. Va.	4
National Bank of -	Thurmond, W. Va.	1

On motion at 5:15 p. m. the Board adjourned to meet on Monday, February 7, at 11:00 a. m.

H. P. Willis
Secretary.

APPROVED:

Chairman.