

At a meeting of the Federal Reserve Board held in the office of the Board on Monday, June 2, 1919, at 11 A.M.,

PRESENT: The Governor
Mr. Strauss
Mr. Miller
Mr. Hamlin
Mr. Williams
Mr. Chapman, Assistant Secretary.

The minutes of the meetings of the Board held on May 26th and 28th were read, and on motion approved.

The minutes of the meeting of the Executive Committee held on May 31st were read, and on motion approved.

The minutes of the meetings of the Gold Export Committee held on May 29th, 31st, and June 2d were presented and approved, and the action therein set forth ratified.

Morning business was presented and disposed of as follows:

Pursuant to the action of the Board at its meeting on February 19, 1919, the question of reconsideration of applications heretofore granted under the provisions of the Kern Amendment of the Clayton Act was presented.

Voted to defer reconsideration pending receipt of report of Committee.

On motion duly seconded it was voted that, beginning Wednesday, June 4th, and until further notice, stated meetings of the Federal Reserve Board shall be held on Tuesday, Wednesday and Thursday of each week.

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Mr. Miller stated that if agreeable to the Board, he purposed to be absent from Washington for the period beginning June 25th and ending August 14th, unless his presence was sooner needed at Washington.

The Governor reported rediscount transactions, pursuant to authority heretofore vested in him: member bank promissory notes secured by Government obligations; rate 4% on paper secured by certificates of indebtedness and 4 $\frac{1}{2}$ % on paper secured by Liberty bonds or Victory notes, as follows:

<u>Date</u>	<u>Bank Redis-</u> <u>counting</u>	<u>With</u>	<u>Amount</u>	<u>Maturities</u>
May 28th	Dallas	Chicago	\$4,000,000	1-15 days
May 28th	Philadelphia	Cleveland	10,000,000	11-15 days
		(Chicago	5,000,000	12-15 days
May 29th	Richmond.....)	(Cleveland	5,000,000	12-15 days
May 29th	Dallas	Chicago	2,500,000	1-15 days
May 29th	Philadelphia	Chicago	6,000,000	11-15 days

Noted.

Memorandum by the Secretary dated May 28th in re improvement in clearing schedules through readjustment of mail train schedules.

Noted.

Report by the Secretary dated May 29th, in re sales of Liberty bonds by Federal Reserve banks to employees on

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instalment plan without interest charge.

Referred to the Governor for preparation of letter of instructions to Federal Reserve banks after consultation with General Counsel.

Letter dated May 23d from Deputy Chairman Simpson of the Federal Reserve Bank of Chicago, advising that the Board of Directors of that Bank recommend that the salary of Federal Reserve Agent W. A. Heath be increased from \$15,000 to \$18,000 per annum, effective July 1, 1919.

Voted that, effective July 1, 1919, the rate of salary of W. A. Heath, Chairman and Federal Reserve Agent of the Federal Reserve Bank of Chicago, be increased from \$15,000 to \$18,000 per annum.

Mr. Miller requested that he be recorded as not voting.

Letter dated May 23d from Deputy Chairman Simpson of the Federal Reserve Bank of Chicago, advising that the Board of Directors of that Bank had voted the following increases in salaries of officers and employees of that Bank, effective July 1, 1919, subject to the approval of the Federal Reserve Board:

<u>Name</u>	<u>Office</u>	<u>Salary per Annum</u>	
		<u>Present</u>	<u>Proposed</u>
J. B. McDougal	Governor	\$24,000.	\$30,000.
B. G. McCloud	Asst. to Governor	7,500.	9,000.
S. B. Cramer	Cashier	7,000.	9,000.
W. H. White	Mgr., Dept. of Bank Examinations and Asst. Federal Reserve Agent	6,000.	7,000.
J. M. Conway	Examiner	3,600.	4,000.
M. A. Wilson	Examiner	3,600.	4,000.

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Approved, Mr. Miller requesting that he be recorded as not voting.

Letter dated May 28th from the Chairman of the Federal Reserve Bank of New York, advising that the Executive Committee of that Bank had voted to approve, subject to the approval of the Federal Reserve Board, the expenditure of a sum not to exceed \$2,200 in the training of employees of the Bank in general correspondence work.

Approved.

Letter dated May 26th from Van A. Powell, Los Angeles, California, criticizing monetary conditions in the United States as being due to the Federal Reserve System.

Referred to Mr. Strauss for reply.

Memorandum by the Secretary dated May 29th, submitting "The Guaranty News" for May, 1919, containing items of interest with respect to foreign banking corporations.

Ordered circulated.

Report by the Secretary dated May 29th, recommending that a conference be held in Washington of representatives of corporations doing a foreign banking business holding agreements with the Federal Reserve Board, for the purpose of reaching a better understanding of the business of such corporations with the general idea of ascertaining whether or not it is necessary or desirable to make modifications in existing agree-

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ments.

Voted that the Governor invite representatives of such corporations to meet with the Board at 10 o'clock A.M. on Wednesday, June 18, 1919, and advise Federal Reserve banks of the intended conference and inform them that the Board would be glad, if they so desire, to have them represented at such conference.

Memorandum by the Secretary dated June 1st, recommending modification of condition of membership of the Peoples Bank of Buffalo, New York, so that the agreement of the bank to increase its capital and surplus by at least \$800,000 before the close of the present calendar year shall be changed to "Increase of capital by \$400,000 before the close of the calendar year".

Approved.

Letter dated May 29th from the Chairman of the Federal Reserve Bank of Boston, submitting inquiry by Counsel of that Bank as to whether or not the International Trust Company of Boston must be governed by the terms of the conditions imposed upon its entrance to the Federal Reserve System, or by the provisions of Section 9 of the Federal Reserve Act as amended subsequent to the entry of the trust company into the System.

On motion duly seconded it was voted that it shall be the policy of the Board that all State banking institutions heretofore admitted to the Federal Reserve System shall be governed by the provisions of Section 9 of the Federal

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Reserve Act as amended rather than by the conditions imposed by the Board at the time of the admission of the institutions to the System.

Memorandum by General Counsel dated May 29th, in re power of Reserve banks to receive from member banks special deposits to which common law liens would not attach.

On motion duly seconded it was voted to concur in the views expressed by General Counsel.

REPORTS OF COMMITTEE NO. I:

Dated June 2d, 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 each application.

Approved.

Dated May 31st (2 reports) recommending changes in stock at Federal Reserve banks as set forth in the auxiliary minute book as of this date.

Approved.

Dated May 31st, recommending appointment of M. J. Hendricks as Stenographer in the Secretary's office at a salary of \$1,320 per annum, effective June 2d.

Approved.

Other business was presented and disposed of as follows:

Letter dated May 28th from Mr. D. C. Wills, Chairman of the Federal Reserve Agents' Acceptance Committee, enclosing suggested outline of subjects for the primer on bankers' acceptances to be submitted by the Committee.

Ordered circulated.

Memorandum by Mr. Leffingwell dated May 14th, sub-

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mitting memorandum by the Chief of the Division of Loans and Currency, recommending reduction in the size of paper currency.

Ordered circulated.

Letter dated March 27th addressed by the Secretary of Labor to the Secretary of the Treasury, enclosing tentative draft of bill to be enacted by Congress "To encourage home ownership and to stimulate the buying and building of homes; to create a standard form of investment based on building association mortgages; to create Government depositaries and financial agents for the United States; to furnish a market for Government bonds; and for other purposes".

Referred to the Law Committee for report.

The Governor submitted draft of bill prepared by General Counsel for the amendment of Section 4 of the Federal Reserve Act to increase the directorate of Federal Reserve banks from nine to eleven members, one of whom shall be the Governor of the bank.

Referred to the Law Committee for report.

Memorandum by the Secretary dated May 27th, submitting recommendations made by the Federal Advisory Council at its meeting on May 19th.

Referred to Mr. Hamlin for report.

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Memorandum by the Secretary dated May 26th, advising that the Director of the Bureau of War Risk Insurance had suggested to him a tentative plan to establish branch offices of that Bureau in Federal Reserve cities and possibly with quarters in Federal Reserve banks.

Voted that the Secretary inform the Director of the Bureau of War Risk Insurance that the Board does not look with favor upon the plan suggested.

Letter dated May 24th from the Chairman of the Federal Reserve Bank of Minneapolis, advising that the Governor of that Bank has written to the Treasury Department suggesting that the work now being done by Federal Reserve banks in connection with war savings and thrift stamps be taken from them.

Referred to the Governor for request to Assistant Secretary Leffingwell that the topic be discussed by the Treasury Department with the Governors of Federal Reserve banks at the forthcoming conference between them.

Letter dated May 31st from Chief Inspector Sutton of Post Office Department, enclosing copy of report relative to the alleged rifling of registered mail parcel at Philadelphia on April 16th.

Referred to the Governor with power.

Letter dated May 31st from Second Assistant Secretary of State Adee, requesting information as to the conditions under which foreign banks may establish branches in the United States.

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Referred to General Counsel.

Letter dated May 29th from the Chairman of the Federal Reserve Bank of Dallas, enclosing copy of his letter to the Secretary of the Treasury under same date, outlining financial conditions in the Eleventh Federal Reserve District, with particular reference to the effect of sales of United States certificates of indebtedness upon financial and business conditions in that District.

Ordered circulated.

Letter dated May 29th from the Chairman of the Federal Reserve Bank of Dallas, submitting proposed list of directors of the Houston Branch of the Federal Reserve Bank of Dallas.

Referred to the Governor for report.

Memoranda by General Counsel dated May 27th and June 2d, in re exercise of fiduciary powers by National banks located in the State of Wisconsin.

Voted that in view of statements made by General Counsel, the Board concurs in his view that it is advisable that the Board immediately take steps to discourage National banks from instituting court proceedings to test their right to exercise fiduciary powers in the State of Wisconsin.

The Governor submitted for approval draft of letter dated May 31st to the Chairmen of all Federal Reserve banks with respect to the method of handling notary fees on items

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protested.

Approved as amended.

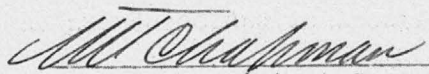
The Vice-Governor stated that the American Relief Administration had received from Germany and now held, partly in the National Bank of Belgium, Brussels, and partly in the Nederlandsche Bank, Amsterdam, an amount of German gold equal in value to about \$225,000,000, which had been received from Germany in connection with payments for foodstuffs supplied by the American Relief Administration, and that it was the desire of the Treasury that the Federal Reserve Bank of New York should acquire this gold with an agreement on the part of the Bank to resell the same within limits as to time and otherwise to be agreed upon. The question was therefore raised informally as to whether the Federal Reserve Bank should be permitted so to receive this gold and if so, whether it was to be permitted to count it as a part of its reserve while held by the above named banks. The Vice-Governor stated that this matter would in due time be formally presented to the Board. It was the informal opinion of the members present that the acquisition of the said gold by the Federal Reserve Bank of New York as outlined above should be approved, with the proviso, however, that the said gold shall, as promptly as possible, be shipped to the Bank of England to be earmarked for the Federal Reserve

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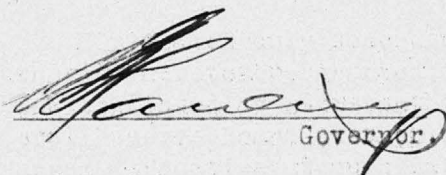
Bank of New York, and shall not be counted as part of the reserve of that Bank until so earmarked with the Bank of England.

The Governor reported the reserve positions of the several Federal Reserve banks.

At 1:05 P.M., the meeting adjourned.


Assistant Secretary.

Approved:


Governor.