

At a regular meeting of the Federal Reserve Board held in the office of the Governor on Tuesday, June 26, at 11 a.m.,

PRESENT:

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

The minutes of the meeting of the Board held on June 21 were read and on motion approved.

The minutes of the meetings of the Executive Committee held on June 22, morning, and June 22, afternoon, were read, and on motion, the action therein set forth ratified.

The question of the Board's quarters was taken up for discussion, and the Governor of the Board reported a conversation with Chief Clerk Wilmeth, of the Treasury Department, in the course of which Mr. Wilmeth reported that he would probably be able to readjust the assignment of space to the Board within a few days.

Governor Harding submitted a plan for the management of the Gold Settlement Fund under the provisions of

the recently adopted act amending the Federal Reserve Act, accompanied by forms for carrying into effect a system whereby the Treasury would hold the Gold Settlement Fund in trust and make transfers on its books. The plan was discussed and on motion the Governor was authorized to carry into effect the proposed system, telegraphing the Federal reserve banks and Federal reserve agents to that effect.

Governor Harding presented the question of the collateral security to be put up by bank depositories against government funds, stating that the 25% of the amount of such deposits now required to be supplied in the form of Government bonds could not be supplied by many of the banks because of the wide distribution that had been given to the bonds in the course of the subscription. Discussion ensued, and it was finally agreed to recommend to the Secretary of the Treasury that the 25% now required to be put up in bonds be reduced to 10%, the following resolution being ordered entered and transmitted to the Secretary of the Treasury:

WHEREAS, under Treasury Department Circular No. 61, incorporated banks and trust companies desiring to receive on deposit proceeds of the sale of Liberty Bonds, are required to deposit with the fiscal agent as security at least twenty-five per cent of the amount of such deposits in United States Government bonds, and

WHEREAS, the Board has received advices from several Federal reserve banks which have been acting as fiscal agents, and from member banks, that the enforcement of this requirement will prove a hardship to many of the banks which have subscribed to such bonds for themselves and others by reason of the difficulty in obtaining the necessary amount of such bonds, and

WHEREAS, the Board is informed that the difficulty in obtaining such bonds is due in large measure to the fact that the banks acting under advices of the Treasury Department and of the Federal Reserve Board endeavored to obtain subscriptions in a manner which would insure the distribution of these bonds over a wide market in accordance with the purpose and intent of the Act authorizing the issue of such bonds, and

WHEREAS, the Board is advised that the Secretary in his discretion may modify the requirements above mentioned,

NOW, THEREFORE, BE IT RESOLVED, That the Board respectfully recommends to the Secretary that the requirements of Circular No. 61 be modified so as to permit deposits to be made against eligible securities enumerated in said Circular and that the percentage of United States bonds required as a condition precedent to such deposits be reduced to ten per cent.

On motion, the following resolution, levying an assessment upon Federal reserve banks for the expenses of the Board during the coming half year, which had previously

been informally approved by a majority of the members of the Board, was adopted:

WHEREAS, under Section 10 of the Act approved December 23, 1913, and known as the Federal Reserve Act, the Federal Reserve Board is empowered to levy semiannually upon the Federal reserve banks in proportion to their capital stock and surplus, an assessment sufficient to pay its estimated expenses, including the salaries of its members, assistants, attorneys, experts, and employes for the half year succeeding the levying of such an assessment, together with any deficit carried forward from the preceding half year; and

WHEREAS, it appears from estimates submitted and considered that it is necessary that a fund equal to eleven hundredths of one per cent (.0011) of the capital stock of the Federal reserve banks be created for the purposes hereinbefore described, exclusive of the cost of engraving and printing of Federal reserve notes;

NOW, THEREFORE, BE IT RESOLVED, That pursuant to the authority vested in it by law, the Federal Reserve Board hereby levies an assessment upon the several Federal reserve banks of an amount equal to eleven hundredths of one per cent (.0011) of the total capital stock of such banks, and the fiscal agent of the Board is hereby authorized to collect from said banks such assessments and execute, in the name of the Board, a receipt for payment made. Such assessment will be collected in two instalments of one-half each; the first instalment to be paid on July 1, 1917, and the second half on September 1, 1917.

The Secretary of the Board read a letter from the Treasurer of the United States with reference to offerings of bonds made by member banks for purchase by Federal reserve banks. It was agreed that the Gov-

ernor notify the Treasurer of the United States that it was the sense of the Board that no bonds should be purchased for this quarterly period. The following resolution was, on motion, adopted:

RESOLVED, that it is the sense of the Board that no necessity exists for enforcing the requirement provided for under Section 18 of the Federal Reserve Act at the end of this quarterly period ending June 30, 1917, and that it will not at this time require the Federal Reserve Banks to purchase any of those bonds which are offered for sale by member banks through the Treasurer of the United States under the provision of Section 18.

BE IT FURTHER RESOLVED, that the Secretary be instructed to send a copy of this resolution to the various Federal reserve banks and to the member banks which have offered bonds for sale in order that they may be notified of the action of the Board in the premises.

A letter from Mr. George E. Allen, Secretary of the State Bank Section, American Bankers Association, inquiring whether the Board intended to send any communication to state banks with reference to the adoption of the recent amendments to the Federal Reserve Act, was presented, and on motion the Secretary was directed to inform Mr. Allen that the Federal reserve banks would send copies of the Act as amended to every state bank likely to be interested.

An inquiry from Governor McDougal of Chicago with reference to the dates when statements of conditions of state member banks would be called for was read, and on motion it was voted that the Secretary inform him that the Board will follow the plan of adjusting the dates to meet the best interests of the situation, endeavoring to fix these dates identically with those agreed upon by the Comptroller of the Currency and the State Bank Department in every State as the periods for report.

Upon recommendation of the Committee on Investments the following banks were granted power to accept in foreign trade up to 100% of their capital:

National Park Bank of New York  
Farmers and Merchants National Bank, Baltimore, Md.  
Murchison National Bank, Wilmington, N. C.

The Secretary of the Board read a letter from the National Shawmut Bank of Boston, asking for permission to invest the sum of \$250,000 in the stock of the Mercantile Bank of the Americas. On motion the application was referred to the Executive Committee, with power to act.

The Secretary of the Board presented discount rate sheets from various Federal reserve banks, stating that no change in rates was desired for the current week, also a notification from the Federal Reserve Bank of Boston that that bank had fixed a rate of 4½ for trade acceptances running up to 90 days, subject to the approval of the Board. On motion the request was referred to the Committee on the Operation of the Federal Reserve Bank of Boston.

A letter from Governor Strong with reference to the readjustment of the participations of Federal Reserve Banks in the Bank of England and British Joint Stock Banks discount operation, was presented and noted.

The Secretary of the Board presented a letter from the New Orleans Branch of the Federal Reserve Bank of Atlanta, with reference to a proposed export of gold from that point, and a letter from the Secretary of State transmitting a dispatch from Havana with reference to an export of gold arranged by a Cuban bank through the medium of an American bank. Governor Harding reported that he had been informed by the Secretary of the Treasury that the latter had no direct interest in the Spanish exchange question, and expressed his opinion that the Board was free to take

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such action as it might deem best. The letters in question relating to the export of gold were referred to the Executive Committee with power to act.

Governor Harding presented a letter from Senator Owen relative to Senate Bill 2480 for the amendment of Section 11 of the Federal Reserve Act in reference to the 10% limitation on bank loans. The letter was referred to the Committee on Law and the Comptroller of the Currency, for report.

A letter from Federal Reserve Agent Heath with reference to the control of the Credit Department of the Federal Reserve Bank of Chicago was presented and, on motion, referred to the Committee on Audit and Examination.

A report of the Committee on Staff fixing the salary of Deputy Federal Reserve Agent McLallen of Chicago under the new legislation at \$7200 per annum, the same as in the past, but divided between the Federal Reserve Agent's Department (\$5000) and the Federal Reserve Bank of Chicago (\$2200), effective June 22, was presented and on motion, adopted.



On recommendation of the Committee on Staff, the transfer of Mrs. Marvin, stenographer in the Division of Statistics, to the office of Mr. Hamlin, at a salary of \$1320, effective June 25, was, on motion, approved.

Papers relating to proposed dividends at the Philadelphia, Dallas and Richmond reserve banks, were presented, and after discussion referred, together with the question of the Board's action regarding a dividend at Kansas City, to the Committee of the Whole Board, with the understanding that they would be taken under advisement at a meeting to be held at 4 p.m. this day.

A report of the Committee on Staff recommending that the salaries of the women employees of the Transit Department of the Federal Reserve Bank of New York, covered in the Committee's report of June 19, be made effective as of May 1st instead of June 15, was presented and on motion approved.

Changes in stock of Federal reserve banks, duly recommended by the Committee on Member and State Banks, were presented and, on motion, adopted, as follows:

-Application for surrender of stock.

<u>District No. 11.</u>		Shares.
Commercial National Bank	El Paso, Texas.	94

Applications for Original Stock.District No. 7.

West Side National Bank	Chicago, Ill.	<u>132</u>	132
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District No. 8.

Citizens National Bank	Greenwood, Ark.	<u>17</u>	17
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District No. 10.

First National Bank.	Quinter, Kans.	<u>15</u>	15
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District No. 12.

California National Bank	Modesto, Cal.	<u>60</u>	<u>60</u>
	Total .....		224

A letter to Federal reserve banks directing the making of certain changes in the clearing system, was presented as a report from the Committee on Clearings, read, discussed, and on motion recommitted to the Committee.

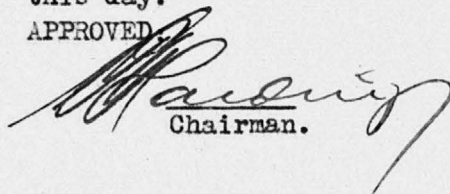
Governor Harding reported that he had been requested to furnish an open letter of introduction to Mr. W. B. Thompson, director of the Federal Reserve Bank of New York, who is about to visit Russia. It was agreed that he write a letter addressed to Mr. Thompson in such form as he might deem best.

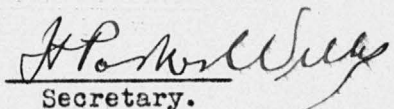
A letter from Governor Wold with reference to the clearing situation in the Minneapolis District, was read.

On motion, at 1 p.m. a recess was taken to 3 p.m.

this day.

APPROVED

  
Chairman.

  
Secretary.

At 3.15 p.m. the Board re-assembled in the office of the Governor.

Mr. Harding presented a draft of one telegram he had been requested to send to Federal reserve banks with reference to the change in the methods of handling the Gold Settlement Fund. The draft was read, approved and ordered transmitted; also draft of the letter to Mr. W. B. Thompson, Director of the Federal Reserve Bank of New York, with reference to which similar action was taken.

The Committee on the Operation of the Federal Reserve Bank of Boston reported favorably on the proposed rate of  $4\frac{1}{2}$  on trade acceptances of 90 days maturity. On motion the Secretary of the Board was directed to notify the Federal Reserve Bank of Boston that the rate had been approved.

The letter from Governor Wold of Minneapolis with reference to conditions in the clearing system in the Ninth District which had been read at the morning meeting, was, on motion, referred to the Governor, to be answered as he might deem best.

A letter from Federal Reserve Agent Ramsey with reference to the responsibility of the Deputy Federal Reserve Agent to him and the question of appointing Assistant Fed-

eral Reserve Agents, was read, and it was informally agreed that the Governor of the Board write Mr. Ramsey a personal letter expressing the sentiment of the Board on the situation set forth.

An opinion of Counsel with reference to the power of the Board in defining eligible paper, was referred back to the Committee on Law.

An opinion of Counsel with reference to loans on land subject to a lien for furnishing water, was presented, and laid on the table.

A letter from Assistant Federal Reserve Agent Mosher, of Minneapolis, relative to the subscriptions to the Liberty Loan in the Ninth District, was read and, on motion, referred to the Committee on Bulletin.

A letter from Mr. Daniel Kelliher, of Seattle, relative to the establishment of a branch at that point, was read and noted. Similar action was taken with reference to a letter from Governor Seay of Richmond regarding the proposed branch at Baltimore, and a letter from Governor McDougal, transmitting a request from Detroit bankers for a branch at Detroit.

A letter from Federal Reserve Agent Perrin with reference to the release of bond salesmen from the requirement of compulsory enlistment was read and noted.

A memorandum from Mr. Warburg with reference to shortening the regular reports of Federal Reserve Agents as to business conditions in the several districts, was presented and the Secretary directed to write a suitable letter on the subject to the several Federal reserve agents.

A letter from Federal Reserve Agent Perrin with reference to a proposed dividend at San Francisco, was read and placed in the hands of the Committee on Operation of the Federal Reserve Bank of San Francisco.

On recommendation of the Committee on Audit and Examination it was voted to approve a dividend at the rate of 6% per annum, payable by the Federal Reserve Bank of New York on June 30, for the nine months period April 1st to December 31, 1915.

On recommendation of the Committee on Audit and Examination, it was, on motion, voted to approve the payment of a dividend by the Federal Reserve Bank of Philadelphia for the six months period from June 30, 1915, to December 31, 1915, at the rate of 6% per annum.

Mr. Delano reported informally that by agree-  
 ment between himself and Mr. J. P. Cotton, the Board's  
 consulting counsel, it was proposed to place the com-  
 pensation of Mr. Cotton on the basis of an annual re-  
 tainer of \$2,000 and a per diem fee of \$100 when act-  
 ually at work, the same to date from July 1, 1917. Mr.  
 Hamlin moved to approved the arrangement, and Mr. Miller  
 moved to amend the resolution by making the retainer  
 \$1,000 instead of \$2,000. A vote being taken on Mr.  
 Miller's amendment, there were recorded in favor of it:

Mr. Miller,  
 Mr. Harding.

Against it:

Mr. Warburg,  
 Mr. Delano,  
 Mr. Hamlin.

So the amendment was declared lost.

The original motion being put to a vote, there

were recorded in favor of it:

Mr. Warburg,  
 Mr. Delano,  
 Mr. Hamlin.

Against it:

Mr. Miller,  
 Mr. Harding.

So the original motion was declared carried.

Governor Harding read a letter received by him with reference to the consolidation of certain banks in Danville, Va., and his reply to the same. The correspondence was noted.

On motion the reprint of the synopsis of the amendments to the Federal Reserve Act recently passed was authorized and the Secretary directed to obtain as many as might be considered necessary.

The application of the Guardian Savings & Trust Company of Cleveland, Ohio, for membership in the Federal Reserve System, duly recommended by the Committee on Member and State Banks, was presented to the Board, and on motion, approved, and the Secretary directed to inform those interested, accordingly.

The minutes of the meeting of the Committee on the Clayton Act held on June 25, 1917, were read, on motion approved, and the action therein set forth ratified.

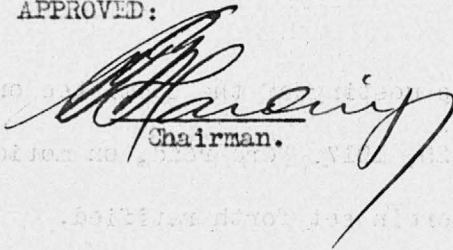
Governor Harding read a letter from Mr. F. W. Foote, with reference to the interpretation of the Hardwick Amendment relating to clearing. On motion the letter was referred to the Committee on Clearing.

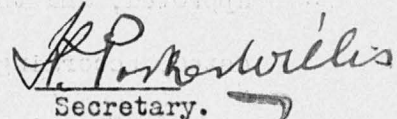
A memorandum from Mr. Delano with reference to the adoption of a uniform system of reporting the volume of transactions of banks located in Federal reserve cities, was, on motion, laid on the table.

Mr. Warburg informally stated the results of a conversation he had had with representatives of the Guaranty Trust Company, relative to the possible entrance of that company into the Federal Reserve System. A draft of a letter written by him to the Guaranty Trust Company was read, and, on motion, approved for transmission as expressing the opinion of the Board.

On motion, at 4.45 p.m. the Board adjourned, to meet on Wednesday, June 27, 1917, at 11 a.m.

APPROVED:

  
Chairman.

  
Secretary.