

A meeting of the Federal Reserve Board was held in the office of the Board on Wednesday, January 18, 1922, at 11:35 a.m.

PRESENT: Governor Harding  
Mr. Platt  
Mr. Hamlin  
Mr. Miller  
Mr. Mitchell  
Mr. Crissinger  
Mr. Hoxton, Secretary.

Minutes of the meeting of the Board held January 16th were read and on motion approved.

The Governor reported the reserve positions of the several Federal reserve banks as at close of business January 16th.

The Governor called attention to the fact that the Board has not yet taken action upon the matter discussed at former meetings, namely, the advisability of omitting in the published statements of the Federal reserve banks, both individual and combined, the figures showing the ratio of gold reserves to Federal Reserve Notes in circulation, after setting aside 35% against deposit liabilities, so that the statements when thus modified shall provide only for the publication of the ratio of total reserves to deposits and Federal Reserve Note liabilities combined. The Governor also stated that the Federal Advisory Council had been advised of the attitude of the Board on this subject and had concurred in the Board's opinion.

Upon motion, it was voted that the publication of the reserve ratios shall in future be modified as set forth above and that the Federal Reserve Banks be so advised.

Letter dated January 12th, from the Chairman of the Federal Reserve Bank of San Francisco, submitting correspondence between him and the President of the Bank of Italy regarding certain criticisms of the Federal Reserve System made in an address by Mr. A. W. Hendrick, Vice President of the Joint Stock Land Bank of California.

Noted.

Letter dated January 11th, from the President of the Interstate Trust Company of Denver, Colorado, expressing his opinion that the present quarters of the Denver Branch of the Federal Reserve Bank of Kansas City, located in the building of the Interstate Trust Company, are adequate for the purpose of the Denver Branch, and that therefore no new building is necessary.

Noted.

Letter dated January 16th, from the Chairman of the Federal Reserve Bank of Philadelphia, advising the Board of the wish of the Board of Directors of that Bank to reduce the minimum rate for the open market purchase of bankers acceptances.

Referred to the Governor, it being understood that the Governor is authorized to advise the Federal Reserve Bank of Philadelphia of the Board's approval of a reduction of the minimum rate in question to  $3\frac{1}{2}\%$ .

Letter dated January 14th, from the Chairman of the Federal Reserve Bank of Dallas, advising that the Board of Directors of that Bank had, at a meeting held on January 7th, voted, subject to the approval of the Federal Reserve Board, to appropriate \$2,000 for educational and welfare purposes for the first six months of 1922.

Approved.

Letter dated January 14th, from the Chairman of the Federal Reserve Bank of Dallas, reporting the satisfactory manner in which Governor McKinney had received the advice that the Federal Reserve Board had fixed his salary at \$16,000 a year, in lieu of \$18,000 a year, recommended by the Board of Directors of that Bank.

Noted.

Letter dated January 14th, from the Chairman of the Federal Reserve Bank of Dallas, requesting to know if the Board of Directors of that Bank would be justified in allowing compensation to former Governor Van Zandt beyond the expiration of his term of office, on the theory that it is the custom of the Bank to allow such additional compensation to employes who are discharged.

It was voted that the Federal Reserve Bank of Dallas would not be justified in paying to former Governor Van Zandt any sum of money beyond his salary up to the date of the termination of his service as Governor.

The Governor brought before the Board a letter from the Chairman of the Federal Reserve Bank of San Francisco, dated September 23, 1921, and upon which action was deferred by the Board until a later date, regarding the desirability of calling at stated times conferences of the Auditors of the several Federal reserve banks.

Referred to the Governor. The Governor stated that under authority previously granted by the Board, he proposed to hold next week in Philadelphia a meeting of the Advisory Committee of the Governors and Federal Reserve Agents selected recently to assist in the adjustment of matters pertaining to the internal management of the several Federal reserve banks, and that he would, upon the occasion of this conference, take up the matter of calling meetings of the Auditors.

Letter dated January 10th, from the Chairman of the Federal Reserve Bank of San Francisco, advising of the action of the Board of Directors of that Bank in electing Mr. Albert C. Agnew as attorney for the ensuing year, at a salary of \$7,500 per annum, and advising that it was decided not to reappoint Mr. Gavin McNab as Counsel; but to employ counsel only on such special occasions as the attorney of the Bank may require assistance.

Approved.

Letter dated January 10th, from the Chairman of the Federal Reserve Bank of San Francisco, advising of the re-election of members of the Boards of Directors of the respective branches for the year 1922 and the re-election of the Managers of said Branches.

Noted.

Letter dated January 10th, from the Chairman of the Federal Reserve Bank of San Francisco, advising of the election by that Bank of Mr. William A. Day as Secretary of the Board of Directors.

Noted.

Letter dated January 10th, from the Chairman of the Federal Reserve Bank of San Francisco, advising that the Board of Directors of that Bank had on January 10, 1922, elected Mr. D. W. Twohy of Spokane as the member of the Federal Advisory Council from the Twelfth District for the year 1922, with compensation and allowance of \$600 for each Federal Advisory Council meeting in Washington which he attends.

Approved.

Memorandum dated January 17th, from the Assistant Secretary of the Board, recommending that authority be granted to install in the Rapley Building wooden shelves for the storing of back numbers of the Federal Reserve Bulletin, at a cost of \$134,00.

Approved.

Telegram dated January 18th, from the Governor of the Federal Reserve Bank of Dallas, requesting that the Board approve for that Bank a minimum rate of 4% upon open market purchases of bankers acceptances.

Approved.

The Governor submitted a letter dated January 7th, from the Governor of the Federal Reserve Bank of Chicago, recommending the installation of an extra wire in the Leased Wire System. In this connection there was submitted also an analysis by the Assistant Secretary showing costs and detail operations of the Leased Wire System.

Upon motion, this matter was referred to the Governor, it being the sense of the Board that there should be no approval of the installation of an extra wire for the time being.

The Governor submitted draft of letter prepared by himself and addressed to the Chairman of the Federal Reserve Bank of San Francisco, with reference to the application of the Bank of Italy to establish eight branches through the acquisition by the Bank of Italy of certain banks known as the Bakersfield and Marysville Groups. The draft of letter proposed by the Governor granted authority to the Bank of Italy to acquire the said branches gradually, in two groups of four each, under certain conditions and setting forth in specific terms the construction

placed by the Federal Reserve Board upon the original conditions under which the Bank of Italy was admitted into the Federal Reserve System. Mr. Mitchell submitted as a substitute a draft of letter prepared by himself, under the terms of which the Federal Reserve Board declines to permit the Bank of Italy to acquire the eight branches mentioned, with full details given as to the reasons which actuate such action.

After full discussion, it was moved that the action of the Board specified in Governor Harding's letter, namely, the gradual admission of the eight branches, be approved. Mr. Mitchell and Mr. Crissinger voted "no".

It was determined that Governor Harding and Mr. Mitchell should collaborate with a view to acquainting Mr. Perrin and the Bank of Italy with the views of the members of the Board as expressed in the letters prepared by both Governor Harding and Mr. Mitchell.

Mr. Miller was requested to also prepare a letter addressed by the Federal Reserve Board to the President of the Bank of Italy, to be transmitted through the Federal Reserve Agent at San Francisco, making clear to Mr. Giannini the construction placed by the Federal Reserve Board upon the condition of membership No. 8 originally imposed upon the Bank of Italy.

#### REPORTS OF COMMITTEE NO. 1:

Dated January 17th, Recommending changes in stock at Federal Reserve Banks as set forth in the auxiliary minute book as of this date.

Approved.

Upon motion, a recess was taken at one o'clock, the meeting to reconvene at four o'clock.