

At a meeting of the Federal Reserve Board in the Board Room at 10.20 a.m. Tuesday, January 23, 1917,

PRESENT:

Governor Harding, presiding, Mr. Miller,

Mr. Warburg, Mr. Williams,

Mr. Hamlin, Mr. Allen, Assistant Secretary.

Mr. Delano,

Also present Messrs. Aiken, Treman, Rhoads, Fancher, Seay, McDougal, McKay and Hendricks.

Governor Treman reported for the Committee of Governors as follows, stating that the report was unanimous except that Governor Seay held the report too conservative in its recommendations:

"A meeting of the committee for discussion of the plan to make drafts upon Federal reserve banks acceptable for immediate availability at par in all Federal reserve banks. Meeting held Monday, January 22d, 1917, at the Shoreham Hotel, Washington, D. C., at 10.25 o'clock a.m.

"Present: Messrs. Treman (Chairman), McDougal, Seay, Rhoads, Fancher, McKay and Hendricks. Mr. Hendricks was appointed secretary of the meeting.

"At the last conference of Governors there was a joint session with members of the Federal Reserve Board at which the above mentioned topic was discussed, and at that time the following vote was adopted:

"VOTED: That the Chairman be authorized to appoint a committee of five to confer with the Federal Reserve Board and assist in preparing a plan in connection with the immediate availability of drafts on Federal reserve banks.

"After informal discussion of the plan, as outlined by Governor Seay, it was the unanimous opinion of this committee that when the final transfer of reserves becomes effective, in accordance with the amendment which is now before Congress, some machinery should be in readiness to provide for the transfer of funds for such banks as have been in the habit of using drafts on central reserve cities, and in conformity with this view, the committee unanimously agreed upon the following plan:

"(1) That the privilege of drawing "Federal reserve exchange" drafts should be limited to the country banks, or, in other words, to those banks carrying a twelve percent reserve,

"(2) That the drafts should be limited, as to the amount drawn in any one day by a member bank, to ten thousand dollars,

"(3) That the drafts should be drawn by member banks upon their own Federal reserve bank and made receivable for immediate availability at par at any one Federal reserve bank specified in the draft,

"(4) That a special uniform form of draft be adopted by all the Federal reserve banks, such drafts when drawn upon this form to be the only ones which are receivable for immediate credit at par,

"(5) That the drawing bank be required to give immediate advice to its Federal reserve bank of all "Federal reserve exchange" drafts drawn, and that such drafts be immediately charged to the member bank's account on receipt of advice,

"(6) That this plan become operative when the final transfer of reserves has become effective, and be made available to such member banks as may agree to terms formulated by the Federal reserve bank.

"The committee then discussed whether it would be necessary to immediately inaugurate daily settlements in the gold settlement fund and, on motion by Governor Seay, it was moved and carried that, in the opinion of the committee, under the existing conditions and the terms above recited, there would be no necessity for daily settlements through the gold settlement fund at the present time.

"The committee next considered the advisability of putting into operation at this time the Gidney plan of a silver and legal fund. After discussion, on motion by Governor Seay, it was moved and carried that, under existing conditions, there is no necessity for establishing such a fund at this time."

There was informal discussion of the several recommendations, in which members of the Board and the Governors participated and during which Governor Seay stated that he would raise the limit to \$10,000 fixed in the report and that he would not confine the privilege to country banks.

Replying to an inquiry of Governor Harding, it was stated that the Committee saw no objection to daily settlements through the Gold Settlement Fund if they were thought desirable by the Board. The report was left with the Board, it being understood that action thereon should be taken during the week ending January 27, and that the Chairman of the Committee should be advised.

Governor Aiken called attention to a circular received from the Federal Reserve Bank of Atlanta relative to exchange, to which the members of the Committee objected.

Governor Harding called attention to the letter sent out by the Board as to the limitation of investments of Federal reserve banks and the strengthening of their reserve position. Reports were made as to the condition of the banks represented, and there was discussion of the general situation by Governor Harding and Mr. Warburg. A request was made that the Governor's Committee on the Banks as Fiscal Agents might meet with the Board's Committee on Relations with the Treasury Department, and a meeting was arranged following adjournment.

Approval was given by the Board to a report of the Committee on member and State Banks, given below:

"The Standing Committee on Member and State Banks met in the office of Governor Harding on Monday, January 22, 1917, at 4:30 p. m.

"Present: Mr. Harding (Chairman), Mr. Hamlin and Mr. Williams.

It was recommended that the following applications for fiduciary powers be approved:

Trustee (under deed of trust of Clay Casting Co.) Dist.

1. First National Bank, New Cumberland, W. Va. 4

Trustee (under deeds of trust to secure payment of bonds and interest) Dist. 4

2. First National Bank, Appalachia, Va. 5

Registrar of stocks and bonds:

1. Union National Bank, Cleveland, Ohio, 4

Trustee, Executor and Administrator:

1. First National Bank, Kanawha, Iowa, 7

Trustee, executor, and registrar of stocks and bonds;

1. First National Bank, Bar Harbor, Me. 1

Trustee, Executor, Administrator and Registrar:

1. Merrimack National Bank, Haverhill, Mass. 1

It was recommended that the following applications be held pending receipt of reports of subsequent examinations:

	Dist.
1. National Bank of Commerce, Pensacola, Florida,	6
2. First National Bank, DeFuniak Springs, Fla.	6
3. Farmers National Bank, Colfax, Cal.	12
4. American National Bank, Bowling Green, Ky.	8

It was recommended that the following applications be refused:

1. First National Bank, Henderson, N.C.	5
2. First National Bank, Miami, Florida,	6

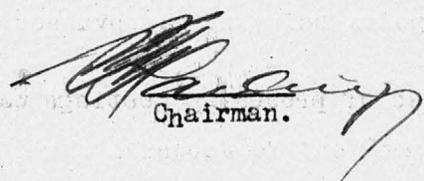
"It was recommended that the application of the City National Bank of Selma, Alabama, be held pending receipt of reply to letter from Comptroller's office dated January 11, 1917, asking if certain matters criticised in the last report of examination of the bank had been corrected.

"The Committee recommended disapproval of the application for membership in the Federal Reserve System made by the Farmers and Traders State Bank of Leon, Iowa, and approved the recommendation contained in the memorandum attached thereto."

At 12.15 the Board adjourned to meet at 3 p.m. this day.

Ass't Secretary.

APPROVED:


Chairman.