

At a meeting of the Federal Reserve Board held in the office of the Board on Tuesday, June 10, 1919, at 11 A.M.,

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

The minutes of the meeting of the Board held on June 5th were read and on motion approved.

The minutes of the meetings of the Gold Export Committee held on June 6th, 7th, 9th and 10th were presented and approved, and the action therein set forth ratified.

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>Date</u>	<u>For Federal Reserve Bank of:</u>	<u>Amount</u>
June 4th	St. Louis	\$500,000
June 4th	Minneapolis	500,000
June 4th	Atlanta	500,000
June 4th	Cleveland	540,000
June 6th	Richmond	200,000
June 9th	Dallas	500,000
June 9th	Richmond	100,000

Approved.

The Governor reported rediscount transactions, pur-

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suant 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 $\frac{1}{4}$ % 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>
June 5th	Richmond	Chicago	\$10,000,000	11-15 days
June 5th	Richmond	Minneapolis	5,000,000	11-15 days
June 7th	Dallas	Chicago	2,500,000	1-15 days
		(Chicago	5,000,000	
June 9th	Richmond.....)			11-15 days
		(Cleveland	5,000,000	

Noted.

The Executive Committee reported that the Secretary of the Treasury had transmitted to the Board cable reply received from The President to the inquiry as to his wishes with respect to the Board's contemplated action in removing the control heretofore exercised over transactions in foreign exchange and over the exportation of coin, bullion and currency, and that The President having expressed himself in favor of such action the Committee had voted to remove the controls referred to and had approved press statement to this effect for release in the papers of June 9th, and had authorized the Governor to telegraph the Chairmen of all Federal Reserve Banks accordingly.

On motion duly seconded the action of the Executive Committee was ratified.

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Mr. Strauss filed with the Secretary various papers and documents leading up to the removal of embargo, stating that such papers had theretofore been circulated among members of the Board.

Memorandum by the Secretary dated May 27th, in re recommendations of the Federal Advisory Council at its meeting May 19, 1919.

Referred to Mr. Miller for report.

Memorandum by the Secretary dated June 5th, submitting correspondence in re suggested establishment at Nashville, Tennessee, of a branch of the Federal Reserve Bank of Atlanta.

Ordered circulated.

Letter dated May 26th from the Chairman of the Federal Reserve Bank of Philadelphia, advising of the desire of the Bankers Trust Company, Atlantic City, New Jersey, to be admitted to the Federal Reserve System without increasing its capital of \$100,000, and submitting statements as to the estimated population of that city, together with memorandum by General Counsel dated June 5th.

Voted that the Board accept the statement made to the effect that the permanent population of Atlantic City, New Jersey, is less than 50,000, in determining the requisite capital stock of banks in that city desiring to join the Federal Reserve System.

Application of the National City Bank of New York for

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authority to establish a sub-branch, agency or office of its Uruguay Branch in the City of Montevideo, Republic of Uruguay.

Approved as set forth in the order book as of this date.

The Governor submitted for approval copy of his letter to the Governor of the Federal Reserve Bank of Atlanta under date of June 6th, with respect to the proposed establishment of a State reserve bank of Georgia.

Approved; ordered circulated.

Memorandum dated June 6th from Deputy Comptroller of the Currency Kane, in re suggestion of reduction in the size of paper currency.

Ordered circulated.

Memorandum by the Secretary dated June 5th, in re penalties for deficiencies in reserves.

Referred to the Governor for report.

Letter dated March 27th from the Secretary of Labor to the Secretary of the Treasury, in re suggested legislation to stimulate buying and building of homes, etc.

Referred to the Secretary for advice to the Secretary of the Treasury that the banking system proposed by the draft of legislation submitted is entirely foreign to the basis of the Federal Reserve System, and that its operation could not be said to come within the limitations necessarily prescribing the operations of the Federal Reserve System.

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Telegram dated June 6th from Joseph N. Teal, Portland, Oregon, advising that he would be willing to accept election as director of the Portland Branch of the Federal Reserve Bank of San Francisco.

On motion duly seconded Mr. Joseph N. Teal was appointed a director of the Portland Branch of the Federal Reserve Bank of San Francisco to serve during the unexpired portion of the term of Everett Ames, deceased.

Copy of telegram dated June 9th, addressed to all Federal Reserve banks by Assistant Secretary of the Treasury Leffingwell, advising the banks that the Treasury Department has authorized them, on and after June 10th, and until further notice, to redeem in cash before maturity, at par and accrued interest to date of redemption, Treasury certificates of indebtedness maturing on or before July 1, 1919.

Noted.

Letter dated June 5th from the Chairman of the Federal Reserve Bank of Dallas, commenting upon letter from the Governor of the Federal Reserve Bank of Chicago, suggesting that the first named bank raise its rates, in view of the large amount of rediscounting done for its account.

Referred to the Governor for reply.

(At this point Mr. Williams joined the meeting).

Letter dated June 6th from the Chairman of the Federal Reserve Bank of Chicago, submitting application of the Second

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Security Bank of Chicago, Chicago, Illinois, for reduction of its reserve requirements to 10% on demand deposits and 3% on time deposits.

Approved.

Memorandum by Mr. Miller dated June 9th, regarding steps to be taken to procure regularly, data with respect to business and financial conditions in foreign countries.

Ordered circulated and docketed for the meeting of the Board to be held on Thursday, June 12th.

Letter dated June 4th from the Chairman of the Federal Reserve Bank of Dallas, explaining action of that Bank in permitting a reduction of interest on loans to the Citizens National Bank, Garland, Texas.

Ordered circulated and docketed for the meeting of the Board to be held on Thursday, June 12th.

Letter dated June 6th from the Park-Union Foreign Banking Corporation, submitting list of its authorized branches and those in actual operation.

Noted.

On motion duly seconded it was voted that, effective June 15, 1919, the Board's offices will be closed at 1 P.M. on all Saturdays until September 15, 1919, no time being allowed for lunch on such days.

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

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REPORTS OF COMMITTEE NO. 1:

Dated June 10th, 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 June 6th, in re violation by the Peoples Bank, Mobile, Alabama, of the condition of membership relating to the payment of dividends.

Referred to the Governor.

Dated June 5th, recommending action on applications for fiduciary powers as set forth in the auxiliary minute book as of this date.

Approved.

Dated June 9th, recommending approval of application of S.J. Mealey for permission to serve at the same time with the Midland National Bank, Minneapolis, and the First National Bank, Perham, Minnesota.

Approved.

Dated June 5th, recommending approval of application of J.C. Taylor for permission to serve at the same time with the Pennsylvania National Bank and the Delaware County Trust Company, both of Chester, Pa.

Approved.

Dated June 6th, recommending approval of application of J. L. Williams for permission to serve at the same time with the East River National Bank, New York City, and the Bank of Italy, San Francisco, Cal.

Approved, providing Federal Reserve Agent concurs.

Dated June 6th, recommending disapproval of application of A.H. Frost for permission to serve at the same time with the Merchants National Bank and the Southern Trust and Commerce Bank, both of San Diego, Cal.

Application disapproved.

Dated June 5th, recommending cancellation of certificate authorizing W.O. Jones to serve at the same time as director and officer of the East River National Bank of New York, as officer of the National Park Bank of New York, and as director of the First National

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Bank of Daytona, Florida, and the issuance in lieu thereof of a certificate authorizing him to serve at the same time as director and officer of the East River National Bank of New York, as officer of the National Park Bank of New York, and as local trustee of the Flatbush Branch of the Irving Trust Company of New York.

Approved.

Dated June 9th, recommending appointment of Miss Demma Shumate as key-punch operator in the Division of Reports and Statistics at a salary of \$1,000 per annum, effective at such date as she reports for duty.

Approved.

Dated June 10th, recommending increase in salary of Bliss Plaine, Messenger on Board's staff, from \$840 to \$960 per annum, effective June 16th.

Approved.

Other business was presented and disposed of as follows:

Memorandum by Assistant to Counsel, dated June 9th, advising of violations of the Clayton anti-trust act by the following directors of National banks: E. F. Folda, E. W. Lewis, Eugene H. Darrach, F. Russell Beebe, C. D. Bevington, Eugene Murray, L. C. Wallick, Patrick B. Magrane, L. Agoos, E. B. Malone, Channing M. Wells, J. E. Hitt, J. S. Pomeroy.

Voted that the Governor be authorized to send to each such director form letter X-1379-A.

The Governor submitted for approval, draft of letter dated June 10th to the Chairmen of all Federal Reserve banks, advising of the adoption by the Board of the following definition

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of the term "readily marketable staples" as used in that part of Section 13 of the Federal Reserve Act which authorizes any member bank to accept drafts which are secured at time of acceptance by warehouse receipt or other such document conveying or securing title covering readily marketable staples.

"A readily marketable staple may be defined as an article of commerce, agriculture or industry of such uses as to make it the subject of constant dealings in ready markets with such frequent quotations of prices as to make (a) the price easily and definitely ascertainable; and (b) the staple itself easy to realize upon by sale at any time".

Approved.

Letter dated June 7th from Deputy Governor Curtis of the Federal Reserve Bank of New York, suggesting that the Treasury Department accept blanket bonds given by Federal Reserve banks to cover losses on shipments of warrants or checks between Federal Reserve banks and the Treasury Department.

Referred to Mr. Strauss for report.

Letter dated June 7th from the Governor of the Federal Reserve Bank of Atlanta, submitting request of the Chickamauga Trust Company, Chattanooga, Tennessee, that its acceptances be classed as eligible for discount by Federal Reserve banks.

Voted that, in view of the nature of the business done by the Chickamauga Trust Company and the non-liquid character of its assets, the Board does not approve as eligible for discount by Federal Reserve banks, acceptances of the Chickamauga Trust Company.

Letter dated June 7th from the Chairman of the Federal Reserve Bank of Chicago, in re action of the Board in advancing his salary, effective July 1, 1919.

Referred to the Governor for reply.

Telegram dated June 7th from the Chairman of the Federal Reserve Bank of San Francisco, requesting authority to announce in June or July that a fitting bonus will be paid at the end of the year, and authority to make payment at time of discharge of bonus at the rate paid in 1918 to employees whose services may be dispensed with prior to the expiration of the calendar year because of the reduction of the volume of Government work done by the Bank.

Approved.

Memorandum by Mr. Hamlin dated June 4th, and memorandum by General Counsel dated June 3d, in re draft of incorporation of the American Cotton Export Financing Corporation.

Ordered circulated.

The Governor submitted for approval, draft of letter to the Chairmen of all Federal Reserve banks prepared by him under date of June 10th, in re suggested reclassification of

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reserve and central reserve cities.

Approved as amended.

Letter dated May 13th from Assistant Federal Reserve Agent Nevin at Cleveland, requesting ruling on the question of whether or not a 60 day certificate of deposit becomes a demand deposit after a lapse of 31 days. The Governor submitted opinion of General Counsel dated June 7th, to the effect that the Board could not amend its regulations or rulings in any way to permit of any other interpretation of the Act than that a time certificate of deposit becomes a demand deposit when it has less than 30 days to run.

Approved.

Mr. Miller stated that, in view of the likelihood that the people of the United States would have to do a great deal toward providing the basis for the financial and economic reconstruction of Europe, and, in view of the fact that the country should have the best information bearing upon the character and the extent of Europe's needs and the extent to which the United States could undertake the financing of them without prejudice to home requirements for capital investment, he thought it altogether proper that the Federal Reserve Board should in the emergency use its best endeavors to secure a thorough-going consideration of pending problems of

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foreign finance. With this thought in mind, Mr. Miller moved that the Governor be authorized to invite the Executive Committee of the Federal Advisory Council to meet with the Board on a convenient date, not later than June 19th, for the purpose of discussing the entire situation and how it can best be dealt with, more particularly to discuss the advisability of having a Committee on Financial Facilities for Europe, national and representative in its character, so as to command the confidence of the entire public, to be composed to the extent of one-third of its membership, of representatives of industrial, agricultural and commercial interests, one-third of financial and banking interests, and one-third of the public interest, the last named to be selected by the Federal Reserve Board.

Referred to the Governor with power.

On motion duly seconded it was voted that, in view of the order discontinuing the control of transactions in foreign exchange and the exportation of coin, bullion and currency, the Gold Export Committee be discharged, and that the issuance of licenses for the export of coin, bullion and currency be placed under the supervision of the Executive Committee.

At 12:50 P.M., the meeting adjourned.



Assistant Secretary.

Approved:



Governor