

At a regular meeting of the Federal Reserve Board held in the office of the Board on Wednesday, December 12, at 11.20 a.m.,

## PRESENT:

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

The minutes of the meetings of December 7 and December 10 were read and, on motion, approved.

The minutes of the meeting of the Executive Committee held on December 11, were read and, on motion, approved and the action therein set forth ratified.

The minutes of the meetings of the Executive Committee, sitting as a gold export committee, held on December 7-12, inclusive, were presented, and the action therein set forth ratified.

Governor Harding reported informally the situation as to the organization of the proposed branch at Detroit. After discussion it was, on motion, voted that the Committee on Operation of the Federal Reserve Bank of Chicago should be requested to make nominations for directors to be designated by the Board.

Governor Harding presented business as follows:

A letter from the President acknowledging the Board's recent letter stating its views of the "Calder Amendment" and a resolution regarding a plan to create a "war emergency finance corporation."

A letter from Federal Reserve Agent Perrin re the powers of Assistant Federal Reserve Agents at branches; - read and referred to Committee No. 3.

A letter from the clerk of the Senate Banking and Currency Committee, written by request of Senator Owen, enclosing S. Bill No. 3089, and asking the opinion of the Board thereon, re membership in the Federal Reserve system; - discussed and referred to the Executive Committee.

A letter from Federal Reserve Agent Wellborn re the participation of member banks in the election of directors; - read and noted.

A memorandum of Counsel transmitting a proposed bill fixing penalties for dishonesty at Federal Reserve banks; presented and referred to the Executive Committee.

The results of a conference with the Comptroller of the Currency re the reports of member banks: - stating that the Comptroller will not make an agreement as to the number

of calls to be made, but will undertake to make four of his calls within ten days of the first of the months of January, April, July and October; - referred to Committee No. 2 for study and report.

A resolution proposed by Mr. Warburg re the delivery of Federal Reserve notes by the Comptroller of the Currency upon certification, read and adopted as follows:

WHEREAS, Section 16 of the Federal Reserve Act authorizes:

"Federal reserve notes to be issued at the discretion of the Federal Reserve Board for the purpose of making advances to Federal reserve banks through the Federal reserve agents as hereinafter set forth and for no other purpose."

WHEREAS, Section 16 of the Federal Reserve Act also provides that:

"When such notes have been prepared, they shall be deposited in the Treasury, or in the subtreasury or mint of the United States nearest the place of business of each Federal Reserve bank and shall be held for the use of such bank subject to the order of the Comptroller of the Currency for their delivery, as provided by this Act."

WHEREAS, Section 10 of the Federal Reserve Act amends section three hundred and twenty-four of the Revised Statutes of the United States to read as follows:

"There shall be in the Department of the Treasury a bureau charged with the execution of all laws passed by Congress relating to the issue and regulation of national currency secured by United States bonds and, under the general

supervision of the Federal Reserve Board, of all Federal Reserve notes, the chief officer of which shall be called the Comptroller of the Currency and shall perform his duties under the general direction of the Secretary of the Treasury."

NOW, THEREFORE, BE IT RESOLVED, that the Comptroller of the Currency is hereby authorized and instructed to make delivery of Federal Reserve notes, which are held in the Treasury or any subtreasury or any mint of the United States subject to his order for that purpose, to the appropriate Federal Reserve Agent upon requisition duly signed by the Governor or Vice Governor of the Federal Reserve Board, or in the absence of both, such member as may be designated by the Board, and countersigned by the Secretary or Assistant Secretary of the Federal Reserve Board; and

BE IT FURTHER RESOLVED, That the Governor of the Federal Reserve Board, and in his absence the Vice Governor is hereby authorized and empowered in his discretion to make requisition upon the Comptroller of the Currency for the delivery of Federal Reserve notes to any Federal Reserve Agent and the Secretary of the Federal Reserve Board, and in his absence the Assistant Secretary, is hereby authorized and empowered to countersign any such requisition.

A resolution proposed by Mr. Delano, and made a special order of the day, read, as follows:

WHEREAS, the necessities of our country in connection with the conduct of the war, demand the utmost conservation of all the Nation's resources to the end that the labor of men and women, as well as the food and other materials, shall be utilized so far as practicable only for those purposes which promote the paramount interests of the Nation, as already expressed in proclamations of the President; and

WHEREAS, in the opinion of the Federal Reserve Board the desired results can only be brought about by appealing to the loyalty of every State and municipal Government;

NOW THEREFORE BE IT RESOLVED: That the President of the United States be requested to memorialize the Congress of the United States, and the Mayors of all municipalities, to forego and postpone, so far as possible for the period of the war, all expenditures for improvements, extensions, new public works, buildings, etc., and all other expenses requiring new capita; and be it further,

RESOLVED: That he be requested to suggest to all these Governors and Mayors that they direct local public service corporations in like manner, to defer, and so far as possible entirely forego during the period of the War, expenditures for additions to plant, extensions, new construction; and be it further,

RESOLVED: That inasmuch as capital expenditures by other corporations, co-partnerships or private individuals tend to deprive the nation of man power, materials and cash means, municipalities be requested to put such restrictions on new construction during the period of the war as will effectively and materially reduce such expenditures to the absolute minimum of necessity; and be it further,

RESOLVED: That banks, bankers and investment houses be requested at the same time to co-operate with the purposes of these resolutions in every way in their power; and in conclusion be it,

RESOLVED: That a true copy of this record, duly attested by the signature of the Governor and the Secretary of the Board, be presented to the Secretary of the Treasury, the Chairman of this Board, with the request that he present it to the President, and on behalf of the Board urge its consideration.

Discussed and informally agreed that the resolution be made a special order for Monday, December 17, the Governor to show the resolution to the Secretary of the Treasury.

On motion, it was voted that the Board's annual report shall be prepared and transmitted to the Speaker of the House of Representatives not later than Tuesday, January 8.

On recommendation of Committee No. 2, applications for admission to membership were passed upon as follows, on conditions named by the Committee in each case:

Maryland Trust Company	Baltimore, Md.
Farmers State Bank, Reardan, Wash.	Reardan, Wash.
Madison County Trust & Deposit Co.	Oneida, N. Y.
Grand Haven State Bank	Grand Haven, Mich.
Central Savings Bank	Detroit, Mich.
First Standard Bank & Tr. Co.	Maysville, Ky.
Fidelity Trust Company	Philadelphia, Pa.
Old State Bank, Piedmont,	Piedmont, Mich.
State Savings Loan & Tr. Co.	Quincy, Ill.
United States Trust Company	New York
Effingham State Bank	Effingham, Ill.
H.J. McLachlen & Co. State Bank	Petersburg, Mich.
Security Trust & Savings Bank	Cedar Falls, Ia.
The American State Bank	Detroit, Mich.
Eaton County Savings Bank	Charlotte, Mich.
The Farmers & Mechs Bank	Hart, Mich.
Boies State Savings Bank	Hudson, Michigan.
First Savings Bank	Sutherland, Ia.
Peninsular State Bank	Detroit, Mich.
Interstate Tr. & Banking Company	New Orleans, La.
Pender State Bank	Pender, Nebraska.

In addition to the banks thus granted admission, it was, on motion, voted to consent to modifications suggested by Committee No. 2 in the terms of admission of the following banks:

Citizens and Southern Bank	Savannah, Ga.
Pittsburgh Trust Company	Pittsburgh, Pa.

Changes in stock at Federal Reserve Banks, duly recommended by Committee No. 3, were, on motion, approved as follows:

Applications for Surrender of Stock.

<u>District No. 4.</u>		<u>Shares.</u>	
First National Bank	Bowerston, Ohio.	1	1
<u>District No. 6.</u>			
Peoples National Bank	Springfield, Tenn.	72	
Springfield National Bank	" "	<u>72</u>	144
<u>District No. 10.</u>			
First National Bank	Bazile Mills, Nebr.	21	
Ardmore National Bank	Ardmore, Okla.	<u>72</u>	93
<u>District No. 11.</u>			
First Natl Bank of Sterrett	Calera, Okla.	<u>18</u>	18
<u>District No. 12.</u>			
Lumbermens National Bank	Portland, Oregon.	<u>720</u>	<u>720</u>
Total, . . . . .			976

Applications for Original Stock.

<u>District No. 3.</u>			
Soleburg National Bank	New Hope, Pa.	<u>16</u>	16
<u>District No. 9.</u>			
Citizens National Bank	Wolf Point, Mont.	17	
Farmers & Merchants Natl	Opheim, Mont.	<u>8</u>	25
<u>District No. 10.</u>			
American National Bank	Baxter Springs, Kans.	33	<u>33</u>
Total, . . . . .			74

Applications for Additional Stock.

<u>District No. 2.</u>			
American Exchange Natl Bank	New York, N.Y.	600	

Applications for Additional Stock (Con.)

District No. 4.

Malta National Bank	Malta, Ohio.	<u>1</u>	1
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District No. 5.

National Bank of	Petersburg, Va.	<u>204</u>	204
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District No. 9.

Sioux Falls National Bank	Sioux Falls, S.D.	45	
First National Bank	Rapid City, S.D.	30	
First National Bank	Hudson, S. D.	5	
Gregory National Bank	Gregory, N.D.	1	
First National Bank	Binford, N.D.	3	
First National Bank	Scobey, Mont.	1	
United States National Bank	Deer Lodge, Mont.	1	
First National Bank	Slayton, Minn.	2	
Farmers & Mchts Natl Bank	Minneola, Minn.	3	
Farmers National Bank	Hendricks, Minn.	1	
First National Bank	Grand Meadow, Minn.	3	
Farmers National Bank	Dodge Center, Minn.	1	
First National Bank	Vermillion, S. D.	<u>3</u>	<u>99</u>
Total, .....			904

A letter from Federal Reserve Agent Rich with reference to a proposal to organize or unionize the staff of the Federal Reserve Bank of Minneapolis, was presented and, on motion, referred to Committee No. 1.

On motion, a salary of \$3,000 per annum for Mr. A. W. Dudley, Assistant Federal Reserve Agent at Richmond, was approved.

A letter written by Mr. Hamlin to Governor Harding with reference to the statement of acceptances appearing in the Board's weekly statement for December 7, was presented and noted.

A memorandum of Counsel with reference to the classification of savings deposits was ordered circulated and made a special order for Monday, December 17.

Discount rates at the Federal Reserve Bank of Boston were approved as set forth in the telegram of Governor Harding to Federal Reserve Agent Curtiss, reading as follows:

"Rates approved as follows: Commercial paper fifteen to ninety days five per cent; acceptances four per cent. You may post a general acceptance rate of from three to five per cent. No action taken on rates for paper maturing one to fifteen days. It appears to Board that it is inadvisable to change short time rates. If you do not concur, wire additional particulars, and Board will discuss matter further tomorrow.

On recommendation of Mr. Delano it was, on motion, voted to elect Mr. James D. Callery as director of the Pittsburgh Branch of the Federal Reserve Bank of Cleveland, the Secretary to telegraph Federal Reserve Agent Wills to ascertain whether or not Mr. Callery will accept.

On motion an assessment of \$.00135 on Federal Reserve banks to meet the expenses of the Board for the period ending June 30, 1918, was adopted, to be sent in the usual way.

A telegram from Federal Reserve Agent Heath notifying the Board that the Harris Trust Company is ready to accept admission upon conditions to be named by the Board, was read and the Secretary directed to say that the Trust Company may pay in its reserves and capital stock at once.

Reports presented by Committee No. 3 were acted upon as follows:

Stating that Mr. H. F. Hall of the Fourth National Bank of Wichita, Kansas, should make application under the Clayton Act in the usual way; approved.

Stating that no further action need be taken with reference to certain directors in Youngstown, Ohio, concerning whom the Board had received a memorandum from Deputy Comptroller Kane; approved.

Recommending that an opinion of Counsel on deposits by postmasters, be sent to the Postmaster General; approved.

Discussing the question of taxation of national banks by State governments; approved, the Secretary to send a copy thereof to Assistant Secretary of the Treasury Leffingwell.

Recommending that the legal tender quality be bestowed on gold certificates; laid on the table.

Stating that no further action need be taken with

reference to the directors of the Continental & Commercial National Bank, Chicago, under the Clayton Act. Approved.

Minor changes in by-laws at the Cincinnati Branch, recommended by Federal Reserve Agent Wills, were approved, upon recommendation of Mr. Delano, the Secretary to telegraph Mr. Wills accordingly.

On motion, the purchase of 368 shares of stock of the American and Foreign Banking Corporation by the Denver National Bank of Denver, was approved.

A letter from the United States National Bank of Denver with reference to certain methods of discount adopted by the Federal Reserve Bank of Kansas City, was read and, on motion, referred to Committee No. 2.

A letter from Federal Reserve Agent Perrin with reference to the appointment of an acting Federal Reserve Agent during his absence, was referred to Mr. Miller with instructions to say that he may name an assistant Federal Reserve agent if he thinks best.

Mr. Warburg called attention to the fact that the first rediscount between Federal Reserve banks had been directed during the current week, and recommended that

such rediscounts be carried henceforward in the weekly statement under the head of "Discounts for members and for other Federal Reserve banks"; referred to Committee No. 4 with power to act.

The Secretary of the Board having inquired whether he was authorized to give to Mr. Jerome Thralls information as to the membership of State banks as they were admitted from time to time, it was informally agreed that he might furnish such information upon application of Mr. Thralls in each case.

On motion, at 1.15 p.m. the Board adjourned.

APPROVED:

                      
Chairman.

*H. Parker Willis*  
Secretary.