

At a meeting of the Federal Reserve Board held in the office of the Board on Tuesday, December 9, 1919, at 11 A.M.,

PRESENT: The Vice-Governor  
 Mr. Miller  
 Mr. Hamlin  
 Mr. Williams  
 Mr. Chapman, Secretary.

Minutes of meeting of the Board held December 5th were read, and on motion approved as amended.

Morning business was presented and disposed of as follows:

The Vice-Governor reported rediscount transaction, pursuant to authority heretofore vested in him; member bank promissory notes secured by Government obligations, rate 4-1/2%, as follows:

| <u>Date</u> | <u>Bank Redis-</u><br><u>counting</u> | <u>With</u> | <u>Amount</u> | <u>Maturities</u> |
|-------------|---------------------------------------|-------------|---------------|-------------------|
| Dec.5th     | Philadelphia                          | Chicago     | \$2,000,000   | 11-15 days        |

Noted.

The Vice-Governor reported the reserve positions of the several Federal Reserve banks as at close of business December 6th, and the status of rediscounts between Federal Reserve banks as of the same date.

Memorandum by Mr. Norman Davis dated December 5th, in re withdrawal of balances by the Bank of Japan.

Referred to the Secretary for report.

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Memorandum by Mr. Hoxton dated December 2d, in re examiner's report on the Federal Reserve Bank of Richmond as of November 1, 1919.

Noted.

Letter dated December 4th from Deputy Comptroller of the Currency Kane, enclosing copy of letter addressed to the Stockyards National Bank, Fort Worth, Texas, with respect to Section 5200 U.S.R.S., as applied to livestock loans.

Referred to Mr. Hamlin for investigation and report of practice of insuring cattle.

Letter dated December 5th from the Chairman, Federal Reserve Bank of Cleveland, enclosing copy of letter written by the Governor of that Bank to the President of the Pittsburgh Clearing House Association in reply to the latter's protest against the increase of rates on paper secured by Government obligations.

Noted, and ordered that copies be sent to the Secretary of the Treasury and Assistant Secretary of the Treasury Leffingwell.

Letter dated December 4th from the Governor, Federal Reserve Bank of Philadelphia, recommending increases in salaries of junior officers of that Bank, effective January 1, 1920, as follows:

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|                                 | <u>From</u> | <u>To</u> |
|---------------------------------|-------------|-----------|
| C. A. McIlhenny, Asst. Cashier, | \$5,000     | \$6,000   |
| W. J. Davis, "                  | 5,000       | 6,000     |
| James M. Toy, "                 | 4,000       | 4,500     |
| R. M. Miller, Jr., "            | 3,500       | 4,500     |
| Frank W. LaBold, "              | 3,500       | 4,500     |
| R. D. Stockton, Comptroller,    | 5,000       | 6,000     |

together with memorandum by Mr. Emerson of December 6th containing recommendation of approval by Mr. Paddock.

Approved.

Letter of December 6th from Mr. J. C. Nevin, Assistant Federal Reserve Agent at Cleveland, requesting approval of the appointment of Mr. I. J. Fulton as Assistant Examiner of that Bank, at a salary of \$3,000 per annum.

Approved.

Letter of December 6th from Mr. J. C. Nevin, Secretary, Federal Reserve Bank of Cleveland, advising of the following appointments at that Bank:

|                       | <u>Position</u>   |
|-----------------------|-------------------|
| Mr. G. H. Wagner,     | Assistant Cashier |
| Mr. D. B. Clouser,    | "                 |
| Mr. G. J. Stephenson, | "                 |
| Mr. F. V. Grayson,    | Auditor           |

Noted.

Letters from various Federal Reserve banks, advising of the results of the elections of Class A and B directors.

Noted and ordered circulated.

Application of the First National Bank, Hoboken, N. J.,

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for permission 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.

Approved.

REPORTS OF COMMITTEE NO. 1:

Dated Dec. 9th, 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 Dec. 8th, recommending changes in stock at Federal Reserve banks, as set forth in the auxiliary minute book as of this date.

Approved.

Dated Dec. 8th, recommending approval of salary of \$2,400 per annum for Mr. Harry W. Walker as National Bank Examiner in the Ninth Federal Reserve District.

Approved.

Other business was presented and disposed of as follows:

The Vice-Governor referred to the Board's action on December 1st in approving, subject to the approval of the Treasury Department, the memorandum submitted by Mr. Kenzel of the Federal Reserve Bank of New York, recommending approval of the plan of the Asia Banking Corporation and others, looking to the adjustment of exchange rates between the United States and China. The Vice-Governor stated that the plan had been approved by the Treasury Department amended as follows:

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The undersigned banks, namely the Asia Banking Corporation, 35 Broadway, New York, the International Banking Corporation, 55 Wall Street, New York, and the Park-Union Foreign Banking Corporation, 56 Wall Street, N.Y., severally propose to the Division of Foreign Exchange of the Federal Reserve Board, subject to the conditions herein expressed, and the approval of the Federal Reserve Board and the Treasury of the United States, to undertake the following described business transactions:

(1) That with purpose to prevent the price of silver from rising above the point at which the subsidiary coinage of the United States would be exported, and to benefit and protect the position of American dollar exchange in the Oriental markets, they will pay current funds from time to time against standard silver dollars to be delivered by the Federal Reserve Bank of New York under the direction of the Division of Foreign Exchange of the Federal Reserve Board.

(2) The undersigned banks agree that with regard to any silver dollars so furnished to them to use the same only:

A. With the approval of the Division of Foreign Exchange of the Federal Reserve Board, to protect so far as this is possible, the subsidiary coinage of the United States from export by not permitting silver to advance in the Orient to a point where the subsidiary coinage will be in danger;

B. In the purchase of dollar exchange in the Orient, it being understood that the exchange so purchased may include all forms of gold dollar exchange, including telegraphic transfers bought from foreign banks; and

C. With the understanding that any silver dollars so furnished to them shall be melted either before export, or in Shanghai after export, each bank undertaking that if silver dollars are shipped by them they will be melted before being sold in the Orient.

(3) To turn over to the Division of Foreign Exchange of the Federal Reserve Board, the net profits on

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silver dollars so furnished to them, it being understood that in accounting for such profits the banks shall be entitled to deduct as expenses all actual outlays by them made or incurred, including all cost of melting and reduction, freight, cartage, handling, insurance, comprador's charges and commissions, port taxes and wharfage, cable charges, possible brokerage and interest costs in necessary shifting of exchange position in Shanghai, loss by abrasion, actual cost of financing, interest at market rates on money actually advanced, and a commission as a service charge of  $\frac{1}{8}$  of 1% on the face amount of silver dollars so delivered. If, however, it is shown that this commission of  $\frac{1}{8}$  of 1% nets an actual loss to the banks after figuring in their overhead expenses, it is agreed that such loss to the banks will be allowed up to but not exceeding an additional  $\frac{1}{8}$  of 1% on the face amount of the silver dollars. With respect to the cost of financing, it is agreed that all financing shall be done at the best rates obtainable and that, if credit is not obtainable at a net cost including discount and acceptance commission not in excess of  $\frac{1}{8}$  of 1% per annum above the relative costs of the prime bankers' credit at the time credits are taken, then the financing shall not be undertaken without reference to and approval by the Division of Foreign Exchange of the Federal Reserve Board.

(4) It is agreed that all risk in the transactions is to be borne by the banks undertaking the same, and that in consideration of the silver dollars furnished against current funds, the interest of the Federal Reserve Board is in the profit only, and without risk of loss to it.

(5) It is agreed that the proposals herein submitted are not for any specific amount, and that the arrangement, if consummated, may be terminated at any time by the Division of Foreign Exchange of the Federal Reserve Board, provided, however, that the Division of Foreign Exchange of the Federal Reserve Board will agree to provide standard silver dollars against current funds in amounts sufficient to liquidate any outstanding contracts of any of the undersigned banks,

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entered into with the approval of the said Division of Foreign Exchange of the Federal Reserve Board, provided, however, that the total obligation of the Division of Foreign Exchange of the Federal Reserve Board hereunder, shall not exceed the aggregate amount of 20,000,000 standard silver dollars.

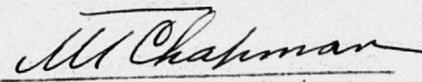
Asia Banking Corporation  
By R. Dawson,  
V-P.

International Banking Corporation  
By M. D. Currie,  
A.C.

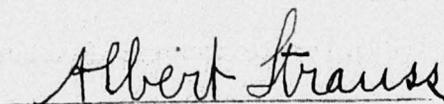
Park-Union Foreign Banking Corporation  
By T. Fred Aspden,  
V-P.

Approved.

At 11-55 A.M., the meeting adjourned.

  
Secretary.

Approved:

  
Vice-Governor.