

At a regular meeting of the Federal Reserve Board held in the office of the Board on Wednesday, May 2, at eleven a.m.,

PRESENT:

Mr. Harding, presiding,	Mr. Hamlin,
Mr. Warburg,	Mr. Miller,
Mr. Delano,	Mr. Willis, Secretary.

A letter from Federal Reserve Agent Jay transmitting a bill pending in the New York State Legislature designed to forbid the presentation of checks through express companies, was read and noted.

Governor Harding stated the substance of a conversation with Representative Harrison relative to a plan for combining the so-called Kitchin and Hayes Bills, the resulting measure to be approved by the Board.

A letter from Governor Aiken of Boston relative to the establishment of a private telephone connection with the Board was presented. After discussion, the Boston Bank was, on motion, authorized to incur the expense of such a connection, while the question of prorating such outlay was referred to the Committee on Organization and Staff.

Mr. Hamlin suggested that the proposed amendment

relative to the conversion of 3% into 3½% bonds, be taken up with the legislative authorities. Governor Harding undertook to dispose of the matter.

A letter from Governor Fancher of Cleveland regarding the conversion of 3% into 3½% bonds, was referred to the Committee on Investments, first, however, to be circulated.

A letter from Secretary J. F. Curtis of the New York Federal Reserve Bank, relative to restricted endorsements on bills of exchange, was referred to Counsel for report.

A letter from Federal Reserve Agent Jay of New York as to an overpayment to Messrs. J. P. Morgan & Company, already criticized by Chief Examiner Broderick, in his report of examination of the Federal Reserve Bank of New York, was read and noted.

Reports from the Committee on Organization and Staff were received and acted upon as follows:

A report in favor of extending the leave of Miss Lucy Waters from April 25 to May 15, with pay, was adopted.

A report in favor of raising the salary of Assistant Federal Reserve Agent Thompson of Kansas City from \$2700 to \$3000 per annum, was adopted.

A report recommending that no immediate action be taken regarding the Executive Order of April 7, 1917, suspending the Civil Service Act in certain cases, was approved.

A report of the Committee on Audit and Examination favoring the increase of the salary of National Bank Examiner E. J. Donahue from \$2400 to \$2700 per annum, effective May 1, was adopted.

Governor Harding reported with reference to a special plan of examination, recommended by Chief Examiner Broderick, for use in examining applicant State banks in Texas, the bank whose case had called forth the recommendation at this time being the Atascosa County State Bank of Jourdanton, Texas. The matter was referred to the Committee on Audit and Examination.

Governor Harding presented a draft of a letter intended for all Governors and Reserve Agents, relative to banking relations with alien enemies. The draft was read, discussed, and tentatively adopted for submission to the Department of State and the Secretary of the Treasury.

A bill providing Federal incorporation for foreign trade banks, was favorably submitted by the Committee on

Law, and, on motion, adopted, the Governor to bring the proposed bill to the attention of Congress.

On motion it was voted that the Federal Reserve Bank of New York, acting as Fiscal Agent for the United States Government, be authorized upon the instructions of the Government to open accounts in favor of foreign governments as follows:

WHEREAS, Section two of the Act entitled "An Act to authorize an issue of bonds to meet expenditures for the national security and defense and to extend credit to foreign governments, and for other purposes," approved April 24, 1917, provides in part that -

"That for the purpose of more effectually providing for the national security and defense and prosecuting the war by establishing credits in the United States for foreign governments, the Secretary of the Treasury, with the approval of the President, is hereby authorized, on behalf of the United States, to purchase, at par, from such foreign governments then engaged in war with the enemies of the United States, their obligations hereafter issued, bearing the same rate of interest and containing in their essentials the same terms and conditions as those of the United States issued under authority of this Act; to enter into such arrangements as may be necessary or desirable for establishing such credits and for purchasing such obligations of foreign governments and for the subsequent payment thereof before maturity, etc."

And WHEREAS, Section fifteen of the Act approved December twenty-third, nineteen hundred and thirteen, known as the Federal Reserve Act, provides that the Federal reserve banks "when required by the Secretary of the Treasury, shall act as fiscal agents of the United States;"

And WHEREAS, the Secretary of the Treasury has duly appointed each and every Federal reserve bank a fiscal agent of the United States;

NOW, THEREFORE, BE IT RESOLVED, that the Federal reserve banks, in order effectively to carry out the provisions of the act first above referred to, are hereby severally directed to receive and hold on deposit as such Fiscal Agents, for the credit of any foreign government, moneys or credits placed at the disposal of such foreign government by the Secretary of the Treasury "for the purpose of establishing credits in the United States for foreign governments," as provided in Section two of the Act of April twenty-fourth, nineteen hundred and seventeen, quoted herein.

On motion at 12.40 p.m. the Board adjourned to meet on Thursday, May 3, at 3 p.m.

J. H. Pakenhille
Secretary.

APPROVED:

[Signature]
Chairman.