

At a meeting of the Federal Reserve Board held in the office of the Board on Wednesday, December 17, 1919, at 11 A.M.,

PRESENT: The Chairman
The Governor
Mr. Strauss
Mr. Miller
Mr. Hamlin
Mr. Moehlenpah
Mr. Chapman, Secretary.

By unanimous consent the reading of the minutes of meeting of the Board held December 16th was deferred until the next meeting of the Board.

The 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> <u>counting</u>	<u>With</u>	<u>Amount</u>	<u>Maturities</u>
Dec.13th	Philadelphia	Chicago	\$4,500,000	11-15 days

Noted.

The Governor reported the reserve positions of the several Federal Reserve banks as at close of business December 15th, and the status of rediscounts between Federal Reserve banks as of the same date.

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

-2-

Reserve bank notes, as follows:

<u>For Federal Reserve bank of:</u>	<u>Date</u>	<u>Amount</u>
New York,	Dec. 16th	\$200,000
Approved.		

The Governor read a letter addressed to him under date of December 16th by the Secretary of the Treasury, calling attention to the large reduction of loans by Federal Reserve banks on paper secured by Government obligations, and the large increase of purchases by the Federal Reserve banks of acceptances in the open market, and suggesting that in his opinion this condition was one that should be looked into by the Federal Reserve Board.

Memorandum by the Fiscal Agent dated December 16th, recommending that Federal Reserve banks be assessed in the sum of \$525,000 to meet the estimated expenses of the Federal Reserve Board for the period January 1 to June 30, 1920.

On motion duly seconded, it was ordered that the following minute be entered.

Whereas, under Section 10 of the act approved December 23, 1913, and known as the Federal Reserve Act, the Federal Reserve Board is empowered to levy semi-annually upon the Federal Reserve Banks in proportion to their capital stock and surplus an assessment sufficient to pay its estimated expenses, including the salaries of its members, assistants, attorneys, experts, and employees for the half year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half year; and

Whereas, it appears from estimates submitted and considered that it is necessary that a fund equal to

-3-

twenty five hundredths of one percent (.0025) of the total paid-in capital stock and surplus of the Federal Reserve banks be created for the purpose hereinbefore described, exclusive of the cost of engraving and printing of Federal Reserve notes; Now, therefore,

Be it resolved, That pursuant to the authority vested in it by law, the Federal Reserve Board hereby levies an assessment upon the several Federal Reserve Banks of an amount equal to twenty five hundredths of one percent (.0025) of the total paid-in capital stock and surplus of such banks, and the Fiscal Agent of the Board is hereby authorized to collect from said banks such assessment and execute, in the name of the Board receipts for payments made. Such assessment will be collected in two installments of one-half each; the first installment to be paid on January 1, 1920, and the second half on March 1, 1920.

On motion duly seconded, it was voted that General Counsel be instructed to advise the Board whether or not it lies within the power of the Board to authorize Federal Reserve banks to set up a reserve out of earnings of the current six months against assessments made by the Federal Reserve Board to meet its expenses for the succeeding six months.

Letter dated December 5th from the Chairman, Federal Reserve Bank of Philadelphia, requesting authority to declare a dividend at the rate of six percent per annum, payable on December 31, 1919, to all stockholders of that Bank as shown by the books on that date for the six month period July 1st to December 31, 1919.

Approved.

-4-

Letter dated December 5th from Assistant Federal Reserve Agent Nevin of the Federal Reserve Bank of Cleveland, submitting resolution declaring a dividend at the rate of six percent per annum, payable on December 31, 1919, to all stockholders of that Bank as shown by the books on that date for the six month period July 1st to December 31, 1919.

Approved.

Letter dated December 5th from Secretary McLallen of the Federal Reserve Bank of Chicago, submitting resolution declaring a dividend at the rate of six percent per annum, payable on December 27, 1919, to all stockholders of that Bank as shown by the books on that date for the period from July 1st to December 31, 1919.

Approved.

Letter dated December 8th from the Chairman, Federal Reserve Bank of Chicago, with respect to the Board's action in limiting the amount which might be charged to current expenses by that Bank on December 31st against the value of buildings on lot recently acquired by that Bank.

On motion duly seconded, it was voted that the Board reconsider its action in limiting to \$500,000 the amount which might be charged to current expenses by that Bank on December 31st against the value of buildings on the lot at the corner of LaSalle Street and Jackson Boulevard recently acquired by that Bank.

-5-

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

The Chairman read to the meeting, report of Mr. Hoxton dated December 12th of the result of referendum submitted to member banks in Oklahoma as to their choice between Oklahoma City and Tulsa as the location of the branch of the Federal Reserve Bank of Kansas City, proposed to be established in the State of Oklahoma. Mr. Moehlenpah thereupon made a statement to the meeting of the observations made by him on his recent trip to Oklahoma City and Tulsa.

After considerable discussion, on motion duly seconded, it was voted that the Federal Reserve Bank of Kansas City be authorized to establish at Oklahoma City a branch having powers similar to those pertaining to the Buffalo branch of the Federal Reserve Bank of New York, Mr. Strauss voting "No".

(Mr. Miller withdrew from the meeting at 12-58 P.M. before a vote was taken).

Voted further, that the Executive Committee be authorized to prescribe the details of approval of the proposed branch.

voted further, that no announcement be made of the Board's action unless and until the recommendation of the Executive Committee as to the powers to be exercised by the branch shall be submitted to and approved by the Board.

(At this point a recess was taken until 3 P.M. today).

After recess:

-6-

PRESENT: The Governor
Mr. Strauss
Mr. Miller
Mr. Moehlenpah
Mr. Cnapman, Secretary.

The Governor referred to the action of the Board at its session before recess in voting to reconsider the question of the charge off to be made by the Federal Reserve Bank of Chicago against the value of buildings on real estate acquired by it.

Voted, that the federal Reserve Bank of Chicago be authorized to charge off as of December 31, 1919, the sum of \$820,000 against the value of buildings on the lot recently acquired by the bank, located at the corner of LaSalle Street and Jackson Boulevard.

telegram dated December 16th from the Chairman, Federal Reserve Bank of San Francisco, requesting authority to reduce the amount at which the building site acquired by the bank is now carried from \$400,000 to \$231,375, the latter being the value of the land alone, appraised as if regarded as security for a mortgage loan.

Approved.

telegram dated December 16th from the Chairman, Federal Reserve Bank of Chicago, requesting approval to permit reserve for depreciation on United States bonds to remain at the figures now carried on its books, viz: \$85,000.

Referred to the Secretary for report.

-7-

Telegram dated December 17th from the Chairman, Federal Reserve Bank of St. Louis, recommending approval of the following schedule of discount rates:

Notes of all maturities secured by Treasury certificates regardless of rate of interest borne by certificates.....	4-1/2%
All paper, whether secured by Liberty bonds or Victory notes or eligible paper and for rediscount of all maturities up to 90 days.....	4-3/4%
Member banks collateral notes secured by War Finance Corporation bonds and rediscounts secured by same for all maturities.....	5-3/4%

Approved.

Telegram dated December 16th from the Chairman, Federal Reserve Bank of San Francisco, requesting approval of the payment of extra compensation to the employees of that Bank for the period July 1 to December 31, 1919, as follows:

Salaries up to \$1,800 per annum.....	25%
Salaries of \$1,800 up to \$3,000.....	20%
Salaries of \$3,000 up to and including \$5,000	15%

Maximum salary in a lower grade is to be the minimum for the next higher grade.

Approved.

Telegram dated December 16th from the Chairman, Federal Reserve Bank of San Francisco, submitting for approval the following schedule of discount rates to be effective December 22, 1919:

-8-

Member bank collateral notes secured by certificates of indebtedness.....	4-1/2%
Secured by U.S. Bonds or Victory notes..	4-3/4%
Secured by commercial paper.....	4-3/4%
(Fifteen day War Finance paper 1% higher)	
Rediscounts, when secured by certificates of indebtedness.....	4-1/2%
Secured by U.S. bonds or Victory notes..	4-3/4%
Fifteen day commercial paper.....	4-3/4%
16 to 90 days.....	5%
Agricultural or livestock paper, 15 days.....	4-3/4%
16 to 90 days.....	5%
91 days to six months.....	5-1/2%
Trade acceptances, 15 days.....	4-3/4%
16 to 90 days.....	5%

On motion duly seconded, the Governor was authorized to send to Mr. Perrin a telegram reading as follows:

"Your telegram today, Board feels it very important to abolish differential rates whether based on collateral or time to run except as to certificate secured paper and cannot therefore approve schedule submitted in its entirety. The Board is prepared to approve a five percent rate on all classes of paper under 90 days secured otherwise than by certificates which remains as at present, unless such five percent rate in your judgment would be prejudicial to Government bonds."

On motion duly seconded the Governor was authorized to communicate to Federal Reserve Banks, General Counsel's opinion dated December 9th regarding the method of calculating reserves of Federal Reserve banks, which opinion was approved

-9-

by the Board at its meeting on December 12th, to be effective January 1, 1920.

The Governor stated that the Executive Committee had agreed upon the details of the plan of operation of the branch of Federal Reserve Bank of Kansas City, authorized to be established at Oklahoma City, and submitted for approval draft of press announcement of the Board's action to be published in the morning papers on Thursday, December 18, 1919, (X-1759); see auxiliary minute book as of this date.

Approved, and the Governor authorized to telegraph contents to the Chairman, Federal Reserve Bank of Kansas City.

Applications of the following banks for permission to accept drafts and bills of exchange up to 100% of their capital and surplus under the provisions of Section 13 of the Federal Reserve Act:

First National Bank, New Bedford, Mass.
Marine Bank of Norfolk, Va.
First National Bank, Clarksville, Tenn.

Approved.

Memorandum by General Counsel dated November 26th, submitting copy of letter addressed by the Comptroller of the Currency to the Managing Director of the War Finance Corporation, stating the construction placed by the Office of the Comptroller of the Currency on the words "Fully

-10-

covered by insurance" in connection with livestock loans, and recommending that an official ruling be made by the Board in connection therewith. Mr. Hamlin reported that after consultation with General Counsel he recommended that the Board publish the decision of the Comptroller of the Currency as contained in his letter to Mr. McLean above.

Approved.

Application of the American Bank & Trust Company, Paris, Arkansas, for admission to the Federal Reserve System.

Voted to refer to General Counsel for report in connection with his study of applications of other institutions having similar powers.

Letter dated December 10th from Mr. E. R. Kenzel, Chairman, enclosing a copy of the report to the November conference of Governors of the committee appointed at the March, 1919 conference of Governors, to study and recommend a pension plan, recommending that steps be taken to secure the services of a committee of expert actuaries and pension specialists to advise with a committee to be appointed representing the Federal Reserve Board and the Federal Reserve banks, and that such committees together shall work out the cost and an equitable distribution of cost between the Federal Reserve banks, and their officers and employees, and such other persons, if any, that it may be decided should

-11-

be permitted to participate in contributions or benefits, and recommending further that the expenses of the committee, including reasonable compensation for expert advisors and counsel be prorated among and paid by the Federal Reserve banks.

Voted that the Board is willing to approve the recommendations of the committee, but before doing so, desired to be informed as to the probable cost thereof.

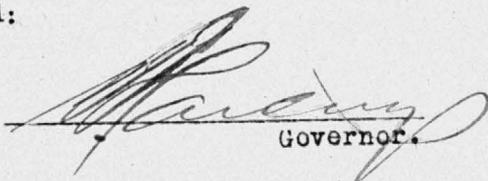
Mr. Strauss made a statement regarding the status of the operations of certain foreign banking institutions in connection with the regulation of exchange rates between the United States and China under the agreement with the Federal Reserve Board. +

Voted that in his discretion Mr. Strauss be authorized to modify the arrangements made with the branches of American banks in the Orient so as to permit the shipment of standard silver dollars up to an amount not exceeding \$10,000,000 without previous melting or without any obligation on the part of the banks to melt the dollars after arrival in the Orient.

At 4-15 P.M., the meeting adjourned.


Secretary.

Approved:


Governor.