

At a regular meeting of the Federal Reserve Board held in the office of the Board on Wednesday, May 29, 1918, at 11:20 A. M.,

## PRESENT:

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

The minutes of the meeting of the Board held on May 27 were read and on motion approved.

The minutes of the meetings of the Gold Export Committee held on May 28 and 29 were presented and on motion approved and the action therein set forth ratified.

The form of assignment of space in the Metropolitan Bank Building previously authorized was presented and noted.

The Secretary of the Board gave notice of a conference with Superintendent of Banking Williams of California, set for 3 P. M. this day.

A telegram from Federal Reserve Agent Perrin re the bringing of a test case as to taxation of bank deposits in California was read and referred to Counsel for immediate report.

Governor Harding stated the situation regarding the reorganization of the examining staff of the Board, and brief discussion ensued.

Questions affecting the auditing of expense accounts at Federal Reserve Banks were informally considered.

Questions relating to the revenue, expenses, and auditing of accounts of the Federal Advisory Council were considered.

Letters from Governors Seay and McDougal re collection charges on member bank items were presented and on motion referred to Committee No. 1.

A memorandum prepared by Mr. Warburg, re the question of the establishment of an interallied foreign exchange bank, was presented and noted as expressing the views of the Board.

A telegram from the Federal Reserve Bank of Kansas City, re the question of maximum and minimum rates of discount and recommending maintenance of the present situation as to rates, was read and Governor Harding authorized to telegraph Governor Miller, giving authority to apply maximum rates of discount on large lines of accommodation where necessary.

On motion the following telegram, sent by  
Governor Harding on May 28, was approved:

"May 28, 1918.

"Miller,  
Governor Federal Reserve Bank,  
Kansas City, Mo.

"Replying to your telegram Delano, Board regards increase proposed too drastic. It would probably be unjust to member banks in your district which have only moderate rediscounts. Board is willing to authorize following rates:

Dais	$4\frac{1}{8}$ to $5\%$
Dean & Dine	$5\frac{1}{8}$ to $6\%$
Door	6 to $6\frac{1}{2}\%$
Dual & Drum	$4\frac{1}{4}$ to $4\frac{1}{2}\%$
Dale & Dyre	5 to $5\frac{1}{2}\%$

with understanding that minimum rates shall apply except as to such banks which already have rediscounts in excess of amount of required reserves, in which case maximum rates should apply. Board is arranging rediscounts for you, two million with Cleveland, one million and a half each with Chicago and Philadelphia, four and one half per cent rate your endorsement. Please complete details with these banks direct. Would suggest you use longer time paper unless you expect quick recuperation of reserve position within ten days.

HARDING".

Reports of Committees were presented and approved  
as follows:

No. 1.

Dated May 27, recommending approval of temporary appointment of Miss Francis Cooke (Board's Staff) at \$75 per month, effective May 31, 1918.

Dated May 29, recommending appointment of E. J. Horbett (Board's Staff) at \$1,800 per annum, effective on reporting for duty.

Dated May 29, recommending appointment of Miss M. S. Evans, effective July 1, 1918, at \$1,200 per annum.

Governor Harding presented facts relative to the general situation at New Orleans with special reference to banking conditions. It was agreed that Governor Harding telegraph Mr. J. E. Zunts suggesting a conference with him in Washington at his convenience.

A letter from Musher & Company re the earmarking of gold in New York, dated May 28, 1918, and considered by the Gold Export Committee, was read and a reply ordered to the effect that the Board is advised that the Federal Reserve Bank of New York has already received an offer from the Equitable Trust Company of New York on behalf of Musher & Company which it is willing to accept.

The question of branches in the Atlanta district was considered. On motion it was voted that the Board favors branches of limited powers without rediscount facilities at Jacksonville, Florida, and at Birmingham, Alabama, and desires that full data be furnished by the Federal Reserve Bank of Atlanta, concerning the conditions for installing such branches.

It was agreed to advise the St. Louis Bank that

the Board would be glad of a report as to the needs of Memphis; and it was further ordered that the Committee consider the case of Nashville further.

On motion Governor Harding was authorized to conduct correspondence by wire or otherwise regarding these new branches.

On recommendation of the Cleveland Committee a dividend of 6% to June 30, 1918, was authorized for the Federal Reserve Bank of Cleveland.

On report of Committee No. 2 state institutions were ordered admitted as follows:

Lapeer County Bank, Inlay City, Michigan,  
36 shares in the Federal Reserve Bank of Chicago.

Farmers State Savings Bank, Bay City, Mich.,  
75 shares in the Federal Reserve Bank of Chicago.

Thatcher Brothers Banking Company, Logan, Utah,  
120 shares in the Federal Reserve Bank, San Francisco.

On motion it was voted that gas engine generators of electrical currents can not be regarded as a proper basis for eligible agricultural paper.

Mr. Hamlin called to the attention of the Board the announcement of the "First National Corporation" of Boston, Mass.

Counsel having reported in favor of authorizing

the Federal Reserve Bank of San Francisco to proceed with a case to test the constitutionality of the state tax on deposits in California, the matter was considered, and it was agreed to telegraph Mr. Perrin authorizing the test case, Counsel to prepare a letter stating the legal points to be dealt with.

Governor Harding read a letter from the City National Bank of Dallas re a communication from the Kansas City Clearing House as to exchange charges, which was noted and ordered filed.

On recommendation of Committee No. 1 an increase of \$10 per month, effective June 1st in the salary of J. M. Ashley, Secretary to Federal Reserve Agent Ramsey at Dallas, was approved.

Letters from Governors Fancher and Seay, re the deposit of one year notes as security for Federal Reserve bank notes, were read. On motion it was voted that Counsel prepare a suitable form covering the pledging of such notes. It was agreed that there is no immediate need for the use of 2% bonds as security in this connection.

A letter from Federal Reserve Agent Ramsey (Dallas) re discount rate increases, was referred to Committee No. 1.

A report of Committee No. 1,

Dated May 29, recommending an increase in the salary of Mark A. Lies, Assistant Federal Reserve Agent at Chicago, from \$1,800 to \$2,500, effective July 1st, was approved.

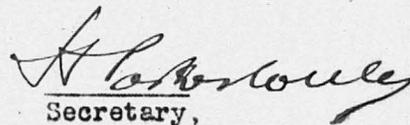
A memorandum of Counsel against the plan of making it mandatory for a depositor to present his passbook each time a withdrawal is made from a savings account was presented and on motion disapproved, and passbooks must continue to be presented.

The draft of a letter addressed to The President, prepared by Governor Harding, re an allied foreign exchange bank, was read and noted.

On motion, at 1:10 P. M., the meeting adjourned.

APPROVED:

  
Chairman.

  
Secretary.