

At a regular meeting of the Federal Reserve Board held in the office of the Governor on Tuesday, July 10, at eleven a.m.,

PRESENT:

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

The minutes of the meeting of the Board held on July 3 were read and, on motion, approved.

The minutes of the meeting of the Executive Committee held on July 3 were read and, on motion, approved and the action therein set forth ratified.

Papers relating to the resignation of Mr. Archibald Kains as Governor of the Federal Reserve Bank of San Francisco, were presented to the Board and noted. On motion, the matter was referred to the Committee on Operation of the San Francisco Bank to be handled as it might think best.

A telegram and letter from Federal Reserve Agent Perrin with reference to the construction of a building for the Federal Reserve Bank of San Francisco, were presented. After discussion it was informally agreed that

Mr. Miller write Mr. Perrin saying that if, upon investigation, it should be found that a suitable site and building could be provided at not to exceed \$500,000, within a reasonable time, the Board would be inclined to approve the incurring of that expense.

Mr. Miller presented a proposed draft of by-laws for the branches of the Federal Reserve Bank of San Francisco shortly to be established. On motion this draft was approved and the Secretary directed to give notice accordingly. The by-laws thus approved are attached to and made a part of these minutes.

Mr. Miller reported the result of inquiry with reference to the proposed Government directors for the branch to be established at Spokane, Washington, and recommending the designation of Messrs. Peter McGregor and G. I. Toevs as directors. On motion, the two names placed in nomination by Mr. Miller were approved, the Secretary being directed to write letters of notification inquiring whether they will accept the designation when made.

The Secretary of the Board presented a letter from Governor Rolla Wells of St. Louis informing the

Board that his board of directors had voted to establish a branch at Louisville, Kentucky, and transmitting proposed by-laws for the said branch.

Governor Harding reminded the Board that there was still a vacancy on the Board of Directors of the St. Louis Bank which should be filled before further action was taken, with respect to the branch. On motion, the election of this director and the ratification of the action taken with respect to the branch at Louisville were made a special order for the meeting of the Board on Wednesday, July 11 at eleven a.m., the Secretary being directed to notify each member of the Board accordingly.

Letters from Federal Reserve Agents Ramsey and Well-born relative to the question of joint liability at the Federal Reserve Bank of Dallas and Atlanta, were presented to the Board and, on motion, the question of suitable action with respect to the details of arrangements regarding the putting into effect of the joint liability provision at the various Federal reserve banks was referred to the Executive Committee with power to act.

The Secretary was directed to furnish the Committee with a digest of all letters on this subject thus far received.

Letters from the Grand Rapids National City Bank and the Waukesha National Bank with respect to business conditions at these institutions, were presented and, on motion, ordered circulated.

Governor Harding presented a letter from Mr. J. M. Witherow of Moorhead, N.D., exonerating Messrs. Wold and Rich of recent charges and insinuations, and also a copy of his reply to the same. The correspondence was noted and it was agreed that a copy of Mr. Harding's letter of reply be transmitted to Governor Wold.

A letter from the Department of State with reference to the proposed establishment of an American Bank at San Salvador was, on motion, referred to Governor Harding with power to act.

Telegrams from the Mellon National Bank of Pittsburgh and the German Insurance Bank of Louisville relative to the withdrawal of whiskey from bond, were read and, on motion, referred to Mr. Warburg.

A letter from Mr. Herbert Hoover with reference to food conservation was read and referred to Mr. Hamlin.

A letter from Governor McDougal with reference to the use of gold on behalf of the War Department in

making payments was read and, on motion, referred, together with an acknowledgment by the Governor of the Board, to Governor Harding.

Opinions of Counsel were presented and referred to Mr. Harding as follows:

With reference to the volume of trade acceptances which may be discounted for any one borrower.

With reference to the classification of paper for the purchase of animals by packing companies.

With reference to certain questions relating to collections arising in the Minneapolis District.

Reports of Committees were presented to the Board and, on motion, acted upon as follows:

Report of the Committee on Reserve and Central Reserve Cities - laid on the table until the meeting of July 11.

A report of the Committee on Investments relative to the exercise of acceptance powers by member banks: favorably acted upon, granting to the Fifth-third National Bank of Cincinnati power to accept up to 100% of its capital and surplus; Union National Bank of Cleveland, power to accept up to 100% of capital and surplus in domestic and foreign trade; the First National Bank of Canton,

Mississippi, ordered informed that it has power to accept in domestic transactions up to 50% of its capital.

A report of the Committee on Staff approving the designation of Mr. C. A. Worthington as Assistant Cashier of the Federal Reserve Bank of Kansas City at a salary of \$3000 per annum; approved.

A report of the Committee on Staff approving a salary of \$2400 per annum for Mr. Louis M. Sawyer as National Bank Examiner in District No. 12, effective July 2, 1917; approved.

A report of the Committee on Staff recommending the approval of salaries at the Federal Reserve Bank of Richmond ratified as follows:

Mr. Thomas P. Marshall, Jr.,	\$2400
Mr. C. V. Blackburn	2400
Mr. Edward Waller	1500
Mr. Frank P. Christian	1200

A report of the Committee on Staff authorizing the appointment of a stenographer in the Division of Statistics (Board's own staff) and two additional clerks; approved.

A report of the Committee on Staff, dated July 9, 1937, and recommending certain transfers and readjustments in the Board's own staff; approved.

A report of the Committee on Staff recommending that the Board make no application for general exemption of employes of the System from military requirements, and authorizing the Governor of the Board to write to those concerned conveying this information; approved.

A report of the Committee on Staff approving the designation of Mr. Arthur E. Post as Assistant Federal Reserve Agent at the Federal Reserve Bank of Philadelphia (salary as heretofore); approved.

Applications of non-member banks for admission to the Federal reserve system were presented and, upon recommendation of the Committee on Membership, acted upon as follows:

The Yellowstone Valley Bank & Trust Company; action suspended.

The Bankers Trust & Savings Bank of Minneapolis; admitted.

The Illinois State Bank of East St. Louis; declined.

Governor Harding presented to the Board matters

of business which were stated and acted upon as follows:

A letter from Assistant Secretary of the Treasury Crosby stating the desirability of ordering the early shipment of notes which had accumulated in the Bureau of Engraving and Printing, because of the great congestion resulting from the accumulation of these notes; referred to Governor Harding with power to act.

A preliminary informal report with reference to probable changes in the quarters occupied by the Board; - no action taken.

General consideration as to problems growing out of movements of gold as follows:

1. Facts had shown that a severe loss was being incurred in melting foreign coin brought into the United States. It had been suggested that such coin should be turned over to the Federal Reserve Bank of New York as part of its reserve, the bank being able to use this coin economically through member banks engaged in foreign trade. Governor Harding informally presented an opinion of Counsel with reference to counting such coin as gold bullion.

The Board agreed that the Governor write the Secretary of the Treasury stating that henceforward Federal reserve banks should, in the opinion of the Board, be given the option of buying such foreign gold coin instead of having them go through the Assay Office, at their bullion value, carrying them thereafter as their reserve.

2. The question had arisen whether to renew the recommendation formerly made by the Board that the issue of gold certificates in denominations of less than \$50 be discontinued. It was agreed that the Governor of the Board write the Secretary of the Treasury stating that the Board does so renew its former recommendation.

3. The question of exchange on India had again presented itself. Governor Harding said he had discussed the situation with Mr. J. E. Gardin of New York. He believed that arrangements should be made to ship gold to India on the basis of an understanding with the British Government that such shipment should go into a bank in India representing the British Government, thereby preventing the coin from being hoarded, notes being locally issued against it. It was agreed that the Governor inform the Secretary of the Treasury that the Board sees no objection to the shipment of a mod-

erate amount of gold to India in this way.

4. The question of gold shipments to Japan was becoming more and more acute (owing to the concentration of the silk trade of the world in the hands of Japan). After discussion the Board agreed that the Governor write the Secretary of the Treasury to the effect that in its opinion American banks should be given every reasonable facility for the transmission and shipment of such gold to Japan when such shipments seem to be in the national interest.

5. The exchange situation as affecting Spain also called for attention. It had been suggested that the President place an embargo on gold shipments, but the Secretary of the Treasury was opposed to this idea, and had suggested that the gold movement could be controlled through the powers of the War Risk Bureau.

It was agreed that the Governor of the Board write the Secretary of the Treasury that, in the opinion of the Board, it would be well to notify the Spanish Government that insurance would henceforward be refused with respect to such shipments of gold to Spain if Spanish banks persisted in enforcing a discount against American gold coin.

In general it was agreed that the Governor of the Board inform the Secretary of the Treasury that it would be well to place in the hands of the Federal reserve bank of each district authority to investigate and pass upon all applications for the exportation of gold, and that would-be exporters be required to obtain the approval of the Federal reserve bank as a condition of getting insurance on their consignments.

After general discussion the following entry was ordered made in the minutes:

The Board thinks it important to the banking position of the country that the United States maintain a free gold market so far as relates to all neutral exchange. Under no circumstances should the Government place an embargo upon gold shipments, since this would be detrimental to the credit of the United States. The United States should maintain and recognize the right of the community in shipping gold abroad. but it should use such means as may be available to prevent shipment from being made in those cases where there is discrimination against this nation, and where no other means are readily at hand for dealing with the situation. It would be wise to place in the hands of Federal

reserve banks the power to supervise the movement of gold, so far as necessary, and would-be shippers should in every case be directed to apply to Federal reserve banks for investigation of their plans. In no case should insurance be given on exports of gold unless such shipment had been previously approved by the Federal reserve bank of the district from which it started. The Federal reserve banks would receive instructions from the Board, which in turn would be guided by the policy of the Government in order that it might coordinate the work of the banks and advise them how to proceed.

The question of designating some bank as an agent in France to handle dealings with American soldiers affecting their pay, their remittances, etc., and in this connection the question of creating a credit in francs equal to the amount that our Government might wish to pay out to soldiers, so that the latter could obtain payment in francs at an established rate of exchange was raised; no action taken.

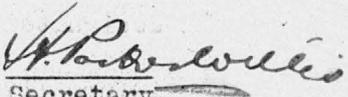
Various papers received from Assistant Secretary of the Treasury Crosby presenting the question of details

with reference to gold imports and problems of exchange, were presented; papers referred to Mr. Harding and Mr. Warburg as a committee to prepare a general letter to the Secretary of the Treasury with reference to these and other germane matters passed upon at this meeting, such letters to be presented to the Board prior to transmission.

A letter from Assistant Secretary of the Treasury Crosby transmitting a report with reference to the form to be given to the bonds that are to be supplied by foreign Governments to the United States in exchange for moneys advanced by this Government; no action taken.

On motion at 12.45 p.m. the Board adjourned to meet on Wednesday, July 11, at 11 a.m.

APPROVED:


Secretary.

Chairman.