

At a meeting of the Federal Reserve Board held in the office of the Board on Monday, January 27, 1919, at 11:10 A.M.,

PRESENT: The Governor  
Mr. Miller  
Mr. Hamlin  
Mr. Williams  
Mr. Broderick, Secretary.

The minutes of the meeting of the Board held on January 24th, were read and on motion approved as amended.

The minutes of the meetings of the Gold Export Committee held on January 25th and 27th, were presented and approved, and the action therein set forth ratified.

X The Governor stated that the special order business for the meeting was the question of the method of calculating the reserves of member banks, both State and National, in the light of the provisions of Section 19 of the Federal Reserve Act and of Section 5191 of the Revised Statutes of the United States. Considerable discussion ensued, during the course of which Mr. Williams, as Comptroller of the Currency, expressed himself as being generally in accord with the views of the Board. No question being raised as to conflict of authority in the premises, as between the Board and the Comptroller of the Currency, it was understood that so far as the Board was concerned its action would be confined to instructions to Federal Reserve banks

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as to deductions allowable in computing the reserves required of their members, and that the Comptroller of the Currency would instruct National banks in line with the conclusions reached.

Voted that the following letter be sent to all Federal Reserve Agents.

"Section 19 of the Federal Reserve Act, which relates to reserve requirements of member banks and which supersedes Section 5191 Revised Statutes, provides in part as follows:

"Every bank, banking association, or trust company which is or which becomes a member of any Federal Reserve Bank shall establish and maintain reserve balances with its Federal Reserve Bank as follows: \* \* \*

"In estimating the balances required by this Act, the net difference of amounts due to and from other banks shall be taken as the basis for ascertaining the deposits against which required balances with Federal Reserve Banks shall be determined."

"Under authority of this provision of the Act, it has heretofore been customary to permit banks to treat 'exchanges for clearing house' and 'checks on other banks in the same place' as part of the balance due from other banks, so that these amounts have been deducted from 'balances due to other banks' in computing reserve.

"The Board's attention has been called to the fact that in many instances 'exchanges for clearing house' greatly exceed the ledger 'balances due to other banks' and as a result banks which carry few accounts for other banks are required to maintain a reserve against such exchanges. It has accordingly been suggested that where this condition exists, the member banks should be permitted to deduct 'exchanges for clearing house' from individual deposits. The Board is advised by counsel that this would not be consistent with the letter and spirit of the Act but that inasmuch as 'exchanges

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for clearing house' and 'checks on other banks in the same place' are treated as part of the 'balance due from other banks' on the assumption that such items necessarily become a part of such balance in due course of business, it would be consistent with the purposes of the Act to permit the offsetting items of 'cashiers' or treasurers' checks outstanding' and 'certified checks outstanding', which in due course will be presented by and become a part of balances due to other banks, to be treated as part of such balances. The Board has accordingly ruled that in computing reserve, banks may deduct the total of

- (a) Balances due from other banks;
- (b) 'Exchanges for clearing house';
- (c) Checks on other banks in the same place;

from the total of

- (a) Balances due to other banks;
- \* (b) Cashiers' checks on own bank outstanding;
- (c) Certified checks outstanding.

"In determining the balances that must be maintained with the Federal Reserve Bank this method of computation may be followed.

"The Comptroller of the Currency concurs in this ruling and will give the necessary instructions to national bank examiners.

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"Kindly acknowledge receipt.

\*This will include Secretary's or Treasurer's checks in case of institutions where such officers sign."

Morning business was presented and disposed of as follows:

Letter dated January 25th, from Deputy Governor Curtis, Federal Reserve Bank of New York, submitting complaint by the principal newspapers in New York as to the length of the lead and delay in receipt of the Board's weekly statement.

Voted that hereafter the weekly statement

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for release for Sunday morning papers shall be confined to the figures affecting Federal Reserve banks, with an appropriate lead, and that the statement in re condition of member banks shall be released for publication in the papers of Monday morning.

Letter dated January 25th, from Director Kent of the Division of Foreign Exchange, enclosing copy of letter of January 25th to General Counsel, in re foreign exchange transaction of Musher & Company through the Royal Bank of Canada.

Referred to the Governor to ascertain views of the Treasury Department.

Letter dated January 25th, from the Federal Reserve Agent at Chicago, in re organization of Ridgely Farmers State Bank, Springfield, Illinois.

Referred to the Governor with power, after consultation with General Counsel.

The Governor reported the purchase on January 25th, of special 2% certificate of indebtedness of the United States for \$1,000,000 for the Federal Reserve Bank of Boston, for deposit with the Comptroller of the Currency as collateral for Federal Reserve bank notes.

Approved.

Letter dated January 24th, from Deputy Governor Curtis, Federal Reserve Bank of New York, submitting application of that Bank for permission to establish a branch in the City of Buffalo, New York.

Approved.

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Letter dated January 23d, from Federal Reserve Agent at Cleveland, complaining of discrimination by the Chicago Clearing House against Cleveland, in favor of Boston, New York, Philadelphia and St. Louis.

Referred to the Governor for reply.

Letter dated January 23d, from Governor, Federal Reserve Bank of Chicago, in re consolidated statement of corporations and subsidiaries.

Referred to the Governor for procurement of reply from the Deputy Governor of the Federal Reserve Bank of New York on the same subject.

Memorandum by General Counsel dated January 23d, and proposed letter to Federal Reserve Agent at San Francisco dated January 27th, in re method of handling paper pledged with the Federal Reserve Agent as collateral security for Federal Reserve notes.

Approved.

Proposed letter dated January 25th, to Deputy Governor Sailer, Federal Reserve Bank of New York, in re special registered mail service between that bank and the Treasury Department.

Approved.

Memorandum by Secretary dated January 24th, in re recovery of lost pension checks, Federal Reserve Bank of New York.

Noted.

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Letter dated December 30th from the Cashier, Federal Reserve Bank of Atlanta, and memorandum by General Counsel dated January 15th, in re negotiability of checks accompanied by vouchers requiring signature of payee on form of receipt, as well as endorsement of check.

Referred to the Governor for reply.

Letter dated January 9th, from the Federal Reserve Agent at Boston, and memorandum by General Counsel dated January 15th, in re acceptances of the Sociedad Anonima "LA BLANCA".

Referred to the Secretary for reply.

Application of New York State National Bank, Albany, New York, for authority to accept drafts and bills of exchange up to 100% of its capital and surplus, under the provisions of Section 13 of the Federal Reserve Act.

Voted to defer action until the report of the next examination.

REPORTS OF COMMITTEE NO. 1:

Dated January 27th, recommending admission of State institutions as set forth in the auxiliary minute book as of this date, subject to the conditions stated in the individual reports attached to application.

Approved.

Dated January 25th, application of Guy Cary to serve at the same time as director of the National

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City Bank, The New York County National Bank, and the International Bank, all of New York City.

Approved.

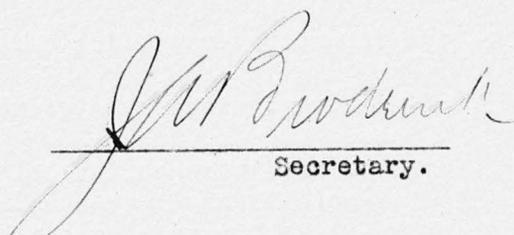
Dated January 24th, recommending approval of increase in the salary of Clark Washburne, Assistant Cashier, Federal Reserve Bank of Chicago, from \$3,500 to \$4,500 per annum,

Approved.

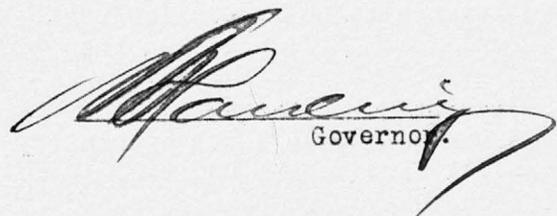
Letter dated January 23d, from the Federal Reserve Agent at Dallas, submitting for approval list of officers of that Bank elected for the year 1919.

Approved.

At 12:30 P.M., the meeting adjourned.

  
Secretary.

Approved:

  
Governor.