

Minutes of meeting of
The Federal Advisory Council

February 18, 1918

A statutory meeting of the Federal Advisory Council was held in the Federal Reserve Board room in the Metropolitan Bank Building, Washington, D.C., Monday, February 18, 1918, at 10:30 A.M.

Executive Committee: Messrs. James B. Forgan, L.L. Rue, D. G. Wing.
Present: Messrs. L. L. Rue, D. G. Wing, W. S. Rowe, J. W. Norwood, Chas. A. Lyerly, F. O. Watts, J. R. Mitchell, E. P. Wilmot and Herbert Fleishhacker, and Merritt H. Grim, Secretary.
Absent: Messrs. J. P. Morgan, James B. Forgan and E. F. Swinney.

Mr. Rue, Vice-President, in the absence of the President, called the meeting to order, and suggested the election of a temporary chairman.

On motion Mr. Rue was unanimously chosen temporary chairman.

Mr. Rue stated that Mr. James B. Forgan and Mr. E. F. Swinney were unable to be present because of illness, and that Mr. Morgan was attending the funeral of Sir Cecil Spring-Rice, the British Ambassador.

The Secretary presented the credentials of the following members of the Federal Advisory Council for the year 1918.

Daniel G. Wing,	Federal Reserve District No. 1
J. P. Morgan,	Federal Reserve District No. 2
L.L. Rue,	Federal Reserve District No. 3
W. S. Rowe,	Federal Reserve District No. 4
J. W. Norwood,	Federal Reserve District No. 5
Chas. A. Lyerly,	Federal Reserve District No. 6
J. B. Forgan,	Federal Reserve District No. 7
F O Watts,	Federal Reserve District No. 8
J R Mitchell,	Federal Reserve District No. 9
E F Swinney,	Federal Reserve District No. 10
E P Wilmot,	Federal Reserve District No. 11
H Fleishhacker,	Federal Reserve District No. 12.

Mr. Lyerly moved a vote of thanks to the officers and members of the Executive Committee for their services during the past year, which motion was unanimously carried.

The Chair announced that the first business was the election of Officers of the Council for the year 1918.

Mr. Watts moved that the Secretary be requested to cast the unanimous ballot of those present for Mr. James B. Forgan as President, Mr. L.L. Rue

as Vice-President, and Messrs. Morgan, Wing and Rowe as members of the Executive Committee, in addition to the two officers members ex-officio, for the year 1918. The motion was unanimously carried, and the Secretary stated that he had cast the ballot as requested.

The Chair thereupon declared the gentlemen elected as follows:

January 31, 1918

President, James B. Forgan,
Vice-President, L. L. Rue,
Executive Committee: Messrs. James B. Forgan, L.L. Rue, D. G. Wing,
J. P. Morgan and W. S. Rowe.

Mr. Mitchell moved that Mr. Merritt H. Grim be elected secretary of the Council for the ensuing year at a salary of \$1,200. Motion seconded and carried.

The Secretary then read his report covering his traveling and other secretarial expenses for the year 1917, which on motion was accepted and ordered spread on the minutes.

See copy of Secretary's report herewith.

On motion of Mr. Lyerly the by-laws of the Council for last year were adopted as the by-laws of this Council for the current year.

Mr. Wing then moved the adoption of the following resolution:

"Resolved that the President be and he is hereby authorized to ask each Federal Reserve Bank to contribute \$150. towards the secretarial and incidental expenses of the Secretary of the Federal Advisory Council for the year 1918. and to draw on them for that purpose as heretofore. "

which motion was duly seconded and carried.

Mr. Lyerly moved that the minutes of the previous meetings of the Federal Advisory Council on November 19th and 20th, 1918, and of the Executive Committee of November 19th, 1918, copies of which had been sent to members by the Secretary, be approved, which motion was dully carried.

The Vice-President stated that he had arranged which the Federal Reserve Board to meet with the Council at 11:15 o'clock, when the Governor of the Board would explain the topics submitted by the Board for consideration of the Council at this meeting, and such other matters as he might care to submit.

The Chair then read Governor Harding's letter addressed to Mr. J B Forgan, dated January 21, 1917, as follows:

FEDERAL RESERVE BOARD

Washington

Office of the
Governor

January 21, 1918

Mr. James B. Forgan,
President Federal Advisory Council,
Chicago, Illinois.

Dear Mr. Forgan:

I have received your letter of the 15th instant, and am interested in your figures relating to the effect of the proposed change in computing reserves upon the total reserves held by the Federal Reserve Bank. Our Statistical Division has not quite completed its final report, but I will send you a copy as soon as it is submitted, which I hope will be in time for its consideration by a committee of the Federal Advisory Council. It is suggested that when the Council meets, this question of reserves be one of the main topics for discussion, and that in addition to the usual discussion of discount rates and of the next bond issue, the other topics be: (1) Priorities in capital and bond issues; (2) What steps, if any, may properly be undertaken in limiting commercial credits.

The Board proposes to go into this matter of credit priority very thoroughly, and has appointed a committee to effect an organization which will enable it to pass intelligently upon all such matters which may be brought to its attention.

I have informed all members of the Board that the next regular meeting of the Council will begin on Monday, February 18th.

Very truly yours,

(Signed) W. P. G. Harding,

Governor.

Feb. 18, 1918.

Report of Secretary Federal Advisory Council for year 1917:

Balance on hand Dec. 31, 1916	\$425.15
Feb. 23, 1917, Annual assessment 12 Federal Reserve Banks of \$150 from each bank, total	<u>1,800.00</u>
TOTAL RECEIPTS	\$ 2,225.15

DISBURSEMENTS

Expenses attending four meetings of the Federal Advisory Council and of the Executive Committee in Washington and a special meeting of the Executive Committee in New York during year 1917.

<u>Date</u> 1917	<u>Place</u>	<u>R.R.Fare</u>	<u>Hotel</u> <u>Meals</u>	<u>Mcls.</u>	<u>Total</u>
Jan. 17	New York	\$65.20	\$10.05	\$7.63	\$82.88
Feb. 19	Washington	54.80	36.00	4.69	95.49
Apr. 17	Wash. & Phil.	49.30	38.00	9.35	96.65
Sept. 17	Washington	45.00	22.90	8.70	76.60
Nov. 19	Washington	48.78	22.45	6.24	77.47
Totals	----	<u>\$263.08</u>	<u>\$129.40</u>	<u>\$36.61</u>	<u>\$429.09</u>

Total Traveling expenses as above	\$429.09
Stenographers, stationery	14.75
Printing	226.60
Telegrams, postage	60.28
Salary Secretary 12 months	1,200.
Balance in First National Bank, Chicago, December 31, 1917	<u>294.43</u>
Total to balance	\$2,225.15

Respectfully submitted,

Merritt H. Grim,

Secretary.

Minutes of Joint Meeting of
The Federal Reserve Board
and
The Federal Advisory Council.

February 18, 1918

A joint meeting of the Federal Reserve Board and the Federal Advisory Council was held in the Board room at 11:15 A.M. February 18, 1918.

Present:-

Governor W. P. G. Harding, Messrs. F. A. Delano, C. S. Hamlin, A. C. Millar, and H. Parker Willis, Secretary, members of the Federal Reserve Board; and Messrs. L. L. Rue, Vice-President, D. G. Wing, W. S. Rowe, J. W. Norwood, Chas. A. Lyerly, F. O. Watts, J. R. Mitchell, E. P. Wilmot, Herbert Fleishacker, and Merritt H. Grim, Secretary, members of the Federal Advisory Council.

Mr. Rue called the meeting to order and asked Governor Harding to address the meeting.

Governor Harding stated that the Secretary of the Treasury the Hon. W. G. McAdoo, had requested the members of the Council to meet him in his office at ten o'clock tomorrow morning, February 19th, to confer informally with him relative to the forthcoming government bond issue and the current issues of Treasury Certificates of Indebtedness.

The Governor then reviewed the topics the Board had submitted to the Council and the requirements of the Government in carrying on the war; also certain amendments to the Federal Reserve Act which the Board had prepared, a copy of which would be placed before the Council for its further consideration and recommendation; also the measure to establish the War Finance Corporation.

Mr. Rue asked the Governor about the suggestion to make single name paper ineligible for rediscount at the Federal Reserve Banks. The Governor stated that the Board had not considered it and that the plan had been abandoned.

Mr. Rue brought up for discussion the proposed Federal Reserve Foreign Bank of the United States. It seemed to be the opinion of the Board that the bill was not likely to become law.

Governor Harding suggested the Council might make a recommendation in connection with the ruling of the Comptroller in regard to excessive loans by banks on government bonds.

The Joint session adjourned, the Board members retiring, after which the Council adjourned until 2 P M.

Secretary

Minutes of meeting of

The Federal Advisory Council

At 2:20 the Federal Advisory Council resumed its session.

The Chair laid before the meeting the topics submitted by the Federal Reserve Board in the Governor's letter of January 21, 1918. (See minutes of meeting of the Council February 18th.

These topics were considered informally by the Council; also the amendments to the Federal Reserve Act which had been prepared by the Federal Reserve Board.

The current issues of Treasury Certificates of Indebtedness and the forthcoming Government bond issue were also informally considered. The consensus of opinion of the members was

- That the certificates should bear $4\frac{1}{2}$ % interest;
- That the bond issue should bear $4\frac{1}{2}$ % interest and should be taxable.

At 5:30 o'clock the Council adjourned to meet after the informal conference with the Secretary of the Treasury.

The topics submitted by the Federal Reserve Board were further considered as well as the proposed amendments to the Federal Reserve Act and the amendments to the Federal Reserve Act which were informally adopted and referred to the Secretary of the Treasury.

Secretary

In addition with regard to the action of the Council, the Secretary of the Treasury was requested to further consider the above subjects of the amendments to the Federal Reserve Act.

At 11:00 the Council adjourned until 2:15

Minutes of meeting of
The Federal Advisory Council

February 19, 1918

The Federal Advisory Council met in the Federal Reserve Board room at 12:15 M, February 19, 1918.

Present: Messrs. L. L. Rue, Vice-President, in the chair, D. C. Wing, W. S. Rowe, Chas. A. Lyerly, F. O. Watts, J. R. Mitchell, E. P. Wilmot, Herbert Fleischhacker, and Merritt M. Grim, Secretary.

Mr. Norwood was excused having been called home.

The topics submitted by the Federal Reserve Board were further considered as were also the proposed amendments to the Federal Reserve Act and the recommendations, as per printed copy herewith, were unanimously adopted and ordered submitted to the Federal Reserve Board at the joint session to be held at 3 P M.

In connection with Topic No. 1, on motion of Mr. Watts, duly seconded and carried, the Special Committee was continued to further consider the whole subject of the readjustment of reserves of banks.

On motion the Council adjourned until 3 P M.

RECOMMENDATIONS OF THE FEDERAL ADVISORY
COUNCIL TO THE FEDERAL RESERVE BOARD

Feb. 19, 1918

TOPIC NO. 1.—Reserves to be carried by member banks in Federal Reserve Banks.

Recommendation:—

While the present system of requiring reserves of 13% in Central Reserve Cities, 10% to be carried by banks in Reserve Cities, and 7% to be carried by so-called country banks may not be scientific and may work an injustice to some cities, nevertheless it is the opinion of the Council that during the existence of the war and while the whole banking system of the country is being subjected to unusual strain, it would be unwise to attempt any legislation looking to a change in reserves to be carried by member banks. The subject should have the close attention of the Federal Reserve Board and the Federal Advisory Council, so that when matters become normal the necessary legislation may be obtained to correct any inequalities and inconsistencies.



TOPIC NO. 2.—Discount rates.

Recommendation:—

There appears to be no immediate necessity to change the discount rates of the Federal Reserve Banks. However an increasing tendency for rediscounts is likely to develop and it will probably be necessary to increase the rates of discount later on in order to protect the reserves of the Federal Reserve Banks. The Council is, however, of the opinion that a preferential rate should continue to be accorded to loans secured by Liberty bonds.



TOPIC NO. 3.—Interest on Third Liberty Loan.

Recommendation:—

With the outstanding 4% Liberty bonds selling on the market from three to four points below par, it would not seem possible to successfully place a new loan at the same rate. It is the opinion of this Council that the next Liberty Loan should be a short term taxable 4½% bond, as the Government must more nearly approach the market value of money if it would successfully place new issues of bonds. The country generally, we believe, expects a bond bearing 4½% interest and the effect of the increase has been discounted.



TOPIC NO. 4.—Priorities in Capital and Bond issues.

Recommendation:—

The Council approves of the supervision of Capital and Bond Issues as it is essential that private and corporate enterprises should not absorb the credit power of the country to the detriment of the Government's necessities, the latter being paramount.



TOPIC NO. 5.—What steps, if any, may be properly undertaken in limiting commercial credits?

Recommendation:—

It is the opinion of this Council that the proper limiting of commercial credits would be aided if cautionary communications are sent to the various Federal Reserve Banks by the Federal Reserve Board, bringing to their attention the desirability of the member banks curtailing the extension of all credits not necessary to the conduct of the war.



AMENDMENTS TO THE FEDERAL RESERVE ACT.

TOPIC NO. 6.—War Finance Corporation bill.

Recommendation:—

The Council is of opinion that the assistance contemplated in the War Finance Corporation bill is a public necessity at this time, and that legislation should be enacted granting such relief.



TOPIC NO. 7—Amending Section 4.

BE IT ENACTED BY THE SENATE AND HOUSE OF REPRESENTATIVES OF THE UNITED STATES OF AMERICA IN CONGRESS ASSEMBLED, Section I: That Section 4 of the Act approved December 23, 1913, known as the Federal Reserve Act, be amended and re-enacted by striking out that part of such section which reads as follows:

“Directors of Class A and Class B shall be chosen in the following manner:

“The chairman of the board of directors of the Federal Reserve Bank of the district in which the bank is situated or, pending the appointment of such chairman, the organization committee shall classify the member banks of the district into three general groups or divisions. Each group shall contain as nearly as may be one-third of the aggregate number of the member banks of the district and shall consist, as nearly as may be, of banks of similar capitalization. The groups shall be designated by number by the chairman.

At a regularly called meeting of the board of directors of each member bank in the district it shall elect by ballot a district reserve elector and shall certify his name to the chairman of the board of directors of the Federal Reserve Bank of the district. The chairman shall make lists of the district reserve electors thus named by banks in each of the aforesaid three groups and shall transmit one list to each elector in each group.

Each member bank shall be permitted to nominate to the chairman one candidate for director of Class A and one candidate for director of Class B. The candidates so nominated shall be listed by the chairman, indicating by whom nominated, and a copy of said list shall, within fifteen days after its completion, be furnished by the chairman to each elector.

Every elector shall, within fifteen days after the receipt of the said list, certify to the chairman his first, second, and other choices of a director of Class A and Class B, respectively, upon a preferential ballot, on a form furnished by the chairman of the board of directors of the Federal Reserve Bank of the district. Each elector shall make a cross opposite the name of the first, second, and other choices for a director of Class A and for a director of Class B, but shall not vote more than one choice for any one candidate;'

and by substituting therefor the following:

"Directors of Class A and Class B shall be chosen in the following manner:

'The Federal Reserve Board shall classify the member banks of the district into three general groups or divisions, designating each group by number. Each member bank shall be permitted to nominate to the chairman of the Board of Directors of the Federal Reserve Bank of the district one candidate for director of Class A and one candidate for director of Class B. The candidates so nominated shall be listed by the chairman, indicating by whom nominated, and a copy of said list shall, within fifteen days after its completion, be furnished by the chairman to each member bank. Each member bank by a resolution of the Board or by an amendment to its by-laws shall authorize its president, cashier, or some other officer to cast the vote of the member bank in the elections of Class A and Class B directors.

Within fifteen days after receipt of the list of candidates the duly authorized officer of a member bank shall certify to the chairman his first, second, and other choices for director of Class A and Class B, respectively, upon a preferential ballot upon a form furnished by the chairman of the board of directors of the Federal Reserve Bank of the district. Each such officer shall make a cross opposite the name of the first, second, and other choices for a director of Class A and for a director of Class B, but shall not vote more than one choice for any one candidate.

Recommendation:—

The Council approves this amendment.



TOPIC NO. 8.—Amending Section 16, ninth paragraph.

Sec. 3.

That the ninth paragraph of Section 16 of the Federal Reserve Act, as amended by the Acts approved September 7, 1916, and June 21, 1917, be further amended and re-enacted so as to read as follows:

"In order to furnish suitable notes for circulation as Federal Reserve notes, the Comptroller of the Currency shall, under the direction of the Secretary of the Treasury, cause plates and dies to be engraved in the best manner to guard against counterfeits and fraudulent alterations, and shall have printed therefrom and numbered such quantities of such notes of the denominations of \$5, \$10, \$20, \$50, \$100, \$500, \$1000, \$5000, \$10000 as may be required to supply the Federal Reserve Banks. Such notes shall be in form and tenor as directed by the Secretary of the Treasury under the provisions of this Act and shall bear the distinctive numbers of the several Federal Reserve Banks through which they are issued."

Recommendation:—

The Council approves this amendment.



TOPIC NO. 9.—Amending Section 19, paragraphs (b) and (c).

Sec. 4.

That paragraphs (b) and (c) of Section 19 of the Federal Reserve Act, as amended by the Acts approved August 15, 1914, and June 21, 1917, be further amended and re-enacted to read as follows:

"(b) If in a reserve city, as now or hereafter defined, it shall hold and maintain with the Federal Reserve Bank of its district an actual net balance equal to not less than ten per centum of the aggregate amount of its demand deposits and three per centum

of its time deposits: **PROVIDED, HOWEVER,** that if located in the outlying districts of a reserve city or in territory added to such a city by the extension of its corporate charter, it may, upon the affirmative vote of four members of the Federal Reserve Board, hold and maintain the reserve balances specified in paragraph (a) hereof.

(c) If in a central reserve city, as now or hereafter defined, it shall hold and maintain with the Federal Reserve Bank of its district an actual net balance equal to not less than thirteen per centum of the aggregate amount of its demand deposits and three per centum of its time deposits: **PROVIDED, HOWEVER,** that if located in the outlying districts of a central reserve city or in territory added to such city by the extension of its corporate charter, it may, upon the affirmative vote of four members of the Federal Reserve Board, hold and maintain the reserve balances specified in paragraphs (a) or (b) hereof."

Recommendation:—

The Council does not approve of the proposed amendment at this time, believing that this change should be taken up in connection with the whole subject of the readjustment of reserves at some later date, and would respectfully refer to their recommendation on Topic No. 1 herewith.



TOPIC NO. 10.—Amending Section 25; (a).

Section 6. That Section 25 of the Federal Reserve Act be amended and re-enacted by adding thereto the following:

(a) Banking corporations to be organized for the purpose of engaging principally in international or foreign banking, or banking in a dependency or insular possession of the United States, either directly or through the agency, ownership or control of local institutions in foreign countries, or in such dependencies or insular possessions as provided by this section, and to act when required as fiscal agents of the United States, may be formed by any number of natural persons, not less in any case than five.

Such persons shall enter into articles of association which shall specify in general terms the object for which the association is formed and may contain any other provisions not inconsistent with law which the association may see fit to adopt for the regulation of its business and the conduct of its affairs.

These articles shall be signed by the persons uniting to form the association and a copy of them shall be forwarded to the Federal Reserve Board to be filed and preserved with its records.

The persons uniting to form such association shall, under their hands, make an organization certificate which shall specifically state:

- (1) The name assumed by such association, which name shall be subject to the approval of the Federal Reserve Board;
- (2) The place or places where its operations are to be carried on;
- (3) The place in the United States where its home office shall be located;
- (4) The amount of its capital stock and the number of shares into which the same shall be divided;
- (5) The name and places of residence or of business of the shareholders and the number of shares held by each of them;
- (6) The fact that the certificate is made to enable such persons to avail themselves of the advantages of this section.

The organization certificates shall be acknowledged before a judge of some court of record or a notary public and shall be, together with the acknowledgment thereof, authenticated by the seal of such court or notary, and transmitted to the Federal Reserve Board which shall record and carefully preserve the same in its business.

Upon duly making and filing articles of association and organization as provided in this section the corporation shall become as from the date of its execution of its organization certificate a body corporate and as such and in the name designated in the organization certificate it shall have power under such conditions and regulations as the Federal Reserve Board may prescribe—

First. To adopt and use a corporate seal.

Second. To have succession for a period of twenty years from its organization unless sooner dissolved by an act of Congress or unless its franchises shall become forfeited by some violation of law.

(3) To make contracts;

(4) To sue and be sued, complain and defend in any court of law or equity as fully as natural persons;

(5) To elect or appoint directors, a majority of whom shall be citizens of the United States and by its board of directors to appoint such officers and employees as they may deem proper, define their duties, require bonds of them, and fix the penalty thereof, dismiss such officers or employees, or any of them, at pleasure, and appoint others to fill their places.

(6) To prescribe by its board of directors by-laws not inconsistent with law and the regulations of the Federal Reserve Board, regulating the manner in which its stock shall be transferred, its directors elected or appointed, its officers and employees appointed, its property transferred, its general business conducted, and the privileges granted to it by law exercised and enjoyed.

(7) To purchase and sell or discount and negotiate notes, drafts, check, bills of exchange, acceptances, cable transfers, or other evidences of debt; to purchase and sell securities including securities of the United States or any State in the Union; to accept bills or drafts drawn upon it subject to such limitations and restrictions as may be imposed by the Federal Reserve Board; to purchase and sell exchange, coin, and bullion; to borrow and to lend money on real or personal security; to receive deposits and generally to exercise such powers as are incidental to the banking business as conducted in the country or countries, dependency or dependencies in which its operations are carried on;

(8) To establish and maintain for the transaction of its business a branch or branches, agency or agencies in foreign countries and their dependencies or in the dependencies of the United States at such places and under such rules and regulations as the Federal Reserve Board may prescribe; and to establish and maintain such additional branches or agencies as the Federal Reserve Board may from time to time authorize even in countries or dependencies not specified in the original organization certificate.

(9) To purchase, use and hold stock or other certificates of ownership in any other banking corporation organized under the provisions of this section or chartered under the laws of any foreign country or of any state in the United States not doing business in the United States except such business as in the judgment of the Federal Reserve Board is necessarily incidental to its international or foreign business: PROVIDED, HOWEVER, that it shall not hold stock in any one corporation in excess of ten per centum of its own paid up and unimpaired capital and surplus, except with the consent of the Federal Reserve Board. The provisions of the Act approved October 15, 1914, entitled "An Act to Supplement Existing Laws against Unlawful Restraints and Monopolies, and for other Purposes," shall not apply to corporations or to officers, directors or employees of corporations organized under this section.

No national bank or other member of a Federal Reserve Bank shall subscribe for or hold stock in banking corporations organized under the provisions of this section aggregating more than ten per cent of the unimpaired capital and surplus of the subscribing bank. Shareholders in corporations organized under this section shall not be liable for the contracts, debts, and engagements of such corporations. Any member bank may act as agent for any corporation organized under the provisions of this section for the purpose of dealing with any Federal Reserve Bank, and the Federal Reserve Board shall promulgate rules and regulations defining and governing transactions which such corporation may have with Federal Reserve Banks either direct or through the agency of member banks. No such corporation, however, shall become a member of any Federal Reserve Bank.

Should any banking corporation organized under the provisions of this section fail to comply with any of its provisions or of any applicable laws of the United States, all the rights, privileges, and franchises of such corporation granted to it under this section shall thereby be forfeited. Any non-compliance with or violation of such laws shall, however, be determined and adjudged by a United States Court of competent jurisdiction in a suit brought for that purpose in the district or territory in which the home office of such corporation is located, by the Federal Reserve Board before the corporation shall be declared dissolved. In case of such non-compliance or violation every director who participated in or assented to the same shall be held liable in his personal or individual capacity for all damages which said bank, its shareholders, or any other person shall have sustained in consequence of such violation. Such dissolution shall not take away or impair any remedy against such corporation, its stockholders, or officers for any liability or penalty which shall have been previously incurred. Any such banking corporation may go into liquidation or be closed by a vote of its shareholders owning two-thirds of its stock. Whenever the Federal Reserve Board shall become satisfied of the insolvency of any such banking corporation, it may appoint a receiver who shall proceed to administer the estate of such corporation in the same manner in which he would administer the estate of a national bank, the disposition of the assets of the branches to be subject to any special provisions of the laws of the country under whose jurisdiction such assets are located.

The annual meeting of every such banking corporation shall be held at its home office in the United States, and every such banking corporation shall keep at its home office books containing the names of all stockholders of such corporation, and members of its board of directors, together with copies of the records furnished by it to the Federal Reserve Board, exhibiting in detail and under appropriate heads the resources and liabilities of the banking corporation. Every banking corporation shall make reports to the Federal Reserve Board at such times as it may require and shall be subject to examinations when deemed necessary by the Federal Reserve Board through examiners appointed by it, the cost of such examinations and the compensation of such examiners to be fixed by the Federal Reserve Board and to be paid by the corporation examined.

Recommendation:—

This Council approves of National charters being issued to Foreign Banking Corporations formed under the Federal Reserve Act instead of State charters.



(b)

(b) Any member bank located in a city or incorporated town or village of more than one hundred thousand inhabitants and possessing a capital and surplus of one million dollars or more, under such rules and regulations as the Federal Reserve Board may prescribe, may establish branches within the corporate limits of the city, town or village in which it is located, not to exceed, however, ten in number.

Any member bank located in any other place, with the approval of the Federal Reserve Board and under such rules and regulations as said board may prescribe, may establish branches within the limits of the county in which it is located, provided no such branch shall be established unless the capital of the parent bank is at least equal to the aggregate of the amounts which would be required, under the provisions of Section 5138 Revised Statutes, of such bank and each branch, if each branch were an independent national banking association. PROVIDED, HOWEVER, That no member bank shall establish any branch or branches in any State in which neither State banks nor trust companies are permitted under the laws of the State to establish branches.

Recommendation:—

In reference to the proposed amendment the Council would repeat its recommendation of November 20, 1916, as follows:

"We still adhere to the opinion expressed in our communication to you of September 21, 1915, to the effect 'That the National Bank Act should be amended so as to permit the establishment of branches of national banks having an unimpaired capital and surplus of not less than \$1,000,000 in central reserve and reserve cities, provided that no branches are placed outside of the limits of the city where the head office of the parent bank is located.' We are advised that such a privilege granted to national banks would not be affected by State laws and in our opinion any Federal legislation granting such a privilege should apply to all banks in the national system of adequate capital."



TOPIC NO. 11.—Amending Section 11 (c).

Be it enacted by the Senate and House of Representatives of the United States of America, in Congress assembled: That Section 11, sub-section (c) of the Act approved December 23, 1913, is hereby amended and re-enacted by adding at the end thereof, the following paragraph:

"Until June 1, 1919, the Federal Reserve Board may, in its discretion, suspend, in whole or in part, the reserve requirements specified in this Act in the case of any State

bank or trust company which becomes a member bank and which is located in a State whose laws do not either expressly or impliedly permit balances with a Federal Reserve Bank to be counted in lieu of the State reserve requirements, or to be considered as a reserve deposit made in compliance with those State reserve requirements. Provided, however, that each State bank or trust company for which the reserve requirements have been thus suspended shall maintain with its Federal Reserve Bank a balance to be determined by said Federal Reserve Bank and approved by the Federal Reserve Board.

Recommendation:—

The Council approves this amendment.



The following members of the Federal Advisory Council were present at this meeting:

Mr. L. L. Rue, Vice Pres., in the chair	
Mr. D. G. Wing	Mr. F. O. Watts
Mr. W. S. Rowe	Mr. J. R. Mitchell
Mr. J. W. Norwood	Mr. E. P. Wilmot
Mr. C. A. Lyerly	Mr. H. Fleishhacker
Mr. Merritt H. Grim, Sec.	

Minutes of Joint Meeting
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Federal Reserve Board
and the
Federal Advisory Council.

February 19, 1918

A joint meeting of the Federal Reserve Board and the Federal Advisory Council was held in the Board room, as arranged, at 3 P M. February 19, 1918.

Present: Governor W. P. G. Harding, Vice-Governor F. M. Warburg, Messrs. F. A. Delano, A. C. Miller, C. S. Hamlin and Sherman Allen, Assistant Secretary, members of the Federal Reserve Board; and Messrs. L. L. Rue, Vice-President, D. G. Wing, W. S. Rowe, Chas. A. Iyerly, P. O. Watts, J. R. Mitchell, E. P. Wilmot, Herbert Fleishacker, and Merritt H. Grha, Secretary, members of the Federal Advisory Council.

Governor Harding called the meeting to order and asked for the report of the Federal Advisory Council. Mr. Rue then presented to the Board the Recommendations of the Council. (See printed copy in minutes of Council this date.)

The members of both boards then joined in an open discussion of the topics and other matters concerning the Federal Reserve system and the requirements of the government for carrying on the war.

Mr. Rue on behalf of the Council brought up for discussion the effect of the proposed amendment to Section 11 (c) on which the Council desired additional information. After due consideration of the amendment, Mr. John R. Mitchell, moved that the Council approve the proposed amendment, motion seconded by Mr. Watts and unanimously carried. (See printed copy herewith.)

At 5:15 the joint session adjourned.

Secretary.