

At a meeting of the Federal Reserve Board held in the office of the Board on Friday, June 20, 1919, at 4 P.M.,

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

Mr. Strauss submitted for the approval of the Board, following draft of order removing restrictions on foreign exchange transactions.

REGULATION ISSUED JUNE 24, 1919.

Until otherwise instructed "dealers" as defined under the Executive Order of the President of January 26, 1918, are hereby authorized to carry on transactions in foreign exchange or in securities for or through foreign account without restriction, except as hereinafter provided.

Registration certificates must be obtained as required under the Executive Order. (All registration certificates which have been issued to date continue in force).

Customers' statements of non-enemy interest need not be taken, but no foreign exchange transactions can be consummated for enemy account unless authorized in a general or a specific license issued by the War Trade Board.

Further statistical reports after those including transactions up to the close of business Wednesday evening, June 25, 1919, need not be made except as called for by the Federal Reserve Board.

Declarations of foreign correspondents on Form F. E. 114 and declarations of non-enemy interest covering security transactions on Form F. E. 113 need not be taken, and interest or dividend checks payable for foreign account need not have Customers' Statements printed upon them, but "dealers" can not carry out transactions either directly or indirectly for the benefit of or for account of an enemy or ally of enemy except under the authority of a general or a specific license issued by the War Trade Board.

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Until otherwise instructed, the exportation or importation of Russian roubles, or the transfer of funds for their purchase by persons and dealers in the United States, as described under the Executive Order of the President of January 26, 1918, is prohibited. Dealings in foreign exchange or securities with or for persons in that part of Russia now under the control of the so-called Bolshevik Government are also prohibited.

Until otherwise instructed, "dealers" are prohibited from purchasing exchange except from the American Relief Administration, 42 Broadway, New York City, upon any of the following countries:

Finland	Jugo-Slavia
Poland	Serbia
Czecho-Slovakia	Roumania
German-Austria	Germany

Approved.

Letter dated June 17th from the Supervising Architect, recommending that the Federal Reserve Bank of Dallas be authorized to let contract for a laminated steel lining 3-1/4 inches thick for the vaults in its proposed new bank building.

Approved upon the understanding that such approval should not be construed as a precedent for the treatment of vaults in bank buildings to be constructed by Federal Reserve banks in other districts.

Application of the Director of the Division of Analysis and Research for leave of absence without pay for three months, beginning July 1, 1919.

Referred to Executive Committee with power.

The Governor submitted for approval the following draft of uniform contract for execution by foreign banking corporations

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as a condition precedent to the purchase of their stock by National banks under the provisions of Section 25 of the Federal Reserve Act, stating that such form of agreement had been prepared after a conference on June 20th with representatives of all of the foreign banking corporations which up to date have filed agreements with the Federal Reserve Board:

A. GENERAL:

In order to enable you and other corporations of the same character to compete effectively in foreign countries, it is necessary that latitude be given in the development of business abroad, and the Board believes that, for the present at least, restrictions should not be rigid or too much in detail, and that it is desirable to prescribe only general rules for your guidance. As occasion requires, the Board will modify its regulations in such manner as experience may prove to be necessary.

B. POWERS:

1. In the United States:

a. Deposits: It is clear that in order to avoid competition in the matter of receiving deposits with national banks and state banks, which do not enjoy the wide powers which you must necessarily possess in order to compete successfully in foreign countries, you should not be permitted in the United States to receive individual deposit accounts or domestic bank exchange or collection accounts. You will be permitted, however, to receive any deposit which is incidental to, or for the purpose of, carrying out transactions in foreign countries or dependencies of the United States, where you have established agencies, branches, or business connections. Deposits of this character may be made by individuals, firms, corporations or banks, whether foreign or domestic, and may be time deposits or on demand.

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Reserves: It will be required that, against all such deposits received in the United States, you maintain a reserve in the amount required by law against such deposits of member banks located in central reserve cities. The Federal Reserve banks are authorized, for purposes of clearing or collection, to receive deposits from non-member banks, and your reserve against domestic deposits may be maintained by opening a clearing account with the Federal Reserve Bank of your district, where an adequate balance may be carried by you.

b. Acceptances:

In the matter of acceptance of drafts and bills of exchange, the Board has concluded that you should be authorized to accept for all transactions permissible to member banks under the provisions of the Federal Reserve Act, provided that you make no acceptance for account of any one drawer in an amount aggregating at any time in excess of ten per centum of your subscribed capital and surplus, unless the transaction be fully secured, or represents an exportation or importation of merchandise and is guaranteed by a bank or banker of undoubted solvency; and provided that whenever the aggregate of your acceptances outstanding at any time (a) exceeds the amount of your subscribed capital and surplus, fifty per centum of all acceptances in excess of such amount shall be fully secured, or (b) exceeds twice the amount of your subscribed capital and surplus, all acceptances outstanding in excess of such amount shall be fully secured, whichever of said two requirements shall call for the smaller amount of secured acceptances; and provided further that in no event shall the aggregate of all your acceptances outstanding, plus the total of all deposits held by you, whether foreign or domestic, exceed six times the amount of your subscribed capital and surplus, except with the approval of the Federal Reserve Board.

Reserves:

It must be understood, furthermore, that against all acceptances outstanding you will maintain a reserve of at least fifteen per centum in liquid assets, which shall consist of:

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1. Cash
2. Balances with other banks
3. Bankers' acceptances; and / or
4. Such securities as the Board may, from time to time, permit.

2. In Foreign Countries:

You are authorized to accept deposits of any kind from banks, individuals and corporations, in foreign countries, and generally to exercise such powers and to do such things as are incidental to banking conducted in the countries and dependencies in which you may transact business. The Board assumes, however, that in the matter of receiving deposits, making loans, and in all other business conducted in foreign countries, you will be guided primarily by the laws of those countries and by sound business judgment and banking principles. While the Board will not require you to carry abroad cash reserves against deposits abroad, should it appear at any time that your business methods are such as to afford insufficient protection, the Board will formulate such restricting regulations as may be proper in the circumstances.

C. REPORTS AND EXAMINATIONS:

(1) You will be required to make two reports annually to the Federal Reserve Board, covering such details as may be prescribed.

(2) You will also be subject to such examinations as the Board may order, these examinations to be made either by employees or agents of the Board or of the Federal Reserve Bank of your district.

Mr. Miller moved that Section (b) of paragraph B be amended by eliminating the word "importation", inserting the following words after the word "exportation": "from the United States, its dependencies or possessions".

The motion was lost.

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Voted to approve the form of agreement as submitted.

The Governor stated that the Board has previously authorized the First National Corporation of Boston and the International Banking Corporation to have outstanding acceptances and total deposits, combined, equal to twelve times the amount of their subscribed capital and surplus, and that such corporations were entitled to the continuance of this authority.

On motion duly seconded, it was voted that the Secretary be authorized to advise the First National Corporation and the International Banking Corporation, in transmitting to them the uniform contract this day approved, that it is not the intention of the Board to withdraw the authority heretofore granted those corporations to have outstanding acceptances and total deposits combined, equal to twelve times the amount of their subscribed capital and surplus, and that they are authorized to incorporate such limitation in the form of agreement to be executed and returned by them.

Letters dated July 16th from the Chairman of the Federal Reserve Bank of Atlanta, requesting the approval of increases effective July 1, 1919, in salaries of officers of that Bank and its New Orleans branch as follows:

Federal Reserve Bank of Atlanta:

		<u>From</u>	<u>To</u>
J. L. Campbell,	Assistant Cashier,	\$3,600	\$4,000
W. B. Roper,	"	3,600	4,000
W. R. Patterson,	"	3,300	3,600
R. A. Sims,	"	3,000	3,300

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New Orleans Branch:

Marcus Walker,	Manager,	\$7,500	\$9,000
W. H. Black,	Asst. Manager,	3,600	4,000
M. F. Harlan,	Cashier,	3,000	3,600

Approved.

Memorandum by Mr. DeLaMater dated June 19th, recommending sale to the Vibroplex Company of certain typewriters heretofore in use by the Division of Foreign Exchange at New York.

Approved.

REPORTS OF COMMITTEE NO. 1:

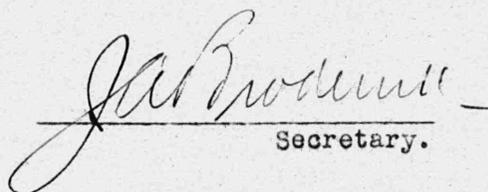
Dated June 20th, recommending admission of State institutions as set forth in the auxiliary minute book as of this date, subject to the conditions stated in the individual reports attached to each application.

Approved.

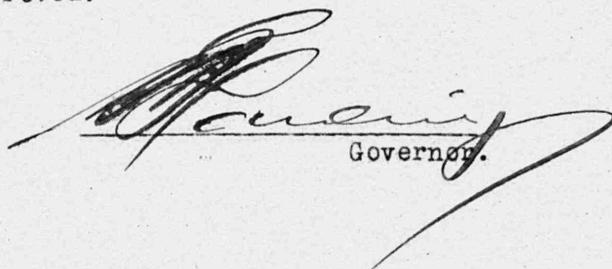
Dated June 19th, recommending action on applications for fiduciary powers, as set forth in auxiliary minute book as of this date.

Approved.

At 6 P.M., the meeting adjourned.


Secretary.

Approved:


Governor.