

At a meeting of the Federal Reserve Board held in the office of the Board on March 7, 1919, at 11 A.M.,

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

Morning business was presented and disposed of as follows:

The Governor reported the purchase of special 2% certificates of indebtedness of the United States for deposit with the Comptroller of the Currency as collateral for Federal Reserve bank notes, as follows:

<u>For Federal Reserve Bank of:</u>	<u>Date</u>	<u>Amount</u>
Dallas	March 5, 1919	\$500,000
Minneapolis	March 6, 1919	500,000

Approved.

Reports of discount rates received from Federal Reserve banks; no changes recommended.

Noted.

Letter dated March 3d from the First National Bank of Milwaukee, Wisconsin, in re subscription by it to stock of the American Foreign Banking Corporation.

Voted that such letter be considered as a request by the First National Bank for permission to subscribe to \$50,000 additional stock in the American Foreign Banking Corporation and that such request be approved.

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The Secretary submitted for approval, forms of certificates to be issued to National banks granted permission to exercise fiduciary powers.

Approved.

Voted that the General Counsel prepare and submit for approval, form of certificate to be issued to State banks and trust companies which have or may become members of the Federal Reserve System.

Memorandum by General Counsel dated March 5th in re correspondence with Mr. J. D. Joseph concerning the Bank of Kansas Bill.

Ordered circulated and passed to file.

Letter dated March 3d from Federal Reserve Agent Jay, in re development of par list. The Secretary submitted resumé of results thus far obtained in the campaign for new par points.

Voted that such resumé be submitted as basis for discussion at the forthcoming Conference of Governors of Federal Reserve banks.

(During the discussion of the above matter, Mr. Williams joined the meeting).

Memorandum by General Counsel dated March 5th, in re loans by a member bank to its assistant cashiers, in connection with Section 22 of the Federal Reserve Act.

Referred to Secretary for reply, after approval of Law Committee.

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The minutes of the meeting of the Board held on March 5th were read, and on motion approved as amended.

The minutes of the meetings of the Gold Export Committee held on March 6th and 7th were presented and approved, and the action therein set forth ratified.

Memorandum by General Counsel dated March 5th, submitting ruling of the Commissioner of Internal Revenue on taxability of dividends and surplus to increase capital stock of a bank, with recommendation that same be published in the Federal Reserve Bulletin.

Approved.

On motion duly seconded, it was voted to amend paragraph 1 of the minutes of the meeting of the Board held on February 26, 1919, to read as follows:

"The Governor stated that, in view of the approaching adjournment of Congress, it seemed to him fitting that the Board adopt appropriate resolutions, thanking the Banking and Currency Committees of the Senate and House for their cooperation with the Board in legislative matters.

"After some discussion of the character of the resolutions, it was voted that the Governor be authorized to transmit same."

Proposed regulation dated March 7th (X-1411) in re rediscount of paper secured by Government obligations, pursuant to the provisions of Section 3 of the Act approved

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March 3, 1919.

On motion duly seconded, it was resolved that Federal Reserve banks be permitted to discount for any member bank notes, drafts, or bills of exchange bearing the signature or indorsement of any one borrower in excess of the amount permitted by Section nine and Section thirteen of the Federal Reserve Act, but in no case to exceed twenty per centum of the member bank's capital and surplus; Provided, however, that all such notes, drafts, or bills of exchange discounted for any member bank in excess of the amount permitted under such Sections shall be secured by not less than a like face amount of bonds or notes of the United States issued since April 24, 1917, or certificates of indebtedness of the United States: Provided further, that the provisions of this resolution shall not be operative after December 31, 1920.

Resolved further, that the form of regulation prepared by General Counsel under date of March 7, 1919, to make effective the foregoing resolution, be and the same hereby is approved, to be made public on such date as may be determined by the Governor and Chairman of the Board.

The Governor submitted for approval letter dated March 7th, addressed by him to the Governor of the Federal Reserve Bank of Dallas, commenting favorably upon the work done by him in connection with Liberty Loan matters.

Approved.

Memorandum by the Secretary dated March 7th, submitting for approval form of telegram to be sent to all Federal Reserve banks in re liability of member banks to Reserve banks in excess of capital and surplus.

Approved.

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Letter from Federal Reserve Agent Austin dated February 5th, in re reserve requirements of banks in outlying sections of Germantown, Manayunk and Frankford, Philadelphia, Pa. The Governor submitted for approval draft of reply prepared by him under date of March 7th.

Approved.

Memorandum by General Counsel dated March 7th, submitting letter dated February 27th from Counsel of the National Park Bank, New York, stating that the expectant stockholders in the Park-Union Foreign Banking Corporation desire the following changes made in the agreement to be entered into by the latter corporation with the Board, as required by Section 25.

1. Reduction of average cash reserve abroad from a minimum of 15% to a minimum of 10%.
2. Reduction of reserve in liquid assets to be maintained against all acceptances, from 15% to 10%.
3. Raising from six times the amount of subscribed capital and surplus to twelve times the capital and surplus, of the limit on the aggregate of all acceptances plus the total of all deposits, upon the specification in the agreement that this may be done with the approval of the Federal Reserve Board.

On motion duly seconded - Mr. Williams not voting - it was voted that, in view of the action taken with respect to similar agreements filed by other banking corporations, the corporation be not required to maintain any fixed cash reserve abroad against de-

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posits abroad, but to leave the amount of reserve to the judgment of the corporation. The action was taken with the understanding that the question shall be reviewed hereafter as affecting all foreign banking corporations now operating under agreements with the Federal Reserve Board.

Voted to disapprove the request contained in the second paragraph.

Voted to disapprove the request contained in paragraph 3, as the Board has heretofore granted such permission only in cases where the business of such corporations has developed to a point justifying such permission, and it would not be in line with the Board's policy to grant such latitude to a newly organized corporation.

(At this point Mr. Williams withdrew from the meeting).

Memorandum by Statistician dated March 5th, in re calls for condition reports of State bank and trust company members of the Federal Reserve System.

Voted to issue call concurrently with the Comptroller of the Currency during March, 1919, upon the understanding that the Board will not make concurrent call upon the occasion of the next call by the Comptroller.

REPORTS OF COMMITTEE NO. 1:

Dated March 7th (3 reports) recommending changes in stock at Federal Reserve banks as set forth in the auxiliary minute book as of this date.
Approved.

Dated March 7th, recommending action on applications for fiduciary powers as set forth in the auxiliary minute book as of this date.
Approved.

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Dated March 4th, recommending salary of \$2,400 per annum for Mr. Peter J. Lorang, National Bank Examiner in Ninth Federal Reserve District.
Approved.

Dated March 4th, recommending salary of \$3,000 per annum for Mr. Stanley A. Longmoor, National Bank Examiner in Eleventh Federal Reserve District.
Approved.

Dated March 5th, recommending increase in the salary of Mr. L. B. Davis, Division of Reports and Statistics, from \$1,500 per annum, to \$1,650 per annum, effective March 15, 1919.
Approved.

Other business was presented and disposed of as follows:

Letter dated March 4th from Honorable Paul M. Warburg, suggesting supervision by the Federal Reserve Board of issues of securities.

Referred to the Governor for reply.

Letter dated March 4th from the Cashier of the Federal Reserve Bank of Minneapolis, in re redemption of mutilated coupons of Liberty Loan bonds.

Referred to the Governor with power, after consultation with the Treasury Department.

Letter dated March 5th from Mr. Robert D. Kent, enclosing pamphlet entitled "Domestic Exchange".

Ordered circulated.

Letter from Federal Reserve Agent Rich, Minneapolis,

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dated March 3d, in re opposition of Commissioner of Banking in the State of Wisconsin to the exercise of fiduciary powers by National banks in that State.

Referred to the Governor for reply.

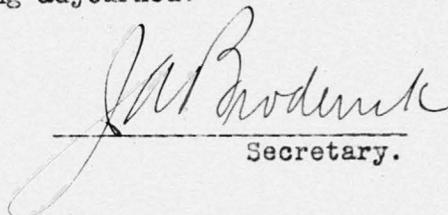
Letter dated March 6th from Mr. Benjamin Catchings of the Federal Trade Commission, in re margin of profit to be allowed to brokers dealing in Liberty Loan bonds.

Referred to the Governor for consultation with the Treasury Department and advice to Mr. Catchings.

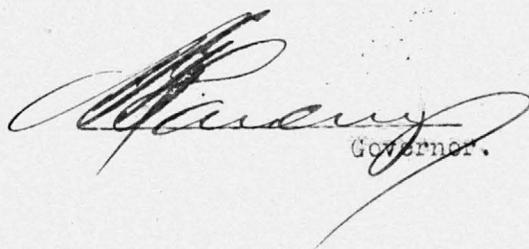
Letter dated February 27th from the Supervising Architect of the Treasury Department, in re building plans of the Federal Reserve Bank of Richmond.

Referred to the Governor for consultation with Architect Trowbridge upon his visit to Washington, and for transmission of copy to the Federal Reserve Bank of Richmond, with advice that the Board still has the matter under consideration.

At 12:45 P.M., the meeting adjourned.


Secretary.

Approved:


Governor.