120. - Reserve Organization Committee

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#2. Invitations to Boston meeting.

#3. Invitation to Washington meeting.

#4. Advising that matter of public stock will be given future consideration.

#5. Acknowledging recommendation for location of Reserve bank.

#6. Declining invitation to visit city not included in the itinerary.

#7. Advising that forms for application for membership in Federal Reserve Bank will be forwarded.

#8. In answer to question whether stockholders meeting is necessary to vote on membership in Federal Reserve Bank.

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#10. Acknowledging receipt of applications for employment (clerical).

#11. Advising state banks and trust companies that forms for application for membership will be forwarded as soon as prepared.

#12. Advising of hour of New York hearings.

#13. Advising that contract has been made with reporters to take notes of hearings.

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#16. Relative to applications to act as Trustee, etc.

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#18. Relative to employment with Federal Reserve Banks.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

Form "L.-1"

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form 21

December 26, 1913.

Sir:

Pursuant to Section 2 of the United States Federal Reserve Act, which became a law on December 23, 1913, the Reserve Bank Organization Committee has adopted the following as regulation No. 1:

"That every national bank shall submit to its board of directors alternative resolutions accepting or rejecting the provisions of the Federal Reserve Act, and shall file with this committee, within the sixty days prescribed by said Act, the resolution adopted by said board as the method of signifying the intention of said bank in the premises. All other banks eligible to membership may use substantially similar forms of resolution of acceptance and intention to subscribe to the capital stock of Federal Reserve Banks to be organized."

In accordance with said regulation the committee has approved the inclosed forms of resolutions.

To facilitate the handling and filing of these notices the alternative resolutions are printed on separate cards. You will observe that the resolution on the inclosed blue card is in the form to be used should your bank determine not to accept the terms and provisions of the Federal Reserve Act, and the inclosed white card contains the resolution of acceptance.

You are therefore requested to arrange for the submission of these resolutions to your board of directors as soon as practicable and to return promptly the form of resolution, duly certified, which is adopted by your board.

Your acceptance or nonacceptance must be filed with the Organization Committee on or before February 22, 1914.

For the consideration of your board a copy of the Federal Reserve Act is herewith inclosed.

Respectfully,

To the Cashier,
National Bank

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

Form L-2

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

December 27, 1913.

Sir:

It is the intention of the Reserve Bank Organization Committee to hold hearings in the City of Boston on the 9th and 10th of January, 1914, for the purpose of enabling the Committee to decide upon the location of Federal Reserve Banks and the geographical limits of the districts to be served by such banks.

The Committee will be pleased to have you attend and submit your views in the premises.

Respectfully,

Chairman,
Reserve Bank Organization Committee.

Form L 2v

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

Form "L - 3."

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

December 29, 1913.

Sir:

The Reserve Bank Organization Committee intends to hold hearings in the City of Washington, D. C., from January 12, 1914, to January 17, 1914, inclusive, and will be pleased at that time to hear representatives of the Clearing House Association and of the principal business organizations of your city. You will be advised later as to the hour and place.

In addition to such oral statements as may be submitted, written statements containing statistical or other information bearing on the subject under consideration may be presented at these hearings, which, in accordance with the provisions of the Federal Reserve Act, will be held for the purpose of enabling the Committee to decide upon the location of the Federal Reserve Banks and the geographical limits of the districts to be served by these banks.

The Committee will be pleased to receive, at that time, any information which may assist them in determining correctly these questions.

Respectfully,

Chairman,
Reserve Bank Organization Committee.

Form L 3

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Federal Reserve Bank of St. Louis

ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir:

Your communication asking that you be given an allotment of stock in a Federal Reserve Bank, to be organized, has been received and filed.

When the districts have been established and subscriptions are asked for, if any public stock is to be offered, your application will be referred to the proper authorities for consideration.

Respectfully,

Secretary pro tem
Reserve Bank Organization Committee.

Form L-4

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Federal Reserve Bank of St. Louis

ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir: X

I am directed by the Committee to advise you that your communication making recommendation as to the location of a Federal Reserve Bank, to be established, has been received and filed, and will be considered by the committee in determining this question.

Respectfully,

Secretary, pro tem,
Reserve Bank Organization Committee.

Form L 5 ✓

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir:

Your communication requesting the Reserve Bank Organization Committee to visit for the purpose of holding a hearing in reference to the designation of Federal Reserve Cities was duly received and considered.

I am directed by the Committee to advise you that owing to the limited time at the disposal of the Committee for this purpose it will be impossible to increase at this time the number of cities at which hearings will be held.

In selecting the cities included in the itinerary announced the Committee endeavored to take into consideration the convenience of other eligible cities, and will be glad to have representatives from such other cities submit, orally or in writing, statements giving their views as to the proper location of Federal Reserve Banks, and as to the Federal Reserve Districts to be served.

Respectfully,

Secretary pro tem
Reserve Bank Organization Committee.

Form L 6

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir:

Your request for form of application for membership in a Federal Reserve Bank to be organized has been received and filed. Blanks are now being prepared and a copy will be forwarded to you within the next few days.

Respectfully,

X

Secretary, pro tem,
Reserve Bank Organization Committee.

Form L 7 ✓

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir:

In reply to your inquiry as to whether or not it is necessary for the stockholders of a bank to take any formal action in accepting the provisions of the Federal Reserve Act I beg to inclose herewith, for your information, a copy of Regulation No. 2, adopted by the Reserve Bank Organization Committee, bearing on this question.

Very truly yours,

Secretary, pro tem,
Reserve Bank Organization Committee.

Form 2 8

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Federal Reserve Bank of St. Louis

ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

W. G. M[illegible]O, SECRETARY OF THE TREASURY
DAVID [illegible]USTON, SECRETARY OF AGRICULTURE
JOHN SKELTON WILLIAMS, COMPTROLLER OF THE CURRENCY

M. C. ELLIOTT, SECRETARY TO COMMITTEE

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form 291

REGULATION NO. 2.

The Federal Reserve Act provides for membership of banks operating under State charters as well as membership of national banks. No new charter is contemplated in either case. Eligible banks become members by becoming stockholders in Federal Reserve Banks when their applications have been properly approved and stock has been allotted to them. Such subscription to the capital stock of the Federal Reserve Bank appears to be a matter within the province of the Board of Directors of the subscribing bank. The Organization Committee therefore deems it unnecessary to require as a condition precedent to membership that the stockholders should take any formal action.

Inasmuch, however, as the stockholders of a bank have the legal right, by necessary vote, to force a solvent bank to liquidate, and if dissatisfied with the action of the Board in becoming members might exercise this prerogative, banks desiring to take the precautionary measure of canvassing the sentiment of the stockholders may, by resolution of their boards, submit the question to the stockholders either at the next regular meeting or at a specially called meeting. This course is, however, not insisted upon by the Organization Committee.

Those national banks passing resolutions of nonacceptance on or before February 22, 1914, should, as soon thereafter as convenient, and before the expiration of the twelve months prescribed in the Federal Reserve Act, submit their action to the stockholders for confirmation, since nonacceptance of the provisions of the Federal Reserve Act will ultimately involve the liquidation of such national bank.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

December 31, 1913.

Sir:

I am directed by the Organization Committee to acknowledge receipt of your communication making application for employment, and to advise you that your application has been filed and will be given due consideration in perfecting the organization of the necessary force.

Respectfully,

Secretary pro tem,
Reserve Bank Organization Committee.

Form ~~10~~

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

December 31, 1913.

Sir:

I am requested by the Reserve Bank Organization Committee to acknowledge receipt of your communication and to state that as soon as practicable the Committee will prepare the necessary regulations outlining the conditions under which State banks and trust companies may become members, specifying the conditions of eligibility, and will make the necessary rulings as to the legal effect of such membership in its relation to liability of stockholders of such banks, etc.

Respectfully,

Secretary pro tem,
Reserve Bank Organization Committee.

Form #1

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Federal Reserve Bank of St. Louis

ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

December 31, 1913.

Sir:

I am directed by the Organization Committee to notify you that the hearings of the Committee to be held in New York on January 5th, 6th, 7th and 8th, will begin at 10:30 of each day and be concluded at 4:30, with an intermission of one-half hour for lunch. It is the present purpose of the Committee to hold these hearings in the Customhouse, and if any change should be made you will be notified.

In order to facilitate the business of the Committee and to subserve the convenience of those who desire to make oral or written statements at these hearings, I will be at the Subtreasury on Saturday morning, the 3rd instant, and will endeavor to communicate with you from there by telephone or otherwise, with a view of fixing an hour on one of the above-named dates that will be mutually convenient to the Committee and you.

Respectfully,

Secretary pro tem,
Reserve Bank Organization Committee.

Form 12

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

December 31, 1913.

Sir:

In reply to your letter submitting a proposition to the Reserve Bank Organization Committee for taking and transcribing hearings to be held by said Committee in various cities in the United States, I am directed to advise you that arrangements have been consummated for handling this work, which will obviate the necessity of having special reporters accompany the Committee on this trip.

Respectfully,

Secretary pro tem,
Reserve Bank Organization Committee.

Form 13

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

December 30, 1913.

Sir:

I am directed to notify you that the Reserve Bank Organization Committee has found it necessary to change the dates for hearings to be held in New York, and it is now the intention of the Committee to hold these hearings on January 5, 6, 7, and 8, instead of on the dates specified in the letter of the Chairman dated December 27, 1913.

Respectfully,

Secretary pro tem,
Reserve Bank Organization Committee.

Form 14

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

January 2, 1914.

Sir:

Your request for copies of the Federal Reserve Act has been referred to this office for attention. The copies furnished this Committee are for distribution among the banks applying for membership, and the Committee is not furnished with a supply for general public distribution. Having a few extra copies on hand, however, I am inclosing you one copy and beg to suggest if you need others you might apply either to your Senator or Congressman, or may obtain same from the Superintendent of Documents, Government Printing Office, Washington, D. C., at the usual charge for such documents.

Respectfully,

Secretary pro tem
Reserve Bank Organization Committee.

Form 2.15

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Federal Reserve Bank of St. Louis

ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir:

Your communication requesting authority to act as trustee, administrator, or in other fiduciary capacity under the terms of the Federal Reserve Act has been received and filed, and will be referred to the Federal Reserve Board, when organized, for its action.

Respectfully,

Secretary pro tem,
Reserve Bank Organization Committee.

Form £16

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir:

As requested, please find inclosed copies of the forms of resolutions approved by the Reserve Bank Organization Committee for use by the national banks in signifying their intention to accept or not accept the provisions of the Federal Reserve Act.

Respectfully,

✓
RC ae
B c nonae

Secretary pro tem,
Reserve Bank Organization Committee.

Form L 17 ✓

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir:

Your communication making application for a position with one of the Federal Reserve Banks to be organized has been received. In reply you are advised that the employes of such banks will be selected by the officers and directors of the Federal Reserve Banks, and your application has been accordingly filed and will be referred to the proper authorities when such banks have been organized.

Respectfully,

Secretary pro tem,
Reserve Bank Organization Committee.

Form L 18

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir:

Your letter notifying the Committee that your bank accepts the provisions of the Federal Reserve Act has been received and filed. In order, however, that our records may be complete, please fill out and return the inclosed card so that it may be filed in regular order with other notifications.

If your Board has not passed this resolution in this particular form, it may do so at its next meeting. In the meantime your notification by letter has, as stated, been filed and will be treated as your acceptance under the provisions of the Act pending the receipt of the inclosed card.

Respectfully,

Secretary pro tem,
Reserve Bank Organization Committee.

Form L-19

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir:

Your letter in reference to a bank building or rooms for a Federal Reserve Bank if one is organized in your city has been received and filed, and will be referred to the proper authorities should this question come up for consideration.

Respectfully,

Secretary pro tem,
Reserve Bank Organization Committee.

Form L-20

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir:

As requested, I beg to acknowledge the receipt of your resolution of acceptance of the provisions of the Federal Reserve Act, which has been regularly filed.

Respectfully,

Secretary,
Reserve Bank Organization Committee.

Form 21

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir:

Your communication signifying what district you prefer to be connected with should a Federal Reserve Bank be located in the place suggested by you has been received and filed, and will be considered by the Committee at the proper time.

Respectfully,

Secretary,
Reserve Bank Organization Committee.

Form 422

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir:

In reply to your letter I beg to advise that the terms of the Federal Reserve Act do not contemplate that State banks shall be required to signify within sixty days their acceptance or nonacceptance of the provisions of the Act, but it is optional with them whether or not they wish to take advantage of this right which is given them. The manifest purpose of this provision appears to be to permit State banks and trust companies which are eligible to membership to become members when Federal Reserve Banks are originally organized, under such regulations as the Federal Reserve Board or the Organization Committee may prescribe, but no penalty is attached for failure on the part of such banks to signify their intention within the time specified. They may later make application for membership if they so desire.

Respectfully,

Form 23

Secretary,
Reserve Bank Organization Committee.

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Federal Reserve Bank of St. Louis

ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

2X

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir:

Your letter asking for the proper construction of Section 19 of the Federal Reserve Act has been referred to this office for attention.

In reply you are advised that as this section deals with a question of regulation of member banks rather than a question of organization, it is one which will come within the province of the Federal Reserve Board to determine.

Consequently any opinion expressed on the subject will be without binding effect, and will necessarily be unofficial. In view of the fact, however, that the question has been raised by a number of banks, it seems proper to suggest that in all probability the Board will look to the substance rather than to the form of such transactions, and whether or not a deposit is a time or demand deposit will depend upon whether or not the owner of such deposit has the right to demand payment at any time, or whether the time of payment is definitely fixed at more than thirty days from date. In other words, if the depositor may claim as of right the payment of such deposit within less than thirty days, such deposits would, in all probability, be treated by the Board as demand liabilities.

As stated, however, this opinion is unofficial and is made in the form of a suggestion merely, in order to reply to a number of inquiries submitted by the various banks.

Respectfully,

Form A24

Secretary,
Reserve Bank Organization Committee.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir:

This office is in receipt of your inquiry as to whether or not Section 22 will prohibit the payment of notarial fees to officers or attorneys of banks.

In reply I beg to advise that inasmuch as this section deals with a question of regulation of member banks when organized rather than with the organization of such banks, its interpretation will properly be within the province of the Federal Reserve Board when this Board is organized. Any opinion, therefore, on the subject, will necessarily be unofficial and without binding effect. As the question has been submitted by a number of banks, however, it seems proper to suggest that inasmuch as notarial fees are charged to the maker of the note protested rather than to the bank itself, it is entirely probable that the Board will not construe the receipt of such fees as a vioation of the section in question. As stated, however, this opinion is purely unofficial, and is made merely as a suggestion, in response to a number of inquiries on this subject.

Respectfully,

Secretary,
Reserve Bank Organization Committee.

Form 25

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir:

Your application for employment with the Federal Reserve Board has been referred to this office for attention.

In reply I beg to advise that the same has been filed and will be called to the attention of the Board when organized.

Respectfully,

Secretary,
Reserve Bank Organization Committee.

Form 26

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir:

Your letter as to your relative position on the list of banks accepting the provisions of the Federal Reserve Act has been received and noted.

In reply I beg to advise that a number of telegrams and letters were received simultaneously, and it is therefore difficult to state definitely the numerical order in which they arrived.

Inasmuch as banks will continue to operate under their original charter numbers, the order of receipt was not deemed of vital importance. A record was kept, however, and each formal application stamped in the order in which it was opened, so that in the event that the banks desire to have the certificates of stock issued by the Federal Reserve Banks numbered in the order of their receipt, and the Committee determines to adopt this course, the records will be available for this purpose.

Respectfully,

Secretary,
Reserve Bank Organization Committee.

Form 227

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir:

In reply to your communication asking for information as to the main points which the Committee desires to have covered in the hearings to be held I beg to advise that it is difficult to answer this inquiry in concrete form.

The Committee desires all information of importance bearing directly upon the subject of where Federal Reserve Banks should be established, and why, and what districts should be served by such banks, and why. In determining these questions the Committee has announced that it will take into consideration as primary factors the geographical convenience, which will include transportation facilities with reference to the district to be served. Second, the industrial or commercial business of such sections, which includes, of course, the trend of commerce and general movement of commodities dealt in primarily. Third, the existing conditions of banking business generally, involving the present method of exchange of credits, the transfer of cash, etc.

While these features are among the important factors to be considered, the Committee, as suggested, desires any information of interest bearing upon this subject which will enable it to reach an impartial conclusion in determining these important questions.

Respectfully,

Secretary,
Reserve Bank Organization Committee.

Form 128

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir:

In reply to your inquiry as to whether or not all national banks are required to signify within sixty days their intention to accept the provisions of the Federal Reserve Act or only those located in reserve cities, I beg to advise that the act is understood by the Committee to require all national banks, irrespective of their location, to signify their acceptance or nonacceptance of the Federal Reserve Act within sixty days from its passage.

Respectfully,

Secretary,
Reserve Bank Organization Committee.

Form L29

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Federal Reserve Bank of St. Louis

ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir:

As requested I beg to inclose herewith the form of resolution approved by the Reserve Bank Organization Committee for use by all State banks and trust companies in signifying their intention to subscribe to the capital stock and become members of Federal Reserve Banks to be organized.

I am inclosing a duplicate card so that one may be retained in your file. These resolutions have been printed on cards to facilitate their filing and handling by this office. In returning same I will be obliged if you will have filled out the information called for on the reverse side of the card.

Respectfully,

WEL

Secretary,
Reserve Bank Organization Committee.

Form 30

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir:

In reply to your inquiry as to whether or not banks will be permitted to subscribe to more than six per cent of their capital stock and surplus, I beg to advise that, under the Committee's ruling on the interpretation of the Federal Reserve Act, all of the banks will be limited to an amount equal to six per cent of their capital stock and surplus at the time that formal application is made. Such stock will, however, be issued in shares of one hundred dollars each, and if six per cent of the capital and surplus of any bank amounts to a sum which is not divisible by one hundred, but contains an excess of a fractional part of one hundred dollars, any such fractional amount will be treated as entitling such bank to subscribe to an additional one share of one hundred dollars, and the number of shares allotted will be made accordingly.

Respectfully,

Form L31

Secretary,
Reserve Bank Organization Committee.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir:

By direction of the Reserve Bank Organization Committee I inclose herewith two cards which the Committee requests that you fill out and return.

In determining the important questions under consideration it is the Committee's desire to have before it as full and complete information as possible, in order that it may view the matters in question from all important standpoints.

As it is of great importance that the districts shall be defined and the Federal Reserve banks organized with the least possible delay, I request that you return the inclosed cards at your earliest convenience, so that the result of this canvass of the sentiment of the various bankers may be submitted promptly to the Committee.

While it is preferred that the matter should be submitted to your board at a regular or special meeting, if this will involve a delay of more than five days in returning the inclosed, you are requested to take the matter up informally with as many as you can reach conveniently, and fill in and return the cards without waiting to submit the subject to your board as such.

An addressed envelope is inclosed for your reply.

Respectfully,

M C Elliott

Secretary,
Reserve Bank Organization Committee.

Form 32

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir:

Your letter advising the Committee that your bank wishes to formally signify its intention to subscribe to the capital stock and become a member of the Federal Reserve Bank to be established in your district has been received and filed. In order, however, that our records may be complete, please fill out and return one of the inclosed cards, retaining the duplicate for your own files.

These resolutions have been printed on cards in order to facilitate their filing and handling in this office. In returning the same I shall be obliged if you will furnish the information called for on the reverse side thereof.

Respectfully,

Secretary,
Reserve Bank Organization Committee.

Form 33

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

February 6, 1914.

IMPORTANT.

To the Cashier.

Sir:

Although a very large proportion of the national banks have signified their acceptance of the provisions of the Federal Reserve Act, correspondence received by this office indicates that some banks are under the misapprehension that national banks have one year in which to determine this question. In other instances it appears that the first notice failed to reach the banks.

I beg, therefore, to call the attention of your board to that portion of Section 2 of the FEDERAL RESERVE ACT, which reads as follows:

"Under regulations to be prescribed by the Organization Committee EVERY NATIONAL BANKING ASSOCIATION in the United States IS HEREBY REQUIRED, and every eligible bank in the United States and every trust company within the District of Columbia is hereby authorized, to signify in writing WITHIN SIXTY DAYS AFTER THE PASSAGE OF THIS ACT, its acceptance of the terms and provisions thereof."

The Committee has interpreted this section to mean that all national banks shall be required to signify their acceptance of the provisions of the Act WITHIN SIXTY DAYS from its passage, irrespective of the location of such banks. Cards containing forms of resolution for signifying acceptance or nonacceptance of the provisions of the Act have been mailed to all national banks. If your board has not already acted upon this question and has not sent to this office the card bearing the form of resolution adopted, I request that these alternative resolutions be submitted to your board as soon as practicable and the card bearing the resolution adopted be mailed so as to reach this office NOT LATER THAN FEBRUARY 22, 1914.

If you have not received the approved forms of resolutions, please notify this office immediately and duplicates will be mailed to you.

Respectfully,

Form 34

Secretary,
Reserve Bank Organization Committee.

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Federal Reserve Bank of St. Louis

ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form 35

Sir:

Section 13, page 14, of the Federal Reserve Act provides, among other things, as follows:

> "Upon the indorsement of any of its member banks, with a waiver of demand, notice and protest by such bank, any Federal reserve bank may discount notes, drafts, and bills of exchange arising out of actual commercial transactions; that is, notes, drafts, and bills of exchange issued or drawn for agricultural, industrial or commercial purposes, or the proceeds of which have been used, or are to be used, for such purposes, the Federal Reserve Board to have the right to determine or define the character of the paper thus eligible for discount, within the meaning of this Act."

It will be observed that the paper thus made eligible for rediscount is defined as that arising out of "actual commercial transactions * * * the proceeds of which have been used, or are to be used, for such purposes."

The true definition of "commercial paper" or "commercial transactions" gives rise to a great difference of opinion on the part of bankers generally, and is susceptible of a very broad or very narrow interpretation. The point has been frequently raised, and insisted upon, that "commercial paper" in a purely technical sense should be construed to mean OBLIGATIONS WHICH REPRESENT THE PURCHASE PRICE OF SOME COMMODITY SOLD.

Attention has been called to the fact, however, that trade customs in the United States have developed along lines which would limit such paper to a proportionately small amount if this strict and technical interpretation were adopted.

In other words, the established practice now appears to be that instead of the purchaser executing his note to the vendor for the whole or any part of the purchase price of the commodity sold, it has become customary, in order to obtain the benefit of cash discounts, for the purchaser to borrow directly from the banks and to use the proceeds of such loans to make the payment due the vendor. This being true the question of identification of commercial paper presents some practicable difficulties.

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In the exercise of the power vested in the Federal Reserve Board to determine or define what shall be treated as "commercial paper" the Committee is of the opinion that the Board will desire to have before it the views of practical bankers and representatives of leading business organizations so that the matter may be considered from all important standpoints.

With this end in view I am directed by the Committee to ask that your association give consideration to this provision of the law, and to submit on or before the FIRST OF MARCH, 1914, a suggested definition of "commercial paper" and also to submit such suggestions or recommendations as to standard forms of notes, drafts, and bills of exchange covering the various kinds of commercial transactions as may seem to you advisable, to the end that there may be established, as far as possible, a uniform practice among all Federal reserve and member banks with respect to the creation of the eligible paper provided for in the Federal Reserve Act.

The bill furthermore provides, in section 16, page 19, as follows:

"The Federal Reserve Board shall make and promulgate from time to time regulations governing the transfer of funds and charges therefor among Federal reserve banks and their branches, and may at its discretion exercise the functions of a clearing house for such Federal reserve banks, or may designate a Federal reserve bank to exercise such functions, and may also require each such bank to exercise the functions of a clearing house for its member banks."

The Committee also directs me to request that you give consideration to this provision of the Act, and submit for its consideration suggested regulations governing the transfer of funds, and the charges therefor, among the Federal reserve banks and their branches, and also submit your views and suggestions as to how the Federal reserve banks themselves could best perform the clearing house functions contemplated in the Act.

Any suggestions that you may deem advisable to make in connection with these two provisions will receive consideration and be appreciated by the Federal Reserve Board.

Respectfully,

Secretary,
Reserve Bank Organization Committee.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form 36

Sir:

By direction of the Chairman, I beg to acknowledge the receipt, with thanks, of your very kind letter of the 21st, giving the Committee the information desired with reference to the right of banks incorporated under the laws of your State to enter the Federal Reserve system.

Respectfully,

Secretary,

Reserve Bank Organization Committee.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form 37

Sir:

On behalf of the Organization Committee I beg to thank you for your letter of February 21st suggesting a definition for commercial paper and also outlining your views as to how far a Federal Reserve Bank should exercise the powers of a Clearing House Association.

I shall take pleasure in having your letter called to the attention of the Federal Reserve Board when it is considering these important questions.

Respectfully,

Secretary,
Reserve Bank Organization Committee.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form 38

Sir:

As requested I take pleasure in inclosing a copy of our Regulation No. 3, which deals with the conditions under which State banks and trust companies may enter the Federal Reserve System.

Inclosed also find the form of resolution approved for the use of State banks in signifying their intention to subscribe to the stock of the Federal Reserve Banks.

Respectfully,

Secretary,
Reserve Bank Organization Committee.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

Form 39

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir:

I beg to acknowledge the receipt of a resolution expressing the intention of your bank to apply for an allotment of stock in a Federal Reserve Bank, and the same has been filed.

When the Federal Reserve districts have been laid out a form of application for such allotment will be prepared and mailed by the Comptroller to all banks which have signified their desire to enter the system.

Respectfully,

Secretary,
Reserve Bank Organization Committee.

Form 39

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form 40

Sir:

On behalf of the Organization Committee I beg to advise that, in designating the Federal Reserve cities and in determining the geographical limits of the Districts to be served, the Committee gave careful consideration to the business convenience and welfare of the entire country, and all factors, including the local interests of each bank, were studied and fully weighed.

The certificate designating these Districts has been filed with the Comptroller of the Currency, and the Committee can not now legally make any changes in the Districts as defined.

Respectfully,

M. L. Elliott

Secretary,
Reserve Bank Organization Committee.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form 41

Sir:

In response to your inquiry of recent date I beg to advise that the employes of the Federal Reserve banks will be selected by the officers and directors thereof. Application should therefore be made direct to the bank with which you wish to be connected, when the same has been established.

These appointments will not be subject to the Civil Service rules and regulations.

Respectfully,

Secretary,
Reserve Bank Organization Committee.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form 42

Sir :

I am returning herewith for your files the duplicate of your subscription to the stock of a Federal Reserve bank, which was apparently inadvertently sent to this office with the original copy.

Respectfully,

Secretary,
Reserve Bank Organization Committee.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form 43

Sir :

In reply to your inquiry of recent date, I beg to advise that all of the subscribing banks will be limited to an amount equal to 6 per cent of their capital and surplus at the time formal application is made. Such stock will be issued in shares of one hundred dollars each, and if 6 per cent of the capital and surplus of any bank amounts to a sum which is not divisible by one hundred, but contains an excess of a fractional part of one hundred dollars, any such fractional amount will be treated as entitling such bank to subscribe to an additional one share of one hundred dollars, and the number of shares will be allotted accordingly.

Respectfully,

Secretary,
Reserve Bank Organization Committee.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form 44

Sir :

In response to your inquiry of recent date, you are advised that the boards of directors of the Federal Reserve Banks to be established will select the quarters to be occupied by their respective banks.

Any suggestion or proposition which you may wish to present should be submitted to these officers when appointed, notice of which will doubtless be given in the daily press.

Respectfully,

Secretary,
Reserve Bank Organization Committee.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form 45

Sir :

Your communication making recommendation as to the Federal reserve agent for the Federal Reserve Bank in your district has been received, and will be so filed as to be readily available for consideration by the Federal Reserve Board, when organized and about to determine these matters.

Respectfully,

Secretary,
Reserve Bank Organization Committee.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form 46

Sir :

Inclosed find your application for stock in the Federal Reserve Bank of your district, together with new forms. Your special attention is called to the section marked with blue pencil, as the instructions therein contained should be carefully followed.

Kindly have this matter attended to and return one of these blanks to this office with seal attached as soon as possible, as no further step can be taken until your application is received in correct form.

Respectfully,

Secretary,
Reserve Bank Organization Committee.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form 47

Sir :

The application for stock in the Federal Reserve Bank of your district, recently sent to this office by your bank, has been found to be incomplete in that the necessary seal does not appear.

I am inclosing the application herewith in order that this error may be corrected, after which kindly return promptly, as it is necessary that these applications for stock be complete in every particular before further action can be taken.

Respectfully,

Secretary,
Reserve Bank Organization Committee.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form 48

Sir :

In response to your inquiry of recent date, you are advised that it will not be necessary for your bank to make initial payment on your application for stock in the Federal Reserve Bank of your district until an official call is issued.

Respectfully,

Secretary,
Reserve Bank Organization Committee.

Form 48

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form 49

Sir :

The application for stock in the Federal Reserve Bank of your district is herewith returned in order that the information called for on the reverse side thereof may be furnished, as well as the signatures of at least three of your directors.

Kindly have this matter attended to promptly and return the blank to this office, as it is necessary for these applications to be complete in every particular before further action can be taken.

Respectfully,

Secretary,
Reserve Bank Organization Committee.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form 50

Sir:

In response to your communication of recent date, your attention is called to the fact that on the face of the blank application for stock in the Federal Reserve Bank of your district there is a space left in which to state the amount that is represented by SIX PER CENT OF YOUR UNIMPAIRED CAPITAL AND SURPLUS at the time of making application.

On the reverse side of the blank your attention is especially called to the following note:

> "If 6 per cent of the capital and surplus above shown amounts to a sum not divisible by 100, any excess or fractional part of $100 will entitle the applying bank to one additional share of stock. Accordingly, in filling out the subscription on the reverse side of this form, the sum representing 6 per cent of the capital and surplus should be divided by 100 in order to obtain the number of shares to be applied for, and if an excess of less than $100 remains, one additional share should be added to the application, and included in the subscription of stock to be paid for at par in accordance with the provisions of the Federal Reserve Act"--

which you will observe contains explicit instructions as to the manner in which the shares and fractions of shares to which your bank is entitled are to be computed.

Respectfully,

Secretary,
Reserve Bank Organization Committee.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form 51

Sir :

As requested, inclosed find, in duplicate, the form of resolution approved for the use of State banks and trust companies in signifying their intention to subscribe to the stock of Federal Reserve Banks.

When the resolution contained in the inclosed form has been passed by your board of directors, kindly fill out, sign, and return one of these cards, retaining the duplicate for your files.

The form of application for subscription to stock for the use of State banks and trust companies is being prepared and will be sent you as soon as received from the printer.

Respectfully,

Secretary,
Reserve Bank Organization Committee.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

(52)

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir:

The Committee having received copy of resolution of your board of directors signifying the intention of your association to subscribe to the capital stock of the Federal Reserve Bank of your district, I am inclosing herewith, in accordance with the provisions of the Federal Reserve Act, form of application, in duplicate, which has been approved by the Committee for use by State banks and trust companies in applying for stock in the Federal Reserve Bank now organizing in the district in which your association is located.

In filling out this application you are requested to follow carefully the printed instructions, and your attention is particularly directed to the note on the last page in reference to the number of shares to be applied for. Your attention is also called to the fact that in addition to filling out and having certified the statement of condition of your bank, this application should be accompanied by a copy of your charter, with amendments, together with a digest or analysis of same showing:

First: The general powers granted to your association, as a corporation doing business in your State, which you are now exercising and which you will desire to continue to exercise, so far as permitted by the Federal Reserve Act.

Second: Those powers which, while granted, your association will not exercise should it become a member of the Federal Reserve system.

It is the desire of the Committee that the Federal Reserve Banks shall be placed in operation as early as practicable, and as it is assumed that you will desire to vote on the election of Class A and Class B directors should your application for membership be approved you are requested to return one copy of this application duly executed at the earliest possible moment.

Respectfully,

Secretary,
Reserve Bank Organization Committee.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form 53

Sir:

In response to your communication requesting that your bank be named as one of the five to execute the organization certificate for the Federal Reserve Bank of your district, I beg to advise that I shall take pleasure in calling your suggestion to the attention of the Committee when it is ready to take up this question.

Respectfully,

Secretary,
Reserve Bank Organization Committee.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form 34

Sir:

In response to your communication making recommendation with reference to one of the five banks to be named to execute the organization certificate for the Federal Reserve Bank of your district, I beg to advise that I shall take pleasure in calling your suggestion to the attention of the Committee when it is about to determine this matter.

Respectfully,

Secretary,
Reserve Bank Organization Committee.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form 355

Sir:

In reply to your inquiry you are advised that the amount of your subscription should equal 6 per cent of your unimpaired capital and surplus at time of making application.

In making this calculation undivided profits should not be included.

Respectfully,

Secretary,
Reserve Bank Organization Committee.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

Form 56

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir:

This office is in receipt of $ in currency, forwarded by you to cover the initial payment on your subscription to the stock of the Federal Reserve Bank of your district.

As it will not be necessary for your bank to pay the first installment until official call has been issued by the Organization Committee or by the Federal Reserve Board, I am inclosing herewith check No. for $ drawn to your credit on the Treasurer of the United States. Please acknowledge receipt.

In due course you will be notified when and in what manner to make payment of the first installment of your subscription.

Respectfully,

Secretary,
Reserve Bank Organization Committee.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

57

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir:

Your application for subscription to stock in the Federal Reserve Bank of your district is herewith returned in order that you may make the correction indicated by the blue-pencil mark. This may be done on the imperfect copy returned, or by having filled out the new blank inclosed.

Kindly have this matter attended to promptly, not failing to see that the seal of your bank is affixed in the proper place.

Until your application for stock is received in correct form no further step can be taken.

Respectfully,

Secretary.

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Federal Reserve Bank of St. Louis

ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form

Sir :

I regret that pressure of other matters in the office has prevented an earlier acknowledgment of your communication with reference to appointments with the Federal Reserve Board, but have had pleasure in giving instructions that your letter is to be placed with matters to be brought to the special attention of the Board when organized.

Respectfully,

Secretary.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form 59

Sir :

On behalf of the Organization Committee, receipt is acknowledged of your letter of recent date suggesting your choice for appointment as a Class "C" director of the Federal Reserve Bank of your district.

As you probably know, the Federal Reserve Board will have authority to make these selections. I have given instructions that your letter is to be placed with matters to be brought to the special attention of the Federal Reserve Board when organized.

Respectfully,

Secretary.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form 60.

Sir :

This office has received from your bank a certificate of election of a District Reserve Elector, as well as nominations of a Class A and Class B Director for the group to which your bank belongs.

Inasmuch as you have failed to complete these certificates by affixing the seal of your bank in the space provided for that purpose, new blanks are herewith inclosed, with the request that you have the same properly filled out, see that the seal of your bank appears as required, and return the blanks to this office at the earliest possible moment.

Respectfully,

Secretary.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form 61

Sir :

This office has received from your bank a certificate of election of a District Reserve Elector, as well as nomination for a Class Director for the group to which your bank belongs.

Inasmuch as you have failed to complete these certificates by affixing the seal of your bank in the space provided for that purpose, new blanks are herewith inclosed, with the request that you have the same properly filled out, see that the seal of your bank appears as required, and return the blanks to this office at the earliest possible moment.

Respectfully,

Secretary.

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Federal Reserve Bank of St. Louis

ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form 62

Sir :

This office has received a certificate of election by your bank of a District Reserve Elector.

Inasmuch as you have failed to affix the seal of your bank in the space prepared for that purpose, a new blank is herewith inclosed, with the request that you have the same properly filled out, see that the seal of your bank is placed thereon, and returned to this office at the earliest possible moment.

Respectfully,

Secretary.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

W. G. M[illegible]O, SECRETARY OF THE TREASURY
DAVID [illegible]USTON, SECRETARY OF AGRICULTURE
JOHN SKELTON WILLIAMS, COMPTROLLER OF THE CURRENCY

M. C. ELLIOTT, SECRETARY TO COMMITTEE

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form 63

Sir:

Acknowledgment is made of your communication addressed to the Federal Reserve Board, which will be called to its attention when that body is organized and ready to consider such matters.

Respectfully,

Secretary.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

April 8, 1914.

Sir:

On behalf of the Reserve Bank Organization Committee I beg to direct your attention to that part of Section 2 of the Act of Congress known as the Federal Reserve Act, approved December 23, 1913, which reads as follows:

> "When the Organization Committee shall have designated the cities in which Federal Reserve Banks are to be organized, and fixed the geographical limits of the Federal reserve districts, every national banking association within that district shall be required within thirty days after notice from the Organization Committee, to subscribe to the capital stock of such Federal Reserve Bank in a sum equal to six per centum of the paid-up capital stock and surplus of such bank, one-sixth of the subscription to be payable on call of the Organization Committee or of the Federal Reserve Board, one-sixth within three months and one-sixth within six months thereafter, and the remainder of the subscription, or any part thereof shall be subject to call when deemed necessary by the Federal Reserve Board, said payments to be in gold or gold certificates."

In accordance with the provisions of this Section and by direction of the Committee you are hereby notified that your subscription to the capital stock of the Federal Reserve Bank of Boston should be forwarded to this office within thirty days from date. The approved form of application has been sent you by the Comptroller of the Currency.

As it is important that the organization of this bank shall be completed as early as possible, you are requested to forward your subscription promptly. The cooperation of applying banks will materially facilitate the organization of the Federal Reserve Banks and enable member banks to avail themselves of the advantages of the Federal Reserve system by bringing into operation those provisions of the Federal Reserve Act which become effective and operative when such Federal Reserve Banks shall have been organized.

Respectfully,

W. P. G. Harding

Secretary,
Reserve Bank Organization Committee.

Form A

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Dist 9 V

TREASURY DEPARTMENT

WASHINGTON

COMPTROLLER OF THE CURRENCY

April 8, 1914.

Sir:

The certificate filed with this office by the Reserve Bank Organization Committee, pursuant to Section 4 of the Act of Congress known as the Federal Reserve Act, approved December 23, 1913, designating twelve Federal Reserve cities and defining the geographical limits of the districts to be served by such cities, describes District No. Nine, as follows:

> "The States of MONTANA, NORTH DAKOTA, SOUTH DAKOTA, MINNESOTA, all that part of WISCONSIN not included in District No. 7; and all that part of MICHIGAN not included in District No. 7, with the City of MINNEAPOLIS, Minnesota, as the location of the Federal Reserve bank."

Since your bank is located in this district, I am enclosing herewith, in accordance with Section 4 of the act aforesaid, duplicate forms of application for stock in the Federal Reserve Bank of Minneapolis, which form has been approved by the Committee.

As soon as your board has passed the resolution prescribed by the Committee and contained in this form, you are requested to execute, as early as possible, this application and mail it to the Reserve Bank Organization Committee in the enclosed envelope, which requires no postage.

Your prompt attention will expedite the organization of the Federal Reserve bank for your district. You are accordingly requested to execute and return this application without delay.

Respectfully,

Geo. Reed Williams

Comptroller.

Form B

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

April 30, 1914.

SECOND NOTICE.

Sir:

In order to expedite the organization of the Federal Reserve Bank in your district you are AGAIN REQUESTED to forward to this office, at your early convenience, your application for an allotment of stock.

The form of application, notice from the Comptroller of the Currency and from the Organization Committee, as required by the terms of the Federal Reserve Act, were mailed you on April 8th.

A compliance with the provisions of the Act makes it necessary that YOUR APPLICATION SHOULD BE FORWARDED NOT LATER THAN MAY 8th--that is, within thirty days after notice. It is of course desirable that the Federal Reserve Banks should be placed in operation as soon as possible, and to insure this the cooperation of member banks is important.

Initial payment on these subscriptions need not be made until an official call is issued therefor, either by the Organiation Committee or the Federal Reserve Board, at which time definite instructions will be given as to where such payments should be made, and in what manner. Information will also be furnished as to how this account should be handled in your general ledger.

In filling in the blank form of application your attention is called to the space left on the face, in which should be stated the amount represented by SIX PER CENT of your CAPITAL AND SURPLUS, as shown by the books of your bank at the time of making application.

Full directions as to how this amount is to be figured, as well as the manner in which you should handle any excess in this amount not divisible by one hundred, may be found in the printed "Note" on the reverse side of the blank. On the same side the information called for should be supplied in each of the spaces prepared therefor, INCLUDING THE SIGNATURES of three or more of your directors.

It is also necessary that the SEAL OF YOUR BANK SHOULD BE AFFIXED in the proper place.

Respectfully,

W. P. Elliott

Secretary

Form 6

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Federal Reserve Bank of St. Louis

ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

June 3, 1914.

Sir:

That part of Section 4 of the Federal Reserve Act which relates to the election of directors of Federal Reserve Banks provides that EACH MEMBER BANK shall ELECT BY BALLOT a District Reserve Elector and shall be permitted to nominate one candidate for a Class A and one candidate for a class B director.

In compliance with these provisions you are requested at a regularly called meeting of your Board of Directors to ELECT BY BALLOT your District Reserve Elector, and to certify his NAME and SIGNATURE to the Committee on the form inclosed herein for that purpose.

The sole duty of the District Reserve Elector will be TO VOTE, on behalf of your bank, for one Class A and one Class B director of the Federal Reserve Bank of your district. Any officer or director of your bank or any other person may be elected by your board to serve in this capacity as Elector.

At the same meeting of your board at which you select the Elector, you are also requested to nominate a candidate for Class A and a candidate for Class B director, if you desire to exercise this privilege which is conferred by Section 4 of the Act aforesaid.

Class A candidates should be representative of the stockholding banks of your district and may be officers, directors, stockholders or employees of such banks.

Class B candidates must be engaged in agriculture, commerce or some other industrial pursuit in your district, and MUST NOT be officers, directors or employees of any member bank.

The statute contemplates that the nominees to be voted on by the electors shall represent the voluntary choices of the member banks, and it is of course unnecessary to emphasize the importance of placing in nomination candidates who will properly represent the interests of the banks electing them.

Any eligible candidate in your district may be placed in nomination, but only those NOMINATED BY BANKS IN YOUR PARTICULAR GROUP can be voted on by your District Reserve Elector. EACH GROUP will elect independently one Class A and one Class B director.

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When your bank has by appropriate action of your Board of Directors selected its candidates you are requested to certify their names promptly to the Organization Committee on the forms inclosed herewith for that purpose. When nominations have been received by the Organization Committee ballots will be prepared showing all nominees of each group, and these will be immediately mailed to the Electors of each group so that vote may be taken as soon as possible.

All nominations should be returned to the Committee WITHIN TEN DAYS after receipt of inclosed forms so that elections may be proceeded with. Failure to send in nominations will be construed as indicating that your bank does not desire to nominate candidates.

When the ballots are received by the Electors, each Elector will indicate on the respective ballots his first, second and third choices for Class A and first, second and third choices for Class B director.

When this has been done, each ballot must be returned in a sealed envelope to the Organization Committee, and in order that the spirit of the Act may be fully complied with and that the voting may be free from any improper influence, it is not the purpose of the Committee to make public the individual vote of any Elector, but only the result as required by the statute.

In returning the inclosed forms please observe the following instructions:

WRITE PLAINLY, OR FILL IN ON TYPEWRITER THE INFORMATION CALLED FOR.

SEE THAT THE SIGNATURE OF YOUR DISTRICT RESERVE ELECTOR IS SIGNED ON THE CARD INCLOSED FOR THAT PURPOSE.

AFFIX THE SEAL OF YOUR BANK TO EACH CERTIFICATE.

RETURN ALL CARDS IN THE SELF-ADDRESSED ENVELOPE, HEREWITH INCLOSED, WHICH REQUIRES NO POSTAGE.

Respectfully,

M. O. Eccles

Secretary,
Reserve Bank Organization Committee.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form D

June 3, 1914.

Sir:

That part of Section 4 of the Federal Reserve Act which relates to the election of directors of Federal Reserve Banks provides that EACH MEMBER BANK shall ELECT BY BALLOT a District Reserve Elector and shall be permitted to nominate one candidate for a Class A and one candidate for a class B director.

In compliance with these provisions you are requested at a regularly called meeting of your Board of Directors to ELECT BY BALLOT your District Reserve Elector, and to certify his NAME and SIGNATURE to the Committee on the form inclosed herein for that purpose.

The sole duty of the District Reserve Elector will be TO VOTE, on behalf of your bank, for one Class A and one Class B director of the Federal Reserve Bank of your district. Any officer or director of your bank or any other person may be elected by your board to serve in this capacity as Elector.

At the same meeting of your board at which you select the Elector, you are also requested to nominate a candidate for Class A and a candidate for Class B director, if you desire to exercise this privilege which is conferred by Section 4 of the Act aforesaid.

Class A candidates should be representative of the stockholding banks of your district and may be officers, directors, stockholders or employees of such banks.

Class B candidates must be engaged in agriculture, commerce or some other industrial pursuit in your district, and MUST NOT be officers, directors or employees of any member bank.

The statute contemplates that the nominees to be voted on by the electors shall represent the voluntary choices of the member banks, and it is of course unnecessary to emphasize the importance of placing in nomination candidates who will properly represent the interests of the banks electing them.

Any eligible candidate in your district may be placed in nomination, but only those NOMINATED BY BANKS IN YOUR PARTICULAR GROUP can be voted on by your District Reserve Elector. EACH GROUP will elect independently one Class A and one Class B director.

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When your bank has by appropriate action of your Board of Directors selected its candidates you are requested to certify their names promptly to the Organization Committee on the forms inclosed herewith for that purpose. When nominations have been received by the Organization Committee ballots will be prepared showing all nominees of each group, and these will be immediately mailed to the Electors of each group so that vote may be taken as soon as possible.

All nominations should be returned to the Committee WITHIN TEN DAYS after receipt of inclosed forms so that elections may be proceeded with. Failure to send in nominations will be construed as indicating that your bank does not desire to nominate candidates.

When the ballots are received by the Electors, each Elector will indicate on the respective ballots his first, second and third choices for Class A and first, second and third choices for Class B director.

When this has been done, each ballot must be returned in a sealed envelope to the Organization Committee, and in order that the spirit of the Act may be fully complied with and that the voting may be free from any improper influence, it is not the purpose of the Committee to make public the individual vote of any Elector, but only the result as required by the statute.

In returning the inclosed forms please observe the following instructions:

WRITE PLAINLY, OR FILL IN ON TYPEWRITER THE INFORMATION CALLED FOR.

SEE THAT THE SIGNATURE OF YOUR DISTRICT RESERVE ELECTOR IS SIGNED ON THE CARD INCLOSED FOR THAT PURPOSE.

AFFIX THE SEAL OF YOUR BANK TO EACH CERTIFICATE.

RETURN ALL CARDS IN THE SELF-ADDRESSED ENVELOPE, HEREWITH INCLOSED, WHICH REQUIRES NO POSTAGE.

Respectfully,

M. L. Elliott

Secretary,
Reserve Bank Organization Committee.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

From E

June 18, 1914.

Sir :

On behalf of the Organization Committee, I beg to notify you that nominations for Class A and Class B directors of the Federal Reserve Bank of your district will be closed on June 22d, and all certificates of nomination must be in this office by that time in order for the names of candidates to be included on the ballots to be sent to the District Reserve Electors.

If you have not already done so, you are also requested to send in promptly your certificate of election of your District Reserve Elector. In this connection your attention is called to the fact that, while member banks are permitted but are not required to nominate candidates, the language of the Act relating to the election of District Reserve Electors is mandatory, the statute providing that "each member bank in the district shall elect by ballot a District Reserve Elector and shall certify his name to the chairman," etc.

In order, therefore, that the election of directors may be facilitated and that your bank shall not even technically violate any of the provisions of the Act, you are requested to take immediate action in electing a District Reserve Elector and in certifying his name to the Committee on the form sent you for that purpose.

Respectfully,

M. Talcott

Secretary.

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Federal Reserve Bank of St. Louis

ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

W. G. McA[illegible] SECRETARY OF THE TREASURY
DAVID F. [illegible]TON, SECRETARY OF AGRICULTURE
JOHN SKELTON WILLIAMS, COMPTROLLER OF THE CURRENCY

M. C. ELLIOTT, SECRETARY TO COMMITTEE

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form F

July 2, 1914.

THIRD NOTICE.

Sir:

Your attention is again called to the fact that your bank has failed to send in the certificate of election of its District Reserve Elector.

As previously advised, Section 4 of the Federal Reserve Act REQUIRES each member bank to take this action. In view of the fact that the part of the section referred to, which relates to the NOMINATION of CANDIDATES, is permissive and not mandatory, some of the banks are apparently still under the misapprehension that it is optional with them under the law whether or not they shall elect a District Reserve Elector. The ballots are now being sent to the electors whose names have been certified to the Committee by the member banks. If you have not already done so, your Board of Directors should immediately elect a District Reserve Elector and certify his name to the Committee, in order to comply with the statute and to complete the files of this office.

Please give this your immediate attention.

Respectfully,

M. C. Elliott

Secretary.

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Federal Reserve Bank of St. Louis

ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

W. G. Mc[illegible] SECRETARY OF THE TREASURY
DAVID F. [illegible]TON, SECRETARY OF AGRICULTURE
JOHN SKELTON WILLIAMS, COMPTROLLER OF THE CURRENCY

M. C. ELLIOTT, SECRETARY TO COMMITTEE

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form 64

Form _____

Sir:

Your notice of increase of your (capital or surplus) has been received and noted. Blank forms are being prepared for use in such cases and a copy will be sent you as soon as received from the printer.

Respectfully,

Secretary.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

W. G. McA[illegible] SECRETARY OF THE TREASURY
DAVID F. [illegible]TON, SECRETARY OF AGRICULTURE
JOHN SKELTON WILLIAMS, COMPTROLLER OF THE CURRENCY

M. C. ELLIOTT, SECRETARY TO COMMITTEE

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

(FORM 65)

Sir:

For your information and guidance I am enclosing herewith Regulation No. 1, prescribing the procedure in appeals from the decision of the Reserve Bank Organization Committee.

Respectfully,

Secretary.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

W. G. McADOO, SECRETARY OF THE TREASURY
DAVID F. HOUSTON, SECRETARY OF AGRICULTURE
JOHN SKELTON WILLIAMS, COMPTROLLER OF THE CURRENCY

M. C. ELLIOTT, SECRETARY TO COMMITTEE

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form 66

Sir:

For your information and guidance I beg to inclose herewith a copy of Regulation No. 1, prescribing the method of procedure in appeals from the decision of the Reserve Bank Organization Committee.

Please advise this office if you desire the petition heretofore filed treated as though filed under the rules of procedure laid down by the Federal Reserve Board and set out in the regulation inclosed, so that the proper notation may be made and the Federal Reserve city notified.

Respectfully,

Secretary pro tem.

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Federal Reserve Bank of St. Louis

ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

W. G. M[illegible], SECRETARY OF THE TREASURY
DAVID F[illegible]STON, SECRETARY OF AGRICULTURE
JOHN SKELTON WILLIAMS, COMPTROLLER OF THE CURRENCY

M. C. ELLIOTT, SECRETARY TO COMMITTEE

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form 67

Sir:

In response to your request, I am inclosing herewith an additional copy of Circular No. 3 of the Reserve Bank Organization Committee and the Federal Reserve Board.

Respectfully,

Secretary pro tem.

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Federal Reserve Bank of St. Louis

ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

W. G. M[illegible]O, SECRETARY OF THE TREASURY
DAVID F[illegible]USTON, SECRETARY OF AGRICULTURE
JOHN SKELTON WILLIAMS, COMPTROLLER OF THE CURRENCY

M. C. ELLIOTT, SECRETARY TO COMMITTEE

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form 68

September 2, 1914.

Sir:

Through an inadvertence Circular No. 3, dated August 25, and intended for banks in reserve but not in central reserve cities was sent your bank. It was not contemplated that this information should be supplied by banks in Central Reserve cities and the circular should have been accompanied by letter explaining that a copy was sent you merely for your information and files. It will therefore be unnecessary for you to return the circular with the information called for.

Respectfully,

M. C. Elliott

Secretary pro tem.

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Federal Reserve Bank of St. Louis

ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

W. G. M[illegible]O, SECRETARY OF THE TREASURY
DAVID [illegible]USTON, SECRETARY OF AGRICULTURE
JOHN SKELTON WILLIAMS, COMPTROLLER OF THE CURRENCY

M. C. ELLIOTT, SECRETARY TO COMMITTEE

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Form 69

Sir:

In response to your request, I am inclosing herewith an additional copy of Circular No. 3 of the Reserve Bank Organization Committee and the Federal Reserve Board.

Respectfully,

Secretary pro tem.

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Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

Form 70

Sir:

For your information and guidance I beg to inclose herewith a copy of Regulation No. 1, prescribing the method of procedure in appeals from the decision of the Reserve Bank Organization Committee.

Respectfully,

Secretary pro tem.

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At a meeting of the Board of Directors of the

....., duly
(Name of bank.)

called and held on the ..... day of

....., the following resolution was, on the

motion duly made, seconded and adopted by the Board:

WHEREAS this association has been designated by the Reserve Bank Organization Committee as one of the five banks to execute the organization certificate for the incorporation of the

as provided by Section 4 of the Act of Congress approved December 23, 1913, and known as the Federal Reserve Act.

NOW, THEREFORE, BE IT RESOLVED, That the president or vice president and cashier of this association be, and they are hereby, authorized, empowered, and directed to execute in the name and on behalf of this association said certificate, to affix the corporate seal of this bank thereto, duly attested, and to do such other acts as may be necessary to fully comply with the provisions of the act referred to in perfecting the incorporation and organization of the said

I hereby certify that the foregoing is a true and correct copy of a resolution passed by the Board of Directors of this bank on the date specified.

..... Cashier,

..... National Bank of .....

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

Form H

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

District No. 12. No. Shares .....

....., 1914.

Receipt is acknowledged of your application for and subscription to ..... shares of the capital stock of the FEDERAL RESERVE BANK OF SAN FRANCISCO, now organizing, and you are hereby notified that the Reserve Bank Organization Committee has allotted to you the number of shares applied for, your subscription, in accordance with the provisions of the Federal Reserve Act, being for an amount equal to 6 per cent of your unimpaired capital and surplus as shown by your application, duly certified, dated ....., 1914.

In due course you will be notified by the Organization Committee or by the Federal Reserve Board when and in what manner to make payments.

RESERVE BANK ORGANIZATION COMMITTEE,

by .....

Secretary.

To

..... National Bank,

.....

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Federal Reserve Bank of St. Louis

ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

W. G. Mc[illegible], SECRETARY OF THE TREASURY
DAVID F. [illegible]STON, SECRETARY OF AGRICULTURE
JOHN SKELTON WILLIAMS, COMPTROLLER OF THE CURRENCY

M. C. ELLIOTT, SECRETARY TO COMMITTEE

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

66

Sir:

For your information and guidance I beg to inclose herewith a copy of Regulation No. 1, prescribing the method of procedure in appeals from the decision of the Reserve Bank Organization Committee.

Please advise this office if you desire the petition heretofore filed treated as though filed under the rules of procedure laid down by the Federal Reserve Board and set out in the regulation inclosed, so that the proper notation may be made and the Federal Reserve city notified.

Respectfully,

Secretary pro tem.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

W. G. M[illegible]O, SECRETARY OF THE TREASURY
DAVID F[illegible]STON, SECRETARY OF AGRICULTURE
JOHN SKELTON WILLIAMS, COMPTROLLER OF THE CURRENCY

M. C. ELLIOTT, SECRETARY TO COMMITTEE

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

67

Sir:

In response to your request, I am inclosing herewith an additional copy of Circular No. 3 of the Reserve Bank Organization Committee and the Federal Reserve Board.

Respectfully,

Secretary pro tem.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

W. G. M[illegible]O, SECRETARY OF THE TREASURY
DAVID F[illegible]USTON, SECRETARY OF AGRICULTURE
JOHN SKELTON WILLIAMS, COMPTROLLER OF THE CURRENCY

M. C. ELLIOTT, SECRETARY TO COMMITTEE

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir:

In response to your request, I am inclosing herewith an additional copy of Circular No. 3 of the Reserve Bank Organization Committee and the Federal Reserve Board.

Respectfully,

Secretary pro tem.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

W. G. M[illegible]O, SECRETARY OF THE TREASURY
DAVID [illegible]USTON, SECRETARY OF AGRICULTURE
JOHN SKELTON WILLIAMS, COMPTROLLER OF THE CURRENCY

M. C. ELLIOTT, SECRETARY TO COMMITTEE

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

6 3

Sir:

Acknowledgment is made of your communication addressed to the Federal Reserve Board, which will be called to its attention when that body is organized and ready to consider such matters.

Respectfully,

Secretary.

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Federal Reserve Bank of St. Louis

ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir:

In reply to your inquiry as to whether or not all national banks are required to signify within sixty days their intention to accept the provisions of the Federal Reserve Act or only those located in reserve cities, I beg to advise that the act is understood by the Committee to require all national banks, irrespective of their location, to signify their acceptance or nonacceptance of the Federal Reserve Act within sixty days from its passage.

Respectfully,

Secretary,
Reserve Bank Organization Committee.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

30

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir:

As requested I beg to inclose herewith the form of resolution approved by the Reserve Bank Organization Committee for use by all State banks and trust companies in signifying their intention to subscribe to the capital stock and become members of Federal Reserve Banks to be organized.

I am inclosing a duplicate card so that one may be retained in your file. These resolutions have been printed on cards to facilitate their filing and handling by this office. In returning same I will be obliged if you will have filled out the information called for on the reverse side of the card.

Respectfully,

Secretary,
Reserve Bank Organization Committee.

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Federal Reserve Bank of St. Louis

ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

W. G. McAdoo, SECRETARY OF THE TREASURY
DAVID F. HOUSTON, SECRETARY OF AGRICULTURE
JOHN SKELTON WILLIAMS, COMPTROLLER OF THE CURRENCY

M. C. ELLIOTT, SECRETARY TO COMMITTEE

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

July 23, 1914.

Sir:

On June 3 all member banks were notified to ELECT by their Boards of Directors a District Reserve Elector and to NOMINATE a candidate for Class "A" Director and a candidate for Class "B" Director for the Federal Reserve Bank of their respective districts. Blank forms, approved by the Reserve Bank Organization Committee, were mailed to each bank for use in reporting the names of their nominees for Directors and their District Reserve Elector. On June 18 and July 2 additional notices were sent to all delinquent banks, calling attention to the fact that the statute required each bank to elect a District Reserve Elector in order that such bank might exercise its right to vote.

On July 4 preferential ballots were mailed to the District Reserve Electors of all banks in Districts 10, 11, and 12 which had certified the names of their Electors to the Committee. On July 6 preferential ballots were mailed to such District Reserve Electors of the remaining districts.

Under the terms of the statute, the Electors are allowed fifteen days after receipt of such ballots to send in their votes. All banks in the western districts should have received their ballots, mailed on July 4, not later than July 9 and all banks in the other districts should have received their ballots, mailed on July 6, not later than July 10. Therefore, electors in Districts 10, 11, and 12 should return their ballots, duly executed, by July 24 (fifteen days after their receipt) and such ballots should be in the hands of the Committee not later than July 29. The electors in the other districts should return their ballots, duly executed, not later than July 25 (fifteen days after their receipt) and such ballots should likewise be received by the Committee not later than July 29.

You are accordingly hereby notified that the polls will be definitely and finally closed on August 1, 1914, and that no votes for Class "A" and Class "B" Directors received after this time can be counted in this election.

Respectfully,

RESERVE BANK ORGANIZATION COMMITTEE,

By M. C. Elliott

Secretary.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

April 8, 1914.

Sir:

On behalf of the Reserve Bank Organization Committee I beg to direct your attention to that part of Section 2 of the Act of Congress known as the Federal Reserve Act, approved December 23, 1913, which reads as follows:

"When the Organization Committee shall have designated the cities in which Federal Reserve Banks are to be organized, and fixed the geographical limits of the Federal reserve districts, every national banking association within that district shall be required within thirty days after notice from the Organization Committee, to subscribe to the capital stock of such Federal Reserve Bank in a sum equal to six per centum of the paid-up capital stock and surplus of such bank, one-sixth of the subscription to be payable on call of the Organization Committee or of the Federal Reserve Board, one-sixth within three months and one-sixth within six months thereafter, and the remainder of the subscription, or any part thereof shall be subject to call when deemed necessary by the Federal Reserve Board, said payments to be in gold or gold certificates."

In accordance with the provisions of this Section and by direction of the Committee you are hereby notified that your subscription to the capital stock of the Federal Reserve Bank of Atlanta should be forwarded to this office within thirty days from date. The approved form of application has been sent you by the Comptroller of the Currency.

As it is important that the organization of this bank shall be completed as early as possible, you are requested to forward your subscription promptly. The cooperation of applying banks will materially facilitate the organization of the Federal Reserve Banks and enable member banks to avail themselves of the advantages of the Federal Reserve system by bringing into operation those provisions of the Federal Reserve Act which become effective and operative when such Federal Reserve Banks shall have been organized.

Respectfully,

W. P. Elliott

Secretary,
Reserve Bank Organization Committee.

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TREASURY DEPARTMENT

WASHINGTON

COMPTROLLER OF THE CURRENCY

April 8, 1914.

Sir:

The certificate filed with this office by the Reserve Bank Organization Committee, pursuant to Section 4 of the Act of Congress known as the Federal Reserve Act, approved December 23, 1913, designating twelve Federal Reserve cities and defining the geographical limits of the districts to be served by such cities, describes District No. Six, as follows:

"The States of ALABAMA, GEORGIA, and FLORIDA, all that part of TENNESSEE located east of the western boundary of the following counties; Stewart, Houston, Wayne, Humphreys and Perry; all that part of MISSISSIPPI located south of the northern boundary of the following counties: Issaquena, Sharkey, Yazoo, Kemper, Madison, Leake, and Neshoba; and all of the Southeastern part of LOUISIANA located east of the Western boundary of the following counties: Pointe Coupee, Iberville, Assumption and Terrebonne, with the City of ATLANTA, Georgia, as the location of the Federal Reserve bank."

Since your bank is located in this district, I am enclosing herewith, in accordance with Section 4 of the act aforesaid, duplicate forms of application for stock in the Federal Reserve Bank of Atlanta, which form has been approved by the Committee.

As soon as your board has passed the resolution prescribed by the Committee and contained in this form, you are requested to execute, as early as possible, this application and mail it to the Reserve Bank Organization Committee in the enclosed envelope, which requires no postage.

Your prompt attention will expedite the organization of the Federal Reserve bank for your district. You are accordingly requested to execute and return this application without delay.

Respectfully,

John Skelton Williams

Comptroller.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

W. G. M[illegible]D, SECRETARY OF THE TREASURY
DAVID F[illegible]STON, SECRETARY OF AGRICULTURE
JOHN SKE[illegible]TON WILLIAMS, COMPTROLLER OF THE CURRENCY

M. C. ELLIOTT, SECRETARY TO COMMITTEE

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir:

Receipt is acknowledged of your preferential ballot, duly executed, indicating your first, second, and third choices for Classes A and B Directors in the Federal Reserve Bank of your district and your vote has been duly recorded.

Respectfully,

M. C. Elliott

Secretary.

To the District Reserve Elector
of the bank addressed.

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RESERVE BANK ORGANIZATION COMMITTEE

REPORT OF SECRETARY

FEBRUARY 18, 1914

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Federal Reserve Bank of St. Louis

120
Pocket
2/18/14

RESERVE BANK ORGANIZATION COMMITTEE.

REPORT

-of-

SECRETARY

February 18, 1914.

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T O T H E
RESERVE BANK ORGANIZATION COMMITTEE:

- -

IN order that the Committee, in determining the location of Federal Reserve Cities and defining the districts to be served, may have before it information on file in the office bearing on these subjects, I beg to submit the following report:

A large number of letters, telegrams and postal-cards have been received advocating various cities as the most desirable locations for Federal Reserve Banks. These communications, which either represent voluntary suggestions on the part of the senders or were sent in at the request of organizations in the cities interested, have been duly acknowledged, classified and filed.

A record of the endorsements of each city has been kept and classified, as follows: First: by national banks; second: by State banks and trust companies; third: by business organizations; and fourth: by individuals.

The result of this analysis of correspondence is shown by Exhibit #1, attached hereto.

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In addition to this analysis of what may be termed voluntary suggestions, this office caused to be forwarded, in accordance with the directions of the Committee, a circular letter to all national banks, State banks, and Trust Companies which have signified their intention of accepting the provisions of the Federal Reserve Act, asking such banks to name their first, second and third choices of cities which would in the order indicated best accommodate the business convenience and serve the interests of the banks in question.

The returns received from this official canvass of the sentiment of banks have been classified and filed so as to show according to States and cities the location of the banks voting for each particular city named as a proper place for a Federal Reserve Bank. (See Exhibit #2).

In the same circular letter such banks were requested to submit a list of not less than eight nor more than twelve cities which would, in the opinion of their directors, furnish the best locations for the several Federal Reserve Cities to be designated in accordance with the provisions of the Federal Reserve Act.

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These returns were filed and classified according to States so as to show the number of banks in each State voting for the cities named. (See Exhibit #3).

In addition to this classification I have had prepared two sets of maps of the various States showing the counties in such States, and on one set have indicated the county from which each voluntary suggestion emanated and the city in which those sending in such suggestions desired a Federal Reserve Bank to be established. (See Exhibit #4).

In like manner I have caused to be recorded on another set of maps, showing the States and counties, the result of the official count as shown by the cards sent in in response to the circular letter from this office above referred to. (See Exhibit #5.).

These exhibits will show as far as can be determined from the files of this office the sentiment expressed by various banks, business organizations and individuals as to where Federal Reserve Banks should be established to best accommodate the convenience and interest of localities involved.

Anticipating that the districts to be served will not be coterminous with State lines and that it will be

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necessary to divide such states along county lines, I am filing with this report, as Exhibit #6, photographic copies of maps of various States showing the counties of each State, the number of banks in each county, and the total capital and surplus of such banks in each county. It is necessary to examine this map in connection with Exhibits #4 and #5, since a number of counties show no response; and in many instances this is due to the fact that no banks are located in such counties. Exhibit #6 is further intended to enable the Committee to determine the available capital by counties for the Federal Reserve Banks, when the districts are defined.

EXHIBITS AT HEARINGS.

In order that those exhibits which have been made a part of the testimony of witnesses at the various hearings may be readily at hand for the Committee's consideration, I have had each such exhibit filed with the folder relating to the hearing at which such testimony was offered. These have been regularly indexed showing by whom submitted and the general subject matter. While a separate index has been filed with each folder, I have also attached to this report a copy of each index so that the Committee may more

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conveniently call for any papers, maps or other exhibits desired.

GENERAL CORRESPONDENCE.

Correspondence relating to matters other than the establishment of Federal Reserve Cities and the geographical limits of districts to be served has been filed according to the subject matter to which such letters and telegrams relate; and inasmuch as they involve a number of miscellaneous matters for the Committee's consideration, will be made the subject of a separate report dealing with such matters.

Respectfully,

W. P. G. Harding

Secretary.

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- E X H I B I T S -

EXHIBIT #1: Showing the result of an analysis of the correspondence in the office relating to proper locations for Federal Reserve Banks -- Page 7

EXHIBIT #2: Showing an analysis by States of the first, second and third choices of locations of Federal Reserve Cities of banks which have signified their intention of becoming members of the Federal Reserve system. - - - - Page 17

EXHIBIT #7: Index to Exhibits filed at various hearings - - Page 67

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RESERVE BANK ORGANIZATION COMMITTEE.

EXHIBIT #1.
(Filed with Secretary's Report)

Showing the result of an analysis of the correspondence in the office relating to proper locations for Federal Reserve Banks.

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	Banks	Trade Organizations.	Companies and Individuals.
ATLANTA			
From			
Georgia	30	7	40
Miscellaneous			11
BALTIMORE			
From			
Miscellaneous	14	3	5
BIRMINGHAM			
From			
Miscellaneous	3		7
BOSTON			
From			
Miscellaneous	4	3	1
CHARLOTTE			
From			
South Carolina	51		5
From			
Miscellaneous	3	1	1
CHATTANOOGA			
From			
Miscellaneous	2	1	2
CHICAGO			
From			
Illinois	21		
1 Clearing House			
1 Federation of bankers			
Michigan	19	2	
Miscellaneous	5		
1 Clearing House			
CINCINNATI			
From			

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CINCINNATI

	Banks	Trade Organizations	Companies & Individuals.
From			
Kentucky	49	1	1
Ohio	135	20	14
Tennessee	5	2	2
Indiana	56	2	1
West Virginia	32	3	1
Miscellaneous	5		

CLEVELAND

From			
Ohio	27	5	3
2 Clearing Houses			
Miscellaneous	2		

COLUMBIA

From			
South Carolina	9		9
1 Bankers Assn.			

DALLAS

From			
Texas	108	14	12
Miscellaneous	1		

DENVER

From			
Colorado	7		2
Miscellaneous	3		1

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Federal Reserve Bank of St. Louis

EL Paso	Banks	Trade Organizations	Companies & Individuals
Miscellaneous	1		

FORT WORTH			
From			
Texas	151	1	3
1 Clearing House			
Oklahoma	12		

GALVESTON			
Miscellaneous		3	
1 Clearing House Assn.			

HOUSTON			
From			
Texas	1		
1 Clearing House		3	1

JACKSONVILLE			
From Florida			2

KANSAS CITY			
From Kansas	73	3	3
3 Clearing Houses			
1 Banking Association			
Missouri	76	7	1
2 Clearing Houses			
Oklahoma	32		
Miscellaneous	5		

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	Banks	Trade Organizations	Companies & Individuals
LINCOLN			
From			
Nebraska			
1 Clearing House		1	1
LITTLE ROCK			
From			
Arkansas	1		
LOS ANGELES			
Miscellaneous	3	1	1
LOUISVILLE			
From			
Alabama	1		25
Indiana	7	1	69
Kentucky	95	11	199
1 Clearing House			
Mississippi			16
Tennessee	8		50
Miscellaneous			47

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Federal Reserve Bank of St. Louis

Memphis

	Banks	Trade Organizations	Companies & Individuals
From			
Tennessee		7	3
1 Banking Association.			
Miscellaneous	2	2	2

Minneapolis

From			
Minnesota	464	3	26
1 Clearing House Assn.			
From			
Montana	69		7
From			
North Dakota	419	3	57
From			
South Dakota	250	2	18
Miscellaneous	32		4

Nashville

From			
Tennessee			7
1 Clearing House Assn.			

New Orleans

From			
Louisiana	1	8	
Miscellaneous	2	2	

Omaha

Miscellaneous	7		

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Philadelphia	Banks	Trade Organizations	Companies & Individuals
From Delaware	17	1	1
From New Jersey	45		1
From Pennsylvania	231	4	24
2 Banking Assn.			
Miscellaneous	10		

Pittsburg			
From W. Virginia	14	1	1
From Pennsylvania			
Pennsylvania	59	25	5
1 Clearing House Assn.			
Miscellaneous	3		1

Portland			
From Oregon	7	33	1
Miscellaneous			1

Richmond, Va.			
From North Carolina	56	20	264
From Virginia	96	32	342
From South Carolina	31	2	46
1 Clearing House Assn.			

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Reserve Bank of St. Louis

Richmond (Continued)	Banks	Trade Organizations	Companies & Individuals
Miscellaneous			
Florida	1		10
Georgia	1		12
Mississippi	1		4
Nebraska			1
New York			3
Tennessee		1	12
Texas			1
W. Virginia	7		19

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	Banks	Trade Organizations	Companies & Individuals.
SAN FRANCISCO			
From			
Miscellaneous	3	1	
1 Clearing House			
Salt Lake			
From			
Miscellaneous	2	2	2
SAVANNAH			
From			
Georgia	7	1	6
1 Clearing House			
Miscellaneous	1		1
SEATTLE			
From			
Washington	54	29	18
1 Clearing House			
1 Bankers Assn.			
City Officers of Olympia			
Supreme Court			
Gov. H. D. Crowe			
Miscellaneous	7	4	1
Gov. of Alaska			
SPOKANE			
From			
Washington	13	3	5
1 Clearing House			
Miscellaneous	11		

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ST LOUIS

From	Banks	Trade Organizations	Companies & Individuals
Missouri		25	2
1 Clearing House Miscellaneous 2 Clearing House	11	7	1

ST. PAUL

From			
Miscellaneous 1 Clearing House	17	1	27

TWIN CITIES

From			
Miscellaneous	26	2	2

WACO

From			
Texas			1

Washington D. C.

From			
Miscellaneous 1 Clearing House 1 Deprt. Finance N. Y.	18	1	

WICHETA

From			
Kansas State		1	

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	Banks	Trade Organizations.	Companies and Individuals.
ATLANTA			
From			
Georgia	30	7	40
Miscellaneous			11
BALTIMORE			
From			
Miscellaneous	14	3	5
BIRMINGHAM			
From			
Miscellaneous	3		7
BOSTON			
From			
Miscellaneous	4	3	1
CHARLOTTE			
From			
South Carolina	51		5
From			
Miscellaneous	3	1	1
CHATTANOOGA			
From			
Miscellaneous	2	1	2
CHICAGO			
From			
Illinois	21		
1 Clearing House			
1 Federation of bankers			
Michigan	19	2	
Miscellaneous	5		
1 Clearing House			

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CINCINNATI

	Banks	Trade Organizations	Companies & Individuals.
From			
Kentucky	49	1	1
Ohio	135	20	14
Tennessee	5	2	2
Indiana	56	2	1
West Virginia	32	3	1
Miscellaneous	5		

CLEVELAND

From			
Ohio	27	5	3
2 Clearing Houses			
Miscellaneous	2		

COLUMBIA

From			
South Carolina	9		9
1 Bankers Assn.			

DALLAS

From			
Texas	108	14	12
Miscellaneous	1		

DENVER

From			
Colorado	7		2
Miscellaneous	3		1

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EL Paso	Banks	Trade Organizations	Companies & Individuals
Miscellaneous	1		

FORT WORTH			
From			
Texas 1 Clearing House	151	1	3
Oklahoma	12		

GALVESTON			
Miscellaneous 1 Clearing House Assn.		3	

HOUSTON			
From			
Texas 1 Clearing House	1	3	1

JACKSONVILLE			
From Florida			2

KANSAS CITY			
From Kansas 3 Clearing Houses 1 Banking Association	73	3	3
Missouri 2 Clearing Houses	76	7	1
Oklahoma	32		
Miscellaneous	5		

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Federal Reserve Bank of St. Louis

	Banks	Trade Organizations	Companies & Individuals
LINCOLN			
From			
Nebraska			
1 Clearing House		1	1
LITTLE ROCK			
From			
Arkansas	1		
LOS ANGELES			
Miscellaneous	3	1	1
LOUISVILLE			
From			
Alabama	1		25
Indiana	7	1	69
Kentucky	95	11	199
1 Clearing House			
Mississippi			16
Tennessee	8		50
Miscellaneous			47

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Memphis

From	Banks	Trade Organizations	Companies & Individuals
Tennessee		7	3
1 Banking Association.			
Miscellaneous	2	2	2

Minneapolis

From			
Minnesota	464	3	26
1 Clearing House Assn.			
From			
Montana	69		7
From			
North Dakota	419	3	57
From			
South Dakota	250	2	18
Miscellaneous	32		4

Nashville

From			
Tennessee			7
1 Clearing House Assn.			

New Orleans

From		
Louisiana	1	8
Miscellaneous	2	2

Omaha

Miscellaneous	7

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Philadelphia	Banks	Trade Organizations	Companies & Individuals
From Delaware	17	1	1
From New Jersey	45		1
From Pennsylvania	231	4	24
2 Banking Assn.			
Miscellaneous	10		
Pittsburg			
From W. Virginia	14	1	1
From Pennsylvania			
Pennsylvania	59	25	5
1 Clearing House Assn.			
Miscellaneous	3		1
Portland			
From Oregon	7	33	1
Miscellaneous			1
Richmond, Va.			
From North Carolina	58	20	264
From Virginia	96	32	342
From South Carolina	31	2	46
1 Clearing House Assn.			

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Richmond (Continued)	Banks	Trade Organizations	Companies & Individuals
Miscellaneous			
Florida	1		10
Georgia	1		12
Mississippi	1		4
Nebraska			1
New York			3
Tennessee		1	12
Texas			1
W. Virginia	7		19

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Federal Reserve Bank of St. Louis

	Banks	Trade Organizations	Companies & Individuals
ST LOUIS			
From			
Missouri		25	2
1 Clearing House			
Miscellaneous	11	7	1
2 Clearing House			
ST. PAUL			
From			
Miscellaneous	17	1	27
1 Clearing House			
TWIN CITIES			
From			
Miscellaneous	26	2	2
WACO			
From			
Texas			1
Washington D. C.			
From			
Miscellaneous	18	1	
1 Clearing House			
1 Deprt. Finance N. Y.			
WICHETA			
From			
Kansas State		1	

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SAN FRANCISCO

	Banks	Trade Organizations	Companies & Individuals.
From			
Miscellaneous	3	1	
1 Clearing House			

Salt Lake

From			
Miscellaneous	2	2	2

SAVANNAH

From			
Georgia	7	1	6
1 Clearing House			
Miscellaneous	1		1

SEATTLE

From			
Washington	54	29	16
1 Clearing House			
1 Bankers Assn.			
City Officers of Olympia			
Supreme Court			
Gov. H. D. Crowe			
Miscellaneous	7	4	1
Gov. of Alaska			

SPOKANE

From			
Washington	13	5	5
1 Clearing House			
Miscellaneous	11		

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Federal Reserve Bank of St. Louis

RESERVE BANK ORGANIZATION COMMITTEE.

EXHIBIT #2
(Filed with Secretary's Report)

Showing an analysis by States of the first, second and third choices of locations of Federal Reserve Cities of banks which have signified their intention of becoming members of the Federal Reserve system.

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ALABAMA

Cities suggested as Federal Reserve Cities by banks in ALABAMA, classified so as to show first, second and third choice of banks voting.

Suggested location for Federal Reserve Bank.	No. of banks voting for city suggested.
FIRST CHOICE	
Birmingham	52
Atlanta	7
Montgomery	4
New Orleans	3
Savannah	3
St.Louis	1
SECOND CHOICE	
Atlanta	32
New Orleans	9
Birmingham	8
Cincinnati	3
Nashville	3
Louisville	2
Chattanooga	2
Savannah	2
Montgomery	1
Mobile	1
St.Louis	1
Memphis	1
THIRD CHOICE	
New Orleans	25
Atlanta	13
Savannah	6
Cincinnati	4
St.Louis	3
Chattanooga	3
Memphis	1
Birmingham	1
Montgomery	1
Louisville	3

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ARIZONA

FIRST CHOICE	
San Francisco	7
Los Angeles	2
Kansas City	1

SECOND CHOICE	
Los Angeles	4
San Francisco	3
Denver	1
Kansas City	1

THIRD CHOICE	
Denver	2
Chicago	1
Phoenix	1
St.Louis	1
ElPaso	1

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ARKANSAS

FIRST CHOICE

St. Louis	45
Kansas City	2

SECOND CHOICE

Kansas City	12
Chicago	11
Memphis	5
New Orleans	5
St. Louis	2
Dallas	1
Minneapolis	1

THIRD CHOICE

New Orleans	11
Chicago	7
New York	4
Kansas City	2
Little Rock	1
Ft. Smith	1

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CALIFORNIA

FIRST CHOICE

San Francisco	175
Los Angeles	22
Fresno	1

SECOND CHOICE

Los Angeles	66
San Francisco	24
New York	4
Portland	4
Oakland	4
Sacramento	4
Chicago	3
Fresno	1

THIRD CHOICE

Portland	14
Seattle	8
Los Angeles	6
Chicago	5
Sacramento	4
San Diego	4
Denver	3
St. Louis	2
Kansas City	2
Fresno	2
Oakland	1
Reno	1
Stockton	1
Salt Lake City	1
San Francisco	1

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COLORADO

FIRST CHOICE

Denver	99

SECOND CHOICE

Kansas City	32
Omaha	23
Chicago	17
Lincoln	3
St. Louis	3
Salt Lake City	3
Pueblo	1

THIRD CHOICE

Omaha	24
Kansas City	23
Chicago	12
St. Louis	11
Lincoln	4
San Francisco	2
New York	1

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CONNECTICUT

FIRST CHOICE

New York	58
Boston	6

SECOND CHOICE

Boston	35
New York	5
Philadelphia	2
Hartford	1
New Haven	1

THIRD CHOICE

Philadelphia	23
Hartford	4
Boston	3
Middletown	1
Springfield	1
Albany	1

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DELAWARE

FIRST CHOICE

Philadelphia	23
Baltimore	1

SECOND CHOICE

New York	16
Baltimore	3
Philadelphia	2

THIRD CHOICE

Baltimore	4
New York	3
Washington	2
Boston	1

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DISTRICT OF COLUMBIA

FIRST CHOICE

Washington	12

SECOND CHOICE

Baltimore	10
Philadelphia	1
New York	1

THIRD CHOICE

Philadelphia	11

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FLORIDA

FIRST CHOICE

Atlanta	16
Jacksonville	13
New Orleans	4
Savannah	3
Richmond	1

SECOND CHOICE

Atlanta	16
Savannah	11
New Orleans	4
Richmond	2
Baltimore	1

THIRD CHOICE

Savannah	11
Richmond	8
Atlanta	3
Birmingham	4
New Orleans	2
Jacksonville	2

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GEORGIA

FIRST CHOICE	
Atlanta	83
Savannah	16

SECOND CHOICE	
Savannah	42
Atlanta	16
Chattanooga	8
Richmond	6
Baltimore	3
Washington	2
Jacksonville	2
Cincinnati	1
Nashville	1
Birmingham	1
Macon	1
New York	1

THIRD CHOICE	
Richmond	22
New Orleans	10
Birmingham	9
Baltimore	8
Atlanta	4
Savannah	4
Louisville	3
Columbia	3
Augusta	2
Montgomery	2
Cincinnati	1
Washington	1
Nashville	1
Chattanooga	1

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IDAHO

FIRST CHOICE

Salt Lake	11
Portland	9
Spokane	7
San Francisco	7
Omaha	2
Chicago	2

SECOND CHOICE

Portland	13
San Francisco	9
Denver	5
Minneapolis	3
Chicago	3
St. Paul	3
Omaha	1
Salt Lake	2
Kansas City	1
New York	1

THIRD CHOICE

San Francisco	15
Omaha	6
Seattle	4
Chicago	4
Salt Lake	3
Spokane	3
St. Paul	1
Portland	1
Twin Cities	1

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ILLINOIS

FIRST CHOICE

Chicago	295
St. Louis	109

SECOND CHOICE

St. Louis	103
Chicago	99
New York	20
Peoria	6
Indianapolis	4
Evansville	3
Milwaukee	3
Cleveland	2
Detroit	1
Minneapolis	1
Cincinnati	1
St. Paul	1

THIRD CHOICE

St. Louis	28
New York	25
Indianapolis	20
Cincinnati	14
Kansas City	10
Chicago	8
Peoria	4
St. Paul	3
Cleveland	2
Boston	2
Joliet	2
Pittsburg	2
Evansville	1
Omaha	1
Washington	1
Grand Rapids	1
Minneapolis	2
New Orleans	1
Rock Island	1
Duluth-	1
Louisville	1
Cairo	2
Denver	1
Springfield	1

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INDIANA

FIRST CHOICE	
Chicago	130
Cincinnati	62
Indianapolis	19
Louisville	14
St.Louis	2

SECOND CHOICE	
Chicago	67
Cincinnati	53
Indianapolis	27
St.Louis	20
Louisville	20
New York	5
Cleveland	2
Philadelphia	1
Pittsburgh	1
Washington	1
Kansas City	1

THIRD CHOICE	
St.Louis	54
Cincinnati	37
Chicago	29
Louisville	26
Indianapolis	14
New York	4
Cleveland	4
Pittsburgh	2

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IOWA

FIRST CHOICE	
Chicago	244
Des Moines	16
Omaha	14
Minneapolis	6
Sioux City	5

SECOND CHOICE	
Minneapolis	38
Omaha	38
Chicago	36
Des Moines	29
Sioux City	17
St.Louis	12
St.Paul	8
Kansas City	8
Cedar Rapids	5
New York	5
Boston	2
Dubuque	1

THIRD CHOICE	
Omaha	32
Des Moines	20
Minneapolis	33
St.Louis	19
Kansas City	16
Chicago	10
St.Paul	7
Devenport	4
Sioux City	3
Boston	2
New York	2
Denver	1

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KANSAS

FIRST CHOICE	
Kansas City	177
Wichita	2

SECOND CHOICE	
St.Louis	65
Chicago	49
Omaha	4
Kansas City	5
Wichita	3
St.Joseph	3
Topeka	1
Lincoln	1
Kansas City,Kans.	1
New York	1

THIRD CHOICE	
Chicago	59
St.Louis	42
New York	6
Omaha	4
Topeka	3
Lincoln	2
Denver	2
St.Paul	1
Wichita	1

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KENTUCKY.

	First.	Second.	Third.
Atlanta			7
Baltimore		2	1
Birmingham			2
Chattanooga			1
Chicago		10	32
Cincinnati	34	51	12
Cleveland			1
Indianapolis			2
Knoxville			1
Louisville	92	32	1
Memphis			2
Nashville		5	4
New Orleans			3
New York		2	4
Pittsburg		1	
Richmond		1	15
St. Louis	1	18	18
	127	122	106

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KENTUCKY

FIRST CHOICE	
Louisville	90
Cincinnati	33

SECOND CHOICE	
Cincinnati	51
Louisville	27
St.Louis	16
Chicago	10
Nashville	4
Atlanta	3
New York	2
Baltimore	2
Albany	1
Pittsburgh-	1
Richmond	1

See preceding sheet

THIRD CHOICE	
Chicago	32
St.Louis	18
Cincinnati	12
Richmond	15
Atlanta	6
New York	4
Nashville	4
Memphis	2
Indianapolis	2
Chattanooga	1
Boston	1
Cleveland	1
New Orleans	2
Baltimore	1
Knoxville	1
Louisville	1
Birmingham	1

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LOUISIANA

FIRST CHOICE	
New Orleans	21
St.Louis	2

SECOND CHOICE	
St.Louis	8
New Orleans	2
Memphis	2
Dallas	2
Chicago	1
New York	1
Atlanta	1
Houston	2

THIRD CHOICE	
St.Louis	4
Atlanta	4
Dallas	3
Chicago	2
New Orleans	2
Memphis	1
Houston	1
Shreveport	1

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MAINE

FIRST CHOICE	
Boston	57
New York	2

SECOND CHOICE	
New York	34
Boston	2
Chicago	1

THIRD CHOICE	
Philadelphia	15
New York	10
Chicago	3
Washington	1
Albany	1

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MARYLAND

FIRST CHOICE	
Baltimore	93
Washington	1
New York	1

SECOND CHOICE	
Philadelphia	23
Washington	23
New York	12
Baltimore	8
Pittsburgh	4
Cincinnati	1
Richmond	1

THIRD CHOICE	
Philadelphia	19
New York	12
Washington	13
Baltimore	5
Pittsburgh	7
Richmond	3

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MASSACHUSETTS

FIRST CHOICE	
Boston	130
New York	17

SECOND CHOICE	
New York	69
Boston	12
Springfield	1
Providence	1

THIRD CHOICE	
Philadelphia	18
Albany	11
Chicago	5
Washington	4
Springfield	2
New York	2

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MICHIGAN

	First	Second	Third
Boston			1
Chicago	73	22	1
Cincinnati			4
Cleveland		2	16
Detroit	23	27	2
Grand Rapids			4
Kalamazoo			1
Milwaukee		5	3
Minneapolis		3	2
Muskegon			1
New York		1	7
St.Paul			1
Twin Cities (St.Paul or Minneapolis)			1
Toledo			1
Total	96	60	45

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MICHIGAN

FIRST CHOICE	
Chicago	71
Detroit	22

SECOND CHOICE	
Detroit	25
Chicago	23
Milwaukee	5
Minneapolis	3
Cleveland	2
New York	1

See corrected sheet - just preceding.

THIRD CHOICE	
Cleveland	15
New York	7
Cincinnati	4
Chicago	3
Minneapolis	3
Grand Rapids	3
Detroit	3
Milwaukee	1
Toledo	1
Boston	1
Muskegon	1
Kalamazoo	1
St.Paul	1

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MISSISSIPPI

FIRST CHOICE	
New Orleans	15
Memphis	7
St Louis	4
Birmingham	1

SECOND CHOICE	
New Orleans	7
Memphis	7
St.Louis	5
New York	1
Mobile	1
Cincinnati	1

THIRD CHOICE	
Atlanta	5
Memphis	3
New Orleans	3
Chicago	3
~~Chicago~~	~~3~~
Birmingham	3
St.Louis	2
Mobile	1
Cincinnati	1

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MISSOURI

FIRST CHOICE	
Kansas	60
St.Louis	44
Chicago	4

SECOND CHOICE	
St.Louis	40
Chicago	10
Kansas City	22
New York	1

THIRD CHOICE	
Chicago	39
St.Louis	6
Kansas City	3
Springfield	3
Omaha	1

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MINNESOTA

FIRST CHOICE	
Minneapolis	181
St.Paul	49
Chicago	8

SECOND CHOICE	
St.Paul	158
Minneapolis	48
Chicago	23
Detroit	2
Sioux City	1
Milwaukee	2

THIRD CHOICE	
Chicago	164
St.Paul	9
Duluth	7
Fargo	2
Mankato	2
St.Louis	2
Minneapolis	1
Dubuque	1
New York	1
Sioux City	1
Milwaukee	1
Detroit	2

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MONTANA

FIRST CHOICE	
Minneapolis	19
St.Paul	10
Spokane	3
Chicago	½

SECOND CHOICE	
Chicago	22
St.Paul	13
Minneapolis	9
Seattle	2
Omaha	1

THIRD CHOICE	
Chicago	22
Spokane	7
St.Paul	3
Denver	2
St.Louis	2
Omaha	1
New York	1
Seattle	½
Portland	1

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NEBRASKA

FIRST CHOICE	
Omaha	166
Lincoln	17
Kansas City	7
Chicago	5
Sioux City	3
Denver	1

SECOND CHOICE	
Chicago	100
Lincoln	46
Omaha	24
Kansas City	9
Denver	6
Sioux City	4
St.Louis	1

THIRD CHOICE	
Chicago	47
Kansas City	38
St.Louis	24
Lincoln	22
Minneapolis	9
Denver	5
Omaha	3
Sioux City	3
St.Joseph	2
New York	3
Fremont	1
St.Paul	1

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NEVADA

FIRST CHOICE	
San Francisco	5
Salt Lake	2

Second choice	
San Francisco	2
Salt Lake	2
Los Angeles	1

THIRD CHOICE	
Denver	3
Omaha	1

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NEW HAMPSHIRE

FIRST CHOICE	
Boston	49

SECOND CHOICE	
New York	27
Boston	3
Concord	1

Third Choice	
Philadelphia	9
Boston	2
New York	2
Albany	1
Chicago	1
Atlanta	1

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NEW JERSEY

FIRST CHOICE

New York	120
Philadelphia	66
Boston	1

SECOND CHOICE

Philadelphia	61
New York	55
Newark	4
Paterson	3
Boston	2
Jersey City	1
Washington	1

THIRD CHOICE

Boston	25
Philadelphia	5
Baltimore	4
Washington	4
Newark	3
Jersey City	3
Chicago	2
Atlanta	2
Pittsburgh	1
New York	2
Buffalo	1

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NEW MEXICO

FIRST CHOICE	
Kansas City	14
Denver	10
Dallas	3
El Paso	1

SECOND CHOICE	
Kansas City	10
Denver	6
Dallas	4
St.Louis	1
Ft.Worth	1
Wl Paso	1

THIRD CHOICE	
Chicago	5
St.Louis	5
Dallas	4
Denver	2
Kansas City	2
Houston	1
San Francisco-	1

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NEW YORK

FIRST CHOICE	
New York	379
Buffalo	13
Albany	10
Boston	1

SECOND CHOICE	
Albany	63
Philadelphia	57
Boston	33
New York	29
Buffalo	9
Chicago	6
Cleveland	5
Syracuse	5
Washington	3
Rochester	2
Troy	1
Brooklyn	1
Schenectady	1
Utica	1
Pittsburgh	6

THIRD CHOICE	
Boston	54
Philadelphia	45
Albany	25
New York	13
Rochester	9
Washington	5
Chicago	5
Pittsburgh	5
Utica	4
San Francisco	3
Syracuse	4
St.Louis	2
Atlanta	1
Buffalo	16
Kingston	1
Cleveland	1

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NORTH CAROLINA

FIRST CHOICE	
Richmond	42
Charlotte	18
Washington	2

SECOND CHOICE	
Baltimore	21
Richmond	14
Charlotte	8
Washington	7
Philadelphia	4
New York	3
Columbia	1
Atlanta	1

THIRD CHOICE	
Baltimore	22
Washington	13
Philadelphia	7
Charlotte	5
New York	3
Richmond-	2
Atlanta	2

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NORTH DAKOTA

FIRST CHOICE	
Minneapolis	93
St.Paul	18
Chicago	1

SECOND CHOICE	
St.Paul	77
Minneapolis	19
Chicago	7

THIRD CHOICE	
Chicago	83
Duluth	3
St.Paul	2
Minneapolis	1
Fargo	1

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OHIO

FIRST CHOICE

Cincinnati	155
Cleveland	106
Columbus	32
Pittsburgh	29

SECOND CHOICE

Cleveland	79
Cincinnati	53
Pittsburgh	46
Columbus	41
Chicago	34
Louisville	7
Indianapolis	3
New York	2
Washington	1
St. Louis	1
Youngstown	1
Baltimore	1

THIRD CHOICE

Cincinnati	54
Pittsburgh	40
Chicago	35
Cleveland	52
Columbus	30
New York	11
Louisville	8
Indianapolis	5
Detroit	5
St. Louis	6
Baltimore	2
New Orleans	1
Philadelphia	1
Washington	1
Youngstown	1
Kansas City	1

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OKLAHOMA

FIRST CHOICE

Kansas City	181
St. Louis	50
Dallas	17

SECOND CHOICE

St. Louis	148
Kansas City	57
Dallas	9
Oklahoma City	7
Wichita	3
Chicago	5
St. Louis	

THIRD CHOICE

Chicago	56
Dallas	41
St. Louis	27
Oklahoma City	15
Kansas City	8
Ft. Worth	6
Tulsa	4
New York	3
Houston	2
Wichita	1
Omaha	1
Des Moines	1
Philadelphia	1
New Orleans	1
St. Joseph	2
Muskogee	1

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OREGON

FIRST CHOICE

Portland	49
San Francisco	15
Spokane	1

SECOND CHOICE

San Francisco	40
Portland	10
Seattle	6
Spokane	2
Chicago	1
Minneapolis	1

THIRD CHOICE

Seattle	28
Spokane	9
San Francisco	7
Denver	2
Chicago	1
Los Angeles	1

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PENNSYLVANIA

FIRST CHOICE	
Philadelphia	402
Pittsburgh	274
New York	39
Baltimore	10
Cleveland	3
Boston	2
Buffalo	1
Washington	1

SECOND CHOICE	
New York	456
Pittsburgh	33
Philadelphia	112
Baltimore	13
Cleveland	12
Washington	8
Boston	3
Buffalo	3
Harrisburg	3
Chicago	1
Lancaster	1

THIRD CHOICE	
Philadelphia	78
Chicago	72
New York	68
Pittsburgh	39
Washington	36
Boston	32
Baltimore	26
Cleveland	13
Buffalo	3
Harrisburg	1
Uniontown	1
Reading	1
Altoona	1
Lancaster	1

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RHODE ISLAND

FIRST CHOICE	
Boston	10
New York	4

SECOND CHOICE	
New York	7
Boston	4

THIRD CHOICE	
Philadelphia	4

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SOUTH CAROLINA

FIRST CHOICE	
Columbia	26
Richmond	11
Baltimore	1
Washington	1
Charlotte	1

SECOND CHOICE	
Richmond	25
Baltimore	6
Columbia	4
Charlotte	2
Atlanta	1
Washington	1

THIRD CHOICE	
Baltimore	16
Washington	8
Charlotte	4
Richmond	3
Savannah	2
Raleigh	1

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SOUTH DAKOTA

FIRST CHOICE	
Minneapolis	52
Chicago	24
Omaha	8
St. Paul	5
Sioux City	2

SECOND CHOICE	
St. Paul	37
Chicago	24
Minneapolis	12
Sioux City	8
Omaha	5
Memphis	1
Denver	1

THIRD CHOICE	
Chicago	34
Sioux City	8
Minneapolis	10
Omaha	7
St. Paul	6
New York	3
Denver	3
Des Moines	1
Kansas City	1

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TENNESSEE

FIRST CHOICE	
Nashville	26
Cahttanooga	11
Cincinnati	12
Atlanta	7
Memphis	8
St. Louis	8
Louisville	8
Richmond	2
Baltimore	1

SECOND CHOICE	
Cincinnati	16
Louisville	14
Atlanta	13
Nashville	11
St. Louis	9
Chattanooga	7
Memphis	6
Richmond	4
Knoxville	3

THIRD CHOICE	
Cincinnati	15
Atlanta	13
Louisville	9
St. Louis	17
Nashville	5
Richmond	5
Memphis	3
Baltimore	2
Chicago	2
New York	2
New Orleans	2
Chattanooga	1

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TEXAS

FIRST CHOICE	
Dallas	201
Houston	88
Ft. Worth	62
St. Louis	13
Kansas City	11
Waco	2
Galveston	2
San Antonio	1

SECOND CHOICE	
Dallas	105
St. Louis	83
Houston	74
Ft. Worth	64
Kansas City	13
Galveston	3
New Orleans	2
San Antonio	2
Chicago	5
Austin	1
Wichita	1
Waco	1
Oklahoma	1

THIRD CHOICE	
St. Louis	90
Houston	69
New Orleans	39
Kansas City	37
Dallas	23
Ft. Worth	26
San Antonio	12
Waco	9
Austin	6
Galveston	4
Chicago	4
Denver	1
El Paso	1
Okalhoma	1
Atlanta	1
San Francisco	4

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UTAH

FIRST CHOICE	
Salt Lake	11
San Francisco	5

SECOND CHOICE	
San Francisco	8
Denver	4

THIRD CHOICE	
Denver	4
Omaha	4
San Francisco	2
Los Angeles	1

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VERMONT

FIRST CHOICE	
Boston	20
New York	17

SECOND CHOICE	
New York	15
Boston	13
Albany	3

THIRD CHOICE	
Philadelphia	5
AlbanY	4
Boston	2
Chicago	1
New York	1

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VIRGINIA

FIRST CHOICE	
Richmond	90
Baltimore	10
Washington	9
New York	1
Cincinnati	1

SECOND CHOICE	
Baltimore	43
Washington	33
Philadelphia	8
Richmond	8
New York	5
Cincinnati	1
Louisville	1

THIRD CHOICE	
Washington	29
Baltimore	23
Richmond	9
New York	16
Philadelphia	8
Cincinnati	2
Atlanta	2

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WASHINGTON

FIRST CHOICE	
Seattle	39
Spokane	16
San Francisco	8
Portland	8

SECOND CHOICE	
Portland	21
Seattle	17
San Francsico	15
Spokane	6
Chicago	5
Minneapolis	3
St.Paul	3

THIRD CHOICE	
San Francisco	21
Portland	15
Chicago	11
Seattle	5
Minneapolis	5
Spokane	5
St.Paul	1
St.Louis	1
Omaha	1
Twin Cities	1

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WEST VIRGINIA

FIRST CHOICE	
Pittsburgh	40
Cincinnati	25
Baltimore	20
Richmond	13
New York	1

SECOND CHOICE	
Baltimore	32
Cincinnati	19
Washington	18
Pittsburgh	11
Richmond	14
New York	7
Cleveland	2
Wheeling	1
Philadelphia	1

THIRD CHOICE	
Baltimore	24
Cincinnati	18
Washington	18
Pittsburgh	9
Richmond	8
New York	7
Philadelphia	5
Columbus	1
Chicago	1

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WISCONSIN

FIRST CHOICE	
Chicago	82
Milwaukee	14
Minneapolis	8
St.Paul	7

SECOND CHOICE	
Milwaukee	25
Minneapolis	18
Chicago	16
St.Paul	9
St.Louis	1
New York	1

THIRD CHOICE	
Minneapolis	20
Chicago	11
St.Paul	11
St.Louis	3
Milwaukee	2
Dubuque	1
Cleveland	1
Madison	1
New York	1

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WYOMING

FIRST CHOICE

Denver	12
Omaha	7
Salt Lake	4

SECOND CHOICE

Omaha	11
Denver	6
Chicago	5

THIRD CHOICE

Kansas City	4
Chicago	4
Omaha	4
Denver	2
Salt Lake	1
St.Louis	1

Total first choice 6229

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RESERVE BANK ORGANIZATION COMMITTEE.

EXHIBIT #7.
(Filed with Secretary's Report)

Index to Exhibits filed at various

Hearings.

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HEARINGS AT WASHINGTON
EXHIBITS FILED ON BEHALF OF

BALTIMORE

	EXHIBIT NO.
American Lumber Co., letters from Garysburg Mfg. Co., Burgaw, N. C., John L. Roper Mfg. Co.,	1.
Burgan, Wm. H., several letters from lumber companies in Virginia and North Carolina,	2.
Hurst & Company, letter from R. Z. Egerton, Louisburg, N. C.	3.
Ingle, Wm., encloses copy of letter sent to southern correspondents and statistics,	4.
Stabler, H. S.,	5.
Statement - General, - with statistics,	6.
Statistics,	7.
Statistics, - Baltimore Bargain House,	8.

MAPS

Submitted by Wm. Ingle	9.
Submitted by Wm. Gibbs	10.
Not identified,	11.

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EXHIBITS SUBMITTED AT HEARING IN

BOSTON

	EXHIBIT NO.
Adams, S. B., President Board of Trade, Portland, Main telegrams from:	1.
Blanding, E. M., Bangor, Maine Macomber, G. E., Agusta, Me. Roade, J. L., Lewiston, Me. Waterville Chamber of Commerce, Waterville, Me.	
Barron, C. W.,-Statement	2.
Blinn, C. P. Jr., Boston, Mass., Statistical matter	3.
Board of Trade, Holyoke, Mass. Telegram	4.
Boynton, M., Argument	5.
Clearing House Association, Boston, Mass. Resolutions	6.
Connecticut Banks and Organizations favoring New York City in preference to Boston:	7.
Aetna National Bank, Hartford, Conn. Charter Oak Nat'l Bank, Hartford, Conn. City Nat'l Bank, Hartford, Conn. Connecticut Bankers' Assn. Connecticut River Banking Co., Hartford, Conn. Connecticut Trust and Safe Deposit Co., Hartford, Conn. First Nat'l Bank, Hartford, Conn. Fidelity Trust Co., Hartford, Conn. Hartford Trust Co., Hartford, Conn. Hartford Business Men's Assn., Hartford, Conn. Hartford Clearing House Assn., Hartford, Conn. National Exchange Bank, Hartford, Conn. Phoenix National Bank, Hartford, Conn. Security Trust Co., Hartford, Conn. State Bank and Trust Co., Hartford, Conn. Thames National Bank, Norwich, Conn. United States Bank, Hartford, Conn.	

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EXHIBITS - Boston - 2.

	EXHIBIT NO.
Gaston, Wm. A. Pres. Nat'l Shawmut Bank, Boston, Mass., Letter from	8.
Billard J. L. of Lyon & Billard Co., Meridan, Conn. Dooley M. F., Pres., Nat'l Exchange Bank, Providence R. I. Tenney, Geor., Cashier, Peoples Nat'l Bank, Claremont, N.H.	
Harriman Bros., Boston, Mass. Letter and maps	9.
Higgins, W. D., Boston, Mass. Statistical matter	10.
McKibben, J. A. Boston, Mass., Secy. Boston Chamber of Commerce letters from:	11.
Board of Trade, Attleboro, Mass. Board of Trade, Belfast, Maine Board of Trade, Brattleboro, Vt. Board of Trade and Merchants Assn., Fitchburg, Mass. Board of Trade, Norwood, Mass. Wakefield Merchants and Business Mens' Assn., Wakefield, Mass.	
Miscellaneous statistical matter	12.
Merchants National Bank, Providence, R.I., Resolutions	13.
New England Shoe and Leather Association, report of special committee.	14.
North Berwich National Bank, North Berwick, Me., requesting Boston to be located for Regional Bank.	15.
Real Estate Exchange and Auction Board, Boston, Mass., statistics	16.
"Suggested list of organizations which whould be represented at the hearing on Regional Reserve Bank."	17.
Thacher, T.C. (NC) letter	18.

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EXHIBITS SUBMITTED AT HEARING IN

CHICAGO

EXHIBIT NO.

Clearing House Committee, Chicago, submits replies (395) received to a circular letter addressed to banks in Southern Illinois, indicating their choice as between Chicago and St.Louis; also enclosing copy of circular letter sent out by St. Louis Clearing-House Association, 1.

Epperson, Frank, Vice-President Manning and Epperson State Bank, Eddyville, Iowa, - map showing division of country into eight districts, 2.

Forgan, James B., - submits statistics and maps (3) showing general division of country into districts, suggestions as to commercial paper, etc. 3.

Rounds, Mr. - Submits maps for the Iowa State Bankers Association. 4.

Statement of reasons for establishing a Regional Reserve Bank in St. Paul. 5.

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EXHIBITS SUBMITTED AT HEARING IN

DENVER

	EXHIBIT NO.
Berger, G. B., - eligibility of State Banks in territory claimed by Denver,	1.
Burbridge, T. B., - additional data concerning movement of silver-lead ores from northern Idaho and western Montana to Denver,	2.
Joint Committee, Chamber of Commerce and Clearing House forwards various letters and memoranda	3.
Malone, R. H., - statement,	4.
Malone, R. H., - answer as to question of time between Omaha and Denver,	5.
Wyoming Bankers' Association, - resolution,	6.

See following page

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Federal Reserve Bank of St. Louis

EXHIBITS SUBMITTED AT HEARING IN

DENVER

	EXHIBIT NO.
Allen, Mr. - submits statement from the Mining States Telephone and Telegraph Company, and the Tri-State Telephone Company.	7.
Berger, Mr. - submits data from report of the Comptroller of the Currency.	8.
Blackwell, Mr. - submits resolution of the New Mexico Bankers Association.	9.
Burbridge, Mr. - submits data relating to the Metal Mining Industry.	10.
Burbridge, Mr. - additional data, including report on precious metals mined in various states.	11.
de Recqles, Mr. - statement on behalf of a Committee on Live Stock and Meat Packing.	12.
de Recqles, Mr. - resolution by American National Live Stock Association.	13.
de Recqles, Mr. - partial list of lamb and sheep feeders in Colorado.	14.
de Recqles, Mr. - statement and letters from various dealers regarding shipment of products, etc.	15.
Dixon, Mr. - statement regarding beet sugar industry.	16.
Edmonds,, Mr. - statement relative to Fire Insurance business.	17.
Jones, Mr. - letter from Senators Shrafroth and Thomas.	18.
Harrison, Mr. - statement regarding Denver as an insurance center.	19.

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	EXHIBIT NO.
Lloyd, Mr. - statement relative to business of W.U.T. Co.	20.
Malone, R.H. - statement and remarks, -	21.
Morey, Mr. - statement (accompanied by maps) regarding various wholesale businesses.	22.
Osgood, Mr. - statement relative to coal and coke, steel and iron --- etc., industries of Colorado.	23.
Roof, Fred O. - President Colorado Bankers Association, resolution of the Association.	24.
Shafroth, Mr. - statement relative to postal receipts and industries of Colorado and nearby states.	25.
Tidwell, Mr. - statement regarding fruit, produce, and poultry industries.	26.
Van Denson, Mr. - resolution of the Sheridan Commercial Club and the Industrial Club of Cheyenne.	27.
Jones, Gordon, - resolution of Colorado Springs Chamber of Commerce.	28.
Jones, Gordon - copies of his argument at Denver.	29.
MAPS	
Berger, Mr.- map of proposed district.	30.
Durham, Mr. - map of U.S. showing scope of industries.	31.
Jones, Gordon, - map.	32.
Malone, R. H. - map.	33.
" " "	34.
Shafroth, Mr. - map of proposed district .	35.

(Maps filed in separate folder.)

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EL PASO.

EXHIBITS SUBMITTED AT HEARING IN EL PASO.

	Exhibit No.
Bisbee, Ariz., - letters from the Warren District Commercial Club and several banks	1
Chamber of Commerce, Silver City, N. M. - resolutions	2
Clearing House Association, El Paso - statement,	3
"El Paso as a financial center",	4
"El Paso as a jobbing center",	5
"El Paso's manufactures and natural resources",	6
El Paso Herald, Jan. 24, 1914 - editorial	7
"El Paso and the Mining Industry",	8
Graves, E. W., - letters from Douglas, Arizona as follows: Douglas Chamber of Commerce and Mines, The Bank of Douglas, The First National Bank	9
List of witnesses,	10
"Live Stock"	11
Newspaper map showing resources of El Paso	12
Railroad and train statistics,	13
Rio Grande Valley of New Mexico - statement,	14

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	Exhibit No.
Solomon, C. F. - letter from Chamber of Commerce, Tucson Ariz.	15
Solomon C. F. - table showing capital, surplus and deposits,	16
Thompson, Mark B., authority to appear for certain banks in the Cruces, N. M.	17

MAPS.

Showing banks in each town having accounts in El. Paso.	18

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EXHIBITS SUBMITTED AT HEARING IN

FORT WORTH.

EXHIBIT NO.

Pamphlet giving reasons why a regional bank should be located in Fort Worth, signed by the President of the Chamber of Commerce, the President of the Fort Worth Clearing House and the Mayor of Fort Worth. Map attached. 1.

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HEARING IN

KANSAS CITY

EXHIBIT NO.

1. Kansas City Clearing House Association:
One package said to contain signed statements from fifteen hundred banks expressing their desire that a Federal Reserve Bank be located in Kansas City, distributed as follows:

Arkansas	5
Colorado	4
Kansas	825
Missouri	211
Nebraska	19
New Mexico	20
Oklahoma	397
Texas	19

2. Kansas Bankers Association, Topeka:
One package said to contain approximately one thousand cards from banks in Kansas favoring the selection of Kansas City for the location of a Federal Reserve Bank.

3. Resolutions and letters, - one file.

4. Resolutions and letters refuting statement of J. C. Schneider, -

5. Testimony introduced by Banks and Trust Companies ,-

(Exhibits are bulky, and no folder has been made.)

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EXHIBITS SUBMITTED AT HEARING IN

LINCOLN

	EXHIBIT NO.
American Smelting and Refining Company, - statistics,	1.
Banks of Omaha and South Omaha, - additional data,	2.
Chicago, Burlington and Quincy, - statement,	3.
Delano, E. S. Secretary-Treasurer Nebraska Farmers' Congress,-Brief relative to the location of a Reserve Bank in Nebraska,	4.
French, J. C., Cashier stockyards National Bank, South Omaha, - additional data,	5.
Post-Office, Omaha, - statement of receipts,	6.
Union Pacific, - statement,	7.
Wright and Wilhelmy Co.,wholesale hardware, Omaha, - table giving percentage of distribution in various states,	8.
Yates, Henry W., President Nebraska National Bank of Omaha, - brief,	9.
Yates, Henry W., - Matter of telegram relating to Political Pull",	10.

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EXHIBIT NO.

Omaha Clearing House Association : 11.

One large package containing cards and letters said to be distributed as follows:

FOR OMAHA

from

Nebraska	853
Iowa	476
Wyoming	39
So.Dakota	39
Idaho	40
Colorado	8
Utah	6

FOR LINCOLN

from

Nebraska	70

FOR DANVER

from

Iowa	6
Wyoming	24
Idaho	17
Colorado	164
Utah	18

SCATTERING 41

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EXHIBITS SUBMITTED AT HEARING IN

NEW YORK

	EXHIBIT NO.
Bizallion, Henry H., - outline of nine districts,	1.
Bradstreet Co., New York, - list of names reported for 1913 and 1914 books,	2.
Carpenter, Henry S., - general outline of districts,	3.
Clearing House Association, New Haven, Conn., stating that bankers afe that Association preferred to become members of the Federal Reserve of New York,	4.
Clearing House Association, Scranton, Pa., request that Scranton be included in the New York district,	5.
Clearing House Association, Syracuse, N. Y., - resolution stating that the Federal Reserve Banks located at New York City would best serve the banking interests of New York State,	6.
Clearing House Association, Rochester, N. Y., - statistics,	7.
Clement, P. W., Rutland, Vt., - letter stating that business of Vt. west [illegible] of the Green Mountains is done almost entirely with New York,	8.
Conant, C. A., - General outline of districts,	9.
Connecticut Bankers Association of South Norwalk, Conn., enclosed 74 replies received to circular letters sent to 115 banks and Trust companies in State of Connecticut,	10.
de Lima, E. A., of the Battery Park National Bank, N. Y., - Brief,	11.
Dun Co., R. G., New York,- statement as to location of districts,	12.
First National Bank, Canton, N. Y., - letter,	13.

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EXHIBIT NO.

Flannagan, W. W., Montclair, N. J., - additional statement, 14.

Hepburn, A. B., of the Chase National Bank, N. Y., encloses letter from former Congressman, E. J. Hill, 15.

Hine, Francis, - location of Reserve Banks, 16.

Kones, G. Ellsworth, N. Y. City, - Suggestions for the establishment of Federal Reserve districts, 17.

Kuehn, Loeb & Co., - suggestions as to districts, 18.

La Monte, George Mason, Commissioner of Banking and Insurance for New Jersey forwards map and memorandum relative to districts, 19.

Marshall, H. C., - general outline of districts, 20.

Merchants National Bank, N.Y., requests that Sayre, Pa., be included in the New York district, 21.

Newburyport Morning Herald, - editorial, 22.

Outerbridge, E. H., - statements, 23.

Page, Edward D., - general outline of districts, 24.

Rockville National Bank, Connecticut, prefers to be located in New York district, 25.

Rothschild, V. Sidney, - encloses newspaper clipping regard remarks at hearing, 26.

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HEARING IN WASHINGTON
EXHIBITS FILED ON BEHALF OF

PHILADELPHIA

	EXHIBIT NO.
Association of Credit Men, Philadelphia,- resolutions;	1.
Chamber of Commerce, Philadelphia, - resolutions,	2.
Clearing House, Philadelphia,- resolutions,	3.
Drug Exchange, - resolutions,	4.
Grocers' and Importers' Exchange, Philadelphia,- resolutions,	5.
Merchants' and Manufacturers' Association,- Philadelphia,- resolutions,	6.
Pennsylvania Bankers Association, Group 3,- Returns from banks throughout Pennsylvania, addressed to Samuel McCracken, Chairman,	7.
Pennsylvania Bankers Association, Group 4, - returns from banks throughout Pennsylvania, submitted by the Cashier of the West Branch National Bank, Williamsport, Pennsylvania,	8.

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HEARING IN WASHINGTON
EXHIBITS FILED ON BEHALF OF

PITTSBURGH

	EXHIBIT NO.
Chamber of Commerce, Pittsburgh, - statement,	1.
Clearing House Committee, Pittsburgh, - outlines of Federal Reserve Districts, with statistics,	2.
Eleven maps, giving statistics,	3.

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EXHIBITS AT HEARING IN

PORTLAND

	Exhibit No.
Burns, W.J., exports from Portland and Puget Sound	(1)
Colt, C.C., live stock statistics	(2)
Dixon, A.C., map showing standing timber in Pacific Northwest. (Map filed in separate folder)	(3)
Johnson, F.F., Resolution adopted by the Boise Commercial Club	(4)
Kerr, W.J., Outline of address in regard to Regional Bank in Portland.	(5)
Loveland, C.S., Statistical Bank Tables	(6)
Malbooouf, C.A., Fruit acreage in the Northwest with illustrated map. (Map in separate folder)	(7)
Mills, A.L., Bank statements of the Northwest.	(8)
Sargent, S.G., Capitalization etc. of State Banks Lists relating to banking (pamphlets) Pamphlets in separate folder.	(9)
Smith, J.A.Y., Jobbing conditions in the Pacific Northwest.	(10)

Maps submitted by Commercial Club (11)

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HEARING IN WASHINGTON

EXHIBITS FILED ON BEHALF OF

RICHMOND

	EXHIBIT NO.
American Tobacco Company, - telegram,	1.
Carrington, T. M., - statement,	2.
Chamber of Commerce, Greenville, South Carolina, resolutions,	3.
Clearing House Association, Greenville, S.C., - resolutions,	4.
Committee on Reserve Bank, - two files of letters,	5.
One list of names of firms and individuals indorsing Richmond,	6.
One box postals,	7.
Imperial Tobacco Company, - letter	8.
List of persons on Richmond Federal Reserve Bank Special,	9.
Postmaster - letter relative to train service,	10.
South Boston, Virginia, business men, - statement,	11.
Statistics of Richmond,	12.
Statistics - miles of track owned and operated in different states,	13.
Tobacco Industry and its relation to the banks of Richmond,	14.
MAPS	
Map showing proposed district for Richmond,	15.
Map showing proposed district for Richmond,	16.

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EXHIBITS SUBMITTED AT HEARING IN

SAINT LOUIS

	EXHIBIT NO.
From ALABAMA	
Watts, F. O., - Telegram from City National Bank and Tennessee Valley Bank, Decatur, Alabama.	1.
From ARKANSAS	
Echoes, W. J., submits large number of letters from Ft.Smith, Arkansas and Oklahoma district.	2.
Rayburn, Mr. - submits large number of letters from banks.	3.
Miscellaneous lot of letters from banks in various cities in Arkansas.	4.
From ILLINOIS	
Watts, F. O., submits large number of letters fwv St.Louis Clearing House.	5.
From INDIANA	
Reis, Mr., submits resolution from Evansville.	6.
Watts, F. O., submits letters from Mt. Vernon and Richmond.	7.
From KANSAS	
McCune City State Bank.	8.
From KENTUCKY	
Miscellaneous letters	9.
From LOUISIANA	
Miscellaneous letters	10.

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EXHIBIT NO.

From MISSISSIPPI

Miscellaneous letters. 11.

From MISSOURI

Miscellaneous letters, resolutions and statistics, etc., submitted by Business Mens' League of St.Louis, from different states. 12.

From OKLAHOMA

Miscellaneous letters. (See also under "Arkansas"). 13.

From TENNESSEE

Miscellaneous letters. 14.

From TEXAS.

Miscellaneous letters. 15.

16.

Van Piper, J. G., - four maps with attached statements containing information concerning the territory of each.

17.

Map submitted by D. R. Francis,

Map and statement submitted by H. D. Sexton, relative to Southern Illinois. 18.

(Maps filed separately.)

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EXHIBITS SUBMITTED AT HEARINGS IN

SAN FRANCISCO

	Exhibit No.
Farley, H.S., statement of custom business at San Francisco.	(1)
Wilson, E.W., Manager Inter-national Banking Corporation, submits several letters and telegrams giving reasons reasons why Salt Lake City and Inter-mountain district should be included in the zone of Regional Bank to be established at San Francisco.	(2)
Sacramento Clearing House Association, statement and literature relative to Sacramento.	(3)
Reno, Nevada Clearing House Association, Resolutions favoring San Francisco.	(4)
Lynch, Robt.L.,--letters and memorandum submitted by Maps as follows: (in separate file)	(5)
Diagram of Periods of Demand in Relation to Various Products.	(6)
Map of the World showing Steamship Lines plying between San Francisco and Foreign ports with their Ports of Call in 1913.	(7)
Relative to transporation with statement	(8)
Value of Manufactured Products	(9)
Comparison of Pacific Coast Cities	(10)
Value of Manufactured Products	(11)
Population	(12)
Exports and Imports	(13)
Pamphlet showing resources and possibilities of California	(14)
Statistical report of San Francisco Chamber of Commerce	(15)

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EXHIBITS--SAN FRANCISCO

	Exhibit No.
"Commercial, Financial and Industrial Metropolis of the West."	(16)
"San Francisco, the logical Federal Reserve Bank City for seven Pacific Coast States."	(17)
Miscellaneous memoranda and statistical matter	(18)

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EXHIBITS SUBMITTED AT HEARING IN

- SEATTLE -

	EXHIBIT NO.
Statistical tables by Seattle Chamber of Commerce, submitted by N. F. Latimer.	1.
Letter by John P. Hartman, suggesting Seattle as point for Reserve Bank.	2.
Statistical table by T. H. Brewer.	3.
Statistical tables filed by A. C. Johnson, with numerous letters from banks; also map prepared for Secretary McAdoo. (Map in separate folder.)	4.
Telegram regarding inquiries from national banks in Montana.	5.
Credentials of D. J. Charles of Butte, Montana, and [illegible] M. A. White of Hamilton, Montana.	6.
Resolutions of Coeur d'Alene Clearing House Association.	7.
Statistical table on Fishing Industry of the Northwest.	8.
Letter and statistical data submitted by Roy O. Hadley.	9.
Reasons submitted for making Seattle a regional bank point.	10.
Map of Columbia River region filed by Mr. Durham. (Map in separate folder.)	11.

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EXHIBITS FILED ON BEHALF OF WASHINGTON, D.C.

WASHINGTON

	Exhibit No.
Board of Trade, Chamber of Commerce and Retail Merchants' Association, statement.	1 ✓
Bradstreet's, comparative clearings, twenty-five cities	2 ✓
Clearing House Association, Washington, statements	3
Clearing House Association, Washington, statistics	4 ✓
Clearing House Association, Washington: Proposed Federal Reserve district for Washington	5 ✓
Fries, John W., President of the Peoples' National Bank, Winston-Salem, North Carolina submits statistics.	6 ✓
List of persons from Washington present at meeting	
Map submitted, favoring Charlotte	
Sands, T.K., Location of 9 Reserve Banks	



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120. Part

ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

W. G. McADOO, SECRETARY OF THE TREASURY
DAVID F. HOUSTON, SECRETARY OF AGRICULTURE
JOHN SKELTON WILLIAMS, COMPTROLLER OF THE CURRENCY

M. C. ELLIOTT, SECRETARY TO COMMITTEE

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

December 26, 1913.

Sir:

Pursuant to Section 2 of the United States Federal Reserve Act which became a law on December 23, 1913, the Reserve Bank Organization Committee has adopted the following as regulation No. 1:

> "That every national bank shall submit to its board of directors alternative resolutions accepting or rejecting the provisions of the Federal Reserve Act, and shall file with this committee, within the sixty days prescribed by said Act, the resolution adopted by said board as the method of signifying the intention of said bank in the premises. All other banks eligible to membership may use substantially similar forms of resolution of acceptance and intention to subscribe to the capital stock of Federal Reserve Banks to be organized."

Respectfully,

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

W. G. McADOO, SECRETARY OF THE TREASURY
DAVID F. HOUSTON, SECRETARY OF AGRICULTURE
JOHN SKELTON WILLIAMS, COMPTROLLER OF THE CURRENCY

M. C. ELLIOTT, SECRETARY TO COMMITTEE

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

REGULATION NO. 2.

The Federal Reserve Act provides for membership of banks operating under State charters as well as membership of national banks. No new charter is contemplated in either case. Eligible banks become members by becoming stockholders in Federal Reserve Banks when their applications have been properly approved and stock has been allotted to them. Such subscription to the capital stock of the Federal Reserve Bank appears to be a matter within the province of the Board of Directors of the subscribing bank. The Organization Committee therefore deems it unnecessary to require as a condition precedent to membership that the stockholders should take any formal action.

Inasmuch, however, as the stockholders of a bank have the legal right, by necessary vote, to force a solvent bank to liquidate, and if dissatisfied with the action of the Board in becoming members might exercise this prerogative, banks desiring to take the precautionary measure of canvassing the sentiment of the stockholders may, by resolution of their boards, submit the question to the stockholders either at the next regular meeting or at a specially called meeting. This course is, however, not insisted upon by the Organization Committee.

Those national banks passing resolutions of nonacceptance on or before February 22, 1914, should, as soon thereafter as convenient, and before the expiration of the twelve months prescribed in the Federal Reserve Act, submit their action to the stockholders for confirmation, since nonacceptance of the provisions of the Federal Reserve Act will ultimately involve the liquidation of such national bank.

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REGULATIONS AND BY-LAWS, RESERVE BANK ORGANIZATION COMMITTEE, prescribing conditions under which State Banks and Trust Companies may subscribe to the stock and become members of Federal Reserve Banks.

WASHINGTON, D. C., *February 20, 1914.*

Regulation No. 3.

Section 9 of the Federal Reserve Act reads in part, as follows:

"Any bank incorporated by special law of any State, or organized under the general laws of any State of the United States, may make application to the reserve bank organization committee, pending organization, and thereafter to the Federal Reserve Board for the right to subscribe to the stock of the Federal Reserve bank organized or to be organized within the Federal Reserve district where the applicant is located. The organization committee or the Federal Reserve Board, under such rules and regulations as it may prescribe, subject to the provisions of this section, may permit the applying bank to become a stockholder in the Federal Reserve bank of the district in which the applying bank is located. Whenever the organization committee or the Federal Reserve Board shall permit the applying bank to become a stockholder in the Federal Reserve Bank of the district, stock shall be issued and paid for under the rules and regulations in this Act provided for national banks which become stockholders in Federal Reserve banks."

Pursuant to the provisions of this section, the Reserve Bank Organization Committee has prescribed the following regulations and by-laws specifying the conditions under which State banks and trust companies may become members of Federal Reserve banks.

First.—Any State bank or trust company eligible to membership in a Federal Reserve bank under the Federal Reserve Act and desiring to subscribe to the capital stock of the Federal Reserve bank to be organized in the district which will inlcude the place of business of such State bank or trust company shall submit to its board of directors for consideration a resolution in the following form, to wit:

Whereas, Under section 2 of the act of Congress known as the Federal Reserve Act, approved on the 23d day of December, 1913, it is provided that: "Under regulations to be prescribed by the Organization Committee every national banking association in the United States is hereby required and every eligible bank in the United States and every trust company within the District of Columbia is hereby authorized to signify in writing within sixty days after the passage of this act, its acceptance of the terms and provisions thereof;" and

Whereas, This bank is believed by the Board of Directors to be eligible to membership and to have the right to subscribe to the capital stock of the Federal Reserve Bank to be organized; and

Whereas, It is the intention of this Board to apply under the provisions of the Federal Reserve Act for its proper proportion of stock of the Federal Reserve Bank to be organized within the district in which this bank will be located when the geographical limits to be served by such Federal Reserve Bank have been fixed and announced by the Organization Committee;

Now, therefore, be it resolved, That the president of this bank be, and he hereby is authorized, empowered and directed to notify the Reserve Bank Organization Committee that this bank will apply for an allotment of stock of the Federal Reserve Bank aforesaid, and if granted, will become a member of such Federal Reserve Bank subject to the provisions of the Federal Reserve Act.

When such resolution has been passed by the board of directors, the president or executive officer of such State bank or trust company shall transmit a duly certified copy of such resolution to the Reserve Bank Organization Committee at Washington.

Second.—When the location of the several Federal Reserve banks provided for in the Federal Reserve Act have been established and the districts to be served by such Federal Reserve banks have been defined, the committee will cause to be forwarded to such State banks or trust companies, at the same time that applications are forwarded to national banks under the provisions of the Federal Reserve Act, a form of application for an amount of capital stock in such Federal Reserve bank equal to 6 per cent of the unimpaired capital stock and surplus of such State bank or trust company. This application must be accompanied by a statement showing the assets and liabilities of such State bank or trust company listed on forms approved by the Committee. These forms will be furnished by the Committee upon request. The Board of Directors or a committee composed of not less than five members of such Board

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shall certify that in their opinion the assets listed in the manner prescribed by the Committee represent actual existing values and that in the opinion of said Board none of such assets are carried at an excessive valuation on the books of said bank.

State banks and trust companies shall also file with their applications for membership copies of their charters, with amendments, and a digest thereof showing the powers (granted by such charters and amendments) classified to indicate:

a. Those powers which such banks and trust companies have exercised and desire to continue to exercise.

b. Those powers which, while granted, have not been exercised and which such banks and trust companies will not desire nor attempt to exercise as members of the Federal Reserve System.

Third.—In lieu of a special examination of the condition of such bank by a national bank examiner or examiner appointed by the Committee or the Federal Reserve Board, the Committee may accept a certificate from a duly accredited State examiner or bank commissioner to the effect that the statement filed by the board of directors as aforesaid represents the true condition of such State bank or trust company and that the capital stock of such bank is in the opinion of such examiner or commissioner unimpaired, the surplus represents actual existing values and the liabilities are as shown by such statement. The Committee, however, will reserve the right in any case to require a special examination by a national bank examiner or an examiner selected by the Committee or by the Federal Reserve Board as a condition precedent to membership in any Federal Reserve bank.

Fourth.—Only those banks which have an unimpaired capital sufficient to entitle them to become national banking associations under the provisions of the National Bank Act shall be considered as eligible to membership in a Federal Reserve bank.

In accordance with section 5138, U. S. Revised Statutes, as amended by the act of March 14, 1900, State banks or trust companies in order to be eligible to membership must have unimpaired capital stock, as follows:

In cities or towns of less than 3,000 inhabitants, $25,000.

In cities or towns of more than 3,000 inhabitants but less than 6,000 inhabitants, $50,000.

In cities of more than 6,000 inhabitants but less than 50,000 inhabitants, $100,000.

In cities of more than 50,000 inhabitants, $200,000.

Fifth.—State banks becoming members as such under the provisions of section 9 of the Federal Reserve Act and retaining their State charters shall be subject to the provisions of section 9 and to such other provisions of the Federal Reserve Act as are applicable thereto.

Sixth.—State banks desiring to become members under section 8 of the Federal Reserve Act by being first converted into national banks in accordance with the provisions of this section, shall become members as national banks. Where such conversion into national banks is completed before the expiration of 60 days from the passage of the Federal Reserve Act, such banks should file with the Organization Committee the form of resolution prescribed by the Committee to signify their acceptance of the terms and provisions of the Federal Reserve Act before February 23, 1914. Where such conversion is not completed before the expiration of the 60 days aforesaid, the board of directors of such banks shall, in executing the articles of association and organization certificate as required by section 8, at the same time adopt the resolution prescribed by the Organization Committee as aforesaid, and such resolution shall accompany the organization certificate filed with the Comptroller of the Currency.

Seventh.—Where such conversion is completed after the organization of the Federal Reserve banks, such organization certificate shall be accompanied by an application to the Federal Reserve Board or to the Organization Committee for an amount of stock equal to 6 per cent of the unimpaired capital and surplus of such bank.

Eighth.—Whenever a trust company shall become converted into a national bank under the provisions of section 8 of the Federal Reserve Act and shall desire to continue to act as trustee, executor, administrator or registrar of stocks and bonds, such organization certificate shall, when filed with the Comptroller of the Currency, be accompanied by an application to the Federal Reserve Board for permission to engage in such business, and no certificate for the conversion of such trust company into a national bank shall be approved by the Comptroller of the Currency until the Federal Reserve Board has granted this permission under rules and regulations prescribed by it.

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Ninth.—Whenever a State bank or trust company with established branches shall make application for conversion into a national bank and shall desire to retain such branches, such State bank or trust company shall comply with section 5155, U. S. Revised Statutes, which reads as follows:

"It shall be lawful for any bank or banking association organized under State laws, and having branches, the capital being joint and assigned to and used by the mother-bank and branches in definite proportions, to become a national banking association in conformity with existing laws, and to retain and keep in operation its branches, or such one or more of them as it may elect to retain; the amount of the circulation redeemable at the mother-bank, and each branch, to be regulated by the amount of capital assigned to and used by each."

Tenth.—State banks or trust companies applying for membership in the Federal Reserve System under section 8 of the Federal Reserve Act by conversion into national banking associations, or applying for membership under section 9 as State banks will, if otherwise found to be eligible, be given a reasonable time within which to adjust the loans and investments of such banks to conform to the requirements of the Federal Reserve Act and other laws of the United States applicable thereto. Any bank applying for membership and having loans to any one person, firm, or corporation in excess of the limit allowed by the Federal Reserve Act or other loans and investments prohibited by such act shall, before being admitted to membership, give satisfactory assurance to the Committee or to the Federal Reserve Board that such loans and investments will be eliminated or made to conform to the provisions of the Federal Reserve Act and other applicable laws not later than January 1, 1915.

The condition of the applying bank or trust company and the general nature of its business will be considered by the Committee in each case in determining whether such banks shall be admitted to membership.

Eleventh.—The Committee or the Federal Reserve Board will from time to time adopt and publish such additional regulations and by-laws as may be deemed necessary and advisable.

W. G. McAdoo, *Chairman,*
D. F. Houston,
J. S. Williams,
Reserve Bank Organization Committee.

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RESERVE BANK ORGANIZATION COMMITTEE.

Circular No. 1.

WASHINGTON, D. C., *February 14, 1914.*

In view of the large number of inquiries received from both national and State banks as to the proper interpretation of various sections of the Federal Reserve Act, it is deemed advisable to explain, as briefly as the circumstances will permit, the operation of this Act in so far as it relates to the duties and powers of the Organization Committee and the method of procedure adopted by the Committee. For convenience, these duties are considered in their chronological order.

First. Section 2 of the Federal Reserve Act provides as follows:

"Under regulations to be prescribed by the Organization Committee, every national banking association in the United States is hereby required, and every eligible bank in the United States and every trust company within the District of Columbia, is hereby authorized to signify in writing, within sixty days after the passage of this Act, its acceptance of the terms and provisions hereof."

It will be observed that under the provisions of this section *all* national banks are *required*, and all other eligible banks are *permitted*, to signify their acceptance of the provisions of this Act within sixty days from its passage. Banks should not confuse this notice to the Committee with the formal application for stock to be filed later.

To facilitate compliance with this provision of the Act, the Committee has forwarded to all national banks a prescribed form of resolution to be adopted by the Boards of Directors of such banks, and upon request from State banks is forwarding a prescribed form of resolution for use by such banks. When certified copies of such resolutions have been received and filed no other action by applying banks is necessary until the locations of the several Federal Reserve banks have been established by the Committee, and the districts to be served by such banks have been defined.

The Committee is now engaged in holding hearings in various parts of the United States in order to have before it as much information as possible to enable it to properly determine the locations of such banks and the districts to be served.

Section 2 further provides as follows:

"When the Organization Committee shall have designated the cities in which Federal Reserve banks are to be organized and fixed the geographical limits of the Federal Reserve districts, every national banking association within that district shall be required within thirty days after notice from the Organization Committee to subscribe to the capital stock of such Federal Reserve bank in a sum equal to six per centum of the paid-up capital stock and surplus of such bank, one-sixth of the subscription to be payable on call of the Organization Committee or of the Federal Reserve Board, one-sixth within three months, and one-sixth within six months thereafter, and the remainder of the subscription, or any part thereof, shall be subject to call when deemed necessary by the Federal Reserve Board, said payments to be in gold or gold certificates."

This section should be read in connection with section 4 of the Federal Reserve Act, which reads as follows:

"When the Organization Committee shall have established Federal Reserve districts as provided in section 2 of this Act a certificate shall be filed with the Comptroller of the Currency showing the geographical limits of such districts and the Federal Reserve city designated in each of such districts. The Comptroller of the Currency shall thereupon cause to be forwarded to each national bank located in each district, and to such other banks declared to be eligible by the Organization Committee which may apply therefor, an application blank in form to be approved by the Organization Committee, which blank shall contain a resolution to be adopted by the Board of Directors of each bank executing such application, authorizing a subscription to the capital stock of the Federal Reserve bank organizing in that district in accordance with the provisions of this Act."

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Federal Reserve Bank of St. Louis

It will be observed from the foregoing that the Comptroller of the Currency will cause to be forwarded to those banks which have signified their intention to become members of Federal Reserve banks, a form of application to be executed by such banks after the districts have been laid out and the location of the Federal Reserve banks definitely established by the Organization Committee. These forms will be forwarded in due course and in accordance with the further provisions of the Act, when the minimum amount of stock for any Federal Reserve bank has been subscribed the Committee will designate five banks to execute the necessary organization certificate. Subscriptions to stock will therefore not be called by the Committee until after these preliminary steps have been taken.

NATIONAL BANKS AS MEMBERS.

Attention is called to the fact that all national banks are required to signify, within sixty days from the passage of the Federal Reserve Act, whether or not they accept the provisions of the Act and intend to subscribe to the stock of the Federal Reserve banks when organized.

That within thirty days after the Organization Committee has announced the designation of cities in which Federal Reserve banks are to be organized, fixed the geographical limits to be served, and notified such national banks, all such national banks are required to subscribe to the capital stock of such Federal Reserve banks. These provisions are clearly set forth in the Federal Reserve Act, and the Committee will expect and require a strict compliance therewith.

A number of banks appear to be under the misapprehension that they are allowed twelve months' time in which to accept the provisions of the Federal Reserve Act. This limitation, which is manifestly intended to cause automatically a forfeiture of the charters of those banks failing to comply with the provisions of the Act, must not be construed as extending the time specifically set out in the Act within which such banks must take the action above outlined.

STATE BANKS AS MEMBERS.

The provisions relating to membership by State banks are, under the terms of the Act, entirely optional. State banks are not required to signify within any given time their intention to become members, but are permitted to do so if they desire to become members as soon as Federal Reserve banks are originally organized.

Two methods are prescribed by the Federal Reserve Act by which such banks may become members of the Federal Reserve system. *First*, under section 8, by conversion of State banks into national banks, in which case the laws applicable to national banks become immediately operative as soon as such conversion is completed. *Second*, under section 9 State banks may become members, as State banks, retaining their State charters, in which case such banks are subject, specifically, to the provisions of the Federal Reserve Act contained in section 9, and to such other provisions of the Act as are clearly applicable. Banks becoming members as State banks, therefore, may exercise those powers conferred by their State charters which are not in conflict with the specific provisions of the Federal Reserve Act.

State banks and trust companies signifying their intention to become members of the Federal Reserve System before the organization of the Federal Reserve banks will be permitted to participate in the selection of directors of said Reserve Banks, as prescribed by the Federal Reserve Act.

The Committee has prescribed the regulations under which State banks and trust companies may become members, and a copy of such regulations, with the forms approved for use by such banks, will be furnished upon request of any State bank desiring to apply for membership in a Federal Reserve bank.

M. C. ELLIOTT,

Secretary, Reserve Bank Organization Committee.

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Federal Reserve Bank of St. Louis

RESERVE BANK ORGANIZATION COMMITTEE.

Washington, D. C., May 6, 1914.

SIR: In answer to a number of inquiries received and in order to expedite the organization of the several Federal reserve banks, your attention is called to the steps still to be taken before such banks can be fully organized, and particularly to the method of election of Class "A" and Class "B" directors by the member banks.

EXECUTION OF ORGANIZATION CERTIFICATE.

Section 4, paragraph 2, reads as follows:

"When the minimum amount of capital stock prescribed by this Act for the organization of any Federal reserve bank shall have been subscribed and allotted, the Organization Committee shall designate any five banks of those whose applications have been received, to execute a certificate of organization, and thereupon the banks so designated shall, under their seals, make an organization certificate which shall specifically state," etc.

In accordance with this provision the Committee will, not later than May 9th, designate five banks in each district to execute the organization certificate provided for. To facilitate the incorporation of such banks the representatives of the banks so designated will be requested to meet promptly in the Federal Reserve City of their respective districts so that the certificate which has been prepared by the Committee may be executed and filed with the Comptroller of the Currency. When this has been done all subscribing banks, under the Committee's interpretation, will be treated as MEMBER banks, and the election of ELECTORS and the nomination of Directors may be immediately proceeded with.

ELECTION OF DIRECTORS.

A later paragraph of Section 4 of the Federal Reserve Act reads in part as follows:

"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."

GROUPING OF BANKS.

In accordance with the above provision the Organization Committee will divide the banks of your district into three groups.

Group No. 1 will contain approximately one-third of the aggregate number of banks in your district and will be composed of banks of the largest capitalization.

Group No. 2 will include approximately one-third of the aggregate number of banks in your district and will embrace the banks having the next largest capitalization.

Group No. 3 will include approximately one-third of the aggregate number of banks in your district, being composed of those having the smallest capitalization.

While, under the terms of the statute, banks can not be officially grouped until the Federal Reserve Banks are incorporated, that is to say, until the organization certificate has been filed with the Comptroller of the Currency, an analysis has been made of those banks which have signified their intention

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to subscribe and for your information there is attached hereto as "Exhibit A" a tentative analysis which will show, with slight variation, the group to which the banks of each of the several districts will be assigned.

DISTRICT RESERVE ELECTORS.

Section 4, continuing, reads as follows:

"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."

As all banks are required to send in their subscriptions not later than May 8th, it is expected that the organization certificate will be filed with the Comptroller of the Currency by the several Federal Reserve Banks immediately thereafter, and it is, of course, desirable that the Class "A" and Class "B" directors should be regularly elected as soon thereafter as possible, and the Class "C" Directors appointed by the Federal Reserve Board.

Accordingly, if the member banks will arrange to hold meetings of their directors PROMPTLY, after the Federal Reserve Banks are incorporated, for the purpose of electing district reserve ELECTORS, and nominating CANDIDATES for Class "A" and Class "B" Directors, the organization of the Federal Reserve Banks will be greatly facilitated.

The manifest purpose of electing district reserve ELECTORS is to obviate the necessity of convening the Boards of the various member banks in order to vote on the nominees, and as no ELECTOR should represent more than one bank it is suggested that each member bank select one of its own officers or directors to act in this capacity.

NOMINATION OF CANDIDATES.

Section 4, continuing further, reads as follows:

"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."

Under the Federal Reserve Act the Organization Committee, prior to the selection of Class "C" Directors, performs the duties and has the authority of the Class "C" Director who is Chairman of the Board of each Federal Reserve Bank.

Under the provisions of Section 4, directors of Class "A" shall be chosen by and be representative of the stockholding banks.

Directors of Class "B" shall, at the time of their election, be actively engaged in their district in commerce, agriculture, or some other industrial pursuit.

The *Elector* does not select the nominees whose names are to be placed on the ballot for Class "A" and Class "B" directorships, but the sole duty of the Elector is to vote on the candidates after they have been nominated.

At the same meeting at which the district reserve ELECTOR is elected, each member bank may, by its BOARD OF DIRECTORS, nominate for its respective group, one candidate for Class "A" and one candidate for Class "B" directors.

Candidates for Class "A" should be residents of the district and should be representative of the banks of the district. They may be officers, directors, or stockholders of any of the member banks located in the district and need NOT NECESSARILY be officers, directors, or stockholders of any bank of the particular group of banks placing them in nomination, or of any other bank.

In like manner, directors of Class "B" must be residents of the district and must be engaged in commerce, agriculture, or some other industrial pursuit. Accordingly, if any attorney, physician, or other professional man, is placed in nomination, it must appear that such nominee is also engaged in one of the pursuits specified by the statute. Class "B" Directors can not be Stockholders, Officers or Directors in any Bank.

Should read "employee".
See letter attached

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Forms will be mailed to each member bank in each district for use in reporting to the ORGANIZATION COMMITTEE (which, until the selection of the chairman of the Board of each Federal Reserve Bank by the Federal Reserve Board, shall act in the place of the said Chairman) the name of the district reserve ELECTOR, and the nominees of Class "A" and Class "B" directors.

When these forms shall have been received by the Organization Committee a list will be prepared of all district reserve ELECTORS, and mailed to each Elector in each district in compliance with the statute.

A form of ballot has also been prepared which will show the candidate for Class "A" and the candidate for Class "B" directors of each group and this ballot will be sent in due course to each district reserve ELECTOR, in order that his vote may be cast in accordance with the provisions of the statute.

Each district reserve Elector will indicate on this ballot his first, second, and third choices for ONE director of Class "A," and his first, second, and third choices for ONE director of Class "B."

The ballot furnished will show all nominees of the group and the name of the bank nominating each candidate.

Each group will elect one Class "A" and one Class "B" director. The Electors will therefore *vote only* on the nominees *of their own group*, and not on all the nominees of their district.

When these ballots have been received by the Organization Committee, a poll will be made and the result of the election announced as early as practicable.

When this announcement has been made and the Federal Reserve Board has named the three Class "C" directors in each district, the Board of Directors of each Federal reserve bank will be immediately convened, and organized, and this Board will then adopt such by-laws and elect such officers as may be deemed necessary.

The Board of Directors of each Federal Reserve Bank will also arrange for proper banking quarters and for the employment of the necessary clerical force in order to place the banks in operation as early as possible.

The organization of the Federal Reserve Banks in those districts whose member banks act promptly will not be held back and delayed to keep pace with the organization of banks in other districts whose member banks are slow in taking action and in making their returns to the Organization Committee.

It will be observed from the foregoing that the cooperation and PROMPT ACTION of the MEMBER banks is important in order to have the Federal Reserve Banks ready for business at the earliest date practicable.

Respectfully,

M. C. ELLIOTT,

Secretary Reserve Bank Organization Committee.

EXHIBIT A—*Tentative analysis showing probable groups or divisions of member banks by districts.*

Dist. No.	Federal Reserve City.	Group No. 1.		Group No. 2.		Group No. 3.	
		No. of banks.	Aggregate capital and surplus of each member bank.	No. of banks.	Aggregate capital and surplus of each member bank.	No. of banks.	Aggregate capital and surplus of each member bank.
1	Boston	148	$250,000 or more....	148	Less than $250,000 but more than $120,000..	148	$120,000 or less.
2	New York	160	190,000 or more....	159	Less than $190,000 but more than $70,000...	159	70,000 or less.
3	Philadelphia..	253	190,000 or more....	252	Less than $190,000 but more than $75,000...	252	75,000 or less.
4	Cleveland	257	150,000 or more....	255	Less than $150,000 but more than $60,000...	255	60,000 or less.
5	Richmond	160	140,000 or more....	158	Less than $140,000 but more than $60,000...	158	60,000 or less.
6	Atlanta.....	126	130,000 or more....	124	Less than $130,000 but more than $60,000...	124	60,000 or less.
7	Chicago	319	120,000 or more....	319	Less than $120,000 but more than $55,000...	319	55,000 or less.
8	St. Louis	151	100,000 or more....	151	Less than $100,000 but more than $50,000...	151	50,000 or less.
9	Minneapolis ..	230	60,000 or more....	230	Less than $60,000 but more than $30,000...	230	30,000 or less.
10	Kansas City ..	279	75,000 or more....	277	Less than $75,000 but more than $40,000...	277	40,000 or less.
11	Dallas	245	100,000 or more....	244	Less than $100,000 but more than $50,000...	244	50,000 or less.
12	San Francisco.	172	120,000 or more....	170	Less than $120,000 but more than $55,000...	170	55,000 or less.

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ADDRESS REPLY TO
RESERVE BANK ORGANIZATION COMMITTEE
TREASURY DEPARTMENT
WASHINGTON, D. C.

RESERVE BANK ORGANIZATION COMMITTEE

WASHINGTON, D. C.

Sir:

In the circular dated May 6, 1914, in particular reference to the election of Class A and Class B directors of Federal Reserve Banks the following sentence appears at the bottom of page 2:

> "Class "B" directors can not be stockholders, officers, or directors in any bank."

This sentence should read as follows:

> "No director of Class "B" shall be an officer, director, or employee of any bank."

Respectfully,

W. B. Ewott

Secretary.

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FEDERAL RESERVE BOARD

WASHINGTON

CIRCULAR No. 3.

AUGUST 25, 1914.

SIR:

You are requested to furnish the following information on the accompanying form for the use of the Reserve Bank Organization Committee and the Federal Reserve Board in connection with the organization of the Federal reserve banks.

This information is not intended for publication, but for the use of the Board.

Please supply carefully the information called for on pages 2, 3, and 4, and return this blank promptly in the inclosed addressed envelope which requires no postage. Your immediate attention to this request will facilitate the determination of the questions involved and will, it is hoped, enable the Board to develop plans to accomplish the results desired with the least inconvenience.

Respectfully,

M. C. ELLIOTT,

Secretary Reserve Bank Organization Committee, Secretary pro tem Federal Reserve Board.

RESERVE CITY BANKS.

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Federal Reserve Bank of St. Louis

Statement of condition of ..... National Bank

of ..... (City and State.) at the close of business on the 31st day

of August, 1914.

LIABILITIES.

Capital stock, surplus, and undivided profits	$
Time deposits (including all deposits not payable for 30 days or more, and all deposits which are subject to 30 days' notice—that is, upon which the bank may require 30 days' notice before withdrawal)	
Demand deposits	
Bills payable	
Circulation outstanding:	
Secured by United States bonds	
Secured otherwise than by United States bonds	
Bank balances	
All other liabilities	
Total	

RESOURCES.

Loans, discounts, and overdrafts	$
Bonds and other securities	
Banking house, real estate, furniture, and fixtures	
United States bonds to secure circulation	
United States bonds to secure deposits	
Balances with approved reserve agents and counted as reserve (give name of city and amount carried in each city):	
Five per cent redemption fund	
Cash items	
Cash	
Gold or gold certificates	
National bank notes	
United States legal tender notes	
Silver and silver certificates	
Minor coin	
All other assets	
Total	

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Statement of condition of _____ National Bank

of _____ as it would appear if first installment of 1 per cent
(City and State.)

of capital and surplus had been paid on subscription to the stock of the Federal Reserve Bank of its district on same date as is shown in statement of condition on opposite page, and if new reserve requirements had at that time gone into effect, and transfer of proportionate amount of reserve had been made to the Federal Reserve Bank of its district.

NOTE.—While capital stock payments and reserve transfers need not be made simultaneously, for the purposes of this statement it will be assumed they will be so made.

LIABILITIES.

Capital stock, surplus, and undivided profits	$
Time deposits	
Demand deposits	
Bills payable	
Circulation outstanding:	
Secured by United States bonds	
Secured otherwise than by United States bonds	
Bank balances	
All other liabilities	
Total	

RESOURCES.

Loans, discounts, and overdrafts	$
Bonds and other securities	
Banking house, real estate, furniture, and fixtures	
United States bonds to secure circulation	
United States bonds to secure deposits	
Reserve balances:	
With Federal Reserve Bank (not less than one-fifth of total reserve required)	
With approved reserve agents (give names of cities)—	
_____	
_____	
_____	
Five per cent redemption fund	
Cash items	
Cash:	
Gold or gold certificates	
National Bank notes	
United States legal tender notes	
Silver and silver certificates	
Minor coin	
Federal Reserve Bank stock (amount of first installment—that is, 1 per cent of your capital and surplus)	
All other assets	
Total	

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STOCK SUBSCRIPTIONS.

Please state from what city or cities you would probably withdraw balances in order to pay the first installment of your subscription to the capital stock of the Federal reserve bank of your district, giving amount, if any, that you would probably withdraw from each city:

---------- $----------

---------- ----------

---------- ----------

Please state what amount of the first installment of your subscription to capital stock you would probably pay in gold or gold certificates out of funds in your own vaults -- ----------

RESERVE BALANCES.

Please state what amount, if any, you would probably withdraw from approved reserve agents in order to make transfer of required reserve to the Federal reserve bank of your district if call were made and new reserve requirements became effective at any time within 30 days from date ---------- $----------

Please give names of cities from which such withdrawals would probably be made, showing amount you would probably withdraw from each city ---------- ----------

---------- ----------

---------- ----------

---------- ----------

Please state what amount you would probably transmit from your own vaults in cash to the Federal reserve bank to meet new reserve requirements ---------- ----------

Please state what amount, if any, you would probably desire to rediscount with the Federal reserve bank of your district in order to pay part of your reserve in eligible paper ---------- ----------

NOTE.—In answering the foregoing questions it may be assumed that payment of subscription and transfer of reserve are made simultaneously.

I, ---------- (Cashier or President.), of the above-named bank, do solemnly swear (or affirm) that the foregoing statement is true, and fully and correctly represents the true state of the several matters therein contained, to the best of my knowledge, information, and belief.

---------- { *Cashier.* / *President.*

---------- (Name of Bank.)

---------- (City and State.)

STATE OF ----------

COUNTY OF ----------

Sworn to and subscribed before me this ---------- day of ----------, 1914; and I hereby certify that I am not an officer or a director of this bank.

[Seal.] ----------, *Notary Public.*

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Federal Reserve Bank of St. Louis

Form 21.

---------- BANK,

----------, *September* ____, *1914.*

On motion, it was resolved that the president, vice president, cashier, or treasurer, or any one of them, be, and he hereby is, authorized, in behalf of this bank (company) to subscribe ---------- dollars, payable in gold or gold certificates, to a gold fund to be created and administered in accordance with the terms set forth in the report of the committee, dated September 19, 1914, appointed by the delegates to the conference of clearing-house associations of the central reserve and reserve cities held in Washington on September 4, which committee recommended that a gold fund of $100,000,000 be contributed by the banks (both National and State institutions) located in such cities, said report having been approved by the Federal Reserve Board, as set forth in their letter of September 21, 1914.

I hereby certify that the above is a true extract of the minutes of a meeting of the board of directors or trustees or of a duly authorized committee thereof of the ----------, held ----------, September ____, 1914.

[SEAL.] ----------,

Secretary of the Board.

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Form 22.

FEDERAL RESERVE BOARD.

The President Clearing House Association,

At the invitation of the Secretary of the Treasury and the Federal Reserve Board, a conference of delegates from clearing house associations was held at the Treasury Department in Washington on September 4 for the purpose of considering problems growing out of the extraordinary derangement of our foreign exchange markets following the outbreak of the European war. This conference, after a day's deliberation, appointed a bankers' committee charged with the duty of recommending to the board a plan for dealing with this situation. The committee so named submitted on September 4 its first report, which advised the creation of a gold fund of $150,000,000. This recommendation, owing to changes in the situation, was modified in a subsequent report, dated September 19, favoring the creation of a gold fund of $100,000,000 to be contributed by the banks and trust companies located in central reserve and reserve cities.

The board has carefully considered the committee's report, and concurs in its conclusions and recommendations. The board is convinced of the necessity of an adequate plan of national cooperation to meet a situation which is of national dimensions, and it has no hesitation, therefore, in giving its approval to the plan proposed by the committee, and recommends your earnest cooperation.

The board shares the committee's belief that the creation of a large gold fund at this juncture will have a far-reaching effect for good, and will prove an effective factor in restoring confidence, in bringing relief, in protecting and strengthening the country's credit, and in facilitating the exportation of our products.

The board, therefore, recommends that your association appoint a committee to secure from the national banks and State banking institutions of your city subscriptions aggregating $_____ to the proposed gold fund. The board regards this amount as the fair quota to be raised in your city, based upon the holdings of gold and gold certificates by the central reserve and reserve cities as recently ascertained. The allotments provide a fair margin above the total amount named. Any sums pledged in excess of $100,000,000 will be applied to a pro rata reduction of all subscriptions to the fund.

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Forms of subscriptions and certified resolutions to be executed by participating institutions have been prepared by the bankers' committee and are forwarded herewith. This board recommends that the sums specified be pledged as promptly as possible and that you send the pledges and resolutions, duly executed, to the secretary of the Federal Reserve Board at Washington, D. C., in order that they may be available for the committee not later than October 1.

For the terms and conditions upon which the subscriptions to the proposed gold fund are made your attention is particularly called to the report and plan signed by the bankers' committee and handed to you herewith.

Respectfully,

C. S. HAMLIN,
Governor Federal Reserve Board.

I am in accord with the views of the Federal Reserve Board and recommend the adoption by the banks of the proposed plan.

W. G. MCADOO,
Secretary of the Treasury.

WASHINGTON, D. C., *September 21, 1914.*

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Form 23.

WASHINGTON, D. C., *September 4, 1914.*

To the honorable the SECRETARY OF THE TREASURY and the FEDERAL RESERVE BOARD.

SIRS: The committee appointed by the conference of bankers appreciates the desirability of relieving the present international exchange situation and particularly of regulating the outflow of gold. The committee at the same time realizes the necessity of promptly meeting the obligations of banks, corporations, and individuals to Europe, thereby maintaining the high credit of this country and demonstrating its ability to meet its obligations.

For this purpose and with this object in view, this committee recommends to the Federal Reserve Board the following plan:

That the banks of this country, especially those located in reserve and central reserve cities, be requested to contribute to a gold fund of $150,000,000, of which $25,000,000 to be immediately paid into the depository of the Bank of England in Canada, for which a participation deposit receipt will be furnished to each contributing bank. The remainder of the contributed amounts to be subject to call by the New York committee through the local committees of the respective cities and to be paid for in New York exchange.

Said New York committee to be appointed by the New York Clearing House Association and said local committees to be appointed by the clearing-house associations of the respective contributing cities. The committee appointed by the New York Clearing House Association to be charged with the duty of handling the said fund, of fixing the price at which foreign exchange is to be bought and sold, and is to make requisition from time to time upon the respective contributing cities through the local committees thereof. Said local committees shall have supervision in the respective cities of the shipments and general withdrawals of gold.

This committee recommends that the Federal Reserve Board take steps to ascertain the amount of gold that will be contributed by the banks in the respective cities, and that it use its influence to have the said banks contribute their proper pro rata.

Respectfully,

JAMES B. FORGAN.
S. WEXLER.
BENJ. STRONG, JR.
THOMAS P. BEAL.
L. L. RUE.

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Form 24.

WASHINGTON, *September 19, 1914.*

To the honorable the SECRETARY OF THE TREASURY and the FEDERAL RESERVE BOARD.

GENTLEMEN: Referring to the recommendations contained in our communication of September 4:

We have, in compliance with your suggestion, given further consideration to the present international exchange situation, taking into account the changed conditions arising from the completion of plans for meeting the obligations of the city of New York payable in Europe.

This committee is of the opinion that the continuance of the high credit of this country abroad will be demonstrated, and that normal conditions of the foreign exchange market will best be reestablished by the prompt creation of a large gold fund for export if necessary, as suggested in our former report. We therefore recommend that the central reserve and reserve city banks of the United States (both National and State institutions) be requested to contribute to a gold fund of $100,000,000 instead of $150,000,000, as originally proposed. Of this amount, $25,000,000 should be made immediately available. The administration of the fund should be conducted by a resident committee in the city of New York, where the principal foreign exchange transactions of the country take place, and we suggest that the recommendation of the Clearing House Association of the City of New York for the appointment of the following gentlemen as such committee be approved, namely:

Albert H. Wiggin, chairman.
William Woodward.
J. S. Alexander.
Francis L. Hine.
Benjamin Strong, jr.
F. A. Vanderlip.

We propose to arrange the details of the plan of administration with the New York committee so that the requirements of all parts of the United States for foreign exchange will be fairly and impartially dealt with, and we suggest, in the event of any complaint on the part of any contributor to the fund in connection with the distribution or use thereof, your board shall appoint a committee of bankers to pass upon any such question, whose decision, under such rules and regulations as you may prescribe, shall be final.

We further recommend that the National and State banking institutions in the central reserve and reserve cities of the United States be requested by you to contribute to this fund, due regard being given to their present holdings of gold as recently ascertained by your direction.

As recommended in our report of September 4, we believe that a committee representing the clearing-house association of each central reserve and reserve city should apportion in its district the amounts and supervise the payments of gold or gold certificates for the creation of this fund, and we therefore suggest that you address a letter to the chairman of the clearing-house com-

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mittee in each of those cities recommending the appointment of such a committee, urging prompt cooperation in this plan and stating the amount of gold which you may consider to be the proper quota to be furnished by that city.

In order to facilitate the transfer of gold or gold certificates to New York by the contributing banks, it is recommended that they be permitted to deposit their contributions with the nearest subtreasury of the United States, and that all expenses incident to transfers, whether made through subtreasuries or otherwise, shall be an expense of the fund and shall not be borne by the respective contributors.

The committee representing the New York Clearing House Association should have authority to call upon the contributors for gold or gold certificates from time to time in instalments as required (provided, that the contributors shall not be called upon to pay any portion of an instalment which may make their investment in the fund at any one time exceed 25 per cent of their original contribution), to arrange for shipments of gold to other countries, to sell exchange and cable transfers against such shipments at such prices as they may fix, to determine to whom and under what conditions foreign exchange may be sold, to distribute the proceeds of such sales among the contributing banks in New York funds, and to fix a date for the termination and final settlement of the fund. We, therefore, recommend that the gold or gold certificates be deposited in trust for the contributors in the vaults of the Clearing House Association of the City of New York, subject to the control of the New York committee, and that such committee issue to each contributing bank a certificate evidencing its contribution. The proceeds of sales of exchange may then be distributed by the committee among the contributing banks in New York funds and the amount of such repayment indorsed upon each certificate.

We have recommended that contributors to the fund be confined to the banks and trust companies in the central reserve and reserve cities, so that banks which are members of the Federal reserve system may make their payments at the time of the organization of the Federal reserve banks out of their own cash.

We attach forms for pledges to be signed by contributing institutions and certified resolutions to be passed by their boards of directors or trustees. In case the plan should meet with your approval, we respectfully suggest that you inclose copies of these forms in your letter to be addressed to the ~~presidents~~ chairmen of the clearing-house associations.

Respectfully submitted.

(Signed) Jas. B. Forgan, *Chicago*,
Levi L. Rue, *Philadelphia*,
Benjamin Strong, Jr., *New York*,
Thomas P. Beal, *Boston*,
Sol Wexler, *New Orleans*,
Committee.

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Form 25.

----------, September ------, 1914.

The undersigned banks and trust companies hereby subscribe to a fund of $100,000,000, to be payable in gold or gold certificates, and to be held and administered in accordance with the terms of a report dated September 19, 1914, made by a committee representing central reserve and reserve city banks of the United States, a copy of which report is attached hereto. The amount pledged for contribution by each of the undersigned institutions is set opposite the signature of a duly authorized officer thereof affixed hereto, and such pledge is made by authority of a resolution of the board of directors or board of trustees (or a duly authorized committee thereof) of each of the undersigned.

Name of bank or trust company.	Amount of pledge.
.....	.....
.....	.....
.....	.....
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CIRCULAR NO. 6.

FEDERAL RESERVE BOARD.

WASHINGTON, D. C., *October 5, 1914.*

In order to promote a desirable uniformity in the organization of the Federal reserve banks, the Federal Reserve Board presents for consideration by the boards of directors a draft of tentative by-laws and a chart giving the outline of a tentative organization for the banks. Neither the by-laws nor the chart have been finally approved by the Federal Reserve Board. They represent the work of certain experts who were appointed by the organization committee to examine into the details of organization. They are, therefore, offered simply as a basis for further suggestions to be made by the boards of directors of the Federal reserve banks.

When full consideration has been given to them, and such suggestions or modifications as may be recommended have been transmitted to the Federal Reserve Board, the board will appoint a subcommittee to formulate standard by-laws to be recommended to the several boards of directors, subject to their approval. In like manner the board will, after full consideration of all suggestions that may come to it from the several boards, present a standard form of organization to be followed, so far as practicable, by each bank.

The organization chart, already mentioned, is inclosed.

The tentative draft of by-laws referred to above, follows:

BY-LAWS

OF

THE FEDERAL RESERVE BANK

OF

PREAMBLE.

As provided in its Certificate of Organization, dated ..... the name of this bank shall be The Federal Reserve Bank of ....., and it shall do business in the City of ....., State of ....., and serve the territory known as Federal Reserve District ..... It was duly authorized to commence business by the Comptroller of the Currency, under date of .....

ARTICLE I.

DIRECTORS.

SECTION 1. *Number and Quorum.*—The number of directors shall be nine. A majority of the directors shall constitute a quorum.

SEC. 2. *Classes.*—The board of directors, as provided by law shall be divided into three classes—A, B, and C. At its initial meeting each class shall designate one member of its class whose term of office shall expire one year after the first day of January nearest the date of such initial meeting; in like manner, one whose term shall expire in two years, and one in three years. Thereafter, the term of office of each director shall be three years.

SEC. 3. *Vacancies.*—Vacancies shall be filled and successors elected in the manner provided by law.

SEC. 4. *Meetings.*—There shall be a stated meeting of the board every ..... at ..... o'clock a. m., or, if that day be a holiday, on the first preceding day not a holiday.

The chairman of the board shall be empowered to call a special meeting at any time, or upon the written request of any three directors, or whenever requested so to do by the president.

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SEC. 5. *Powers.*—The board of directors shall, subject to the approval of the Federal Reserve Board, fix the compensation and define the duties (other than those herein provided for) of officers, clerks, and employees of the bank. It shall duly provide for the expenses of the Department of Federal Reserve Agent and for the pro rata amount of expenses of the Federal Reserve Board and the Federal Advisory Council.

SEC. 6. *Order of Business.*—The following shall be the order of business at each regular meeting of the board:

1. Reading or inspection of minutes of the last regular meeting.
2. Report of the governor, including information concerning banking and business conditions in the district.
3. Report of the secretary-treasurer, or cashier, including detailed summary of all business transacted since last regular meeting and statement of present condition, the latter to include:
   (*a*) All official correspondence received from Federal Reserve Board;
   (*b*) Statement of all loans, rediscounts, investments, and purchases;
   (*c*) Weekly statement of condition to Federal Reserve Board;
   (*d*) Summary of condition of member banks;
   (*e*) Minutes of meetings of boards of directors of branches, if any.
4. Committee reports.
5. Unfinished business.
6. Discount policy and formulation of report to Federal Reserve Board on reasons for same.
7. New business.

ARTICLE II.

EXECUTIVE COMMITTEE.

SECTION 1. *How Constituted.*—There shall be an executive committee consisting of the governor, the Federal reserve agent, and one director of class A or B. Such director shall be elected by the board to serve for a period not to exceed ------[1] months, and his successors shall be chosen in rotation until each member of classes A and B shall have served or shall have been given an opportunity to serve. The board shall elect each month an alternate for service on the executive committee, who shall be authorized to act in the absence or disability of the member first chosen.

SEC. 2. *Powers.*—The executive committee shall hold meetings upon call of the Chairman and shall cause to be kept minutes of all such meetings held by it, which shall be read and approved by members of the board at the next succeeding meeting of the board.

SEC. 3. *Powers.*—Subject to the regulations of the board of directors and of the Federal Reserve Board, the executive committee shall have the following powers:

1. To pass upon all commercial paper submitted for discount.
2. To initiate open market transactions.
3. To recommend to the board of directors, from time to time, changes in the discount rates.
4. To buy and sell securities.
5. To apply for and provide for the security of such Federal reserve notes as may be necessary for the general requirements of the bank.
6. To employ clerks and other subordinates, to define their duties, and to fix their compensation.

ARTICLE III.

OFFICERS.

SECTION 1. The officers to be chosen by the board of directors shall be a governor, a first and a second vice governor,[2] a secretary-treasurer,[3] and such other officers as the board may from time to time determine. They shall hold office during the pleasure of the board.

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[1] The board may fix an appropriate term.
[2] The number of vice governors will depend upon the size of the bank and the character of its work.
[3] The title of cashier may be preferred.

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SEC. 2. *Chairman.*—The chairman of the board shall preside at all meetings thereof. He shall, together with the officers of the bank, have supervision of all credit records and data concerning member banks and borrowers which may be compiled from reports and examinations of such banks. All reports and statements made to the Federal Reserve Board shall be submitted to the chairman and shall be countersigned by him as Federal reserve agent. All examinations of member banks made on behalf of the Federal Reserve Board shall be conducted under his general direction as such agent.

SEC. 3. *Deputy Federal Reserve Agent.*—In the absence or disability of the chairman, as such, or as Federal reserve agent, his powers shall be exercised and his duties performed by the deputy Federal reserve agent. Subject to the rules and regulations of the Federal Reserve Board and the direction of the Federal reserve agent, such deputy shall represent the bank in examinations of member banks and shall perform such other duties as may be assigned to him. In case of the absence or disability of both the Federal reserve agent and his deputy, the third member of Class C of the board of directors shall act as chairman and Federal reserve agent pro tem.

SEC. 4. *The Governor.*—The governor shall have general charge of the bank and shall preside at all meetings of the executive committee, subject, however, to such rules and regulations as may be incorporated herein or from time to time promulgated by the board of directors. He shall have power to make any and all transfers of securities of the bank which may be authorized to be sold by the executive committee and shall, jointly with the secretary-treasurer, sign all certificates of stock of the bank.

In all cases where the duties of subordinate officers and agents of the bank are not specifically prescribed by the by-laws or the board of directors, they shall be the duties specified by and instructions of the governor. The governor may, with or without the advice of the executive committee, suspend or remove any employee of the bank, subject, however, to a hearing before said committee.

The secretary-treasurer shall have custody of the seal of the bank, with power to affix the same to certificates of stock and other instruments, as may from time to time be required.

SEC. 5. *The Vice Governors.*—In case of the absence or disability of the governor, his powers shall be exercised and his duties discharged by the first vice governor, and, in the absence or disability of the latter, by the second vice governor. In the event of the absence or disability of all three the board of directors shall, by a majority vote of its members, appoint a director governor pro tem.

SEC. 6. *The Secretary-Treasurer.*[1]—The secretary-treasurer shall carry out the instructions of the Board of Directors regarding the custody of all moneys received and paid out on account of the bank. He shall, jointly with the governor, have custody of all investments of the bank. He shall keep the minutes of all board meetings and of all committees of the board.

ARTICLE IV.

COUNSEL.

SECTION 1. The board of directors shall, upon such terms as it may prescribe, appoint a counsel who shall represent the bank in such matters as may be assigned to him and shall approve all legal instruments.

ARTICLE V.

AUDITOR.

SECTION 1. The board shall appoint an auditor, who shall be subject to its direction and to that of the Federal reserve agent and shall make a weekly report direct to the board of directors of the Federal reserve bank, giving a full statement of conditions based upon his audit. The auditor shall have charge of the internal auditing of the bank, the reconciliation of accounts, the periodical examination of branches, and, in general, the audit of all transactions, expenses, receipts, and disbursements.

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[1] The title of cashier may be preferred.

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ARTICLE VI.

BONDS.

Subject to the rules and regulations of the Federal Reserve Board, the board of directors shall provide all bonds necessary to cover officers and clerks of the bank.

ARTICLE VII.

BRANCHES.

All branches established by the board shall conduct business in the manner prescribed for the main office and pursuant to such by-laws, rules, regulations, and directions as may from time to time be promulgated by the directors and officers of the bank but subject to the approval of the Federal Reserve Board.

ARTICLE VIII.

INFORMATION.

SECTION 1. All persons employed by the bank shall keep inviolate its business affairs and concerns and shall not disclose or divulge the same to any unauthorized person whomsoever. Any employee who shall give information contrary to this by-law shall be liable to immediate dismissal.

SEC. 2. The action or policy of the board and of the executive committee shall not be expressed by any individual member, except by its duly authorized officers after formal action by the whole board.

SEC. 3. For the information of member banks and the public there shall be maintained in the office of the secretary treasurer a bulletin board, upon which shall appear the current rates of discount established by the directors and such other information as they may deem it desirable to make public.

ARTICLE IX.

CERTIFICATES OF STOCK.

All certificates of stock shall be signed by the president and secretary treasurer and bear the corporate seal.

ARTICLE X.

TRANSFERS.

No transfer shall be permitted, except upon the surrender of the outstanding certificate of stock or scrip, and no new certificate shall be issued until the former certificate is canceled; but the board of directors may authorize the issue of a duplicate in place of a lost certificate, taking a satisfactory bond of indemnity. It shall be the duty of the Federal reserve agent to register the stock or scrip of the bank.

ARTICLE XI.

AMENDMENTS.

These by-laws may be amended at any regular meeting of the board by a majority vote of the entire board; provided, however, that a copy of such amendment shall have been delivered to each member at least 10 days prior to such meeting.[1]

[1] After the by-laws have been adopted and in order to retain uniformity it is suggested that so far as possible there shall be no permanent changes in by-laws except on approval of a general committee on by-laws representing all the Federal reserve banks.

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CIRCULAR NO. 6a.

DRAFT OF BY-LAWS RECOMMENDED BY THE COMMITTEE ON LEGAL MATTERS AND PROCEDURE APPOINTED AT THE CONFERENCE OF DIRECTORS OF FEDERAL RESERVE BANKS WITH THE FEDERAL RESERVE BOARD ON OCTOBER 20, 1914.

BY-LAWS OF THE FEDERAL RESERVE BANK OF.....

ARTICLE I.—*Directors.*

SECTION 1. **Quorum.**—A majority of the directors shall constitute a quorum for the transaction of business, but less than a quorum may adjourn from time to time until a quorum is in attendance.

SEC. 2. **Vacancies.**—As soon as practicable after the occurrence of any vacancy in the membership of the board the chairman of the board shall take such steps as may be necessary to cause such vacancy to be filled in the manner provided by law.

SEC. 3. **Meetings.**—There shall be a regular meeting of the board every ..... at ..... o'clock ..... m., or, if that day be a holiday, on the first preceding full business day. The chairman of the board may call a special meeting at any time and shall do so upon the written request of any three directors or of the governor. Notice of regular and special meetings may be given by mail or by telegraph. If given by mail, such notice shall be mailed at least ..... days before the date of the meeting. If given by telegraph, such notice shall be dispatched at least ..... days before the date of the meeting. Notice of any meeting may be dispensed with if each of the directors shall in writing waive such notice.

SEC. 4. **Powers.**—The business of this bank shall be conducted under the supervision and control of its board of directors, subject to the supervision vested by law in the Federal Reserve Board. The board of directors shall appoint the officers and fix their compensation.

The board may appoint legal counsel for the bank, define his duties, and fix the compensation.

SEC. 5. **Special committees.**—Special business of the bank may be referred from time to time to special committees, which shall exercise such powers as the board may delegate to them.

SEC. 6. **Order of business.**—The board may from time to time make such regulations as to order of business as may seem to it desirable.

ARTICLE II.—*Executive committee.*

SECTION 1. **How constituted.**—There shall be an executive committee consisting of the governor, the Federal Reserve agent, and one or more directors chosen from classes A or B; the member or members of the committee chosen by the board shall serve during the pleasure of the board or for terms fixed by it. Not less than three members of the committee shall constitute a quorum for the transaction of business, and action by the committee shall be upon the vote of a majority of those present at any meeting of the committee.

The committee shall have power to fix the time and place of holding regular or special meetings and the method of giving notice thereof.

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Minutes of all meetings of the executive committee shall be kept by the secretary, and such minutes or digests thereof shall be submitted to the members of the board of directors at its next succeeding meeting. Such minutes shall be read to the meeting if required by any member of the board.

SEC. 2. **Powers.**—Subject to the supervision and control of the board of directors, as set forth in Article I, section 4, the executive committee shall have the following powers:

(*a*) To pass upon all commercial paper submitted for discount.

(*b*) To initiate and conduct open-market transactions.

(*c*) To recommend to the board of directors from time to time changes in the discount rate.

(*d*) To buy and sell securities.

(*e*) To apply for and provide for the security of such Federal Reserve notes as may, in the judgment of the committee or of the board, be necessary for the general requirements of the bank.

(*f*) To employ or to delegate to officers of the bank authority to employ clerks and other subordinates and to define their duties and to fix their compensations.

(*g*) To approve bonds furnished by the officers and employees of the bank and to provide for their custody.

(*h*) In general, to conduct the business of the bank, subject to the supervision and control of the board of directors.

ARTICLE III.—*Officers.*

SECTION 1. The board of directors shall appoint a governor, a deputy governor, a secretary, and a cashier, and shall have power to appoint such other officers as the board may from time to time determine to be necessary and appropriate for the conduct of the business of the bank. The offices of deputy governor, secretary, and cashier, or any two of them, may be held by one person, in the discretion of the board. The officers chosen by the board shall hold office during the pleasure of the board.

SEC. 2. **Federal Reserve agent.**—The Federal Reserve agent, as chairman of the board, shall preside at meetings thereof. Copies of all reports and statements made to the Federal Reserve Board shall be filed with the Federal Reserve agent.

SEC. 3. **Deputy Federal Reserve agent.**—In the absence or disability of the Federal Reserve agent his powers shall be exercised and his duties performed by the deputy Federal Reserve agent, who may perform such other services as shall be prescribed by the board of directors not inconsistent with his duties as provided by law.

SEC. 4. **The governor.**—Subject to the supervision and control of the board of directors, the governor shall have general charge and control of the business and affairs of the bank and he shall be the chairman of the executive committee. He shall have power to make any and all transfers of securities or other property of the bank which may be authorized to be sold or transferred by the executive committee or by the board. The governor shall have power to prescribe the duties of all subordinate officers and agents of the bank where such duties are not specifically prescribed by law or by the board of directors or by the by-laws. The governor may suspend or remove any employee of the bank.

SEC. 5. **The deputy governor.**—In case of the absence or disability of the governor his powers shall be exercised and his duties discharged by the deputy governor, and in case of the absence or disability of the deputy governor the board shall appoint one of the other directors governor pro tem. The duties of the deputy governor shall otherwise be such as may be prescribed by the board of directors or by the governor. In case the board shall deem that the business of the bank requires the appointment of one or more assistant deputy governors, it

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shall have authority to appoint such assistant deputy governor or governors and shall prescribe and define his or their duties.

SEC. 6. **The secretary.**—The secretary shall keep the minutes of all meetings of the board and of all committees thereof. He shall have custody of the seal of the bank, with power to affix same to certificates of stock of the bank, and by authority of the board or the executive committee to such other instruments as may from time to time be required. The board of directors may, in the absence or disability of the secretary, or upon other occasion where in the discretion of the board greater convenience can be attained, appoint a secretary pro tem or empower one or more officers to affix the seal of the bank to certificates of stock or other instruments. The secretary shall perform such other duties as may from time to time be prescribed by the board of directors, the executive committee, or the governor.

SEC. 7. **The cashier.**—The cashier and at least one other officer designated by the board of directors shall have the joint custody of all moneys, investments, and securities of the bank, subject to such rules as the board may adopt for their safety. He shall perform such other duties as may be assigned to him from time to time by the executive committee, the board of directors, or the governor.

ARTICLE IV.—*Certificates of stock.*

SECTION 1. **Signature.**—All certificates of stock, or of payment of or on account of stock subscriptions, shall be signed by the governor or a deputy governor and the secretary or cashier, or such other officers as may be prescribed by the board, and such certificates shall bear the corporate seal.

ARTICLE V.

SECTION 1. **Business hours.**—The bank shall open for business from ------ o'clock to ------ o'clock on each day except Sundays or days or parts of days established as legal holidays.

ARTICLE VI.—*Amendments.*

These by-laws may be amended at any regular meeting of the board by a majority vote of the entire board: *Provided, however,* That a copy of such amendment shall have been delivered to each member at least ten days prior to such meeting.

WASHINGTON : GOVERNMENT PRINTING OFFICE : 1914

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CIRCULAR No. 7.

FEDERAL RESERVE BOARD.

WASHINGTON, D. C., *October 14, 1914.*

In order to promote a desirable uniformity in the organization of the Federal reserve banks, the Federal Reserve Board presents for consideration by the boards of directors drafts of a system of accounting for the banks. These have not been finally approved by the Federal Reserve Board. They represent the work of certain experts who were appointed by the organization committee to examine into the details of organization. They are, therefore, offered as a basis for discussion.

When full consideration has been given to them and such suggestions or modifications as may be recommended have been transmitted to the Federal Reserve Board, the board will appoint a subcommittee to recommend a standard accounting plan to the several boards of directors, subject to their approval.

SYSTEM I.

The system of accounting to be chosen, and the extent to which machines are used in it, will depend upon the scope and activity which the reserve banks are to have from the beginning, and, in the event that they are assigned large clearing functions, it will necessarily be a matter of extreme importance in assuring the smooth working of the system, the accurate and prompt collection of items, and the development of reports and statistics comparable in character and truly reflecting the internal conditions of each of the several institutions. The accounting system as subsequently outlined may be made a fundamental factor in providing the means for a careful estimate of credit conditions throughout the country, as it provides for a daily transmission, if desired, of detailed reports to the Federal Reserve Board at Washington, in order that that board may be constantly in touch with the operations of each bank and the comparative condition of all the banks. In this way the board will be enabled to act with full knowledge as to rates of discount and to advise the several banks concerning the lines of paper that are outstanding throughout the country.

In designing the plan, these points have been observed:

(*a*) Particular care has been taken to introduce the most modern systems, using machinery wherever possible, thereby securing the advantages of mechanical accuracy as compared with the method of maintaining records by hand.

(*b*) The majority of the forms have been constructed to carry their respective items from the time of receipt to final disposition. There is also a system of control throughout, with the result that their use will materially reduce labor and increase efficiency.

(*c*) The entire accounting system has purposely been made elastic, so that it will fulfill the needs of the largest as well as the smallest Federal reserve bank, and as the banks grow it will not be necessary to revise the accounting plan.

(*d*) There has been constant recognition of the desirability of keeping the Federal Reserve Board in daily contact with the Federal reserve banks.

(*e*) The system is adapted for use with any of the standard typewriting and adding machines now on the market.

MAIL TELLER.

As there will in all probability be a large accumulation of mail from member banks, consisting of remittances for credit, collections, etc., between the hours of 2.30 p. m. and 8.30 a. m.,

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this department has been designed as the first operating unit, looking to the avoidance of congestion in the morning.

The work of the mail teller will begin, say, at midnight, and will consist in handling incoming mail up to 5 a. m., the result being:

1. Preparation for morning clearance of such items as will be payable through the clearing house (Federal reserve or otherwise).

2. Delivery to the transit department in one total of such items as may have been received, payable out of town.

3. Delivery to the distributing desk in one total of such credits and debits as relate to the accounts appearing upon the books of the Federal reserve bank.

4. Delivery to the note teller in one total of such miscellaneous items not covered in the three subdivisions outlined.

The block system will be used in this, as in all other departments, the sectional proofs of the work being accomplished by means of blocks, with the result that the ultimate proof of the department will consist only of interlocking balances.

FORM MT 1.

This will be the block sheet of the department, to be used as previously outlined.

FORMS MT 2, 3, AND 4.

These vari-colored slips to be used in correctly routing the different batches of debits and credits after they are proved upon each block.

Forms Nos. 3 and 4 will cover the majority of the work leaving the department, and consequently are imprinted "Transit department" and "Note teller," while Form MT 2 is to be used for such miscellaneous items as may necessarily be forwarded to other departments.

FORM MT 5.

This is a proof sheet for the department, the figures for which will be obtained from a recapitulation of the block sheets.

FORM MT 6.

This is a suggested envelope which will inclose items intended for presentation to the different members of the clearing house.

CLEARING-HOUSE DEPARTMENT.

This department will be the successor of the mail teller, its work consisting in handling incoming mail received subsequent to 5 a. m., the plan of operation of the two departments being identical, except that the supervision and proof of incoming exchanges from the clearing house will also be handled by this department.

The forms will consist of the following:

FORM CH 1.

This will be the block sheet for the department.

FORMS CH 2, 3, 4, AND 5.

These varicolored slips will be used in correctly routing the batches of items from each block sheet after its proof.

FORM CH 6.

This is the proof sheet of the department, the figures for which will be obtained by a recapitulation of all the blocks.

FORM CH 7.

This is a block sheet to be used in effecting the proof of incoming exchanges from the clearing house.

FORM CH 8.

This is a proof sheet for the assembling of an individual proof of the morning exchanges received from the clearing house, the figures being subsequently passed through the proof of the distributing desk.

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FORM CH. 9.

This is a suggested envelope which will inclose items intended for presentation to the different members of the clearing house.

DISTRIBUTING DESK.

For the concentration of figures, avoidance of errors, facilitation of work in the tellers' cages, and simplicity of posting for the general ledger, this department has been instituted in order that the different tellers after the proof of each block may route to it such items as may have been received, both debits and credits, affecting accounts appearing upon the books of the Federal reserve bank.

The advantages of the distributing desk are many, and it will be found of particular value as to apparent overdrafts, by the quick concentration in the bookkeepers' hands of such debits and credits as may affect the accounts, but which, under ordinary circumstances, would not reach the bookkeeper until the close of the day's business.

The forms of the department are as follows:

FORM DD 1.

This is a block sheet to be used in establishing sectional proofs of debits.

FORM DD 2.

This is a block sheet to be used in establishing sectional proofs of credits.

FORM DD 3.

This is a proof sheet for the department, the figures of which will be obtained from a recapitulation of the block sheets.

PAYING TELLER.

The principal duties of the paying teller will be to make such cash disbursements over the counter as may be necessary, effect the settlement of the clearing-house balances, examine checks for correct signatures, arrange for the shipment of money to member banks, provide for the forwarding of mutilated currency for redemption to the Treasurer of the United States at Washington, and likewise provide for the redemption of Federal reserve notes with the Federal reserve agent.

The paying teller will be responsible only for such cash as may be allotted to him, the principal cash reserves of the bank being under the joint control of other officers or directors.

The forms of the department are:

FORM PT 1.

This will be used in arranging shipments of money to member banks. Its explanation is as follows:

Slip No. 1: Notification to the member bank that its account has been charged and that the shipment has gone forward.

Slip No. 2: Carbon copy of original advice, which will be inclosed with the shipment of money.

Slip No. 3: Acknowledgment from member bank of receipt of the shipment.

Slip No. 4: Tracing slip to be retained as a follow-up, looking to the receipt of the acknowledgment.

Slip No. 5: Debit to member bank's account.

FORM PT 2.

This will be used in forwarding mutilated currency to the Treasurer of the United States at Washington. Its explanation is as follows:

Slip No. 1: Advice to the Treasurer of the United States descriptive of the forwarding of the currency.

Slip No. 2: Carbon copy of original advice, to accompany the shipment.

Slip No. 3: Debit to "Redemption account."

Slip No. 4: Credit to "Redemption account."

All of the above slips will be made use of upon the day the money is shipped, with the exception of slip No. 4, which will be retained, awaiting the return of the equivalent currency

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from Washington. The outstanding slips will, of course, prove to the controlling account upon the general ledger.

FORM PT 3.

To be used in forwarding mutilated Federal reserve notes to the Federal reserve agent, its explanation being:

Slip No. 1: Application to the Federal reserve agent for the issuance of new currency.

Slip No. 2: Acknowledgment from the Federal reserve bank to the Federal reserve agent of receipt of the new currency.

Slip No. 3: Debit to "Federal reserve notes."

Slip No. 4: Credit to "Federal reserve notes."

Slips Nos. 1, 2, and 3 will be attached and delivered to the Federal reserve agent with the mutiliated currency, slip No. 3 being provided upon its reverse side with a form of acknowledgment from the Federal reserve agent of the receipt of the mutilated currency. When the new currency is delivered to the Federal reserve bank it will be accompanied by an acknowledgment of its receipt by the Federal reserve bank. Upon delivery of the new currency to the bank, slip No. 4 will be used as a credit to "Federal reserve notes."

FORM PT 4.

This will be used by the Federal reserve bank in forwarding Federal reserve notes for cancellation to the Federal reserve agent, its explanation being:

Slip No. 1: Instructions to the Federal reserve agent, as to the cancellation of the described Federal reserve notes.

Slip No. 2: Debit to "Federal reserve notes."

As the notes are delivered to the Federal reserve agent they will be accompanied by slips Nos. 1 and 2, slip No. 1 being a record of the transaction for the Federal reserve agent, while slip No. 2 is for use in reducing the outstanding Federal reserve notes, provision having been made upon its reverse side for a form of acknowledgment of the receipts of the notes by the Federal reserve agent.

FORM PT 5.

This is a form to be used in effecting the "Stop payment" of checks.

FORM PT 6.

This will be used when the notification for stopping payment has not been received upon the form provided for the purpose.

FORM PT 7.

This is for use in acknowledging receipt of the regular form of "Stop payment" notice.

FORM PT 8.

A loose-leaf record, upon which will be inscribed under the name of the member bank a complete description of the checks upon which it is desired to stop payment.

FORMS PT 9, 10, 11, 12, AND 13.

Varicolored slips to be used in routing the different batches of items to the several departments.

FORM PT 14.

Proof sheet for the department, upon which will be assembled the total figures of the day. Upon the reverse side of the sheet provision has been made for the accumulation of the different debits and credits to the several departments.

FORM PT 15.

This will be used for the occasional necessity of certifying checks of member banks, its explanation being:

Slip No. 1: Notification to member bank of the fact that its account has been charged, covering the certification of a specific check.

Slip No. 2: Debit to the member bank's account.

Slip No. 3: Credit to certified checks.

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FORM PT 16.

When the certified checks are returned to the bank for redemption, they will pass through the controlling account upon the general ledger and then be forwarded to the auditing department in order that their control may be in agreement with the general ledger. The auditing department will then affix this form to the checks and deliver them to the bookkeeping department to be inclosed with the daily statement.

This is a proposed sheet which will be prepared by the paying teller each morning and will be delivered to the secretary-treasurer for examination, its purpose being to place the officials of the bank in touch with the condition of the cash of the bank.

RECEIVING TELLER.

This department will receive deposits from member banks located within the city in which the Federal reserve bank is situated, and will also account for shipments of currency received from other Federal reserve banks and member banks.

The forms of the department are as follows:

FORM RT 1.

This is for use in handling shipments of currency received for credit of member banks, its explanation being:

Slip No. 1: Advice to the member bank descriptive of the receipt of the currency and the amount placed to their credit.

Slip No. 2: Credit to the member bank's account.

FORMS RT 2, 3, 4, 5, AND 6.

These are varicolored slips to be used in routing the different classes of items to the several departments.

FORM RT. 7.

A block sheet for the sectional proof of the day's work.

FORM RT 8.

This is a proof sheet, the figures for which will be obtained from a recapitulation of the block sheets.

NOTE TELLER.

The duties of this department will consist of the presentation and collection of notes, drafts, and checks drawn upon nonmembers of the clearing house, all of which are payable within the radius covered by the messengers of the Federal reserve bank.

The runners or messengers will be under the control and form a part of this department.

The forms are as follows:

FORM NT 1.

This is a proposed block sheet for the proof of the messengers' routes, upon one side of which are listed the individual items comprising the route and upon the reverse side the checks, currency, etc., which have been received in payment. The initial "N" is indicative of a cash item charged to the note teller and which has been returned by the messenger unpaid. The initial "C" is indicative of collection items (not cash), which have been returned unpaid by the messengers.

The total of the items as appearing upon each side of the block must be in agreement and constitute, as previously outlined, a proof of the messengers' routes.

FORM NT 2.

A block sheet for the distribution to the different departments of the checks, currency, etc., which have been received in settlement of items charged to the note teller. A recapitulation of these blocks constitutes a proof of the day's work.

FORMS NT 3, 4, 5, 6, AND 7.

These are varicolored slips to be used in routing items to the different departments after they are proved upon the block sheets.

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FORM NT 8.

This is for use in charging back and returning cash items, which are unpaid after presentation. Its explanation is as follows:

Slip No. 1: Letter accompanying the item.

Slip No. 2: Debit to the member bank.

Slip No. 3: To be placed in a chronological file awaiting the return of the acknowledgment postal.

Slip No. 4: A postal card to be attached to the item when it is charged back and which will be dated, signed, and returned by the member bank as an acknowledgment of receipt.

FORM NT 9.

In the event of the postal card, as outlined in NT 8, not being regularly returned, Form NT 9, being a postal tracer, will be used.

FORM NT 10.

This is a proof sheet for the department, the figures of which will be obtained from a recapitulation of the block sheets, as outlined in Form NT 2.

TRANSIT DEPARTMENT.

The transit department should be equipped with steel racks, providing suitable compartments for each member bank of its district, together with 11 other compartments, larger in size, for the other Federal reserve banks.

These compartments will be divided into units, for the purpose of evenly distributing the volume of business.

The handling and proof of the transit items will be obtained in the following manner:

(*a*) Items received by the different departments will be charged to the transit department in batches, accompanied by slips designating the teller forwarding them and the amount of each batch.

(*b*) Accumulated batches will be assorted to the different units listed and proved under the sectional proof of the block system.

(*c*) A recapitulation of the block sheets will constitute a proof of the interlocking balances with the tellers, and produce the figures to which each unit must prove.

(*d*) The proof of each unit will be obtained by adding together the totals appearing upon the carbon copies of the remittance letters in process of being forwarded.

The forms of the department are:

FORM T 1.

A form to be used by member banks in their relations with Federal reserve banks when forwarding for credit such items as they may receive drawn upon member banks located within the Federal reserve city. The top sheet will accompany the checks, while the carbon will be retained by the member banks to be used as a debit to their reserve account with the Federal reserve banks.

It will be noted that this form, as well as Forms Nos. T 2, 3, 4, 5, 6, 7, 8, and 9, has been equipped with a form of acknowledgment as well as a "follow-up," the acknowledgment to be dated, signed, and returned by the receiving bank, and the "follow-up" to be placed in chronological file under the date upon which the acknowledgment should be received—this will enable the banks to trace intelligently any overdue cash letters.

Attention is called to the fact that the reverse side of sheet No. 1 of Forms Nos. T 1, 2, 3, 4, 5, 6, 7, 8, and 9 is to be carbonized; consequently it will not be necessary to place the usual carbon paper between the original and duplicate parts of the form.

FORM T 2.

To be used by member banks in forwarding for credit such items as they may receive which are drawn upon—

(*a*) Member banks located within their own district, but without the local radius, to be determined by the Federal Reserve Board.

(*b*) Federal reserve banks of other districts.

(*c*) Member banks of other Federal reserve districts.

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FORM T 3.

To be used by Federal reserve banks in their relations with member banks located in their own city, but which because of inaccessibility may not clear through the clearing house (Federal reserve or otherwise), necessitating the items being forwarded to them by mail for collection. The top sheet will accompany the checks, while the second sheet or duplicate will be the debit to the member bank's account.

FORM T 4.

This is identical with Form T 5, except that it is intended to cover instances where there will not be many checks to forward.

FORM T 5.

To be used in forwarding items drawn upon member banks located without the city in which the Federal reserve bank is situated, the top sheet accompanying the checks and the second sheet or duplicate being the debit to member bank's account.

FORM T 6.

This is identical with Form T 5, except that it is intended to cover instances where the number of checks to be forwarded are fewer in number.

FORM T 7.

For use of the Federal reserve banks in forwarding items to each other, the top sheet accompanying the checks while the second sheet, or duplicate, will be a debit to "Transit account."

FORM T 8.

For use of the Federal reserve banks in forwarding Federal reserve notes to each other. The top sheet will accompany the notes while the duplicate will be a debit to "Transit account."

FORM T 9.

For use of Federal reserve banks in returning to each other unpaid cash items, the original sheet accompanying the items while the duplicate sheet is a debit to "Transit account."

FORM T 10.

A claim ticket to be used in adjusting discrepancies in cash letters, such as incorrectness in listing, noninclosure of items, etc.

FORM T 11.

To be used in confirming the action of correspondents, in supplying missing indorsements.

FORM T 12.

A form of postal tracer to be used in tracing overdue cash letters. The pink, or duplicate, sheet will be retained in a chronological file, as a follow-up, looking to the receipt of a reply to the tracer.

FORM T 13.

For use of member banks in returning unpaid cash items to the Federal reserve banks.

FORMS T 14 15, AND 16.

Vari-colored slips to be used in routing batches of items to the different departments.

FORM T 17.

A form of block sheet for use in establishing sectional proofs of the day's work.

FORM T 18.

Proof sheet of the department, the figures for which will be obtained from a recapitulation of the block sheets.

It is quite possible that an electric indorsing machine can be used to good advantage in the transit department, and this thought should receive consideration.

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The following forms have been designed for regional banks, in handling such items as may be forwarded to them for collection only.

FORM COLL 1.

This is intended for notes payable within the radius covered by messengers of the Federal reserve banks. Its description follows:

Slip No. 1: Advice of disposition to member bank.

Slip No. 2: Credit to member bank (if paid).

Slip No. 3: Permanent record (to be filed chronologically, as to day of receipt, under name of member bank).

Slip No. 4: Maturity slip, serving the same purposes as the ordinary " tickler."

FORM COLL 2.

This is designed for notes payable without the district covered by messengers of the Federal reserve bank, necessitating the items being forwarded to corresponding banks for collection. Its explanation follows:

Slip No. 1: Letter inclosing item to corresponding bank.

Slip No. 2: Acknowledgment of receipt from corresponding bank.

Slip No. 3: Maturity slip, to be used in following up returns.

Slip No. 4: Permanent record, to be filed chronologically, as to day of receipt, under the name of member bank.

Slip No. 5: Advice of disposition to member bank.

Slip No. 6: Credit to member bank (if paid).

Slip No. 7: Debit to corresponding bank (if paid).

FORM COLL 3.

This will cover drafts and special items (exclusive of coupons), requiring specific advice of payment and which are paid upon the day of presentation. Its explanation follows:

Slip No. 1: Advice of credit to member bank.

Slip No. 2: Credit to member bank.

FORM COLL 4.

This will be for items, other than notes, which are payable without the district covered by messengers of the Federal reserve bank. Its explanation follows:

Slip No. 1: Letter accompanying item to corresponding bank.

Slip No. 2: Tracing slip, to be used in following up returns.

Slip No. 3: Permanent record, to be filed chronologically, as to day of receipt under the name of member bank.

Slip No. 4: Advice of disposition to member bank.

Slip No. 5: Credit to member bank (if paid).

Slip No. 6: Debit to corresponding bank (if paid).

FORM COLL 5.

This is for use in returning unpaid items, payable within the district covered by messengers of the Federal reserve bank. Its explanation follows:

Slip No. 1: Letter to member bank returning the item unpaid.

Slip No. 2: Carbon copy for files.

FORM COLL 6.

Postal acknowledgment of the receipt of items entered for collection.

FORM COLL 7.

This has been constructed for items (documentary or otherwise) requiring special care and which will be held indefinitely awaiting payment. Its explanation follows:

Slip No. 1: Acknowledgment of receipt to member bank.

Slip No. 2: Advice of credit to member bank.

Slip No. 3: Credit to member bank.

It will be noted that on slip No. 3 of the above form space has been allotted for notations descriptive of the progress being made looking to the ultimate disposition of the items.

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FORM COLL 8.

This is a postal form of tracer, to be used in tracing the disposition of items forwarded to corresponding banks for collection. The pink slip attached is a carbon of a postal and will be filed chronologically under the approximate day upon which a reply to the tracer should be received.

FORM COLL 9.

This form is to be used in requesting the return of items forwarded to corresponding banks for collection. The yellow sheet attached is a carbon copy and record of the original.

FORM COLL 10.

This is intended to reduce letter writing to a minimum, the form being designed as a departmental advice to member banks concerning their collections.

FORM COLL 11.

This is the block sheet for the department, and will be used in accordance with the block system of proof throughout the bank.

FORMS COLL 12 AND 13.

These are slips to be used in routing debits and credits to the different departments and upon which will be inscribed the total amount of each batch. Form No. 12 is for credits and Form No. 13 is for debits, the different in color being indicative of the different classes.

FORM COLL 14.

This is a proof sheet for the department and upon which will be inscribed a recapitulation of the day's work obtained from the block sheets.

LOANS AND DISCOUNTS.

As rediscounting for member banks and the proposed purchase of domestic bills of exchange, etc., in the open market may be extensive, it is thought that the application of forms to machinery will materially facilitate the work of the department, and with this in view the following plan has been designed:

UNEARNED DISCOUNT.

It is suggested that the Federal reserve banks, instead of following the usual practice of crediting to "Current earnings" such discount as may have been collected, adopt the plan of placing the discount in an account to be known as "Unearned discount," and each day this balance will be charged with the actual discount earned and the amount thus obtained credited to "Current earnings" under the subdivision of "Discount."

This would mean that the statement of the bank would always appear upon a liquidating basis, and from an analytical point of view would materially assist in showing the true percentage of earnings to loanable funds.

LIABILITY.

While the usual method of ascertaining the amount of liability is from detailed statistics compiled in book records, it will be noted that such entries in the liability ledgers cause a duplication of work, entailing unnecessary labor in keeping them in a state of efficiency, while under the proposed plan full details concerning liability are obtained at the same time that the bookkeeping entries, advices, etc., are typewritten by the stenographer.

For the purpose, however, of ready availability of figures concerning the total liability of concerns under the classifications of "Payer" and "Indorser" a skeleton ledger in loose-leaf form will be maintained, the entries in which will be posted in total only, and the entire liability of which must be in proof with the controlling balances on the general ledger.

As the Federal reserve banks will be principally interested in the credit standing of the payer and the last indorser, and as it is very desirable to maintain only such figures of liability as may be subject to proof, it is suggested that the liability records of the Federal reserve banks consist of payer and indorser instead of drawer, acceptor, and indorser, as the establishment of liability figures under the latter three classifications would not be possible of proof and would result in a lack of confidence as to the accuracy of such figures.

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In the event, however, of it being considered necessary to maintain liability figures other than that of payer and the last indorser, this may be done by inserting additional sheets in the skeleton loose-leaf liability ledger, the postings in the accounts to be executed in red ink, which would be indicative of the fact that such figures are not to be included in the proof of liability.

It is the purpose of this plan to provide the Federal Reserve Board at Washington with a continuous record, in detail, of all notes or bills of exchange discounted for member banks or purchased in the open market, these continuous records to be executed at the same time the forms are written, without any additional labor upon the part of the Federal reserve banks, such continuous records being mailed to the Federal Reserve Board at the conclusion of each day's business, and which will be used by the credit bureau at Washington for the accumulation of such credit information as they may desire. This will enable the Federal Reserve Board at Washington to be in close touch with that portion of the business of the Federal reserve banks and place it in a position to accumulate automatically from 12 different sources most valuable statistics concerning the credit standing of the borrowers from the Federal reserve system.

In Forms BD 2, 3, 5, and 6 it will be seen that two of the last vari-colored slips have been allotted for liabilities, the thought being that the slips in question, after being posted in total in the skeleton liability ledger, will be filed in a steel cabinet under an alphabetical arrangement of the names of the debtors.

The result of this would be an accumulation into one compartment, properly indexed, of the entire concentrated liability (except foreign exchange) of any concern, the controlling figures of which would be in the skeleton liability ledger, which, as previously outlined, would be posted in totals only.

As fast as the liabilities, represented by the slips, are liquidated, either at or before maturity, the slips are taken from the steel cabinet and filed in usual course by the filing department, so that the retention of the slips in this way furnishes a permanent record which may be consulted at any time.

It will be observed that this method will leave in the liability files, only "live" matter of a current nature, consequently they will not be glutted by a mass of records relating to past liabilities while the easy maintenance of the subsidiary skeleton liability ledger will furnish immediate information, in total, as to the past and present liability of any concern.

TICKLER.

The last slip of the forms bears the designation of "Maturity slip" and its use will be that of providing the department with the information usually contained in a book "tickler." The slips will be filed chronologically under the "Maturity of the notes," with the result that the maturities of each day are accumulated in one compartment, properly indexed, and in the right-hand corner of which the total amount maturing is immediately available.

As the day of maturity is reached, the city slips are taken from the maturity file and checked to the city notes delivered to the note teller, likewise the country slips are checked to the forms covering country notes in possession of the collection department. It will, therefore, be seen that the slips have served the purpose of the usual book "tickler" in every possible way, both as to available information and the checking of missorted items.

The maturity slips then will be used to reduce the liability of the different concerns in the skeleton liability ledger, and to retire from the liability files the matured liabilities, keeping, as outlined before, only "live" records in the liability files.

STATISTICS.

Maturities falling due within 30, 60, or 90 days and after, can easily be obtained from the discount clerk, who will compute the figures from the totals appearing in the upper right-hand corners of the indexes, in the maturity file.

Attention is called to the fact that it is not practical to carry the above statistics upon the general ledger, inasmuch as daily adjustments would be obligatory. It is, however, feasible to have the maturities of the items show under the classifications of the different months of the year, such as the maturities falling due in January, February, etc.

All of the forms have been provided with space which may be used to either place, automatically, upon the general ledger the month of maturity, or the industry, etc., affected.

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CONTINUOUS RECORDS.

As outlined before, it is suggested that the record of all notes discounted for or loans made to member banks, or paper purchased in the open market, be transcribed upon what is known as a "continuous record," this record furnishing an exact description of the note and being written in the same operation that the manifolding entries are being prepared by the stenographer.

These "continuous records" will be made use of in advising the Federal Reserve Board at Washington and in the interrelations between the Federal reserve agents and the Federal reserve banks.

ACCOUNTS.

For the purpose of distinguishing between the classes of bills discounted, the following titles have been assigned:

Bills discounted—customers.
Bills discounted—bought.

FORM BD 1.

For use of member banks in empowering proper officials to rediscount with the Federal reserve banks.

FORM BD 2.

This is intended to cover notes discounted for member banks which are payable within a radius covered by the Federal reserve bank's messengers. Its explanation is as follows:

Slip No. 1: Debit to "Bills discounted—customers."
Slip No. 2: Credit to "Bills discounted—customers."
Slip No. 3: Advice of credit to member bank.
Slip No. 4: Credit to member bank's account.
Slip No. 5: Credit to "Unearned discount."
Slip No. 6: Indorser's liability.
Slip No. 7: Payer's liability.
Slip No. 8: Maturity slip.

All of the slips comprising the form are made use of upon the day of discount, either in bookkeeping entries, advices, or for the establishment of liability, with the exception of slip No. 2, being a credit to bills discounted—customers, which remains attached to the note and is filed away with it awaiting maturity.

FORM BD 3.

This is identical with Form BD 2, with the exception that it is designed to cover notes discounted for member banks, which would be payable without the radius covered by messengers of the Federal reserve banks, consequently it would be necessary to forward them to other institutions for collection. The explanation of the form follows:

Slip No. 1: Debit to "Bills discounted—customers."
Slip No. 2: Letter to corresponding bank inclosing the item for collection.
Slip No. 3: Acknowledgment from corresponding bank as to the receipt of the note.
Slip No. 4: Credit to "Bills discounted—customers."
Slip No. 5: Debit to the collecting bank.
Slip No. 6: Advice of credit for the member bank.
Slip No. 7: Credit to the member bank.
Slip No. 8: Credit to "Unearned discount."
Slip No. 9: Indorser's liability.
Slip No. 10: Payer's liability.
Slip No. 11: Maturity slip.

As to slips Nos. 2, 3, 4, and 5, slips Nos. 2 and 3 would be attached to the note when forwarded to the corresponding bank for collection, while slips 4 and 5 would be retained by the collection department of the Federal reserve bank and filed by it in a maturity file under the due date of the item, at which time they would be proved to the controlling slips in the discount department, then being separated, would form the credit to "Bills discounted—customers" and a debit to the collecting bank.

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It will be noted that slips 2, 3, 4, and 5 were typewritten when the item was first handled by the discount department, consequently it was delivered to the collection department with the necessary forms to carry it to its final disposition, with the exception of the day of forwarding, together with the name of the collecting institution, both of which will be transcribed on the form by the collection department.

As the country notes will be delivered to the collection department the day following their discount, provision has been made upon the reverse side of the maturity slips for an acknowledgment of the receipt of the items by the collection department.

FORM BD 4.

This is a continuous record, in loose-leaf form, Forwarding to the Federal Reserve Board at Washington exact details of the bills discounted for member banks.

FORM BD 5.

This is similar to Form BD 2, with the exception that it is intended to cover bills discounted—bought, being purchases made in the open market, instead of items discounted for member banks, and which are payable within the district covered by messengers of the Federal reserve banks.

FORM BD 6.

This is similar to Form BD 3, with the exception that it has been designed to cover country notes purchased in the open market rather than discounted for member banks.

FORM BD 7.

This is identical with Form BD 4, except that it is designed to advise the Federal Reserve Board at Washington of the exact description of bills purchased in the open market, rather than discounted for member banks.

FORM BD 8.

This is a draft of an alphabetical index, to be used in separating the liability of debtors.

That portion of the index descriptive of the name of the concern will be modeled after the usual form of indexes, permitting the changing of names at leisure.

FORM BD 9.

This is a draft of an index to be used in apportioning the brokers' slips in the liability files, the purpose of placing such brokers' slips in the liability files being merely to enable a proof of liability to be established, as of course there will be no liability attached to the brokers unless they be compelled to indorse the commercial paper sold to the Federal reserve banks.

FORM BD 10.

A chronological index, to be used in apportioning the maturity slips under the maturity of the notes, the upper right-hand corner being glazed with a coating of celluloid, or something of a similar nature.

FORM BD 11.

Designed for collateral loans supported by Government bonds, warehouse receipts for merchandise, etc. Its explanation follows:

Slip No. 1: Debit to "Collateral loans."
Slip No. 2: Credit to "Collateral loans."
Slip No. 3: Advice to member bank.
Slip No. 4: Credit to member bank.
Slip No. 5: Credit "Unearned discount."
Slip No. 6: Indorser's liability.
Slip No. 7: Payer's liability.
Slip No. 8: Maturity slip.

While it is assumed the Federal reserve banks will, in addition to making collateral loans supported by United States Government bonds, be obliged to make other loans supported by

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collateral, such as warehouse receipts, etc., covering merchandise, it is thought that loans of this character should be somewhat restricted and, in every case, bear a maturity.

It may be well to note in addition to the above that there will be instances in which the Federal reserve banks will rediscount items supported by collateral, so that the accounts "Collateral loans secured by United States Government bonds" and "Collateral loans—merchandise" would not be indicative of all the collateral loans made.

FORM BD 12.

A continuous record, in loose-leaf form, forwarding to the Federal Reserve Board at Washington exact details of the collateral loans made each day.

FORM BD 13.

This is a card record for collateral loans supported by Government bonds, the card being descriptive of the collateral and allowing space for substitutions, etc.

FORM BD 14.

This is a card record of collateral loans supported by warehouse receipts for merchandise, etc., the card being descriptive of the collateral and allowing for payments covering withdrawals.

FORM BD 15.

For use in rediscounting *with* other Federal reserve banks and supports a controlling balance upon the liability side of the general ledger known as "Rediscounts with other Federal reserve banks." Its explanation follows:

Slip No. 1: Credit to "Rediscounts with other Federal reserve banks."
Slip No. 2: Debit to the discounting Federal reserve bank.
Slip No. 3: Letter inclosing item to discounting Federal reserve bank.
Slip No. 4: Acknowledgment of receipt from discounting Federal reserve bank.
Slip No. 5: Maturity slip.
Slip No. 6: Debit to "Rediscounts with other Federal reserve banks."
Slip No. 7: Credit to "Bills discounted." * * *

All of the above slips are made use of upon the day the items are forwarded for rediscount, with the exception of slips Nos. 5, 6, and 7, being, respectively, a maturity slip, and the subsequent liquidating entries. Slip No. 5, descriptive of the maturity, will be filed chronologically in a separate maturity file covering items "Rediscounted with other Federal reserve banks," so that the total of the slips in this file will at all times prove the controlling balance upon the general ledger. Slips Nos. 6 and 7 will be substituted in place of the note and held awaiting maturity, at which time they will be separated and the debit to "Rediscounts with other Federal reserve banks" will be charged to the note teller and the credit to "Bills discounted" forwarded to the general ledger.

The original maturity slip in the regular maturity file need not be disturbed in this instance, as the reduction of bills discounted does not take place until the maturity of the items, consequently it is necessary that they be left where originally placed, viz., the regular maturity file, in order that it will be in agreement with the controlling balances.

An adjustment of unearned discount would, of course, be necessary upon receipt of the advice of credit.

FORM BD 16.

This form is to be used in handling items rediscounted *for* other Federal reserve banks, and which are payable within the district covered by the messengers of the Federal reserve bank discounting the items.

It provides a controlling balance upon the "Resources" side of the general ledger, to be known as "Rediscounts for other Federal reserve banks." An explanation of the form follows:

Slip No. 1: Debit to "Rediscounts for other Federal reserve banks."
Slip No. 2: Credit to "Rediscounts for other Federal reserve banks."
Slip No. 3: Advice of credit to Federal reserve bank of ———.
Slip No. 4: Credit of Federal reserve bank of ———.
Slip No. 5: Credit to "Unearned discount."
Slip No. 6: Liability slip of Federal reserve bank of ———.
Slip No. 7: Maturity slip.

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FORM BD 17.

This is identical with Form BD 16, with the exception that it is intended to cover notes rediscounted for other Federal reserve banks which are payable without the district covered by messengers of the Federal reserve bank. Its explanation follows:

Slip No. 1: Debit to "Rediscounts for other Federal reserve banks."
Slip No. 2: Letter forwarding the item for collection.
Slip No. 3: Acknowledgment of its receipt.
Slip No. 4: Credit to "Rediscounts for other Federal reserve banks."
Slip No. 5: Debit to collecting bank.
Slip No. 6: Advice of credit to the Federal reserve bank of ———.
Slip No. 7: Credit to the Federal reserve bank of ———.
Slip No. 8: Credit to "Unearned discount."
Slip No. 9: Liability of Federal reserve bank of ———.
Slip No. 10: Maturity slip.

FORM BD 18.

A continuous loose-leaf record to be forwarded to the Federal Reserve Board at Washington, D. C., by the Federal reserve bank discounting items for another Federal reserve bank.

FORM BD 19.

A sample loose-leaf sheet, to be used in effecting the daily accrual of earned discount, the resulting figures to be used in a debit to "Unearned discount" and a credit to "Discount."

FEDERAL RESERVE NOTES.

It is proposed that when a Federal reserve bank wishes to issue Federal reserve notes, it will reduce bills discounted and debit a controlling balance in its resources to be known as "With Federal reserve agent to secure Federal reserve notes." After the Federal reserve notes have been received from the Federal reserve agent, which it is assumed will be the same day, the Federal reserve notes will be placed in the assets of the bank, their offset being a credit to "Federal reserve notes."

As the hypothecated notes mature, it will be incumbent upon the Federal reserve banks to either notify the Federal reserve agent of their desire to cancel the equivalent of Federal reserve notes, or, as is most likely, exercise the option of substituting notes with more distant maturities than those already hypothecated.

FORM BD 20.

This has been designed to cover both the hypothecation and possible substitution of discounted notes held by the Federal reserve agent to secure Federal reserve notes. Its explanation follows:

Slip No. 1: Debit "With Federal reserve agent to secure Federal reserve notes."
Slip No. 2: Credit to "Federal reserve notes."
Slip No. 3: Maturity slip.
Slip No. 4: Credit "With Federal reserve agent to secure Federal reserve notes."
Slip No. 5: Credit to "Bills discounted * * *."

In hypothecating the notes with the Federal reserve agent it does not appear advisable to retire the liability slips typewritten at the time of the first handling of the note, as the hypothecation does not in any way affect liabilities and as the notes will eventually be returned to the Federal reserve banks for collection, but it will be obligatory, however, to remove the maturity slip from the regular maturity file, stamp it "With Federal reserve agent to secure Federal reserve notes," and then forward it to the filing department to be filed in the permanent record.

In substitution of the maturity slip described in the foregoing paragraph, slip No. 3 of Form BD 20 will be used and filed chronologically in a separate maturity file covering the outstanding notes with the Federal reserve agent, as in this way the bank will be in a position to know at any time the exact notes held by the Federal reserve agent and also will be placed in position to see upon what days substitution of notes will be required.

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FORM BD 21.

A continuous record, in triplicate, will be obtained from Form BD 20 and delivered with the discounts to the Federal reserve agent by the bank. The first sheet of the continuous record will serve as an application of the Federal reserve bank to the Federal reserve agent, while the duplicate will be the receipt of the Federal reserve agent to the Federal reserve bank, acknowledging the collateral as security, and the triplicate sheet will be the advice of the Federal reserve agent to the Federal Reserve Board at Washington, descriptive of the issuance of Federal reserve notes and the supporting collateral.

FORM BD 22.

This is a continuous record, in triplicate, covering the substitution of collateral by the Federal reserve bank with the Federal reserve agent, upon the reverse side of each of which are listed the notes which it is desired to retire, while upon the face of the sheets will be listed the proffered collateral in substitution. The first sheet of the continuous record will be the application of the Federal reserve bank to the Federal reserve agent, the duplicate sheet will be the receipt of the Federal reserve agent to the Federal reserve bank covering the acknowledgment of the collateral received in substitution, while the triplicate will be the Federal reserve agent's advice to the Federal Reserve Board at Washington of the substitution of collateral.

FORM BD 23.

This is a draft for the proposed skeleton loose-leaf liability ledger, which will be descriptive of the total indebtedness of concerns under the classification of "Payer" and "Indorser."

FORM BD 24.

This is a block sheet to be used in establishing sectional proofs of the day's work.

FORMS BD 25 AND 26.

Slips to be used in routing the different batches of debits and credits to the general ledger, note teller, and distributing department.

FORM BD 27.

A proof sheet for the department, the figures for which will be obtained through a recapitulation of the block sheets.

FORM BD 28.

This is a triplicate record, which will be used in the release of collateral by the Federal reserve agent when Federal reserve notes have been tendered to him for cancellation, its explanation being:

Sheet No. 1: Application to the Federal reserve agent for the release of the collateral.

Sheet No. 2: Permanent record for the Federal reserve agent.

Sheet No. 3: Advice to the Federal Reserve Board of the release of the collateral by the Federal reserve agent.

Sheet No. 1 will serve as a permanent record for the Federal reserve bank, while sheet No. 2 will serve the same purpose for the Federal reserve agent and, in addition, place him in a position to prove the amount of notes being held as collateral; likewise sheet No. 3 will enable the Federal Reserve Board to prove the correctness of "Rediscounts to secure Federal reserve notes," as it appears upon the daily statement of the Federal reserve agent.

BOOKKEEPING DEPARTMENT.

This department will have charge of the maintenance of the accounts of the depositors of the Federal reserve banks.

The usual method of handling such accounts is by means of bound ledgers, supported by monthly statements, descriptive of the different debits and credits entering the accounts, while under the proposed plan the bookkeeper will obtain, by machinery, a daily statement for the depositor, at the same time that he is preparing his loose-leaf ledger sheet, indicative of the day's transactions.

If not too expensive, it is suggested that the canceled checks of each account be returned with the daily statement, inasmuch as it would place them in the possession of the depositors

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at the earliest possible moment, and would do away with the necessity of filing and, likewise, the maintenance of steel cabinets in which they must be assorted.

It will be observed that no provision has been made upon the daily statement for a "Key," as this will not be necessary under the general system as outlined in the bank—that of giving specific advices covering the different debits and credits entering the accounts.

The forms of the department will be:

FORM B 1.

This is a combined ledger and statement sheet designed for machinery, but which with a slight modification of ruling could be adapted to handwork.

The first duty of the bookkeeper in the morning will be to transcribe upon the top sheet of the form the balance brought forward from the day prior, after which he will deliver the previous day's ledger sheets to the filing department to be filed chronologically in a transfer binder under the name and style of the depositor's account. He will then prove the total of the assembled balances to his controlling account on the general ledger.

It may be well to note at this point that the daily statement to the member banks will not contain the balance appearing to their credit at the close of business each day, but instead will simply be a statement giving the balance of the day prior, together with the debits and credits entering the account, inasmuch as it would hardly be advisable to forward a balance, the accuracy of which would not be proved until the following morning. This, however, is a matter of detail, which will best be determined after the first few days of operation, as it is quite possible the nature of the work will enable all the tellers to forward their figures to the general ledger in time to have the controlling balances in proof for the bookkeepers before the conclusion of each day.

After the previous day's balances have been transcribed, the routine of the bookkeeper's work will depend largely upon the time of receipt of the morning mail, exchanges, and other departmental entries.

FORM B 2.

To be used in reporting overdrafts to the proper official.

FORM B 3.

A form of card index upon which will be accumulated the overdrafts appearing in any particular account.

FORM B 4.

A loose-leaf record upon which will be inscribed under the name of the member bank a complete description of the checks upon which it is desired to stop payment.

FORM B 5.

This is a form in quadruplicate, which will be used in handling "Transit account," its explanation being:

Page No. 1: Loose-leaf ledger sheet of "Transit account," to be retained as a permanent record by the Federal reserve bank.

Page No. 2: Loose-leaf ledger sheet of "Transit account" for the Federal reserve agent, to be retained by him as a permanent record.

Page No. 3: Advice from Federal reserve agent to the Secretary of the Treasury, which will be signed by the agent after verification, and which will be the authority to the Secretary of the Treasury to execute the debits and credits in the gold-reserve balances of the different Federal reserve banks.

Page No. 4: Statement of the account to be forwarded by the Federal reserve bank to the Secretary of the Treasury.

Pages 2 and 3 will be delivered to the Federal reserve agent; page 2, as previously outlined, being his permanent record, and page 3 his advice to the secretary. Page 4 has been designed to afford the secretary the opportunity of checking the correctness of the Federal reserve agent's figures, and also to remove the possibility of confusion in the event of the Federal reserve agent's advice going astray in the mails.

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GENERAL BOOKS.

It is proposed that the general ledger, daily statement book, profit and loss ledger, and other ledger records which vitally affect the bank, be segregated from the regular bookkeeping department in order that the controlling figures of the bank be under close observation and not open to the casual examination of clerks.

The general-ledger bookkeeper will also prepare any statements of condition (exclusive of statistics) which may be required by the directors or officials of the bank, Federal reserve agent, or Federal Reserve Board.

Sample pages of the principal books which he will maintain have been drafted, and are explained as follows:

GB 1.

Proposed sheet of a bound book to be styled a "General ledger," and which will contain the controlling accounts of the bank.

GB 2.

Proposed loose-leaf sheet for the "Daily statement book," the figures for which will be obtained from a concentration of general-ledger accounts.

This book will be proved and delivered to the president or secretary-treasurer of the Federal reserve bank each morning not later than 9.30 a. m., in order that they may know the condition of the bank prior to the opening of business.

It will be noted that the leaves of the book are in duplicate, the plan being that the duplicate statement of the condition of the bank will be delivered to the Federal reserve agent for examination, and that he in turn will forward it, the same day, to the Federal Reserve Board at Washington for their information.

On Friday of each week, if it is desired, the figures may be transmitted by telegraph to the Federal Reserve Board for the compilation at their end of the concentrated figures of the 12 different banks.

GB 3.

Sample sheet of a bound book to be known as "Profit and loss ledger."

This will contain the descriptive record of profit and loss account and such other accounts as may be deemed advisable.

GB 4.

To be used in preparing a difference record of the several departments, and will be placed upon the desk of the secretary-treasurer on Monday morning of each week.

GB 5.

A ledger sheet for a subsidiary record giving the details of the short and over differences of the several departments, and must be in agreement with the difference account upon the general ledger.

GB 6.

This form has been designed for use of the directors of the Federal reserve bank at their regular weekly meetings, the plan being that the form will be manifolded so that each director will receive a copy.

GB 7.

This is an expense ledger which will be posted daily and must be in agreement with the general ledger. It will be noted that it has been prepared with the thought of showing every item of expense, although, of course, conditions will arise which may necessitate modifications.

ACCOUNTING DEPARTMENT.

This department will handle the transfer of funds; redeem unpaid cash items which have been cleared through the clearing house; issue letters of advice; prepare for official signature expense vouchers and checks drawn upon other Federal reserve banks, and arrange for the depositing of funds for the credit of the 5 per cent fund of member banks.

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It will likewise be intrusted with the custody of contracts and will prepare such statistics of earnings and expenses as may be desired.

It will also handle the analysis of accounts, under whatever method may be determined.

The forms of the department are:

FORM AC 1.

This will be used in transferring funds of member banks through other Federal reserve banks, its explanation being:

Top slip, page 1: Advice to Federal reserve bank, requesting the transfer to be made.

Slip No. 2, page 1: Advice to member banks that their account has been charged and the transfer arranged.

Top slip, page 2: Credit to Federal reserve banks of ———.

Slip No. 2, page 2: Debit to member bank's account.

FORM AC 2.

This is identical with Form AC 1, with the exception that it is intended to cover a telegraphic transfer of funds, its explanation being:

Top slip, page 1: Advice to Federal reserve bank, requesting the transfer to be made.

Slip No. 2, page 1: Advice to member banks, descriptive of the charge and informing them that the transfer has received attention.

Top slip, page 2: Credit to Federal reserve bank of ———.

Slip No. 2, page 2: Debit to member bank's account.

FORM AC 3.

For use in making transfers from one account to another, both of which keep balances with the Federal reserve bank, its explanation being:

Top slip, page 1: Advice to member bank, reuesting the transfer.

Slip No. 2, page 1: Advice to the member bank whose account will be credited.

Top slip, page 2: Debit to the member bank, requesting the transfer.

Slip No. 2, page 2: Credit to the member bank whose account is to be credited.

FORM AC 4.

This will cover the depositing of funds over the counter, for credit of member banks' accounts, its explanation being:

Slip No. 1: Letter of advice to member bank.

Slip No. 2: A duplicate of the above, which will be tendered as a receipt to the bank or individual depositing the funds.

Slip No. 3: Credit to the member bank's account.

Slip No. 4: Auditor's checking slip.

FORM AC 5.

Intended to cover the receipt of instructions from member banks to deposit funds with other banking institutions located in the same city in which the Federal reserve bank is situated, its explanation being:

Slip No. 1: Advice to the member bank that their instructions have received attention and also giving the amount charged to their account.

Slip No. 2: Accompanied by a check of the Federal reserve bank, this slip will serve the purpose of a letter of instructions to the institution receiving the funds.

Slip No. 3: Debit to member bank's account.

FORM AC 6.

This will be used in arranging deposits with the Treasurer of the United States for the credit of the 5 per cent fund of member banks, its explanation being:

Slip No. 1: Advice to member bank of the amount deposited.

Slip No. 2: Debit to member bank's account.

FORM AC 7.

A sample check to be used in redeeming unpaid items which have been cleared through the clearing house:

No. 1: Form of proposed check.

No. 2: Credit to "Returned items."

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FORM AC 8.

A proposed check to be used in drawing upon other Federal reserve banks, its explanation being:

No. 1: Form of check, together with auditor's stub.

No. 2: Credit to the account of the Federal reserve bank upon whom the check is drawn.

FORM AC 9.

A proposed form of expense voucher, which would be descriptive of the particular invoice intended to be covered, its explanation being:

No. 1: Form of check, to which is attached a statement of account.

No. 2: Credit to "Expense checks" and debit to "Provision for disbursements."

In this connection it may be suggested that a daily charge to expense, with a corresponding credit to "Provision for disbursements" sufficient to cover the average expense of the bank would tend to indicate more clearly the actual current earnings.

If it is determined to debit expense only at the time of actual disbursement, then, of course, the debit ticket in this instance would be labeled "Expense" instead of "Provision for disbursements."

FORM AC 10.

Proposed form of envelope which is intended to inclose such contracts as may be intrusted to the department.

It will be noted that the face of the envelope provides full particulars concerning the contract, dates of payment, and various other details.

FORM AC 11.

A tentative form of analysis, which could only be made use of when the actual conditions surrounding the accounts can be determined and likewise after the base of operative expense has been established. It has been tendered simply for the purpose of guidance when the time arrives for its completion.

FORM AC 12.

Block sheet for the department to be used in establishing sectional proofs.

FORMS AC 13, 14, 15, AND 16.

Varicolored slips to be used in routing the different batches to the several departments.

FORM AC 17.

A proof sheet upon which will be assembled the figures obtained from a recapitulation of the block sheets.

FORM AC 18.

This is a form which will be prepared and delivered to the different departments in order that they may be in touch with the expenses of their respective departments.

SECURITIES DEPARTMENT.

As this department will have charge of the purchase, sale, and custody of such securities as will be classified under the general ledger account known as "Investments," it is suggested that the manager be an officer of the bank.

The department will also have charge of the purchase and sale of securities for the account of member banks; and, in the event of the Federal reserve banks permitting member banks to deposit securities with them for safe-keeping, they will have charge of such custodies.

The preparation of such statistics as may be required concerning the status of the different classes of investments will also be intrusted to the department.

The forms are:

FORM S 1.

This will be used in purchasing securities for account of Federal reserve banks, its explanation being:

Slip No. 1: Debit to "Investments."

Slip No. 2: Debit to "Interest accrued receivable—investments."

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FORM S 2.

This is a continuous record for the Federal Reserve Board at Washington, which will be written at the same time the above form is executed, and which will be forwarded to the board with the thought of placing it in a position to know, with the least possible delay, what investments have been made by the Federal reserve banks.

FORM S 3.

This is a loose-leaf book which will be used in maintaining a descriptive balance of the different classes of securities on hand and will be in agreement with the general ledger at all times. Upon the reverse side of the sheet provision has been made for the listing of bond numbers.

FORM S 4.

This is a sample page of a bound book which will be used to record purchase and sale of securities for account of member banks.

FORM S 5.

Furnishes a summary of the condition of the investments, which will be made to the board of directors of the Federal reserve bank each week.

FORM S 6.

A sample loose-leaf sheet to be used in effecting the daily accrual of interest, the resulting figures to be used as a debit to "Interest accrued receivable—investments," and a credit to "Interest—investments."

FORM S 7.

In the event of the Federal reserve banks holding securities in safe deposit for account of member banks this form will be used, and is designed to fully described such custodies, provision having been made for a nominal balance based upon par value and also for the date and other details, etc., of their delivery.

Before filing the form all indices, except those covering the months when interest payments are to be made should be removed, so that at a glance it may be seen what interest payments are due in any month.

In order that a proof of the custodies be possible, it is suggested that a controlling balance be placed upon the general ledger, which will in no way affect the assets or liabilities of the banks, such as, on the debit side, "Custodies," and on the credit side "Custodies due correspondents."

Forms have not been drafted covering the handling of coupons, inasmuch as it is assumed the Federal reserve banks will not burden themselves with their collection.

FOREIGN DEPARTMENT.

In general explanation of the following forms it is suggested that they have been constructed along two distinct lines, viz:

No. 1: That it will be the purpose of branch banks in the original handling of items to so manifold their entries that the regional banks will be obliged to do the least possible work.

No. 2: That the regional banks only will maintain balances abroad, and as a consequence any foreign-exchange transactions originating with branch banks will be for account of their regional banks.

FORM FX 1.

Intended for use of regional banks, when forwarding cash items for credit, such items being drawn in the currencies of their respective countries at 10 days' sight and under, together with such long items as may be forwarded for immediate discount.

It will be noted in this form, as well as subsequent Forms Nos. 2, 3, 4, 5, and 6, that provision has been made for a double-accumulating typewriter adding machine, whereby at the completion of the listing of the different items a total is readily obtainable both in foreign currencies and dollars. It may also be added that this necessitates a machine with Sterling equipment.

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The first page of Form No. 1 will accompany the original drafts and documents. The second page will be forwarded with the duplicate drafts and documents. The third or first liability sheet is for use of the liability clerk in the regional bank. The fourth or second liability sheet is to be forwarded to the Federal Reserve Board at Washington for the accumulation of their credit record. The fifth serves as remittance register as well as a debit to the foreign bank to whom the items have been sent.

It will be noted that the plan of a remittance register will give full particulars as to the entry, tenor, and amount of the bills, and at the same time assemble them in totals so that the bookkeeper attached to the department is materially assisted in the correct postings of the different accounts. It might also be suggested that the clerk detailed for checking the correctness of discounts, value dates, etc., has all particulars before him.

Attention is called to the fact that provision has been made in the last sheet for a "follow-up" system looking to the prompt acknowledgment of the cash letters, the covering receipts of which have already been attached to the original and duplicate letters forwarding the items abroad.

FORM FX 2.

This has been constructed identically with Form FX 1, with the exception that it has been designed to cover the forwarding of exchange to a branch or a correspondent of the institution abroad, providing, as will be noted, a simultaneous advice to the regional bank's correspondent. An example of this would be the forwarding of exchange to the Dresdner Bank in Hamburg for account of Dresdner Bank, Berlin, for credit of the Federal reserve bank in Chicago. The pages of the form will be used as follows:

Page 1: Letter accompanying original drafts and documents abroad.

Page 2: Letter accompanying duplicate drafts and documents abroad.

Page 3: Notification of the forwarding of the items to the foreign bank with whom the checking balance is maintained.

Page 4: Liability sheet for use of the regional bank.

Page 5: Liability sheet to be forwarded to the Federal Reserve Board at Washington.

Page 6: Sheet for remittance register.

FORM FX 3.

This is also for use of regional banks and intended to cover the handling of Australian exchange when forwarded to the place of payment for collection, and at the same time for a *realization of the proceeds through negotiation* at London. Explanation of its pages follow, viz:

Page 1: Letter accompanying the original drafts and documents to Australia.

Page 2: Letter inclosing seconds of exchange to London, looking to the negotiation of the items.

Page 3: Liability sheet for use of the regional bank.

Page 4: Liability sheet to be forwarded to the Federal Reserve Board at Washington.

Page 5: Sheet for remittance register.

FORM FX 4.

This is identical with Form FX 1, being intended to cover short items drawn at 10 days' sight and under, with the exception that it is designed for the forwarding by branch banks of exchange for account of regional banks and includes a notification to the regional bank of the forwarding of the items.

FORM FX 5.

This is similar to Form FX 2, covering the same purpose, with the exception that it includes a notification of the forwarding of the items abroad to the regional bank.

FORM FX 6.

This will cover the same ground as Form FX 3, except that it includes a notification to the regional bank of the forwarding of the Australian exchange.

Concerning Forms FX 4, 5, and 6, it will be necessary for the regional banks to execute entries at their end upon receipt of the notification from the branch banks, who will mail the

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following day the remittance-register sheets, to be placed in the regional bank's binder, awaiting the acknowledgment of credit from the banks abroad.

FORM FX 7.

For the purpose of maintaining a controlling balance upon such long items as may be purchased and which will be held without discount to maturity, it is proposed to establish an account upon the general ledger to be known as "Unmatured foreign bills."

This form is intended to cover these bills when forwarded by a Federal reserve bank direct to a correspondent abroad with whom it keeps a checking balance.

Page 1: Letter accompanying the original draft and documents abroad.
Page 2: Letter accompanying the duplicate draft and documents abroad.
Page 3: Serves as an acknowledgment of receipt and provides for a "follow-up."
Page 4: Is an advice of credit to customer.
Page 5: Is a credit to the customer's account.
Page 6: Is a debit to "Unmatured foreign bills."
Page 7: Is a credit to "Unmatured foreign bills."
Page 8: Is a debit to "Due from foreign banks."

It will be noted that the entire record and bookkeeping entries have been executed when first handling the bill. Pages 7 and 8, being attached to one another, are filed in a chronological manner, reflecting the maturity abroad of the item, consequently the bills are charged to the foreign banks at the approximate due date, thereby keeping our books more closely in touch with the balances abroad. It is provided, of course, that nonpayment of the items will be cabled promptly. This résumé also applies to

FORMS FX 8, 10, AND 11.

This is identical with the above form, with the exception that it is designed to cover long bills forwarded to branches or correspondents of the Federal reserve bank's correspondent abroad. Its explanation follows:

Page 1. Letter accompanying the original draft and documents abroad.
Page 2: Letter accompanying the duplicate draft and documents abroad.
Page 3: A notification to the regional bank's correspondent that the item has been forwarded to one of its branches or correspondents.
Page 4: Serves as an acknowledgment of receipt and provides for a "follow-up."
Page 5: Advice of credit to customer.
Page 6: Credit to customer's account.
Page 7: Debit to "Unmatured foreign bills."
Page 8: Credit to "Unmatured foreign bills."
Page 9: Debit to "Due from foreign banks."

FORM FX 9.

This will cover short items drawn at 10 days' sight and under in the following classifications, viz:

No. 1: When payable and forwarded to places where no relations have been established.
No. 2: When the items are drawn in currencies other than the currency of the countries in which they are payable.

This class of items is quite apt to be very troublesome in handling, usually being drawn upon distant points, and for the purpose of control it is suggested that they be grouped under a general ledger account, to be known as "Foreign collection banks," and it is for this account that form FX 9 has been constructed. An explanation of the form follows:

Page 1: Accompanies the original draft and documents abroad.
Page 2: Accompanies duplicate draft and documents abroad.
Page 3: Serves as an acknowledgment of receipt and provides for a "follow-up."
Page 4: An advice of credit to the customer.
Page 5: Credit to customer's account.
Page 6: A debit to "Foreign collection banks."
Page 7: Credit to "Foreign collection banks."
Page 8: Debit to "Due from foreign banks."

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FORM FX 10.

For long bills purchased by a branch bank and forwarded to a direct connection for account of the regional bank maintaining the balance abroad.

It will be noted in the following explanation of the form that the record of the regional bank as well as the member bank has been made at one writing, viz:

Page 1: Letters accompanying the original draft and documents abroad.
Page 2: Letters accompanying the duplicate draft and documents abroad.
Page 3: Provides for an acknowledgment and "follow-up."
Page 4: Advice of credit for branch bank's customer.
Page 5: Credit to branch bank's customer.
Page 6: Debit to "Unmatured foreign bills."
Page 7: Debit to the regional bank for whose account the item is handled abroad.
Page 8: Credit to "Unmatured foreign bills."
Page 9: Notification to regional bank of the forwarding of the bill.
Page 10: Advice of credit from the regional to the branch bank.
Page 11: Credit to the branch bank.
Page 12: Debit to "Due from foreign banks."

FORM FX 11.

This is for long bills purchased by branch banks and handled as outlined above, when the items are forwarded to a branch or a correspondent of the banking connection abroad. Its explanation follows:

Page 1: Letter accompanying the original draft and documents abroad.
Page 2: Letter accompanying the duplicate draft and documents abroad.
Page 3: Letter of notification to the foreign bank for whose account the item will be handled.
Page 4: Serves as an acknowledgement and a "follow-up."
Page 5: Advice to the branch bank's customer.
Page 6: Credit to the branch bank's customer.
Page 7: Debit to "Unmatured foreign bills."
Page 8: Debit to the regional bank in whose account the item will be credited when paid.
Page 9: Credit to "Unmatured foreign bills."
Page 10: Letter of notification from the branch to the regional bank of the forwarding of the item.
Page 11: Advice of credit to the branch bank.
Page 12: Credit to the branch bank.
Page 13: Debit to "Due from foreign banks."

FORM FX 12.

This is designed for items covered by Form FX 9, except in this case they will be purchased by a branch bank and be handled in accordance with the thought outlined in Forms FX 10 and 11. Its explanation follows:

Page 1: Letter accompanying the original draft and documents abroad.
Page 2: Letter accompanying the duplicate draft and documents abroad.
Page 3: Serves as an acknowledgment and "follow-up."
Page 4: Advice of credit to the branch bank's customer.
Page 5: Credit to branch bank's customer.
Page 6: Debit to "Foreign collection banks."
Page 7: Debit to the regional bank.
Page 8: Credit to "Foreign collection banks."
Page 9: Letter of notification to the regional bank of the forwarding of the item.
Page 10: Advice of credit to the branch bank.
Page 11 Credit to the branch bank.
Page 12: Debit to "Due from foreign banks."

FORM FX 13.

This will be a continuous record for items covered by Forms FX 7, 8, and 9, the original of which will go to the liability clerk of the regional bank, while the duplicate will be mailed to the Federal Reserve Board at Washington.

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FORM FX 14.

This will be a continuous record covering Forms FX 10, 11, and 12, the original of the form being used by the liability clerk of the branch bank, while the duplicate will be forwarded to the Federal Reserve Board at Washington.

FORM FX 15.

This will serve as an advice of credit to the member banks covering such items as might be bought by the regional banks and which will be forwarded abroad on Forms FX 1, 2, and 3. The attached duplicate will be a credit to the member bank's account.

FORM FX 16.

As only certain individuals in the foreign department will be authorized to quote rates, this form has been devised for the purpose of supplying the clerks who will receive and deliver exchange, with authenticated rates, so that there will be no confusion incidental to prompt handling.

FORM FX 17.

This is a daily balance sheet of the department, which will be prepared by the bookkeeper and delivered to the head of the department daily, in order that he may be in close touch with the condition of balances abroad, without the necessity of examining the foreign ledger. It is understood, of course, that in the left-hand column the names of the correspondents abroad will be printed.

FORM FX 18.

This form will serve the purpose of recording special cable words not covered in the codes, and which may be required as a notification of prompt payment or nonpayment.

FORM FX 19.

This form consists of a debit and credit ticket to be used in the transfer of funds from one foreign account to another, principally because of cable transfers and arbitrage operations.

FORM FX 20.

This form serves as a confirmation covering the purchase of cable transfers from institutions through their brokers.

FORM FX 21.

The foreign department may require for counter use, as well as for the use of member banks, a supply of drafts, and the form tendered herewith is to supply that want.

FORM FX 22.

In arranging for postal remittances ordered by member banks, this form has been constructed, the original of which will be forwarded abroad with the necessary instructions. The carbon copy will be retained in a loose-leaf binder awaiting the return of the receipts.

FORM FX 23.

Upon the above receipts being received, they will be returned to the member banks upon this form, the full data being obtained from the duplicate of Form FX 22, which, as previously outlined, will be retained in a binder for the purpose.

The receipts covering postal remittances returned from abroad are usually written in an undecipherable way, and the above forms and method of handling will materially assist in completing the record.

FORM FX 24.

(Out. Travelers' record not required.)

FORM FX 25.

This has been modeled to relieve as much as possible formal letters being written by the department, as it is felt that many routine matters can easily be covered by this form. The duplicate will serve as a record for the files.

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FORM FX 26.

This is a series of postal cards to be used in tracing overdue items. The duplicate is filed away under a maturity "follow-up" system, so that all overdue items will receive intelligent and careful tracing.

FORM FX 27.

This form will be executed in triplicate and is intended to cover the depositing of funds in institutions in accordance with instructions received from foreign banks. The first sheet is to the bank receiving the funds. The two remaining portions of the form serve as an original and duplicate receipt, the original being forwarded to the bank requesting the depositing of the funds and the duplicate is for the files.

FORM FX 28.

(Out.)

FORM FX 29.

This is for use in arranging cable transfers and serves as a confirmation and bill (inclusive of cable charges) to the customer, as well as a credit to the foreign bank and a "follow-up" to see that the amount due is received.

FORM FX 30.

This covers the offerings of the foreign department, looking to the establishment of lines of credit needed for the purchase and sale of exchange.

FORM FX 31.

For use of the liability clerk in the foreign department, and is indicative of the total liability of customers, both as drawer and drawee.

FORM FX 32.

For use of the liability clerk in the foreign department, and shows the total of payer's liability under "Unmatured long items."

FORMS FX 33 AND 34.

This is a suggested "block sheet," together with a tab for use in routing items to different departments.

FORM FX 35.

A ledger sheet for the foreign department ledger and from which it will be noted a balance in dollars is obtainable at any time. A balance in foreign amounts is deemed unnecessary, as it would serve no useful purpose except for the reconciliation of the account at stated intervals, at which time the auditing department can easily strike the balance.

FORM FX 36.

This is for use of the manager of the foreign department, who will do the trading, or who will influence the trading and arrange for the establishment of quotations. It has been arranged upon a Chicago basis, but, of course, it may easily be adjusted to whatever center it is determined to have the rates emanate from.

FORMS FX 37 AND 38.

These sheets are intended to be compiled weekly by the liability clerk of the foreign department and in turn to be delivered to the manager of the department for the purpose of keeping him in close touch with the liabilities of his clients, without the necessity of consulting the liability ledger. It is also suggested, if required, that the originals, or perhaps duplicates, of the form be delivered to the board of directors of the Federal reserve bank at stated intervals.

FORM FX 39.

This is designed to cover the receipt of a cable from abroad, concerning which it is necessary to cable a reply and may be of use in relations with member banks as well as for those from whom bills of exchange have been purchased in the open market.

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FORM FX 40.

This form is somewhat descriptive of its use and is intended to be a matter of record of the addition of any word in the private cable code.

FORM FX 41.

This is an added ledger sheet for the foreign department ledger, descriptive of the record of purchases and sales of foreign currency over the counter. Its use will enable any examiner to know just how much of any particular foreign currency is being held in the department, together with the dollar value at which it is being carried on the books.

FORMS FX 42 AND 43.

These are credit and debit tickets descriptive of the different classes of foreign currency bought and sold, and from which the bookkeeper will post to the foreign currency sheet.

FORM FX 44.

This is a labor-saving form which covers an advice to the customer, together with a debit and credit to different accounts.

FORM FX 45.

This is identical with Form FX 44, with the exception that the advice to the customer reflects a debit in his account, the manifolding entry being a credit to some other account.

FORM FX 46.

A suggested form of daily statement for the foreign department, showing its condition in a similar manner to that of the rest of the bank. This daily statement should be in the hands of the administration of the bank each morning at the same time that the daily statement book of the general bank is being examined, so that the two may be compared if necessary.

FORM FX 47.

This form has been arranged in order that the regional banks might be equipped to handle strictly collection items payable in foreign countries, and upon which no advance or credit would be made until the actual settlement of the item. Its explanation follows:

Page 1: Accompanies the original draft and documents abroad.
Page 2: Accompanies the duplicate draft and documents abroad.
Page 3: Serves as an acknowledgment of the receipt of the item, together with a "follow-up."
Page 4: Is an advice of credit to the customer.
Page 5: Is a credit to the customer's account.
Page 6: Is a debit to "Due from foreign banks."

FORM FX 48.

This is identical with Form FX 47, with the exception that it is intended to cover strictly collection items payable in foreign countries, which may be received by branch banks and which would be forwarded abroad for account of its regional bank. Its explanation follows:

Page 1: Accompanies the original draft and documents abroad.
Page 2: Accompanies the duplicate draft and documents abroad.
Page 3: Serves as an acknowledgment to regional bank of the receipt of the item.
Page 4: Serves as an acknowledgment to branch bank of the receipt of the item, together with a "follow-up."
Page 5: Advice for customer of the branch bank.
Page 6: Credit for customer of the branch bank.
Page 7: Debit to the regional bank.
Page 8: Letter to the regional bank descriptive of the forwarding of the item.
Page 9: Advice for branch bank.
Page 10: Credit for branch bank.
Page 11: Debit to "Due from foreign banks."

FORM FX 49.

A sample check to be used by the regional bank in drawing upon their direct connections abroad, and concerning which it will be noted that the original and duplicate advices, together with the credit to the foreign bank's account, as well as the auditor's checking stub, have been written at the time of the issuance of the check.

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FORM FX 50.

A sample check to be used by the regional banks in drawing upon a branch or a correspondent of their foreign connection.

FORM FX 51.

A sample check for the use of regional banks in drawing their long drafts upon a direct connection abroad.

FORM FX 52.

This is the departmental daily proof sheet, upon which is transcribed the totals as obtained from the recapitulation of the "Block" sheets.

It will be noted that in each case the accounts described upon the proof sheet represent simply interlocking balances with the general ledger and other departments, so that the proof of the accuracy of the figures is controlled by other departments.

AUDITING DEPARTMENT.

The duties of the auditor will be largely governed by his vested power and authority, but in no sense should his department form an operating unit of the bank.

His functions should be those of verification and control, systematic examinations of the different departments, criticism of discipline and system, and he should have a general knowledge of the earnings and expenses of the bank.

The routine of the auditing department would consist of examinations, verification of correction entries, scrutiny of general-ledger tickets, adjustment of errors, reconciliation of balances, both domestic and foreign, maintaining direct correspondence with member banks, etc., in reply to inquiries affecting the adjustment of accounts, investigations resulting from the marking of mail matter to the auditing department by the officers of the bank who desire special investigations to be made, control with a daily proof and by means of checking to stubs all cashier's checks, expense vouchers, redemption checks, and certified checks; arranging for the handling and reforwarding of national bank examiners' requests for information, and establishing a proof upon the general ledger.

The forms of the department would be:

FORM A 1.

This will be used for the registration of such inquiries as may be received in connection with examinations by bank examiners, directors, etc.

FORM A 2.

To be used in forwarding the balance of any account, as at the close of business on a certain day, in response to an authorized request.

FORM A 3.

Reconcilement blank to accompany the daily statement which will be forwarded to each account upon the last business day of the month.

FORM A 4.

Sample envelope to be inclosed with the above form of reconcilement in order that its return may be made directly to the auditing department.

FORM A 5.

Card record for registering the receipt of reconcilements.

FORM A 6.

A tracer to be forwarded no later than the 15th of the succeeding month to such accounts as have not reconciled their balance of the month prior.

FORM A 7.

A form to be used in decreasing formal letter writing, looking to the adjustment of exceptions, as shown upon the reconcilements.

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FORM A 8.

Form of reconcilement to be retained by the auditing department and upon which will be inscribed the reconciliation of balances with other Federal reserve agents as well as with foreign banks.

FORM A 9.

To be used after the reconciliation of foreign accounts in instructing the foreign department to make entries covering commission charges, postage, etc.

FORM A 10.

Auditor's proof of general ledger, the figures for which will be assembled from a recapitulation of the different departmental proof sheets.

FORM A 11.

Suggested letterhead for the correspondence of the auditor.

FORM A 12.

Card record to be filed chronologically in a special examination file, and upon which will be inscribed the teller or subject to be examined, the salient points to be covered, and the best methods of procedure. This will enable the auditor to make systematic examinations at irregular periods, owing to the fact that upon each day of examination the card will be replaced in the file in the compartment of a future determined date.

FORM A 13.

To be used in requesting special reports from clerks who have made errors, either of commission or omission.

In this connection, it is suggested that the secretary-treasurer and an assistant, or any two officers who might be determined upon, meet with the auditor each business morning for the purpose of examining the typewritten reports which will be the result of using Form A 13, as in this way the designated officials of the bank will be kept in close touch with the clerical force. Possible defects of system will be obtained in this way, which it would be difficult to develop in any other manner.

FORM A 14.

This will be used in reporting the results of departmental and other examinations.

There will be no cashier-check registers maintained in the department, inasmuch as this work is a duplication of labor, and for the purposes of proof and control the same object will be served by retaining the credit tickets executed at the same time the checks are drawn.

MAIL DEPARTMENT.

This department will receive and distribute all mail matter received between the hours of 9 a. m. and 2.30 p. m., and likewise it will be intrusted with the forwarding to member banks, etc., of all mail matter emanating from the officers and the different departments.

It is suggested that the equipment include steel racks with suitably sized compartments, in which the mail for each member bank may be accumulated (in this way a saving of postage will be made), an electric envelope opener, and an electric envelope sealer.

FILING DEPARTMENT.

The object of this department will be the collection and filing of all mail matter which has accumulated during the day. There are no distinctive forms for the department, but it is suggested that the files be operated upon a plan of assembling into separate compartments, under an alphabetical arrangement of member banks, such mail matter and carbon copies of transactions as may affect each individual bank.

The daily accumulation of ledger sheets from the bookkeeping department, liability slips from the discount department, general ledger tickets, canceled checks from the auditing department, and the proof sheets and block sheets of all departments will likewise be filed and cared for by this department.

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MISCELLANEOUS.

The following described forms are general in character and can not be directly assigned to any particular department:

FORM MISC 1.

A sample of check to be used in the different departments, the distinguishing red numbers being indicative of the department originating the transaction. It is suggested that the discount, securities, accounting, and foreign-exchange departments be supplied with their own cashier's checks to bear the distinctive numbers 1, 2, 3, and 4, respectively.

It will be noted that at the time the check is drawn a corresponding credit has also been executed by means of a carbon impression.

An auditor's stub has been affixed to the check, which will protect the signing officer, who upon affixing his signature will detach the stub and place it in a box situated upon his desk. The auditing department will collect the stubs the following morning and check them to their proper entries.

FORMS MISC 2 AND 3.

These are sample credit and debit tickets, which will be used by the departments in executing entries which have not been covered by other forms.

FORM MISC 4.

This is a form of debit ticket which will be used by clerks working after hours and to whom a disbursement of a nominal sum will be made.

FORM MISC 5.

This will be used in handling expense incidental to the forwarding or receiving of telegrams for account of member banks, etc., its explanation being:

Slip No. 1: Advice to member bank of the charge.
Slip No. 2: Debit to member bank's account.
Slip No. 3: Credit to "Provision for disbursements."

FORM MISC 6.

This will be used by all departments in forwarding registered mail matter to the mail department, the purpose being that each department will obtain a signed receipt from the mail department that the contents of the letters or parcels have been received by them.

FORM MISC 7.

A vault record to be used by the different departments and is designed to show the time their particular compartments were closed, as well as the opening and closing of the main doors of the vault.

FORM MISC 8.

This is a card to be used by the chief clerk, which is descriptive of applications for employment, as well as an employee's record.

FORM MISC 9.

A sheet to be used by all departments in reporting to the chief clerk the time of closing of the previous day, together with any debit or credit difference which might have occurred in their general work. Provision has also been made for the reporting of absentees and the reason for absence.

FORM MISC 10.

A form to be used by the chief clerk in reporting to the secretary-treasurer the time of closing of all departments on the day prior, together with any debit or credit differences in their work, names of absentees, and the reason for their absence. The data for this form will be supplied from the departmental record as outlined in Form MISC 9.

FORM MISC 11.

This will be used by the different departments in requisitioning supplies from the chief clerk. The second sheet of the form is a carbon copy of the requisition, which will be retained by the department, in order that they may be in a position to check the departmental bill which will be rendered, say, semimonthly, by the chief clerk or the purchasing agent.

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FORM MISC 12.

A card, upon which will be inscribed the signatures of those authorized in the member banks to transact business with the Federal reserve banks.

FORM MISC 13.

A card, upon which will be inscribed the signatures of Government officers authorized to transact business with the Federal reserve banks.

FEDERAL RESERVE AGENT.

As the Federal reserve agent will have relations with the Federal reserve bank and the Comptroller of the Currency, and as he likewise will be under the necessity of making certain reports to the Federal Reserve Board at Washington, all of the forms to be used by the agent have been designed to cover his necessary bookkeeping entries as well as to provide for a concentrated advice of his operations to the Federal Reserve Board.

The forms of the agent are:

FORM FRA 1.

This is intended to cover the receipt by the Federal reserve agent of Federal reserve notes from the Comptroller of the Currency, its explanation being—

Slip No. 1: Acknowledgment of receipt to the Comptroller of the Currency.
Slip No. 2: Credit "Federal reserve notes from Comptroller of Currency."
Slip No. 3: Debit "Federal reserve notes on hand."

FORM FRA 2.

This will be used in forwarding mutilated Federal reserve notes to the Comptroller of the Currency for destruction, its explanation being—

Slip No. 1: Notification to the comptroller of the forwarding of the notes.
Slip No. 2: To accompany the shipment.
Slip No. 3: Credit "Federal reserve notes on hand."
Slip No. 4: Debit "Federal reserve notes from Comptroller of the Currency."

FORM FRA 3.

This will be for use of the Federal reserve agent when issuing Federal reserve notes to the Federal reserve bank, its explanation being—

Slip No. 1: Credit to "Federal reserve notes on hand."
Slip No. 2: Debit to "Federal reserve notes in circulation."
Slip No. 3: Debit "Rediscounts to secure Federal reserve notes."
Slip No. 4: Credit "Collateral received from Federal reserve bank, Chicago."

The advice to the Federal Reserve Board at Washington of the issuance of the currency and its supporting collateral, having already been obtained by means of the continuous record, as outlined in the discount section, it will not be necessary to provide this form with a slip covering advice. It will, however, be noted that all of the necessary bookkeeping entries have been written at one operation.

FORM FRA 4.

This will be used to cover the depositing of gold or other lawful money by the Federal reserve bank with the Federal reserve agent to reduce the outstanding Federal reserve notes, its explanation being—

Slip No. 1: Credit to "Provision for redemption of Federal reserve notes."
Slip No. 2: Debit "Gold and lawful money to retire Federal reserve notes."

FORM FRA 5.

This is a sample loose-leaf ledger sheet to be used by the Federal reserve agent in maintaining such controlling accounts as will be necessary.

It will be noted that a duplicate of the ledger sheet has been provided, with the thought that this will serve the purpose of a concentrated daily statement to the Federal Reserve Board of the condition of the Federal reserve agent's accounts.

For the relations of the Federal reserve agent with the Secretary of the Treasury, covering transactions in "Transit account," see Form B 5 of the bookkeeping department.

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Under the proposed transit plan a certain portion of the gold reserve of the Federal reserve banks will be concentrated at Washington with the Secretary of the Treasury, who will maintain a record descriptive of the balance of the gold reserve of each Federal reserve bank.

The entries in the different balances will be obtained from daily statements received from the Federal reserve agents, who, as previously outlined, will verify the entries and authenticate the daily statements with their signature.

As it will be advisable for each Federal reserve bank to be acquainted daily with the condition of their gold reserve at Washington, a form, in duplicate, has been provided which will enable the Secretary to retain the top page as a ledger sheet, or permanent record, while the duplicate will be forwarded to the Federal reserve banks.

SYSTEM II.

In the development of this system every effort has been made to simplify and abridge the clerical routine by the use of manifold forms where initial entries could be utilized for a number of purposes; to organize the departments and procedure so that needless duplication of work and records would be avoided; and finally, by the introduction of special departmental settlement forms which would serve both for the departmental proof and the auditor's control, to centralize in the audit division complete control over the daily operations.

A few typical examples will serve to illustrate the extent to which reentry of transactions has been avoided by the use of manifold forms. In the loan department there will be prepared at one writing the loan register entry and the liability ledger voucher from which the debit entries in the liability ledgers will be checked and the credit entries posted upon maturity of the loan. The form devised for use in connection with transfers to banks in other districts will permit of the preparation at one writing of the credit or charge to the regional bank, the office record, and the advice to be sent to the member bank affected. The member banks' form for returning items unpaid provides for the preparation at one writing of the letter of inclosure to the member bank to which the item is returned, authorization to recipient to credit its regional bank, advice to the regional bank of the charge to its account for the item, authorization of the transfer of such charge to the regional bank in whose district the item originated, and finally, the member bank's record of the return of the item and of its charge to the regional bank from which received. In the bookkeeping department there will be prepared at one writing the regional bank's ledger record of its transactions with the member banks and the statements of account and advices to be sent the member banks. While special attention has been given to arranging these and all other forms accompanying this report so that they can be used with any of the standard adding and typewriting machines now on the market, no radical changes in the accounting system should be necessary were special machines utilized.

In the planning of the departments, the aim has been to restrict them to the smallest number required for the expeditious and correct handling of the work, to group the departments and operations so that conflict of duties and consequent duplication of work would be avoided, and finally, by compelling departments handling funds to account to another department for such funds, to have the departments themselves automatically check each other's work. The extent to which duplication of work and records has been overcome by planning the procedure so that the items will go direct from the department in which they originate to the final recording department, is illustrated by the following:

Upon receipt, checks drawn by member banks on their regional banks will be sorted and listed on proof sheets, the number of the member bank inserted, and both the proof sheets and the checks forwarded to the bookkeeping department. The proof sheets will be delivered to the journal clerks, who will post the totals shown thereon to the proper accounts in the member bank's journal. The checks themselves will be utilized by the ledger clerks for preparing the ledger record and the daily statement to be sent to the member banks. As the entries in the journal will be compiled from the proof sheets and those on the ledger direct from the items, and a daily comparison made of the two sets of balances, it is obvious that this procedure affords every possible protection against errors—and moreover with only two entries of the item.

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The following is a brief description of the proof system by means of which the audit division will be able to maintain complete control over the work of the various departments whose transactions affect the figures in the daily statement of condition. Departmental settlement sheets (Form A–2) have been provided on which the various departments—or subdivisions of departments, in the case of the clearings and transit departments—will be required to balance their work independently but along uniform lines. The upper section of this form is ruled for entry of the debits and credits of the departments to the member banks, Government deposits, general, and other accounts, and the lower section for entry of the interdepartmental debits and credits in respect of items delivered to or received from them, and such other departmental transactions as may arise. Each department receiving items from another department being required to enter them on its settlement sheet to the credit of the department charging them, it is apparent that for each debit and credit in a certain department there should be a corresponding credit or debit in some other department. At the close of business each day the totals of the departmental settlement sheets are to be assembled by the auditor on the general proof sheet. This general proof sheet will at once reveal any errors in the work of the different departments and will serve to centralize in the audit division complete control over the daily operations of the bank by furnishing the means for tracing and verifying all interdepartmental entries. Furthermore, this control will be obtained without unnecessary relisting, for the items will go direct from the various tellers' departments to the bookkeeping department.

Chief Clerk.

The chief clerk will be the intermediary between the officers and the clerks engaged in the banking division. All instructions of the officers affecting the clerks in this division are to be issued through the chief clerk, who should be held responsible for the fulfillment of such instructions, and also for the prompt and efficient conduct of the routine work of the division and for the general discipline of the clerks under his jurisdiction.

Subject to the approval of the officer in charge, the chief clerk should arrange for the filling of temporary vacancies occasioned by illness, vacations, etc., and for the purchase of stationery and supplies.

Loan and Investment Securities Departments.

The loan and investment securities departments will comprise the rediscounts department, the open market purchases department, and the investment securities department. Explanatory of the functions of these departments and the records to be maintained therein, we submit the following:

rediscounts and open-market purchases department.

The rediscounts and open-market purchases departments will be responsible for the proper handling and custody of the notes rediscounted for member banks and the paper purchased in the open market, and also for the maintenance of the books and forms required for recording the transactions and collecting such of the loans as are payable out of town. Briefly, the duties of these departments will include the examination, as to their regularity, of the notes, drafts, etc., received; the calculation of the interest, discount, and maturities; the entering of the paper in the discount registers, maturity records, and liability ledgers; the filing of the paper pending collection, which is to be effected through member banks in the event of the paper being payable out of town, or through the note teller's department if payable in the city in which the regional bank is situated; and the posting of the credits for payments in the liability ledgers.

The forms to be used in the rediscounts and open-market purchases departments being either similar or common to both, the two departments will be dealt with as a unit in the ensuing description of the forms required.

Authority to rediscount (*B–1*).—This form when executed will be a certificate reciting that the board of directors of the member bank has authorized certain of the officers to rediscount with, sell to, or borrow from their regional bank. A copy of this form is to be executed by each member bank.

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Application for loan (*B–2*).—An application is to be executed on this form by the member bank and submitted to the regional bank with each schedule of notes, drafts, and bills of exchange offered for rediscount.

Schedule of notes, drafts, and bills of exchange offered for rediscount (*B–3*).—This form, after completion by the member bank, is to be forwarded to the regional bank together with the application for loan, Form B–2.

In order that the regional bank may have sufficient details of the paper offered for rediscount, provision has been made for inclusion in this schedule of the number, name, and location of the offering bank; the name, address, and business of the maker or drawer; the acceptor, indorser, or collateral; where payable; date of note; due date; discount rate, and face amount of note.

Register of rediscounts (*B–4*); *register of open-market purchases* (*B–5*).—As the notes, drafts, or bills are received from the member banks for rediscount, or purchased in the open market, they are to be entered directly from the notes in the respective registers. These registers are arranged so as to show for each item, the consecutive index number; the date rediscounted or purchased; date of note; due date; time; rate of discount; amount of note; discount; proceeds; for whom rediscounted or from whom purchased; the maker or drawer; the acceptor, endorser, or collateral, and where payable. The "a" sections of these forms will be classified as to city and country items, and thereafter filed in chronological order according to due dates, while the "b" sections will be placed in binders and will constitute the discount registers proper.

Credit tickets for the proceeds of the notes, etc., rediscounted or purchased in the open market will be prepared at intervals during the day and forwarded to the bookkeeping department.

At the close of business, tickets covering the day's totals of the rediscounts and open-market purchases, and the discount received on each class of paper, as shown by the respective registers, are to be prepared and forwarded to the bookkeeping department.

City maturity record (*B–6*); *country maturity record* (*B–7*).—After the notes, drafts, etc., have been recorded in the discount registers, they are to be classified as to "city" and "country" items and entered in the proper maturity record under the respective due dates. As the tickets prepared at the time the entries are made in the discount registers will be filed in chronological order according to due dates and will be available for reference, it will be necessary to enter in the city maturity record only the index number and the amount of the note, and in the country maturity record only the index number, the amount of the note, and where payable. For such of the items as are sent to member banks for collection, the date on which the receipt of the item is acknowledged by the collecting bank is to be subsequently added from Form B–13.

At the close of business each day, tickets for the totals of the respective maturities are to be prepared and forwarded to the general bookkeeper for credit to the controlling accounts.

The maturity records are to be footed weekly, and from the footings so obtained will be compiled the totals for the 30-day, 60-day, and 90-day paper rediscounted or purchased by the regional bank.

Notes or other items rediscounted for member banks and not paid at maturity are to be charged to the account of the member bank for which rediscounted and returned. Paper bought in the open market not paid at maturity is to be charged to an account entitled "Past due paper," pending payment or other disposition.

Member banks' liability ledger (*B–8*).—This form is designed to provide a detailed record of the contingent liabilities of each member bank to the regional bank.

A separate sheet will be opened for each member bank on which will be recorded in the "rediscounts" section, the date on which the item was rediscounted; its index number; the maker or drawer; the acceptor or indorser; the due date; the discount rate; and the rediscount amount. When paid, the date and amount of the payment will be entered in the "credits" columns and the amount in the "balance" column reduced accordingly. In the section designated "other liability" will be entered the details of the contingent liability of the member banks as acceptors or indorsers on paper purchased in the open market.

The debit entries are to be posted direct from the notes and proved by comparison with the tickets prepared at the time the entries are made in the discount registers.

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Liability ledger—rediscounts and open market purchases (B–9).—In this record will be entered under the names of the makers or acceptors their liability to the regional bank in respect of notes rediscounted by member banks and paper purchased in the open market.

In addition to the name, address, business, and rating of the borrower there will be entered in this ledger the date on which the note, draft, etc., was rediscounted or purchased; the index number; from whom received; the indorsers; the due date, and the amount of the liability, subdivided as to rediscounts and open market purchases. When paid, the date and amount of the payment will be entered in the "credits" columns and the amount in the "balance" column reduced accordingly.

Should the notes, drafts, etc., be later hypothecated with the Federal reserve agent, this information is to be entered in the "deposited" column on the line containing the description of the paper. When returned by the Federal reserve agent, the date is to be entered in the "withdrawn" column and the amount in the "balance" column reduced accordingly. This balance can be very readily proved by listing the open items.

From the foregoing it will be seen that this ledger will show both the extent of the borrower's liability and the location of the paper—that is, whether it is in the possession of the regional bank or whether it is held by the Federal reserve agent as collateral.

In the event of paper being sold by the regional bank prior to maturity, the date and amount would be posted in the "credits" column and the name of the purchaser recorded in the "sold to" column.

The debit entries are to be posted direct from the notes and proved by comparison with the tickets prepared at the time the entries are made in the discount registers.

Contingent liability record—rediscounts and open market purchases (B–10).—Separate sheets of this form are to be used for each indorser on paper rediscounted or purchased in the open market. The form will be headed with the name of the indorser, his address, business and financial rating, and will show for each item the date on which it was rediscounted or purchased; the index number; the maker or acceptor; the liability amount; the credits for payments; and the balance—representing the net contingent liability.

The debit entries are to be posted direct from the notes and proved by comparison with the tickets prepared at the time the entries are made in the discount registers.

Weekly report of borrower's liability (B–11).—It is through the medium of this form, which is to be prepared weekly by the regional banks from the liability ledgers, that the Federal Reserve Board will obtain the data it requires as to the extent and nature of the liabilities of the customers of the member banks to the regional banks and the amount of the paper hypothecated by the regional banks with the Federal reserve agent. Two copies are to be made, one of which is to be forwarded to the board and the other retained by the regional bank. So as to minimize the amount of work involved in the preparation of this report, it is suggested that lines of less than, say, $10,000 be excluded.

Being designed on the unit plan, it will only be necessary for the Federal Reserve Board to assemble in alphabetical order, according to makers or acceptors, the reports received from the various regional banks in order to ascertain the aggregate liability of each individual borrower for notes rediscounted or purchased by the regional banks.

Weekly report of member banks' credit balances and rediscounts (B–12).—This form is somewhat similar to Form B–11, except that it is intended to show, for each member bank, its average credit balance with the regional bank, the amount of notes rediscounted by it with the regional bank, and the contingent liability of the member bank in respect of acceptances or indorsements on paper purchased by the regional bank in the open market.

The data required for the completion of this form will be obtained from the member bank's liability ledger, Form B–8, and from the member bank's ledger, Form " G–4a."

Collection form for notes owned payable in discounting bank's district (B–13).—The several copies of this form will serve respectively as a letter of inclosure, receiving bank's acknowledgement, charge ticket, and office record of notes owned, which are sent to a member bank for collection. It is to be prepared in quadruplicate and the following disposition made of the various copies:

Original: To be sent to collecting bank with item, as a letter of inclosure.

Duplicate: To be sent with item to collecting bank, by which it will be signed and returned to regional bank. Upon receipt by regional bank, the date of acknowledgement is to be entered on the country maturity record, Form B–7, and duplicate filed in correspondence file.

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Triplicate: To be filed by regional bank in note file until maturity, then turned over to the note teller's department. Thereafter the collecting bank will be charged with the amount of the item and triplicate sent forward as an advice of such charge.

Quadruplicate: To be retained by the regional bank in numerical order as a permanent record.

Collection form for notes owned payable in other districts (B–14).—This form is to be used in forwarding to other regional banks notes owned which are payable outside the district of the forwarding regional bank; it consists of an original to be sent to the collecting regional bank with the items and a duplicate to be retained by the forwarding bank.

On the due date of the items, the duplicate, or debit sheet, is to be turned over to the note teller's department and used as a charge against the collecting regional bank.

Record of notes hypothecated with Federal reserve agent (B–15).—This form, which is to be prepared in duplicate, and is to accompany each lot of notes turned over to the Federal reserve agent as collateral for Federal reserve notes issued, provides for the recording of the serial numbers given the notes by the Federal reserve agent and by the regional bank, and the amounts of the notes hypothecated.

Upon delivery of the notes, the original of this form is to be signed by a representative of the Federal reserve agent as an acknowledgment of the receipt of the notes, and then returned to the regional bank. The duplicate is to be retained by the Federal reserve agent as his record of the transaction.

When the notes are returned to the regional bank by the Federal reserve agent, the date on which they are so returned is to be inserted on both copies; consequently both the Federal reserve agent and the regional bank will be in possession of a complete record of the notes pledged as collateral with the agent and the disposition made of the notes.

Record of collateral withdrawn from Federal reserve agent (B–16).—Aside from the fact that it is to be used in withdrawing notes deposited as collateral, this form is somewhat similar to Form B–15. In the case of Form B–16, however, the original is to be retained by the regional bank, while the duplicate is to be signed by the regional bank as an acknowledgment of the receipt of the notes, and thereafter returned to the Federal reserve agent.

Collateral card (B–17).—The particulars to be recorded on this form will include the name and address of the borrower; the serial number, amount, date, and other details of the loan; and the quantity, description, and market value of the collateral. Upon payment of the loan and surrender of the collateral, the borrower or his representative is to sign the collateral card in acknowledgment of the receipt of the securities described thereon.

Record of securities held as collateral (B–18).—This form will be used for classifying according to issues the securities pledged as collateral. A sheet will be reserved for each issue on which will be entered the name and description of the security, the date pledged or surrendered, the number and name of the loan upon which pledged, the number of bonds or shares pledged or surrendered, and the total par value of the securities pledged, surrendered, and on hand.

Accruals.—To insure the accuracy of the published statements of condition and facilitate the verification of the interest earned on rediscounts and paper purchased in the open market, it is essential that the regional banks should have an accrual system which will permit of the ascertainment of the actual earnings from this source at daily or weekly intervals. By the adoption of the following procedure the amount of interest earned on loans outstanding could be determined daily with very little difficulty:

At the close of business each day the total of the interest collected as shown by the "discount" columns in the register of rediscounts, Form B–4, and the register of open market purchases, Form B–5, should be credited to the general ledger account entitled "unearned interest." Simultaneously, a charge should be made to this account—the proper earnings account being concurrently credited—for one day's interest on the total of the loans outstanding. To facilitate the computation of this charge, a columnar book containing debit, credit, and balance columns for the loans at each interest rate should be provided, in which should be entered the net increases or decreases in the loans made or paid each day and the revised totals of the loans outstanding at the various interest rates.

Twice a year the balance in the unearned interest account should be proved by listing in a columnar book, under the respective interest rates, the amount and unexpired days for each loan outstanding, and computing therefrom the total interest unearned.

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INVESTMENT SECURITIES DEPARTMENT.

To this department will be assigned the custody of the bonds and other securities in which the regional bank has invested and all matters relating to the recording of the purchases, sales, and maturities of such securities, the receiving of securities purchased, and the delivery or redemption of securities sold or matured.

Investment register (B–19).—Separate sheets of this register are to be used for each issue of securities acquired. These sheets will be headed with the name and description of the security, the date of maturity, the rate of interest, and where such interest is payable. For the recording of the individual transactions, columns are provided in which will be entered the date purchased or sold, the basis and percentage prices; the number, par value, and cost of the bonds, notes, etc., purchased; the number, par value, and selling price or redemption value of the securities sold or redeemed, the balance on hand, and the profit or loss on sales. The reverse of this form is to be utilized for recording the serial numbers of the securities purchased, sold, and redeemed.

TELLERS' DEPARTMENTS.

The following is a list of the tellers' departments:

Paying teller's department.
Receiving teller's department.
Note teller's department.
Transfer department.
Clearings department.
Collection department.

The activities of these departments will be confined almost entirely to the receiving and disbursing of cash and the collection or transmittal of items turned over to them. They will, in consequence, require no permanent records of importance except the proof and settlement sheets, on which will be listed, in amounts only, the items passing through the departments.

PAYING TELLER'S DEPARTMENT.

The paying teller will attend to all payments made over the counter, the certifying of checks, clearing-house settlements, and other duties of a similar nature. He will also be required to pass on the authenticity of the signatures on the drafts, checks, etc., received in his department.

It is proposed also that the paying teller shall supervise the shipping of currency to member banks and the forwarding of mutilated currency for redemption. Should the shipments of currency to member banks prove to be very numerous, however, a special department might be created to take charge of such shipments.

The paying teller should be responsible only for the counter cash, as it is suggested that the reserve cash be placed under the joint control of two officers.

Stop-payment notice (C–1).—This form will be used by the paying teller in acknowledging receipt of a member bank's request to stop payment of a draft drawn by it on the regional bank and in advising the bookkeeping department of such stop payment. The three copies to be prepared will be utilized as follows:

Original: To be sent to member bank at whose request payment was stopped as an acknowledgment of the receipt of its instructions.

Duplicate: To be delivered to the bookkeeping department and held there pending presentation of draft. Should the request to stop payment be canceled later on, the duplicate is to be so marked and then filed.

Triplicate: After receipt of duplicate has been acknowledged, this copy is to be filed in the paying teller's department.

Certification record (C–2).—This form is designed to provide a suitable record of checks certified for account of member banks.

The original, or certification debit, is to be sent to the member bank, together with the daily statement. The duplicate, which will constitute the regional bank's record of the transaction, will be stamped "paid" as the originals are redeemed. This record could be prepared in either pad or book form.

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At the close of business a credit ticket for the total of the day's certifications is to be prepared and forwarded to the general bookkeeper. The certified checks paid each day will be listed on bookkeeping department Form G–6, which is intended to support the debits to the controlling account. The total of the checks issued but not paid should equal the balance in the general ledger controlling account for certified checks.

It may be explained at this point that the certifications would probably be few in number, and in most cases would be for the purpose of establishing the genuineness of the signatures on drafts.

Notice of currency shipments (*C–3*).—The original of this form will be used both as a charge ticket and as an advice to the member bank that the shipment has gone forward; the duplicate will be retained by the regional bank and filed with the member bank's requisition for the currency.

RECEIVING TELLER'S DEPARTMENT.

The chief duties of the receiving teller will be to accept the deposits made by local member banks and to receive shipments of currency forwarded by out-of-town member banks. He will, in addition, maintain the cashier's check register, and attend to such other duties as may be assigned him.

All cash on hand in this department at the close of business each day is to be surrendered to the paying teller.

Deposit ticket (*C–4*).—A form similar to this is to be used by the member banks when depositing currency or coin in their regional bank.

Cashier's checks register (*C–5*).—This form is intended to provide a detailed record of the cashier's checks issued in settlement of balances, notes and bills purchased, and other necessary transactions.

The checks are to be recorded in the register in numerical order, the date, payee, and amount being entered, as well as the account for which the payment was made.

At the close of business the total of the day's entries in the "amount" column is to be extended in the "daily total" column and the general bookkeeper supplied with a credit ticket for the amount of the checks issued during the day. The cashier's checks paid each day will be listed on bookkeeping department Form G–7, which will support the debits to the controlling account.

When the checks are paid, the date is to be entered in the last column. The total of the checks issued but not paid as shown by the register should equal the balance in the general ledger controlling account for cashier's checks.

NOTE TELLER'S DEPARTMENT.

This department will be the medium through which all payments made on account of loans, interest, etc., will be received. From the loan and collection departments will be received the daily maturities, and from the other departments, returns and other items payable within the city. The proceeds of the items collected by this department are to be distributed and charged to the proper departments, all cash being turned over to the paying teller's department. The messengers will be under the jurisdiction of the note teller.

Member banks' form for returning items unpaid (*C–6*).—This form will be used by the member banks in returning unpaid items direct to the member banks in which they were deposited and in charging back such items to the regional bank from which they were received. The four copies to be made of this form are to be disposed of as follows:

Original: To be inclosed with the item, which is to be returned direct to the member bank in which it was deposited.

Duplicate: To be sent to the regional bank from which the member bank received the item, as advice that item has been returned direct and charged to the account of the regional bank to which advice is sent. The regional bank will utilize this ticket as a credit to the account of the member bank returning the item.

Triplicate: To accompany the duplicate. If the item originated in another district, the triplicate will be utilized by the regional bank to which it is sent in preparing Form C–7, statement of returned items.

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Quadruplicate: To be retained by the member bank returning the item as authority for its charge to the account of the regional bank from which the item was received.

Regional bank's statement of returned items (C–7).—The data required to complete this form, which is to be used in charging back to other regional banks items returned to their member banks, will be obtained from Form C–6. The original is to be sent to the regional bank from which the items were received as an advice of the charge to its account. It will be used by the recipient as authority for crediting the account of the regional bank from which received, and charging the accounts of the member banks to which the items have been returned. The duplicate will be retained as an office record.

Debit ticket for returned items (C–8).—The data required to complete this form will be obtained from the member banks' form for returning items unpaid (C–6), or from the regional bank's statement of returned items (C–7), depending on whether the member bank to which the item was returned is situated in the same or in another district.

After the account of the member bank has been charged, this form is to be sent to the member bank as an advice of such charge.

TRANSFER DEPARTMENT.

It is intended that this department shall handle all matters relating to the transfer of funds from one member bank to another member bank.

Transfer ticket (C–9).—This form will be used only when both banks are situated in the same district. The three copies to be prepared are to be utilized as follows:

Original: To be used as a credit ticket and then sent to the member bank to which the transfer is made, as an advice.

Duplicate: To be used as a debit ticket and then sent to the member bank requesting the transfer, as an advice.

Triplicate: To be retained and filed after confirmation has been received from the member bank requesting the transfer.

Statement and debit ticket for telegraphic transfers to banks in other districts (C–10).—The several sections of this form will be used respectively as a confirmation of telegraphic transfers to member banks in other districts and as a charge to the member bank requesting the transfer.

The original of the statement section (b) is to be sent to the regional bank to which the transfers are made as a confirmation of the transfers and advice of credit; the duplicate is to be retained as an office record. The debit ticket section (a) is to be sent to the member bank requesting the transfer, as an advice of the charge.

Statement and credit ticket for telegraphic transfers from banks in other districts (C–11).—Except that it will be completed by the regional bank to which the transfers were made, this form will be used in somewhat the same manner as Form C–10.

The original of the statement section of this form (b) is to be sent to the regional bank at whose request the transfers were made as a confirmation of the transfers and advice of charge; the duplicate is to be retained as an office record. The credit ticket section (a) is to be sent to the member bank to which the transfer was made, as an advice of the credit.

Statement and debit ticket for correspondence transfers to banks in other districts (C–12).—As indicated by its title, this form is to be used only when the transfers are to be effected by correspondence.

The original of the statement section (b) is to be sent to the regional bank to which the transfers are made as authorization of transfer and advice of credit for the amount of such transfers; the duplicate is to be retained as an office record. The debit ticket section (a) is to be sent to the member bank requesting the transfer, as an advice of the charge.

Correspondence transfer credit ticket (C–13).—This form will be used by the regional bank when crediting its member banks for transfers made to them by banks situated in other districts. It will be prepared from the statement of correspondence transfers, Form C–12, and is intended to serve both as a credit ticket and as an advice to the member bank to which the transfer is made.

CLEARINGS DEPARTMENT.

The in-clearings and out-clearings divisions of this department will handle, respectively, the checks received from the clearing house and the checks sent to the clearing house.

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The records of this department will be limited to proof and settlement sheets containing a record of the amounts of the checks received from and sent to the various banks.

It is intended that the clearings department shall sort the checks received according to the ledgers to which they apply and, so far as possible, according to the accounts in these ledgers. Thereafter the proof sheets are to be delivered to the bookkeeping department, where they will be utilized in posting the debits to the accounts of the member banks and government departments. The items also are to be sent to the bookkeeping department for entry in the ledger and daily statement. As totals only will be posted in the journals and the items themselves will be utilized in preparing the regional bank's record of the charge and the daily statements, all relisting and other duplication of work will be avoided.

COLLECTION DEPARTMENT.

In addition to being the custodian of all notes received from other regional banks for collection, this department will have charge of the recording and transmitting of country items collectible through member banks. Items payable locally are to be delivered to the note teller's department at maturity for collection.

Collection form for notes sent out by collection department (C–14).—The several copies of this form will serve respectively as a letter of inclosure, receiving bank's acknowledgment, charge ticket, and office record. Four copies are to be made and disposition made of them as follows:

Original: To be sent with item, as a letter of inclosure, to collecting bank.

Duplicate: To be sent with item and original to collecting bank, by which it is to be signed and returned to regional bank.

Triplicate: To be filed by regional bank in note file until maturity, and then turned over to the note teller's department, where it will be utilized as a debit ticket for the charge to the account of the collecting bank, and then sent forward with the daily statement as an advice of such charge.

Quadruplicate: To be retained by the regional bank in numerical order as a permanent record.

TRANSIT DEPARTMENT.

The duties of the transit department will be confined to the receiving and transmitting of checks, drafts, etc., for member banks. It is intended that the incoming and outgoing mail shall be handled by separate subdepartments and that the work of each shall be proved independently.

Aside from the charge letter for outgoing items, the records originating in this department will be limited to proof and settlement sheets.

Member banks' remittance letter (D–1).—While it is highly desirable that the member banks use a standard form for listing the checks deposited with their regional bank, their regular stock can be utilized if it allows for the entering of the place where the checks are payable. Whatever form is used, however, two copies are to be prepared, one of which will be forwarded with the items to the regional bank and the other retained by the member bank.

The items are to be assorted and thereafter listed on separate letters according to the following classification:

Items drawn on the regional bank in which they are deposited.

Items payable in the city in which the depositing bank's regional bank is situated.

Items payable in the same reserve district, but outside the city in which the regional bank is situated—one letter for each State or other subdivision adopted.

Items payable in other reserve districts—one letter for "inside" items and another for "outside" items. The "outside" items, however, are to be classified and listed according to the States in which they are payable, or other subdivisions adopted.

Member banks' recapitulation of deposits with regional bank (D–2).—This form is to be used by the member banks for summarizing and classifying the items deposited according to the transit time schedule.

On the books of the member banks the total amount of the deposits will be charged immediately to a transit account, to which credits will be made daily for the amounts due to be collected on that day, the account with the regional bank being correspondingly charged.

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Upon receipt of the items by the regional bank, the account of the member bank will be credited immediately with the total amount of the deposit, regardless of the time required for the collection of such of the items as are payable out of town. In order, however, that the regional bank may know the actual free balances, a memorandum column has been provided in the member banks' journal, Form G–1, in which the credits will be analyzed under the dates on which they are due to be collected.

For further information relative to the handling of the transit items reference is made to the section of the committee's detailed report devoted to transit department matters.

Regional banks' list of items drawn on member banks (*D–3*).—This form will be used by the regional banks when transmitting checks to their member banks. The original is to accompany the items and the duplicate retained as an office record.

Foreign Exchange Department.

Under the terms of the Federal reserve act, the foreign exchange department will be empowered to purchase and sell bills of exchange, demand and time drafts, cable transfers, and other classes of commercial paper and securities; also gold coin, bullion, etc. To provide for the proper recording of these transactions, books and forms will be required as follows: Cash books, draft and remittance registers, liability records, a journal, a correspondents' ledger, and a general ledger in which will be carried the controlling accounts of the department and from which the daily statement of condition will be compiled.

Cash receipts book (*F–1*).—This book will be kept by the receiving clerk of the department, and is intended to contain a complete record of all transactions involving the receipt of cash or checks.

In the columns reserved for the "date," "particulars," and "debits" will be entered, respectively, the date and a brief explanation of the transaction and the amount of cash received. The "credits" columns are to be utilized for classifying the entries in the "debits" section according to the accounts to which such receipts should be credited.

At the close of business each day the columns in both the "debits" and "credits" sections are to be totaled and proved, tickets being prepared thereafter for the day's receipts of each currency, and for the total credits applicable to each of the accounts enumerated in the "credits" section. These tickets, after approval by the proper officer, are to be delivered to the general bookkeeper of the department for entry.

Cash disbursements book (*F–2*).—In this book, which is to be kept by the disbursing clerk of the department, will be entered the details of the cash disbursed and the checks issued for bills of exchange and cable transfers purchased, and for other purposes.

All entries are to be supported by properly approved memoranda. In every case such memoranda should bear the initials of the clerks responsible for the calculation and verification of the rates and conversions, as well as the initials of the approving officer.

Except as regards the nature of the transactions to be recorded therein, the cash disbursements book is to be used in precisely the same manner as the cash receipts book.

Draft advice and record (*F–3*).—The record of drafts drawn consists of four sections, which are to be prepared at one writing and utilized as follows:

Section "a," original advice: To be sent by first steamer to the bank on which the draft is drawn.

Section "b," duplicate advice: To be sent by second steamer to the bank on which the draft is drawn.

Section "c," to be filed with the correspondence relating to the bank on which the draft is drawn.

Section "d," to be inserted in a suitable binder and preserved as the department's record of drafts drawn.

All four sections, when completed, will show the name and address of the bank on which the draft is drawn, the date and number of the draft, to whose order it is drawn, the tenor, the amount, and the names of the steamers by which the drafts and advices are being forwarded. On sections "c" and "d" will be entered, in addition, the rate, the amount in United States currency, and to whom the draft was sold.

At the close of business each day tickets are to be prepared for the daily totals of the drafts drawn, which tickets, after approval, are to be delivered to the general bookkeeper of the department for entry.

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Remittance advice and record (*F–4*).—This also is a manifold form consisting of four sections, which are to be utilized as follows:

Section "a," original advice: To be sent by first steamer to the correspondent.

Section "b," duplicate advice: To be sent by second steamer to correspondent.

Section "c," to be used as a voucher for the debit postings to the liability records, and then filed in chronological order.

Section "d," to be inserted in a suitable binder and preserved as the department's record of remittances to its correspondents.

Upon completion, all four sections will show the name and address of the correspondent to which the bill is remitted; the names of the steamers by which the bills and advices will be forwarded; the date; index number; the names of the drawer, indorser, and drawee; the tenor and amount of the bill; a description of documents accompanying it, and the terms under which such documents are to be surrendered. The office copies—sections "c" and "d"—will contain, in addition to the foregoing data, the rate, amount in United States currency, date of credits, and remarks if necessary.

At the close of business each day tickets are to be prepared for the daily totals of the remittances, which tickets, after approval, are to be delivered to the general bookkeeper of the department for entry.

Customers' liability record (*F–5*).—In this record will be entered under the names of the customers their contingent liability to the department as drawers, indorsers, and guarantors.

The particulars to be entered will include the name, address, business, and rating of the customer, the date and number of the item, the names of the drawer and drawee, the tenor, the approximate due date, and the liability amount. Provision being made for entry in separate columns of the liability of the customer as drawer, as indorser, and as guarantor, this record will, of course, show the nature of the customer's liability, as well as the aggregate amount.

The debit entries will be posted from section "c" of the remittance advice and record, Form F–4.

As the items mature and are paid or otherwise disposed of, the customer should be credited in the proper columns, and the amounts in the "balance" columns reduced accordingly.

Payers' liability ledger (*F–6*).—This ledger will contain the details of the payers' liability to the department, both as drawees and as acceptors.

The ledger sheets will be headed with the name, address, business, and rating of the payer, and will show for each item the date, the index number, the name of the customer, the tenor, the approximate due date, and the liability amount. Separate columns being provided for the entry of the liability as drawee and as acceptor, the extent of the payers' liability under each of these classifications is already ascertainable.

The debit entries will be posted from section "C" of the remittance advice and record, Form F–4.

As the items mature and are paid, the payments should be posted in the proper credit column and the amount in the "balance" columns reduced accordingly.

Journal (*F–7*).—Transfers from one account to another, adjustments occasioned by interest charges, and other transactions not originating in the cash books and the draft and remittance registers, are to be entered in the journal. Being columnar in arrangement, the posting of individual items to the ledgers will be necessary only in connection with the miscellaneous items appearing in the column head "sundry accounts."

All entries are to be supported by properly approved tickets.

Correspondents' ledger (*F–8*).—In this ledger will be carried the accounts of the foreign banks selected as correspondents or agents.

All entries other than those posted direct from the draft and remittance records are to be supported by self-explanatory and properly approved tickets.

The particulars to be recorded include the date and a brief description of the transaction, the index number assigned the item, the value date, and the amount. Both the foreign amount and its equivalent in dollars are to be entered. The balance is to be carried in the dollar amount only, as the foreign currency balance would not be needed except when the account is to be reconciled. As advices for charges are received from the foreign correspondents, the amounts of such charges are to be entered in the "charges" column opposite the item to which they apply, after which the net amounts are to be extended in the column so headed.

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The auditor will be required to attend to the reconciliation of the statements received from correspondents. Form Y–3 has been provided for use in this connection.

General ledger (*F–9*).—The general ledger of the foreign exchange department is to be a bound book and will contain all of the control accounts relating to the resources and liabilities of the foreign exchange department, and the earnings, expenses, and profit and loss accounts.

All entries are to be supported by properly approved tickets.

Daily statement book (*F–10*).—At the close of business each day the general ledger balances are to be entered in this book, which will thus constitute a daily record of the resources and liabilities of the department.

Bookkeeping Department.

The bookkeeping department will have charge of the accounts of the member banks and Government departments, also the general accounts. In addition, it will be responsible for the preparation of the daily statement of condition and the monthly statement of earnings and expenses and for the maintenance of the analytical records of earnings and expenses.

Member banks' journal (*G–1*).—This journal will be used for assembling the daily debits and credits and determining the balances of the member banks at the close of each day's business.

In the "debit" columns will be posted the daily charges to each account as shown by the proof sheets prepared by the clearings, transit, and other departments. In the column headed "credits to ledger" will be posted the total of the credit letters received from the member banks. At the close of business each day the balances are to be extended and proved.

In order that the free balance in each account may be readily ascertained, we have included under the heading "credits" a memorandum column entitled "credits in transit," in which the subtotals of the credit letters are to be distributed according to the dates on which the items are due to be collected.

While this style of journal would not be suitable for a bank having a large number of accounts, many of which are inactive, it is especially desirable in the case of the regional banks, where there will be a comparatively small number of accounts, all of which will probably be very active.

In addition to serving as a medium for assembling the daily debits and credits, the member banks' journal will furnish a check on the entries in the member banks' ledger—the entries in the journal being compiled from the proof sheets and those in the ledger direct from the items.

Government deposits journal (*G–2*).—Except that it does not contain a column for credits in transit, this form is very similar in arrangement to the member banks' journal, and is to be used in the same manner.

General journal (*G–3*).—By the use of this journal for assembling the daily debits and credits to the general accounts, the daily statement will be completed simultaneously with the balancing of the accounts. The daily statement could, of course, be prepared direct from the general ledger, but in that event it would be far more difficult to locate any differences which might arise.

Member bank's ledger and daily statement (*G–4a*).—This form will be prepared in duplicate direct from the items. After the day's transactions have been entered, the original—the ledger sheet—is to be inserted in a suitable binder for use as the regional bank's record, and the duplicate forwarded to the member bank concerned for use as an account current and advice of the charges and credits made by the regional bank.

An explanation of the key letters to be used in the preparation of the ledger accounts and statements of the member banks will be found in a subsequent section of this report.

Federal reserve bank's ledger and daily statement (*G–4b*).—Except that it will be reserved for recording transactions with other regional banks, this form is very similar to the member bank's ledger and daily statement, and is to be used in precisely the same manner.

General ledger (*G–5*).—This is to be a bound book and will contain an account for each item appearing in the statement of condition. All entries must be supported by properly authorized debit and credit tickets.

Record of certified checks paid (*G–6*)—*Record of cashier's checks paid* (*G–7*).—These forms will be used for listing, by numbers and amounts, the certified checks and cashier's checks

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paid each day. The daily totals of the checks paid, as recorded on these forms, are intended to support the debits to the general ledger controlling accounts for certified checks and cashier's checks.

Expense voucher (*G–8*).—This consists of a check and statement to be forwarded to the creditor and a carbon duplicate to be attached to and filed with the relative invoice. Before signing the check section the cashier should see that the duplicate bears the approval of the proper persons.

Expense distribution record (*G–9*).—This form will be used for distributing under appropriate headings the charges to expense account. Separate columns are provided for salaries, directors' fees, legal services, postage, printing and stationery, light and water, rent, freight and express, insurance and bonds, telephone and telegraph, taxes, etc. The details of the expenses incurred will be obtained from the debit tickets covering cash disbursed by the paying teller or from the expense voucher in the event of the payment being made by check.

A somewhat similar form could be used for analyzing the earnings.

Comparative statement of earnings and expenses (*G–10*).—This statement, which is to be prepared monthly, will show in comparative form the details of the earnings and expenses for the current month and the fiscal period to date as well as the increases or decreases over the previous month and period.

Most of the data required for the completion of this statement will be obtainable from the general ledger and the expense distribution record.

Statement of condition (*G–11*).—This is to be prepared daily from the general journal and supporting records.

Suggested condensed gross statement for report to Federal Reserve Board (*G–12*)—*Suggested condensed net statement for report to Federal Reserve Board* (*G–13*).—These are alternative forms. Whichever is adopted will be compiled from the daily statement of condition (Form G–*11*).

Key Letters to be Used in the Preparation of the Ledger Accounts and Daily Statements.

In order to minimize the clerical work involved in the preparation of the ledger accounts and the statements for member banks and other regional banks, it is proposed that key letters shall be used for describing routine transactions. For convenience, these key letters and their definitions will be printed on the back of the daily statements.

Following is a list of the key letters relating to transactions with the member banks, their definitions, and a full description of the transactions where necessary. For illustrative purposes the transactions are described from the standpoint of the regional bank situated in New York.

DEBITS.

A. Items on you forwarded you preceding business day.
Items drawn on member banks and forwarded to them by regional banks are to be charged to the member banks the day on which they will be received by the member banks, being carried until that time in a transit account on the regional bank's books. Assuming that all member banks will be within one day's mail of their regional banks, the charges would be for items forwarded the preceding business day.

AT. Deposited with assistant treasurer.
For deposits made by regional bank with the assistant treasurer of the United States for credit of member banks.

CA. Charged as per separate advice to-day.
To be used for special charges not covered by other key letters.

CC. Currency or coin shipped as per advice to-day.

CL. Clearing expenses.
For monthly charges to member banks for expense incurred in the collection of items.

CN. Note in your hands for our account due to-day.
For regional bank's notes or bills sent to member bank for collection and charged to it on due date, also for notes and bills received from other regional banks and forwarded to a member bank for collection, for which a charge will be made on the due date.

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HD. Held as per advice to-day.
For item temporarily unpaid and retained for collection.
NT. Handed to notary as per advice to-day.
For items received from member banks, unpaid at close of day, which have been protested and returned to the member banks from which received.
PF. Protest fees as per advice to-day.
For fees charged on protested items returned.
RT. Item returned as per advice to-day.
For items drawn on member banks in other districts which were not paid and have been returned direct to our member bank.
TC. Transfer by correspondence as per advice.
TT. Transfer by telegraph as per advice.

CREDITS.

A. Cash letter received.
For items drawn on member banks in our district and in other districts received from our member banks for credit.
CA. Credited as per separate advice to-day.
To be used for special credits not covered by other key letters.
CC. Currency or coin received.
DC. Deposit for your account as per advice to-day.
For deposits made by third party with regional bank for credit of member bank.
DI. Dividend payable to-day.
For dividends payable to members banks, which are to be credited direct to their accounts.
IR. Interest rebated.
For unearned interest or discount on loans or discounts taken up prior to due date.
RD. Proceeds of loan or rediscount.
PF. Protest fees.
For fees on unpaid items returned by our member banks.
RT. Item returned as per your advice.
For unpaid collection items returned.
TC. Transfer by correspondence as per advice.
TT. Transfer by telegraph as per advice.

The key letters to be used in describing the transactions arising among the regional banks are similar to those prescribed for transactions between the regional banks and their member banks, except for such changes as are necessary on account of the altered character of the transactions. The following is a list of the key letters to be used for regional-bank transactions, with explanations:

DEBITS.

A. Items on member banks in your district forwarded you.
For items drawn on member banks in other districts forwarded their regional bank for credit.
CA. Charged as per separate advice to-day.
To be used for special charges not covered by other key letters.
CC. Currency or coin shipped as per advice to-day.
CN. Notes due to-day as per our list.
For notes or bills sent to other regional banks for collection, which are to be charged on due date.
EC. Entered for collection as per advice to-day.
For items received from other regional banks temporarily unpaid and retained for collection.
NT. Handed to notary as per advice to-day.
For items received from other regional banks unpaid at close of day which have been protested and returned to the member banks from which received.

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PF. Protest fees as per advice to-day.
For fees charged on protested items returned.
RT. Items returned as per our list.
For unpaid collection items.
TC. Transfer by correspondence as per advice.
TT. Transfer by telegraph as per advice.

CREDITS.

A. Items on member banks in our district received from you.
For items drawn on member banks in our district, forwarded us for credit.
CA. Credited as per separate advice to-day.
To be used for special credits not covered by other key letters.
CC. Currency or coin received.
CN. Notes due to-day as per your list.
For notes or bills received from other regional banks for collection, which are to be credited on due date.
EC. Item entered for collection now paid.
For items received from other regional banks temporarily unpaid as described under *EC.* in "debits," now paid and credited.
IR. Interest rebated.
For unearned interest or discount on loans or discounts taken up prior to due date.
PF. Protest fees.
For fees charged on protested item returned.
RD. Proceeds of rediscount.
RT. Items returned as per your list.
For items returned unpaid to our member banks.
TC. Transfer by correspondence as per advice.
TT. Transfer by telegraph as per advice.

MISCELLANEOUS FORMS.

Stock subscription ledgers (M–1 and M–2).—These forms will be used for recording the subscriptions received from member banks and from individuals, and the installments paid on account of such subscriptions.

The record of member banks' subscriptions, Form M–1, is designed to show the number, name and location of the subscribing bank, its paid-up capital stock and surplus, the amount of the subscription required by law, and the installments paid thereon. As the amount of the subscription, divided by the par value per share ($100) will give the number of shares represented by the subscription, it has not been considered necessary to provide a special column for entry of the number of shares.

For recording subscriptions received from individuals, Form M–2 will be utilized. The front of this form is ruled for entry of the name, address, and legal residence of the subscriber, the date and amount of the subscription, and the date and amount of the payments on account of such subscription. The reverse will contain a record of the stock certificates issued to the subscriber and the stock certificates surrendered for transfer.

Stock subscription certificate (M–3).—This form is designed to serve both as a subscription certificate and as a receipt for the installment payments. It is intended to be used principally in connection with subscriptions received from individuals.

Stock subscription receipt (M–4).—The stock allotted to the member banks being nontransferable, it is recommended that they be given receipts for the individual payments instead of the stock subscription certificate described in the preceding paragraph.

Stock certificate receipt (M–5).—This form consists of a stub and a detachable receipt on which the subscribers will be required to acknowledge receipt of the stock certificates issued to them.

Stock transfer record (M–6).—This form will be used for recording transfers for account of stockholders other than the member banks. It is ruled for entry of the date of the transfer; the serial number of the certificate surrendered and the number of shares represented thereby;

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the name of the transferrer; the number of the certificate issued in exchange; the number of shares represented by the new certificate, and the name and address of the transferee.

Standing order to mail dividend (*M–7*).—Each stockholder to whom dividend checks will be issued, should be required to complete a copy of this form. If the dividends are to be remitted to some one other than the owner of the stock, the signature of the stockholder should be acknowledged before a notary public.

Dividend register (*M–8*).—As most of the stockholders of the regional banks will be member banks, whose holdings are not transferable a dividend register of this type should meet all requirements. It is ruled to show the names and addresses of the stockholders and the dividends applicable to their holdings, also the number, rate, and total amount of the dividend, the date on which it was declared, the date paid, and the date credited to the liability account for dividends declared.

Dividends payable to member banks are to be credited to their accounts direct from the dividend register. For the dividends payable to other stockholders, dividend checks will be issued.

Authority to open account with regional bank (*M–9*).—Each member bank opening an account with its regional bank should be required to furnish the latter with a certified copy of the resolution of the board of directors authorizing such action. Form M–9 is recommended for use in this connection.

Signature card (*M–10*).—Simultaneously with the opening of an account, the member bank will be required to file with its regional bank, on this form, a list of the signatures to be recognized by the regional bank in the payment of funds or the transaction of other business for account of the member bank.

Purchase order (*M–11*).—This form is designed to furnish a suitable record of the orders issued for the purchase of stationery and other supplies. The original of the order is to be forwarded to the supplier and the duplicate retained for office use.

Stock record for supplies (*M–12*).—For each article carried in stock separate cards of this form are to be used, on which will be entered the description, the index number, and the location of the stock; the purchases; the issues; and the balance.

Federal Reserve Agent.

The act stipulates that the Federal reserve agent shall be a person of tested banking experience and that he shall maintain, under regulations to be established by the Federal Reserve Board, a local office of said board on the premises of the bank with which he is connected. These stipulations will necessitate the Federal reserve agent keeping suitable records of the notes received, issued, and withdrawn, of the rediscounts and other paper held as collateral to note issues, and such other records as may be prescribed by the Federal Reserve Board.

Record of Federal reserve notes received from the Comptroller of the Currency (*X–1*).—In the respective columns of this record will be entered the date and nature of the transaction, the amount of notes received from the Comptroller, the amount returned to the Comptroller, and the balance to be accounted for by the Federal reserve agent. This balance should equal the amount of notes on hand as shown by Form X–2 and the notes issued to the regional bank as recorded on Form X–3.

Record of Federal reserve notes on hand (*X–2*).—This record will show the details of the notes received from the Comptroller of the Currency or returned by the regional bank, the notes issued to the regional bank or returned to the Comptroller, and the balance, subdivided as between notes on hand which are fit for circulation and notes which are not fit for circulation and are to be returned to the Comptroller.

Record of security furnished by regional bank and Federal reserve notes issued (*X–3*).—From this record the Federal reserve agent will be able to ascertain at any time the amount of rediscounts and other paper hypothecated with him by the regional bank and the amount of Federal reserve notes issued against such security.

The total amount of each borrower's paper hypothecated with the Federal reserve agent being ascertainable from the loan department records, it will not be necessary for the agent to maintain a special record for this purpose.

Application for Federal reserve notes (*X–4*).—This form, which will be used by the regional bank when applying for Federal reserve notes, is to be prepared in duplicate. The original

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is to be retained by the regional bank as authority for the credit to circulation account, while the duplicate is to be signed by the paying teller of the regional bank in acknowledgment of the receipt of the notes and returned to the Federal reserve agent for entry on his records.

Retirement of Federal reserve notes (X–5).—Except that it is to be used in connection with the retirement of Federal reserve notes, this form is very similar to X–4.

Record of notes hypothecated with Federal reserve agent (B–15); record of collateral withdrawn from Federal reserve agent (B–16).—As explained in a preceding section of this report, the loan department will prepare these forms in duplicate in order that the Federal reserve agent may be able to retain a copy for his own use.

Advice of currency returned to Comptroller (X–6).—This form will be used by the Federal reserve agent for advising the Comptroller of shipments of mutilated currency.

Each package of currency returned to Washington should be accompanied by a detailed schedule of the contents, showing both the serial numbers of the notes returned and their denomination.

Daily report on note circulation (X–7).—The Federal reserve agent will report daily to the Federal reserve board on this form the total issues and withdrawals of Federal reserve notes, the amount of unfit notes returned to Washington, and the total amount of notes on hand at the close of the day.

Audit Division.

The function of the audit division will be to audit the records and securities of the various departments comprising the banking division, also those of the Federal reserve agent.

The auditor in charge of this division should be thoroughly acquainted with the banking business in all its phases and competent to judge if every part of the work is being properly performed. While not under their jurisdiction, the auditor should cooperate with the officers conducting the banking division so far as is necessary to safeguard the interests of the bank.

Under no circumstances should either the auditor or his assistants be allowed to prepare or approve tickets of original entry. On the other hand, the audit division should be required to prepare all tickets needed for the correction of errors; all error tickets should, however, be referred to an officer in the banking division for approval before delivery to the bookkeepers for entry.

A classification and analysis of the duties of the audit division follow:

General proof.—At the close of business each day the various departments will deliver their settlement sheets to the audit division, where the interdepartmental transactions will be verified and the departmental totals assembled on the auditor's general proof sheet, Form Y–1.

Reconcilements.—The reconciliations of the accounts carried with other regional banks, with member banks and Government departments, and with correspondents abroad will be prepared by the audit division. The domestic accounts are to be reconciled on Form Y–2 and the foreign accounts on Form Y–3. Reference to these forms will show that in each case the reverse can be utilized for listing the outstandings.

Departmental audits.—Each of the departments comprising the banking division should be audited at irregular intervals during the year. These audits should include a verification of the cash, loans, investment securities, and other resources; a comparison of the securities held as collateral with the collateral records; a proof of the liability accounts, and a detailed check of the accrual accounts, and the accounts relating to earnings and expenses.

The securities and accounts of the Federal reserve agent should also be subject to audit at frequent intervals.

Loose-leaf records.—The audit division should have charge of all sheets for loose-leaf records, furnishing them as required and keeping an accurate record of those in use and in the transfer files.

Canceled vouchers.—All canceled vouchers relating to the general accounts, debit and credit tickets, etc., should be promptly delivered to the audit division for filing.

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CIRCULAR NO. 8.

FEDERAL RESERVE BOARD.

WASHINGTON, D. C., *October 17, 1914.*

In order to promote a desirable uniformity in the organization of the Federal reserve banks, the Federal Reserve Board presents for consideration the outline of a tentative organization for the banks in certain essential aspects of their business. The outline has not been finally approved by the Federal Reserve Board. It represents the work of certain experts who were appointed by the organization committee to examine into the details of organization. It is, therefore, offered simply as a basis for further discussion.

OUTLINE OF DISCUSSION.

In dealing with the general question of the organization of the reserve system after the necessary structure has been set up by the appointment of the boards of directors of the Federal reserve banks and by the appointment of the Federal Reserve Board itself, it is deemed best to recognize several distinct elements as follows:

1. The organization and management of a typical Federal reserve bank whose operations are supposed to be representative of and practically uniform with those of every other.
2. The organization of the office of the Federal reserve agent stationed at each reserve bank, and the duties of such agent.
3. The organization of the Federal Reserve Board.
4. The conduct of business of Federal reserve banks.
5. The relations between Federal reserve banks themselves and between each Federal reserve bank and its member banks.
6. The relations between the Federal reserve system and outside banks.
7. The establishment of branches at home and abroad, and the relations between such branches and the "parent" banks to which they are attached.

It will not be feasible, for reasons of convenience which will later appear, to discuss these topics strictly in the order in which they are here presented, but each of the general discussions thus indicated will be dealt with in the course of the report.

A beginning will be made by outlining the proposed type of organization for a Federal reserve bank. The reasons for the precise form of organization suggested will become apparent as the treatment proceeds.

ORGANIZATION OF BANKS.

In dealing with the actual organization of the proposed banks, two leading questions are presented:

1. The systematic recording of their doings, including full provision for accounting and internal regulation.
2. The officering of the several institutions, and the general relationship between their organization and that of the Federal Reserve Board.

To some extent these two phases of the subject must be treated together, but the principal features of each branch of the question of organization can be independently disposed of. Attention will first be given to the question of the routine conduct of business in the institutions.

In organizing the Federal reserve bank in each of the districts set apart by the organization committee, it will be necessary first of all to determine upon the general type of organization

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to be employed and to formulate a specific plan of procedure in accordance therewith. The Federal reserve act makes no effort to prescribe the details of organization, but leaves them to be settled by the boards of directors, subject to the general requirements of the methods, and restrictions definitely set forth in the national banking act are to be adhered to.

ADMINISTRATION.

It is believed, however, that so far as practicable, the adoption of a uniform system of organization which shall prevail throughout the whole system of banks as nearly as conditions will permit, is much to be preferred to a plan which would allow the banks to adopt a variety of different methods of organization, according to circumstances. The points which have been deemed, on the whole, practically essential in connection with the organization are brought out in the latter portions of this report in connection with the treatment of branches, accounting, and other subjects, but at this point it is considered desirable to sketch their main outlines for the sake of clearness by way of introducing the subject. In general, the following requirements must, it is thought, be complied with:

(*a*) Each Federal reserve bank should have a distinct executive head not identical with the Federal reserve agent, even in those cases where the reserve agent has been selected in a manner entirely satisfactory to the banking community, so that stockholders would be quite willing to have the agent act as the executive head of the bank. Of course, this implies that in no case should the president or executive head chosen by the stockholders be designated by the Government as reserve agent. The intent of the act is distinctly opposed to any such fusion of functions, the agent being intended to be a Government representative and spend his time in furthering the interests of the public at large—a position he could hardly preserve were he to become an active operating officer, anxious to increase profits and advance given private interests.

(*b*) Each Federal reserve bank should be carefully subdivided into departments, each such department representing a definite allotment of business, the divisions being those which correspond with the various types of business set forth by the Federal reserve act.

(*c*) Each Federal reserve bank should be so organized as to provide for a proper check upon the operations of the member banks and for a suitable oversight on the part of the reserve agent.

(*d*) Each Federal reserve bank should be subject to specified internal regulations evolved as the result of bank experience, which will conduce to the efficient and economical conduct of its affairs.

(*e*) Suitable provision shall be made in each bank for the bonding of employees and for an accurate control of their operations.

An organization chart has been prepared for the graphic presentation of this plan and has already been issued.

(Tentative by-laws prepared for submission to the several boards of directors have already been distributed as Circular No. 6 and are consequently omitted at this point.)

INTERNAL REGULATIONS.

Besides the general by-laws as thus set forth, it is believed that the proper conduct of the new banks will call for a code of rules of internal regulations.

Probably one of the greatest initial difficulties in opening the Federal reserve banks will be the securing of a competent staff. The continued efficiency of even a thoroughly competent corps of bank employees depends largely upon the discipline in vogue in the institution. Such discipline requires the application of rules designed to promote morale and proper thoroughness.

These rules should be sufficiently wide in their latitude to insure the primary essentials of coordination. Their structure should be more than a series of prohibitions, and should serve to give the tendency toward that which is desired, even if not categorically expressed.

They should at least be so arranged as:

1. To set forth the time at which employees of various grades should report for duty; to stipulate when the windows shall be closed for business; to designate a maximum lunch period; to provide for temporary absence or leave of absence; to provide for reports of tardiness; and to provide for overtime work.

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2. To set forth when the vault shall be opened and closed and upon what authority the vault may be kept open after the time provided; to designate what records shall be kept by the vault officer and what his duties shall be; to stipulate what parties in conjunction shall hold combinations.

3. To require care to be taken of securities in the various departments; to set forth how shipments of securities must be handled; to provide for receipting and recording of securities received and delivered; to set forth under what conditions and under what authority valuables may be deposited and withdrawn from the vault.

4. To set forth certain necessary regulations and restrictions regarding apparel, neatness, and habits; to prescribe mutual courtesy and politeness; to restrict smoking to certain hours.

5. To require neatness of desks, cabinets, and other working furniture; to require care and neatness in records prescribing how records shall be kept and closed.

6. To provide for initialing and signing of all necessary tickets and vouchers, what class of entries certain authorities are empowered to sanction; to provide for signing of checks, receipts, and other papers.

7. To describe the duties and powers of the auditor; to specify to whom the auditor is responsible and to what extent his authority obtains in the matter of accounting and the records; to place final responsibility for all systems and changes on the auditor.

8. To indicate how supplies shall be ordered and how audited; to state upon whose authority expenditures may be incurred; to prescribe when bills shall be paid, who shall receive and distribute supplies; to require that when reorders are necessary old forms shall be submitted to auditor for possible change and correction.

9. To provide who shall code and decode cables and telegrams; to designate an officer who shall hold test words and keys; to prescribe how copies and records shall be kept and telegraph bills checked.

10. To prescribe who shall receive, assort, and distribute mail, who shall be authorized to sign letters; to direct how correspondence files shall be kept and how access thereto may be granted.

11. To provide for the assembling of all reports in the hands of a designated functionary at a certain time.

WORK OF TRANSFER AGENT.

It is further suggested that in case the Federal reserve agent shall be authorized to act as agent for the transfer of stock of the bank to which he is accredited, the following considerations be observed by him, particularly in relation to stock, if any, that may be held by individuals. It is understood that at the outset no such stock will be held by individual stockholders; but a set of regulations designed to cover not only present conditions but those that might arise under the terms of the law has been developed.

1. The salient point in transferring certificates of stock is to ascertain who has authority to assign the certificate and how the authority was granted; whether by special resolution, general resolution, or by the by-laws, in respect to a corporation; whether by will, indenture, or court order, in respect to executors, trustees, administrators, guardians, agents, and the like; or whether by power of attorney.

2. In every case proof of papers submitted shall be first ascertained to the satisfaction of the transfer agent. He shall require that certificates issued in the name of a corporation or an association be endorsed by such officials authorized by a special or general resolution, or the by-laws, and a certified copy thereof attested by the secretary with the seal affixed, filed with the stock certificate. A copy of the resolution shall be accompanied by a notary's certificate certifying that he had inspected the minutes and that the resolution was a true copy thereof.

3. In issuing certificates to trustees, the trust shall be fully described by a reference to the will or indenture under which the trust is created, and the name of beneficiary given, if possible. In transfers from trustees, all trustees shall sign, and transfers must be accompanied by a copy of instruments properly certified showing the authority of the trustees to sell or transfer. Trustees appointed by a court shall exhibit both certified copy of instrument and certified copy of the court appointment. Transfers by administrators shall be accompanied by a copy of appointment certified by the probate court. Transfers by executors or administrators, with the will annexed, shall be accompanied by a copy of the will and copy of the court appointment, both certified by the probate court.

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4. In issuing certificates to a minor, the guardian's name shall also be given, as follows: "James Brown (minor), under guardianship of William Jones."

Transfers from a minor shall be made only by a guardian appointed by the court, who shall exhibit a properly certified copy of his appointment.

5. Trustees, executors, administrators, guardians, or agents shall not transfer directly to themselves individually.

6. In transfers executed by an attorney, the original power of attorney, certified by a notary, or a copy of same, shall be left on file. Authority to transfer stock shall appear in the instrument, and evidence is required that the signature to the power of attorney is genuine and that the power of attorney is in force at the time of transfer.

7. In issuing a certificate to a married woman, her Christian name and not that of her husband with "Mrs." prefixed shall be used. In case a new certificate is desired by reason of change of name by marriage of an unmarried woman, the old certificate shall be signed as follows: "Mrs. Mary E. Brown (formerly B. Smith)," the new certificate being issued in the name of "Mrs. Mary E. Brown."

8. Signatures on assigned certificates shall be guaranteed or notarially acknowledged.

9. Transfers shall not be made directly from husband to wife or from wife to husband.

10. Certificates issued in the name of an individual shall show their Christian name as follows: John Smith, Charles A. Jones.

11. Certificates issued in the name of a bank, corporation, or association shall show title and address as follows:

First National Bank, New York City.
First National Bank, Chicago, Ill.
Farmers National Bank, St. Louis, Mo.

12. Certificates shall not be issued in the name of an estate of a deceased person, but in the name of the representative of the said estate.

13. Certificates in the name of a deceased person shall not be transferred until the filing of papers as aforesaid and the filing with the transfer agent of consent from the comptroller of the State in which deceased resided.

14. All transfers in the name of a deceased person shall be referred to counsel of transfer agent, as each State has different inheritance laws in respect to estates of decedents.

15. The signature of the assignment on the back of stock certificates shall correspond to the name as written on the face of the certificate in every particular without alteration.

16. All notarial acknowledgments shall have affixed a certificate of certification by county clerk or court of notarial authority.

SYSTEM OF ACCOUNTING.

As already noted, the system of accounting to be employed by the reserve banks is logically to be considered and dealt with under the head of organization. Inasmuch, however, as the accounting problems of the banks necessarily involve references to features of business management, such as the clearing system of the banks, the duties of Federal reserve agents and others, it has been separately dealt with.

FEDERAL RESERVE AGENTS.

The Federal reserve act provides for the appointment of a new type of official, heretofore unknown to Federal law, to be designated as "Federal reserve agents." With reference to these agents the reserve act provides (sec. 4) as follows:

Class C directors shall be appointed by the Federal Reserve Board. They shall have been for at least two years residents of the districts for which they are appointed, one of whom shall be designated by said board as chairman of the board of directors of the Federal reserve bank and as Federal reserve agent. He shall be a person of tested banking experience; and in addition to his duties as chairman of the board of directors of the Federal reserve bank, he shall be required to maintain under regulations to be established under the Federal Reserve Board a local office of said board on the premises of the Federal reserve bank. He shall make regular reports to the Federal Reserve Board and shall act as its official representative for the performance of the functions conferred upon it by this act. He shall receive an annual compensation to be fixed by the Federal Reserve Board and paid monthly by the Federal reserve bank to which he is designated.

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Elsewhere in the act it is provided that the reserve board shall—

Make regulations for the safeguarding of all collateral, bonds, Federal reserve notes, money, or property of any kind deposited in the hands of such agents. * * *

By section 16 it is provided that—

Any Federal reserve bank may make application to the local Federal reserve agent for such amount of the Federal reserve notes hereinbefore provided for as it may require. Such application shall be accompained with a tender to the local Federal reserve agent of collateral in amount equal to the sum in the Federal reserve notes thus applied for and issued pursuant to such application. The collateral security thus offered shall be notes and bills accepted for discount under the provisions of section 13 of this act, and the Federal reserve agent shall each day notify the Federal Reserve Board of all issues and withdrawals of Federal reserve notes to and by the Federal reserve bank to which he is accredited. * * *

The functions of Federal reserve agents as thus set forth are broad, inasmuch as the agent is made the local representative of the Federal Reserve Board for the performance of the functions intrusted to such board. The agent is therefore able to exercise under the direction of the said board such powers as the board may desire specifically to intrust to him. At the same time the act is exceedingly specific in its directions with reference to the records that are to be maintained by such agent. While experience will undoubtedly in the long run alter and develop any conceptions of the functions of Federal reserve agent which may be employed at the beginning, it is manifestly necessary to develop a set of instructions for Federal reserve agents to be used by them at the inauguration of the reserve banks and to continue in use until such time as experience may demonstrate the necessity of some new method of describing such functions or some extension of them, while it is equally desirable and necessary to describe with care the records which are to be maintained by such agents.

Attention will first be paid to the general duties of the agent himself and to the scope of the functions to be performed by him.

The intent of the act never was that of placing the Federal reserve agent in charge of the Federal reserve bank to which he is accredited or of vesting him with practical banking functions in the direct management of business relationships between the reserve bank and its member banks. Its purpose was to make him a local supervisory factor representing the Federal Reserve Board and ultimately the Government, that is to say, the public, his duties being fundamentally those of controlling the issue of the notes applied for by the reserve banks and of inspecting and supervising banking operations in the district for the purpose of assuring himself, and of being able to assure the reserve board, that the banks, both member and Federal reserve, were complying with the letter and spirit of the law.

In pursuance of this conception of the duties of Federal reserve agents, it will be necessary for the Federal reserve bank to be in possession of detailed information concerning each member bank, as to financial condition, character of management, competency of officers and directors, care exercised in granting and checking credits, custom in extending accommodation to directors and officers, or to corporations which they may own, control, or be interested in, and relations with large borrowers. Safeguards must be adopted to control the use of rediscounting power and to check overexpansion.

In this connection it will be desirable to have detailed records.

It will be necessary for the Federal reserve agent to be familiar with the affairs of the bank and the general business and credit conditions in the district which the bank serves. For this reason, it is both desirable and necessary that a plan be adopted which will give to the Federal reserve agents facilities for obtaining definite, reliable, accurate, and detailed information.

Application for the issue of Federal reserve notes must be made to the reserve agent and must be accompanied by a tender of bills and notes as collateral security. (Sec. 16, par. 2). It is therefore suggested:

1. That the Federal reserve agent exercise general supervision over credit records and data concerning member banks and borrowers which may be compiled from reports and examinations of member banks, and elsewhere.

2. That all statements or reports made to the Federal Reserve Board be prepared under the direction, or bear the countersignature, of the Federal reserve agent.

3. That special examinations of member banks provided for in the act should, when undertaken, be made under general direction of the Federal reserve agent.

We may now proceed to enumerate the chief features of a plan for the management of the business of the Federal reserve agent.

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GENERAL PLAN—STATEMENT AND REPORTS.

FEDERAL RESERVE BANKS.

1. There should be adopted a form of general statement or balance sheet which will show on its face the true condition of each bank and give under appropriate headings the assets and liabilities in detail, as well as such supplemental information as will be necessary to give to the Federal Reserve Board an idea of general business and financial conditions in the district which the bank serves.

WEEKLY REPORT.

2. At the close of business Friday of each week a statement, showing the general condition of each Federal reserve bank, should be forwarded by the agent to the Federal Reserve Board at Washington. Figures should be telegraphed so as to be received at Washington by 9 a. m. Saturday morning.

FEDERAL RESERVE BOARD.

3. A statement showing condition of each Federal reserve bank and a consolidated statement for all Federal reserve banks is to be published once each week. (Sec. 11, Par. A.) It is suggested that publication be made either on Saturday or Monday. This will be more fully discussed in speaking of the board itself.

MEMBER BANKS.

4. For the purpose of ascertaining the general condition of member banks in each Federal reserve district, it is suggested that a weekly report, showing the average condition of each member bank, be made to the head office of each Federal reserve bank, at the close of business Friday of each week. The figures should be compiled under the direction of the Federal reserve agent and the summary forwarded by mail or telegraph to the Federal Reserve Board. If deemed advisable, a brief summary of condition of member banks in each Federal reserve district and a combined statement of all member banks should be published not later than Wednesday of following week, by the Federal Reserve Board.

RELATIONS WITH BOARD.

5. The Federal reserve agent must each day notify the Federal Reserve Board of all issues and withdrawals of Federal reserve notes to and by the Federal reserve bank to which he is accredited. (Sec. 16, par. 2.) It is suggested that the Federal reserve agent be also required to forward to the Federal Reserve Board at the close of business Friday of each week a detailed statement giving—

(1) Amount of gold and lawful money deposited with him by the Federal reserve bank to which he is accredited for exchange for outstanding Federal reserve notes. (2) Bills of exchange, notes and drafts held by him as collateral to Federal reserve notes issued to the Federal reserve bank. (3) Record of the total outstanding notes at the beginning of week, notes issued or retired during the week, and liability of Federal reserve bank upon outstanding notes on day of report. (4) A summary to be carried forward from previous report, showing amount of Federal reserve notes received from comptroller, outstanding notes in circulation, notes returned to the comptroller for cancellation or destruction, and notes in hands of Federal reserve agent. (5) List of collateral held by Federal reserve agent, showing the aggregate liability of makers, drawers, indorsers, and acceptors, on bills of exchange, notes, and drafts received from banks, as security for Federal reserve notes issued.

Forms designed to serve for the preparation of these reports and records have been carefully drafted and will be found in the collections of forms accompanying this report. Two distinct sets of forms for the purpose of carrying out the foregoing recommendation have been drafted—one set accompanying the accounting plan presented in Appendix I, and numbered as Portfolio III, the other included in that presented in Appendix II and numbered as Portfolio II.

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IDENTIFICATION OF NOTES.

In this connection it is also deemed best to make a recommendation that will be of considerable importance in furthering the convenience of the reserve banks in assorting their notes.

Section 16, paragraph 3, of the Federal reserve act provides that—

> Notes * * * shall bear upon their faces a distinctive letter and serial number which shall be assigned by the Federal Reserve Board to each Federal reserve bank.

In order that a uniform set of numbers may apply to the Federal reserve system throughout, it is recommended that the number which shall appear on the Federal reserve notes as above provided shall be the official number of the city where the issuing Federal reserve bank is located, according to the system of numbers now used by the banks of the country in numbering checks. The consecutive order of these numbers is based upon population. Letters should also be assigned to the banks to indicate their position in the reserve system, the Arabic numerals being arbitrary so far as that system itself is concerned.

Some of the Federal reserve districts and banks would, under this system, be numbered as follows:

1. A New York.
2. B Chicago.
3. C Philadelphia.
4. D St. Louis.
5. E Boston.
11. F San Francisco.

The use of letters in connection with these numbers makes possible a continuity of designation, so that if additional reserve banks are organized it will not be necessary to change any previous numbers or letters.

The notes should be printed with the letters and numbers in the upper right-hand corner and the lower left-hand corner, and they should be sufficiently distinct to enable tellers and clerks to assort the notes readily by number when preparing them for return to their originating banks.

EXAMINATIONS.

In connection with the sections of the Federal reserve act concerning examinations, suggestion is made as to—

1. Examination of Federal reserve banks and branches.
2. Examination of records and accounts of Federal reserve agents.
3. Examination of affairs of member banks, so as to inform the Federal reserve bank as to the condition of member banks and lines of credit that are being extended. (Sec. 21, par. 3.)
4. Establishment of a credit bureau in each district for collecting and compiling information concerning member banks, and borrowers who are dealing with member banks, or who are selling paper in the open market.

FEDERAL RESERVE BANK.

Section 11 (par. A) authorizes and empowers the Federal Reserve Board to examine at its discretion accounts, books, and affairs of each Federal reserve bank.

Section 21 (par. 5) provides that the Federal Reserve Board shall at least once each year order an examination of each Federal bank, and upon joint application of ten members banks, the Federal Reserve Board shall order a special examination and report of condition of any Federal reserve bank.

The law provides for an examination of each Federal reserve bank, at least once a year. Each bank should be examined twice yearly. It would be well if possible to have all reserve banks examined by a carefully selected corps of bank specialists, who would be instructed to make a thorough and detailed audit of the affairs of each bank, making full report to Federal Reserve Board and to the board of directors of each Federal reserve bank.

The examination should cover a thorough investigation of investments, rediscounts, collateral loans, and open-market transactions, particular attention to be paid to compliance with the provisions of the Federal reserve act and to rulings of the Federal Reserve Board.

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Relations with the foreign agents, agencies, banks, and branches of Federal reserve banks should be investigated, and balances and accounts should be verified and reconciled. Accounts of member banks and balances due to or from other Federal reserve banks should be reconciled, as should also all monies on deposit to the credit of the United States Government or of public officials. The foreign department in each bank should be audited. Profit and loss accounts should be carefully analyzed. Thus, the examination should cover a complete audit of the bank and branches. The examiner should consult with the Federal reserve agent and the board of directors, upon the completion of the examination.

Report should also be made as to the competency of management, condition of records, attention given by directors to the affairs of the bank under examination, and attention should be called to any unsafe or unsound condition or tendency that might be apparent in any department of the bank.

The use of a special corps of examiners for examinations of Federal reserve banks would have many advantages. The work will call for men combining the qualities of credit specialists, appraisers, and bank accountants. The examiners will become more valuable at each succeeding examination.

EXAMINATION OF RECORDS OF FEDERAL RESERVE AGENT.

The records and accounts of the Federal reserve agent, in each Federal reserve district should be examined at least quarterly, and a detailed report made to the Federal Reserve Board by examiners in its employ. The examination should cover a verification (*a*) of gold and lawful money held by Federal reserve agent, deposited with him by the Federal reserve bank for exchange for outstanding Federal reserve notes; (*b*) of all bills of exchange, notes, and drafts held as collateral security for Federal reserve notes; (*c*) records of substitution and withdrawals of collateral; (*d*) of Federal reserve notes, received from Comptroller of Currency, delivered to Federal reserve banks and in hands of Federal reserve agent; (*e*) of all other books and records.

In each bank there should be an auditor, who should be under instructions and subject to the direction of the Federal reserve agent.

MEMBER BANK EXAMINATIONS.

Section 21 provides:

> The Comptroller shall appoint examiners who shall examine every member bank at least twice each year, provided, however, that the Federal Reserve Board may authorize examinations by the State authorities to be accepted in the case of State banks or trust companies, that are stockholders in any Federal reserve bank. The examiner making the examination of any national bank, or of any other member bank * * * shall make a full and detailed report of the condition of said bank to the Comptroller of Currency.

Section 21, paragraph 3, provides that—

> In addition to the examination made and conducted by the Comptroller of Currency, every *Federal reserve bank* may, with the approval of the *Federal reserve agent*, or the Federal Reserve Board, provide for special examination of member banks within the district. * * * *Such examinations shall* be *so conducted* as to inform the Federal reserve bank *of the condition of its member banks and of the lines of credit which are being extended by them.*

Under the plan suggested, each member bank will forward to the head office of the Federal reserve bank in the district in which the member bank is located a weekly report, showing its average condition for the week.

This information will be recorded in a manner to show changes in condition from week to week. For more detailed information, however, the Federal reserve bank will be dependent upon data obtained in connection with the examination of member banks.

Success in bank examinations depends to a large degree upon the care exercised by the examiner in investigating the lines of credit extended to borrowers by the bank under examination, upon the facilities which the examiner has of obtaining reliable information as to the character and financial responsibility of the officers, directors, and principal borrowers, and finally upon the method used in collecting, compiling, and recording information for use in subsequent examinations.

There should be adopted in each Federal reserve district a uniform plan of examination, which would provide for a thorough and detailed examination of each member bank by a force of competent, well-equipped examiners, authorized to take the necessary time. A high standard

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of efficiency should be established which would make it attractive and desirable for State banking institutions to join the Federal reserve system. Examinations of city and country institutions should be made equally effective.

To prevent a multiplicity of examinations, the special examination by the Federal reserve bank might be made in connection with the regular examinations made by National or State bank examiners. Certain information should be obtained for use of the Federal reserve bank: (1) A record of all loans over a stated amount. (2) The character of collateral accepted as security. (3) A record of bank stock hypothecated at bank under examination. (4) The classification of loans, investments, and collateral. Suggested form for use in this connection has been developed and will be found in the portfolio of forms accompanying Appendix I.

LOCAL CREDIT BUREAU.

It is believed and recommended that the Federal reserve system should be equipped with very carefully prepared credit bureau records. Two plans for developing such records have been considered. Under one the records would be conducted and kept at the several reserve banks; under the other they would be kept in a single office under direction of the Reserve Board in Washington. In either case frequent communication of results must occur between the several banks and the board. A choice between the two plans will depend somewhat upon the system of accounting determined upon. In Appendix I is given a system of accounting more adapted to the establishment of a local credit bureau in each reserve bank, while in Appendix II records are so formulated as to concentrate credit records in Washington as a by-product of the accounting. The credit bureau principles in general will be the same in either case. (See Portfolios II and III.)

Assuming, for the purpose of the discussion, that in each Federal reserve bank a credit bureau in charge of the agent is to be established, its duty should be the collection and recording of data concerning member banks, and the standing of individuals, firms, and corporations, discounting at or borrowing of member banks, or selling paper in the open market.

This bureau should have card indexes showing—

1. Loan record, compiled from examination reports, showing borrower's loan liability at each bank, with a minimum limit of $5,000 in city and $2,500 in country banks.
2. Bank stock hypothecation record, showing bank stock hypothecated at member banks.
3. Inactive collateral record, showing securities of small or close corporations, or securities having a limited or inactive market, whether securities be held as investments or as collateral by member banks.
4. Record of the business, firm, or corporation affiliations of the directors and officers of every member bank in the district.
5. Current record of failures, bankruptcies, and large judgments affecting borrowers of any member bank.
6. Record of character, standing, and financial responsibility of all bankers and note brokers engaged in selling notes, drafts, and bills of exchange in open market.
7. Record of standing and financial responsibility of individuals, firms, and corporations selling notes, drafts, and bills of exchange in open market.

A plan for the exchange of information should be arranged with the credit bureaus established in other Federal reserve districts, and, with the approval of the Comptroller of Currency, with the credit bureaus established by State banking authorities where a proper system for safeguarding information has been adopted.

Credit bureau data should be available to the Federal reserve agent, the executive officers and directors of Federal reserve banks, and the national bank and Federal reserve bank examiners.

Suggested forms for these records are presented in the portfolios accompanying the appendices, especially in Portfolio III.

The credit bureau will also have the benefit of service of mercantile agencies and will no doubt subscribe to various financial publications.

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OTHER CREDIT RECORDS.

It is provided in the general plans of accounting offered herewith that each Federal reserve bank shall keep detailed records showing—

1. The aggregate liability of member banks on paper rediscounted by the Federal reserve bank, as well as the liability of member banks on bills, notes, and drafts purchased from or discounted for others.

2. The aggregate liability of individuals, firms, corporations, banks, bankers, municipalities, etc., on bills, notes, and drafts, rediscounted for member banks, or purchased in the open market.

A similar record should be kept of the liability of concerns upon foreign exchange bills and drafts bought and sold and of foreign bills of exchange purchased for investment.

It will be seen that there is provided a means of ascertaining definitely the aggregate liability of any one firm, individual, or corporation on bills, notes, or drafts held by the reserve bank. Through the credit bureaus there will be facilities for ascertaining the extent of paper held by member banks. If the principal office of a concern is located in another district, a comparison may be made with the credit bureau in that district.

To ascertain the credit standing and financial responsibility of concerns selling their bills of exchange, notes, and drafts in the open market, arrangements may be made to obtain from the note brokers copies of signed financial statements and copies of auditors' reports. Access to records of credit bureaus of other districts will enable the Federal reserve bank to obtain definite information as to the extent of liability at banks where principal borrowing accounts are maintained. However, as in the case of the credit departments in banks and mercantile houses, all information will have to be systematically recorded, statements carefully analyzed, and comparative statements made.

It will take some years to develop the credit bureau and department, but each Federal reserve bank will have access to many sources of information which are not at present available. Through their commanding positions, the Federal Reserve Board and banks will be able to exercise a close supervision over the commercial paper market, to eliminate many of the abuses which are now apparent, and probably suggest a means of standardizing statements, audits, and reports of borrowing concerns.

The credit bureaus will aid examiners in their investigations and tend to increase the efficiency of all bank examinations if the proper degree of cooperation is established. The bureau will have, after each examination, definite information regarding the credits and condition of the bank. The Federal reserve bank will be vitally interested in all data concerning the standing of each member bank, in order to determine the line of rediscount that may be safely and wisely extended. To prevent inflation and an abuse of the accepting power, there must be continuous vigilance.

The power to restrict or limit the rediscounting privilege will be effective in forcing the elimination of lax methods and unsafe practices; will prevent the gradual accumulation of questionable assets, and will, in effect, require members to conduct business along sound, business-like lines. The Federal reserve examinations of member banks and examinations by national bank examiners will be a distinct advantage to members and will eventually prove a guarantee of solvency.

If the main work of conducting credit records be carried on under the charge of the agent at each of the reserve banks, as thus suggested, it will still be desirable that there be a centralization or combination of results under direction of the board at Washington through some one of its several divisions which shall transmit the combined information to the other bureaus; while if the information is directly compiled at Washington in the first place a local receiving mechanism will also be needed in each bank.

STATISTICAL BUREAU.

An important part of the work of the Federal Reserve Board will be found in the making of thorough and satisfactory analyses of data relating to bank operations in different parts of the country. These analyses will be necessary both from a scientific and a practical banking standpoint. They should include careful compilations of figures designed to show the actual operations under each section of the reserve act, changes in the outstanding currency circulation,

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fluctuations in the specie stock of the several reserve banks and of the system as a whole, variations in the conditions of domestic and foreign exchange, and a variety of other items. While it is undoubtedly true that experience in the management of the system will materially modify any plan for the collection of such statistics and for the making of analyses of the kinds already indicated, it will be desirable to start with a complete and thorough basis for classifying the various data collected and for presenting the net results in an easily comprehensible form. Indeed it will be only by this means that the subsequent development of the statistical analyses along lines closely adapted to the peculiarities of the system itself will be practicable. It has therefore been deemed wise to present the outline for a statistical bureau to be organized under the direction of the board at Washington. Such an outline has been prepared under the direction of the committee by Mr. Ludwig Bendix, of New York City, and is presented in Appendix III of this report.

BONDING OF AGENTS.

The Federal reserve act provides in section 11, paragraph 1, that—

> The Federal Reserve Board shall be authorized and empowered * * *
> (i) To require bonds of Federal reserve agents to make regulations for the safeguarding of all collateral bonds, Federal reserve notes, money, or property of any kind deposited in the hands of such agents, and said board shall perform the duties, functions, or services specified in this act, and make all rules and regulations necessary to enable said board effectively to perform the same.

With reference to the first provision in this section, namely, that authorizing the Federal Reserve Board to "require bonds of Federal reserve agents" (the organization committee being presumed to exercise the same functions as the Federal Reserve Board under section 2 of the act), it is suggested that three questions arise:

1. The amount of the bonds to be given by Federal reserve agents.
2. The nature and form of the bonds to be furnished by them.
3. The question whether such bonds shall be separate and applicable only to the reserve agents or whether a "blanket bond" covering all employees and officers of the Federal reserve bank and including the reserve agent with others, should be permitted.

In view of the fact that the Federal reserve agent is distinctly a Government officer, although paid by the bank to which he is accredited, and in view of the fact that his responsibilities are to the Federal Reserve Board primarily, rather than to the bank itself, it is recommended that each and every Federal reserve agent be called upon to give a separate bond for himself and his own staff, and that he be not included in the blanket bond, if any, which may be written for the protection of all other officers and employees of the bank at large. His bond would thus cover merely his own liability and that of the subordinates under him in his own office.

The question of form of bond has formed the subject of careful inquiry, and it is believed that the form employed by the American Bankers' Association, and recommended by them for general use, is the best that can be employed under the circumstances.

With reference to the amount of the bond to be given by Federal reserve agents, considerable difference of opinion has been encountered, and, as a result, consultations have been had with the officers of some of the principal bonding companies. As a result of the investigation thus had and the advice furnished, it is recommended that the bonds of Federal reserve agents shall not fall below a minimum of $100,000, and that they shall vary according to the activity and resources of the reserve bank to which each such agent is accredited, probably not exceeding $250,000 in any case.

DOMESTIC BRANCHES.

The Federal reserve act contains the following provisions (sec. 3) with reference to branch offices:

> SEC. 3. Each Federal reserve bank shall establish branch banks within the Federal reserve district in which it is located and may do so in the district of any Federal reserve bank which may have been suspended. Such branches shall be operated by a board of directors under rules and regulations approved by the Federal Reserve Board. Directors of branch bank shall possess the same qualifications as directors of the Federal reserve banks. Four of said directors shall be selected by the reserve bank and three by the Federal Reserve Board, and they shall hold office during the pleasure, respectively, of the parent bank and the Federal Reserve Board. The reserve bank shall designate one of the directors as manager.

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It will be observed that this section is expressed in such broad and general terms as to leave in the hands of the Federal Reserve Board and of the organization committee at the outset, very large powers with respect to branches. It will be possible practically to prescribe the conditions under which such branches will operate, subject only to the general limitations as to directors laid down in the section as above quoted.

Two methods of dealing with these branches suggest themselves:

1. The establishment of a completely organized banking house acting as a branch of the reserve bank of the district in each place where a branch may have been determined upon.

2. The establishment of a local office only without banking machinery and equipped merely with a limited clerical organization at the service of the board of directors appointed as above provided for.

These types of organization may be considered in reverse order.

If it be determined to organize simply a local office the board of directors of the branch so-called would necessarily amount to nothing more than a subcommittee whose functions would be those of ascertaining the character of the paper offered for rediscount by the banks of the community, certifying to its desirability, or disapproving it as the case might be, and then transmitting the paper for actual rediscount to the reserve bank of the district. This plan would have the advantage of avoiding the outlay necessitated by the organization of a complete branch and would also eliminate all necessity for establishing a system of accounting in the branch which should fit into the accounting system of the reserve bank of the district. It would also eliminate all question of necessity for a readjustment of the clearing system. On the other hand the question may be raised whether so simple a type of organization would satisfy the demands of the community in which the branch was located and would supply a sufficient addition to the mechanism of the reserve bank to warrant establishing it. Its function would obviously be only that of a credit committee passing upon particular paper. If this plan should be resorted to, it is suggested that the only records required by the branch would be those relating to offerings of paper.

On the other hand, if a full-fledged bank should be established at each branch point, it is believed that the following questions would have to be definitely considered in connection with the matter:

1. Relation of branch accounting to accounting of district reserve bank.

2. Relation of method of handling checks and transit items to corresponding methods in district bank.

3. Area or territory to be assigned to branch as special or peculiar to it, i. e., extent of subdistrict within which such branch would be located.

4. Internal organization of branch.

5. Capitalization, if any, to be assigned to the branch.

Assuming that branches were to be created on this plan at the outset, it is suggested that in every particular the regulations recommended in this report with respect to the management of a district reserve bank should be applied in the conduct of the branch, in so far as practicable. At certain points, however, it will not be desirable to develop a full-fledged organization in the branch. The question then arises precisely how far the organization should go and at what point reductions or curtailments have to be made.

It is recommended that in the event of the establishment of such branches they be assigned a proportionate capitalization based upon the capitalization and surplus of the member banks included within the territory assigned to the branch. This, however, should be only a tentative matter and such assignment of resources should be merely to bridge over the period during which it is found from experience about what amount of paper will on the average be presented by the banks in each branch district. When sufficient experience has been had to determine this point, the resources to be employed should be distributed among the branches in proportion to the quantity of paper presented on the average by the member bank in each such branch district. It is recommended further that the parent bank of the district shall in every case retain for itself a substantial portion of the district as a territory from which paper shall be directly presented for rediscount. This would mean simply that the branch districts would be established whenever there was a special need for them in a particular part of a district which presented a clear-cut, independent trading area whose territory was an economic unit and whose member banks naturally stood in close relationship to one another. The suggestion also amounts to a rejection of any plan for subdividing a district completely into branch areas while the dis-

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trict reserve bank itself exercised no distinct banking functions except those of oversight. It is believed that this latter plan would not be desirable, but that in every district there should be a strong independent reserve bank organization performing actual banking functions and directly rediscounting the paper of a considerable number of the member banks included within such district.

Whenever a branch is established with a banking house of its own, actual banking machinery and a board of directors, as provided by the Federal reserve act, it is recommended that it be required to install a system of accounting precisely similar to that prescribed by regulation for the Federal reserve banks themselves and that it be permitted to vary from the system laid down for such reserve banks only at those points where the maintenance of certain records is rendered unnecessary by reason of the fact that the branch does not perform the functions to which such records relate.

BY-LAWS.

The following suggested outline of by-laws will afford further detailed data concerning the internal organization requiring to be perfected in each branch:

BY-LAWS

of

FEDERAL RESERVE BANK OF .....

BRANCH

of

Federal Reserve Bank of .....

Established by it ....., 191...

ARTICLE I.

Directors.

SECTION 1. *Number and quorum.*—The number of directors shall be seven. A majority of the directors shall constitute a quorum.

SEC. 2. *Meetings.*—There shall be a stated meeting of the board every Wednedsay at ..... o'clock a. m., or, if that day be a holiday, on the first day preceding not a holiday.

The chairman of the board shall be empowered to call a special meeting at any time, or upon the written request of any two directors or whenever requested to so do by the manager or by the Federal reserve bank of the district.

SEC. 3. *Powers.*—The board of directors shall annually submit for approval to the parent bank a schedule of compensation and duties of officers, clerks, and employees of the branch.

SEC. 4. *Order of business.*—The following shall be the order of business at each meeting of the board:

(1) Reading or inspection of minutes of the last regular meeting.
(2) Report of the manager, including information concerning banking and business conditions in the district, as well as detailed summary of all business transacted since last regular meeting and statement of present condition, the latter to include:
    (*a*) Statement of all loans, rediscounts, investments, and purchases.
    (*b*) All official correspondence received from the parent bank.
(3) Committee reports.
(4) Unfinished business.
(5) Approval of report and recommendations to parent bank (duplicate to be sent to Federal Reserve Board).
(6) New business.

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ARTICLE II.

Discount committee.

SECTION 1. *How constituted.*—There shall be a discount committee consisting of the manager, the chairman of the board, and one director of the class appointed by the parent bank. Such director shall be elected by the board to serve for a period not to exceed one month, and his successors shall be chosen in rotation until each member of his class shall have served or shall have been given an opportunity to serve. The board shall elect each month an alternate for service on the discount committee, who shall be authorized to act in the absence or disability of the member first chosen.

SEC. 2. *Minutes.*—The discount committee shall cause to be kept minutes of all meetings held by it, which shall be read and approved by members of the board at the next succeeding meeting. A copy of such minutes shall be promptly sent to the parent bank.

SEC. 3. *Powers.*—Subject to the rules and regulations of the board of directors of the parent bank, the discount committee shall be vested with the following powers:

(1) To pass upon all commercial paper submitted for discount.
(2) To suggest open market transactions to the parent bank.
(3) To apply through the Federal reserve bank of the district for such Federal reserve notes as may be necessary for the general requirements of the branch.

ARTICLE III.

Officers.

SECTION 1. The officers to be chosen by the board of directors shall be a manager, who shall be one of their number, a vice manager,[1] and such other officers as the board may from time to time deem necessary. They shall hold office during the pleasure of the board.

SEC. 2. *Chairman.*—The chairman of the board shall be chosen by the Federal reserve Board from the directors appointed by said board. He shall preside at all meetings of the board. He shall, together with the officers of the bank, have supervision of all credit records and data concerning member banks and borrowers which may be compiled from reports and examinations of such banks. All reports and statements made to the parent bank shall be prepared under the general direction of the chairman and copies thereof shall be sent directly to the Federal Reserve Board.

SEC. 3. *Vice chairman.*—In the absence or disability of the chairman, his powers shall be exercised and his duties performed by the vice chairman, who shall be designated by the chairman, or in default of such designation, by the manager, from the directors appointed by the Federal Reserve Board.

SEC. 4. *Manager.*—The manager shall have general charge of the branch and shall preside at all meetings of the discount committee, subject, however, to such rules and regulations as may be incorporated herein or from time to time promulgated by the board of directors of the branch or of the parent bank.

In all cases where the duties of subordinate officers and agents of the branch are not specifically prescribed by the by-laws or by the board of directors of the branch or the parent bank, they shall be the duties specified by and instructions of the manager. The manager may, with or without the advice of the board of the branch, suspend or remove any employee of the branch, subject, however, to a hearing before said board.

SEC. 5. *The vice manager.*—In case of the absence or disability of the manager, his powers shall be exercised and his duties discharged by the vice manager. In the absence or disability of both, the board of directors shall, by a majority vote of the directors present, appoint a director manager pro tem.

The vice manager shall have charge of all moneys received and paid out on account of the branch and shall examine and countersign all checks for the payment of money signed by the manager. He shall, jointly with the manager, have custody of all investments and collateral held by the branch. He shall keep the minutes of all board meetings and of all committees of the board.

[1] The number of vice managers will depend upon the size of the branch and the character of its work.

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In case of the absence or disability of the vice manager, or whenever occasion may require it, the manager shall appoint such director or employee of the branch as he may deem proper, vice manager pro tem.

ARTICLE IV.

Information.

SECTION 1. All persons employed by the branch shall keep inviolate its business affairs and concerns, and shall not disclose or divulge the same to any unauthorized person whomsoever. Any employee who shall give information contrary to this by-law shall be liable to immediate dismissal.

SEC. 2. The action or policy of the board shall not be expressed by any individual member, but by its duly constituted officers after formal action by the whole board and under rules and regulations prescribed by the parent bank.

SEC. 3. For the information of member banks and the public, there shall be maintained in the office of the manager a bulletin board, upon which shall appear the current rates of discount established by the parent bank and such other information as it may deem necessary to publish.

FOREIGN BRANCHES.

The power to establish foreign branches is broadly conveyed in the Federal reserve act, which includes authority covering not only the creation of such branches, but also the establishment of agencies, the appointment of correspondents, etc. The question, however, whether or not to create such branches rests upon a somewhat different basis from that which relates to the establishment of domestic branches.

With reference to operations in foreign countries it is to be expected that as the reserve system develops these operations will become extensive and important. They should be fully provided for by a plan which will assure absolute efficiency in the handling of the functions of reserve banks abroad. That at the start it may be desirable to await the definite organization of the reserve institutions is quite probable, but before many months the management of the business abroad must be seriously taken in hand. Inasmuch as the approval of the Federal Reserve Board is requisite to the establishment of foreign branches, it is evident that the board will have full authority in the matter.

The first point which, it is believed, calls for careful consideration is the number of branches of reserve banks which shall be independent of one another. Plainly the provisions of the law are such that if the Reserve Board should approve of such a course each and every one of the several reserve banks might establish independent branches in foreign centers. The conceivable result of such action would be the establishment of a number of branches, one to each reserve bank, equal to the number of reserve banks, in every important foreign center. This, it is believed, would be unwise. From the standpoint of the foreigner the reserve system should be organized as a unit, while in controlling the flow of specie to and from the United States it should act as a unit with a single and uniform policy and without competition within itself. These requirements should be fulfilled best, it is believed, by requiring the reserve banks to join in designating a common agent or to join in creating a joint branch at each foreign center where it is believed that such representation is needful or desired. If it should appear that some of the reserve banks do not care to have such representation abroad, their cooperation could be waived, the whole matter being placed upon a voluntary basis. But if they find that they want such representation, then they should be required to cooperate in establishing and bearing the expenses of the branch existing at the point where the representation is desired. This naturally necessitates a plan of dividing the expenses of the branches or agencies abroad between the Federal reserve banks. It is recommended that the following plan shall be in substance followed:

1. Whenever a Federal reserve bank desires to establish a branch or agency in a foreign country it shall make application to the Federal Reserve Board for permission to do so, and in case such permission is granted it shall be allowed to establish the branch or agency under conditions of organization conforming to the principles laid down in the general provisions that may be adopted with regard to branches.

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2. If any other reserve bank should subsequently desire to secure representation in the same place at which such branch or agency may already exist it shall be required to select the same agent, or if a branch has actually been established it shall be permitted to join in the operation of the branch, bearing a share of the expense dependent upon the percentage of total operations undertaken for its account as compared with the aggregate operations of the branch.

3. The personnel of the branch organization shall continue as first established by the reserve bank which created the branch, but as places fall vacant they shall be filled upon the nomination of the reserve bank subsequently joining in the operation of the branch in a proportion corresponding to its payment of expenses.

4. Should other reserve banks desire to join in the operations of the branch they may do so upon a basis of division of expenses based upon the principles already laid down above.

5. Should the Federal reserve banks subsequently desiring representation (after the establishment of the branch by one such bank) prefer to have the branch already existing act as agent for them they may do so, and in that event the reserve bank or banks actually cooperating in the conduct of the branch shall charge for their services a sum to be determined at the end of each half year and dependent upon the proportion borne by the operations of the bank or banks designating the branch as agent, to the total operations of such branch.

6. Whenever a foreign branch is organized a specified sum shall be assigned to it as a basis for its operations, such sum to be determined in each and every case by consultation between the Reserve Board, or the organization committee, if the task is undertaken while the system is in its initial stages. Other reserve banks which subsequently participate in the operation of the branch shall assign to it a sum of working capital to be determined in the same way.

7. In the event that several reserve banks desire at the outset to join in the establishment of a branch at a designated foreign center, the total working capital to be set apart will be determined as above indicated and shall be divided among the several reserve banks in proportion to their capitalization.

8. The accounting records of each such foreign branch shall be the same as those prescribed for domestic branches, except that the reserve banks participating in the operation of the branch shall be regarded as joint partners.

RELATIONS BETWEEN BANKS.

In discussing the relations between members of the Federal reserve system, attention must be devoted to three phases of the question:

1. Relations between the Federal reserve banks themselves.

2. Relations between member banks in each district and member banks in different districts.

3. Relations between member banks and their own Federal reserve banks.

In surveying these distinct elements of the problem, it is deemed best to consider first of all a matter which involves portions of the question referred to under the first head above and of that referred to under the third head. This is the clearing of checks. It is believed that the most important problem involving these relations between the banks in normal times will be that of clearing the items drawn upon the reserve banks by their member banks and those drawn upon the individual member banks by their depositors. If this clearing process is satisfactorily and effectively carried out, it will profoundly modify the relationships now existing between banks and will have an important influence in reshaping the operations of present clearing houses, transforming ultimately the functions of these clearing houses and changing the degree of their significance from the standpoint both of their members and of outside institutions.

CLEARING SYSTEM.

The provisions of the Federal reserve act with respect to the introduction of a system of clearings are found in section 16, where it is provided that—

> Every Federal reserve bank shall receive on deposit at par from member banks or from Federal reserve banks checks and drafts drawn upon any of its depositors, and when remitted by a Federal reserve bank, checks and drafts drawn by any depositor in any other Federal reserve bank or member bank upon funds to the credit of said depositor in said reserve bank or member bank. Nothing herein contained shall be construed as prohibiting a member bank from charging its actual expense incurred in collecting and remitting funds, or for exchange sold to its patrons. The Federal

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reserve bank shall, by rule, fix the charges to be collected by the member banks from its patrons whose checks are cleared through the Federal reserve bank and the charge which may be imposed for the service of clearing or collection rendered by the Federal reserve bank.

The Federal Reserve Board shall make and promulgate from time to time regulations governing the transfer of funds and charges therefor among Federal reserve banks and their branches, and may at its discretion exercise the functions of a clearing house for such Federal reserve banks, or may designate a Federal reserve bank to exercise such functions, and may also require each such bank to exercise the functions of a clearing house for its member banks.

It is evident that this provision distinctly contemplates two classes of work:

(*a*) A clearing system providing for the clearing of items among member banks which are stockholders and depositors in any Federal reserve bank.

(*b*) A clearing system which shall provide for clearing the transactions of Federal reserve banks among themselves.

It is strongly believed and recommended that a complete and thorough clearing system shall be inaugurated by every Federal reserve bank at the earliest possible moment consistent with success. This system should further be continued and extended as rapidly as is reasonably possible until it extends to all classes of operations and provides for the clearing of items drawn on both member and nonmember banks. The facilities of the reserve banks should be used both locally and for out-of-town checks in the broadest possible sense and under conditions which will place the member banks upon a satisfactory basis of competition with nonmembers while giving to the customers of member banks the advantage of a system of par collection wherever possible and of collection at cost wherever charge must be made. Undoubtedly experience will show some necessary changes both of method and of rates of charge from the plan herewith recommended, but it is believed that the basis of a satisfactory system is herewith afforded and that no material alterations will be subsequently necessary. Having in mind the fact that the banks can not perform their full functions in this respect at the very outset, it is, however, recommended that they start only with a partial system of clearings, subsequently extending this as they become able to do so.

An analysis of the law shows that it is the intent to readjust the domestic exchange machinery of the present banking system to conform with practices and regulations that the experience of clearing houses have demonstrated to be the most efficient. Therefore, in drawing up forms and regulations to govern the operations of the Federal reserve banks, the policy should be to adopt so far as possible clearing-house principles as a model. Wherever, in the plan to be proposed, it may seem at first glance that a proposed method of procedure is not specifically authorized in the bill, the warrant for such proposition is contained in the phrase "functions of a clearing house," and nothing herein suggested will be found to do violence either to clearing-house principles or practices.

It is one of the primary functions of banking and the purpose of all clearing houses to make full use of the "clearing principle," which is the offsetting of debits with credits, to effect settlements by book transfers, and to use such credit instruments as checks and drafts, thus reducing to a minimum the handling of actual currency. The primary object of the plan here presented is to use the machinery of the Federal reserve system to make the enormous domestic exchange business of the country clear itself, the balances of the entire nation being finally focused and cleared by a simple operation on the books of the Federal reserve clearing house.

Each Federal reserve bank should be governed by uniform regulations with respect to domestic exchange functions, since each such bank is a part of the whole system of clearing. These regulations apply to forms, advices, accounting systems and organization of departments and conform to the rules applied by all well-conducted clearing-house associations. They will be grouped for convenience of treatment into three divisions:

(1) The relations between the Federal reserve banks and the member banks in the same city.

(2) The relations between the Federal reserve banks and their members outside the city.

(3) The relations between the Federal reserve banks themselves.

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RELATIONS BETWEEN THE FEDERAL RESERVE BANKS AND THEIR MEMBERS IN THE SAME CITY.

The Federal reserve banks may if thought best cooperate with the other banks of cities where they may be located, first, by joining the local clearing house, and, second, by providing a means of settlement of clearing-house balances through book transfers.

Several points are open to discussion in connection with plans or regulations governing the relations between the Federal reserve banks and their members located in the same city. The logical development of the reserve banks will ultimately result in their assuming the functions of a clearing house, but in view of the policy not to interfere unnecessarily with present practices and also on account of the fact that nearly all clearing houses are composed partly of nonmember banks, it is recommended that the Federal reserve banks shall not accept local member checks on deposit, provided such checks are payable through the clearing house, until such time as it will be possible for the bank to assume all the functions of the local clearing house.

The Federal reserve banks will present checks on outside member banks and outlying local member banks through the mails, but it would be more economical and convenient to present city member checks through the clearing house. A question here arises as to whether the Federal reserve banks should be members "both sides," that is, receiving, as well as presenting, checks at the clearing house. Were the existence of clearing houses where the Federal reserve banks are located to be considered permanent, or were all the members of the clearing house certain to be members of the system, then it would seem wise to recommend that the reserve banks should "out-clear" only, but, the facts being otherwise, local members should be permitted either to deposit drafts on the Federal reserve banks or to present them through the clearing house. As to the deposits of member checks by local banks, it is recommended that a time limit be set by each Federal reserve bank, say at 2 p. m., after which no items of less than $1,000 of any kind would be accepted on deposit. This rule will be found necessary to prevent the clogging of the internal machinery of the banks, which would delay the outgoing mail. Experience in large city banks has demonstrated that it is much easier to handle large volumes of checks if they come in early in the day, because a given number of checks can be handled with much less labor and chance of error if received within a fixed time limit than the same number of items can be handled when spread over a longer period. The bulk of all checks received by business men come by morning mails, and the individual depositors in member banks can be gradually educated to make their deposits early.

The settlement of balances resulting from clearing-house exchanges must be adjusted to conform with the fact that all members of clearing houses will not be members of the Federal reserve system. Settlement may be effected by one of the following methods:

1. Debtor banks will give their drafts on the Federal reserve banks to the manager of the clearing house, nonmember debtor banks paying to the manager funds acceptable for deposit with the reserve banks. The manager of the clearing house would then deposit the drafts with the reserve bank. The reserve bank would credit such deposits to a "clearing account" which would be subject to the manager's check in favor of creditor banks. The rule should be laid down that drafts on the Federal reserve bank given to member creditor banks should be deposited and not cleared through the next exchange.

2. Assuming that all clearing-house banks are members of the system, the manager of the clearing house will present to the Federal reserve agent a memorandum showing debtor and creditor balances, which may then be settled by a transfer on the books of the Federal reserve bank.

If it should occur in any city that all the banks are members both of the clearing house and of the Federal reserve system, and the clearing house be continued, it would be practicable to have the Federal reserve bank "out clear" only.

The relationship, therefore, between the Federal reserve banks and members in the same city may be said to be a local problem which may be adjusted along the broad lines here suggested without in any way interfering with the policy of uniformity in the essential features of regulation affecting the clearing functions of reserve banks.

In general matters the regulations covering the accounts of member banks will apply to city members as well as country members.

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THE RELATIONS BETWEEN THE FEDERAL RESERVE BANKS AND THEIR MEMBERS OUTSIDE THE CITY.

The deposit section of the Federal reserve act provides that—

> Any Federal reserve bank may receive from any of its member banks and from the United States deposits of current funds in lawful money, national-bank notes, Federal reserve notes, or checks and drafts upon solvent member banks payable upon presentation. * * *

Under this provision the following elements of the deposit process will be as follows:

1. Lawful money, national-bank notes, and Federal reserve notes are to be deposited as such deposits are now made in banks—that is, using a regular deposit slip bearing the name and number of the member bank and the items to be separated as to kind of money deposited. No checks are to be enclosed with deposits of money.

2. In receiving checks on deposit the Federal reserve banks assume a service for their members which, unless it is properly controlled and regulated, will result in a serious burden and will tax the resources of the reserve banks to the utmost. Care must be taken that the work be reduced to a minimum and that the member banks relieve the reserve banks as far as is practicable.

3. A uniform letter of remittance or deposit should be used throughout. Member banks will divide the items deposited into those payable by the Federal reserve banks and those payable by other banks in the city where the reserve bank is located. These items may be placed on one sheet or letter in separate totals. A different sheet or letter must be used for each State within the region or district, and as the number of members increases such States may be redivided in accordance with the regulations of each reserve bank.

4. Items payable in other Federal reserve districts will be separated into two totals, "inside" and "outside," and the outside items will be grouped as to States, although a single total will be accepted and such "outside" items may be placed on a single remittance sheet.

5. With each deposit of checks from member banks there is to be enclosed a summary sheet giving the total of each separate sheet or division with a grand total or footing.

6. Opposite each item in the entire deposit, the member bank should designate the place payable, preferably by number. Special instructions, such as "no protest," "wire nonpayment," etc., should be covered by an official tag or slip, which is to be securely fastened to the item, and no confirmation of such instructions shall be required to be written on the letter. A distinctive mark or symbol should also be stamped upon each such check.

7. Each item deposited shall be indorsed by the member bank with a rubber stamp which shall bear the name of the Federal reserve bank through which the items are cleared, the date received by the Federal reserve bank, and the name and number of the member bank. This stamp, when used by the member bank, shall be considered to guarantee all previous indorsements and shall read as follows:

Cleared through
The Federal Reserve Bank of N. Y.
August 1, 1914
First National Bank
50–36 Syracuse, N. Y. 50–36

8. All items deposited by member banks with Federal reserve banks should become "reserve" only after they have been collected, that is, placed in the possession of the paying bank, and thus chargeable to the account of the drawer. They may be charged by member banks into the general ledger item "Due from Federal Reserve Bank of ----------" the day they are mailed, but a memorandum account should be carried by the member bank in which this item is to be divided into "transit account" and "reserve account." Each member bank shall be furnished a time schedule and in connection therewith shall operate a book which may be designated the "Reserve maturity tickler." In accordance with the time schedule, the member banks will post the detail amounts according to the divisions mentioned under the dates when such checks may be credited to "transit a/c" and charged to "reserve a/c." These dates in every case will be based on the receipt of the items at the place of payment.

An alternative plan differing in theory as applied to reserves but more practical and simple in operation, may be considered as follows: The Federal reserve banks will charge member checks against the balance of such members upon the day forwarded. This would reduce the amount of bookkeeping necessary and would simplify the time schedule by more than one-half. On the other hand, member banks would be apt to object to having their reserves thus depleted

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without their knowledge. This objection could be met by a concession which would further reduce the accounting, that is, by allowing member banks to use all checks on members of the same district as reserve the day forwarded to the Federal reserve bank, as is now permitted in making remittances to reserve agents.

It is desirable that drafts on Federal reserve banks should be acceptable without question in all districts. It may be suggested, therefore, that such drafts be deposited in a separate total together with drafts payable by the reserve bank where deposited to be counted as reserve by the member bank at once, or if the alternative plan outlined in the preceding paragraph is adopted, drafts on all Federal reserve banks could be included in the totals of checks on other members of the same district.

The Federal reserve bank will credit the account of the member banks on day of receipt of the items, such account to be subject to draft. The reserve bank in turn will use a time schedule corresponding to the one used by member banks and similarly the reserve bank will charge transit account, crediting such account and charging other reserve banks as hereafter provided. If any member bank should draw below its collected funds, such drafts should be subject to a charge based upon, but higher than, the current discount rate of interest.

In section 19 the act provides that member banks may check against their reserve balances with reserve banks "subject to such penalties as may be prescribed by the Federal Reserve Board," but it would be better banking to induce them to restore their reserves through rediscounts.

The Federal reserve banks will receive items on deposit until 2 p. m. each day. After 2 p. m. and until 3 p. m. items of $1,000, and over only, and after 3 p. m. until 3.30 p. m. items over $10,000 only, after which all items received will be held over until the following day and the member bank so notified.

The time of day and amounts here specified need not be uniform for each reserve bank, but should be regulated by each such bank in accordance with local customs and geographical position with respect to transportation and mail facilities.

At the close of the day's business all checks on member banks will be forwarded to the member banks, the letter bearing opposite each amount the indorsement record of the depositing bank. These remittances will be charged by the reserve banks in "transit account." On the following day, or the day of receipt by the member banks, the accounts of the member banks will be charged and "transit account" will be credited.

Attached to each letter from the reserve bank will be a perforated slip bearing the total of the inclosure, to be used as an acknowledgment of receipt. The slip will read:

We credit you $..... checks on this bank received to-day.
(Signed) ..... *Cashier.*

If items are unpaid they are to be returned direct by the member upon whom drawn to the member making the deposit with the Federal reserve bank first receiving them, and upon receipt of advice the Federal reserve bank will credit the member bank the amounts of such checks returned direct and charge the accounts of members to whom the items have been returned. If such unpaid items have been received by the reserve banks from other reserve banks they will be returned direct in the same way and adjustment made between the reserve banks as hereafter provided. Unpaid items which have been deposited by the United States Government or any of its agents will, however, be returned in every case to the reserve banks by the member banks.

Member banks should be encouraged to make use of the Federal reserve banks to effect settlement with one another through book transfers. The reserve banks should perform such service as between its own members at par, since it avoids the use of drafts, and also does not reduce the loanable funds of the reserve bank. Transfer of funds by members for the credit of members of other districts may also be easily arranged, and the charges therefor will be discussed under a separate heading in this report.

Reserve banks will also send to member banks for collection notes, acceptances, and such paper as is usually classified as "time items," representing the matured loans and discounts of the Federal reserve banks, such items, if unpaid, to be returned by member banks to the Federal reserve bank owner, with proper advices.

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At the close of each day's business the Federal reserve banks will mail a statement of the day's transactions to each member bank other than which no acknowledgment of receipt of items, etc., will be required. At regular intervals the balance shown by such statement as of a certain day will be reconciled by the member bank and a report made to the reserve bank.

RELATIONS BETWEEN THE FEDERAL RESERVE BANKS.

* * * or solely for exchange purposes (any Federal reserve bank), may receive from other Federal reserve banks deposits of current funds in lawful money, national-bank notes, or checks and drafts upon solvent member or other Federal reserve banks, payable upon presentation.

Every Federal reserve bank shall receive on deposit at par from member banks or from Federal reserve banks checks and drafts drawn upon any of its depositors, and when remitted by a Federal reserve bank, checks and drafts drawn by any depositor in any other Federal reserve bank or member bank upon funds to the credit of said depositor in said reserve bank or member bank.

As between the reserve banks, there will be five different kinds of transactions. (1) The exchange of checks for collection payable in their respective districts, and also the exchange of checks and drafts on one another. (2) The transfer of funds deposited by the member of one bank to the credit of a member of another bank. (3) The deposit of Federal reserve notes for redemption or credit as provided in the act—

Whenever Federal reserve notes issued through one Federal reserve bank shall be received by another Federal reserve bank, they shall be promptly returned for credit or redemption to the Federal reserve bank through which they were originally issued.

(4) The deposit of other funds, such as national-bank notes or lawful money which the Federal reserve banks are permitted to deposit with one another for exchange purposes. Such shipments should be subject to the request of the Federal reserve bank receiving the deposit. (5) the collection of notes, drafts, and acceptances for rediscount, as provided in section 13, which may be payable in a district other than where rediscounted.

Checks remitted by one Federal reserve bank to another should be divided as to inside and outside items, the outside items being further divided as to States, or such other division as has been provided for the member banks depositing with Federal reserve banks. They need not be indorsed by the Federal reserve bank remitting or by the reserve bank receiving them.

Each Federal reserve bank will carry a single account with every other reserve bank. Using the time schedule mentioned previously, charges and credits of check remittances will be made simultaneously.

Remittances of Federal reserve notes will not be charged in transit account, but will be carried in the general ledger item, "Notes of other Federal reserve banks," until the date of receipt by the bank to whom sent. Remittances of lawful money, national-bank notes, etc., to be sent only upon request, will be charged to the reserve bank to whom sent on the date of shipment and will be carried as an asset of such bank among its other cash items.

Time items will be forwarded a sufficient time before maturity and will be charged and credited on date due.

Transfers for member banks, if made by mail, should be charged and credited on day of receipt of notice. If made by wire the entries should be made on day of such advice. No such transfers should be made by wire or mail after 3 p. m., and in the event of differences of time between banks the time used by the bank that is the farthest east should govern.

The original figures of every transaction of whatever nature between Federal reserve banks should be considered to be correct, and the original entries should not be changed by either the bank charging or the bank crediting. Allowances for errors, returned items, etc., and all changes in the account between any two banks should be adjusted by mail. The accounts between any two Federal reserve banks will thus automatically reconcile, provided there has been no delay in the mails. To provide against such a contingency, it is proposed that if any reserve bank fails to receive the regular daily letter from any other reserve bank by 2 p. m. a telegraphic advice be sent to the forwarding bank, which would then defer the usual charge until the following day.

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FEDERAL RESERVE CLEARING HOUSE.

To settle the balances between reserve banks growing out of these various transactions, a clearing house is suggested, as provided in the act, in the clause which specifies that "The Federal Reserve Board * * * may at its discretion exercise the functions of a clearing house for such Federal reserve banks or may designate a Federal reserve bank to exercise such functions. * * *"

If one of the Federal reserve banks should be chosen as a clearing house, for convenience of location it might be the Chicago bank; but this function of clearing would be better assumed by the Federal Reserve Board. For many reasons it would be well to establish the clearing house at the National Capital. Since each reserve bank will carry a single account with every other reserve bank, subject to simultaneous debit and credit, the bulk of the interchange of business will clear itself. Balances will arise partly on account of the seasonal changes which will alter the debit and credit relationship between the districts and partly on account of the fact that membership in the system will not be proportionately equal as between national and State banks in different regions.

The plan herewith proposed is based upon the requirement that each Federal reserve bank deposit with the Federal Reserve Board clearing house all of its gold beyond that which will be sufficient to take care of local needs. This gold deposit, carried on the books of each reserve bank in a separate item as a part of its reserve funds, can be used in either of two ways or in a combination of them to effect settlement which will be expiained later. Settlement need not be made between reserve banks oftener than weekly, since to require daily settlement might prevent the operation of the natural clearing effected by the interchange of ordinary business transactions. Therefore at the close of business on each Thursday each reserve bank should wire the clearing house the amount of the balance and should state whether debit or credit relations exist between it and other reserve banks. Allowing one day, Friday, for adjustment of any differences in the advices received, the clearing would be effected on Saturday. How this shall be done depends upon a consideration of the following possibilities:

The gold deposited with the clearing house may be credited upon a simple set of books to each bank so depositing. Clearing would then be effected by a charge and credit on the books and advice would be made to the reserve banks. This is the simple plan, but it has one apparent disadvantage in that the banks would have no tangible evidence of the ownership of the gold other than a book credit. Consideration might, therefore, be given a plan of issuing certificates in large denominations against the proposed gold deposits as clearing house currency certificates are now issued. Upon the direction of the Federal clearing house, the debtor reserve banks would mail these certificates to the creditor banks to pay balances. These two plans might be combined so that, although the clearing of balances would be effected by book transfers of gold at the Federal clearing house, the debtor banks could anticipate this settlement by mailing certificates to creditor banks prior to the day of settlement. Both these plans, however, seem less effective and more cumbersome than the first plan. Very little (if any) gold would ever need to be transferred between the reserve banks, and such operations would be limited to transactions between the banks and the clearing house. The banks, in turn, would be able to loan or borrow, buy, or sell gold in dealing with each other, and the transactions would be arranged through book transfers at Washington.

It is recommended that the official who may act for the Federal Reserve Board as supervisor of the clearing functions of the system act also as the manager of the Federal reserve clearing house and bear the same relation to the reserve banks that the manager of any clearing house does to the members of a city clearing house. In addition to the supervision and control over the entire machinery of domestic exchange, he should provide for its development along lines hereafter suggested.

CHARGES FOR COLLECTION.

The Federal reserve act provides in section 16 that—

The Federal Reserve Board shall, by rule, fix the charges to be collected by the member banks from its patrons whose checks are cleared through the Federal reserve bank and the charge which may be imposed for the service of clearing or collection rendered by the Federal reserve bank.

The Federal Reserve Board shall make and promulgate from time to time regulations governing the transfer of funds and charges therefor among Federal reserve banks and their branches. * * *

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It must be borne in mind that the banking power of the United States will divide more sharply than it has ever done before into two groups—members and nonmembers. It is the intent of the act itself to bring nonmembers into the system. But so long as there is any considerable body of nonmember banks, the two groups will of necessity be in competition with one another, producing two parallel clearing systems. The organization of the domestic exchange machinery of the new system thus takes on a double aspect. On the one hand, Federal reserve banks and their members must be prepared to meet a competition on the part of nonmembers; but, on the other hand, the domestic exchange business of the Federal reserve system must be so arranged as to offer constant inducements to nonmembers to enter the system. At the same time members must find it more profitable to use the Federal reserve system than to make collections as at present. The situation is more complex when it is taken into consideration that member banks are in a position to deal on favorable terms either with the Federal reserve banks and their members or with nonmembers.

All charges contemplated in the act should be based on actual costs, and it should not be the policy of the Federal Reserve Board, nor of the reserve banks, to assess these charges against member banks upon a basis that would yield a profit. All costs should be placed against members for whom service is rendered as hereafter provided. The costs would include overhead charges, clerical hire, including that of department management, stationery, postage, and equipment depreciation. In addition, all similar expense incidental to the maintenance and operation of the Federal clearing house will be assessed against the reserve banks, which charge will, in turn, be added by each reserve bank as a part of its clearing expense.

It should be the duty of the compilation department of each reserve bank to keep an accurate monthly record of the costs herein mentioned incidental to the clearing of all checks. A record of the amount and number of checks and drafts charged against the account of each member should be kept by each reserve bank, and an additional record of the amount of the items payable in other districts deposited for credit and clearing by member banks. The total monthly cost should then be divided between these two amounts in proper proportion, the number of items making up the amount payable outside the district being estimated upon the basis of the figures of the number of checks divided into the total amount charged against members' balances. The cost of handling checks charged against members' balances should then be charged monthly to the accounts of such members, and should be based one-half per hundred of items and one-half per thousand dollars. The cost of handling checks on other districts should be similarly prorated and charged against members depositing such checks.

Each reserve bank should be required to send a monthly statement to the Federal reserve clearing house, showing total amount that has been charged against it by all other reserve banks during the previous month. The clearing house would then assess the costs of operation upon reserve banks in proportion to such amounts. Each reserve bank should calculate the proportion of this clearing house cost chargeable to check and transfer-for-members debits, and this cost should then be apportioned and charged to members per thousand dollars of checks charged to their accounts or transfers made for them. Similarly the proportion of the cost of shipping gold to the clearing house chargeable to check and member transfer debits should be added by each reserve bank to the clearing house cost which is to be charged to members. Except for the charge for telegraphing when such transfers are requested, there should be no further charge against members for the transfer of funds. Accounts of the United States Government or any of its disbursing agents should be subject to the same basis and method of clearing charges as applied to member banks.

In addition to the charges above provided, a scale of fines should be arranged applicable to members making errors in their deposits. The purpose of such fines is to place the cost of locating errors against the member making the error, and the income, if any, derived from this source should be deducted from the total operating cost. The scale should cover the following:

Error in listing or addition	$1.00
Error in recapitulation sheet	1.00
Items missorted, including items not receivable, each	.50
Checks listed but not inclosed, or inclosed but not listed, each	2.00
Items not indorsed, each	.50

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CHARGES BY MEMBER BANKS.

The policy of limiting charges by member banks against their patrons to actual expenses incurred is clearly indicated in the bill. Therefore the rate which the Federal Reserve Board is to fix for the member banks to charge for their patron's checks which are cleared through the reserve banks, should be based on the costs as outlined and hereinbefore provided. Checks payable outside the district may be made subject to a charge by the member banks against the indorsers.

Checks drawn by depositors and charged against the member banks' accounts by the reserve banks may be made subject to a charge against the makers of the checks. In each case the Federal Reserve Board should base the rate on charges made by the reserve banks, both for district and other items, and an additional amount to cover a similar cost entailed by the member bank as to overhead charges, stationery, etc. This rate, which may be made dependent on the amount of the checks only, shall be considered to be the maximum rate which the member bank may be permitted to charge under the act, but it is recommended that the words in section 16, page 19, line 46, "to be collected," be, by rule, construed to mean "may be collected." Otherwise depositors in member banks would withdraw their deposits and place them with nonmembers not required to make such charges.

Charges should be made by the reserve banks against member banks as near as possible to the first of each month covering the costs of the preceding month. The charges that are to be made by member banks against their patrons should be based, as provided, on the original costs; but they should be at rates fixed annually to cover such charges with sufficient margin only to allow for slight monthly variations. Every member bank should be permitted to make its own charges against depositors who draw against uncollected funds, or against nondepositors for cashing or collecting checks and drafts. Charges provided in the act should not be construed to cover notes, sight drafts, coupons, or other paper commonly known as "collections," but should cover checks and bank drafts only.

OTHER RULES AND REGULATIONS.

One provision in the Federal reserve act specifies that—

The Federal reserve bank * * * shall have power—

Third. To make contracts.

Sixth. To prescribe by its board of directors, by-laws not inconsistent with law, regulating the manner in which its general business may be conducted, and the privileges granted to it by law may be exercised and enjoyed.

Seventh. To exercise by its board of directors, or duly authorized officers or agents, all powers specifically granted by the provisions of this act and such incidental powers as shall be necessary to carry on the business of banking within the limitations prescribed by this act.

In accordance with these powers, it is recommended that as soon as the recommendations herein contained, or similar recommendations, have been officially adopted by the Federal Reserve Board, each Federal reserve bank shall send to each member bank a printed agreement which each member shall sign by its president and cashier. This agreement (subject to change in the details of the clearing plan finally adopted) should be somewhat as follows:

In order that the provisions of the Federal reserve act affecting the deposit of funds by member banks, the collection and clearing of checks and drafts, and the fixing of charges therefor may be efficiently and economically administered, the ..... National Bank, member of the reserve bank of ....., herewith agrees to be bound by the following rules:

1. All items shall be deposited on such forms and in such manner as shall be prescribed by the Federal reserve bank, and failure to do so, or any errors made in such deposits shall subject the member bank to a reasonable fine.

2. Members agree not to deposit with the Federal reserve bank checks on other member banks within twenty-five miles of such member bank, except where specifically permitted by the reserve bank, or except that this rule shall not be construed to apply to members which are within twenty-five miles of the reserve bank. Members situated in the same city with the reserve bank shall not deposit checks and drafts on other member banks in that city, unless such members are not members of the clearing house. (This rule is inserted as a result of the belief that it will be found expedient to give to the reserve bank the power to refuse to accept such items as would better be collected through local clearing houses or branch banks.)

3. It is agreed that the Federal reserve bank may send all items direct to the member bank on which they are drawn.

4. Items received after the time fixed for the receipt of such items shall be held over until the following day, and notice sent to the member bank.

5. The accounts of members will be charged, upon notice, with items lost in the mails or otherwise, and upon request members shall secure duplicates.

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6. Items accompanied by special instructions, such as "no protest," "wire nonpayment," etc., shall have firmly affixed a slip bearing such instructions, and in addition each item shall be plainly stamped with a mark indicating such instructions. Other than this no confirmation of instructions shall be required on the letter.

7. The member bank undersigned hereby agrees that the clearing endorsement stamp used by it on all checks deposited with the reserve bank guarantees all prior endorsements.

8. Items unpaid are to be returned direct to the member bank which originally deposited such items with any Federal reserve bank, and proper notice is to be sent to the reserve bank from which such items were received.

9. The member bank undersigned agrees that all checks and drafts payable at such bank shall be charged against the balance standing to its credit with the reserve bank on the day of receipt of such items by the member bank.

10. The reserve bank shall charge interest at ..... per cent above the current discount rates for all drafts or debits against member banks' balances when such balances are below the net amount of collected funds standing to the credit of such members.

11. A daily statement of charges and credits will be sufficient advice and acknowledgment of all transactions.

GENERAL SUGGESTIONS.

The plans and forms prepared for the clearing functions of the Federal reserve system have been so shaped that no change in principle will be necessary after branch reserve banks are established. It has been thought wise not to arrange clearing plans for branch banks at this time, since such banks will not be in operation for some time following the organization of the reserve banks, and a short experience with the system will demonstrate to what extent branch banks will undertake the clearing and collection of checks. It is probable that they will receive checks on deposit from members in the same city only, and will receive checks on members from other reserve banks only when such members are farther distant than one night's mail from the Federal reserve bank of the district. Again, there may be branches established which may clear a limited territory not easily accessible to or from the reserve bank. Such clearing, however, should be strictly local, and these branch banks should not receive items on deposit payable in other districts, nor should other Federal reserve banks send them items except (perhaps) those payable in the city where the branch bank is located.

Whatever may be the business transactions to be developed between a Federal reserve bank and branch banks of another district, the clearing relations between the reserve banks will not be altered, since all such transactions will be credited or debited on the books of the main banks, proper advices forwarded, and adjustment made between the reserve bank and its branch affected.

If that plan be deemed expedient, the work of clearing may be developed gradually. At first the Federal reserve banks might limit the items received for collection to those payable in the larger cities in the district, extending the service until the entire district is covered. Drafts on all Federal reserve banks should be accepted from the first, but no items payable in other districts should be accepted until the machinery is working smoothly, and this service should then be extended in the same manner that is suggested for each individual district. Member banks on which checks might be accepted at the beginning should be permitted to deposit items payable in other districts. This would enable them to meet the checks drawn against them and would make it possible to develop the exchange relations between the Federal reserve banks at the outset.

On account of geographical and railroad limitations situations will arise in every district where it will not be feasible for member banks to send checks on other member banks to the Federal reserve banks. Each such case will need to be adjusted according to conditions, either through branch banks or by reciprocal relations established between the member banks, settlement being arranged by a system of transfers. There are sections—as, for example, the State of Mississippi—where the nonmember banks will so far outnumber the member banks that a hardship will be imposed upon members unless they find relief through the assistance of the Federal reserve bank of the district, which might establish local offices at many centers and accept and collect checks on nonmember banks.

A list of member State banks and trust companies should be sent to each member bank and a monthly supplement showing additions furnished. A list of nonmember national banks may also for a time be required. A large map should be furnished all members at cost showing the district limits, mail time between Federal reserve banks, variation in time used, expressage and telegraphic rates, and such other information as may be found expedient.

It is recommended that a standard form of draft be required for use by each member bank in drawing on its reserve bank, and if each reserve bank should adopt a different color of paper upon which the drafts are to be printed it would promote convenience in assorting

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these items and would tend to prevent misrouting. It would also serve as an example to the banks and make it easier later to provide a color system applying to all checks.

Arrangements could be made with the Bureau of Engraving and Printing to prepare the drafts on the Federal reserve banks for members at cost. Uniformity would thus be assured.

A large item of expense and a great source of annoyance and delay to all large banks is the daily weighing and stamping of letters containing checks and drafts sent out each night. This work will be greatly increased in the reserve banks and will constitute quite an item of expense as to labor. The Post Office Department should be consulted and arrangements made whereby the Federal reserve banks would be authorized to send out letters containing checks and other remittances at first-class rates, the payment to be made by bulk weight. This would also be a convenience to the Post Office Department, since it would not be necessary to test the letters as to the correct amount of postage used, and some economy would be effected in the preparation and sale of postage stamps.

CHECKS ON NONMEMBER BANKS.

There is nothing in the act that prohibits the acceptance by Federal reserve banks from members of deposits of checks payable by nonmember institutions. By accepting such items to a limited extent clearings could be equalized at times between the reserve banks, thus avoiding the transfer of gold to the clearing house. Also, exorbitant exchange rates on the part of nonmembers could be checked wherever there is a member bank in the same town by having such member collect checks on the nonmember bank or banks for other members through the Federal reserve banks.

AN ALTERNATIVE PLAN.

Many suggestions have been presented with reference to the matter of handling the clearings of the Federal reserve banks. It has been found that probably the greatest difference of opinion concerns the manner of dealing with the transit problem. In view of the fact that the precise scope of the banks' operations has not been determined, it is therefore considered worth while to offer for consideration an alternative plan for the clearance of transit items differing from the one set forth above. The main feature to be considered in this connection will be found to relate to the time at which the items are to be credited to reserves by the several banks.

In support of this alternative plan it is argued that if the purpose is to shape the operations of the Federal reserve banks so that the growth of the member banks will reflect itself in the Federal reserve banks, it would appear advisable to afford special advantages to the member banks which would encourage their maintaining larger balances than required by law with the reserve banks.

Any plan which would assist in placing member banks in a more favorable position than nonmember banks in the clearance of transit items at par and at the same time extend the privilege to the member banks of an immediate settlement for such items should receive careful consideration, inasmuch as it would without question stimulate more widespread interest in the Federal reserve system and make its membership more attractive.

The essential point of the plan is:

Clearance at par, with immediate credit in the reserve accounts of member banks for such items as they may forward for collection to the Federal reserve bank of their district and which are drawn upon—

(*a*) Member banks of their own district,
(*b*) Federal reserve banks of other districts,
(*c*) Member banks of other districts.

In order that this may be effected, an immediate settlement for such items would be obtained by the Federal reserve banks in the following manner:

MEMBER BANKS OF THEIR OWN DISTRICT.

Items drawn upon member banks located within the district in which the Federal reserve bank is situated will be charged against their accounts upon the day of forwarding.

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FEDERAL RESERVE BANKS AND MEMBER BANKS OF OTHER DISTRICTS.

1. A certain portion of the gold reserve of the Federal reserve banks would be concentrated at Washington, preferably with the Secretary of the Treasury, as chairman of the board, who would maintain a ledger record of the balance of gold reserve belonging to each bank.

2. The Federal reserve agents would authenticate each day the transit operations of the Federal reserve banks and forward a descriptive statement to the Secretary of the Treasury, which would enable him to record the debits and credits in the gold reserve of the different Federal reserve banks. This would place the Secretary of the Treasury in a position to assemble the entries of all the Federal reserve agents, with the result that the Federal Reserve Board would maintain the gold reserves in 12 accounts, so that the transfers of gold would be by book entries and shipments would be reduced to a minimum.

3. Each Federal reserve bank would carry an account upon its books known as "Transit account," the account being upon a daily liquidating basis, as the balance resulting from the transactions would mean either a credit or a debit to the reserve account of "Gold reserve with Secretary of the Treasury." The credits to transit account would consist of remittance letters received from other Federal reserve banks, while the debits would be the total of the cash letters in process of being forwarded for collection to other Federal reserve banks. The result of this would be, say, in the event that the Federal reserve bank of Chicago received remittance letters for collection greater in amount than the total of the cash letters forwarded by it, that the credit balance in the account would be liquidated by passing its equivalent to the credit of "Gold reserve with Secretary of the Treasury," thereby reducing the gold reserve to cover the transit transactions of the day.

From this brief outline it will be noted that an immediate settlement has been obtained for the transit items and that "Outstanding time" has been eliminated by the expedient of book entries in the gold reserve, such entries having been authenticated by the Federal reserve agent.

Further details of the plan would be:

(*a*) The ledger record of the Secretary of the Treasury would be so designed that a carbon copy would constitute a daily statement to the Federal reserve banks of the debits and credits entering their balances of gold reserve. This would also enable the Federal reserve banks to check such entries and likewise place them in close touch with the condition of the account.

(*b*) The credit and debit entries which would appear upon the daily statement of the Federal reserve agent to the Secretary of the Treasury would be obtained by means of a form prepared in quadruplicate for use of the bookkeeping department of the Federal reserve banks.

(*c*) Federal reserve notes would be listed upon a separate letter and included in the total of the outgoing remittances.

(*d*) Unpaid cash items would be charged to the transit department, where they would be listed upon a separate letter and included in the total of the outgoing remittances for the day.

(*e*) Cash letters from Federal reserve banks or member banks would be credited only when received in time for use the same day.

(*f*) Checks received by member banks which are payable within a certain radius, to be determined by the Federal Reserve Board, would not be forwarded for credit to the Federal reserve bank of their district.

(*g*) The usual reciprocal accounts subject to check would be maintained by the different Federal reserve banks for the purpose of collection of drafts, notes, coupons, etc.

(*h*) Telegraphic transfers up to a certain amount may be made through the reciprocal accounts, while for larger amounts it would be advisable to use the existing subtreasuries or the medium of book transfers in the gold reserve at Washington.

(*i*) Errors in listing, etc., would be adjusted by means of claim tickets, to be drawn and approved by the auditor and signed by an officer of the bank.

(*j*) To defray the expense of labor, stationery, postage, depreciation of equipment, etc., it would appear advisable to assess the member banks upon the basis of the volume of business handled as compared with the expense involved.

(*k*) In view of the special advantages afforded member banks under the proposed plan, and to confine such advantages to banks in the Federal reserve system, member banks should be prohibited from depositing transit items which in turn have been deposited with them by nonmember banks.

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The indorsement stamp of the member banks would be:

Pay to the Order of
Federal Reserve Bank, Chicago, Illinois,
May 28, 1914,
Indorsements Guaranteed
(Name of Member Bank)

while the indorsement stamps of the Federal reserve banks would be:

Pay to the Order of
Any Member Bank District No. 2
May 28, 1914,
Indorsements Guaranteed
Federal Reserve Bank
New York, N. Y.

Pay to the Order of
Any Federal Reserve Bank
May 28, 1914,
Indorsements Guaranteed
Federal Reserve Bank
New York, N. Y.

The accounting forms necessary to facilitate the prompt and efficient handling of this alternative plan will be found in portfolio of forms No. II, accompanying Appendix II, with which this plan is correlated.

QUESTION OF TIME IN COLLECTION.

The usual method employed at the present time in the collection of transit items contains as a most important factor the matter of "Outstanding time," inasmuch as the banks are obliged to await the receipt of returns covering the settlement of such items as may have been forwarded to correspondents for collection. Theoretically speaking, this burden should be borne by the depositors of the banks, as it would not be sound banking to permit the withdrawal of funds in the course of collection, but from a practical standpoint it would be difficult to educate depositors not to check against outstanding items and must so regulate their books that they may know at all times what their checking balance really is.

Under the first plan discussed above, namely, that of withholding outstanding transit items from reserve balances of member banks until such time as the checks are theoretically collected, the problem of outstanding time is admitted, but only partially solved by the decision that in order to lessen the burden upon the member banks the outstanding time be cut in two; that is, the checks will be permitted to enter the reserve balances of the member banks upon the theoretical day of collection.

The first plan proposes as an offset to the deduction of transit items from the reserve balances to defer charging items drawn upon member banks until such time as they have been received, thereby establishing a basis of equality.

For the purpose of carrying out the project, each member bank, in addition to the Federal reserve banks, must, as already explained, be equipped with time schedules indicative of the days necessary for the collection of checks, and upon the days of maturity, when the items are supposed to be paid, entries would be made upon both the books of the member banks and the Federal reserve banks, a plan which would enable the collected items to serve as reserve for the member banks; while in like manner the checks which are forwarded by the Federal reserve banks to the member banks, in accordance with the prearranged schedule, would be charged against the balances of the member banks upon the day they are supposed to have been received.

The committee has been at pains to secure criticisms upon the transit problem and finds that the idea of withholding credit until items are collected is thought by many to have the following disadvantages:

1. It places a discount upon such inland exchange as may require the Federal reserve banks one day or more to collect.

2. It similarly places a comparative premium upon such exchange as may be drawn upon member banks located within the cities in which the Federal reserve banks are situated.

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3. It might tend to discourage member banks from using the facilities of the Federal reserve banks, with the result that they might either withdraw from the system or maintain the exact amount of reserve required by the act.

4. It might render the transit system of the Federal reserve banks more complex and to result in confusion, if not skillfully conducted.

5. It might entail additional labor.

6. It might mean the maintenance of subsidiary records, both in the Federal reserve banks and in the member banks.

7. It might be difficult of proof.

8. The most carefully planned time schedule would be only approximate.

9. The return of unpaid items from one member bank direct to another, when the items were originally forwarded by the Federal reserve bank for credit, might result in error.

VIEWS OF A TRANSIT EXPERT.

By way of further elucidating the main points at issue in this matter the committee, without expressing final opinion, thinks best to include in this report the following letter from an eminent clearing and transit expert to whom this subject was referred with a request for an opinion:

In compliance with your request, I have gone over the plan submitted to me regarding the method of handling items through the Federal reserve banks, and beg to submit the following suggestions:

(1) REGARDING THE RELATIONS BETWEEN THE FEDERAL RESERVE BANKS AND THEIR MEMBERS IN THE SAME CITY.

As Federal reserve banks will not handle items on nonmember banks, or receive any items from nonmember banks, there does not appear to be any necessity for a Federal reserve bank joining the clearing house in the city in which it is located. Items which the Federal reserve bank will have on member banks in its own city can be charged to their accounts with the Federal reserve bank and a time allowance made the member bank for the redemption of unpaid items.

Items on member banks which fall into the hands of nonmember banks can be collected through the clearing house as at present. The only service which would be rendered by the Federal reserve bank through the clearing house would be the facility of member banks settling their balances with each other by checks on the Federal reserve bank.

Checks on the Federal reserve bank which may fall into the hands of nonmember banks can be deposited in the member banks and it is probable that nonmember banks in the Federal reserve cities will carry accounts with member banks. They will either have to do this to get the items cleared or will have to become members of the Federal reserve system themselves.

If the Federal reserve banks should allow clearings between nonmember banks and themselves, this would remove a strong reason for nonmember banks becoming members.

Checks on member banks which are not members of the clearing house in the Federal reserve cities, should be received on deposit by Federal reserve banks. This would provide a place of redemption for items on outlying member banks, many of which are located several miles from the downtown district and whose items have to be collected either by mail or messenger, and would also provide a place of payment for the downtown member banks which are not members of the clearing house. This would be a great accommodation to the member banks, as considerable difficulty is experienced in handling the items of outlying banks.

When clearing-house balances are settled through the Federal reserve bank, payment should be made by checks on the Federal reserve bank rather than by memorandum showing debtor and creditor balances, as then no dispute would arise in making settlement.

(2) RELATIONS BETWEEN THE FEDERAL RESERVE BANKS AND THEIR MEMBERS OUTSIDE OF THE FEDERAL RESERVE CITIES.

In assorting the items for deposit in the Federal reserve banks there does not seem to be any necessity to sort the items according to the States, as State lines have not been used in outlining the districts.

With reference to "no protest" and "wire nonpayment" instructions, besides having the items so marked, these instructions should also be written on the letter accompanying the items, as otherwise the receiving bank would claim the instructions were not given and the sending bank would not have the item to prove they had been given.

With regard to the clearing system to be used in each Federal reserve bank, if we are going to have a clearing system, why not make it complete instead of going only half way? All items received by a Federal reserve bank drawn on members in its own district should be credited when deposited to the reserve account of the depositing member bank and charged at the same time to the reserve account of the member banks upon which the checks are drawn, thus doing away with a lot of unnecessary work for the member banks, as well as the Federal reserve banks, in figuring the time taken for the items to reach their destination.

The system for clearing these items should be as simple as possible, with a minimum amount of clerical work, otherwise the member banks will clear their items through outside banks and will not put them in the Federal reserve

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bank. The items going through the Federal reserve bank on points in its own district will not change the deposits of the Federal reserve bank. They will only increase the balances of member banks on one side and decrease them on the other.

The reserve balances of member banks will increase in the Federal reserve bank just as much as they will decrease, and it is quite likely in the course of business that the reserve banks will carry more than the required amount of reserve with the Federal reserve banks, and, instead of having to continually make up their reserve, there will be just as much necessity for reducing the accumulations in the reserve account.

Items on member banks outside of the depositing member bank's district should not count as reserve, as the reserve bank will have no account to reimburse itself from when the items are deposited. A separate account should be carried for each member bank which deposits items on member banks outside of its own district, as these items will be paid by a method described under the heading, "Relations between Federal reserve banks themselves" and the transit account of the member bank will be charged and the reserve account credited.

The transit accounts should be used only for items which are deposited on member banks outside of the district and on other Federal reserve banks.

Member banks should not draw checks on the transit account, but should draw all checks on the reserve account. This would do away with any necessity for figuring a discount rate of interest if the transit accounts should be drawn below the amount of collected funds.

As the member bank itself is the only one which knows the amount its reserve should be, the Federal reserve banks can not ascertain whether a bank is drawing below its reserve or not, except when reports are received from the national-bank examiner. It is up to the member banks to control their own reserves and to the bank examiner to see that they live up to the law in this respect.

(3) RELATIONS BETWEEN THE FEDERAL RESERVE BANKS THEMSELVES.

Items sent from the one Federal reserve bank to another should bear the indorsements of Federal reserve banks which handle, so that it may be known from the check how it has been routed. This is particularly necessary if items are missent.

With regard to clearing items between the Federal reserve banks, a system is suggested under which no Federal reserve bank will have to open an account with another. Instead each Federal reserve bank will carry an account with the Federal reserve bank to be selected as the central clearing bank.

The Federal reserve bank of Chicago is well situated to act as the clearing bank on account of its central location and the excellent transportation facilities between all the Federal reserve cities.

The suggested plan of carrying a portion of the gold reserve of the Federal reserve banks in Washington would require the shipment of an enormous amount of gold from all the Federal reserve cities, which, besides being a great expense, as some of the gold would have to come from as far away as San Francisco, would also take away the gold from the West, where it is needed for circulation. On the Pacific coast probably less than 10 per cent of the circulation is in paper money.

Under the present United States subtreasury system gold is divided among nine cities from New York to San Francisco, and it would seem advisable to leave it where it is, so that when it has to be shipped to member banks it will not have to go far and the express rate will be reduced to a minimum.

It is also desirable to hold the expense of the Federal reserve bank down as far as possible, in view of the fact that there are twelve banks, each with a separate organization which will create a large overhead expense.

The Federal reserve bank which will act as the clearing bank will have little or no expense attached to this part of its business and it would only make an unnecessary additional expense by depositing the reserves in Washington.

Under the attached plan proposed reserve banks could make up the deficiencies in their balances carried with the clearing reserve bank by purchasing exchange, and gold shipments would be less necessary under this plan than they would be if the plan is adopted of carrying the reserves in Washington.

Under the plan of clearing through a Federal reserve bank each Federal reserve bank would know how it stood at the end of each day's business, as the items would be cleared and settled for every day. The cost of buying exchange to increase balances with the clearing Federal reserve bank could be assessed on the member banks which deposited the items in each Federal reserve bank and could be added by the Federal reserve bank to the cost of handling the checks for the member banks, and in turn charged to the drawers of the checks by the member banks, provided they saw fit to charge the drawers.

It is, however, likely that a member bank would absorb this cost itself, except where the drawers do not carry satisfactory accounts.

With regard to the incidental rules, regulations, etc., it does not seem desirable to fix a limit of twenty-five miles from each member bank, thus denying the member bank the privileges of the Federal reserve bank for the collection of items on banks located within twenty-five miles of the member bank. Inasmuch as the items can be charged up to the account of the bank upon which they are drawn when they are deposited, checks will reach the Federal reserve bank for presentation in nearly all cases just as quickly as they would reach the bank upon which drawn if sent direct by the member bank.

Members situated in the Federal reserve cities should be permitted to deposit items on other member banks in the same city provided the depositing bank or the member bank upon which the checks are drawn is not a member of the local clearing house.

Referring to items bearing "No protest" and "wire nonpayment" instructions, the instructions should appear on the letters accompanying the items.

Provisions regarding charging interest when balances are below the net amount of collected funds, should be omitted, as previously explained.

It would be very unsatisfactory to the member banks if the Federal reserve banks when they first start business receive items on only certain banks in the larger cities in the districts. These banks would be compelled to ship currency or buy exchange to settle for the items charged to their account by the Federal reserve bank, as they would not in turn be able to deposit items which they would have on all the other member banks in the district. Instead of picking

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out a number of the larger cities to start with, the Federal reserve banks could take a certain number of counties in each State and gradually increase the number until the whole district was covered. In this way there would be very little burden upon member banks, as the items would be cleared in certain zones in which the members would have items drawn on each other.

With regard to checks on nonmember banks, I can find nothing in the act which permits the acceptance by Federal reserve banks of items for deposit drawn on nonmember banks. If the act can be construed to permit Federal reserve banks to receive such items, I do not think it would be good policy, as there would be a much greater chance for nonmember banks becoming members if the checks were not handled by the Federal reserve banks than if these facilities were extended.

Checks on nonmember banks will circulate at a discount and it is quite probable that nonmember banks will arrange for a place of redemption for their checks through the clearing houses in the Federal reserve cities in the effort to make their checks circulate on a par with the items on member banks of the Federal reserve system.

BUSINESS OF FEDERAL RESERVE BANKS.

The business operations of the Federal reserve banks will be fundamentally of two distinct kinds:

1. Rediscounting for member banks.
2. Purchasing specified kinds of paper in the open market under the conditions provided by the act itself.

From another point of view the business operations may be divided as follows:

1. Domestic transactions.
2. Foreign exchange transactions.

The subject may first be considered under the latter division and then inquiry may be made as to how the business should be viewed from the point of view of the division or classification first suggested.

DOMESTIC BUSINESS.

The domestic business of the reserve banks will, as stated, consist primarily in the rediscounting of paper for member banks and in the purchase of paper in the open market. In either case the question is raised how the act must be regarded as applying to the nature of the paper dealt in. As will be seen from a survey of its provisions, the framers of the measure attempted to throw about the rediscount and open market transactions a series of very careful and detailed restrictions intended to assure the liquidity and unquestionable commercial character of the obligations which were thus taken over by the reserve banks.

COMMERCIAL PAPER.

It is recognized that the question what should be accepted as commercial paper eligible for rediscount under the act is one of great difficulty, as well as one which must inevitably affect in a very profound way the operations of the reserve banks from the beginning.

Upon the indorsement of any of its member banks, any Federal reserve bank may discount notes, drafts, and bills of exchange arising out of actual transactions; that is, notes, drafts, and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used or are to be used for such purposes, the Federal Reserve Board to have the right to determine or define the character of the paper thus eligible for discount within the meaning of this act.

Later (in sec. 14) Federal reserve banks are given power to—

Purchase and sell in the open market at home or abroad, either from or to domestic or foreign banks, firms, corporations, or individuals, cable transfers and bankers' acceptances and bills of exchange of the kinds and maturities by this act made eligible for rediscount, with or without the indorsement of a member bank.

There are other provisions in the act which limit or modify these fundamental clauses, but consideration of them may be deferred for the present.

According as the "character of the paper thus eligible for discount" is defined, the scope of the business to be granted to the banks and to be undertaken by them will be greater or less and the volume of their operations, and consequently the extent of their aid to the community, will be greater or less. Various questions of a specific nature, therefore, arise at once, of which the following may be mentioned:

1. What is commercial paper in the sense in which the term is used to-day?
2. Is this popular definition correct, and should it be accepted by the Reserve Board?
3. If not correct, can an immediate change in definition safely be made?

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4. Is there any need for different treatment of the paper made available for rediscount with the indorsement of a member bank and that to be purchased in the open market?

5. What is a commercial, agricultural, or industrial transaction?

6. To what classes of paper does it normally give rise, and how can a banker assure himself that a given piece of paper had arisen from such a transaction?

7. What distinction, if any, should be drawn between paper that grows out of such a transaction and paper whose proceeds are to be used in such a transaction?

By answering these questions the basis will have been provided for a thorough analysis of the provisions of the Federal reserve act in regard to the use of commercial paper as a basis for rediscount.

The language used in the section of the Federal reserve act with reference to commercial paper is modeled upon language used in many proposals of legislation which preceded the reserve act and whose purpose was that of sufficiently limiting the types of paper presented for rediscount so as to avoid the use of bank funds in two general classes of transactions. The language was intended to be negative rather than positive, and the two types of transactions which were regarded with disfavor were the following:

(*a*) Those growing out of speculative transactions or involving the use of funds for promotion of speculation.

(*b*) Those involving the regular, steady provision of capital for investment purposes with the idea of supplying to different enterprises an additional element of business support quite different from the mere use of banking as an aid to the financing of current transactions.

Of course, in addition to these negative limitations it was intended by the language employed to prevent the banks from rediscounting paper that necessitated a too remote maturity and naturally to avoid the rediscounting of paper whose soundness was not altogether assured.

At the present time commercial paper as employed by credit institutions and banks generally includes the following types:

(*a*) Ordinary notes signed by an individual, firm, or corporation and promising to pay a specified amount either on demand or at a stated time.

(*b*) Drafts secured by documents (bills of lading, etc.) which are discounted by banks and which bear two commercial names.

(*c*) Ordinary notes signed by individuals, firms, or corporations either on demand or on time and protected by stock, bonds, or other collateral with a collateral loan agreement.

(*d*) Ordinary notes of the kind already specified protected by a chattel mortgage on crops and the like.

Investigation shows that of these types of what is ordinarily called commercial paper to-day the ordinary single-name paper constitutes a substantial proportion. Opinions differ as to the relative amount of this paper as compared with other classes, but there is general agreement as to its importance. Some large concerns estimate that fully 90 per cent of their business is transacted on the basis of such single-name paper. The commercial transactions growing out of or represented by such paper are in general as shown in the following hypothetical case:

A. purchases goods for his fall trade amounting to, say, $1,000,000 from the X. Y. Z. Co., of New York City. These are bought on open account with, say, ninety days' credit. A. gives no paper in exchange for them, the seller having simply his general knowledge of A.'s credit to protect him. The X. Y. Z. Co., however, offers A. a discount for cash within a specified time (say, thirty days), and an additional discount for immediate cash (say within ten days). In order to get this cash, A. applies to his bank, making a full statement of his transactions, and is granted a loan for which he gives ordinary promissory notes. With the funds thus obtained he pays off the X. Y. Z. Co., getting the advantage of the discout, then settles with the bank as the goods are taken up by consumers and paid for. The transaction is distinctly a "commercial" one, and the paper growing out of it is commercial paper in the ordinary sense. In Europe, however, the X. Y. Z. corporation would have insisted upon being paid by a note signed by A. and would then have sold this paper or discounted it. Or A. might have induced his bank to accept drafts from the X. Y. Z. Co. (properly protecting the institution), in which case the paper would have been an acceptance bearing the name of the bank and the X. Y. Z. Co. It is desirable to stimulate the growth of true commercial paper of the latter class as rapidly as possible for several reasons. The closing up of the transaction by the giving of the paper is in itself a good thing, leading to conservatism and caution in the business. The tendency of this method is also to distribute loans much more widely, thereby creating a much better and

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more even division of business among banks. The paper thus created can be sold and traded in, and thereby a wider market, with much greater competition and consequently lower rates of interest, can be secured. Furthermore, such paper bears on its face, ordinarily, the certification that it grows out of a real "commercial transaction." The effort should undoubtedly be to work steadily toward a situation which would encourage the development of this kind of paper and would eliminate or reduce as rapidly as possible the present method of trading on the basis of one-name paper.

SINGLE-NAME PAPER PROVIDED FOR.

The conclusion that seems to be necessarily reached in connection with this subject, however, is that the Federal reserve act distinctly contemplates and provides for the use not only of two-name but also of single-name commercial paper. This is seen in the fact that the act in the sections already referred to provides for the rediscounting not only of paper whose proceeds have been used in the particular classes of transactions referred to, but also of that whose proceeds are "to be used" in that connection. At one time during the progress of the bill through Congress the provision was even broadened by the insertion of words including for rediscount such paper as might give rise to funds which "may be used" for the purposes referred to in the act. It is believed, therefore, that Congress clearly and unequivocally intended to recognize under the provisions of the law both classes of paper. This, however, was upon the distinct understanding that such paper, whether it bore one or more names, was not to be admitted to rediscount unless it evidently arose from the classes of transactions referred to or was so clearly for the purpose of providing funds for such transaction as to admit of no doubt.

In the second place, however, it is believed that paper carrying two names bears on the face of it the evidence of a strictly commercial origin which single-name paper never can, without collateral evidence, supply. There is, therefore, a prima facie case in favor of two-name paper which does not exist in that of single-name, and the question is suggested how single-name paper, when admitted to rediscount, as it evidently must be under the terms of the law, shall be prevented from being used as a means to obtain current capital or to furnish the basis for speculative operations. Various methods have been currently suggested, among them the plan of requiring each piece of paper thus presented for rediscount to be accompanied by a certificate on the part of its maker, or of the indorsing bank, or both, that it has originated in connection with a transaction of the permitted kind. Another method that has been put forward is to require such a general certificate on the part of each borrower, insisting that such certificate be made once and for all, or perhaps at periodical intervals. Still another suggested plan is that of employing a form of note which shall incorporate into its own text a statement that it represents funds whose use is desired for a transaction of the permitted class. Of these various suggestions the latter is perhaps the best, and there may be no harm in putting it into effect, but neither it nor any of its predecessors would be likely to meet the requirements of the case completely. It is believed that this end can be accomplished only by some process that will give absolute assurance of the use of the funds advanced by the reserve banks in the way contemplated by the law. Clearly, however, the absolute assurance that the particular sum of money advanced by the banks on rediscounted paper has been used in the way prescribed can not be obtained in practice, nor is there any use in obtaining it, if there be certainty that an equal sum drawn from the liquid resources of the concern receiving the advance is so applied. The purpose of the Federal reserve act is thus fundamentally satisfied if evidence be given that the advances made are made for a commercial purpose as shown by the fact that the person or concern in whose favor they are made is engaged in actual business of the kind referred to and is in a liquid condition. This fact can be ascertained only by a direct audit of the affairs of the concern, repeated as frequently as circumstances may require, in order to renew the assurance of liquidity, which is regarded as the fundamental and essential test of the good faith of the concern in making application for funds, not to furnish capital for new enterprises or to take the place of capital that has been sunk, but to carry through short-period transactions.

A suggestion to which very considerable attention has been granted in responsible quarters is that of establishing through action on the part of the Reserve Board a so-called "differential

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rate" on commercial paper of the classes referred to, the rate required to be charged by Federal reserve banks for the rediscount of single-name paper being fixed at, say, one-fourth of 1 per cent or perhaps at one-half per cent higher than that to be charged for two-name paper, the paper of the two classes being supposed to be of equal safety, and the difference in rate being designed merely to discriminate in favor of two-name paper. This would probably be as effective a means as any for accelerating the movement of the business community toward the substitution of double-name for single-name paper. Precisely how great the discrimination in rate would have to be, and precisely how far it would need to be varied between the several Federal reserve districts, is a question that can not positively be answered pending the definite organization of the districts and the creation of the banks as working units in each of them. The idea is merely suggested here as indicating a feasible and desirable mode of bringing about the end in view, assuming of course that the application of the method is careful so that no injustice may be done through the charging of the higher rate to the paper which is less favorably regarded.

Still another plan is that of restricting the total amount of single-name paper admitted to rediscount to a given percentage of the gross rediscounts of the reserve bank in question. This plan has been carefully considered and is believed to be desirable. The estimates that have been made by authoritative persons concerning the proper amount of single-name paper in relation to two-name vary considerably, some taking the ground that not to exceed 25 per cent of the total rediscounts should consist of single-name and others that not less than 50 per cent might safely be allowed to consist of that kind of paper. It is believed that no definite percentage of this kind applicable to the whole country could be fairly established. Inquiry has shown quite conclusively that in some parts of the country there is much more two-name paper than elsewhere, business habits having developed somewhat differently in different communities. The restriction of the relative proportions of two-name and single-name paper, through rules to be issued by the Federal Reserve Board and to be applied by the boards of directors of the several Federal reserve banks, can be scientifically developed when it is seen through the early experience of the banks in about what proportions the two classes of paper are presented for rediscount. It may easily appear that the proportions in which the paper is offered to the Federal reserve banks will vary quite materially from those in which it has heretofore been offered to individual or member banks. No definite relationship can be laid down with certainty in advance. It can only be stated that wherever possible the proportion of single-name paper allowed to figure in the rediscounts of a Federal reserve bank should be confined to the lowest basis consistent with the welfare and convenience of the business community.

A proposal worthy of mention in this same connection, but requiring care in its consideration, is that note brokers who sell single-name paper to banks of the Federal reserve system shall be required personally to endorse the paper they thus dispose of. In support of this proposition it is urged that the custom prevailed in Europe and has been found effective there. This is only partially true, conditions being quite different abroad from what they are here, but it is probably the case that everything possible should be done to stimulate a greater degree of responsibility on the part of note brokers. At present there are many individuals and concerns in the note-broking business whose financial responsibility may be a matter of some doubt and whose principal effort is to dispose of as much paper as they can, thereby securing for themselves the largest possible amount of commissions. On the other hand, it seems hardly desirable to take a step that would tend to produce a condition of monopoly or semimonopoly in the note business. To require indorsements of the kind referred to would undoubtedly tend to drive the smaller concerns out of business and would likewise tend to promote the formation of very large corporations organized for the purpose of lending their signatures to commercial paper, thus making it available for use by reserve banks. In this same group of suggestions is the recommendation that the note broker whose paper is purchased by the reserve banks through member banks shall be required to be regularly examined and audited by a satisfactory accountant. There is no objection to this requirement provided that it be properly applied and that the audit or examination be made under conditions that will not be unreasonably onerous or of a nature to entail unnecessary or excessive expense upon the broker.

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GENERAL SUMMARY.

Summarizing these suggestions, therefore, we may first enumerate the recommendations which it is believed are at all events not feasible at the present time.

1. Exclusion of single-name paper whose proceeds are "to be used" for commercial purposes.

2. Narrow definition of the words "agricultural, commercial, or industrial purposes" or transactions.

The purposes which should undoubtedly be sought and the recommendations corresponding thereto are as follows:

1. Exclusion of all paper of every kind from rediscount unless those responsible for it are able to make good the contention that its proceeds are intended for facilitating or carrying out a genuine current business transaction of a kind that shall be self-liquidating within the period set by the language of the act.

2. Requirement of all possible classes of information on the part of bankers, note brokers, and others bearing upon the origin of the paper offered for rediscount and the purposes to which its proceeds are to be applied.

The detailed methods that have been suggested for the attainment of these objects and which it is believed will prove more or less useful are as follows:

1. Regular audit of firms or corporations placing single-name paper on the market in order to assure their absolute liquidity and solvency and the liquidity of its assets.

2. Regular audit of note brokers in order to insure absolute knowledge of broker's responsibility.

3. Indorsement by note broker of all paper passing through his hands and ultimately presented for rediscount.

4. Restriction of single-name paper to specified percentage, say 25 to 50 per cent of total paper rediscounted by a reserve bank.

5. Establishment of differential rate of rediscount for single-name and two-name paper in order to favor the latter type of security.

6. Use of specified form of note or certificate intended to indicate type of transaction giving rise to paper.

The following points at least are, however, deemed essential in determining the practice to be followed by reserve banks:

1. Commercial paper must be broadly defined as including two-name paper given in lieu of cash for goods sold and bearing the name of maker and indorser, if discounted, and single-name paper which is largely discounted or sold to provide cash in anticipation of future purchases and sales. Where the price of the commodity involved has been fixed, two-name paper, so far as the seller is concerned, represents a closed transaction, whereas in the use of single-name paper, representing as it does principally money borrowed for future transactions, the price remains to be fixed by seasonal demand and trade limitations.

2. From an economic standpoint, two-name paper may be regarded as having no inherent quality that will develop inflation, while single-name paper, involving, as previously stated, future transactions, may (though not necessarily) promote speculation and thus develop price inflation. Member banks, therefore, should carefully analyze the business on which single-name paper is to be predicated, differentiating sharply, for purposes of rediscount, between that which is to be used to finance accounts receivable, or strictly seasonal requirements, and that which is to finance a floating debt or be used for the extension of business that can not be readily liquidated.

3. Single-name paper, secured or unsecured, must bear the name of a solvent party whose responsibility is secured by the filing of a satisfactory statement made within one year prior to the date of the discount or by the filing of a certified copy of such a statement by a responsible person who is in possession of the original.

4. Such paper must bear the indorsement of a member bank and be accompanied by a statement attached to its schedule of application for rediscounts, signed by an officer of said bank, to the effect that to said officer's best knowledge and belief the proceeds of the notes discounted have been or are to be used for commercial, industrial, or agricultural purposes *of a current nature.* Such schedule of application must be classified (on a standard form), giving the kinds of business supported by individual items.

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5. Such paper must have a maturity at the time of discount of not more than 90 days, except in the case of notes, drafts, and bills drawn or issued for agricultural purposes or based on live stock, which may have a maturity of not exceeding six months. The total amount of such six months' paper to be taken by any one Federal reserve bank, however, shall not exceed ---------- per cent of the capital of said bank.

6. Any Federal reserve bank may discount acceptances (bank or other than consignee) based upon the importation or exportation of goods and which have at the time of discount a maturity of not more than three months and are indorsed by at least one member bank. The amount of acceptances so discounted shall at no time exceed one-half the paid-up capital and surplus of the bank for which the rediscounts are made.

7. Two-name paper must bear the names of two solvent parties, the maker and the indorser, the responsibility of one being reasonably assured by customary credit statements, or the opinion of an officer or director of a member bank formally stated and filed.

8. Such paper must bear the indorsement of the member bank and be submitted on a schedule separate and apart from that used for single-name paper, but similarly classified as to the kinds of business involved.

9. Such paper must have a maturity at the time of discount of not more than 90 days, except as provided by the act for six months' paper based upon agricultural products or live stock.

10. It is recommended as a general practice that at least one party involved in the discount of two-name paper be required to file a statement with the member bank.

FUNCTION OF OPEN-MARKET OPERATIONS.

At this point some attention may be given to the question of open-market operations. Section 14 of the Federal reserve act grants the Federal reserve bank power to deal in gold coin and bullion, to buy and sell bonds and notes of a public character, to purchase and sell bills of exchange with or without its indorsement, and to establish such agencies as it may deem best for the purpose of dealing in bills of this kind. It calls for the formation of certain rules and regulations by the Federal Reserve Board, involving—

(*a*) Open-market purchases of commercial paper and exchange;

(*b*) Government bonds and short-time Government, State, municipal, and other bonds, notes, and bills.

With reference to these classes of business the following points are noted:

(*a*) The scope of open-market operations, so far as the question of individual and corporate credit is concerned, must rest largely with the purchasing bank, subject to suggestions based upon analyses by the credit department of the Federal Reserve Board. It will be necessary, however, for the Federal Reserve Board from time to time to make regulations involving—

(1) The amount of any particular paper permitted to be held by any one bank and the aggregate amount of such paper to be held by all the Federal reserve banks;

(2) The total amount of all open-market purchases held by all Federal reserve banks.

The necessity for such regulations is apparent. The open-market section of the bill was primarily provided to give the Federal Reserve Board the necessary economic control of the domestic money market and to preserve a proper equilibrium in international relations. Specific rules formulated in advance on this general subject are, of course, impracticable. The rules when established will, moreover, have to be varied somewhat from time to time.

(*b*) The Federal Reserve Board should from time to time formulate rules and regulations covering purchases and sales involved in subdivision (*b*) of article 14, limiting the volume of securities which it would be appropriate for any one Federal reserve bank to purchase, and also in contemplation of the aggregate volume held by all such Federal reserve banks. The intent of the act is to have such securities purchased, with the exception of Government bonds, somewhat approximate the fluid quality of commercial paper. It will therefore be inadvisable for banks to purchase any revenue bills or bonds that are issued in the aggregate in excess of the amount of revenues received by the respective States, districts, or municipalities beyond the amount which experience shows was received on the annual average of the last preceding two years. No bills or bonds should be purchased which are not issued in anticipation of specific levies or revenues. Federal reserve banks should file with the Federal Reserve Board comprehensive statements involving the experience of all districts and municipalities in rela-

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tion to taxes and revenues received, and amounts borrowed for the last preceding two years, when purchases are contemplated.

Banks desirous of purchasing irrigation, drainage, and reclamation district obligations maturing within six months shall, prior to making such purchases, file with the Federal Reserve Board a statement of revenues, expenditures, and borrowings of such districts for the last preceding three years. In all cases both as to State, municipal, irrigation, drainage or reclamation short-time instruments, where any question is involved not herein covered, specific action will be taken by the Federal Reserve Board based upon the facts presented.

The open-market provisions of the act are of very large importance in two ways:

(*a*) In permitting Federal reserve banks to place their resources at the disposal of constituent or member banks even when such constituent or member banks do not apply for rediscounts, inasmuch as the law allows the reserve banks to buy the paper directly in the open market and thereby to insure the placing of its funds in active use should occasion demand.

(*b*) In permitting a reserve bank in one district which has surplus funds to relieve the strain upon reserve banks in other districts by buying such surplus of paper as may have come upon the market in those districts, thereby preventing banks in these places from being compelled to refuse to grant rediscounts in cases where the supply of paper is in excess of the capacity of the banks to take care of at the seasons of the year when an exceptional degree of strain has made itself felt.

Much has been said of the effect of the open market transaction in enabling the reserve bank to get funds out into active use at times when they would otherwise be out of use. There are some limitations upon this idea that have probably not been sufficiently considered. Under ordinary circumstances, the reserve banks will not compete with their own members, and while they may be expected to compete with certain individual banks even among their own stockholders under special or peculiar circumstances, they will naturally do so only when such action is rather urgently demanded. A quite different condition of affairs will exist with reference to the open market transactions, relating to paper put out in other districts. In so far as this represents a field of activity which is not occupied, or occupied only in a limited degree by individual banks, the reserve banks may be expected to become active buyers of paper originating in such other districts.

FOREIGN EXCHANGE OPERATIONS.

The second principal element in the business of the Federal reserve banks will be that of dealing in foreign exchange and of transmitting funds abroad. Precisely what relation this business will bear to the general business of the reserve banks themselves can not be predicted, and will undoubtedly vary considerably from bank to bank, according to the particular type of business developed in each of the several institutions. At some of the banks the foreign exchange service may at times be of preponderating importance while at others it is entirely possible that the work may be sporadic or incidental. In the case of some of the banks it may be found desirable to conduct the exchange operations entirely through the medium of other reserve banks.

Nevertheless the conduct of the exchange operations for the system as a whole will be of primary importance and will amount to a general control of the foreign financial and monetary relationships of the United States.

The provision of the Federal reserve act relating to foreign exchange operations is found in section 14, where it is provided that the banks shall have authority:

To open and maintain banking accounts in foreign countries, appoint correspondents, and establish agencies in such countries wheresoever it may deem best for the purpose of purchasing, selling, and collecting bills of exchange, and to buy and sell, with or without its endorsement, through such correspondents or agencies, bills of exchange arising out of actual commercial transactions which have not more than ninety days to run and which bear the signature of two or more responsible parties.

The banks are also authorized—

To buy and sell at home or abroad bonds and notes of the United States and bills, notes, revenue bonds and warrants with a maturity from the date of purchase of not exceeding six months, issued in anticipation of the collection of taxes or in anticipation of the receipt of assured revenue.

In section 13, it is provided that—

The rediscount by any Federal reserve bank or any bills receivable and of domestic and foreign bills of exchange, and of acceptances authorized by this act, shall be subject to such restrictions, limitations, and regulations as may be imposed by the Federal Reserve Board.

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It is thus seen that the Federal reserve act makes express provision not only for dealing in foreign exchange and securities, but also for the mechanism necessary for such exchange transactions and finally for the regulation and control both of the foreign agencies and of the transactions themselves by the Federal Reserve Board through its regulations.

It is therefore necessary to indicate first of all the conditions under which the reserve banks should operate abroad and their relations to the member banks engaged in similar business as well as to one another.

It is recommended that above all in dealing in foreign exchange the Federal reserve banks should act together as a unit. While this is not necessary, and while the reserve banks could undoubtedly do a successful foreign exchange business independently of one another, each establishing its own agencies as it saw fit, it is believed that better results would be obtained if the reserve banks at least had general knowledge of one another's transactions and were required to act together so far as conditions would permit. It is, therefore, recommended that the policy to be prescribed with reference to foreign exchange by the Federal Reserve Board shall be uniform and that there shall be as little opportunity as possible for the development of conflicting or unnecessarily duplicating orders and policies. Moreover, it is believed that the establishment of agencies by each and every one of the banks would be an unnecessary expense. It is, therefore, suggested that in selecting agents or in establishing offices abroad, the reserve banks shall be required to act jointly. Joint offices for all the reserve banks will ultimately need to be established in each of the principal financial centers in foreign countries, and pending the time that such joint office is established, it is recommended that consent be given only to the establishment of agencies which shall jointly act for all of the Federal reserve banks. The details of this proposal will be fully considered in connection with the question of establishing branches in general.

GENERAL SCOPE OF FOREIGN OPERATIONS.

It is possible that the foreign operations of the Federal reserve bank will not be large at first. The ordinary clearance operations of commerce are handled eagerly and adequately by banks already engaged in foreign exchange. Except in cases of stress, all exchange is easily absorbed at the current price. It will be necessary, however, for the reserve bank to stand ready to negotiate all bills of exchange that may come to it from member banks in outlying communities or from other reserve banks. Rather should the position of the reserve bank in this field be that of an overflow reservoir, recouping its balances from the credits created abroad by other banks engaged in such business and making such advances from time to time as may be necessary to facilitate absorption of exchange or protect gold reserves—that is to say, not interfering with member banks, but operating rather from a broad economic standpoint. The reserve bank can act as the medium through which the necessities of the post office for foreign exchange to meet the requirements of the foreign money order division may be liquidated and otherwise as foreign fiscal agent of the Government, but must give due consideration to the development of offsetting business. It may be needless for many of the reserve banks to enter the foreign field, much depending upon their cooperation through a common agency. It is a matter of grave doubt as to whether it will be necessary for more than one to do so at the start, as even under present conditions the foreign exchange market for all banks engaged in foreign exchange wheresoever located is in New York City. However this may be, the relations of the Federal reserve banks and either member or nonmember banks in the foreign exchange field should be sympathetic. The Federal reserve bank should have perfected all the machinery to make it a dominant leader to marshal the collective forces of the exchanges in times of stress.

FOREIGN REPRESENTATIVES.

Arrangements will necessarily be made as soon as feasible to secure banking connections in all of the principal banking centers of the world. It will be unnecessary to establish actual branches in all those places where there are already good banking facilities, unless the Federal Reserve Board should deem it wise to do so after a general survey of the whole field. The existing facilities afforded by foreign banks or even by branches of American banks will afford all that would be supplied by an independent branch. Whether it will be deemed best in spite of this fact to create actual branches with independent banking houses and assigned capital in

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all places where good banking facilities already exist is a matter of policy as to which no definite statement can here be made. The general question of branches and the creation of such branches abroad will be given special attention at a later point, to which attention is accordingly directed. It will at all events be found that in not a few places the appointment of representatives will probably be necessary, owing to the fact that adequate banking facilities for the promotion of American commerce are not available there.

CONDUCT OF BUSINESS.

It is recommended that the services of a foreign exchange expert of known ability who is at the same time familiar with banking in its broadest sense shall be secured. This expert should probably be given the rank of an officer corresponding to that of a vice president in an ordinary bank. Under his direction and through the medium of a deputy acting as his assistant the foreign operations of the bank should be carried on. This foreign exchange expert will find it desirable at the outset to secure, without delay, connections, whether through the creation of branches or not, as may later be decided, with the principal European centers, particularly including London, Paris, Berlin, Hamburg, Frankfort, Antwerp, Amsterdam, Rome, Naples, Vienna, St. Petersburg, and Zurich. Exchange should be acquired by him with prudence and judgment as to money market conditions at all points, the major portion of resulting balances being of course held in London. His funds thus obtained should be employed in the purchase of short-term paper and bills of exchange, as specified under the law, according as business requirements demand. The rule to be observed, however, should be that of having the holdings of exchange in the most liquid form. Dealings in exchange should be carried on both at home and abroad, but it would probably be inadvisable to enter the field as an aggressive operator. The policy to be constantly observed is, unquestionably, that of providing a secondary reserve for the reserve bank. Precisely how much should be regularly invested in exchange with this object in view can not be laid down in any definite manner, and, as will be later indicated, could at most be limited to a given percentage of the operations of the reserve bank, although even that is not in this discussion definitely fixed. The funds invested in exchange will of course return an income, but the principal object should be, as already stated, that of providing the secondary reserve referred to. It is probable that ultimately a considerable quantity of ordinary exchange operations will be undertaken by the reserve banks engaged in this branch of business, but no steps should be taken to force such a growth, it being permitted rather to gain a natural development incident to the regular progress of the institution carrying on the operations.

For the purpose of making clear the details of policy which must be observed in carrying on the foreign exchange business of the reserve banks upon the basis already described, a complete set of regulations designed to govern the management of the foreign exchange department of the reserve bank has been worked out as an element in this discussion.

They are as follows:

I. MANAGER.

(*a*) There shall be in charge of the foreign exchange department of each Federal reserve bank, if such a department be developed, an official to be known as the "Manager of the foreign exchange department," selected by the board of directors, who shall receive an annual remuneration to be decided by the board.

(*b*) This official shall have been actively engaged and be experienced in foreign exchange operations.

(*c*) Upon appointment the official mentioned shall furnish bond of good and sufficient surety in amount of $------.

(*d*) The duties of the manager of the exchange department shall be to control the funds of the reserve bank carried in foreign exchange. He shall have entire charge of the buying and selling of all checks, drafts, demand or time, cable transfers, bills of exchange, gold coin, bullion, and any other instruments, securities, properties, and commodities that the reserve bank is authorized to buy or sell under the law, subject to the regulations hereinafter provided.

(*e*) The manager shall have the power to employ, through the channels provided in the regulations, such assistants as he may deem necessary to carry on the business of his department. He shall make such recommendations as he may deem advisable for the expansion or improvement of the bank's foreign exchange operations to the president.

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(*f*) He or his assistants shall, through the usual clerical channels, submit daily to the president a report of his operations, showing purchases and sales of exchange, prices at which such purchases and sales were made, and the disposition of the reserve bank's foreign balances. It shall be his duty, or that of his designated assistants, to authorize all transactions, approving all purchases, sales, and other operations, subject to the rules and regulations of the board of directors. There shall also be submitted to the board of directors and to the Federal Reserve Board a monthly report and such other reports as the Federal Reserve Board may deem advisable or necessary.

(*g*) He shall have general supervision, under the direction of the president, of the exchange operations of all of the bank's foreign agencies and branches. The board of directors shall arrange for systematic reports from all foreign agents and managers of foreign branches.

(*h*) There shall also be selected by the board of directors an assistant manager, who shall act as general assistant. Before receiving appointment he shall comply with the requirements of paragraphs B and C. He shall receive a compensation to be decided by the board.

II. FUNDS TO BE INVESTED IN FOREIGN EXCHANGE.

(*a*) Unless at the express direction of the board of directors or the Federal Reserve Board, there shall at no time be invested in foreign exchange an amount exceeding ..... per centum of the reserve bank's demand liabilities after deducting from the total of such demand liabilities the total of gold and lawful money on hand or in transit to the bank, such sum invested, however, not to include the working capital of any branch that may be established in accordance with the law. Any Federal reserve bank not regularly engaged in foreign exchange operations may, at the discretion of its board of directors, invest in foreign exchange or transact any and all foreign business eligible under the law and clear such transactions with foreign countries through the medium of the foreign department of any other reserve bank that may be actively engaged in foreign operations, and such other Federal reserve bank shall separately record any and all foreign transactions it may perform for any reserve bank independent of its own operations and shall render a separate and distinct accounting therefor and may receive a compensation from such other Federal reserve bank for so acting, such compensation to be fixed by the Federal Reserve Board on the basis of the periodical turnover.

(*b*) When gold coin or bullion is purchased in foreign countries out of the amount invested by a reserve bank in foreign exchange for the purpose of importation into the United States, such amount shall immediately be deducted from the total carried as foreign exchange and shall be regarded as part of the gold reserve of the bank.

(*c*) When importations of gold are desired, at the discretion of the board of directors or at the direction of the Federal Reserve Board, banks or bankers may be employed to import gold for the account of a Federal reserve bank. In such cases the gold coin or bullion must be consigned to the Federal reserve bank making the advance, and shall be regarded as part of the gold reserve of the Federal reserve bank when in transit.

(*d*) No clean bill of exchange drawn on parties other than banks or bankers shall be negotiated by a Federal reserve bank without the indorsement of a member bank.

(*e*) Clean bills of exchange drawn on banks or bankers at longer time than sight (such maturities, however, not to exceed ninety days sight) may be negotiated by a Federal reserve bank upon the guarantee of acceptance of a member bank.

(*f*) Documentary bills of exchange drawn on parties other than banks or bankers at longer time than sight, provided, however, at not longer than ninety days sight, and where the documents are deliverable upon acceptance, may be purchased by a Federal reserve bank only with the indorsement of a member bank.

(*g*) All documentary bills of exchange drawn on banks or bankers of whatsoever tenor in accordance with section 13 of the Federal reserve act may be negotiated by the Federal reserve bank with the guarantee of acceptance of a member bank.

(*h*) Cable transfers, checks, drafts, and bills of exchange drawn by responsible banks or bankers, at the discretion of the manager, may be purchased by the Federal reserve bank, subject to regulations of the board of directors.

(*i*) The liability, direct or contingent, unless secured, of any bank or banker member or nonmember shall at no time exceed ..... per centum of the capital, surplus, and undivided profits of such bank or banker where the amount of capital, surplus, and undivided profits is published by requirement of law. Where such capital, surplus, and undivided profits is not so

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determinable, to not exceed an amount to be fixed as a line by the board of directors, subject to review by the Federal Reserve Board.

(*j*) The outstanding liability of any foreign individual, firm, corporation, bank, or banker, by reason of acceptance on unmatured bills of exchange held or rediscounted by the reserve bank shall at no time exceed ------ per centum of the capital, surplus, and undivided profits of such bank or corporation, and where the capital, surplus, or undivided profits are not so determinable, to not exceed an amount to be fixed by the board of directors, subject to review by the Federal Reserve Board.

(*k*) The liability of any individual, firm, or corporation as drawer or indorser of any check, draft, bill of exchange, or other instrument negotiated by a Federal reserve bank in its foreign operations shall not exceed a line to be fixed by the board of directors, subject to review by the Federal Reserve Board, and a record shall be kept of the total liabilities of each individual firm, or corporation.

(*l*) A Federal reserve bank shall not purchase and have outstanding at any time in unmatured drafts drawn on foreign points, where the documents underlying such drafts are to be surrendered against payment only, an amount in excess of ------ per centum of the total amount, available for use in foreign exchange operations by such Federal reserve bank.

(*m*) A Federal reserve bank shall purchase foreign gold coins of fineness fixed under the laws of the country where such coins were minted at the mint price of $20.6718+ per fine ounce whenever such coins are presented to it, and such coins whensoever and howsoever acquired shall constitute a part of the gold reserve of the bank; providing, however, that at no time does such amount of foreign gold coins exceed in amount ------ per centum of the amount of gold the bank is obliged to maintain by law.

(*n*) Whenever a Federal reserve bank purchases cable transfers from member or nonmember banks or bankers, or any other parties whatsoever, payment for the equivalent shall not be made until the reserve bank is advised by telegraph of the receipt of such payment by its foreign agent or branch, unless otherwise guaranteed.

(*o*) Whenever the Federal reserve bank sells cable transfers it shall be in receipt of payment before it may direct such transfer.

(*p*) On all purchases or sales of bills of exchange and other instruments except cable transfers by a reserve bank, payment shall be made in the case of purchase to, and in the case of sale by, a Federal reserve bank immediately upon delivery of the bills of exchange or other instruments purchased or sold.

(*q*) Any or all of the restrictions imposed by these regulations may be temporarily suspended by the Federal reserve agent, subject to review by the Federal Reserve Board.

III. Correspondents.

(*a*) There may be selected as required in each principal banking center of the world at least one bank or banker as correspondent, subject to the consent of the Federal Reserve Board. From time to time, or as the requirements of increased business may direct and subject to the consent of the Federal Reserve Board, the number of correspondents in any banking center may be increased to two, except as provided in the following paragraph.

(*b*) Wherever possible all correspondents of the Federal reserve banks shall be branches of American banks established in such foreign banking centers, and where there may be more than one branch of an American bank the business of the Federal reserve bank shall be distributed among such branches in the approximate ratio that the several banks' capital and surplus shall bear to each other.

(*c*) Such correspondent shall render a daily report of receipts, disbursements, discounts, and any and all operations undertaken at the direction of or for the account of a Federal reserve bank.

(*d*) Such correspondent shall render a monthly statement of the account of each Federal reserve bank showing in detail all entries to its account and a memorandum of all interest accrued and charges, showing such charges in detail. It shall further send a monthly schedule of all bills of exchange, drafts, or other instruments, or other property that it may hold on behalf of a Federal reserve bank, indicating amount, drawee or acceptor, maturity, and collateral to such instrument, if any.

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(*e*) Such correspondent shall once each week provide each reserve bank with a statement of the contingent liabilities of the reserve bank by virtue of indorsement on bills of exchange or other instruments which have been discounted or sold on behalf of and for the account of the reserve bank.

(*f*) There shall exist between the reserve banks and correspondents a secret code suitable to the transaction of their operations and messages under such code shall be protected by a cipher in the possession of the senior officers of the reserve banks, the managers, and their immediate assistants.

IV. BRANCHES.

(*a*) The board of directors of each Federal reserve bank may from time to time, subject to the consent of the Federal Reserve Board, establish such foreign branches as may be deemed necessary or expedient, and unless at the express direction of the board of directors or the Federal Reserve Board each branch shall use (as fixed working capital) an amount not in excess of ..... per centum of such reserve bank's demand liabilities after deducting from such liabilities the amount of gold and lawful money on hand or in transit to the bank.

(*b*) All foreign branches shall be officered by the following, seniority in the order given:

1. Manager.
2. Assistant manager.
3. Accountant.

(*c*) These officers shall receive remuneration to be fixed by the board of directors.

(*d*) The manager shall have entire charge of the branch, subject to the direction of the Federal reserve bank or banks creating such branch. His duties shall consist of selecting the branch's investments, developing new business, buying and selling bills of exchange, gold coin, bullion, obligations of the United States, or any other security eligible by law to be negotiated, subject to the regulations of the home office. He and his assistant shall be responsible for all monies, securities, and any and all assets of the branch and shall make such provision for their safeguarding as may be deemed necessary.

(*e*) The assistant manager shall have charge of the staff and the office, and shall assume charge in the absence of the manager.

(*f*) The accountant shall have entire charge of the accounts and records of the branch. He and his assistant or assistants shall make such examinations from time to time as they may deem necessary or as they may be directed. He shall render a daily balance sheet to the manager and shall submit to the reserve bank such statements of the affairs of the branch as are required by the regulations. In the absence or disability of both the manager and assistant manager, the accountant shall assume charge of the branch.

(*g*) A branch shall make a daily report by mail of its operations to the reserve bank, accompanying which shall appear the copy of the balance sheet of such branch as of the close of business the preceding day, and shall submit a weekly report of all contingent liabilities by endorsement of bills, etc., sold or discounted, and shall further submit a list of all liability or individuals, firms, or corporations to the branch whether as drawer, endorser, guarantor, or acceptor.

(*h*) On the last day of each calendar month the books of a branch shall take up in its profit and loss accounts and expense accounts all interest, commissions, expenses, and all other determinable incomes or expenditures, and an analysis thereof shall be submitted over the manager's signature to the reserve bank in duplicate—one copy to the president of the reserve bank, and the other to the manager of the foreign-exchange department.

(*i*) A schedule of all bills of exchange, drafts, checks, notes, or other securities and properties held by the branch shall be submitted once each month; such schedule shall indicate amount, drawee, acceptor, or payor, tenor, maturity, and collateral if any.

(*j*) As of the close of business the last days of February, May, August, and November, the books of each branch shall be closed, clearing into profit and loss all amounts standing or accrued as income, or expense, and after charging off all bad debts, the balance in profit and loss shall be transferred to the reserve bank.

(*k*) All losses shall be reported to the reserve bank over the signatures of at least two officers. Assets of questionable value shall be reported to the reserve bank, and upon confirmation from the reserve bank may be written off.

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(*l*) No clean bill of exchange, unless drawn by a bank or banker, shall be purchased by any branch except with the consent of at least two of the three officers of the branch or a line on any name may be fixed by at least two officers of the branch within which line the clean bills of any individual, firm, or corporation may be bought. All matters of credit and responsibility of parties shall be subject to the concurrence of at least two officers and further subject to approval by the home office.

(*m*) No draft drawn under a letter of credit may be purchased by any branch unless a specimen of letter of credit and signature of the party who issued it are on file, or unless confirmation has been received direct that such a credit is open and that drafts thereunder may be negotiated.

(*n*) The manager may at his discretion deal in or make loans on gold coin or bullion, and shall cause to be rendered to the reserve bank a detailed statement of such operations. The statement to indicate face value, weight, fineness, and specific value.

V. ACCOUNTING OF FOREIGN-EXCHANGE DEPARTMENT.

(*a*) The regulations covering the accounting system of the Federal reserve bank shall apply to the branches.

(*b*) The books of the foreign exchange department shall be as follows: 1. General ledger; 2. General balance sheet; 3. Journal; 4. Cash receipts book; 5. Cash disbursements book; 6. Agency ledger; 7. Branch ledger; 8. Liability ledger; 9. Remittance records; 10. Draft records, and any other books that may become necessary from time to time in the opinion of the auditor.

(*c*) All books shall be bound books, except in cases where expediency requires it, the books may be loose leaf, to which exceptions, however, the auditor must concur, and such provisions that he may make in the use of loose-leaf records shall be complied with.

(*d*) The general ledger of the department shall carry the control on all accounts in the department, showing each account separately, except in such cases as the liabilities (see par. N) wherein one amount may be shown to control all accounts. The general ledger shall be posted daily in ink and each page footed in ink and carried forward.

(*e*) The general balance sheet shall be a columnar book showing the daily balances in each account on the general ledger.

(*f*) The journal shall take up all entries not properly handled in the cash receipts or disbursements books, remittance or draft records. It shall be a columnar book and after proof, a recapitulation thereof shall be taken off and handed to the general bookkeeper.

(*g*) The cash receipts book shall record all receipts of cash or checks from whatsoever sources. All receipts of cash unless controlled by preceding entries, shall be acknowledged, a copy of which receipt shall be taken up by the officer signing the original, and handed to the auditor. After proof each night a recapitulation shall be taken off and handed to the general bookkeeper of the department.

(*h*) The cash disbursements book shall record all cash paid or checks drawn. Unless such payment is controlled by previous entry no disbursement may be made without an order, initialed by the chief deputy, his assistant, or, in their absence, some temporary authority conferred by the president. After proof each night, a recapitulation shall be taken off and handed to the general bookkeeper of the department.

(*i*) The agency ledger shall record the transactions between the bank and its foreign agents. It shall be posted each day from the books of original entry, proved to the control on the general ledger at least once a week, reconciled and closed quarterly. As statements are received monthly they shall be verified to the postings made from returns indicated by the daily advices of the foreign agents. All charges incidental to the agent's operations must be recorded in a book provided for the purpose and verified and initialed by the deputy or his assistant, and subsequently checked and approved by the auditor.

(*j*) The branch ledger shall show the accounts of the branches with the head office, this ledger shall be posted from books of original entry, proved once a week to the general control and reconciled to the branches' monthly statement.

(*k*) The liability ledger shall indicate the names of all parties upon whose indorsements or guarantees of acceptance exchange has been bought. The total of the line allowed, whether ..... percentum of the capital and surplus or the line approved by the board. (See Sec. II,

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par. i.) As drafts mature or are accepted, and as the responsibilities of the parties terminate, the amount of such draft shall be deducted from the outstanding line. It shall also show the liability of all parties by acceptance on unmatured bill of exchange. (See Sec. II, par. j.) The balances appearing against any and all parties shall be reported to the board of directors each week.

(*l*) The remittance records shall contain the detail of all drafts, cable transfers, bills of exchange, etc., purchased and charged to agents or branches. This record may be loose leaf if expediency so demands and the auditor approves. No bill may be entered without an authorization of purchase signed by the deputy or his assistant. A recapitulation shall be given to the general bookkeeper at the close of each day.

(*m*) The draft book shall record all sales of checks, drafts, cable transfers, and other instruments drawn on and to be credited to any agent or branch. There shall be kept therein all the detail of such transaction and no draft, check, cable transfer, etc., may be drawn or consumated without an authorization signed by the deputy or his assistant. After proof, a recapitulation shall be handed to the general bookkeeper of the department.

(*n*) Among the control accounts on the general ledger shall appear an account liability by indorsement—per contra. Customers' liability on discounted paper. This figure shall be altered from time to time by means of a journal entry. As reports are received from the agents and branches (see Sec. III, par. F, and Sec. IV, par. G) the entries herein ordered shall be made.

(*o*) All expenses of the foreign exchange department, except those involved in the operation of accounts such as commissions, charges, foreign revenue stamps, etc. (see Sec. V, par. i), shall be charged to expense account maintained on the general books of the bank and supported by a detail book.

(*p*) All interest receivable or payable, commissions, and other determinable income shall be accrued monthly; all profits on exchange operations shall be determined and set up in profit and loss account quarterly, and all branch returns shall be carried to profit and loss and an estimate of the profit for the overlapping month shall be made and passed, based on the return on the average capital used the quarter just received.

(*q*) All profits and losses shall be cleared into the general profit and loss accounts of the bank on the last days of June and December.

(A discussion of the internal organization of the Federal Reserve Board submitted by the experts who prepared the recommendations herein offered is omitted as belonging primarily to the board itself.)

FEDERAL ADVISORY COUNCIL.

Section 12 of the Federal reserve act provides for a Federal advisory council to consist of as many members as there are Federal reserve districts. It is required that each Federal reserve bank shall by its board of directors annually select one member of the council, and that the said council shall meet at Washington at least four times a year, as well as oftener if called by the Reserve Board. The council is given power to select its own officers and adopt its own methods of procedure, and it is further given authority:

> By itself or through its officers (1) to confer directly with the Federal Reserve Board on general business conditions; (2) to make oral or written representations concerning matters within the jurisdiction of said board. * * *

A review of the provisions of section 12 as thus set forth shows that the power of the organization committee and of the Federal Reserve Board in regard to the organization of the advisory council is only of a very broad general kind probably extending no further than the mere making of suggestions. It is, however, recommended that the organization committee shall, in organizing Federal reserve banks, make some general recommendations to the said banks with reference to their participation in the task of creating this council. The following points are considered to be desirable in the organization of the council:

1. Appointment of members of the council who shall at least at the beginning be active operating officers, preferably the presidents of the several Federal reserve banks.

2. Establishment of general headquarters in Washington with suitable representative in charge as agent, through whom requests and suggestions may be transmitted to the Federal Reserve Board and who shall transmit information to the Federal reserve banks at his discretion or as may be asked by them.

3. Provision of reasonable allowances for this resident agent or officer of the advisory council. This point is specifically made subject to the approval of the Federal Reserve Boad

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in the early part of section 12, and undoubtedly the recommendations made by the board at the beginning will be largely influential in determining the practice of the several reserve banks. The provision of a suitable mechanism at the outset will do a good deal toward starting the system upon right lines in the beginning, and it is believed that the general suggestions or recommendations already indicated ought to be applied.

Consideration should be given to the incorporation in the by-laws of the council of the following points:

(1) Designation of offices and election of officers.
(2) Powers and duties of officers.
(3) Stated quarterly conference at Washington between Federal Reserve Board and Federal advisory council.
(4) Audit of expenses and plan for semiannual budget.

Referring more specifically to the intent of the act in providing for conferences with the members of the Federal Reserve Board regarding all matters relative to the Federal reserve system, it would seem that the best results would obtain if the active executive officers of the banks of the system participated. The provision that the Federal advisory council "shall have power, by itself or through its officers," implies the necessity of continuity of action at Washington in the performance of its duties. The executive officers of the Federal reserve banks manifestly would not be available as officers of the council. It is therefore suggested that it be deemed appropriate for the council to choose a paid officer or officers, who shall reside in Washington and maintain an office in the general interests of the Federal reserve banks. They should, of course, cooperate with the Federal Reserve Board in the general interests of the Federal reserve system.

If the paid officers of the Federal reserve banks are chosen as members of the Federal advisory council, as herein suggested, there would be no need for their further compensation, other than traveling expenses and maintenance charges during the period of their meetings.

The compensation of the officers of the Federal advisory council, the office rent (unless otherwise provided by the Secretary of the Treasury), the maintenance of the clerical force, and other expenses, should be assessed upon the various Federal reserve banks in the same manner as is provided in the act for the payment of expenses of the Federal Reserve Board.

CODE BOOK.

The Federal reserve banks should be provided with a private code for use in the cable and telegraphic transmission of advices relative to their business. Such codes are in use in the more important existing banks, each such bank developing its own code, adapted to its own uses and employed for the purpose of transmission of cipher messages. It is recommended that such a code be developed for the joint use of the Federal reserve banks and of the Federal Reserve Board and that this be done at an early date, the work being placed in the hands of one of the recognized code experts who are familiar with existing methods of doing this work and who are trustworthy. In the system of clearing and transferring credits which has been worked out in the present report, there is a large field for the constant use of telegraphic advices; and the Federal Reserve Board will find that such advices will be largely relied upon in its own communications with the reserve banks. That such communication will in many instances be of a necessarily confidential nature is obvious and provision for a suitable means of guarding the messages during transmission, while reducing their length to a minimum should be promptly made.

ACCOUNTING SYSTEM.

(The subject of accounting for the Federal reserve banks is dealt with in Circular No. 7.)

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Confidential.

FEDERAL RESERVE BOARD.

CIRCULAR No. 9[a].

PROCEDURE IN THE CONVENTION OF DIRECTORS AND OFFICERS OF THE FEDERAL RESERVE BANKS.

October 20, 10.30 a. m.

1. Meeting was called to order by the Chairman, the Honorable Secretary of the Treasury.

2. Roll call of those present, by calling on the cities. The delegates from each city stood up in turn, giving their names.

3. Address of Welcome by the Chairman of the meeting.

Points touched upon in the Chairman's address:

(A) The first object of the meeting was to give the Federal Reserve Board an opportunity to meet and form the acquaintance of the Directors and Officers of the various Federal Reserve Banks;

(B) To give these Directors and Officers an opportunity to meet each other. The whole Federal Reserve system was predicated upon complete cooperation between the different Reserve Banks, and it was important that these Directors and Officers should get to know each other and understand each other's problems;

(C) The importance of developing some enthusiasm in the work; first, because the work involved many new and difficult problems, and second, because the country expected a great deal as the result of the introduction of this system;

(D) It was the hope of the Board that the system would be put in operation at the earliest possible date, and the opinion had been expressed that by Monday, November 16th, the Reserve Banks could open (by which time the Federal Reserve Notes were promised for delivery), not to perform all their functions, but to undertake at least some of them. No elaborate system was expected at the moment of opening, but it would be necessary to prepare to receive reserve deposits from the banks and to have rediscount machinery ready for such part of the reserve as would be paid in by the banks. (In this connection, the Secretary of the Treasury was ready to cooperate as far as possible by offering the facilities of the various Subtreasuries or Mints.)

(E) It was proposed at this meeting to discuss many matters of common interest. Some of them might be properly taken up at this general meeting, at which all were present, while others might better be assigned to meetings of committees, which it was proposed to hold after the general meeting adjourned. The subjects were of a two-fold nature; on the one hand, questions of policy and regulations to be promulgated by the Federal Reserve Board upon which an exchange of views was desired, and on the other hand, subjects which affected the internal management of Reserve Banks. While the law contemplated that each bank should decide these questions largely for itself, it was clear to all concerned that uniformity was most desirable and this meeting had been called for the purpose of suggesting to all the banks a basis for discussion of these subjects.

(F) In view of the great public demand for early opening, it had been thought desirable that committees with representation from each bank should consider the various problems and if possible reach conclusions which they would submit to this conference at a subsequent session; and that after the approval by the conference of these reports, uniform action might be suggested by the Board to the several banks.

(G) It might be thought advisable for the Federal Reserve Agents to meet independently or with members of the Board to discuss their duties and the best way of fulfilling them; and in a similar manner the Governors or members of the Advisory Council might wish to hold meetings to discuss their own problems either with or without the presence of members of the Board.

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4. The Governor of the Board was then called upon to present to the convention various phases of the subject relating to details. He explained the work done by the Willis Committee, mentioning that the gentlemen who did that work were present by invitation and had consented to place themselves at the disposal of the various sub-committees in order to aid in the work and give such information as the members desired. It was emphasized that the Federal Reserve Board did not want in any way to prejudge the findings or the conclusions of the Reserve Banks in matters which were under their own initiative, but at the same time very much desired to give them the advantage of the work already done, both in order to save time and to bring about ultimate uniformity. With these objects in view, tentative by-laws and organization charts had been sent to the members in advance of this meeting and some suggestions in respect to them had already been received.

5. To facilitate the work of the committees to be taken up upon the adjournment of this meeting it had been thought desirable to classify the work under various headings, assigning one or more members of the Board or some specified expert to cooperate with committees selected from among the delegates. The following is a table of subjects and committees:

(*a*) A Committee on Legal Matters and Procedure:—First, By-laws; acting with *Mr. Hamlin.* Second, Other Legal Points and the Preparation of Legal Forms; acting with *Mr. Elliott.*

(*b*) A Committee on Office Quarters, Equipment and Personnel; acting with *Messrs. Delano* and *Dawson.* Topics to be taken up by this committee: Office Quarters; Vault Space; Orginzation of Staff and matters affecting Officers and Directors, including compensation of Directors and Members of Advisory Council.

(*c*) A Committee on Re-Discount, including definition of Commercial Paper and consideration of credit bureaus; acting with *Messrs. Warburg, Harding,* and *Broderick.*

(*d*) A Committee on Duties of Federal Reserve Agents, including under this heading the auditing of Reserve Banks; note issues; the clearing of national currency; acting with *Messrs. Williams, Miller,* and *Fisher.*

(*e*) A Committee on Accounting and Statistics: Under this topic the Committee will consider books and forms, statements to be forwarded to the Federal Reserve Board, etc.; acting with *Messrs. Willis, Benton, Robinson,* and *Ward.*

(*f*) A Committee on Domestic Exchange (transit and clearing); acting with *Messrs. Harding, Ward,* and *Wolfe.*

(*g*) Committee on Bonding of Federal Reserve Agents, Members of their staff or other Officers of the Reserve Banks; acting with *Messrs. Williams* and *Allen.*

(*h*) A Committee on Mechanical Devices; acting with *Messrs. Delano* and *Ward* in connection with the keeping of accounts and statistics.

6. The Chairman of the meeting then threw the subject open to general discussion, calling attention to the fact that foremost among the general topics upon which the Board wished information was a response to the question, how soon the banks could be opened.

The meeting then adjourned, to reconvene subject to call of the Chair.

OFFICE OF THE FEDERAL RESERVE BOARD,
Washington, D. C., October 20th, 1914.

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CIRCULAR No. 10.

FEDERAL RESERVE BOARD

WASHINGTON, D. C., *October 28, 1914.*

TRANSFER OF RESERVES TO FEDERAL RESERVE BANKS

TO ALL MEMBER BANKS:

The Secretary of the Treasury having advised the Federal Reserve Board that formal notice of the establishment of the several Federal reserve banks will be given to all member banks on November 16, it is necessary that arrangements be made at once for the transfer of required reserves by the member banks to their respective Federal reserve banks on that date. It is the desire of the Board to arrange for the actual physical transfer of the first installment in such a manner as to create the least possible disturbance to business conditions in any city or section.

It is, of course, clear that if the banks in non-reserve cities undertake to make the necessary deposit of reserves with their Federal reserve bank by remitting checks or drafts on banks in reserve cities (which checks or drafts can be received by the Federal Reserve bank for collection only), there may result an unnecessarily heavy withdrawal of funds from the banks in reserve cities. In the same manner, if banks in reserve cities make remittances of checks or drafts on banks in central reserve cities, an unnecessary burden may be placed upon the latter.

The deposits of reserves with Federal reserve banks must be made in gold or lawful money, and in order that the withdrawal of funds from the vaults of member banks may be as nearly uniform as possible, and so distributed as to relieve any particular section or sections of unnecessary burden, the Federal Reserve Board urges all banks to ship from their own vaults gold or lawful money. The Federal reserve banks have been authorized to assume and pay the express charges involved in making such shipments.

The foregoing suggestions also apply to payments on account of the first installment of capital stock due November 2nd.

In view of the advantage to be derived from the deposits of gold, which may be used as reserve for Federal Reserve notes it is strongly urged by the Board that deposits of reserves in the Federal reserve banks be made, so far as practicable, in gold or gold certificates.

Due notice of the establishment of the Federal reserve banks on November 16 will be sent each member bank by the Secretary of the Treasury, and no transfer of reserve can be made until this is done.

Member banks of large resources will greatly facilitate the physical work of counting reserve money if they will send gold certificates in as large denominations as possible or clearing house orders calling for gold certificates or gold already counted by the clearing houses. The Federal Reserve Board appeals to the patriotic spirit of all member banks large and small to do their utmost in facilitating the difficult work now thrown upon the officers of the newly created Reserve banks, and to do all in their power to secure for the new system the greatest possible success from the beginning.

H. PARKER WILLIS,
Secretary

CHARLES S. HAMLIN,
Governor.

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CONVENTION OF OFFICERS AND DIRECTORS OF FEDERAL RESERVE BANKS HELD AT WASHINGTON, D. C. OCTOBER 20–21, 1914

REPORTS OF COMMITTEES

WASHINGTON
GOVERNMENT PRINTING OFFICE
1914

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REPORT OF COMMITTEE ON LEGAL MATTERS AND PROCEDURE.

The Committee on Legal Matters and Procedure begs leave to report that it has given consideration to the form of by-laws for the Federal reserve banks, and recommends the adoption of by-laws in the form submitted herewith.

While it is manifestly desirable that the by-laws of the several reserve banks should be substantially uniform, it appears to be necessary to have the article relating to executive committee (Article II, section 1) modified to conform to conditions in the several districts so far as relates to the number of members of the committee to be chosen by the directors, their term of office and their qualification. For example, in some districts it may be desirable to increase the number, to choose a member from the class C directors, or to provide for rotation in office, and the matter may properly be decided by the directors of the several reserve banks.

Respectfully submitted.

ALLEN HOLLIS, *For the Committee.*

Adopted, October 21, 1914.

DRAFT OF BY-LAWS RECOMMENDED BY THE COMMITTEE ON LEGAL MATTERS AND PROCEDURE APPOINTED AT THE CONFERENCE OF DIRECTORS OF FEDERAL RESERVE BANKS WITH THE FEDERAL RESERVE BOARD ON OCTOBER 20, 1914.

BY-LAWS OF THE FEDERAL RESERVE BANK OF _____

ARTICLE I.—*Directors.*

SECTION 1. *Quorum.*—A majority of the directors shall constitute a quorum for the transaction of business, but less than a quorum may adjourn from time to time until a quorum is in attendance.

SEC. 2. *Vacancies.*—As soon as practicable after the occurrence of any vacancy in the membership of the board the chairman of the board shall take such steps as may be necessary to cause such vacancy to be filled in the manner provided by law.

SEC. 3. *Meetings.*—There shall be a regular meeting of the board every _____ at _____ o'clock ____ m., or, if that day be a holiday, on the first preceding full business day. The chairman of the board may call a special meeting at any time and shall do so upon the written request of any three directors or of the governor. Notice of regular and special meetings may be given by mail or by telegraph. If given by mail, such notice shall be mailed at least _____ days before the date of the meeting. If given by telegraph, such notice shall be dispatched at least _____ days before the date of the meeting. Notice of any meeting may be dispensed with if each of the directors shall in writing waive such notice.

SEC. 4. *Powers.*—The business of this bank shall be conducted under the supervision and control of its board of directors, subject to the supervision vested by law in the Federal Reserve Board. The board of directors shall appoint the officers and fix their compensation.

The board may appoint legal counsel for the bank, define his duties, and fix his compensation.

SEC. 5. *Special committees.*—Special business of the bank may be referred from time to time to special committees, which shall exercise such powers as the board may delegate to them.

SEC. 6. *Order of business.*—The board may from time to time make such regulations as to order of business as may seem to it desirable.

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ARTICLE II.—*Executive committee.*

SECTION 1. *How constituted.*—There shall be an executive committee consisting of the governor, the Federal reserve agent, and one or more directors chosen from classes A or B; the member or members of the committee chosen by the board shall serve during the pleasure of the board or for terms fixed by it. Not less than three members of the committee shall constitute a quorum for the transaction of business, and action by the committee shall be upon the vote of a majority of those present at any meeting of the committee.

The committee shall have power to fix the time and place of holding regular or special meetings and the method of giving notice thereof.

Minutes of all meetings of the executive committee shall be kept by the secretary, and such minutes or digests thereof shall be submitted to the members of the board of directors at its next succeeding meeting. Such minutes shall be read to the meeting if required by any member of the board.

SEC. 2. *Powers.*—Subject to the supervision and control of the board of directors, as set forth in Article I. section 4, the executive committee shall have the following powers:

(*a*) To pass upon all commercial paper submitted for discount.

(*b*) To initiate and conduct open-market transactions.

(*c*) To recommend to the board of directors from time to time changes in the discount rate.

(*d*) To buy and sell securities.

(*e*) To apply for and provide for the security of such Federal reserve notes as may, in the judgment of the committee or of the board, be necessary for the general requirements of the bank.

(*f*) To employ or to delegate to officers of the bank authority to employ clerks and other subordinates and to define their duties and to fix their compensations.

(*g*) To approve bonds furnished by the officers and employees of the bank and to provide for their custody.

(*h*) In general, to conduct the business of the bank, subject to the supervision and control of the board of directors.

ARTICLE III.—*Officers.*

SECTION 1. The board of directors shall appoint a governor, a deputy governor, a secretary, and a cashier, and shall have power to appoint such other officers as the board may from time to time determine to be necessary and appropriate for the conduct of the business of the bank. The offices of deputy governor, secretary, and cashier, or any two of them, may be held by one person, in the discretion of the board. The officers chosen by the board shall hold office during the pleasure of the board.

SEC. 2. *Federal reserve agent.*—The Federal reserve agent, as chairman of the board, shall preside at meetings thereof. Copies of all reports and statements made to the Federal Reserve Board shall be filed with the Federal reserve agent.

SEC. 3. *Deputy Federal reserve agent.*—In the absence or disability of the Federal reserve agent his powers shall be exercised and his duties performed by the deputy Federal reserve agent, who may perform such other services as shall be prescribed by the board of directors not inconsistent with his duties as provided by law.

SEC. 4. *The governor.*—Subject to the supervision and control of the board of directors, the governor shall have general charge and control of the business and affairs of the bank and he shall be the chairman of the executive committee. He shall have power to make any and all transfers of securities or other property of the bank which may be authorized to be sold or transferred by the executive committee or by the board. The governor shall have power to prescribe the duties of all subordinate officers and agents of the bank where such duties are not specifically prescribed by law or by the board of directors or by the by-laws. The governor may suspend or remove any employee of the bank.

SEC. 5. *The deputy governor.*—In case of the absence or disability of the governor his powers shall be exercised and his duties discharged by the deputy governor, and in case of the absence or disability of the deputy governor the board shall appoint one of the other directors governor pro tem. The duties of the deputy governor shall otherwise be such as may be prescribed by the board of directors or by the governor. In case the board shall deem that the business of the bank requires the appointment of one or more assistant deputy governors, it shall have authority to appoint such assistant deputy governor or governors and shall prescribe and define his or their duties.

SEC. 6. *The secretary.*—The secretary shall keep the minutes of all meetings of the board and of all committees thereof. He shall have custody of the seal of the bank, with power to affix same to certificates of stock of the bank, and by authority of the board or the executive committee to such other instruments as

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may from time to time be required. The board of directors may, in the absence or disability of the secretary, or upon other occasion where in the discretion of the board greater convenience can be attained, appoint a secretary pro tem or empower one or more officers to affix the seal of the bank to certificates of stock or other instruments. The secretary shall perform such other duties as may from time to time be prescribed by the board of directors, the executive committee, or the governor.

SEC. 7. *The cashier.*—The cashier and at least one other officer designated by the board of directors shall have the joint custody of all moneys, investments, and securities of the bank, subject to such rules as the board may adopt for their safety. He shall perform such other duties as may be assigned to him from time to time by the executive committee, the board of directors, or the governor.

ARTICLE IV.—*Certificates of stock.*

SECTION 1. *Signature.*—All certificates of stock, or of payment of or on account of stock subscriptions, shall be signed by the governor or a deputy governor and the secretary or cashier, or such other officers as may be prescribed by the board, and such certificates shall bear the corporate seal.

ARTICLE V.

SECTION 1. *Business hours.*—The bank shall open for business from _____ o'clock to _____ o'clock on each day except Sundays or days or parts of days established as legal holidays.

ARTICLE VI.—*Amendments.*

These by-laws may be amended at any regular meeting of the board by a majority vote of the entire board: *Provided, however,* That a copy of such amendment shall have been delivered to each member at least ten days prior to such meeting.

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REPORT OF COMMITTEE ON OFFICE QUARTERS, EQUIPMENT, AND PERSONNEL, ORGANIZATION OF STAFF, AND MATTERS AFFECTING OFFICERS AND DIRECTORS.

Your Committee on Office Quarters, Equipment, and Personnel, to whom was referred the following topics: Office quarters (including vault space), organization of staff, matters affecting officers and directors (including compensation of directors and members of advisory council), also the subject of telegraph code and proposed form of seal for Federal reserve banks, begs leave to report as follows:

First. In respect to office quarters, 10 of the reserve banks were represented by directors, who reported that suitable temporary quarters had been secured and quarters suitable for the opening of the banks (even if not definitely permanent quarters) could be obtained in the near future. After considerable discussion of the subject, the following resolution was offered and passed:

Resolved, That it is the sense of this meeting that the obtaining of quarters sufficient for the opening of the reserve banks can be arranged for at any reasonable date in the near future, and that the securing of suitable quarters should not occasion any delay in the opening of the reserve banks.

Second. The subject of the organization of the staff, the equipment, and the personnel was very fully discussed. No criticism was offered of the tentative organization chart. The general opinion was expressed that the banks would open with comparatively small forces, something in the nature of a skeleton organization, which might be expanded as the business of the banks grew. A force of 35 to 65 men was mentioned as adequate, in the opinion of the governors of a number of the banks, for beginning the operation of the banks. This, of course, would not include the handling of some of the functions, such, for example, as *foreign exchange* or the general *clearing of checks* between banks, which would necessarily require a large increment in the force. After a general discussion of the subject, the following resolution was offered and passed:

Resolved, That the matter of equipment and personnel of the Federal reserve banks be left to their respective boards of directors.

Third. The subject of a telegraph code was quite fully discussed, and the opinion was expressed that the members were not ready at this time to make a final recommendation. Thereupon the following resolution was offered and passed:

Resolved, That the Federal Reserve Board shall call upon each Federal reserve bank to submit in the near future the views of its board of directors upon the subject of a telegraph code.

Fourth. It was pointed out that under the Federal reserve act each bank was required to adopt a seal. After some discussion of the subject and an inspection of the seal of the Federal Reserve Board, the following resolution was offered and passed:

Resolved, That the Federal Reserve Board be requested to send to each Federal reserve bank a design for form of seal, following in a general way the design adopted by the Federal Reserve Board for the center of the seal, but with appropriate lettering to indicate the name of the reserve bank, a monogram bearing its distinctive letter and number and the date of its organization.

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Fifth. The subject of compensation for deputy reserve agents and of the directors was freely discussed. It was pointed out that it was the duty of the directors of the various reserve banks to fix these compensations with the approval of the Federal Reserve Board. The discussion developed the fact that in some cases directors would have to travel long distances and, especially when serving on executive committees, would be compelled to give up a good deal of time. In view of the varying conditions which exist in the different reserve districts, the conclusion arrived at was formulated in the following resolution, which was offered and passed:

Resolved, That in view of the varying conditions existing in the different districts, it is recommended that the matter of compensation of the deputy reserve agent, directors of the banks, the governor, and the member of advisory council be considered by the directors of each bank and a report of the conclusions arrived at by each Reserve Bank Board be sent to the Federal Reserve Board for approval.

Submitted as the unanimous action of the committee.

Signed by—

THOMAS P. BEAL.
ARCHIBALD KAINS.
WILLIAM WOODWARD.
GEORGE J. SEAY.
EDWIN T. MEREDITH.
OSCAR FENLEY.
THEODORE WOLD.
CHARLES M. SAWYER.
OSCAR WELLS.
RICHARD L. AUSTIN.
W. H. PECK.
C. H. BOSWORTH.
J. F. OYSTER.
R. H. MALONE.
J. A. MCGREGOR.

Adopted by the convention October 21, 1914.

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REPORT OF COMMITTEE ON REDISCOUNT, INCLUDING DEFINITION OF COMMERCIAL PAPER AND CONSIDERATION OF CREDIT BUREAUS.

The Committee on Rediscount, Including Definition of Commercial Paper and Consideration of Credit Bureaus, has not confined its attention narrowly to the subject assigned, but with a desire to contribute to speediest determination has given consideration to a number of features more or less related.

The Federal Reserve Board deems it desirable that the Federal reserve system should be put into operation at the earliest possible date. In working to this end it is clear that a minimum number of functions should be undertaken at the outset. It is believed wise that an executive council should be formed, consisting of the 12 governors, with the deputy governors as alternates, to which should be referred the matter of determining the date and manner of undertaking, from time to time, such additional functions as the following:

1. Opening of branches of Federal reserve banks.
2. Open market transactions.
3. Purchase and sale of United States Government bonds and municipal six months' warrants.
4. Appointment of foreign agents.
5. Clearing and collection and determination of charges therefor.
6. Stipulation of charges to be collected by member banks from patrons for clearings and collections.
7. Dealing in gold coin or bullion and making loans thereon.
8. Purchase and sale of foreign exchange.
9. Purchase of bank acceptances.
10. Exchanging 2 per cent Government bonds for 3 per cent bonds and one year notes.

In order that the very minimum of machinery may be employed in the first days of operation it is thought that even (*a*) transfers between member banks, and (*b*) transfers between Federal reserve banks should be deferred until the executive council suggested is satisfied that the necessary preliminaries have been arranged for such transactions.

While the reserve banks in the central reserve cities might possibly be put in operation a few days before other reserve banks, the matter of greatest moment is that country banks shall realize both their opportunity and patriotic duty to help at this juncture by making their initial payments out of the gold in their vaults.

In order to give the reserve banks the greatest lending power, and thus most efficiently aid member banks and general business interests, and in particular to meet the present emergency in foreign exchange, it is vital that as much as possible of the gold now held by member banks and that is now in circulation should be concentrated in reserve banks. At the outset the discount rates should be high enough to encourage initial payments in gold with very moderate availing of the privilege of payment by rediscount. It is to be hoped that the pending amendment to the act may be adopted permitting member banks to carry with their respective reserve banks any portion of their required reserves. It seems also of prime importance that no tax shall be imposed upon Federal reserve notes. This would vastly facilitate the absorption by reserve banks of gold from circulation while a tax on such notes would prevent. The payment

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of transportation charges by the issuing bank on shipments of Federal reserve notes to member banks would also be an important aid in concentrating gold in reserve banks. There should be continuous education of both member banks and the public and persistent planning in every proper way to induce cooperation in gathering gold into the reserve banks. Our commercial stability will be in direct proportion to the solidity of this gold basis of our credit structure. Too much importance can not be attached to the necessity of this cooperation and the mutual confidence growing out of it.

In the acceptance of paper for rediscount there must at first be wide latitude for the exercise of discretion, and it does not seem practicable at this time to attempt to define eligible paper in specific terms, nor should there now be discrimination between one name and two name paper. Steady effort should be made to develop bank acceptances, and when authorized for rediscount of domestic acceptances. The purpose of the reserve system is to help member banks by making credit sure, though not by making credit easy. Consequently, it must be found practicable to accept the best paper of each community, whether ideal or not. There should be the most persistent effort to so influence the habits of borrowing and lending that the paper offered for rediscount will be of a steadily improving character until it reaches and maintains the highest possible level of quality. Constant liquidation of loans is the most fundamental proof of a condition powerful to render aid. Paper rediscounted should therefore represent only temporary and not permanent investments, and preference by differential rates should be given to short maturities. Such paper may develop later as will render precise definition possible, but it now seems impracticable to do more than outline the principles determining the character of paper which should be accepted.

After the first few weeks no paper should be offered for rediscount except that given by a borrower from whom the member bank has received a financial statement. All such statements should be subject to the call of the rediscounting reserve bank, and a central credit bureau should be established making available for the whole system the information thus secured. Independent audits should be required in case of those desiring to borrow beyond a specified limit. The Comptroller of the Currency would doubtless be willing to cooperate through the examiners.

In rediscounting, a Federal reserve bank should not rest content merely because of the indorsement of a solvent member bank assuring against loss. It should recognize its larger duty to influence in every possible way the better conduct of both banking and general business. It is believed that careful investigation of all paper rediscounted and the development of a credit bureau for the benefit of the entire reserve system will conduce greatly to this end.

Respectfully submitted.

For the commitee:

JOHN PERRIN, *Chairman.*

Adopted by the convention October 21, 1914.

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REPORT OF COMMITTEE ON ACCOUNTING AND STATISTICS.

1. Accounting.

When the committee assembled it found that the preliminary organization committee had been working for several months on the preparation of a system of accounting which might be adopted by all the Federal reserve banks. Two systems had been prepared, each with a set of forms necessary to put it into effect, one of the systems having been completely developed as to form and detail, while the other was developed and presented in a more general way. The originators of both these systems were present and explained them in considerable detail to the committee.

After listening to the presentation of the systems it appeared to the committee that they were not fundamentally at variance. Both had the block system as their basis, and both in part developed the machine principle. The committee adopted as the basis for its considerations the block control and unit system outlined in the report of the preliminary organization committee, described in pages 129 to 169, inclusive, of their report, and found that to this system could be added, if desired, the following books of continuous permanent record included in the alternate plan: Register or tickler or both, in the collection department; liability ledger and tickler in the loan and discount department; and members' journal and Government deposit journal in the general bookkeeping department. It appeared to the committee that this plan would provide for intermediate proofs, would give a simple and accurate basis for operation, provide for the expansion or contraction of business, and adopt itself to either a large or a small bank. It also appeared to be adapted to the exercise of a maximum or minimum number of functions of a Federal reserve bank.

During the short time allotted to the committee for its work it has been impossible to make a thorough study of the accounting systems presented, but the unit and block system referred to, which has been reproduced photographically for the consideration in detail by the respective banks, is recommended. It has been prepared by experts after several months of study, it has received the approval of the efficiency bureau of the Civil Service Commission, and has been in partial and successful use in several important banks for some years.

It, of course, must be understood that the adoption of this system does not preclude a bank from using the books with which its officers are familiar in the initial stages of its accounting, if necessary, until the system suggested is thoroughly installed.

Should the report and recommendations of this committee be adopted by the conference, it is suggested that the individual banks be given a reasonable opportunity to examine the plan in detail and suggest any needed amendations or corrections, after which it is recommended that they be requested to inform the secretary of the Federal Reserve Board of their approximate requirements, in order that the forms may be printed under his supervision, that each individual bank be billed direct for its proportionate amount of the cost of printing, and that at least four months' supply of the forms be ordered.

Changes will be found necessary in any accounting plan, and it seems desirable that in the future corrections or amendations be sent by the various Federal reserve banks to Dr. H. Parker Willis, chairman of the preliminary organization committee, for consideration and advice to the respective banks.

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As the Federal reserve act provides that the foreign exchange policy of the various Federal reserve banks shall practically be under the control of the Federal Reserve Board, it is recommended that such forms as may be necessary to carry out the purpose of the board be promulgated by it at such times as it may be desirable.

2. Statistics.

The adoption of the unit principle as suggested makes it quite practicable for each Federal reserve bank to supply the statistics that may be needed both for itself and as a basis of economic control for the Federal Reserve Board.

Your committee has examined the plan for the statistical department outlined in the report of the preliminary organization committee, and recommends the establishment of such a statistical bureau under the direction of the Federal Reserve Board. In general, however, the committee believes that the statistical work of each individual bank should be mainly developed on request for data originating in Washington. Compliance with these requests will make it necessary for each Federal reserve bank to collect the economic, financial, and business data in its own district. This will give a basis for its economic control. It is therefore recommended that each Federal reserve bank establish a statistical department under the direction of one of its officers.

It is suggested that the Federal Reserve Board send from time to time to each Federal reserve bank a composite summary of the statistics collated, accompanied by an analysis developing what may be characterized as their economic significance.

The committee desires to express its appreciation of the valuable and painstaking work of the preliminary organization committee. It will expedite the organization of the banks, and we consider it a remarkable achievement to have prepared in advance a comprehensive and workable plan which seems to commend itself to all who have heard it explained and have examined the forms.

Geo. M. La Monte, *Chairman.*

This report was adopted October 21, 1914, by the convention, subject to such changes as should be recommended at the meeting of governors of Federal reserve banks to be held October 22, 1914.

The accounting system was examined by the governors of the Federal reserve banks, approved by them on October 22, 1914, and the forms are now being printed under the direction of the secretary of the Federal Reserve Board.

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REPORT OF COMMITTEE ON DOMESTIC EXCHANGE.

CLEARINGS AND TRANSITS.

In view of the confusion which will arise from an attempt to handle the entire clearings by a new and untrained force, this committee recommends that the development be gradual, and that only very limited clearances be arranged for at the start; and this committee further recommends that at the outset as little divergence be made from the normal business procedure as possible to comply with the terms of the act, and that the Federal reserve banks join the clearing houses in the cities in which they are located as special members, subject to none of the clearing-house rules other than those directly affecting exchanges of checks.

On November 2, 1914, the first call for capital has been made payable. At the date of opening of the banks a call will be made for the first installment of reserves from each member bank, one-half of which may be paid in rediscounted paper.

Up to this point no checks need be handled. At that point you have created a credit which each member can draw against, therefore the bank should be prepared to receive on deposit checks drawn by members on their balances in Federal reserve banks.

We recommend that member banks be allowed to deposit for their credit at the outset any checks drawn by member banks on any Federal reserve bank or on member banks in reserve and central reserve cities.

In regard to the distribution of checks payable outside of each Federal reserve district, it is presumed that the full operations of clearances of that nature will be worked out in conjunction with the Federal Reserve Board should that body see fit to adopt a national clearing-house system.

It is presumed that each clearing house in a city where a Federal reserve bank is located will undoubtedly make arrangements to use the facilities of the Federal reserve banks in the settlement of balances to the extent that they see fit. Having in mind the fact that the banks will not be able to perform their full functions with respect to clearings at the very outset, it is therefore recommended that they start only with the partial plan above outlined, subsequently extending the function of collecting checks as they become able to do so.

EXCHANGE CHARGES.

Under the act it is evident that all items which may be legally deposited with the Federal reserve banks shall be accepted at par, and that charges for handling such items through the Federal reserve banks, based on the cost of overhead charges, clerk hire, including that of department management, stationery, postage, and equipment depreciation shall be charged to the member banks upon which the items are drawn, and that this charge may be in turn made by the member banks to their depositors or customers.

This committee recommends that the charges be prorated on the number of items drawn on the member banks rather than on the amount of dollars.

And this committee further recommends that in adopting this report that these charges be applied solely to the administrative cost of handling of checks or items through the Federal reserve bank, and that the evident inequity of the law relating to the charges on checks, as we

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interpret the law, seems to this committee to suggest a great disadvantage to members against nonmembers and great disadvantages to members in the smaller communities against members in reserve cities, and we respectfully suggest that the attention of the Federal Reserve Board be called to these inequities, which seem to exist, and their consideration thereof be asked.

METHOD OF HANDLING MEMBERS' CHECKS IN FEDERAL RESERVE BANKS.

It is recommended by this committee that the Federal reserve bank charge members' checks against the balances of such members upon the day the checks are forwarded, and that members be allowed to use all checks on members of the same district as reserve the day such checks are forwarded to the Federal reserve bank; the same procedure as is now permitted in making remittances to reserve agents.

Respectfully submitted.

FREDERIC H. CURTISS, *Chairman.*
WM. MCC. MARTIN.
C. H. MCINTOSH.
M. B. HUTCHISON.
WALDO NEWCOMER.
LESLIE R. PALMER.

The above report was adopted by the conference after paragraph 4 had been amended as follows:

"We recommend that member banks be allowed to deposit for their credit at the outset, after the initial reserve and capital payments have been made, any checks drawn by member banks on any Federal reserve bank or on member banks in reserve and central reserve cities within their respective districts."

OCTOBER 21, 1914.

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REPORT OF THE COMMITTEE ON BONDING OF FEDERAL RESERVE AGENTS, MEMBERS OF THEIR STAFF, OR OTHER OFFICERS OF THE RESERVE BANKS.

Your Committee on Bonding Federal Reserve Agents and their Staff Officers and Employees of the Banks beg to recommend:

First. That the bonds of each of the Federal reserve agents and their staffs shall be at least $500,000.

Second. That the American Bankers' Association bond form, with phraseology modified to make it a blanket form, be adopted for bonding the Federal reserve agents, their staff, and all officers and employees of the banks.

Third. That all bonds be written in American companies approved by the Treasury Department.

Fourth. That after obtaining competitive rates for the security of the Federal reserve bank the several banks should secure their bonds in their respective localities, as far as possible.

Fifth. That the amount of the bonds to be given by the officers and employees should be determined by the directors of each bank.

Respectfully submitted.

J. Z. MILLER, Jr., *Chairman.*

The above report was adopted after the convention had voted to strike out the recommenation that the bonds of the Federal reserve agents and their staffs shall be at least $500,000.

October 21, 1914.

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REPORT OF COMMITTEE ON MECHANICAL DEVICES.

Your Committee on Mechanical Devices met in the office of Dr. Adolph C. Miller, at 2.30 o'clock, October 20, and proceeded to give careful consideration to the subject before it, and begs to report as follows:

The committee decided that it could best serve the interests of the Federal reserve banks by avoiding details as largely as possible in its recommendations, as the requirements of the banks will vary according to size and other peculiarities, and for the further reason that, in its judgment, the naming of machines and manufacturers could offer little advantage and might seriously prejudice the cause.

First. We recommend the general use of standard mechanical devices by the banks to as great an extent as such devices can be employed to the most economical end.

Second. We suggest that inasmuch as a council of the governors of the banks will be held immediately following this meeting, this subject be referred to them for final solution, and we make this further recommendation.

Inasmuch as the 12 Federal reserve banks will collectively buy a great number of all kinds of machines, a plan should be devised whereby concessions can be obtained in the matter of the cost of same, and, looking to that end, we recommend that the council of governors take action promptly to receive bids from all manufacturers of standard mechanical office devices, those bidding to agree to supply a part or all of any bank's requirements, and to make deliveries of equipment at as early a date as same may be required. The bids should state the price to be paid for each machine, and each firm, company, or person offering a bid should be bound by same to furnish as many of the machines as may be required by each of the 12 Federal reserve banks for a period of 12 months from the date of the opening of the banks. Each bank should be furnished with a list of the machines and prices, and be privileged to buy any machine desired, or to pursue its independent course if it so elects.

Attention is called to the General Supply Committee, which is the agency through which the Government departments jointly buy supplies. It is possible that an arrangement could be effected by which the Federal reserve banks could order their labor-saving devices, etc., through this agency, thus availing themselves of the low prices obtainable by the Government. We call the attention of the council of governors to same as information without recommendation.

F. W. Foote, *Chairman.*

Adopted, October 21, 1914.

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CIRCULAR No. 12.

FEDERAL RESERVE BOARD.

STOCK SUBSCRIPTIONS OF MEMBER BANKS.

WASHINGTON, *November 6, 1914.*

Section 2 of the Federal Reserve Act requires all national banks to signify within 60 days after the passage of the act whether or not such banks intend to become members of the Federal Reserve System, and also requires those banks which accept the provisions of the act to subscribe to an amount equal to 6 per cent of the unimpaired capital and surplus of such banks within 30 days after notice from the organization commitiee.

In allotting the stock to banks the organization committee adopted as a basis of allotment the capital and surplus of the applying bank at the time its application was filed. Accordingly the transcript of the stock register forwarded to you to enable you to open your stock ledger shows the amount of capital stock of your bank allotted to the various member banks by the organization committee on the basis described.

Section 5 of the Federal Reserve Act reads as follows:

The capital stock of each Federal reserve bank shall be divided into shares of $100 each. The outstanding capital stock shall be increased from time to time as member banks increase their capital stock and surplus or as additional banks become members, and may be decreased as member banks reduce their capital stock or surplus or cease to be members. Shares of the capital stock of Federal reserve banks owned by member banks shall not be transferred or hypothecated. When a member bank increases its capital stock or surplus, it shall thereupon subscribe for an additional amount of capital stock of the Federal reserve bank of its district equal to six per centum of the said increase, one-half of said subscription to be paid in the manner hereinbefore provided for original subscription, and one-half subject to call of the Federal Reserve Board. A bank applying for stock in a Federal reserve bank at any time after the organization thereof must subscribe for an amount of the capital stock of the Federal reserve bank equal to six per centum of the paid-up capital stock and surplus of said applicant bank, paying therefor its par value plus one-half of one per centum a month from the period of the last dividend. When the capital stock of any Federal reserve bank shall have been increased either on account of the increase of capital stock of member banks or on account of the increase in the number of member banks, the board of directors shall cause to be executed a certificate to the Comptroller of the Currency showing the increase in capital stock, the amount paid in, and by whom paid. When a member bank reduces its capital stock it shall surrender a proportionate amount of its holdings in the capital of said Federal reserve bank, and when a member bank voluntarily liquidates it shall surrender all of its holdings of the capital stock of said Federal reserve bank and be released from its stock subscription not previously called. In either case the shares surrendered shall be canceled and the member bank shall receive in payment therefor, under regulations to be prescribed by the Federal Reserve Board, a sum equal to its cash-paid subscriptions on the shares surrendered and one-half of one per centum a month from the period of the last dividend, not to exceed the book value thereof, less any liability of such member bank to the Federal reserve bank.

In order that your records may show the original subscription of all applying banks, your stock ledger should contain the amount allotted to each bank by the organization committee. The increase or decrease of capital stock of any member bank should likewise appear on your stock ledger as a separate item.

Your attention is called to the note on the back of the application for stock in the Federal reserve banks for use by member banks, which reads as follows:

If 6 per cent of the capital and surplus shown amounts to a sum not divisible by 100, any excess or fractional part of $100 will entitle the applying bank to one additional share of stock.

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Accordingly, in filling out the subscription on the reverse side of this form, the sum representing 6 per cent of the capital and surplus should be divided by 100 in order to obtain the number of shares to be applied for, and if an excess of less than $100 remains, one additional share should be added to the application and included in the subscription of stock to be paid for at par in accordance with the provisions of the Federal Reserve Act.

From this you will observe that if 6 per cent of the capital and surplus of any applying bank amounts to a sum not divisible by 100, any excess or fractional part of $100 would entitle the applying bank to one additional share of stock. Accordingly it may happen that a bank has already been allotted a share of stock for a fractional part of $100. In such case, if the applying bank increases its capital stock its total allotment should be for an amount equal to 6 per cent of its total capital and surplus, including the increase. Therefore, in order to ascertain the amount of new stock to be issued such bank it will be necessary to determine to what amount the bank is entitled in toto and then to deduct the number of shares of stock previously allotted.

Forms for use by banks applying for additional stock will be furnished to the several Federal reserve banks or to any applying bank, and these applications when properly filled out should be sent first to the Federal reserve bank of the appropriate district and by the officers of such reserve bank to the Federal Reserve Board for approval.

Pending the adoption of these forms by the Federal Reserve Board all Federal reserve banks should collect from the subscribing banks an installment equal to one-third of the stock allotted to such bank by the organization committee, and should subsequently adjust on the stock ledger of the Federal reserve bank the matter of any additional stock subscribed.

DECREASE IN CAPITAL STOCK.

In case of decrease of capital stock and surplus of any member bank the Federal reserve bank should likewise collect from the subscribing bank as its first installment an amount equal to one-third of the stock allotted to such bank by the organization committee, and should subsequently adjust with such bank any amount due on account of any decrease either in capital or surplus.

In all cases where a subscribing bank notifies the Federal reserve bank of increase or decrease, this notice should be transmitted to the Federal Reserve Board for its action.

It is important that the records of the Federal Reserve Board, the Federal reserve bank, and the Comptroller of the Currency should be in accord at all times, and to this end notice of any change in capital and surplus should be transmitted to the Federal Reserve Board when received from any member bank.

The subscribing bank should be notified by the Federal reserve bank of this method of adjustment whenever any increase or decrease of capital stock or surplus is called to the attention of the Federal reserve bank.

STATE BANK APPLICATIONS.

The same method should be adopted in dealing with State bank subscriptions. The by-laws governing conditions under which State banks may become members and a form of application for stock subscription by State banks will be furnished to all Federal reserve banks in due course, with full instructions. In the meantime Federal Reserve banks should collect the first installment from those State banks which have been allotted stock by the reserve bank organization committee. All other applications for stock should be referred to the Federal Reserve Board.

H. Parker Willis, *Secretary.*

WASHINGTON : GOVERNMENT PRINTING OFFICE : 1914

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CIRCULAR No. 13.

FEDERAL RESERVE BOARD.

WASHINGTON, *November 10, 1914.*

To all Federal Reserve Banks:

In view of the impending opening of the Federal reserve banks, the Federal Reserve Board deems it proper to outline in this circular, in broad general terms, the discount policy which it believes might be pursued to advantage by the Federal reserve banks at the outset.

While the most acute stage of the recent financial emergency appears to have passed, the conditions in other countries make it necessary that the United States should, to the utmost degree of efficiency, organize and make available its own resources in order that it may provide for its own needs and replace the facilities suddenly destroyed by the closing of so many of the accustomed channels of credit and trade.

The directors and governors of the Federal reserve banks at a conference in Washington on October 20 and 21 recommended that the banks be opened without attempting at the outset to perform all the functions and duties contemplated in the act, but that they be prepared to accept deposits of reserves payable in lawful money, to discount bills of exchange and commercial paper, and to accept the deposit (after the reserve payments had been made) of checks drawn by member banks on any Federal reserve bank or member banks in the reserve and central reserve cities within their respective districts. It was the opinion of the conference that arrangements for the exercise of the additional powers granted by the act to the Federal reserve banks be completed as rapidly as the establishment of safe and efficient organizations would permit. The Federal Reserve Board is in accord with these suggestions.

It should be borne in mind that, although our exports are showing a gratifying increase, there is still a large cash balance due to European countries for which gold may be demanded, and that a large quantity of American securities held abroad may be returned to the United States; while on the other hand more than $300,000,000 of emergency currency must be gradually retired. No one can estimate the duration of the war or predict what will be the financial and commercial conditions when peace shall be restored. Our own industrial development has been greatly facilitated by foreign capital, and we have been accustomed to borrow large sums annually in Europe and to sell American securities there, which attracted foreigners because of their higher rate of return as compared with European investments. It is probable that at the end of the war interest rates in Europe will be higher than they have been in the past and greater investment returns will be yielded. The tremendous destruction of property and waste of capital will not only check the flow of European savings to the United States, but may dispose foreign investors to return us the securities they now hold. Lower money rates in this country would be likely to accentuate this tendency, while, on the other hand, higher interest rates and larger investment returns on our side would check it.

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The function of the Federal reserve banks is, therefore, of a twofold character. They should extend credit facilities, particularly where the abnormal conditions now prevailing have created emergencies demanding prompt accommodation; and, on the other hand, they must protect the gold holdings of this country in order that such holdings may remain adequate to meet demands that may be made upon them. While credit facilities should be liberally extended in some parts of the country, it would appear advisable to proceed with caution in districts not in need of immediate relief and to await the effect of the release of reserves and of the changes which the credit mechanism of the country is about to experience before establishing a definite discount policy.

Commercial paper.—The Federal Reserve Board, under section 13 of the Federal reserve act, has the right to determine or define the character of paper eligible for discount, to wit, "notes, drafts, and bills of exchange arising out of actual commercial transactions; that is, notes, drafts, and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used or are to be used for such purposes."

Bearing in mind the requirements of the present situation, the Federal Reserve Board believes that it would be inadvisable at this time to issue regulations placing a narrow or restricted interpretation upon the section defining the character of paper eligible for discount. It has, therefore, been decided not at this time to enter upon the discussion of the question of single or double name paper, but to admit both forms of bills to rediscount with the Federal reserve banks.

The Federal Reserve Board proposes, however, to prescribe the following basic principles for the guidance of Federal reserve banks and member banks:

(*a*) No bill shall be admitted to rediscount by Federal reserve banks the proceeds of which have been or are to be applied to permanent investment, and regulation No. 2 has been formulated with the intention of giving effect to this principle, and is herewith inclosed.

(*b*) Maturities of discounted bills should be well distributed. It is the well-established practice of European reserve banks to invest only in obligations maturing within a short time. It is a general rule not to purchase paper having more than 90 days to run. The maturities of these notes and bills are so well distributed as to enable those banks within a short time to strengthen their hold on the general money market by collecting at maturity or by reinvesting at a higher rate a very substantial proportion of their assets. Acting on this principle, the Federal reserve banks should be in position to liquidate, whenever such a course is necessary, substantially one-third of all their investments within a period of 30 days. Departure from this principle will endanger the safety of the system. It is observance of this principle that affords justification for permitting member banks to count balances with Federal reserve banks as the equivalent of cash reserves.

(*c*) Bills should be essentially self-liquidating.

Safety requires not only that bills[1] held by the Federal reserve banks should be of short and well distributed maturities, but, in addition, should be of such character that it is reasonably certain that they can be collected when they mature. They ought to be essentially "self-liquidating," or, in other words, should represent in every case some distinct step or stage in the productive or distributive process—the progression of goods from producer to consumer. The more nearly these steps approach the final consumer the smaller will be the amount involved in each transaction as represented by the bill, and the more automatically self-liquidating will be its character.

[1] For brevity's sake, the words "bills" and "notes" whenever used in these paragraphs include bills, notes, and drafts, as specified in the act.

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Double-name paper drawn on a purchaser against an actual sale of goods affords, from the economic point of view, prima facie evidence of the character of the transaction from which it arose. Single-name notes, now so freely used in the United States, may represent the same kind of transactions as those bearing two names. Inasmuch, however, as the single-name paper does not show on its face the character of the transaction out of which it arose—an admitted weakness of this form of paper—it is incumbent upon each Federal reserve bank to insist that the character of the business and the general status of the concern supplying such paper should be carefully examined in order that the discounting bank may be certain that no such single-name paper has been issued for purposes excluded by the act, such as investments of a permanent or speculative nature. Only careful inquiry on these points will render it safe and proper for a Federal reserve bank to consider such paper a "self-liquidating" investment at maturity.

Turning now to the question of procedure, it is not thought necessary to impose upon the banks the observance of methods which would involve needless difficulty or delay. It is therefore not deemed essential that a statement of condition be attached to each bill when sold to a Federal reserve bank. It is, however, thought advisable by the board to require that on and after January 15, 1915, no paper shall be discounted or purchased by Federal reserve banks that does not bear on its face the evidence that it is eligible for rediscount under the principles and definitions above outlined and as expressed in regulation No. 2, and that the seller of the paper has given a statement to the member bank. A rubber stamp stating, in substance—

ELIGIBLE FOR REDISCOUNT WITH
FEDERAL RESERVE BANKS
UNDER REGULATIONS OF
FEDERAL RESERVE BOARD CIRCULAR No. 13.
CREDIT FILE NO. ———
DISTRICT NO. ———
(Name of Member Bank.)

is considered sufficient evidence to that effect at this time. It would be understood that the Federal reserve bank could at any time call for the appropriate credit file, and it may well be expected that the data thus gathered—particularly the files of more important firms and of those rediscounting in larger amounts—will be so catalogued as to furnish the neucleus of an effective credit bureau which, in turn, may eventually develop into a central credit bureau for the benefit of all the Federal reserve banks of the system.

For the time being, certified accountant's statements will not be required. This matter is reserved for regulation at a later date. The required statement as outlined above should be signed under oath and should contain a short general description of the character of the business, the balance sheet, and the profit and loss account. Assets should be divided into permanent or fixed investments, slow assets, and quick assets. On the liability side should be shown capital, long-term loans, and short-term loans. Short-term loans should be in proper proportion to quick assets, and the statement should contain satisfactory evidence that short-term paper is not being sold against permanent or slow investments. The statement should, furthermore, show the maximum aggregate amount up to which the concern supplying

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this paper expects to borrow on short credit or sale of its paper, and the concern giving the statement should obligate itself to obtain the member bank's consent before exceeding the agreed limit. The affixing of the stamp stating such paper to be eligible for rediscount will be considered a solemn and binding declaration by the member bank that the statement has been examined from this point of view and that the paper bought complies with all the requirements of the law and the regulations hereby imposed.

The board appends two additional regulations: No. 3, covering discount transactions on or before January 15; No. 4, discount operations on and after January 15.

Six-months paper.—The law provides that the Federal Reserve Board shall fix the percentage of its capital (by which is understood that portion of the capital paid in) up to which a Federal reserve bank may discount "notes, drafts, and bills drawn or issued for agricultural purposes, or based on live stock, and having a maturity not exceeding six months." The law permits the Federal Reserve Board to deal with each Federal reserve bank individually in fixing this limit.

The Federal Reserve Board has determined to fix this limit generally, and until further notice, at 25 per cent of the capital that shall have been paid in from time to time. For those districts in which, during certain seasons, six-months paper is particularly required to carry through agricultural operations the limit will be increased from time to time upon requests made by Federal reserve banks to the Federal Reserve Board.

Regulation No. 5, relating to six-months paper, is appended hereto.

Regulation No. 6, relating to bank acceptances, is likewise appended.

CHARLES S. HAMLIN,
Governor.

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REGULATION No. 1.

FEDERAL RESERVE BOARD

WASHINGTON

PROCEDURE IN APPEALS FROM DECISION OF THE RESERVE BANK ORGANIZATION COMMITTEE.

1. Petitions for changes in designation of Federal reserve cities.

Petitions for review of the action of the Reserve Bank Organization Committee in designating Federal reserve cities must be signed by duly authorized officers of a majority of the member banks located in the city requesting a review.

Such petitions must set forth briefly the grounds and reasons relied upon for such review.

Within five days after mailing said petition the petitioner shall file twenty copies of a brief setting forth fully the grounds relied upon for a review of the action of said Reserve Bank Organization Committee.

The secretary of the Board shall notify all member banks in the Federal reserve city of the district in question that such petition has been filed, and shall request such banks to designate a representative to act for such city at the hearing thereon. He shall also send to the representative of such banks, when designated, a copy of the brief filed by the petitioner, and said representative shall be given seven days within which to file twenty copies of his brief in reply.

The Federal Reserve Board will thereupon fix a date for the hearing of oral arguments by counsel, which arguments will be limited to one hour on each side.

The Board will not hear testimony, but the parties will be limited to the record before the Organization Committee.

The record need not be printed, but reference may be made in the briefs by page to the report filed by the Organization Committee with the Senate of the United States and ordered printed, and may likewise be made by page and volume to the typewritten testimony of the witnesses appearing before the Organization Committee at the hearings held by the Committee.

2. Petitions for changes in the geographical limits of Federal reserve districts.

Petitions for review of the determination of Federal reserve districts by the Organization Committee must be signed by duly authorized officers of at least two-thirds of the member banks in the territory which the petition asks to have taken out of one district and annexed to another.

Proceedings as to notice, filing of briefs and arguments shall be the same as for petitions for changes in the designation of Federal reserve cities, except that the board of directors of the Federal reserve bank and not the member banks in the Federal reserve city shall select the representative to appear and answer the petition. Class A and B directors elected may act, pending appointment of Class C directors, in the selection of such representative.

At all hearings held hereunder all questions of law or fact, including jurisdiction and powers of the Federal Reserve Board, may be argued.

FEDERAL RESERVE BOARD,

By

August 28, 1914. *Governor.*

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Federal Reserve Bank of St. Louis

REGULATION No. 2.

FEDERAL RESERVE BOARD.

WASHINGTON, *November 10, 1914.*

That part of section 13 of the Federal reserve act which relates to rediscount operations of Federal reserve banks reads as follows:

Upon the indorsement of any of its member banks, with a waiver of demand, notice and protest by such bank, any Federal reserve bank may discount notes, drafts, and bills of exchange arising out of actual commercial transactions; that is, notes, drafts, and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used, or are to be used, for such purposes, the Federal Reserve Board to have the right to determine or define the character of the paper thus eligible for discount, within the meaning of this act. Nothing in this act contained shall be construed to prohibit such notes, drafts, and bills of exchange, secured by staple agricultural products, or other goods, wares, or merchandise from being eligible for such discount; but such definition shall not include notes, drafts, or bills covering merely investments or issued or drawn for the purpose of carrying or trading in stocks, bonds, or other investment securities, except bonds and notes of the Government of the United States. Notes, drafts, and bills admitted to discount under the terms of this paragraph must have a maturity at the time of discount of not more than ninety days: *Provided*, That notes, drafts, and bills drawn or issued for agricultural purposes or based on live stock and having a maturity not exceeding six months may be discounted in an amount to be limited to a percentage of the capital of the Federal reserve bank, to be ascertained and fixed by the Federal Reserve Board.

Any Federal reserve bank may discount acceptances which are based on the importation or exportation of goods and which have a maturity at time of discount of not more than three months, and indorsed by at least one member bank. The amount of acceptances so discounted shall at no time exceed one-half the paid-up capital stock and surplus of the bank for which the rediscounts are made.

The aggregate of such notes and bills bearing the signature or indorsement of any one person, company, firm, or corporation rediscounted for any one bank shall at no time exceed ten per centum of the unimpaired capital and surplus of said bank; but this restriction shall not apply to the discount of bills of exchange drawn in good faith against actually existing values.

Any member bank may accept drafts or bills of exchange drawn upon it and growing out of transactions involving the importation or exportation of goods having not more than six months sight to run; but no bank shall accept such bills to an amount equal at any time in the aggregate to more than one-half its paid-up capital stock and surplus.

Section 19 of the Federal reserve act, relating to reserves, reads in part as follows:

Any Federal reserve bank may receive from the member banks as reserves, not exceeding one-half of each installment, eligible paper as described in section fourteen properly indorsed and acceptable to the said reserve bank.[1]

The announcement to be made by the Secretary of the Treasury on November 16 will bring into operation these two sections, and it is accordingly necessary that the several Federal reserve banks shall be advised of the characteristics that must be possessed by paper offered for rediscount to be acceptable under the terms of the act.

While section 13 provides that the Federal Reserve Board shall have the right to determine or define the character of the paper thus eligible for discount within the meaning of the act, the section referred to defines in general terms the elements which such paper must possess in order to be eligible.

All paper offered for discount under this section to any Federal reserve bank must conform to the following requirements:

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[1] Attention is called to the fact that the error in the original act which refers to eligible paper, referred to in section 14, has been corrected by amendment approved August 15, 1914, and this section now reads:

"Any Federal reserve bank may receive from the member banks as reserves, not exceeding one-half of each installment, eligible paper as described in *section thirteen* properly indorsed and acceptable to the Federal reserve bank."

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First. It must be indorsed by a National or State bank or trust company which is a member of the Federal reserve bank to which it is offered for rediscount.

Second. Such bank must, with its indorsement, waive demand notice and protest.

Third. Paper so offered shall be in the form of notes, drafts, or bills of exchange arising out of commercial transactions; that is, notes, drafts, and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used or are to be used for such purposes.

Fourth. If in the form of acceptances, they must be based on transactions involving the importation or exportation of goods and must have a maturity at the time of discount of not more than three months to run. They must furthermore be indorsed by at least one member bank, and the total amount offered shall in no event exceed one-half the paid-up capital stock and surplus of the bank offering same.

Fifth. The aggregate of notes and bills bearing the signatures or indorsement of any one person, company, firm, or corporation rediscounted for any one bank shall at no time exceed 10 per cent of the unimpaired capital and surplus of said bank; but this restriction shall not apply to the discount of bills of exchange drawn in good faith against actually existing values.

Subject to these limitations, it devolves upon the Federal Reserve Board to determine or define for the several Federal reserve banks (1) notes, drafts, and bills of exchange eligible for rediscount; (2) bank acceptances eligible for rediscount.[1]

The limitations relating to rediscount operations, contained in section 13 of the act, may be divided into two classes: First, those positive limitations under which such notes, drafts, and bills of exchange may be accepted for rediscount; and, second, those limitations specifically stating what paper shall be excluded.

If we begin with the latter, we find the very clear provision excluding all notes, drafts, and bills of exchange which are "issued or drawn for the purpose of carrying or trading in stocks, bonds, or other investment securities (except bonds and notes of the Government of the United States)." This clause does not require comment.

The act further excludes notes, drafts, and bills of exchange covering "merely investments."

Any funds employed in agriculture, commerce, or industry are quasi-investments, and the emphasis is, therefore, to be laid on the word "merely" in this connection.

From this point of view are to be excluded all bills whose proceeds have been or are to be used in permanent or fixed investments of any kind. "Agricultural, industrial, or commercial purposes" cannot, therefore, be held to include investments in land, plant, machinery, permanent improvements, or transactions of a similar nature.

The purchase of commodities for purposes which are merely speculative and not connected with an ultimate process of manufacturing or distribution would constitute a "mere" investment, and bills covering such investments are accordingly not eligible for rediscount.

In order to be eligible for rediscount bills must "arise out of actual commercial transactions." and "the proceeds must have been used or they are to be used for agricultural, industrial, or commercial purposes."

In like manner "notes, drafts, and bills of exchange secured by staple agricultural products or other goods, wares, or merchandise" are eligible for rediscount provided they arise out of "actual commercial transactions" covering some particular stage in the process of production and distribution.

They are not eligible when drawn to cover merely speculative investments.

CHARLES S. HAMLIN,
Governor.

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[1] Bank acceptances eligible for rediscount are defined in regulation No. 6.

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REGULATION NO. 3.

FEDERAL RESERVE BOARD.

WASHINGTON, *November 10, 1914.*

Whenever a member bank shall offer for rediscount any note, draft, or bill of exchange bearing the indorsement of such member bank, with waiver of demand notice and protest, the directors or executive committee of the Federal reserve bank may, until January 15, 1915, accept as evidence that the proceeds of such note, draft, or bill of exchange were or are to be used for agricultural, industrial, or commercial purposes (and that such notes, drafts, or bills of exchange in other respects comply with the regulations of the board) a written statement from the officer of the applying bank that of his own knowledge and belief the original loan was made for one of the purposes mentioned, and that the provisions of the act and regulations issued by the board have been complied with.

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CHARLES S. HAMLIN,
Governor.

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REGULATION NO. 4.

FEDERAL RESERVE BOARD.

WASHINGTON, *November 10, 1914.*

From and after January 15, 1915, all notes, drafts, or bills of exchange offered for rediscount shall show on their face, or by indorsement, a statement substantially to the following effect:

Eligible for rediscount with Federal reserve banks under regulations of the Federal Reserve Board Circular No. 13—

Credit File No_____

District No_____

Name of member bank_____

The credit file number shall refer to evidence in possession of the member bank that the proceeds of such notes, drafts, or bills of exchange, under the terms of the loans made or to be made, were, or are to be, used for agricultural, industrial, or commercial purposes, as required by section 13 of the Federal reserve act and as imposed by regulation No. 2 of the Federal Reserve Board, and such credit files shall be open to inspection by any examiner appointed by the Comptroller of the Currency or selected by the Federal reserve bank discounting same, and copies of such files, or any part thereof, shall be furnished to the officers of the Federal reserve bank upon request.

The credit files referred to should contain not only evidence of the purpose or purposes for which such loans are made but also full and complete information as to the financial responsibility of the borrower, including a short general description of the character of the business, balance sheet, and profit and loss account of the borrower. Assets should be divided into permanent or fixed investments, slow assets, and quick assets. On the liability side should be shown capital, long-time loans, and short-term loans. Short-term loans should be in proper proportion to quick assets, and the statement should contain satisfactory evidence that short-term paper is not being sold against permanent or slow investments. The statement should, furthermore, show the maximum aggregate amount up to which the concern supplying this paper expects to borrow on short credit or sale of its paper, and the individual, firm, or corporation giving the statement should obligate himself or itself to obtain the member bank's consent before exceeding the agreed limit. The affixing of the stamp stating such paper to be eligible for rediscount will be considered a solemn and binding declaration by the member bank that the statement has been examined from this point of view and that the paper bought complies with all the requirements of the law and of the regulations hereby imposed.

CHARLES S. HAMLIN,
Governor.

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Federal Reserve Bank of St. Louis

REGULATION No. 5.

FEDERAL RESERVE BOARD.

WASHINGTON, *November 10, 1914.*

Whenever notes, drafts, or bills of exchange offered for rediscount have a maturity of more than three but less than six months, and the Federal reserve bank has been satisfied in the manner provided by regulation No. 2 that the proceeds of loans applied for are used or are to be used for agricultural purposes or are based upon live stock, such notes, drafts, and bills of exchange may, until further notice, be accepted for rediscount in an aggregate amount not exceeding 25 per cent of the paid-in capital of the Federal reserve bank accepting same.

CHARLES S. HAMLIN,
Governor.

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FEDERAL RESERVE BOARD.

WASHINGTON, *November 10, 1914.*

Whenever bank acceptances are offered for rediscount it must appear on the face of such acceptances that the proceeds thereof were used or are to be used in connection with a transaction involving the importation or exportation of goods; that is to say, it must appear that there has been an actual bona fide sale which involves the transportation of goods from some foreign country to the United States or from the United States to some foreign country.

CHARLES S. HAMLIN,
Governor.

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REC'D IN FILES SECTION
DEC 28 1949

DECISION OF THE RESERVE BANK ORGANIZATION COMMITTEE DETERMINING THE FEDERAL RESERVE DISTRICTS AND THE LOCATION OF FEDERAL RESERVE BANKS UNDER FEDERAL RESERVE ACT APPROVED DECEMBER 23, 1913

APRIL 2, 1914

WITH STATEMENT OF THE COMMITTEE IN RELATION THERETO

APRIL 10, 1914

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Federal Reserve Bank of St. Louis

DECISION OF THE RESERVE BANK ORGANIZATION COMMITTEE DETERMINING THE FEDERAL RESERVE DISTRICTS AND THE LOCATION OF THE FEDERAL RESERVE BANKS.

[Under the Federal Reserve Act approved December 23, 1913.]

The Federal Reserve Act directs the Reserve Bank Organization Committee to "designate not less than eight nor more than twelve cities to be known as Federal reserve cities"; to "divide the continental United States, excluding Alaska, into districts, each district to contain only one of such Federal reserve cities," and to apportion the districts "with due regard to the convenience and customary course of business." The act provides that the districts may not necessarily be coterminous with any State or States.

In determining the reserve districts and in designating the cities within such districts where Federal Reserve banks shall be severally located, the organization committee has given full consideration to the important factors bearing upon the subject. The committee held public hearings in eighteen of the leading cities from the Atlantic to the Pacific and from the Great Lakes to the Gulf, and was materially assisted thereby in determining the districts and the reserve cities.

Every reasonable opportunity has been afforded applicant cities to furnish evidence to support their claims as locations for Federal Reserve banks.

More than 200 cities, through their clearing-house associations, chambers of commerce, and other representatives, were heard. Of these, thirty-seven cities asked to be designated as the headquarters of a Federal Reserve bank.

The majority of the organization committee, including its chairman and the Secretary of Agriculture, were present at all hearings, and stenographic reports of the proceedings were made for more deliberate consideration. Independent investigations were. in addition, made through the Treasury Department. and the preference of each bank as to the location of the Federal Reserve bank with which it desired to be connected was ascertained by an independent card ballot addressed to each of the 7,471 national banks throughout the country which had formally assented to the provisions of the Federal reserve act.

Among the many factors which governed the committee in determining the respective districts and the selection of the cities which have been chosen were:

First. The ability of the member banks within the district to provide the minimum capital of $4,000,000 required for the Federal

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Reserve bank, on the basis of six per cent of the capital stock and surplus of member banks within the district.

Second. The mercantile, industrial, and financial connections existing in each district and the relations between the various portions of the district and the city selected for the location of the Federal Reserve bank.

Third. The probable ability of the Federal Reserve bank in each district, after organization and after the provisions of the Federal Reserve Act shall have gone into effect, to meet the legitimate demands of business, whether normal or abnormal, in accordance with the spirit and provisions of the Federal Reserve Act.

Fourth. The fair and equitable division of the available capital for the Federal Reserve banks among the districts created.

Fifth. The general geographical situation of the district, transportation lines, and the facilities for speedy communication between the Federal Reserve bank and all portions of the district.

Sixth. The population, area, and prevalent business activities of the district, whether agricultural, manufacturing, mining, or commercial, its record of growth and development in the past and its prospects for the future.

In determining the several districts the committee has endeavored to follow State lines as closely as practicable, and wherever it has been found necessary to deviate the division has been along lines which are believed to be most convenient and advantageous for the district affected.

The twelve Districts and the twelve Cities selected for the location of the Federal Reserve banks are as follows:

DISTRICT No. 1.

The New England States: Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and Connecticut, with the city of Boston as the location of the Federal Reserve bank.

This district contains 445 national banks which have accepted the provisions of the Federal Reserve Act. The capital stock of the Federal Reserve Bank of Boston, on the basis of six per cent of the total capital stock and surplus of the assenting national banks in the district, will amount to $9,924,543.

DISTRICT No. 2.

The State of New York, with New York City as the location of the Federal Reserve bank.

This district contains 477 national banks which have accepted the provisions of the Federal Reserve Act. The capital stock of the Federal Reserve Bank of New York, on the basis of six per cent of the total capital stock and surplus of the assenting national banks in the

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district, will amount to $20,621,606; and if there be added six per cent of the capital stock and surplus of the State banks and trust companies which have applied for membership up to April 1, 1914, the total capital stock will be $20,687,606.

DISTRICT No. 3.

The States of New Jersey and Delaware and all that part of Pennsylvania located east of the western boundary of the following counties: McKean, Elk, Clearfield, Cambria, and Bedford, with the Federal Reserve bank in the city of Philadelphia.

This district contains 757 national banks which have accepted the provisions of the Federal Reserve Act. The capital stock of the Federal Reserve Bank of Philadelphia, on the basis of six per cent of the total capital stock and surplus of the assenting national banks in the district, will amount to $12,488,138; and if there be added six per cent of the capital stock and surplus of the State banks and trust companies which have applied for membership up to April 1, 1914, the total capital stock will be $12,500,738.

DISTRICT No. 4.

The State of Ohio; all that part of Pennsylvania lying west of district No. 3; the counties of Marshall, Ohio, Brooke, and Hancock, in the State of West Virginia; and all that part of the State of Kentucky located east of the western boundary of the following counties: Boone, Grant, Scott, Woodford, Jessamine, Garrard, Lincoln, Pulaski, and McCreary; with the city of Cleveland, Ohio, as the location of the Federal Reserve bank.

This district contains 767 national banks which have accepted the provisions of the Federal Reserve Act. The capital stock of the Federal Reserve Bank of Cleveland, on the basis of six per cent of the total capital stock and surplus of the assenting national banks in the district, will amount to $12,007,384; and if there be added six per cent of the capital stock and surplus of the State banks and trust companies which have applied for membership up to April 1, 1914, the total capital stock will be $12,100,384.

DISTRICT No. 5.

The District of Columbia, and the States of Maryland, Virginia, North Carolina, South Carolina, and all of West Virginia except the counties of Marshall, Ohio, Brooke, and Hancock, with the Federal Reserve bank located in the city of Richmond, Va.

This district contains 475 national banks which have accepted the provisions of the Federal Reserve Act. The capital stock of the Federal Reserve Bank of Richmond, on the basis of six per cent of the total capital stock and surplus of the assenting national banks in the district, will amount to $6,303,301; and if there be added six per cent of the capital stock and surplus of the State banks and trust companies which have applied for membership up to April 1, 1914, the total capital stock will be $6,542,713.

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DISTRICT No. 6.

The States of Alabama, Georgia, and Florida; all that part of Tennessee located east of the western boundary of the following counties: Stewart, Houston, Wayne, Humphreys, and Perry; all that part of Mississippi located south of the northern boundary of the following counties: Issaquena, Sharkey, Yazoo, Kemper, Madison, Leake, and Neshoba; and all of the southeastern part of Louisiana located east of the western boundary of the following parishes: Pointe Coupee, Iberville, Assumption, and Terrebonne, with the city of Atlanta, Ga., as the location of the Federal Reserve bank.

This district contains 372 national banks which have accepted the provisions of the Federal Reserve Act. The capital stock of the Federal Reserve Bank of Atlanta, on the basis of six per cent of the total capital stock and surplus of the assenting national banks in the district, will amount to $4,641,193; and if there be added six per cent of the capital stock and surplus of the State banks and trust companies which have applied for membership up to April 1, 1914, the total capital stock will be $4,702,558.

DISTRICT No. 7.

The State of Iowa; all that part of Wisconsin located south of the northern boundary of the following counties: Vernon, Sauk, Columbia, Dodge, Washington, and Ozaukee; all of the southern peninsula of Michigan, viz, that part east of Lake Michigan; all that part of Illinois located north of a line forming the southern boundary of the following counties: Hancock, Schuyler, Cass, Sangamon, Christian, Shelby, Cumberland, and Clark; and all that part of Indiana north of a line forming the southern boundary of the following counties: Vigo, Clay, Owen, Monroe, Brown, Bartholomew, Jennings, Ripley, and Ohio, with the Federal Reserve bank located in the city of Chicago, Ill.

This district contains 952 national banks which have accepted the provisions of the Federal Reserve Act. The capital stock of the Federal Reserve Bank of Chicago, on the basis of six per cent of the total capital stock and surplus of the assenting national banks in the district, will amount to $12,479,876; and if there be added six per cent of the capital stock and surplus of the State banks and trust companies which have applied for membership up to April 1, 1914, the total capital stock will be $12,967,701.

DISTRICT No. 8.

The State of Arkansas; all that part of Missouri located east of the western boundary of the following counties: Harrison, Daviess, Caldwell, Ray, Lafayette, Johnson, Henry, St. Clair, Cedar, Dade, Lawrence, and Barry; all that part of Illinois not included in district No. 7; all that part of Indiana not included in district No. 7; all that part of Kentucky not included in district No. 4; all that part of Tennessee not included in district No. 6; and all that part of Mississippi not included in district No. 6, with the city of St. Louis, Mo., as the location of the Federal Reserve bank.

This district contains 458 national banks which have accepted the provisions of the Federal Reserve Act. The capital stock of the

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Federal Reserve Bank of St. Louis, on the basis of six per cent of the total capital stock and surplus of the assenting national banks in the district, will amount to $4,990,761; and if there be added six per cent of the capital stock and surplus of the State banks and trust companies which have applied for membership up to April 1, 1914, the total capital stock will be $6,367,006.

DISTRICT No. 9.

The States of Montana, North Dakota, South Dakota, Minnesota; all that part of Wisconsin not included in district No. 7, and all that part of Michigan not included in district No. 7, with the city of Minneapolis, Minn., as the location of the Federal Reserve bank.

This district contains 687 national banks, which have accepted the provisions of the Federal Reserve Act. The capital stock of the Federal Reserve Bank of Minneapolis, on the basis of six per cent of the total capital stock and surplus of the assenting national banks in the district, will amount to $4,702,925.

DISTRICT No. 10.

The States of Kansas, Nebraska, Colorado, and Wyoming; all that part of Missouri not included in district No. 8; all that part of Oklahoma north of a line forming the southern boundary of the following counties: Ellis, Dewey, Blaine, Canadian, Cleveland, Pottawatomie, Seminole, Okfuskee, McIntosh, Muskogee, and Sequoyah; and all that part of New Mexico north of a line forming the southern boundary of the following counties: McKinley, Sandoval, Santa Fe, San Miguel, and Union, with the city of Kansas City, Mo., as the location of the Federal Reserve bank.

This district contains 836 national banks which have accepted the provisions of the Federal Reserve Act. The capital stock of the Federal Reserve Bank of Kansas City, on the basis of six per cent of the total capital stock and surplus of the assenting national banks in the district, will amount to $5,590,015; and if there be added six per cent of the capital stock and surplus of the State banks and trust companies which have applied for membership up to April 1, 1914, the total capital stock will be $5,600,977.

DISTRICT No. 11.

The State of Texas; all that part of New Mexico not included in district No. 10; all that part of Oklahoma not included in district No. 10; all that part of Louisiana not included in district No. 6; and the following counties in the State of Arizona: Pima, Graham, Greenlee, Cochise, and Santa Cruz, with the city of Dallas, Tex., as the location of the Federal Reserve bank.

This district contains 731 national banks which have accepted the provisions of the Federal Reserve Act. The capital stock of the Federal Reserve Bank of Dallas, on the basis of six per cent of the total capital stock and surplus of the assenting national banks in the district, will amount to $5,540,020; and if there be added six per cent

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of the capital stock and surplus of the State banks and trust companies which have applied for membership up to April 1, 1914, the total capital stock will be $5,653,924.

DISTRICT No. 12.

The States of California, Washington, Oregon, Idaho, Nevada, and Utah, and all that part of Arizona not included in district No. 11, with the city of San Francisco, Cal., as the location of the Federal Reserve bank.

This district contains 514 national banks which have accepted the provisions of the Federal Reserve Act. The capital stock of the Federal Reserve Bank of San Francisco, on the basis of six per cent of the total capital stock and surplus of the assenting national banks in the district, will amount to $7,825,375; and if there be added six per cent of the capital stock and surplus of the State banks and trust companies which have applied for membership up to April 1, 1914, the total capital stock will be $8,115,494.

The committee was impressed with the growth and development of the States of Idaho, Washington, and Oregon, but on the basis of six per cent of the capital stock and surplus of national banks and State banks and trust companies which have applied for membership, that section could not provide the $4,000,000 minimum capital stock required by the law. With the continued growth of that region it is reasonable to expect that in a few years the capital and surplus of its member banks will be sufficient to justify the creation of an additional Federal Reserve district, at which time application may be made to the Congress for a grant of the necessary authority.

It is no part of the duty of the organization committee to locate branches of the Federal Reserve banks. The law specifically provides that "each Federal Reserve bank shall establish branch banks within the Federal Reserve district in which it is located." All the material collected by the committee will be placed at the disposal of the Federal Reserve banks and the Federal Reserve Board when they are organized and ready to consider the establishment of branch banks.

Reference is made to the Map of the Districts and to tables A, B, C, D, E, and F hereto attached.

W. G. McAdoo,
D. F. Houston,
Jno. Skelton Williams,
Reserve Bank Organization Committee

Washington, D. C., *April 2, 1914.*

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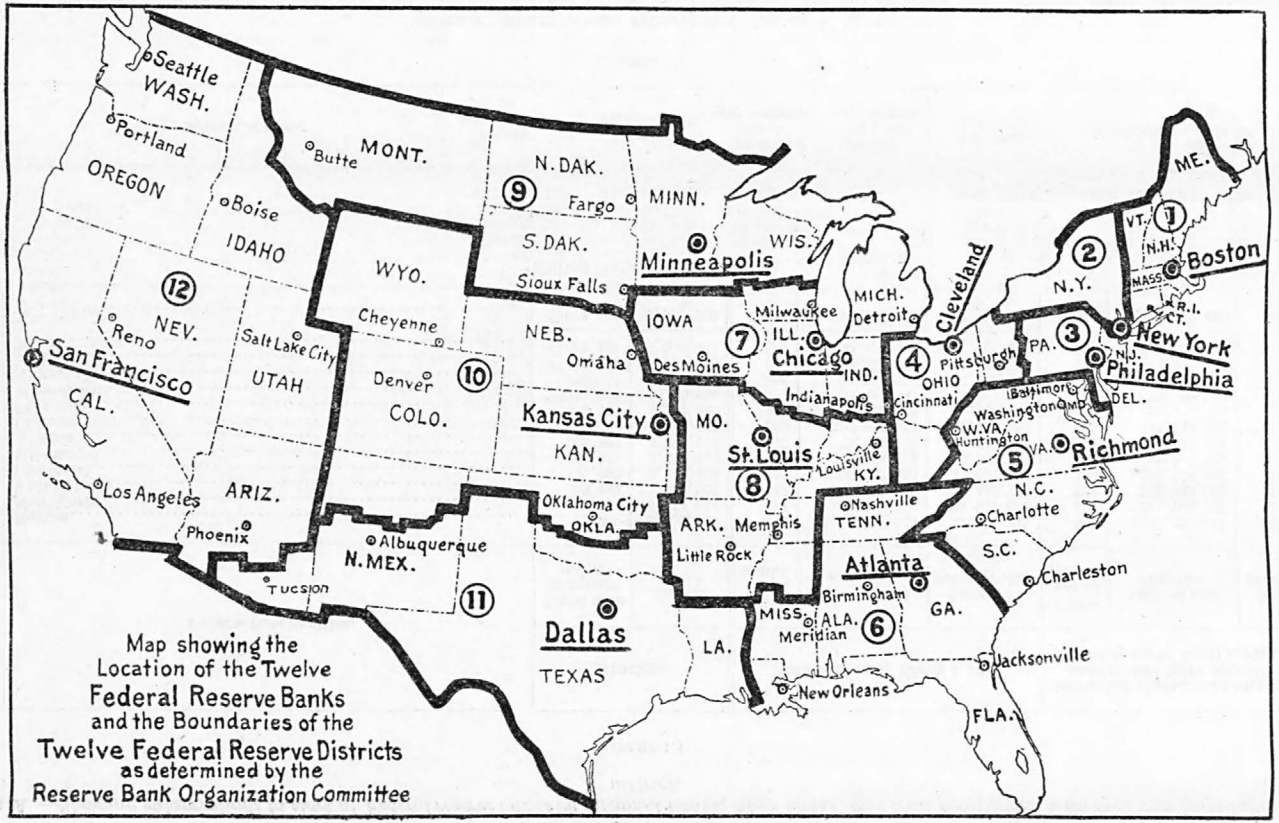

Map showing the Location of the Twelve Federal Reserve Banks and the Boundaries of the Twelve Federal Reserve Districts as determined by the Reserve Bank Organization Committee

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TABLE A.—*Showing subscriptions to stock of Federal reserve banks by national banks, State banks, and trust companies, with area and population of each district.*

[PART 1.]

District No.	Federal reserve cities.	Districts.		National banks March 4, 1914.			Including State banks and trust companies that have applied for membership up to April 1, 1914.		
		Land area in square miles.[1]	Population.[1]	Number of banks.	Capital and surplus.	6 per cent subscription.	Number of banks.	Capital and surplus.	6 per cent subscription.
1	Boston	61,976	6,552,681	445	$165,409,043	$9,924,543	445	$165,409,043	$9,924,543
2	New York	47,651	9,113,614	477	343,693,437	20,621,606	478	344,793,437	20,687,606
3	Philadelphia	40,449	7,932,065	757	208,135,631	12,488,138	758	208,345,631	12,500,738
4	Cleveland	72,693	8,326,668	767	200,123,060	12,007,384	769	201,673,060	12,100,384
5	Richmond	152,931	8,519,310	475	105,055,023	6,303,301	484	109,045,223	6,542,713
6	Atlanta	233,821	8,677,288	372	77,353,221	4,641,193	382	78,375,971	4,702,558
7	Chicago	171,306	12,348,767	952	207,997,941	12,479,876	967	216,128,363	12,967,701
8	St. Louis	194,767	8,747,662	458	83,179,348	4,990,761	469	106,116,764	6,367,006
9	Minneapolis	433,281	5,195,886	687	78,382,081	4,702,925	687	78,382,081	4,702,925
10	Kansas City, Mo	450,831	5,671,051	836	93,166,912	5,590,015	839	93,349,612	5,600,977
11	Dallas	430,329	5,797,970	731	92,333,673	5,540,020	737	94,232,073	5,653,924
12	San Francisco	683,852	5,089,304	514	130,422,921	7,825,375	529	135,258,231	8,115,494
	Total	2,973,890	91,972,266	7,471	1,785,252,291	107,115,137	7,544	1,831,109,489	109,866,569

[1] United States census of 1910.

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TABLE A.—*Showing amount due to and due from banks, amount of individual deposits and all deposits, also cash in vault, for all national banks in each Federal reserve district as of March 4, 1914.*

[PART 2.]

District No.	Federal reserve cities.	Total due to banks.	Total due from banks.	Net balance due to banks.	Net balance due from banks.	Individual deposits.	All deposits.	Per capita deposit.	Cash in vault.
1	Boston	$125,363,123	$125,087,628	$275,495	.....	$500,636,637	$631,356,974	$96	$53,354,398
2	New York	863,414,285	192,806,668	670,607,617	.....	1,191,533,728	2,061,858,058	226	359,715,324
3	Philadelphia	214,326,384	189,222,922	25,103,462	.....	718,185,010	937,181,166	118	77,909,120
4	Cleveland	186,273,482	170,831,707	15,441,775	.....	654,985,827	851,157,633	102	75,287,748
5	Richmond	71,963,378	72,983,655	.....	$1,020,277	317,659,065	399,579,841	47	25,524,694
6	Atlanta	39,603,415	61,442,028	.....	21,838,613	215,744,303	262,318,818	30	18,752,412
7	Chicago	441,078,660	278,661,678	162,416,982	.....	811,307,271	1,265,208,464	102	150,414,811
8	St. Louis	131,446,049	92,813,994	38,632,055	.....	241,740,690	378,858,307	43	40,866,167
9	Minneapolis	80,671,243	104,873,520	.....	24,202,277	389,088,959	475,684,697	92	34,917,883
10	Kansas City, Mo.	146,742,582	134,726,219	12,016,363	.....	365,978,140	521,318,350	92	44,118,906
11	Dallas	51,172,553	78,083,730	.....	26,911,177	252,490,607	307,130,732	53	25,979,225
12	San Francisco	120,188,341	122,927,748	.....	2,739,407	444,274,574	573,243,051	113	60,077,300
	Total	2,472,243,495	1,624,461,497	924,493,749	76,711,751	6,103,624,811	8,664,896,091	94	966,917,988

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TABLE B.—*Number of national banks on September 9, 1903, and August 9, 1913, with increase or decrease; also amount of capital stock and surplus, loans and discounts, and individual deposits (in thousands), with amount and percentage of increase or decrease.*

	Number of national banks.			Capital and surplus.				Loans and discounts.				Individual deposits.			
	1903	1913	Increase or decrease.[3]	1903	1913	Increase or decrease.[3]	Per cent.	1903	1913	Increase or decrease.[3]	Per cent.	1903	1913	Increase or decrease.[3]	Per cent.
New York, N. Y.	**43**	**36**	**— 7**	**$173,185**	**$249,305**	**$76,120**	**44**	**$631,565**	**$936,908**	**$305,343**	**48**	**$450,732**	**$636,544**	**$185,812**	**41**
Chicago, Ill.	**12**	**9**	**— 3**	**38,625**	**69,050**	**30,425**	**79**	**181,416**	**329,024**	**147,608**	**81**	**125,352**	**202,335**	**76,983**	**62**
Philadelphia, Pa.	**34**	**32**	**— 2**	**45,630**	**62,065**	**16,435**	**36**	**142,378**	**218,746**	**76,368**	**53**	**122,387**	**162,437**	**40,050**	**33**
Boston, Mass.	**32**	**17**	**—15**	**46,836**	**48,081**	**1,245**	**2.7**	**156,869**	**189,872**	**33,003**	**21**	**118,670**	**171,327**	**52,657**	**45**
Pittsburgh, Pa.	35	22	—13	45,200	48,514	3,314	7.3	115,086	129,802	14,716	13	86,146	113,796	27,650	32
San Francisco, Cal.	**7**	**9**	**2**	**11,238**	**44,880**	**33,642**	**300**	**27,658**	**113,959**	**86,301**	**313**	**21,860**	**88,894**	**67,034**	**308**
St. Louis, Mo.	**7**	**7**	.....	**25,910**	**29,140**	**3,230**	**13**	**89,312**	**109,161**	**19,849**	**22**	**46,752**	**61,380**	**14,628**	**32**
Cincinnati, Ohio	13	8	— 5	14,405	20,350	5,945	41.3	41,543	53,443	11,900	29	32,320	38,459	6,139	19
Baltimore, Md.	19	16	— 3	18,926	19,760	834	4.4	47,222	63,703	16,481	35	32,191	44,547	12,356	38
Cleveland, Ohio	**13**	**7**	**— 6**	**15,372**	**14,400**	**—972**	**— 6.5**	**49,155**	**60,945**	**11,790**	**24**	**27,656**	**46,110**	**18,454**	**67**
Minneapolis, Minn.	**5**	**6**	**1**	**6,120**	**13,710**	**7,590**	**124**	**20,898**	**55,281**	**34,383**	**164**	**13,590**	**42,930**	**29,340**	**216**
Kansas City, Mo.	**6**	**12**	**6**	**3,855**	**11,650**	**7,795**	**203**	**38,735**	**69 673**	**30,938**	**80**	**27,085**	**40,600**	**13,515**	**50**
Washington, D. C.	11	11	.....	6,102	11,165	5,063	83	14,343	26,834	12,491	89	18,699	26,319	7,620	40
St. Paul, Minn.	6	4	— 2	5,036	9,600	4,564	91	14,870	34,188	19,318	130	14,990	29,712	14,722	99
Richmond, Va.[1]	**5**	**8**	**3**	**2,970**	**9,484**	**6,514**	**219**	**11,372**	**34,732**	**23,360**	**207**	**9,668**	**24,391**	**14,723**	**152**
Indianapolis, Ind.	7	5	— 2	5,860	9,410	3,550	60	17,850	28,420	10,570	60	18,033	22,790	4,757	27
Atlanta, Ga.[1]	**4**	**6**	**2**	**2,330**	**8,600**	**6,270**	**269**	**10,128**	**26,856**	**16,728**	**165**	**8,703**	**20,842**	**12,139**	**140**
New Orleans, La.	6	5	— 1	5,790	8,230	2,440	42	17,389	24,467	7,078	41	16,675	20,611	3,936	24
Louisville, Ky.	8	8	.....	6,497	8,225	1,728	26.6	15,800	25,553	9,753	61	10,540	20,766	10,226	97
Denver, Colo.	5	6	1	3,250	7,538	4,288	132	15,292	29,212	13,920	91	29,691	35,587	5,896	20
Houston, Tex.	6	6	.....	2,350	7,050	4,700	200	6,923	25,612	18,689	270	6,794	22,597	15,803	233
Portland, Oreg.	3	5	2	1,250	6,675	5,425	434	5,880	21,947	16,067	273	8,619	23,751	15,132	176
Omaha, Nebr.	7	7	.....	3,820	6,560	2,740	72	16,020	32,810	16,790	105	14,608	27,731	13,123	90
Dallas, Tex.	**4**	**5**	**1**	**2,168**	**5,900**	**3,732**	**172**	**6,388**	**19,816**	**13,428**	**210**	**5,915**	**18,918**	**13,003**	**220**
Seattle, Wash.[2]	5	6	1	1,460	5,560	4,100	281	8,616	25,857	17,241	200	12,297	28,931	16,634	135
Fort Worth, Tex.[2]	6	8	2	1,865	4,950	3,085	165	4,803	15,507	10,704	223	3,934	11,707	7,773	199
Columbus, Ohio	6	8	2	3,270	4,673	1,403	43	11,639	17,429	5,790	50	12,582	21,597	9,015	72
Nashville, Tenn.[1]	4	5	1	2,389	4,198	1,809	76	7,850	17,335	9,485	121	6,132	14,759	8,627	140
Spokane, Wash.[2]	4	5	1	890	4,172	3,282	370	4,847	16,056	11,209	230	6,366	16,436	10,070	158
Birmingham, Ala.[1]	2	2	.....	815	3,114	2,299	282	4,629	9,697	5,068	110	5,367	9,604	4,237	79
Des Moines, Iowa.	4	4	.....	1,060	3,055	1,995	190	5,071	13,485	8,414	166	2,803	6,669	3,866	138
Charlotte, N. C.[1]	4	5	1	1,167	1,850	683	58	3,354	6,364	3,010	90	2,435	4,421	1,986	83
Columbia, S. C.[1]	2	5	3	750	1,825	1,075	143	2,029	7,311	5,282	264	2,002	5,062	3,060	153
Savannah, Ga.	2	2	.....	975	1,600	625	64	2,090	3,339	1,249	59.7	703	1,358	655	93
Memphis, Tenn.[1]	4	3	— 1	1,600	1,590	— 10	— 0.6	7,990	5,523	—2,467	—31	6,869	4,276	—2,593	—37.7
Lincoln, Nebr.	3	4	1	559	1,330	771	137	3,040	6,314	3,274	107	2,649	4,717	2,068	78
Kansas City, Kans.	2	2	.....	1,470	800	—670	—45.5	4,225	4,263	38	1	2,306	2,765	459	20

[1] Nonreserve cities. [2] Not a reserve city in 1903. [3] Minus (—) shows decrease; other changes show increase.

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TABLE C.—*Total loans and discounts by geographical divisions, made by national banks in the cities named as of January 13, 1914. Compiled from special statements submitted to the Comptroller of the Currency.*

	Total loans.	New England States.		Eastern States.		Southern States.		Middle Western States.		Western States.		Pacific States.	
		Amount.	Per cent.	Amount.	Per cent.	Amount.	Per cent.	Amount.	Per cent.	Amount.	Per cent.	Amount.	Per cent.
New York	$920,804,000	$36,819,000	4.00	$654,822,000	71.12	$86,843,000	9.43	$116,424,000	12.64	$12,668,000	1.38	$13,228,000	1.43
Chicago	303,498,000	2,055,000	.68	7,027,000	2.31	17,736,000	5.85	257,427,000	84.82	11,358,000	3.74	7,895,000	2.60
Philadelphia	219,044,000	3,789,000	1.73	188,594,000	86.10	9,398,000	4.29	16,013,000	7.31	580,000	.27	670,000	.30
Boston	190,973,000	145,411,000	76.14	18,137,000	9.50	4,779,000	2.50	19,731,000	10.33	1,419,000	.74	1,496,000	.79
Pittsburgh	126,358,000	785,000	.62	119,999,000	94.97	598,000	.47	4,410,000	3.49	382,000	.30	184,000	.15
San Francisco	[1] 104,696,000	63,000	.06	1,125,000	1.08	30,000	.03	1,130,000	1.08	25,000	.02	102,323,000	97.73
St. Louis	104,006,000	1,240,000	1.19	3,769,000	3.62	13,593,000	13.07	80,208,000	77.12	4,701,000	4.52	495,000	.48
Kansas City, Mo	67,237,000	15,000	.02	304,000	.43	6,419,000	9.55	38,101,000	56.69	21,804,000	32.43	594,000	.88
Cleveland	60,763,000	385,000	.63	3,566,000	5.87	186,000	.31	56,303,000	92.66	208,000	.34	115,000	.19
Baltimore	59,435,000	278,000	.47	50,893,000	85.63	6,891,000	11.59	1,359,000	2.29	6,000	.01	8,000	.01
Minneapolis	58,021,000	.....	.....	332,000	.57	25,000	.04	52,657,000	90.76	4,745,000	8.18	262,000	.45
Buffalo	55,084,000	660,000	1.20	49,061,000	89.07	314,000	.57	4,858,000	8.82	150,000	.27	41,000	.07
Cincinnati	52,290,000	313,000	.60	2,145,000	4.10	4,017,000	7.68	45,699,000	87.40	56,000	.11	60,000	.11
Los Angeles	47,985,000	.....	.....	935,000	1.95	20,000	.04	231,000	.48	90,000	.19	46,709,000	97.34
St. Paul	38,018,000	155,000	.40	1,306,000	3.43	187,000	.48	32,157,000	84.62	2,751,000	7.23	1,462,000	3.84
Richmond	35,721,000	125,000	.35	1,619,000	4.53	33,473,000	93.71	489,000	1.37	5,000	.01	10,000	.03
Omaha	31,536,000	125,000	.40	567,000	1.79	200,000	.63	2,172,000	6.89	28,212,000	89.46	260,000	.83
Washington	27,790,000	11,000	.04	26,620,000	95.79	915,000	3.29	81,000	.29	24,000	.09	139,000	.50
Atlanta	26,916,000	120,000	.45	277,000	1.03	26,117,000	97.03	397,000	1.47	5,000	.02	.....	.....
Louisville	26,452,000	.....	.....	77,000	.29	25,342,000	95.80	1,026,000	3.88	7,000	.03	.....	.....
Providence	25,032,000	[2] 15,442,000	61.69	4,674,000	18.67	536,000	2.14	3,586,000	14.33	436,000	1.74	358,000	1.43
Seattle	24,486,000	85,000	.35	568,000	2.32	161,000	.66	1,444,000	5.89	244,000	1.00	21,984,000	89.78
Albany	23,950,000	778,000	3.25	22,134,000	92.42	180,000	.75	721,000	3.01	85,000	.35	52,000	.22
Houston	23,659,000	.....	.....	205,000	.87	23,391,000	98.86	25,000	.11	38,000	.16	.....	.....
Portland, Oreg	21,446,000	.....	.....	47,000	.21	15,000	.08	382,000	1.78	8,000	.04	20,994,000	97.89
Hartford	21,202,000	16,019,000	75.55	1,384,000	6.53	1,059,000	5.00	2,301,000	10.85	287,000	1.35	152,000	.72
Dallas	19,731,000	10,000	.05	214,000	1.08	19,123,000	96.92	251,000	1.28	130,000	.66	3,000	.01
New Orleans	19,677,000	.....	.....	171,000	.87	19,477,000	98.98	20,000	.10	.....	.....	9,000	.05
Nashville	18,031,000	.....	.....	25,000	.14	17,735,000	98.36	271,000	1.50	.....	.....	.....	.....
Brooklyn	17,437,000	69,000	.39	16,659,000	95.54	17,000	.10	562,000	3.22	5,000	.03	125,000	.72
Memphis	7,977,000	.....	.....	6,000	.07	7,913,000	99.20	58,000	.73	.....	.....	.....	.....

NOTE.—The above statement has been compiled from special statements made to the Comptroller of the Currency showing all loans in the United States. Foreign loans are not included. The differences between this statement and the abstract of Jan. 13, 1914, are made up of foreign loans, bonds loaned and other minor items.

The above classification by geographical groups, which has been observed in the reports of the comptroller's office for the past 18 years, is as follows: New England States: Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and Connecticut. Eastern States: New York, New Jersey, Pennsylvania, Delaware, Maryland, and District of Columbia. Southern States: Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, Texas, Arkansas, Kentucky, and Tennessee. Middle Western States: Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, and Missouri. Western States: North Dakota, South Dakota, Nebraska, Kansas, Montana, Wyoming, Colorado, New Mexico, and Oklahoma. Pacific States: Washington, Oregon, California, Idaho, Utah, Nevada, Arizona, and Alaska.

[1] $7,457,000 less than abstract Jan. 13, which included report from branches.

[2] Includes $1,075,000 not localized.

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TABLE D.—*Showing bank and trust company credit balances with the national banks in some of the principal cities of the United States; also showing amounts loaned by the national banks in the same cities to their correspondent banks; also bought paper and collateral loans to noncustomers of the lending banks, securities owned, and cash reserve in vaults, as of dates named.*

Cities.	Amount on deposit from all banks and trust companies throughout the United States, Feb. 14, 1914.	Amount loaned to all banks and trust companies on bills payable, and rediscounts, including indirect loans with guarantee of directors, etc., Jan. 13, 1914.	Per cent loaned banks Jan. 13, 1914, to bank deposits Feb. 14, 1914.	Bought paper, stock-exchange loans, etc., made by national banks to noncustomers throughout the United States, Jan. 13, 1914.	Bonds and securities (exclusive of bonds for circulation) held by national banks, Jan. 13, 1914.	Reserve in vaults (specie and legal tenders), Jan. 13, 1914.
New York	**$742,386,939**	**$59,107,399**	**7.96**	**$263,803,618**	**$165,827,533**	**$313,586,128**
Chicago	**278,824,567**	**25,663,706**	**9.20**	**29,716,830**	**31,734,647**	**88,732,480**
Philadelphia	**173,584,687**	**6,859,243**	**3.95**	**38,289,408**	**37,837,529**	**43,280,798**
Boston	**97,136,156**	**3,695,480**	**3.80**	**47,402,893**	**19,958,013**	**32,661,707**
St. Louis	**90,430,968**	**14,271,230**	**15.78**	**16,840,657**	**6,326,699**	**26,880,206**
	1,382,363,317	**109,597,058**	**7.92**	**396,053,406**	**261,684,421**	**505,141,319**
Pittsburgh	79,314,345	710,415	.89	16,808,600	37,565,648	24,301,181
Kansas City, Mo	**54,835,438**	**18,844,099**	**34.36**	**4,869,204**	**4,035,117**	**8,703,544**
San Francisco [1]	**45,859,188**	**3,296,431**	**7.19**	**13,850,432**	**17,859,369**	**18,683,813**
Albany	39,528,280	276,052	.70	1,815,045	8,340,938	4,756,442
Cleveland	**36,746,820**	**1,163,551**	**3.17**	**6,177,657**	**6,684,800**	**10,025,546**
Cincinnati	32,593,282	1,955,816	6.00	7,675,667	13,281,317	8,859,630
Minneapolis	**31,316,864**	**2,620,504**	**8.37**	**2,449,329**	**3,649,749**	**7,365,849**
Baltimore	27,421,904	2,404,815	8.04	4,989,093	9,120,902	8,715,311
Omaha	18,533,959	5,768,762	31.12	3,507,878	2,675,002	4,596,702
Los Angeles	16,290,131	1,374,958	8.44	2,267,638	5,212,186	8,178,093
St. Paul	16,002,069	792,594	4.95	12,637,337	8,036,166	6,425,836
Houston	12,616,553	1,865,678	14.79	1,685,948	1,366,532	3,596,044
Louisville	11,750,499	2,204,727	18.76	1,879,833	5,525,095	3,322,604
Buffalo	11,388,536	109,557	.96	3,298,005	13,297,773	4,471,788
Richmond	**10,970,068**	**1,629,449**	**14.85**	**4,257,528**	**2,444,639**	**2,276,451**
Portland, Oreg	8,427,674	572,100	6.79	1,574,059	5,437,032	5,387,374
Seattle	7,518,865	602,937	8.02	3,064.295	4,937,661	4,054,524
New Orleans	7,229,470	1,134,102	15.70	1,234,109	5,587,233	2,830,769
Dallas	**6,237,357**	**1,385,687**	**22.21**	**587,558**	**1,293,061**	**2,546,927**
Nashville	5,536,719	1,158,622	20.91	489,888	91,632	1,164,930
Washington	5,516,705	1,714,076	31.07	3,266,983	9,790,823	4,053,193
Atlanta	**4,436,974**	**892,612**	**20.12**	**865,180**	**1,408,350**	**1,855,427**
Brooklyn	4,017,811	10,000	.25	4,124,955	5,684,913	4,322,537
Memphis	2,377,836	496,006	20.86	458,088	128,081	1,189,721
Providence	1,983,787	125,000	6.30	13,518,890	6,336,469	1,804,614
Hartford	835,334			9,850,001	1,367,390	1,348,465

The cities included in the above list are all either central reserve or reserve cities, except the cities of Buffalo, N. Y.; Providence, R. I.; Hartford, Conn.; Richmond, Va.; Atlanta, Ga., Memphis and Nashville, Tenn., which are not reserve cities.

[1] Does not include loans and deposits from banks, in other cities, of branches of Bank of California, N. B. A.

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TABLE E.—*Statement showing population, capital and surplus, individual deposits, and loans and discounts of all national banks, as of March 4, 1914, in the 37 cities which asked to be designated as Federal reserve cities.*

Location.	Population.[1]	Number of banks.	Capital and surplus.	Per capita.	Individual deposits.	Per capita.	Loans and discounts.	Per capita.
1. Boston	**670,585**	**15**	**$47,896,000**	**$71**	**$176,088,004**	**$268**	**$200,480,934**	**$299**
2. New York	**4,766,883**	**35**	**248,505,000**	**52**	**771,724,999**	**161**	**1,082,272,650**	**227**
3. Philadelphia	**1,549,008**	**32**	**62,215,000**	**40**	**184,643,392**	**119**	**232,906,822**	**153**
4. Cleveland	**560,663**	**7**	**14,400,000**	**25**	**40,479,025**	**72**	**62,588,735**	**112**
5. Cincinnati	363,591	8	20,350,000	56	39,154,843	108	55,761,638	153
6. Columbus	181,511	8	4,685,500	25	21,853,183	120	17,169,907	95
7. Pittsburgh	533,905	21	46,714,000	88	120,260,088	225	124,568,231	233
8. Wheeling	41,641	2	1,700,000	40	4,331,394	104	4,915,613	118
9. Baltimore	558,485	15	19,205,720	34	42,553,451	76	60,312,953	108
10. Washington	331,069	11	11,365,000	34	28,491,402	86	25,405,554	77
11. Richmond	**127,628**	**7**	**9,314,392**	**73**	**25,705,866**	**201**	**35,593,044**	**279**
12. Charlotte	34,014	5	1,850,000	54	4,578,573	135	6,785,057	199
13. Columbia	26,319	5	1,887,500	72	6,398,138	243	7,322,262	278
14. Atlanta	**154,839**	**6**	**8,600,000**	**56**	**24,348,912**	**157**	**26,038,731**	**168**
15. Savannah	65,064	2	1,600,000	24	1,443,161	22	3,244,938	50
16. Louisville	223,928	8	8,280,000	37	20,430,574	91	27,999,427	125
17. Birmingham	132,685	2	3,300,000	25	9,995,561	75	10,449,274	79
18. Montgomery	38,136	4	2,515,000	66	6,115,197	160	5,658,213	148
19. Chattanooga	44,604	3	2,975,000	66	10,109,930	226	11,565,519	259
20. Memphis	131,105	3	2,140,000	16	7,511,216	57	7,014,359	53
21. New Orleans	339,075	4	6,730,000	20	16,857,332	50	17,285,254	51
22. Chicago	**2,185,283**	**9**	**69,050,000**	**31**	**211,558,247**	**97**	**335,820,233**	**154**
23. St. Louis	**687,029**	**7**	**29,140,000**	**42**	**61,685,925**	**90**	**102,138,744**	**149**
24. Minneapolis	**301,408**	**6**	**13,710,000**	**45**	**45,453,532**	**150**	**57,973,491**	**192**
25. St. Paul	214,744	5	9,887,081	46	35,788,142	167	37,437,913	174
26. Kansas City, Mo	**248,381**	**12**	**11,660,000**	**47**	**40,415,210**	**162**	**66,205,054**	**267**
27. Omaha	124,096	7	6,570,000	53	27,258,869	220	32,848,397	265
28. Denver	213,381	6	7,545,000	35	34,124,272	160	28,022,377	131
29. Lincoln	43,973	4	1,330,000	32	4,439,212	101	6,066,192	138
30. Dallas	**92,104**	**5**	**5,900,000**	**64**	**18,551,847**	**201**	**18,622,564**	**202**
31. Fort Worth	73,312	7	4,275,000	58	11,629,158	159	12,632,408	172
32. Houston	78,800	6	7,125,000	90	25,013,951	317	25,923,087	329
33. San Francisco	**416,912**	**9**	**45,185,000**	**108**	**95,756,484**	**230**	**120,287,608**	**288**
34. Seattle	237,194	6	5,596,500	23	29,498,646	124	23,948,338	101
35. Portland	207,214	5	6,780,000	32	22,595,277	109	20,173,774	97
36. Spokane	104,402	5	4,175,000	40	16,156,830	155	13,985,084	134
37. Salt Lake City	92,777	6	3,482,500	37	11,103,182	120	11,791,043	127

[1] United States census of 1910.

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TABLE F.—*Statement showing population, capital and surplus, individual deposits, and loans and discounts of all reporting banks (National, State, savings, and loan and trust companies), as of June 4, 1913, in the 37 cities which asked to be designated as Federal reserve cities.*

Location.	Population.[1]	Number of banks and trust companies.	Capital and surplus.	Per capita.	Individual deposits.	Per capita.	Loans and discounts.	Per capita.
1. Boston	**670,585**	**60**	**$100,779,114**	**$150**	**$661,950,254**	**$987**	**$561,625,627**	**$803**
2. New York	**4,766,883**	**142**	**563,221,701**	**118**	**2,866,351,069**	**601**	**2,306,503,682**	**483**
3. Philadelphia	**1,549,008**	**100**	**177,448,741**	**114**	**592,533,612**	**382**	**413,298,566**	**266**
4. Cleveland	**560,663**	**35**	**41,635,100**	**74**	**271,693,217**	**484**	**188,499,403**	**336**
5. Cincinnati	363,591	39	31,813,107	87	98,178,794	270	88,845,791	244
6. Columbus	181,511	21	7,099,000	39	30,498,790	168	24,186,704	133
7. Pittsburgh	533,905	83	130,037,145	243	350,298,872	656	291,668,678	547
8. Wheeling	41,641	11	4,949,393	118	18,845,965	452	16,802,317	405
9. Baltimore	558,485	55	47,952,469	85	190,679,440	341	118,912,253	213
10. Washington	331,069	36	29,161,731	88	72,552,236	219	63,012,066	190
11. Richmond	**127,628**	**26**	**16,810,955**	**131**	**35,371,126**	**277**	**50,004,572**	**393**
12. Charlotte	34,014	7	2,680,000	78	6,616,642	194	9,242,936	271
13. Columbia	26,319	9	2,365,318	89	5,894,711	223	8,511,384	326
14. Atlanta	**154,839**	**28**	**15,313,448**	**98**	**28,371,032**	**183**	**33,494,035**	**216**
15. Savannah	65,064	16	8,129,605	125	20,622,523	316	28,061,700	431
16. Louisville	223,928	18	15,100,297	67	41,437,599	185	38,701,079	172
17. Birmingham	132,685	11	6,685,620	50	23,182,608	174	21,494,705	162
18. Montgomery	38,136	9	3,396,762	89	6,018,942	157	7,756,141	204
19. Chattanooga	44,604	10	4,294,114	96	15,166,950	340	16,355,760	366
20. Memphis	131,105	22	7,346,214	56	23,343,841	179	24,442,321	186
21. New Orleans	339,075	19	20,532,500	60	70,854,415	209	64,845,722	194
22. Chicago	**2,185,283**	**88**	**151,882,559**	**69**	**682,498,992**	**312**	**690,799,087**	**315**
23. St. Louis	**687,029**	**44**	**72,222,500**	**105**	**205,443,737**	**299**	**233,385,655**	**339**
24. Minneapolis	**301,408**	**33**	**20,731,391**	**68**	**78,258,930**	**260**	**82,720,056**	**274**
25. St. Paul	214,744	20	11,260,845	52	40,490,496	189	42,322,465	197
26. Kansas City, Mo	**248,381**	**30**	**17,415,500**	**70**	**66,562,431**	**268**	**91,686,871**	**370**
27. Omaha	124,096	14	8,165,000	65	28,038,694	226	34,989,699	282
28. Denver	213,381	31	11,489,551	53	57,371,171	269	41,365,143	194
29. Lincoln	43,973	15	2,042,000	46	7,253,010	165	8,696,240	198
30. Dallas	**92,104**	**13**	**9,997,000**	**108**	**24,808,891**	**269**	**27,517,338**	**299**
31. Fort Worth	73,312	18	6,667,724	90	14,375,274	196	16,861,831	231
32. Houston	78,800	13	13,599,100	172	26,551,714	329	32,775,530	415
33. San Francisco	**416,912**	**45**	**73,623,325**	**176**	**313,153,942**	**752**	**281,447,424**	**675**
34. Seattle	237,194	32	11,567,020	48	67,527,325	285	48,963,007	206
35. Portland	207,214	22	12,097,718	58	56,805,140	274	44,132,644	213
36. Spokane	104,402	18	7,560,876	73	25,821,751	249	23,235,697	223
37. Salt Lake City	92,777	18	7,838,696	84	33,623,153	362	30,676,029	330

[1] United States census of 1910.

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ON APRIL 10, 1914, THE FEDERAL RESERVE BANK ORGANIZATION COMMITTEE MADE PUBLIC THE FOLLOWING STATEMENT RELATING TO ITS DECISION OF APRIL 2, 1914, DEFINING THE BOUNDARIES OF THE FEDERAL RESERVE DISTRICTS AND DESIGNATING THE LOCATION OF THE FEDERAL RESERVE BANKS.

WASHINGTON, D. C., *April 10, 1914.*

Congress imposed on the committee the duty of dividing the country into not less than 8 nor more than 12 districts, and the location of a Federal reserve bank in each. Thirty-seven cities asked to be chosen. The committee could select at most only 12. Necessarily 25 cities had to be disappointed.

Following its policy declared at the very outset, the committee refused to be influenced by the purely local and selfish claims of cities or individuals, and discharged the duty imposed upon it by Congress after exhaustive investigation and study of the entire country, with unbiased minds and according to its best judgment. With so many conflicting claims, somebody had to judge. Congress constituted the committee a court and gave the Federal Reserve Board the power of review. Disappointed competitors should seek a remedy through the orderly processes the law prescribes.

Considerable comment has been occasioned by the failure of the committee to create districts suggested by New Orleans, with New Orleans as the location for a reserve bank; by Baltimore, with Baltimore as the location for a reserve bank; by Omaha, with Omaha as the location for a reserve bank; and by Denver, with Denver as the location for a reserve bank.

The committee realized that the division of the country into districts was far more important and complex than the designation of the reserve cities, and that the latter duty was subsidiary and relatively simple, waiving considerations of local pride or prestige. In arranging the districts the consideration of the character and growth of industry, trade, and banking, no less than the traditions, habits, and common understandings of the people was much more intimately involved.

It became clear, in the hearings, that comparatively few people realized, or seemed to realize, what the act was intended to accomplish; what the nature and functions of the reserve banks were to be; and how little change would occur in the ordinary financial relations

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of the communities, the business establishments, and the individual banks.

Critics of the decision of the committee reveal misunderstanding in these directions, and either do not know, or appear not to know, that the Federal reserve banks are bankers' banks and not ordinary commercial banks; that they are to hold the reserves and to clear the checks of member banks, make rediscounts for them, and engage in certain open-market operations. As a matter of fact, the ordinary every-day banking relations of the community, of business men, and of banks will not be greatly modified or altered. The purpose of the system is to remove artificiality, promote normal relations, and create better conditions under which everybody will transact business.

Every city can continue to do business with individuals, firms, or corporations, within its own limits, or in its own region, or in any other part of the Union or the world in which it has heretofore done business.

Reserves are to be held in a new way and in new places, so far as this act controls them, but banking and business generally will no more be confined within districts than heretofore, and it is simply misleading for any city or individual to represent that the future of a city will be injuriously affected by reason of its failure to secure a Federal reserve bank. Every city which has the foundations for prosperity and progress will continue to grow and expand, whether it has such a reserve bank or not, and well-informed bankers, especially, are aware of this.

The facts which the committee had to consider will throw light on its decision in reference to these cities.

NEW ORLEANS' CLAIMS.

New Orleans selected a district extending from New Mexico to the Atlantic Ocean, including all of Texas, Louisiana, Mississippi, Alabama, Florida, Georgia, and that part of Tennessee south of the Tennessee River.

It was represented by Texas that it would do great violence to her trade to connect her with New Orleans. It was claimed, and evidence was submitted in support of the claim, that her trade was with her own cities or with Kansas City and St. Louis. In a poll of the banks of Texas made by the Comptroller of the Currency, 212 banks expressed a first choice, 121 a second choice, and 30 a third choice for Dallas. No bank in Texas expressed a first choice for New Orleans, only 4 a second choice, and 44 a third choice. The whole State protested against being related to New Orleans.

The banks of Alabama generally desired to be connected either with Birmingham or Atlanta, only three expressing a first choice for

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New Orleans. The banks of Georgia desired to be connected with Atlanta, none expressing a first or second choice for New Orleans, and only 12 a third choice. They represented that it would do violence to them to be connected with a city to the west and claimed that their relations were mainly with Atlanta or cities to the northeast. Of 44 banks in Florida 19 gave Atlanta as their first choice, 19 as their second choice, and 5 as their third choice. Only 5 expressed a first preference for New Orleans, and these were in the western corner, 4 a second choice, and 3 a third choice. No bank in Tennessee expressed a first or second choice for New Orleans, and only 2 a third choice, while 7 expressed a first choice for Atlanta, 14 a second choice, and 13 a third choice. Generally speaking, the only banks which desired to be connected with New Orleans and expressed a first preference for her were 25 of the 26 banks reporting in Louisiana, and 19 of the 32 in Mississippi. On a poll made from the comptroller's office of all banks expressing their preference as to the location for a Federal reserve city, 124 expressed a first preference for Atlanta, 232 for Dallas, and only 52 for New Orleans. The views of the bankers were supported by chambers of commerce, other business organizations, and by many business men.

It will thus be seen that if the committee was to give weight to the views of business men and bankers in the section of the country affected, to consider the opposition of the States of Texas, Alabama, Georgia, Florida, and Tennessee, and to be guided by economic considerations, it could not have designated New Orleans as the location for a reserve bank to serve either the western or the eastern part of the district that city asked for. The course of business is not from the Atlantic seaboard toward New Orleans, nor largely from the State of Texas to that city, and if Dallas and Atlanta had been related to New Orleans a better grounded complaint could and would have been lodged by them against the committee's decision than that made by New Orleans.

Some of the banking statistics which the committee had to consider throw light on the problem. It should be borne in mind that the committee could consider primarily only the statistics with reference to assenting banks. In this section of the country, as in most others, the assenting banks were the *national* banks. In March, 1914, the capital stock and surplus, loans and discounts, and individual deposits of the national banks in the three cities named, as shown by the sworn reports to the Comptroller of the Currency, were as follows:

	Capital and surplus.	Loans and discounts.	Individual deposits.
Atlanta	$8,600,000	$26,038,000	$24,348,000
Dallas	5,900,000	18,622,000	18,551,000
New Orleans	6,730,000	17,285,000	16,857,000

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Even more significant are the statistics of growth from September, 1904, to March, 1914.

CAPITAL AND SURPLUS.

	September, 1904.	March, 1914.	Percentage of increase.
Atlanta	$2,410,000	$8,600,000	256
Dallas	2,676,000	5,900,000	120
New Orleans	6,250,000	6,730,000	8

LOANS AND DISCOUNTS.

Atlanta	$10,329,000	$26,038,000	152
Dallas	7,653,000	18,622,000	143
New Orleans	20,088,000	17,285,000	Decrease 13

INDIVIDUAL DEPOSITS.

Atlanta	$9,931,000	$24,348,000	145
Dallas	7,157,000	18,551,000	159
New Orleans	19,425,000	16,857,000	Decrease 13

The loans and discounts in the national banks of New Orleans at the time of the report, March 4, 1914, were less than those of the national banks of either Atlanta or Dallas.

While the committee could not figure on the resources of other than assenting banks which are in this section, the national banks, the following statistics of all reporting banks, including national banks, State banks, and trust companies, as of June 4, 1913, were regarded as significant and were given consideration:

Atlanta reported capital stock and surplus $15,313,000, or $98 per capita; Dallas $9,997,000, or $108 per capita; and New Orleans $20,532,000, or $60 per capita. Individual deposits, per capita, Atlanta, $183; Dallas, $269; New Orleans, $209.

The loans and discounts for all reporting banks for the three cities were as follows: Atlanta, $33,494,000, or $216 per capita; Dallas, $27,517,000, or $299 per capita; New Orleans, $64,845,000, or $194 per capita.

The committee found that the total loans and discounts made by national banks in the cities named in the 13 Southern States on January 13, 1914, were as follows:

Atlanta	$26,117,000
Dallas	19,123,000
New Orleans	19,477,000

while the total loans made by the national banks of Dallas throughout the entire United States on the date mentioned exceeded the loans made by the national banks of New Orleans.

Special reports, made under oath to the Comptroller of the Currency also show that on February 14, 1914, the credit balances of the banks

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and trust companies in the 13 Southern States with the national banks of Dallas exceeded in amount the credit balances of all banks and trust companies in these same States with the national banks of New Orleans.

In view of the comparisons and criticisms from New Orleans in connection with the designation of Dallas, Atlanta, and Richmond, and the omission of New Orleans and Baltimore, the following table is instructive:

National bank statistics for States of Texas, Virginia, Maryland, Georgia, Louisiana, and Mississippi as of March 4, 1914.

[According to sworn reports made to the Comptroller of the Currency.]

	Area (square miles).	Population, census 1910.	Capital and surplus.	Individual deposits.	Loans and discounts.
State of Texas (including Dallas)	265,780	3,896,542	$76,785,584	$197,663,338	$215,114,326
State of Virginia (including Richmond)	42,450	2,061,612	29,732,696	90,887,858	107,410,063
State of Maryland (including Baltimore)	12,210	1,295,346	28,267,420	83,217,376	91,326,942
State of Georgia (including Atlanta)	59,475	2,609,121	24,479,735	51,382,061	61,852,579
State of Louisiana (including New Orleans)	48,720	1,656,388	12,128,866	32,000,521	34,804,354
State of Mississippi	46,810	1,797,114	5,168,192	17,045,324	13,669,200

From the above statement it will be seen that in each item, capital and surplus, individual deposits, and loans and discounts, the national banks of Virginia, including Richmond, largely surpass the national banks of Maryland, including Baltimore.

The capital and surplus of the national banks of the State of Virginia are 60 per cent greater than the capital and surplus of the national banks of the States of Louisiana and Mississippi combined, including the city of New Orleans, while the loans and discounts by the national banks of Virginia are more than three times as great as the loans and discounts in the national banks of Louisiana, including New Orleans.

While the capital and surplus of the national banks of Georgia largely exceed the combined capital and surplus of the national banks of the States of both Mississippi and Louisiana, the loans and discounts made by the national banks of Georgia exceed by $13,000,000 the loans and discounts of all the national banks of Louisiana and Mississippi combined, including the city of New Orleans.

The capital and surplus of the national banks of Texas amount to four times as much as the capital and surplus of the national banks of the States of Louisiana and Mississippi combined, and the individual deposits in the national banks of Texas also amount to about four times as much as the individual deposits of all national banks in Louisiana and Mississippi, the only States from which New Orleans received as much as half a dozen votes as first choice for the location for a Federal reserve bank.

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KANSAS CITY DISTRICT.

The region in the middle and far West presented problems of difficulty. Careful consideration was given to the claims of Omaha, Lincoln, Denver, and Kansas City, which conflicted in this region. Denver asked for a district which included Idaho, Montana, Utah, Wyoming, Colorado, New Mexico, and the eastern two-thirds of Arizona and Texas, Kansas and Nebraska west of the one-hundredth meridian, and the Deadwood portion of South Dakota. The district gave approximately the minimum capital provided by law. Of the territory included in this district Montana unanimously requested to be connected with Minneapolis or Chicago, saying that she had little or no trade relations with Denver. Idaho desired to go to Portland or San Francisco; Arizona preferred San Francisco, and the greater part of New Mexico asked for Kansas City. Western Texas, Kansas, and Nebraska unanimously protested against going to Denver. Kansas desired Kansas City; Nebraska preferred Omaha or Lincoln; and Texas wanted either a Texas city or Kansas City or St. Louis.

In the poll of banks, Denver received 136 first-choice votes, of which 112 were from Colorado and 12 from Wyoming. With Montana, Idaho, Arizona, Texas, Kansas, and Nebraska in opposition, it was clearly impossible to make a district with Denver as the location of a bank. Part of the territory asked to be assigned to San Francisco and the other part to Minneapolis or Kansas City.

Omaha asked for a district embracing western Iowa, all of Nebraska, part of South Dakota, part of Kansas, Colorado, Utah, Wyoming, Idaho, and Montana. All but eight of the banks in South Dakota insisted upon being connected with Minneapolis; Iowa desired to go to Chicago; Kansas practically unanimously voted for Kansas City; Montana protested against any other connection than Minneapolis or Chicago. The preferences of the other States have already been indicated.

Of the 218 banks which expressed a first preference for Omaha, 181 were from Nebraska. The committee had to consider the State of Oklahoma and part of Missouri in connection with this region, and in district No. 10, 497 banks expressed a first preference for Kansas City; western Missouri, Oklahoma, and Kansas, and part of New Mexico, especially asked for this connection. Thirty-seven banks in Colorado gave Kansas City as second choice and 26 gave Omaha.

It seemed impossible to serve the great section from Kansas City to the mountains in any other way than by creating a district with Kansas City as the headquarters, or to provide for the northwestern section except by creating a district with Minneapolis as headquarters. The only other thing that could have been done with Nebraska under the conditions which presented themselves

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was to relate her to Chicago, and this seemed to be inadvisable in the circumstances. The Kansas City banks serve a very distinctive territory and will serve it more satisfactorily than St. Louis could have done. The relations of that territory on the whole are much more largely with Kansas City than with any other city in the Middle West with which it could have been connected. It will, of course, be recognized by those who are informed that of the four cities Kansas City is the most dominant banking and business center. The following statistics as of March, 1914, will throw light on the situation:

	Capital and surplus.	Loans and discounts.	Individual deposits.
Kansas City	$11,660,000	$66,205,000	$40,415,000
Omaha	6,570,000	32,848,000	27,258,000
Denver	7,545,000	28,022,000	34,124,000
Lincoln	1,330,000	6,066,000	4,439,000

The statistics of growth during the nine years from September, 1904, to March, 1914, are significant:

CAPITAL AND SURPLUS.

	September, 1904.	March, 1914.	Percentage of increase.
Kansas City	$3,900,000	$11,660,000	199
Omaha	3,880,000	6,570,000	69
Denver	3,325,000	7,545,000	127
Lincoln	768,000	1,330,000	73

LOANS AND DISCOUNTS.

Kansas City	$35,598,000	$66,205,000	86
Omaha	16,218,000	32,848,000	102
Denver	14,146,000	28,022,000	98
Lincoln	3,820,000	6,066,000	58

INDIVIDUAL DEPOSITS.

Kansas City	$30,730,000	$40,415,000	31
Omaha	15,728,000	27,258,000	73
Denver	27,798,000	34,124,000	22
Lincoln	3,283,000	4,439,000	35

The loans and discounts of *all* reporting banks and trust companies in Kansas City on June 4, 1913, amounted to $91,686,000, exceeding by about $7,000,000 the total loans and discounts of all banks and trust companies in the cities of Omaha, Denver, and Lincoln combined.

The loans and discounts of the national banks alone in Kansas City also exceeded the sum total of the loans and discounts of all national banks in the cities of Omaha and Denver combined.

The great preponderance in the movement of trade in district No. 10 is to the east. In order to place the Federal reserve bank for

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that region in Denver it would have been necessary to disregard these facts and the opposition and earnest protests of banks, both national and State, throughout the district.

THE RICHMOND DISTRICT.

The committee named as cities for the location of Federal reserve banks New York, Chicago, Philadelphia, St. Louis, Boston, and Cleveland. In population these are *the six largest* cities in the United States; their geographical situation and all other considerations fully justified their selection.

San Francisco and Minneapolis were the first choice of the great majority of the national banks in their respective sections, and their financial, industrial, and commercial relations and other factors entitled them to be chosen. Their selection appears to have evoked no criticism, but to have received general approval. Conditions relating to the Kansas City, Dallas, and Atlanta districts have been dealt with.

For the territory from eastern Georgia to the Pennsylvania line, the committee, after fully considering all the facts, decided to create a district with the Federal reserve bank at Richmond. South Carolina and North Carolina had protested against being connected with a bank to the south or west. They said that their course of trade was northeast. It seemed undesirable to place a bank in the extreme northeastern corner or at Baltimore, not only because of its proximity to Philadelphia, but also because the industrial and banking relations of the greater part of the district were more intimate with Richmond than with either Washington or Baltimore. The States of Maryland, Virginia, West Virginia, North and South Carolina, and the District of Columbia had to be considered. North Carolina, South Carolina, and Virginia preferred to be connected with Richmond. West Virginia was divided in its preferences; Maryland and the District of Columbia, of course, desired Baltimore or Washington. In the poll of banks made directly by the comptroller's office, Richmond received more first-choice ballots than any other city in the district—167 against 128 for Baltimore, 35 for Pittsburgh, 28 for Columbia, S. C., 37 for Cincinnati, and 25 for Washington, D. C. Of the remaining 21 votes, 19 were for Charlotte, N. C., and 2 for New York. Leaving out the States of Maryland and Virginia, Richmond received from the rest of the district three times as many first-choice votes as were cast for Baltimore.

District No. 5 is composed of the States of Maryland, Virginia, West Virginia (except four counties), North and South Carolina, and the District of Columbia. These States have always been closely bound together commercially and financially and their business dealings are large and intimate. The reports made to the Comptroller of the Cur-

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rency on March 4, 1914, by all the national banks in each of these States show in every essential respect that the business of the national banks of Virginia, including Richmond, is greater than the business of the national banks of Maryland, including Baltimore, or any other of the five States embraced in district No. 5, as appears in the following table:

	Capital, surplus, and undivided profits.	Loans and discounts.	Total individual deposits.
Virginia	$33,544,631	$107,410,063	$90,887,858
Maryland	31,390,057	91,326,942	83,217,376
West Virginia	18,209,346	56,789,538	61,421,332
North Carolina	13,527,086	44,051,033	36,051,154
South Carolina	10,332,439	28,860,456	23,330,916
District of Columbia	12,685,411	26,253,432	29,520,853

Advocates of New Orleans have criticized the decision of the organization committee and have given out comparative figures as to New Orleans, Richmond, and other cities which are incorrect and misleading. An analysis and study of the actual figures will be found instructive and can lend no support to the claims of New Orleans.

From the sworn special reports recently submitted to the Comptroller of the Currency, it appears that the national banks in Richmond were lending in the 13 Southern States, on January 13, 1914, more money than was being loaned in those States by the national banks of any other city in the country except New York. The total loans and discounts in the 13 Southern States by the four cities referred to are as follows:

Richmond	$33,473,000
Baltimore	6,891,000
New Orleans	19,477,000
Washington	915,000

The figures also show that in these portions of district No. 5 *outside* of the States of Virginia and Maryland the Richmond national banks are lending *twice as much money as all the national banks in Baltimore and Washington combined.* They also show that although Richmond is not a reserve city, the banks and trust companies in the 13 Southern States had on deposit in the national banks of Richmond on February 14, 1914, $9,876,000, or slightly more than the banks of this section had on deposit in the city of Baltimore, and four times as much as they carried in Washington, although these two cities have long enjoyed the benefits of being reserve cities. That southern banks should carry larger balances in Richmond, where they could *not* be counted in their reserves, rather than in Baltimore or Washington, where they could be counted, is suggestive.

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The figures show that the capital and surplus of all reporting banks—national, State, and savings, and trust companies—per capita, in Richmond, as of June 4, 1913, was $131; in Baltimore, $85; in Washington, $88; and in New Orleans, $60, while the loans and discounts made by *all* banks and trust companies in Richmond, on the same date, amounted to $393 per capita, against $190 in Washington, $213 in Baltimore, and $194 in New Orleans.

The amount of money which banks and trust companies *in the various parts of the country* carried on deposit with Richmond, a non-reserve city, on February 14, 1914, amounted to $10,970,000, or nearly twice as much as the balances carried by outside banks with the national banks of Washington, which on the same day amounted to $5,516,000, and one and one-half times as much as they carried on the same day with the national banks of New Orleans, a reserve city.

The statistics furnished the organization committee show that on March 4, 1914, the capital and surplus of the national banks of Richmond, per capita, amounted to more than *twice as much* as the capital and surplus, per capita, of the national banks of either Baltimore or Washington, and three and a half times as much as New Orleans, while the individual deposits of the national banks of Richmond amounted to $201 per capita, against $86 for Washington and $76 for Baltimore and $50 for New Orleans. The loans and discounts in the national banks of Richmond on the same date were reported at $279 per capita, against $77 for Washington, $108 for Baltimore and $51 for New Orleans.

Especially significant are the following statistics showing the growth in capital and surplus, loans and discounts, and individual deposits of national banks in the four cities named:

CAPITAL AND SURPLUS.

	September, 1904.	March, 1914.	Percentage of increase.
Richmond	$3,115,000	$9,314,000	199
Washington	6,215,000	11,365,000	83
Baltimore	18,262,000	19,205,000	5
New Orleans	6,250,000	6,730,000	8

LOANS AND DISCOUNTS.

Richmond	$12,946,000	$35,593,000	175
Washington	15,018,000	25,405,000	69
Baltimore	48,755,000	60,312,000	23
New Orleans	20,088,000	17,285,000	Decrease 13

INDIVIDUAL DEPOSITS.

Richmond	$11,257,000	$25,705,000	128
Washington	20,017,000	28,491,000	42
Baltimore	40,910,000	42,553,000	4
New Orleans	19,425,000	16,857,000	Decrease 13

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In other words, the figures show that the national banks of Richmond were lending on March 4, 1914, *twice as much* money as all the national banks in the city of New Orleans, and 40 per cent more than all the national banks of Washington.

In the original decision of the committee the various economic and other factors which entered into and determined the committee's action were enumerated and need not be repeated here. This statement is made for the purpose of disclosing some of the details which influenced the Committee's findings.



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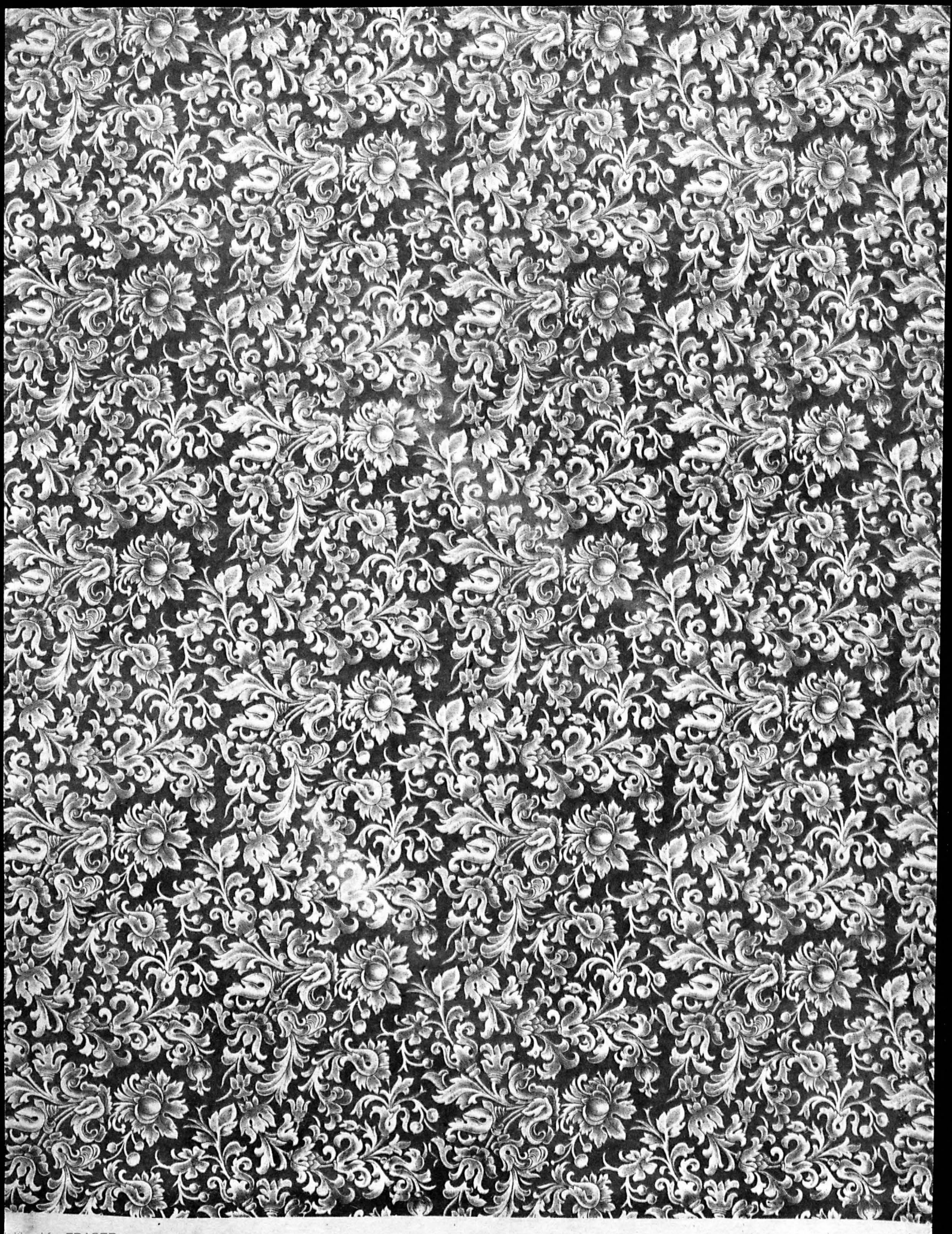

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May be in Organization Committee
Exhibits in the Records Center in
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Material received from Parker B. Willis,
son of H. Parker Willis, 7/22/64.

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APPENDIX II

Report on Districting

The Reserve Bank Organization Committee,

Washington, D. C.

Gentlemen:

Pursuant to your instructions I have read and analyzed the testimony taken before your Committee at the various cities at which you have held hearings with reference to the prospective division of the United States into reserve banking districts. As a result of this analysis, I beg to submit the following memorandum or statement, accompanied by maps:

Part 1: A theoretical treatment of the general principles upon which the districting must be carried out.

Part 2: A proposed plan for the subdivision of the country into eight or nine (as preferred) districts.

Part 3: A modification of this plan whereby three additional districts would be created.

Part 4: A defence of the grouping suggested.

Part 5: A discussion of the location of the headquarters banks and of their branches.

Maps: A map of each proposed district is submitted in connection with the text relating to that district and a general map showing railway routes and grouping all the districts in their relation to one another is added at the close.

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Classes of Testimony.

The testimony taken before the Organization Committee may, in my judgment, be generally divided into the following classes:

(a) That relating to the importance, capital, business, and future prospects of the various places represented.

(b) That relating to the clearings and financial transactions of the various places, and their relation to other cities with reference to banking accounts and reserves carried in other banks.

(c) That relating to the habits and customs of the surrounding communities in regard to applications for loans and in regard to the distribution of their business between different cities under the present banking system.

(d) That relating to railway facilities, times of communication, and delivery of mail.

(e) That relating to the capitalization of the banks of the section, state and national, the amount of their deposits and of their reserves.

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Character and Volume of Local Business.

Relatively little attention need be paid to the evidence presented in various places with regard to the character and volume of local business, or with reference to the rapid development of such trade and industry in the past or its probable future. Under the existing banking system, competition and the general course of trade have mapped out distinct channels within which funds are transferred, and have determined the distribution of banking capital upon known lines. There is nothing in the new act to alter this distribution, certainly for the present, and there is no reason to believe that the main features of business, its distribution, and its character will be materially altered in the near future. They will continue about the same under the proposed system as they are today. The chief difference that will be gradually developed will be found in the fact that those who have prime commercial paper to dispose of will be able to market it locally instead of relying upon distant financial centers. But inasmuch as the capital and reserves of the new banks are to be determined as a percentage of existing bank capital, the reserve banks are a function, to speak mathematically, of existing banks. They cannot do more for the given section in which they are situated than their capital, contributed by existing banks, will allow. A certain limitation may of course be placed upon this statement in that some stock may be sold to the public at the discretion of the Organization Committee. This, however, will be a limited, and I assume, exceptional, resource, and the consequence must be that in order to enlarge the resources of a reserve bank it would be necessary to develop those of existing member banks. This will be done as the needs of the local industries require. There is, therefore, no direct or immediate relationship between the proposed reserve bank and the business concerns of a given district which is not expressed in the capitalization of the banks of that district.

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Question of Clearings.

In like manner, it may be said that the question of clearings is not one that is vitally essential to the locating of the new banks. Much of the testimony adduced has to do with the relative amount of clearings at given places. On the other hand, it has been frequently pointed out by witnesses that large volumes of trade are not expressed in the clearings. The reason why the clearings need not be primarily considered as throwing light upon the suitability of a given point as the location of a reserve bank is found in the facts that, (a) under the existing system of banking the clearings are affected by many extraneous features which will disappear under the new system; (b) the precise amount of the clearings varies very greatly from place to place and will always do so, according to the number and character of the banks and the nature of their relations with one another and with outside banks. Clearings are never a very good index of business either as to volume, nature, or strain on the financial resources of the places where they are effected. There is little need, therefore, to examine figures of clearings in seeking to place the new reserve banks. In all probability, even the most conscientious study of clearings would be found to be useless, owing to the complete alteration which will be effected so soon as the new system has been successfully put into operation and has had time to produce its results in changing the direction of remittances and in altering modes of payment.

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Capitalization.

Again, the bare facts as to the capitalization of the banks and trust companies of a given city or region are of only secondary importance in determining the location of reserve banks. The law specifies that no reserve bank shall be created with a smaller capitalization than $4,000,000 and it is, therefore, necessary to obtain in every district an aggregate of banking capital which shall bear the proper relation to this minimum amount on the 6 per cent basis indicated in the law. For reasons which will be later stated, it is not believed that anything is gained by attempting to take in an unduly large amount of banking capital in any given district. Assuming these premises,--one based on legislative provisions, the other upon general reasoning--the question how great or how effective is the capitalization of existing banking facilities in any particular place is not fundamentally important. The district reserve bank, if operated upon public-spirited lines, will be managed in such a way as to serve in an equitable manner the various needs of the district, and will be managed by directors who presumably represent the whole district, just as the reserve bank system will presumably be operated in the interests of the country as a whole and without effort to serve the interests of one particular section or group of persons. It may be said, therefore, that since the capitalization of the whole district will be available in its due proportion for the uses of the district in all of its varied parts, the development of a portion of this capitalization at a given point has no fundamental bearing upon the placing of the reserve bank at that point. Still less is this true in view of the provisions for the creation of branch banks

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Railway Facilities.

A very different point of view must be taken with respect to the question of railway facilities. The Federal reserve bank of a district must be located somewhere, and the assumption naturally is that it will be located in the place which is most accessible and from which it can best serve the community. Other things being equal, a large city is favored because it is likely to contain a correspondingly large proportion of the heavy borrowers of a community and to bring them consequently close to the reserve bank where their habits and methods can be easily inspected. It remains true, moreover, that the larger places are usually those where the railway facilities are the best.

The Federal reserve bank is furthermore, called upon to perform the service of clearing for its members, and in order to effect this object successfully it must be within as quick and easy reach of the member banks as practicable. This is fundamentally important in getting the clearing system into effective operation, and it is believed that this clearing system will be found to be one of the most significant features of the new law. Moreover, easy communication for the purpose of prompt transmission of funds, the shipment of currency in time of necessity with as little delay as possible and the prompt receipt of deposits, as well as the affording of immediate means of communication with other Federal reserve banks, all dictate the selection of places for the head offices of such banks that are best equipped with means of communication and are able most speedily to receive from and send to their member banks such funds, checks, drafts and the like as may be required by the course of business. The testimony affords considerable valuable information on this point.

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Habits of Borrowing.

It will be worth while to devote attention to the data that have been developed with respect to the borrowing habits of the community inasmuch as these habits undoubtedly will tend to persist and it is not desirable to break them except where necessary. For example, if it is shown that a large section of the surrounding country is in the habit of dealing with point A and of discounting its paper in the banks of A, that is a consideration in favor of recognizing A as the center of the reserve district which is to include A and the territory adjacent, and it is also an argument to be considered in that it indicates that A is already a financial center for that territory with well developed lines of credit outstanding. At the same time, it should be remembered that under the new act there is nothing whatever to prevent individuals from borrowing outside of their own districts or to prevent member banks from rediscounting paper with other banks in other districts or from selling or buying in the open market. They will be able to continue their present practices in that regard. Further the existing banking system has in some cases tended to centralize funds under an artificial method, and so to build up certain points in a way that they would not naturally have developed. It is, therefore, not absolutely essantial, or always possible, in laying out the districts to pay heed to the existing practices on the part of given banks in borrowing through or from the banks of a specified city. In some cases, it may be necessary to place such borrowing banks or individuals in a district which will center at a point not heretofore regarded as the financial metropolis of the region. It may be generally said that the borrowing habits of the community should be regarded as fully as possible, in all cases where such regard does not run counter to other more forcible or controlling considerations. The testimony throws much valuable light upon these borrowing habits, and is of material assistance in determining the limits to be assigned certain districts.

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Question of a Large Bank or Banks.

Inspection of the records and testimony filed at the various hearings shows that in several places local bankers advocated the establishment of a very large bank. This was not in all cases because of the desire for an extremely high capitalization, but was in not a few the outgrowth of a feeling that the city where the bank was to be located was entitled to a certain territory which was regarded as naturally dependent upon or ancillary to it. Thus pleas were made for a bank with a very large capital or a large territory, or both, at New York City, Chicago and St. Louis. At other places requests for large territories were filed, but in many such cases the requests were due to the converse consideration,--the necessity of including a sufficiently large territory to supply the banking capital requisite upon the percentage basis prescribed by the act, to furnish the necessary reserve bank capitalization. Some analysis may now properly be made of the two points of view thus offered.

Those who demanded the organization of a large bank on the ground that such a bank was necessary in order to supply the necessities of the borrowing community dependent upon such bank were manifestly in error, inasmuch as they assumed that the bank in question was to be primarily dependent upon its capitalization for the means of supporting its discounts. Such is far from being the case. The act itself prescribes that the banks shall be provided shortly after their organization, not only with paid in capital, but also with very large sums in deposited reserves representing the reserve funds of member banks. These both can and should be (as they were intended to be) available for use as reserve bank loaning resources. In addition the government deposits to be made with the banks will furnish further means of supporting credits. The capital will be simply an extra or added strength to the banks and a buffer against possible losses. If it be contended that the bank of

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any given district is not large enough to meet the needs of the community the criticism really amounts to a statement that the amount of the reserves required to be deposited is not sufficient. This difficulty, if it existed, could be overcome by the banks which are jointly stockholders in the reserve bank, by simply depositing more of their funds with the reserve institution. If necessary, it will have to be corrected by enforcing a requirement that a larger percentage of reserves shall be deposited with the reserve banks. Merely to extend the area included within the territory belonging to a reserve bank would not help, because such extension would simply enlarge the area without enlarging the proportion of the capitalization of the bank to that of the member banks. In other words, as fast as the area increased and the capitalization with it, just so fast would the amount of demand or strain likely to be brought to bear upon the reserve bank be increased or extended. This means that no purpose whatever in the direction of strengthening the reserve banks is attained by enlarging the area over which they preside, assuming that a sufficient area has been included to give them a reasonable degree of capitalization at the start.

Secondly, the statement that a very large capitalization is necessary in order to inspire respect either abroad or elsewhere ignores not only the fact that the real strength of the banks lies in their holdings of reserve funds as just set forth, but also ignores the fact that the reserve system will undoubtedly be viewed as a unit by foreign countries as well as by domestic interests. There is, therefore, no argument whatever on the side of those who demand that an exceptionally large banking capital shall be assigned to some one or more of the new institutions. The contentions put forward in this connection failed to recognize the united character of the system and the fact that in case of necessity the reserve board has power to require anyone of the reserve banks to come to the aid of anyone or more of the others.

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Average Capitalization.

An estimate of the probable capitalization of the Federal banks as a whole, assuming that only the national banks enter the system at the start and that practically all of them do so, or (what comes to the same thing), that enough state banks enter to make up for any withdrawals of national banks, would give a total capitalization of about $1o7,ooo,ooo. The Federal Reserve Act prescribes that the number of banks to be established shall be not less than eight or more than twelve. This means that the average capitalization of the reserve banks shall be not more than one-eighth of $1o7,ooo,ooo, or $13,35o,ooo, and not less than one-twelfth of $1o7,ooo,ooo, or $9,ooo,ooo, in round numbers. There is nothing in the act to indicate a desire or intent on the part of its framers that none of the banks should be materially larger than the others, but on the contrary the act has specifically left a large latitude to those engaged in laying out the country into districts in order that they may exercise their best judgment in apportioning the banking capital among such districts. It is, however, obviously true that since the act requires that no reserve bank shall have a smaller capital than $4,ooo,ooo, and since the whole tenor of the law and of the debate on it was against the creation of one overshadowing institution, the framers of the act did intend that there should be no marked or extreme disparity between the capitalization of the several banks. Inasmuch as the minimum capitalization and the number of banks is fixed it is evident that if eight institutions were to be established on the basis already indicated, the maximum size which could be given to any one of them and yet comply with the law would be $79,ooo,ooo, while if twelve institutions were to be established the maximum size thus assignable would be $63,ooo,ooo. To these limits the organizers of the act could go without violating the letter of the law. Such a variation in size of the banks

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would, however, be a manifest violation of its spirit. The same is true of the proposal to establish three or four very large banks, made by the bankers at certain of the hearings. This latter plan in turn repeats the proposal which was urged during the debates on the bill that there should be not to exceed four reserve institutions. That plan was an alternative to the plan of a single central institution and was rejected in the same way as the central plan. If the recommendations of the bankers of New York, Chicago and St. Louis were to be accepted, the country would be practically divided up between these centers except insofar as a fringe had to be left to comply with the requirements of the law. Worked out in practice and harmonized with one another to some extent, the suggestions of the bankers in these three cities would lead to the establishment of eight banks of which three should be very large and five small. If the five were kept down to the minimum capitalization of $4,000,000, there would be left $84,000,000 for division between the three centers, or an average of $28,000,000 as the capitalization basis for the reserve bank in each place. It is not believed that this would be a compliance with the law or that the bankers in those places submitted any evidence showing that such a capitalization should be assigned.

Assuming this reasoning to be accepted, a first approximation towards a plan for laying out the proposed districts can be arrived at as follows:

The largest of the reserve banks to be located at the principal financial centers of the country should have a capitalization whose minimum limits should be in the neighborhood of $9,000,000, or less and whose maximum limits should certainly not exceed $28,000,000, and should preferably be very much smaller than that amount,--as much smaller as the convenience and customary course of business will permit.

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Fundamental Principles.

The fundamental principles of a positive nature upon which the process of districting should be carried out may now be laid down.

(a) The act calls for not less than eight nor more than twelve districts; it leaves the choice of the number within these limits entirely open and to be decided without prejudice.

(b) The plain intent of the framers of the act was to establish a number of different and independent institutions, each sufficiently strong to care for itself without the necessity in normal times of depending upon any other.

(c) The institutions to be created should, therefore, be reasonably similar to one another in size, without attempting to bring about any artificial similarity, and should be located at such points as will most nearly convenience the business of the country.

(d) The creation of any one large bank should be avoided, meaning by large bank, a bank so preponderating in importance as to make it ipso facto the most conspicuous, and by far the strongest, element in the system; while at the same time it should be sought to avoid the creation of two distinct classes of banks, one consisting of large, powerful institutions, the other consisting of smaller and weaker institutions likely to become dependent upon the neighboring and stronger banks.

(e) While the law requires that a minimum capital of $4,000,000 shall be present in each and every reserve district and while this requirement must be observed, there is no harm in approaching closely to it or even in going below this limit so far as the banks are concerned, making up the deficiency by private or Government subscription if it be true that within a reasonably near future the district will pro-

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bably advance in wealth and capital so as to make the establishment of such a bank desirable.

(f) Special study should be given both in establishing the districts and in establishing the point in each district where the headquarters bank is to be situated, to the facilities and speed of transportation both between such point and those at which other headquarters banks are located, and between such headquarters point and the outlying portions of the district itself.

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General Problem of Districting.

A general survey of the country for the purpose of districting clearly shows that several distinct problems are offered in connection with the division of the country under the Federal Reserve Act. These problems present distinct phases and vary from region to region. While it will not be possible in this study to proceed in an absolutely consecutive way, geographically speaking, in the division of the country, it will be well to let the study proceed so far as practicable and convenient by grand divisions of regions, recognizing the distinct character of the soil, industry, distribution of population, and transportation systems of the several portions of the Continent.

A limitation to be imposed upon this general principle of procedure as well as a consideration which will aid in developing the different districts is found in the fact that to a certain extent the sites of reserve banks must be regarded as practically predetermined. Wherever that is true, for the reasons already generally set forth in the foregoing analysis, it is possible to assign certain territory as definitely belonging to the banks to be placed in the cities aforesaid. Thereby certain definite limitations necessarily to be observed in connection with the subsequent outlining of the districts are laid down. Not necessarily, but certainly preferably, in conforming to the convenience and customary course of the country's business the first three places selected as locations of such banks will be the three central reserve cities of the present banking system,--New York, Chicago and St. Louis. Both because they are at present financial centers, because they are better equipped with railway and mail facilities than neighboring points, and because to locate the reserve banks of the districts in which these cities are placed outside of the cities themselves, or to divide the cities between two adjacent districts would seem artificial and would be inconvenient, it is believed that the choice of these cities may be regarded as axiomatic.

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PART II

Having outlined the general plan of procedure it is now possible to attempt an actual division of the country into districts. In making such analysis it will be assumed in the first place that the number of districts is to be restricted so far as reasonably possible consistent with the spirit and purpose of the Federal Reserve Act. With that assumption taken for granted, it will be necessary to submit to certain limitations whose weakness will subsequently be pointed out should it appear that they are likely to injure the general plan.

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Northeastern Section.

With this general plan of procedure in mind, a beginning of the analysis may be made in the northeastern section of the country.

In this northeastern section of the country the problem of districting presents two distinct phases:

(a) Avoidance of the drawing of district lines in such a way as to include an unreasonably large capitalization.

(b) Recognition of geographical and commercial relationships and connections to the fullest possible extent under the conditions.

A careful consideration of the state of things on the Atlantic seaboard with these points in mind, indicates the desirability of at least three reserve districts on the seaboard and preferably four, the northernmost including New England and such adjacent territory as may be deemed necessary, the second including the Metropolitan district of New York and such adjacent territory as may be requisite, the third embracing the territory south of the New York district and extending far enough to the southward to provide adequate capitalization for the bank of the district and to include all that region naturally dependent upon a northeastern city for banking connections, while the fourth would take in the remainder of the extreme southern territory and might be joined to or become a part of a general southern district embracing the cotton growing region.

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New York District.

In dealing with the northeastern section of the country a beginning may be made with New York City and the district which is to be assigned to it. Any lengthy argument with reference to the desirability of New York as a location for a reserve bank may be waived and it may be assumed that that place may be the natural as it is the most convenient site for a reserve bank in the immediate region in which the city is located. Although it was proposed during hearings in New York by one witness to divide New York City itself into two parts, one to belong to each of two different districts, such a suggestion as well as the recommendations of others who favor the omission of New York entirely from the list of reserve cities, are too artificial or too obviously controlled by prejudice of one kind or another to be very seriously regarded. The claims of New York City to a reserve bank are based not only on the fact that it is today the principal financial center of the United States but upon the further fact that it is also the chief center of exportation and importation and that convenience in the handling of paper would indicate the desirability of locating a reserve bank there, even though it might be held that a branch of an institution located elsewhere could perform the service to all intents and purposes as effectively. The argument in favor of locating a bank at New York is so strong as to need no further development.

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Size of New York District.

The smallest size that could be assigned to the New York district, for obvious reasons would be the territory included in greater New York. If the capitalization of the reserve bank of the district were to be based upon the capital of the national banks of greater New York on the basis of 6 per cent of capital and surplus it would amount to $254,000,000. This would be ample to meet the requirements of the act judging from the standpoint of average capitalization. It may reasonably be felt, however, that capitalization would not be so large as to preclude a further addition to it. If there are business conditions that seem to demand the extension of the limits of the district beyond those which would thus be assigned to it, [this should be done].

A study of the facts as to the New York district appears to indicate conclusively that there are good business reasons for favoring such an extension of the district beyond the limits assigned in the way indicated. The densely populated area on the extreme eastern shore of New Jersey is practically a part of New York City for business purposes and should be included with it. This was the testimony of New Jersey bankers who appeared at the New York hearing and there is no reason to question their argument in the matter. It is the present opinion that good evidence has been presented in favor of permitting the southern boundary of the district to be carried somewhat beyond the town of Elizabeth, New Jersey.

On the other hand reasonable argument has been adduced by Southern Connecticut bankers at the New York hearing in favor of granting to them connection with the New York district. There is a conflict of opinion as to precisely how far southern Connecticut should thus be included, but the present belief is that the northern line of the district should not be carried further than the Connecticut River. For

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geographical reasons, and owing to considerations of transportation convenience, the whole of Long Island should also be included while for similar reasons it is believed that the extreme southern tip of the mainland territory of New York State should be added. It would not be wise to carry the district farther up into the State than absolutely necessary because of the undue increase in the amount of the capitalization thus made tributary to the New York reserve bank.

In estimating the capitalization of the reserve bank of New York, it will be noted that the combined capital and surplus of the national banks of New York and Brooklyn is $254,000,000, while the estimated capitalization of that portion of Connecticut suggested as a part of the New York district may be taken as one-third of the Connecticut banking capital and surplus, or $10,500,000. The portion of New Jersey included may be estimated as probably $30,000,000, or about two-thirds of the capitalization of the State while the small strip of New York territory outside of the city contains possibly one-fourth of the State capitalization, or approximately $21,000,000. There would thus be a total bank capitalization in the district for the purposes of the act of about $315,000,000. On the 6 per cent basis this would provide a capital for the reserve bank of the district of about $19,000,000 which it is believed is amply adequate to the purposes of the institution.

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Analysis of Testimony.

At the New York hearings, January 5-8, (Hearings, Jan.5th) two lines of argument were adduced:

(1) To the effect that great size for the New York district was not necessary for the purpose of providing a dominating bank of large capital.

(2) To the effect that the size of the New York district was of great importance in order to provide a single strong institution.

In support of the latter contention, much was said that needs no analysis and many suggestions for the inclusion of very large districts were put forward. As seen from the introductory argument in this memorandum very little soundness is believed to inhere in these views. The large bank idea, therefore, needs no particular discussion as developed at the New York hearings.

Practically, therefore, the only feature of the testimony that needs attention is that afforded by the testimony of certain bankers and other witnesses as to the inclusion of a small territory adjacent to the city. Examinations of these portions of testimony shows that the areas strongly urged as appropriate integral parts of the district were those along the New Jersey shore which were said by New Jersey bankers to be properly a part of the New York district (minutes pp. 287-93), those relating to the inclusion of a small portion of New York State (minutes, passim), and those relating to the inclusion of Connecticut west of the Connecticut River, (Hearings pp. 525 ff, 662 ff, etc.) The argument in favor of including each of these areas was that it was closer to New York City than to any other banking center, had closer connections with New York than with any other, and was likely to get better accommodations there than elsewhere. It is believed that these areas, being really portions of the Metropolitan district in the larger sense of the term, should be included as a mere matter of convenience.

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(Revised)

Description of New York District.

Following the principles already laid down, therefore, we may describe the New York district as follows:

Beginning with New York City extend the boundaries to the northern end of Long Island, and then crossing to the mainland follow the line of the Connecticut River to the northern boundary of Connecticut, thence connecting by a straight line with the northern boundary of Pennsylvania, north of Carbondale. Follow the Pennsylvania boundary south to Easton, and from there draw a straight line due east to the coast. The district thus described is indicated on the accompanying map.

Capitalization

The capitalization of the New York district on the basis suggested would then be as follows:

State or City:	Capital and Surplus
Brooklyn,	$ 4,900,000
New York City,	249,300,000
New York State, one-fourth estimated,	21,500,000
New Jersey, two-thirds estimated,	30,500,000
Connecticut, one-third estimated,	10,400,000
Total	$316,600,000
Capitalization of reserve bank at 6%	$18,996,000

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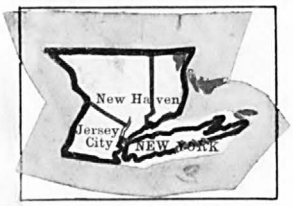
Map of New York District



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Boston District.

As New York is the most conspicuous and most immediate point at which to organize a reserve bank at the northeastern section of the country, taken as a whole, so Boston in the extreme northeast, or New England area occupies a similar position. By commercial affiliations, by size, and by transportation as well as, on the whole, by geographical location, Boston is the point in New England at which a reserve bank should be located,--assuming that New England is split off from New York and allowed to constitute an independent district. As is shown in the analysis of testimony before the Organization Commitee there were sundry bankers who desired to see the New England States a part of the territory assigned to the New York district. The considerations which have already governed us in delimiting the New York district afford a conclusive answer to any suggestion that the New York district be made to include New England. This leaves only the question whether there is any district to which New England might belong or with which it might be associated instead of assigning it to an independent district. A glance at the map shows that geographically there would be no argument for such a course, while on the other hand transportation conditions would not favor it. There remains only the question of banking capital and a brief survey shows that the capital of the New England States is amply sufficient to afford the basis for a reserve bank.

Summing up, therefore, it may be said that when regard is had to the amount of banking capital in the country and the necessity and propriety of making a satisfactory division of it among the several districts it will be concluded that at least one other institution additional to New Yorks in the northeastern part of the United States will be needed. That this should be located at Boston is the obvious conclusion in view of the following considerations:

(a) New England constitutes a distinct and separate section by itself.

(b) There is no commercial center in New England which rivals Boston as a banking or business headquarters.

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Outlines of District~~s~~. ← Gronall calls

As will be seen from the analysis of testimony presently to be presented, the hearings held at Boston indicated a practically unanimous desire on the part of New England bankers for the establishment of a reserve bank at Boston, such bank to embrace within its territory the whole of the New England States or nearly that amount of territory. Examination of the record shows that the only doubt of a secret character related to the Southern part of Connecticut, which it has already been decided for reasons stated in this report to attach to the New York district. This would leave the New England States, with the exception of about one-half of Connecticut, as the territory of a reserve bank located at Boston, assuming that capitalization conditions would permit. Examination of the capital stock and surplus of the national banks in the New England territory as indicated seems to show that the aggregate would be about $155,000,000, 6 percent of which would be about $9,300,000. The figure thus indicated is well within the limits already tentatively outlined and the question may, therefore, fairly be asked whether there is any additional area that might properly be included. An examination of transportation conditions shows that the eastern and northern part of the State of New York is geographically closer to New England than it is likely to be to any other reserve district, not excepting that with headquarters at New York City. A certain section of northern and eastern New York may, therefore, to good advantage be included in the New England district. There is no positive evidence available as to precisely how great an area this strip should ~~be~~ cover, but convenience would suggest that it be made to include all the territories east of a line running parallel to the 76th meridian, touching the St. Lawrence and the Canadian border east and north of Ogdensburg. It is estimated that this territory will probably add about one-third of the bank capitalization of the State of New York outside of the cities besides the city of Albany. This would add about $28,000,000 of country capitalization (and surplus) and about $4,300,000 in Albany. The total bank capitalization of the New England district would then be $187,300,000, while its reserve bank would have an approximate capitalization of $11,238,000.

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Analysis of Testimony.

At the Boston hearings, January 9-10, (Hearings Jan. 9 & 10) practically little or no serious division of opinion occurred, most of those who testified being in favor of a New England reserve district with headquarters at Boston and including generally the New England States.

The arguments in favor of this point of view were generally speaking, as follows:

(a) The economic independence of New England and the general capacity of the region to take care of its own necessities.

(b) The geographic situation in the New England territory and the convenience from transportation and other standpoints of having a headquarters bank at Boston.

Possibly the chief point of difference of opinion related to the treatment of the portion of Connecticut west of the Connecticut River which in this memorandum has already been assigned to the New York reserve district. There was an evident disposition on the part of some to retain it as an element in the New England reserve district, (minutes pp. 662 ff). This view, however, does not appear to have had the support of the bulk of the bankers likely to be affected by the transfer of the area to the New York district.

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Description of District.

From Calais on the Atlantic seaboard, follow the boundaries of the State of Maine, New Hampshire, Vermont and New York to a point on the St. Lawrence River, north and east of Ogdensburg and due north of the intersection of the northern and eastern frontiers of Pennsylvania. From this point proceed due south to the Pennsylvania frontier at a point due west of a line formed by producing the southern boundary of Massachusetts to its intersection with the line already indicated. Proceed due east to the intersection of the western and southern frontiers of Massachusetts and follow the southern frontier of the latter State to the Connecticut River. Follow the Connecticut to the Coast and then up the Coast to the original point of departure.

Capitalization

State or City:	Capital and Surplus
Maine,	$ 11,500,000
New Hampshire,	8,600,000
Vermont,	7,000,000
Massachusetts,	48,000,000
Boston,	48,000,000
Rhode Island,	10,800,000
Connecticut, two-thirds estimated,	21,000,000
New York, one-third estimated,	28,000,000
Albany,	4,300,000
Total	$187,300,000
Capitalization of reserve bank at 6 ~~percent~~ %	$11,238,000

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Map of New England District



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Philadelphia District.

Assuming that the New York and Boston districts already surveyed are assigned the limits herein suggested, the problem will then be presented of dividing the country immediately south and west of those districts. Turning attention first to the region immediately south of New York, the first fact of importance to be considered is the existence of Philadelphia as an important banking center. For reasons already stated, Philadelphia cannot be included in the New York district and the question is thus raised whether it can properly be made the head of a district of its own or should be included in some other. At first sight the argument is in favor of the establishment of a reserve bank at Philadelphia, and a variety of considerations appear to strengthen this view.

The total national bank capital and surplus of Philadelphia is about $62,000,000, so that a district of considerable size outside of the city could be added to it without unduly enlarging the size of the reserve bank to be there established. It is obvious that certainly the eastern portion of Pennsylvania already tributary to Philadelphia would naturally be assigned if were a reserve bank to be established at that place. Geographically and from the standpoint of transportation the district which would naturally fall to Philadelphia would be the whole of the eastern part of the State,--that is east of the Alleghany Mountains. The total capitalization of Pennsylvania, inclusive of surplus, of national banks (outside of Philadelphia and Pittsburg) is approximately $142,000,000. Of this probably one-half would be assigned to Philadelphia if a line were drawn from the point at which the western boundary of Maryland touches the southern boundary of Pennsylvania diagonally to the eastern tip of the southern boundary of New York. This would be a total of $71,000,000. Included in the same general geographical and banking territory are likewise the southern portion (two-thirds) of New

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Jersey not included in the New York district with about $3o,ooo,ooo of capital and surplus, the State of Delaware with about $3,3oo,ooo, the State of Maryland with about $9,ooo,ooo, the City of Baltimore with about $18,7oo,ooo and the District of Columbia and Washington with about $11, 8oo,ooo. An analysis of the testimony offered during the hearings at Washington seems to show that the banks of Virginia are considerably closer in their connections with those at New York, Philadelphia and Baltimore than they are to the institutions south of them. Although the testimony with reference to North Carolina is somewhat less satisfactory it appears that much North Carolina business tends more easily southward. There would, therefore, appear to be a good argument for throwing practically the whole of Virginia with the same general territorial region as that already under consideration. Should this be done there would be added further capital and surplus of national banks aggregating about $29,3oo,ooo. The total capitalization thus assigned to what may be called the Philadelphia district would thus be in the neighborhood of $235, ooo,ooo, while the capitalization of the reserve bank of the district would be about $14,1oo,ooo.

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Analysis of Philadelphia Testimony.

The testimony relating to what is here called the Philadelphia district (minutes at Washington, Jan. 14), relates largely to the demands of various groups of bankers for a district of the size and inclusiveness desired by them, or to the supposed desirability of placing the headquarters of the reserve bank of such a district, if established, at some city favored by one or another of the contesting speakers. Some portion of these arguments may be considered at a later point in connection with the question of establishing the headquarters bank of the district. For the purposes of the districting itself, it is desirable chiefly to notice the trend of the testimony with respect to the borders and particularly the southern extension of the district as a whole.

There was a distinct demand at the Philadelphia hearing for the placing of a reserve bank in Charlotte, North Carolina, or in case that were not granted for the inclusion of North Carolina with the district which was to include Philadelphia. C. A. Bland, speaking for Charlotte, outlined however a southern district with Charlotte as the proposed headquarters, such district to include, Virginia, North Carolina, South Carolina, Georgia, Florida, and possibly portions of Kentucky and Tennessee. From this the inference may be fairly drawn that North Carolina can without serious damage be placed in a southern district. Levi I. Rue, representing Philadelphia, asked for New Jersey, Pennsylvania, the District of Columbia, Delaware, Maryland, West Virginia, Virginia and North Carolina, and contended that Virginia and North Carolina trade moved northward. C. R. Miller, speaking for the Delaware Bankers Association, unequivocally favored Philadelphia, while Samuel McCracken, for the bankers of Wilkesbarre, Pa., was equally clear in presenting the demand of his section for a bank at Philadelphia. Charles McKnight,

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President of the Pittsburg Clearing House, was positive in his statement that a separate reserve bank should be created at Pittsburg, asserting that all of the trade West of the Alleghanies goes to Pittsburg or centers around it. On the other hand, the argument of Baltimore showed a marked similarity to that presented by the representatives of Philadelphia, except of course as to the location of the headquarters. The same was true of Washington. Richmond (minutes pp. 818 et seq.) spoke positively for a plan that would associate North Carolina and South Carolina with her with headquarters at Richmond. This argument was largely based upon the trend of business northward to Virginia from North Carolina while various bankers from that region testified that they received few checks on Southern cities.

The general conclusion to be drawn from the testimony is that Virginia should unmistakably be thrown into a district with headquarters in the north, while North Carolina might go to either section, being a debatable territory, no harm however resulting from associating it with a southern district. In the same way West Virginia is clearly thrown toward the Great Lakes, while the States of the Eastern seaboard between Virginia and Pennsylvania are grouped in a sea coast district.

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Description of District.

Starting at the point where the southern boundary of the New York district intersects the Atlantic Cosst line, follow the coast line southward to the intersection of the southern boundary of Virginia with the coast. Follow the southern boundary of Virginia westward to a point due south of the southernmost point of West Virginia then proceed north to ~~its~~ intersection with the West Virginia border. Then follow the latter northward and eastward, then westward around the northernmost extremity of the State and again northward to its intersection with the northern border of Pennsylvania. Connect this point of intersection with the eastern end of the southern boundary of New York.

Capitalization.

State or City:	Capital and Surplus
Pennsylvania, estimated one-half,	$ 71,000,000
Philadelphia,	62,000,000
New Jersey, two-thirds estimated,	30,000,000
Delaware,	3,300,000
Maryland,	9,000,000
Baltimore,	18,700,000
Washington, and D. C.	11,800,000
Virginia,	29,300,000
Total	$235,000,000
Capitalization of reserve bank at 6%	$14,100,000

Map of Philadelphia District



Eastern Extension of Chicago.

The next step in the process of division may be taken by determining the eastern extension of the Chicago district, it being assumed in the case of that city as in the case of New York that a reserve bank is certainly to be established there. Chicago's location on Lake Michigan, and the fact that the State of Michigan is in a distinctly independent geographical area makes the establishment of the Eastern boundary of the Chicago district merely a problem of ascertaining from the testimony before the Organization Committee, how far eastward bankers actually desire to be included in the Chicago territory rather than to be thrown into any territory farther to the eastward, and how far their desires are reasonably reconcilable with the expediencies of the case, and the welfare of the other districts. Without entering into the argument at this point, it may be noted that later analysis of the evidence will show that it was the desire of Indianapolis bankers to be included in the Chicago district and that there was little argument of conclusive character in favor of carrying the eastern extension of that district much further east or much further south than the City of Indianapolis. It is clear then that the eastern boundary of the Chicago district should be a line so drawn as to fairly include the City of Indianapolis and the immediately adjacent territory. For reasons that will later appear, this line has been drawn from a point slightly south and east of Indianapolis to the point where the northern border of Indiana touches Lake Michigan.

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Great Lakes District.

An important district is now partially outlined between the eastern extension of the Chicago district, the western boundary of the Philadelphia district and a district probably to be established to the south. Included in the same area should undoubtedly be the southern peninsula of Michigan. An examination of this territory shows that it is geographically united and that its transportation facilities indicate the desirability of keeping it within one general region or district. The question to be settled, should it be sought to recognize such a Great Lakes district would be the desirable boundary line to be established at its southern and southwestern extremities. Geographically considered the natural southern boundary would probably be the southern line of Tennessee, although only the eastern portion of that State would be included. The argument presented to the Committee at Cincinnati, (Brief of Thos. H. Kelley) recognizes this geographical basis for the southern boundary and the same is true of other data filed with the Committee. The verdict which would thus be given is, however, modified by a study:

(a) Of transportation.

(b) Of capitalization available for the other districts to the south.

The second of these factors suggest the desirability of leaving actually debatable territory in Kentucky and Tennessee to the Southern districts that might employ it to good purpose. The study of transportation referred to would place the southern boundaries in such a way as to leave Louisville and the territory tributary to it to the northern district, while throwing Knoxville and the territory tributary to it into a southern district. It would seem, therefore, as if a line

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midway between Louisville and Nashville and midway between Louisville (or Lexington and Knoxville) cutting off probably one half of Kentucky (outside the cities) would be the desirable boundary.

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Analysis of Great Lakes Testimony.

The testimony directly applicable to the Great Lakes district was taken at Cincinnati on February 16, (minutes pp. 4346 ff.) and at Cleveland, February 17, (pp. 4525 ff.).

Excluding the generalities and pleas for a large district, the testimony at the two places was very similar and in general accord, except for differences with reference to the extension of certain of the proposed borders of the district. The main idea (as expressed for example by J. J. Sullivan the President of the Central National Bank of Cleveland) was that a natural district exists between New York and Chicago comprising the Great Lakes territory which should be separated both from the eastern seacoast and from the Middle West. Throughout the testimony it is recognized either directly or incidentally that two districts might be created in this Great Lakes territory but that one might well comprise the whole on the ground that from a transportation and business standpoint the area is well knit together. At Cincinnati W. S. Rowe, President of the First National Bank of Cincinnati, asked for a district including Ohio, Indiana, West Virginia, Kentucky and Tennessee, with a capital of probably $12,000,000. Other speakers urged very similar territory. Mr. Rowe showed that relations with Louisville were intimate and that those with Nashville were also fairly close although distinctly less so than with Louisville. Louisville has 506 accounts in the proposed district, while Nashville has 274, of which 20 are in Kentucky and 254 in Tennessee. The southeastern boundary of the district was indicated by C. A. Hinsch, who pointed out that Wheeling, West Virginia, and its adjacent territory belongs to Pittsburg, while J. S. Hill of Charleston, West Virginia, showed that the banks of that place and the neighboring country desired to be assigned to the Cincinnati district. R. L. Archer of

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Huntington, West Virginia, confirmed this view by showing that the banks of southwestern Virginia wished to be assigned to Cincinnati.

Turning to the northwestern boundary of the district, it is found that W. E. Baker of Vincennes, Indiana, showed that the majority of banks in his region desired to be assigned to Cincinnati, only a few desiring to go to Chicago. Other speakers indicated much the same situation. M. S. Sontag, Vice-President of the Indiana Bankers Association, explained that the southern part of Indiana favored assignment to St. Louis or Chicago, many preferring Chicago but admitting that the region as far north as Vincennes might well go to St. Louis. C. H. Church of Muncie, Indiana, favored Cincinnati as the location of the headquarters bank for his region.

Regarding the southern boundary, it was shown by J. S. McHenry of Nashville, on behalf of the Clearing House of that place that Nashville would be satisfied with an assignment to the Cincinnati district, notwithstanding that it wanted a reserve bank itself and had close connections with the Southern States. A like situation was indicated as to Knoxville.

L. F. Kiesewetter, the President of the Columbus Clearing House, took much the same view as other witnesses already cited, except that he desired that the site of the bank be in Columbus, holding that the district could include Ohio, Western Pennsylvania, Western New York, Southeastern Michigan, Eastern Indiana, Northeastern Kentucky, and Northwestern West Virginia, with a capital of about $16,000,000.

On the whole, it is believed that the testimony shows that the southern boundary of the district should run between Louisville and Nashville, the evidence confirming the belief that the boundary already formed by the eastern seacoast districts has been correctly established. The bearing of the evidence on the western and southwestern boundaries may be discussed further in connection with Chicago and St. Louis districts.

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Description of District.

Following the principles just indicated, the Great Lakes district may be outlined as follows:

From the southeastern corner of the Chicago district proceed due south to a point in Kentucky midway between Louisville and Nashville, Tenn. Draw a straight line from this point to the intersection of the boundary of Virginia with those of Kentucky and West Virginia, for reasons of geographical and transportation convenience. Follow the boundary of West Virginia eastward and northward, ultimately reaching the intersection of the western boundary of the Philadelphia district and following that due northeast to its intersection with the southern boundary of the State of New York. From this point draw a straight line due north parallel to the 76th meridian, intersecting the St. Lawrence River immediately north of Ogdensburg.

It will have been noted that nothing has been said in this discussion with reference to the headquarters of the district referred to. The cities in the district which might be properly designated as the headquarters of the reserve bank include Cincinnati, Pittsburg, Cleveland, and possibly Detroit, Buffalo and Louisville. From the standpoint of accessibility, convenience and general advantage it is believed that Cleveland is probably to be preferred, all things considered. The capitalization of Cleveland banks is considerably smaller than that of Cincinnati, although larger than the capitalization of the banks of Detroit. Transportation facilities at all the points mentioned are distinctly good. The ruling considerations, therefore, should probably be those of accessibility. The question of a proper headquarters point is merely touched upon here and will be dealt with more fully in the section devoted to that subject.

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(Revised)

Capitalization

The capitalization of the district proposed will then be as follows:

State or City:	Capital and Surplus
Western New York, five-twelfths, estimated,	$ 35,650,000
Cincinnati,	20,300,000
Ohio,	54,400,000
Cleveland,	14,400,000
Columbus,	4,700,000
Michigan, three-fourths estimated,	12,000,000
Indiana, one-third estimated,	10,500,000
Detroit,	7,000,000
Kentucky, one-half estimated,	9,000,000
Louisville,	8,200,000
Pennsulvania, one-half estimated,	71,000,000
Pittsburg,	48,500,000
West Virginia,	16,600,000
Total	$312,250,000
Capitalization of reserve bank at 6%	$18,735,000

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Map of Great Lakes District



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Problem of ~~Middle~~ West.

Leaving the discussion of the Southern States to be dealt with at a later point, the ~~Middle~~ central West may now be studied. In the ~~Middle~~ central West there is a special problem. A large, ~~populous and wealthy~~ region without the excessive concentration of banking capital which has been developed in the Eastern States is to be subdivided. The problem ~~West of the Alleghanies and East of the Mississippi~~ is that of establishing a division corresponding broadly with the commercial habits of the people, placing together those cities which are most nearly allied to one another and joining in the same district, territories which are easily accessible one to another by available railway transportation. The disparity between various cities as possible places for the locating of reserve banks is no longer what it was in the East, but many considerations can be urged in favor of one as against another.

The manifest dictate for the division of this region is the establishment of a district including the territory bordering on the Canadian frontier and extending reasonably to the south, ~~Great Lakes to the Eastward and Southwards~~ a district embracing Chicago and the central portion of the country with a Western extension whose area is to be determined later, and at least one other district embracing the extreme south and perhaps a portion of the southwest. It will be considered later whether the number of districts thus created is sufficient for the fulfilment of the purposes of the act and for the promotion of satisfactory banking conditions. At this point there can be no question that at least the number of districts in this central western territory, thus indicated is necessary. It would no doubt be possible to put the proposed northern area into the same region with Chicago but in that case the transportation difficulties which, as will presently

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be seen present themselves in a serious form in any case would be greatly intensified. In the same way it would be no doubt desirable to establish from the standpoint of transportation more than one district to the south and southwest of the Chicago district, but it will be remembered that in this preliminary discussion the effort is being made to keep the number of banks well toward the minimum prescribed by the act should that prove to be consistent with proper conditions of capitalization, and proper convenience in clearing and in doing business generally. Chicago and St. Louis with the territory belonging to each are already practically marked out, for the reasons stated earlier in this discussion, as sites of reserve banks, owing to the trend of business, the habits of the community as already established, and other considerations of like nature which cannot be ignored.

One further point in this preliminary consideration of the central western or middle western problem needs to be considered. This is the relation of the Chicago district to the other districts. For somewhat the same reasons which were controlling in the case of the New York district it is desirable that the Chicago district should not be too large. The concentration of banking capital in that city is much greater than in any other place in the part of the country to which it belongs and it is the center of a rich and well populated region in which the density of wealth and of banking capital may be expected to increase with very considerable rapidity. That the reserve bank of Chicago will grow in size much more rapidly than the other reserve institutions of the west must be expected and this consideration with many others militates against the creation of too large a district ancillary to Chicago, provided other considerations permit its being kept within reasonable limits.

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Chicago District.

The Middlewestern district that may to advantage be dealt with first is that in which Chicago, the central reserve city second in size in the United States is situated. Assuming that all national banks in Chicago entered the system and that no others did so, the total capitalization and surplus of all institutions thus entering would be in the neighborhood of $69,000,000, and the capital of the reserve bank on the 6 percent basis would be $4,100,000. This figure would be barely above the lower required limit set by law and there is, therefore, a considerable possibility of expansion of the area to be assigned to Chicago before the upper borders of the capitalization area to be set apart for any one institution are approached.

Turning to the testimony taken at the Chicago hearings, it will be seen that Chicago bankers recognize the desirability of drawing a line between St. Louis and Chicago which should practically be the southern border of the Chicago district and the northern border of the St. Louis district. It would seem, therefore, that a desirable first step in apportioning the Chicago district would be that of ascertaining the approximate point between St. Louis and Chicago at which this border line could be drawn. It will be seen from the testimony of Southern Illinois bankers (Hearings pp. 15, 25 ff.), that Springfield bankers were distinctly desirous of being included in the Chicago district, a fact which in the absence of any countervailing considerations should naturally be influential. On the other hand, barring some relatively unimportant representations concerning the extreme Southern section of Illinois, there was an agreement partly expressed and partly implied that St. Louis, if made the site of a reserve bank, should be allowed some territory north and east of the Mississippi River, which would naturally be

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tributary to it. Examination of the geographical conditions and of the banking capital would suggest that the line of demarcation be drawn about midway between Springfield and Alton, Illinois. Accepting the point thus indicated as practically the southernmost of the Chicago district, it would seem from the general trend of the evidence presented that a line drawn parallel to the northern border of Illinois and passing through a point midway between Springfield and Alton could be taken as the southern boundary of the Chicago district within the State of Illinois. It may be estimated probably with approximate accuracy that such a division would place in the Chicago district about two-thirds of the banking capital of the State outside of Chicago City. As the combined capital and surplus of the national banks of the State, outside of Chicago, is about $51,500,000, this would add a total of perhaps $34,000,000 to the banking capital of the district and 6 percent of that, or $2,000,000, to the capital of the reserve bank.

In studying the northern border of the district, it will be found that during the early portion of the Chicago hearings a strong plea was presented for the placing of a reserve bank in Minneapolis or St. Paul. According to the argument then presented, such a bank if located in St. Paul or Minneapolis would naturally draw to itself some portion of the territory to the south of those cities. On the other hand, it was testified that the inclusion of St. Paul and Minneapolis with the part of Minnesota adjacent to them in the Chicago district would do violence to the convenience and customary course of business of the country northwest of those cities, unless that also were to be included in the Chicago district. Since the inclusion of so large a territory would almost necessarily lead to the additional inclusion of a large parallel strip just to the south of it, while it would at the

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same time so enlarge the capital of the Chicago district as to carry it beyond the limits which would harmonize with the intent of the Federal Reserve Act, the apparent indication of this testimony, taken in conjunction with the strong pleas of Iowa bankers to be included in the Chicago district (an argument implying a still further enlargement of the capitalization of the district), favors the drawing of a line as already stated between Chicago and Minneapolis and St. Paul which may be regarded as the northern boundary of the Chicago district. For the sake of convenience and in the absence of any satisfactory argument to the contrary, this line may be made an eastern continuation of the northern line of the State of Iowa, such line to be produced to the western shore of Lake Michigan a little south to the town of Sheboygan. Making this the line of division would throw into the Chicago district the City of Milwaukee, Wisconsin, now a reserve city with about $9,600,000 of capital and surplus and would add to the capital of the reserve banks 6 percent of that amount, or approximately $570,000. It would also add the banking territory of Southern Wisconsin outside of Milwaukee, which may be estimated to include about one-fourth of the banking capital and surplus of the State (outside Milwaukee) amounting to approximately $16,300,000, or $4,100,000. This adds 6 percent of the same amount, or roughly $240,000, to the capital of the reserve bank of Chicago.

Turning again to the testimony at the Chicago hearing, it will be found that argument was adduced by Iowa bankers in favor of attaching very nearly the whole State to Chicago. The same argument was presented by St. Joseph (Missouri) bankers who also desired to be included within the Chicago district. From this it would seem that without doing violence to the views of the bankers most affected by the arrangement the whole State of Iowa, including approximately $33,400,000 of

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capital and surplus could be added to the Chicago district and that the same could be done with St. Joseph with $1,8oo,ooo as well as with the northern portion of Missouri which, however, would contribute probably not over $1,5oo,ooo. Were this to be done 6 percent of $36,7oo,ooo, or about $2,16o,ooo, would be added to the capitalization of the Chicago reserve bank. Should this be done, the total capitalization of the Chicago reserve bank up to this point would amount to about $9,5oo,ooo. This with the probable eastern extension of the Chicago district, if any, would not be likely to be too great a capital for the Chicago institution. Only one restriction need be mentioned. Inasmuch as Omaha and other cities located on the western border of Iowa would naturally require a small portion of territory to the eastward in order to allow for the local trade which naturally flows toward a neighboring large city it would probably be undesirable to carry the western border of the district as far as the State line. For convenience sake, therefore, the western border of the district may, it would seem, properly be placed immediately west of St. Joseph, Missouri. In the same way to form the southwestern border of the district, draw a straight line from the terminus of the southern border on the Mississippi River to a point midway between St. Joseph and Atchison, Kans. Then proceed due north in a line precisely parallel to the eastern border of Illinois until the northern border of Iowa is reached.

There remains now only the eastern border of the district to be adjusted. Reference to the Chicago hearings ~~(pp.xxxxxxxxxx)~~ shows that a strong argument was adduced by Indianapolis bankers in favor of their inclusion within the Chicago territory. Such an inclusion would add the capital and surplus of Indianapolis, amounting to about $9,4oo,ooo, and probably about one-half that of the State outside of Indianapolis which has approximately $31,4oo,ooo. This would give $15,7oo,ooo in

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addition to Indianapolis, $19,400,000, or $25,100,000 in all, 6 percent of which would add roughly $1,500,000 to the capitalization of the reserve bank of the district. This with the amounts previously assigned would create a capitalization of $11,000,000 to $12,000,000 for the district.

To establish the eastern boundary on this principle, therefore, continue the southern boundary of the district already indicated to a point due south of a point midway between Indianapolis and Muncie; then proceed due north in a line parallel to the east line of Indiana until the latitude of Indiana is reached, then draw a straight line to the intersection of the Indiana northern border with Lake Michigan. As thus laid out the Chicago district would then include portions of Indiana, Illinois, Missouri, Iowa and Wisconsin, the exact boundaries being as already indicated and the district being noted on the map.

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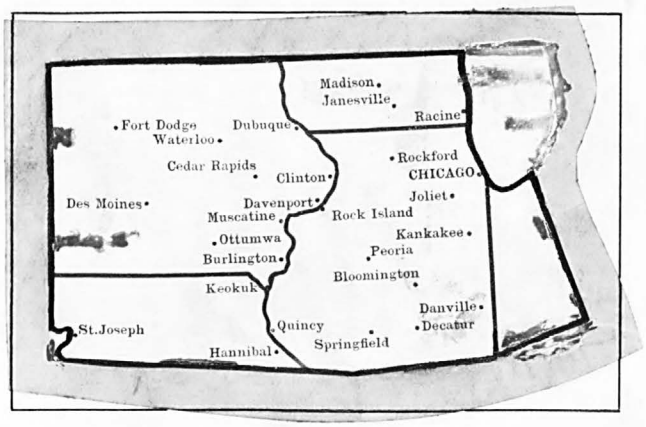
Map of Chicago District



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Capitalization.

The capitalization of the Chicago district may be described as follows:

State or City:	Capital and Surplus
Wisconsin, one-fourth estimated,	$ 4,100,000
Milwaukee,	9,600,000
Chicago,	69,000,000
Illinois, two-thirds estimated,	34,000,000
Indiana, one-third estimated,	10,500,000
Indianapolis,	9,400,000
Iowa, five-sixths estimated,	22,000,000
Reserve Cities of Iowa,	6,250,000
Missouri, one-fourth estimated,	2,500,000
St. Joseph,	1,800,000
Total	$168,150,000
Capitalization of reserve bank at 6%	$10,086,000
Proposed Western Extension:	
Nebraska,	$15,100,000
Iowa, one-sixth estimated,	5,400,000
Reserve Cities of Nebraska	14,250,000
Colorado, one-fifth estimated,	250,000
Denver,	7,500,000
Wyoming, one-sixth estimated,	500,000
Total Western Extension	$43,000,000
Capitalization added to reserve bank at 6%	$2,580,000
Total capitalization	$12,666,000

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Analysis of Chicago Testimony.

The testimony offered at Chicago is of interest, as as already been seen, in connection with several of the districts proposed in this memorandum. A general use of it has already been necessary in outlining the borders of the Chicago territory in a general way. It will not, therefore, be attempted at this point to afford a detailed analysis of the testimony beyond what has been given, but that will be furnished in greater detail in a later section of this discussion where it will be sought to propose a division of the central west based upon a greater number of districts.

In connection with the subject it is well to note at this point, however, that an important phase of the testimony from the present standpoint relates to the question whether the Chicago district to be established should or should not include the whole of the northwest. The Chicago bankers naturally desired such an assignment of territory just as other bankers elsewhere had sought to make their proposed districts as large as possible. This disposition on the part of the Chicago bankers was resisted by the representatives of St. Paul and Minneapolis on the ground that the northern and northwestern region belonged more particularly to them. Their point of view is, as will presently appear, accepted in this discussion, it being felt that considerations of transportation and future growth in the region referred to militate too strongly against so great an extension of the district to permit it to be favorably considered. It should be added, however, that the testimony shows that the northern territory of the United States if not organized independently should probably be assigned to the Chicago district rather than to any other.

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Description of District.

Summarizing, we may describe the Chicago district as follows:

From the intersection of the northern border of Indiana with Lake Michigan follow the border of the lake west and north to a point due east of the intersection of the northern border of Iowa with that of Wisconsin. Proceed due west to such intersection then follow the northern border ~~to~~ north of a point a point midway between Atchison, Kansas and St. Joseph, Missouri. Proceed due south along ~~such~~ a drawn between these points line to the Missouri River. Draw a straight line from this point south-eastwardly to a point midway between Springfield, Ill. and St. Louis, Mo. Connect this point with the point southeast of Indianapolis already fixed. Follow the eastern boundary of the district to the point of departure.

For reasons which will later appear, this district will not, however, meet the requirements of a districting process based upon a small number of reserve banks. It is, therefore, desirable to extend this district to the westward and in so doing to include other territory moderately convenient to Chicago or within easy transportation reach. Without considering the argument for the inclusion of additional western territory at this point, it may be stated that such inclusion will be nearly unavoidable if the number of banks is to be small and that the limits of such western extension may be best discussed at a later point. It suffices to say here that such an extension to the westward should for reasons to be later studied probably include Nebraska, a narrow strip in northern Kansas, and the northwestern part of Colorado, and the southeastern corner of Wyoming.

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32 BROADWAY, NEW YORK

March 4, 1914.

Hon. W. G. McAdoo,

Secretary of the Treasury,

Washington, D. C.

My dear Mr. Secretary:

Pursuant to the plan suggested in my letter of yesterday I herewith hand you a second instalment of my report on districting, bringing the document so far as placed in your hands up to and including page 48. I shall be able probably to send another considerable instalment of it tomorrow or next day.

Sincerely yours,

A. Parker Willis

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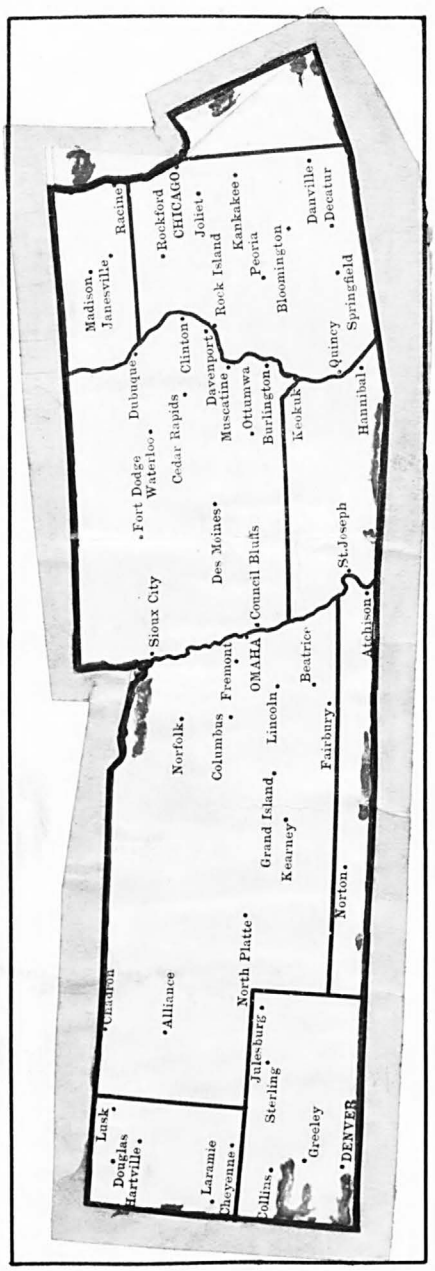
Map of Chicago District with Western Extention



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Federal Reserve Bank of St. Louis

St. Paul and Minneapolis District.

Request was made at the Chicago hearing for the creation of a St. Paul-Minneapolis district, and in the present analysis that request has been tentatively allowed on the ground that to attach this territory to the Chicago district would render the latter unwieldy both in area and capital. Consideration of the St. Paul-Minneapolis district in greater detail may now be taken up.

The argument in behalf of the St. Paul and Minneapolis at the hearings in question were founded upon two principal considerations (1) the transportation advantages of St. Paul and Minneapolis from the western standpoint, and (2) the fact that the business of a large northwestern territory is already tributary to them. The capitalization of a national bank in St. Paul and Minneapolis inclusive of surplus is approximately $23,2oo,ooo, while in Minnesota, outside of the two cities, it is approximately $18,5oo,ooo. The northern portion of Wisconsin, north of the northern boundary of the Chicago district, and containing probably about three-fourths of the total capitalization of Wisconsin outside of Milwaukee would be probably $12,ooo,ooo. To this would be added under the suggestions made at the Chicago hearing the States of North and South Dakota, Montana, and probably part of Wyoming. Were this to be done, there would be added for the Dakotas about $12,5oo,ooo, and for Montana about $8,ooo,ooo, a combined total of over $2o,ooo,ooo. The northern peninsula of Michigan--possessing, however, only a small proportion of Michigan's capitalization, which we may estimate as probably not over $3,5oo,ooo of a total of $15,ooo,ooo, would also properly be included. This would furnish a grand total of capitalization not far from $79,ooo,ooo, of which 6 percent would be roughly $4,75o,ooo, or sufficient to fall within the requirements of the Reserve Act.

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Description of District.

To form the St. Paul-Minneapolis district or northwestern district as it may be called, start at the northeastern corner of the Chicago district, on Lake Michigan, and follow the coast line of Lake Michigan north and then west along the Lake Superior coast to the northern boundary of the United States. Follow the Canadian frontier to the intersection of the eastern boundary of Idaho with it, then follow the northeastern boundary of Idaho to its intersection with the northwestern boundary of Wyoming. From this point follow the central line of the mountain range dividing northeastern Wyoming from the remainder of the State to a point due west of the northern boundary of the State of Nebraska. This point is the northwestern corner of the Chicago district, in the western extension already described. Follow the northern boundary of the Chicago district to its intersection with Lake Michigan.

Capitalization.

State or City:	Capital and Surplus
St. Paul & Minneapolis,	$ 23,200,000
Minnesota,	18,500,000
Wisconsin, three-fourths estimated,	12,000,000
North Dakota,	7,300,000
South Dakota,	5,500,000
Montana,	8,000,000
Wyoming, about one-third estimated,	1,000,000
Michigan, estimated,	3,500,000
Total	$79,000,000
Capitalization of Reserve Bank at 6%	$4,750,000

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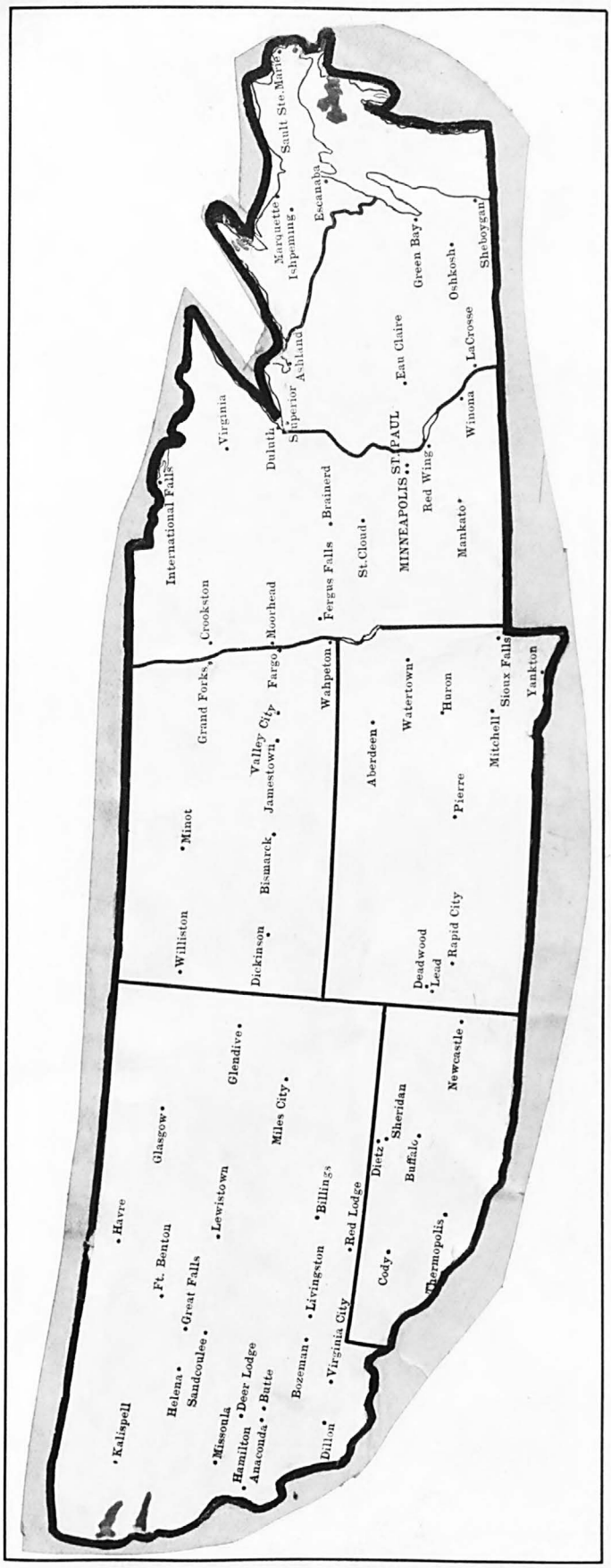
Map of St. Paul-Minneapolis District



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Pacific Coast District.

For reasons which will later be made evident, it is deemed best to devote attention next to the Pacific Coast. On the Pacific Coast the problem of districting once more assumes a distinct form. The coast is in some respects more nearly a single geographical area than the regions which border it to the east. Although its great size makes certain parts of it practically independent of others because of difficulty of access, the general type of business and industry, of population and climate, is broadly similar from north to south so that if for other reasons it were deemed desirable to make a single district of the region such action might well be taken, granting that transportation conditions would permit. The investigations on the Pacific Coast made it clear that there was a strong desire for the creation of a North Pacific Coast district as well as for a South Pacific Coast district, notwithstanding the scantiness of bank capital in the region. On the present basis of discussion, with the idea of keeping the number of banks well toward the minimum prescribed by law, this question of a two-fold division will for the moment be ignored and it will be assumed that but a single division is to be established for the Coast. Granting that that principle is accepted it appears that practically no controversy exists with respect to the proper outlines of the district or with regard to the location of its headquarters. The district should extend from north to south throughout the whole territory of the United States and should run from the Pacific Coast as far eastward as conditions of transportation and general industrial and marketing factors will permit. As will later be seen, the evidence would indicate that the district might safely be allowed to extend as far eastward in its northern and middle portions as the line of the Chicago and St. Paul-Minneapolis districts. This leaves for determination the southern and southwestern boundary. On this question also there was a very substantial unanimity

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of opinion at the hearings in San Francisco, Los Angeles and elsewhere. It was the general view that the southern and western extension of the Pacific Coast district should be allowed to xxxx go as far as the intersection of the Pecos River with the Mexican boundary and that practically all of the territory west of the Pecos, certainly to a point well toward the central portion of eastern New Mexico should be thrown into the Pacific Coast district in order that the extreme southwestern corner of Texas, including El Paso, might be kept with Arizona and Southwestern New Mexico in the same district, being preferably apportioned to a district whose headquarters was at San Francisco. This still leaves undetermined the southwestern frontier of the district from the upper waters of the Pecos northward. Upon due consideration it is believed that the requirements of the case will be met by following the Pecos to about Roswell, New Mexico, then drawing a direct line from that point to a point on the Rio Grande River near Albuquerque, New Mexico, then following the Rio Grande to its intersection with the northern border of New Mexico, connecting this point by a straight line with the southwestern corner of the Chicago district.

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Description of District

To outline the Pacific Coast district on the principles already indicated, start at the intersection of the coast line of the United States with the Canadian frontier in the northwestern corner, follow the Pacific Coast line to the Mexican frontier, thence follow the Mexican frontier to its intersection with the Pecos River. Returning, follow the Pecos to a point marked on the accompanying map near Roswell, New Mexico, then draw a straight line to a point on the Rio Grande, marked on the map just south of Albuquerque, follow the Rio Grande to the northern boundary of New Mexico and connect by a straight line with the southern boundary of the Chicago district. Follow the western boundary of the Chicago district to its intersection with the northwestern boundary of the St. Paul-Minneapolis district, then follow the latter to the point where the northwestern boundary of Idaho intersects the Canadian frontier.

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Analysis of Testimony

In analyzing the testimony which has a bearing upon the size and limits of the Pacific Coast district attention must be given to the hearings at Portland, Ore., Seattle, Wash., San Francisco and Los Angeles, Cali., and El Paso, Tex. In dealing with the first four of the places named, it is only necessary to say that the testimony offered was in general agreement that in case but one district on the Pacific Coast were established, it should include the whole of the coast from north to south and that no part of this region should be assigned to any other district farther east, while it was also agreed by all that if but one such district should be established the headquarters should be at San Francisco.

The interest of the hearings at Portland, Seattle, Los Angeles and San Francisco becomes apparent when the question of subdividing the Pacific Coast into two or more districts is considered and an analysis of it may properly be reserved for that part of the later treatment of this subject which has to do with the subdivision of the Pacific Coast.

At this point however attention should be given to the hearing at El Paso, Tex., (p. 3101 ff.) at which the relationship of Arizona, New Mexico and the extreme southwestern corner of Texas to the Federal reserve system was considered. At that hearing U. S. Stewart and other witnesses representing the interests of El Paso made a plain request for the maintenance of the trade territory of El Paso intact, and defined such territory as the region west of the Pecos River including the southern portionof New Mexico and the southern part of Arizona. It was pointed out that while the El Paso territory might be assigned either to San Francisco or to a more easterly district the general preference of the region was for assignment to San Francisco. Kansas City, Denver

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and San Francisco were all spoken of, with the evident preference for the latter. J. G. McNary and others gave the same testimony while C. F. Solomon of Tucson, Ariz., (p. 3149) made ~~the~~ positive demand both to be assigned to San Francisco and to be associated with the El Paso territory. W. D. Slater and a variety of witnesses gave corroboratory evidence.

It is clear that if the bulk of New Mexico and Arizona were to be thus assigned to the San Francisco territory, while Idaho for like reasons, which will be traced at some length later on, is assigned to the same district with Washington and Oregon, the intermediate section comprising Utah and ~~small~~ portions of Colorado and Wyoming would most properly fall to the San Francisco district, in the absence of any other countervailing considerations. Only in the event of the establishment of ~~the~~ a reserve bank at Denver, Colorado, would it probably be desirable to modify this judgment, but as will later be shown the location of such a bank at Denver is not deemed wise. The testimony, therefore, may be regarded as pointing to the conclusion already indicated.

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(Revised)

Capitalization

The capitalization of the proposed district would be as follows:

State or City:	Capital and Surplus
California,	$ 30,800,000
Los Angeles,	9,400,000
San Francisco,	44,800,000
Arizona,	1,800,000
Nevada,	2,300,000
Wyoming, three-fifths estimated,	1,800,000
Idaho,	5,100,000
Colorado, three-fifths estimated,	3,600,000
Utah,	1,600,000
Salt Lake City,	3,400,000
New Mexico, three-fifths estimated,	2,000,000
Oregon,	7,200,000
Portland,	6,800,000
Washington,	6,200,000
Seattle,	5,600,000
Spokane,	4,200,000
Tacoma,	1,100,000
Southwestern Texas, one-tenth estimated,	5,200,000
Total	$142,900,000
Capitalization of reserve bank at 6%	$8,574,000

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Map of Pacific Coast District



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South and Southwestern Territory.

Reviewing what has been done up to this point, it will found that seven districts have been established in all, and that re remains to be disposed of the territory tributary to St. Louis including everything south of the Chicago district and west of the ific Coast district, as well as the territory of the southeastern tes on the Atlantic Coast and the Gulf of Mexico. A survey of the ld makes it evident that not less than 2 districts must be estab- hed in order to cover this territory. From every standpoint, at st that number of districts are required in order to satisfy trans- tation necessities, the conditions surrounding the lending and re- scounting operation, and the indispensable demands of the process of earing. In forming these districts, it is evident that either of o plans might be followed. All the country west of the Mississippi ver might be formed into a district with St. Louis as its headquart- s, while all east of the Mississippi might be assigned to another th headquarters still to be determined. A review of the conditions bank capitalization shows that this would result in two very unequal stricts and that in several ways severe criticism could be passed on the division proposed. Postponing to a later point the suggestion organizing the State of Texas and the ancillary territory as a sep- ate district, the only other alternative still remaining is to con- nue the southeastern States district already contemplated west of the Mississippi River so as to take in a portion of the southwestern terri- ry. There is some argument in favor of this plan, so long as the sumptions upon which the present plan of districting is proceeding e retained. The present proposed plan based on a minimum number of nks will, therefore, be carried to its conclusion with a division the southwest as just indicated.

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The St. Louis District.

As, for reasons stated in the earlier part of this analysis, it is believed that St. Louis must be recognized as the headquarters of one of the reserve banks, discussion may be continued by formulating the conditions under which a district with that city as its headquarters must be developed. In the City of St. Louis itself, the aggregate capital and surplus of national banks is approximately $30,000,000, 6 percent of which is $1,800,000. It is thus evident that in order to include sufficient banking capital within the district to make up even the minimum capitalization for the district it will be necessary to take in a very considerable amount of additional territory. The first portion of territory naturally assignable to the St. Louis district is of course the remainder of Missouri south of the limited northern portion which for convenience was made a part of the Chicago district. It may be estimated that the capital and surplus of the remainder of Missouri outside the part thus cut off and outside of St. Louis but inclusive of Kansas City would be about $20,000,000. The St. Louis testimony showed that the bulk of St. Louis business was drawn from the country south and southwest of it. Some argument was adduced in favor of including in it at least a portion of Tennessee, a portion of Illinois (southern) and a portion of Kentucky. These sections of the States referred to have already been marked off by the establishment of the Chicago district and the Great Lakes district under conditions already discussed. The real problem is, therefore, as already intimated, the drawing of a line from the southwestern corner of the Great Lakes district in a suitable manner to include ~~xxxxtisfxxtxxry~~ in the St. Louis district the territory naturally and properly belonging thereto as distinct from the southeastern district while making a proper division of capitalization between the two districts still to be established and at the same time

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making the best possible provision for transportation requirements in the two districts. Bearing in mind the fact that when discussing the proper establishment of the southern line of the Great Lakes district we reached the conclusion that the territory adjacent to Memphis and Nashville as well as those cities themselves should be part of the southeastern States territory as indicated by the testimony taken in Cincinnati and elsewhere, it would seem that first part of the boundary between the St. Louis district and the southeastern States could be established by connecting the southwestern corner of the Great Lakes district with a point on the Mississippi sufficiently north and west of Memphis and Nashville to leave them their natural trading territory. It is believed that by connecting this southwestern corner of the Great Lakes district with the extreme southeastern corner of Missouri a proper division of the territory, in accordance with the testimony taken will be effected. A straight line connecting this point with the extreme southwestern corner of Arkansas will leave Memphis its tributary territory west of the Mississippi and throw the bulk of the State of Arkansas into the St. Louis district. If from this point a line be drawn connecting the southeastern extremity of the Pacific Coast district with the southwestern corner of Arkansas the territory of Dallas and Fort Worth with the whole region appertaining thereto will be included within the St. Louis district. Such a division of Texas is sustained by a study of the transportation situation from the general map hereto appended upon which are marked out all of the districts as finally established. Analysis of the testimony taken at New Orleans, Austin, Tex., and elsewhere will moreover sustain this division as will later be seen, it being the present opinion that to whatever city Dallas and Fort Worth may be assigned as headquarters, their business tends northward rather than to New Orleans. Thus in the absence of a

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headquarters bank in Texas itself the middle and western region of Texas is thrown to the north of a line dividing it from the southeastern section of the country in somewhat the way just indicated.

Description of District.

To form the St. Louis district on the principles just indicated, therefore, start at the extreme southwestern corner of the Great Lakes district and follow the western boundary of that district north to its intersection with the southern boundary of the Chicago district below Indianapolis. Follow the southern line of the Chicago district west to its intersection with the Pacific Coast district southwest of Denver, then follow the southwestern boundary of the Pacific Coast district to the Mexican frontier. Connect the point just reached on the Mexican frontier by a straight line with the southwestern corner of Arkansas and from there draw a straight line to the southeastern corner of Missouri. Connect the southeastern corner of Missouri by a straight line with the southwestern corner of the Great Lakes district from which a start was originally made.

Analysis of Testimony

The testimony germane to the establishment of the St. Louis district is primarily that taken at St. Louis and at Austin, Tex. Inasmuch, however, as the St. Louis district is here marked out largely as as the result of a process of exclusion, detailed analysis of this testimony will be deferred for the present, with the remark that the general demand of St. Louis and the interests belonging thereto was for the creation of a large southwestern section to be included within the St. Louis district. The district just marked out coincides in general with many of the features of the demand presented at St. Louis, although it does not carry the district to the Gulf of Mexico and include New Orleans

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and the regions adjacent thereto, for reasons which have been already stated, in connection with the drawing of a line between St. Louis territory and that of the southeast.

Capitalization.

State or City:	Capital and Surplus
Missouri, three-fourths estimated,	$ 7,200,000
Kansas City, Mo.,	11,700,000
St. Louis,	29,200,000
Kansas, nearly entire estimated,	15,000,000
Reserve Cities of Kansas,	2,800,000
Oklahoma,	15,400,000
Arkansas, two-thirds estimated,	5,000,000
Tennessee, fraction estimated,	500,000
Kentucky, one-eighth estimated,	2,200,000
Illinois, one-third estimated,	17,000,000
Indiana, one-fourth estimated,	8,000,000
Dallas and Fort Worth,	10,850,000
Texas, one-half estimated,	26,000,000
New Mexico, two-fifths estimated,	1,340,000
Colorado, one-third estimated,	3,200,000
Total	$155,390,000
Capitalization of Reserve Bank at 6%	$9,319,000

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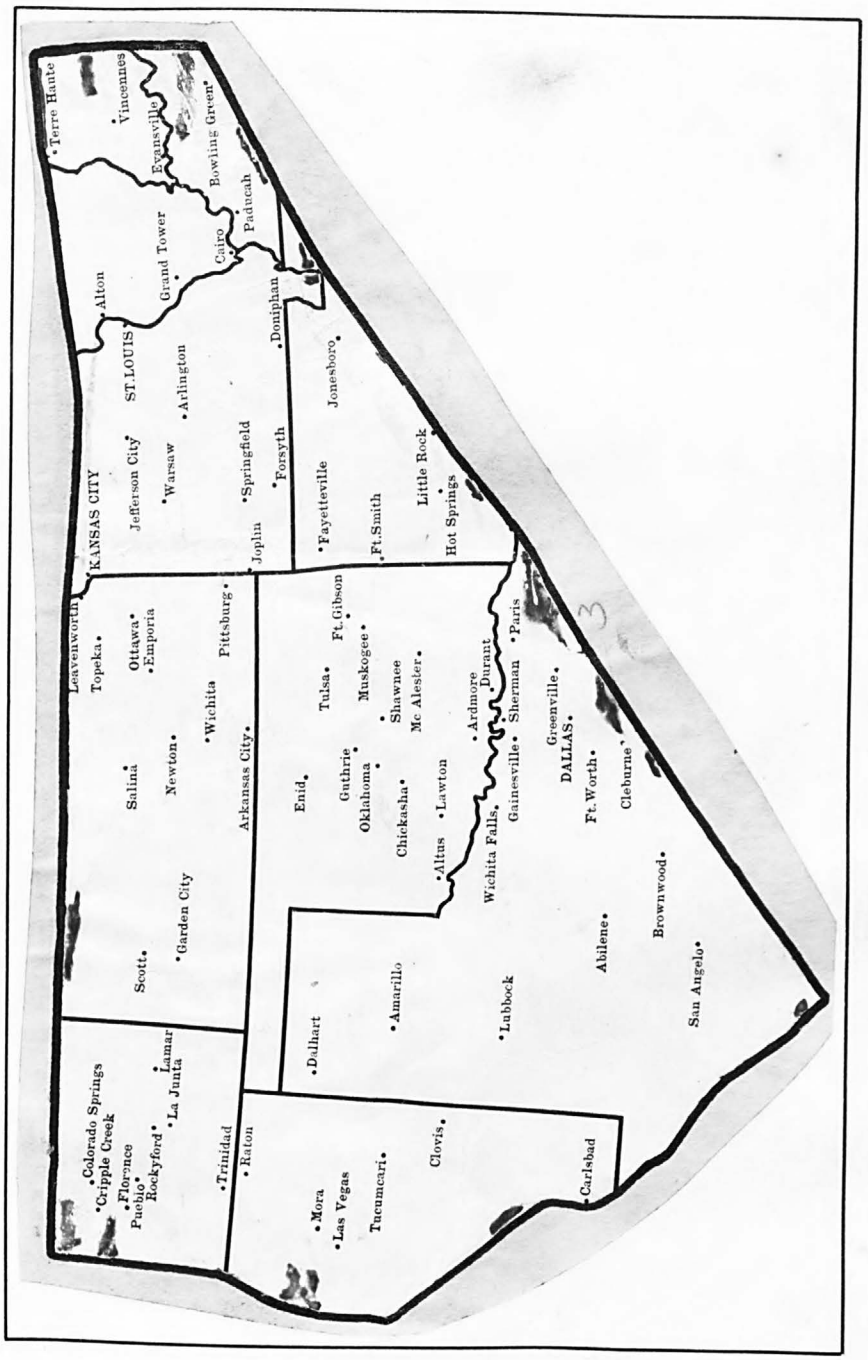
Map of St. Louis District



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Southern District.

The ninth and last of the districts to be established upon proposed plan will necessary include the territory of the southern States together with Louisiana, a small part of Arkansas and stern Texas, it being thus possible to establish a district with a lium-sized reserve bank and with a headquarters located either at w Orleans or some point further east. As this district on the present an is established entirely by a residual process, it is not necessary stop at this point for the analysis of testimony taken at New Orlns or at Atlanta, that being reserved for a later part of the discussion.

Description of District.

The district proposed for the Southern States may be describ- as follows: Starting at the southern line of Virginia on the Atntic Coast, follow the Atlantic Coast and the Gulf Coast to the Mexian frontier than follow the Mexican frontier to the intersection of he Pacific Coast district with the St. Louis district. Follow the oundary ~~xxxxxxxxxxxx~~ (southeastern) of the St. Louis district to its tersection with the Great Lakes district then follow the southern ndary of the Great Lakes district to its intersection with the outhwestern boundary of the Philadelphia district. Follow the latter o the southern boundary of Virginia and proceed from there to the oint of departure on the Atlantic Coast.

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Capitalization.

The capitalization of the Southern district may now be described as follows:

State or City:	Capital and Surplus
Tennessee, five-sixths estimated,	$ 15,500,000
Kentucky, one-third estimated,	5,850,000
North Carolina,	11,300,000
South Carolina,	8,500,000
Georgia,	22,900,000
Savannah,	1,600,000
Florida,	10,600,000
Alabama,	16,300,000
Mississippi,	5,000,000
Arkansas, one-third estimated,	2,500,000
Louisiana,	5,400,000
New Orleans,	8,250,000
Texas (eastern), four-tenths estimated,	20,800,000
Reserve Cities of East Texas,	17,700,000
Total	$152,200,000
Capitalization of reserve bank at 6%	$9,132,000

Map of Southern District



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Summary. P ← 9 c 9 S C

In the foregoing discussion the division of the United States into nine districts has been suggested for the purpose of reserve bank organizations. It will be seen, however, that two of these districts, the Chicago district and the St. Paul-Minneapolis district might without serious violence to the convenience and customary course of business be consolidated into one, thereby creating a district extending from the southern boundary line of the Chicago territory to the northeastern corner of Idaho. This district would be clumsy and unwieldy with long stretches of transportation for checks passing to the headquarters at Chicago from the "far-flung" western and northern borders of the territory, but it must be admitted that the general drift of transportation and trade would permit such a consolidation, aided by the establishment of a suitable branch or branches, were it desired to keep the number of banks down to the minimum of eight established by law. It may be said, therefore, that the plan just mapped out provides for the organization of either eight or nine districts with a reserve bank in each, the territory of the said eight or nine covering the whole of the United States and providing a reasonably practicable division of the territory. That this division is in certain sections of the country far more satisfactory than in others must be obvious, but this condition is unavoidable, in view of the irregular distribution of population and of banking capital, as well as the differing character of transportation facilities, if it be desired to adhere as closely as possible to the smaller number of institutions indicated.

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PART III

It is now worth while to consider with care the effect that would be produced by altering the assumption of preconception upon which the plan of districting already outlined was in part based. This it will be remembered was the view that the number of districts to be established should be kept down either to the minimum prescribed by the Federal reserve act or very close to it.

In laying aside this basic idea it is ~~worth while~~ well to recall that such action permits the addition of not more than four fresh districts and as many banks, to the minimum number of eight, or if the division into nine districts already suggested be regarded as the basis from which to start, it permits the addition of not to exceed three more such districts. First of all, therefore, it should be inquired how the addition of even this maximum number of three or four additional districts would generally affect the plan already proposed. Remembering the general principle that it is not desirable, if such a result can be avoided, to create districts containing banks of an unduly preponderant capitalization, while the language of the Federal reserve act itself has forbidden the establishment of unduly small districts, the conclusion will be reached that the division of the northern and eastern part of the country already proposed probably should not be materially changed even if an unlimited number of banks might be established. While with such an unlimited number certain changes might be made in the north and east they would be practically changes of detail rather than of principle. The difficulties in the process of districting are found in the central west, northwest, southwest and southeast where capital and population are more sparse and where transportation is less satisfactory. In the last analysis the problem of rearranging the districts so as to include a larger number will result simply in the divisionof these sections of the country into more compact and convenient units. We may now turn to details.

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Weak Points in Proposed Plan.

An examination of the plan of districting already suggested will indicate at once certain points of distinct weakness in the proposals made. These are as follows:

1. In the district proposed for the Southern States the area of territory suggested is very large and the transportation between its eastern and western borders is decidedly unsatisfactory.

2. In the Pacific Coast district the area is extremely large and the time of transportation between its northern boundary and its probable central or headquarters point is very great.

3. The districts in the area between the Great Lakes and the Mississippi on the east and the Rocky Mountains on the west are likewise large in area and in the central part of the country somewhat unsatisfactory in transportation.

4. The Great Lakes district as mapped out is widely extended and while its transportation is good it covers a somewhat scattered territory, and includes an amount of bank capitalization which could to advantage be subdivided.

Obviously the difficulties thus enumerated cannot be met without the rearrangement of districts upon a basis which will necessarily differ in some particulars from that already sketched. It is, therefore, endeavored in the following pages to show how the rearrangement of the districts may be made in such a way as to overcome the main criticisms to which the plan already suggested is subject and to provide a more convenient and manageable set of districts, assuming that there is no objection to the use of the full number or something approximating it in dividing the country.

In any such subdivision or further rearrangement as thus

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indicated two principles should be borne in mind, apart from the mere recognition of transportation convenience and of other similar considerations. These are as follows:

1. The establishment of districts which will recognize and adjust themselves to the probable future growth of the United States in those sections. This is so important a consideration as to prevail against immediate arguments based upon temporary scarcity of bank capital in the districts to be laid off.

2. Recognition of distinct community or sectional interests which call for the establishment of institutions in regions having a special type of industrial development or special types of commercial paper calling for the recognition of them upon an independent basis.

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Division of Central West.

For the reasons already stated, it is clear that the fundamental point of difficulty in the readjustment is found in the central west. There is no reason for altering the northwestern, or St. Paul-Minneapolis district already mapped out, for that would undoubtedly be left as it stands under almost any plan that might be suggested. It is but little above the minimum of capitalization, is compact from a transportation standpoint, and harmonious industrially, and while it lacks the convenience of arrangement which would come from a more even distribution of its resources and from the existence of a centrally located point for a headquarters bank, there is obviously no other arrangement of the territory which would materially improve upon what has already been suggested.

As soon as the country to the southward of the St. Paul-Minneapolis district is taken under consideration an entirely different situation reveals itself. The Chicago district already outlined, including a western extension which carried the western boundary beyond Denver is defective in the same way as its neighbor to the north in that it is widely extended, lacking in geographical compactness and possessing a headquarters point far distant from many important portions of the district. In this case, however, the capitalization of the region is such as to permit the limitation of the Chicago district to the original limits suggested in the map furnished on page 48 of this document. On the other hand there exists within the territory several points which are candidates for nomination as sites of reserve banks, which have made some advance in business and banking development, which have suitable transportation systems centering about them and which are otherwise eligible. Among such places the most conspicuous are Denver, Omaha and Kansas City. An examination of the transportation map at-

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tached to this study shows that in many ways these places possess the proper qualities of eligibility. It must be decided which ones have these qualities in greatest measure and then how the lines should be drawn to divide the several districts from one another.

A first consideration in dealing with this matter, however, is that of determining whether the central west and southwest should be divided in the main from west to east or from north to south. Examination of the St. Paul-Minneapolis district shows that the west to east division was distinctly followed in the case of that district, while the division of the eastern part of the country recognized the fundamental fact that business in general and banking business in particular tends northward and eastward so that the general trend of the districts was from west to east or from southwest to northeast. The Pacific Coast being a separate section, largely self-dependent and geographically independent was established upon a north and south basis, its exchanges running from north and south to a central point--San Francisco. Which of these plans should be adopted in the central west and southwest, and what would be the result of the selection of either? The division already tentatively proposed in part II is based on the northeast and southwest principle of division but as we have seen it was not satisfactory. A cursory review of conditions of capital and transportation suggests the possibility of creating two east and west districts, the more southerly including Texas and the adjoining States or portions of States necessary to fill out its natural territory and create a unified district with possible headquarters at some city in Texas itself, the more northerly including the States immediately above the Texas district thus created and comprising probably Nebraska, the whole or a portion of Colorado, Kansas, Missouri, a large part of Arkansas and probably

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some portion of Oklahoma with possibly the upper corner of Texas itself, while the eastern extension of the district would include doubtless those portions of Illinois, Indiana, Kentucky and Tennessee formerly grouped in the old St. Louis district as tentatively suggested in part II. Contrasting with this would be the possibility of two districts practically all west of the Mississippi River and running northeast and southwest, the one with headquarters at St. Louis, reaching the Gulf of Mexico and including Louisiana and New Orleans with the eastern part of Texas, the other a central western and southwestern district embracing western Texas, Oklahoma, Kansas, Nebraska and portions of Colorado and New Mexico, the Pacific Coast boundary being left practically undisturbed. Considering the limitations of capitalization and others already frequently surveyed, it would seem that not more than two such districts should be established, whether the east and west or north and south type of division be adopted. The evidence available does not indicate the desirability of establishing a special district centering around Denver whose capitalization would be necessarily limited, so limited in fact as practically to compel the sale of stocks to the public or a subscription by the United States Government.

While for many reasons it would be desirable to adopt the division which would create in Texas and its adjacent territory an east and west district with headquarters at some Texas point it is believed that the weight of evidence is somewhat against such a division and is in favor of the north and south or north-easterly or south-westerly drawing of the lines. The latter plan permits the easy establishment of a district which will place St. Louis and New Orleans together and is probably better from the standpoint of transportation. It also provides districts with a diversification of industries and a variety of seasonal demands,--considerations which were given some weight by

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various witnesses although, it is believed, they were over-emphasized by not a few persons.

Laying aside the idea of a southern east-and-west district consisting primarily of the bulk of the State of Texas, we may, therefore, revert to the selection of a headquarters point for the more westerly of the two districts into which it has practically been decided to divide the territory under consideration. Attention may first be given to the testimony in regard to this matter taken at Kansas City and Denver.

The general argument presented at Kansas City was expressed by Mr. P. W. Goebel, President of the Kansas City Clearing House Association. Mr. Goebel asked to have the whole of Nebraska including Omaha attached to the Kansas City district, with Kansas and Western Arkansas as well as New Mexico and a small portion of Missouri. He contended that the facilities of Kansas City would amply meet the requirements of the whole region and other witnesses argued that the region as far west as Denver could perfectly well be cared for by a bank situated at Kansas City. Very similar argument was presented at Lincoln, Nebraska, when P. L. Hall (minutes pp. 2019 ff.) asked for a bank at Lincoln outlining somewhat the same type of district already suggested for Kansas City. Mr Hall admitted that Lincoln was closer to Kansas City in its business relations than it was to St. Louis although he expressed the opinion that it was still closer to Chicago than to either. At the same time L. E. Wettling (pp. 2052 ff) asked for the annexation of a part of Wyoming to the proposed central western district on the ground that it was tributary to Lincoln. William Burgess and H. W. Yates (pp. 2099 ff.) in behalf of Omaha followed almost exactly the same lines of argument and outlined much the same

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districts that had been urged by Kansas City and Lincoln interests, although of course suggesting Omaha as the headquarters.

At Denver ~~the~~ George Berger (p. 2190) conceded that the business of Montana trended eastward and not toward Denver while he further conceded that the territory surrounding Denver favored a district with an eastward extension rather than with a north and south area. Gordon Jones, (p. 2272) at the same place took the view that Denver territory was closer to Kansas City than to Omaha in business relations, although he said that his second choice after Denver for the site of a reserve bank to which Denver should belong was Chicago, Kansas City standing next in order and Omaha last. F. A. Roof (p. 2310) and other witnesses bore out this testimony and apparently thought that even in the event of the establishment of a reserve bank at Denver the western part of Colorado should probably be assigned to the Pacific Coast district, a view taken by a number of witnesses at various places.

After weighing the arguments presented at Kansas City, Lincoln, and Denver, as well as those offered in behalf of Omaha, it is the present opinion that with the number of districts available and the conditions of capitalization imposed, no sufficient ground exists for the creation of a reserve district with headquarters at Denver. Desirable as it would be to break up the central western territory somewhat more, the shortage of bank capitalization in Colorado and the territory immediately adjoining and the trend of business from west to east in those States which border upon Colorado to the north and south indicates that the establishment of such a district would require a very sharp reversal of prevailing custom and prevailing drift of business over a considerable section of the country. Still less argument exists for the placing of a headquarters bank at Denver, assuming such bank to represent

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a territory including Nebraska and extending broadly to the southwest. Kansas City having been selected as the most eligible point for the headquarters around which is to be developed a northeasterly and southwesterly district in the central west it is possible to proceed to the mapping out of this district in detail.

Kansas City District.

The bank capitalization of Kansas City itself like that of all of the other places considered as possible competitors in the establishment of a headquarters bank for the territory under consideration being limited, it is necessary to lay out the area of a region in large blocks, studying first of all capitalization. To begin with, there can be no doubt for reasons stated when the Chicago district was under consideration that the so-called "Western Extension" of that district should be moved en bloc into the new territory. This would shift at once the State of Nebraska with a small strip of Western Iowa, the southeastern corner of Wyoming and the eastern and northern portion of Colorado as well as the northern strip of Kansas to the proposed district. To these should be added for obvious reasons growing out of the considerations already adduced, eastern and northern New Mexico and Texas east of the Pecos River to a line later to be determined. In the same way Kansas will necessarily be a part of the central portion of the proposed district and the same would be true of a considerable section of Oklahoma. The question will then arise with reference to the drawing of a line of division between St. Louis and Kansas City territory. In attempting to do this, a beginning may be made in Texas and consideration may be given to the trade affiliations of the reserve cities of that State, particularly in the northern portion, as well as to their transportation possibilities.

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In the hearings at Austin, Tex., representatives of Dallas and Fort Worth banks appeared for the purpose of presenting the claims of Texas points and particularly of their own cities as sites of reserve banks, all agreeing that it would be well to establish a reserve bank at some point in Texas; while, naturally, the representatives of each city desired that such city should be selected as the location of the bank if established. At this point, nothing will be said of the respective claims of the different cities as thus presented, but attention needs to be given to the data ~~presented~~ offered with respect to the trade affiliations of the different places and sections. There seemed to be a general agreement that the northern points, Dallas and Fort Worth, might with about equal facility be shifted to a district with headquarters at Kansas City or allowed to remain in one whose headquarters were at St. Louis. Thus J. R. Babcock, while asking that the headquarters of the reserve district should be located at Dallas, admitted that much business was done with St. Louis and Kansas City. J. H. Ardrey said that the business of Oklahoma went predominantly to Kansas City while he pointed out that Fort Worth and Dallas banks keep their accounts at Kansas City or St. Louis according to convenience. B. B. Paddock of Fort Worth and R. D. Gage of the same place, favored a district including Texas for the most part, a part of Oklahoma and of Louisiana, with some of Arkansas, as had been done by Mr. Babcock. Representatives of other Texas points while expressing a wish for the placing of a reserve bank at some point in Texas, seemed to be in general agreement that should this not be done southeastern Texas should with a portion of Louisiana be assigned to the same district, probably with headquarters at St. Louis.

A consideration of this evidence and an examination of

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the transportation map later to be presented seems to indicate that Fort Worth and Dallas might both be placed either in the Kansas City district or in the St. Louis district proposed. It is probably a fair division of the territory if the line dividing the two districts be drawn midway between Fort Worth and Dallas, connecting the southeastern corner of the Pacific Coast district with the point in question. This establishes the extreme southeastern boundary of the Kansas City district.

The next step to be taken should probably be the outlining of the northeastern corner of the district. In the testimony at Kansas City it was pointed out by Mr. E. F. Swinney, President of the First National Bank of that place (minutes p. 1855) that about 80 or 90 miles of Missouri should undoubtedly be regarded as belonging to Kansas City, it being his view that the "natural district" of St. Louis was to be regarded as starting beyond that point. This view was tentatively admitted in the St. Louis hearings although in outlining the ideal district for St. Louis bankers of that place included Kansas City; but assuming that a line was to be drawn between the two it seemed to be admitted that a certain reasonable district about Kansas City should be allowed to that place (testimony of F. O. Watts, p. 1580 ff. and others). Comparing the suggestions thus offered the conclusion may be fairly drawn that Mr. Swinney's suggestion with reference to the Northeastern corner may fairly be followed. The corner may be located to best advantage by selecting a point on the Missouri River between Kansas City and St. Louis roughly 100 miles distant from the former place, as marked on the map. In the Kansas City testimony it was stated by J. A. Craigin of Joplin, Missouri, that that place desired to be associated with Kansas City, such being the verdict of the Joplin

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clearing house. The boundary line then should run east of Joplin and probably the fairest division of territory is obtained by simply connecting the southwest corner of Missouri with the point already fixed. In the same testimony it was urged that practically the whole of Arkansas should be kept within the Kansas City district with the exception of a "western strip" which was spoken of as debatable territory. Oklahoma was regarded as belonging to Kansas City. There was no positive evidence as to the precise treatment of the eastern corner of Oklahoma but it is believed that practically all of the arguments presented will be met if the southwestern corner of Missouri be connected by a straight line with the point between Dallas and Fort Worth already indicated.

Description of District.

To form the Kansas City district on the principles already indicated, therefore, begin at the intersection of the Pacific Coast district with the Mexican frontier, proceed northeast to a point midway to a point between Fort Worth and Dallas, then somewhat more northerly in a straight line to the southwest corner of Missouri, then in a straight line to a point on the Missouri River 100 miles from Kansas City in the direction of St. Louis. Follow the Missouri River to its intersection of the southern boundary of the Chicago district; follow the southern and western boundaries of the Chicago district to intersection with the St. Paul-Minneapolis district, follow the southern boundary of the latter westward to intersection with the Pacific Coast district and then follow the latter southward and eastward to point of departure.

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Analysis of Testimony.

The testimony germane to the Kansas City district is found in parts of the hearings at Chicago and St. Louis, in the hearings at Denver, Austin, Tex., Lincoln, Neb., and in Kansas City. These have already been heavily drawn upon in marking the boundaries of the district so that formal analysis at this point is not necessary.

Capitalization.

State or City:	Capital and Surplus
Nebraska,	$ 15,100,000
Reserve Cities of Nebraska,	14,250,000
Iowa, one-sixth estimated,	5,400,000
Colorado, three-fifths estimated,	5,800,000
Denver,	7,500,000
Pueblo,	1,300,000
Kansas,	16,000,000
Reserve Cities of Kansas,	2,400,000
Missouri, one-fifth estimated,	1,900,000
Kansas City, Mo.,	11,260,000
New Mexico, two-fifths estimated,	1,275,000
Texas, three-tenths estimated,	15,600,000
Fort Worth,	4,950,000
Wyoming, one-sixth estimated,	500,000
Oklahoma, five-sixths estimated,	12,884,000
Muskogee,	1,176,000
Oklahoma City,	1,686,000
Total	$118,981,000
Capitalization of reserve Bank at 6%	$7,138,860

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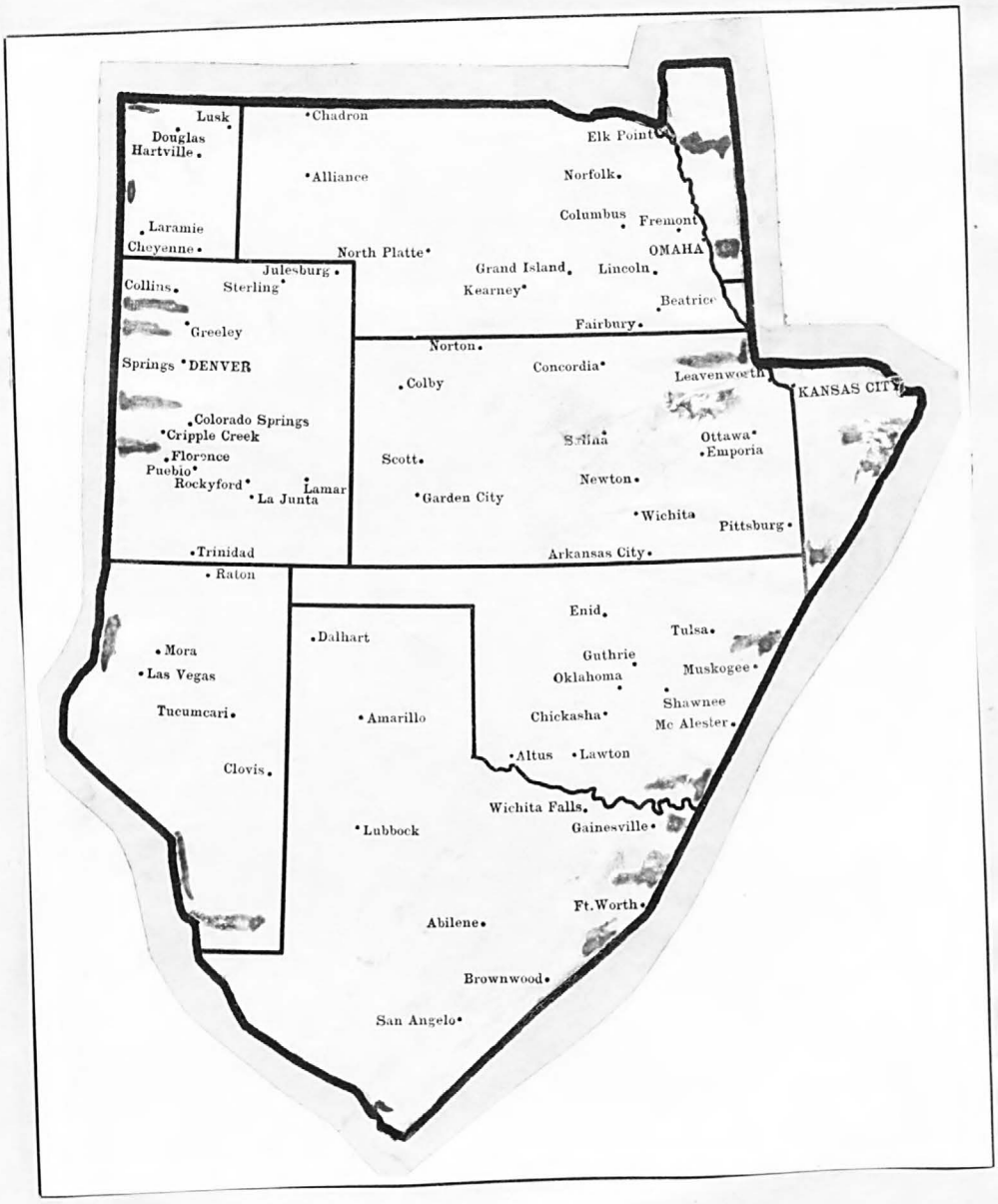
Map of Kansas City District



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Federal Reserve Bank of St. Louis

St. Louis District.

The district adjoining the proposed Kansas City district on the east will necessarily be that with St. Louis as its headquarters, but the shape of the district will be different from that which was assigned to the St. Louis territory in the division tentatively mapped out on the former basis. The problem now is that of dividing the territory east of the Kansas City district and south of the Great Lakes, Philadelphia and Chicago districts into two, inasmuch as it is clear that but two districts can well be created in that region under the conditions of capitalization already prescribed. Probably the most fundamental change that is necessitated in this rearrangement is the extension of the St. Louis territory to the Gulf east of New Orleans and the inclusion of all of Louisiana and the Mississippi River territory in the St. Louis district. This, however, is unavoidable in view of the capitalization conditions as well as considerations of transportation and those which arise from the limitation upon the number of districts to be created. The western and northern boundaries of the district as well as the extreme southwestern being already established in a tentative manner the problem at issue is simply that of drawing a dividing line between the St. Louis district and that to be created in the southeastern States, and this in turn reduces itself to a problem how far east of New Orleans (which as already seen, is necessarily included in the St. Louis district) the eastern boundary should be drawn. For reasons which will appear in the analysis of testimony shortly to be presented, it is believed that this line should be established by following the extreme southeastern boundary of Louisiana to its intersection with the northeastern boundary, then drawing a line straight north or nearly so, parallel with the eastern boundary of the State of Mississippi until such line intersects the southwestern

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boundary of the St. Louis district as formerly established in connection with the original grouping of districts, This point will be found to lie slightly south of the northern border of Tennessee a little below Union City. From that point the original boundary of the St. Louis district may be followed.

Description of District.

To establish the St. Louis district on the principles already suggested begin at the Gulf of Mexico and follow the Mexican frontier to the southern corner of the Kansas City district which is also the southeastern corner of the Pacific Coast district. From that point follow the southeastern boundary of the Kansas City district to the intersection of the southern boundary of the Chicago district. Follow the southern boundary of the Chicago district east and northeast to its intersection with the Great Lakes district. Follow the boundary of the Great Lakes district to its southwestern corner then proceed due southwest, crossing the Tennessee border, in a straight line from the point of departure and continuing until the point of intersection with a line drawn parallel with the eastern boundary of Mississippi northward from the southeastern corner of Louisiana is reached. From this point of intersection follow the aforesaid line southward to the Gulf of Mexico.

Analysis of Testimony.

In analyzing the testimony relating to this district the most interesting point to be considered is found in connection with the extension of the southern frontier along the Gulf Coast so as to include New Orleans. At the New Orleans hearings strong demand was made for a district which should have New Orleans as its headquarters and which should include Texas, Mississippi, Alabama, Florida, Georgia

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and Tennessee west of the Tennessee River. Sol. Wexler (minutes p. 3505 ff.) presented this plea and said it would be wrong to attach this territory to St. Louis while he argued that the dislike manifested in Texas with respect to the idea of being attached to New Orleans was entirely due to the belief that the Texans might thus be building up a business competitor for themselves. He showed that of 500 banks in Texas only 52 had reserves in New Orleans while 300 had such reserves with one northern city and 143 with another. This was distinctly against his contention for New Orleans as a headquarters for Texas. L. E. Bentley, outlined the branches of the Federal service already existing at New Orleans, W. B. Thompson, described and laid stress upon the cotton export situation, E. J. Glenny, presented the position of New Orleans as a foreign exchange center, M. J. Sanders, told of the steamship lines and foreign trade centering about the city, C. H. Ellis claimed that a reserve bank in New Orleans was desirable in order to handle the tropical fruit industry well, and others dealt with other branches of trade but there was nothing in these arguments that could not be met by the establishment of a branch at New Orleans. Little weight could be attached to the arguments of E. B. Stern, and others, who compared New Orleans volume of business with the volume of business of Atlanta, Dallas, Houston and others. With reference to actual trade some testimony was offered, L. C. Simon, and others, analyzing the trade with northern states and the amount done with Alabama, Georgia, East Texas, etc., and admitting that in East Texas the trade was largely confined to the country nearest Louisiana while in Alabama, Georgia, etc much of the trade went northward.

With reference to boundary lines some evidence was afforded by J. L. Taylor of Mobile, who stated that Mobile endorsed New Orleans

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and desired to be placed in the same district with it, while E. M. Princess of Greenwood, Miss.,(western part of the State) and W. Broach of Meridian, Miss., (eastern part of the State) also expressed themselves favorably to the claims of New Orleans. If these views were accepted it would be necessary to throw the whole of Mississippi into the St. Louis district with possibly a small additional section of Alabama around Mobile. The present opinion is that the line as drawn is a fairer division. The general drift of the testimony subsequently produced by Birmingham and Atlanta representatives strengthens this view. It would, however, make relatively little difference to the capitalization of the district if the eastern boundary should be made to follow the eastern boundary of Mississippi to a point opposite the western boundary of Florida and then permitted to follow the latter to the Gulf. This would slightly enlarge the St. Louis district above the limits already suggested. The location of this southeastern boundary is somewhat debatable as between the two methods of placing it already indicated and the precise points through which it is to be drawn might fairly be left to the banks of the region to determine.

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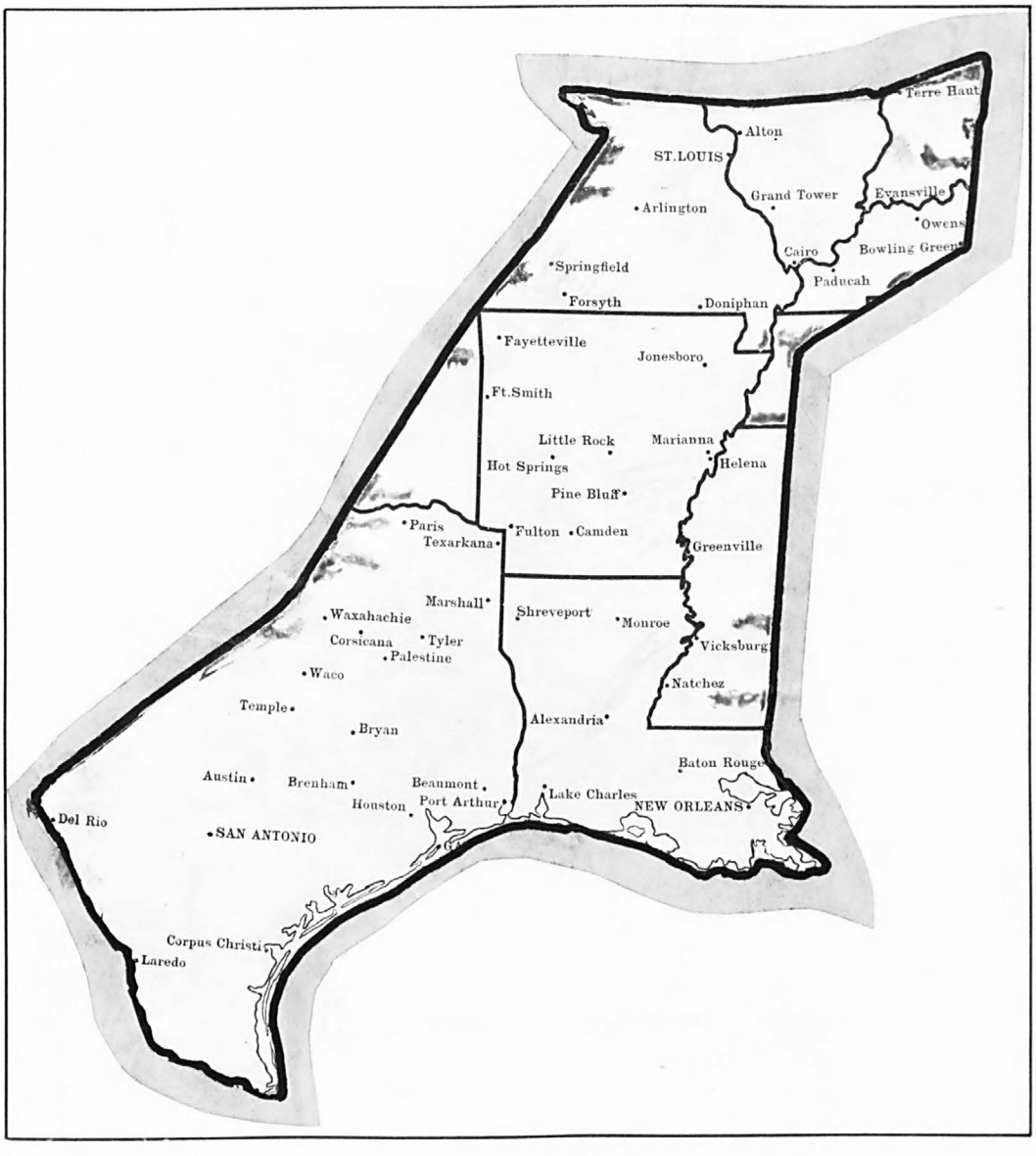
Capitalization.

State or City:	Capital and Surplus
Missouri, three-fifths estimated,	$ 5,700,000
St. Louis,	29,200,000
Illinois, one-third estimated,	17,000,000
Indiana, one-fourth estimated,	8,000,000
Kentucky, one-eighth estimated,	2,200,000
Tennessee, one-sixth estimated,	3,125,000
Arkansas,	7,525,000
Mississippi, two-thirds estimated,	3,400,000
Louisiana,	5,375,000
New Orleans,	8,230,000
Texas, six-tenths estimated,	31,200,000
Galveston,	750,000
Houston,	7,050,000
San Antonio,	3,670,000
Waco,	2,150,000
Oklahoma, one-sixth estimated,	2,575,000
Total	$137,150,000
Capitalization of reserve bank at 6%	$8,229,000

Map of St. Louis District

Miller II
464



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Southeastern District.

It is proposed to consider the remainder of the States in the southeastern corner of the mainland territory of the United States as an additional district, they being included between the Philadelphia and Great Lakes district on the north and the St. Louis district on the west. The chief ~~xxxxx~~ question remaining in connection with the formation of this district is one of capitalization. If the capitalization is sufficient these States may be properly combined into a single district with a headquarters later to be determined. This question may now be considered.

Description of Proposed District.

From the intersection of the St. Louis district with the Gulf of Mexico follow the Gulf Coast and the Atlantic Coast to the southern line of Virginia, then follow the southern line of Virginia westward to the southwestern corner of the Philadelphia district, follow the southwestern boundary of that district to its intersection with the Great Lakes district and follow the southern boundary of the latter to its intersection with the St. Louis district. From that point follow the southwestern boundary of the St. Louis district to the Gulf of Mexico.

Capitalization.

State or City:	Capital and Surplus
North Carolina,	$ 11,300,000
Tennnessee, five-sixths estimated,	15,500,000
South Carolina,	8,500,000
Georgia,	22,900,000
Savannah,	1,600,000
Florida,	10,600,000
Alabama,	16,300,000
Mississippi, one-third estimated,	1,700,000
Total	$88,400,000
Capitalization of reserve bank, at 6%	$5,000,000

Map of Southeastern District

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General Map.

The whole territory of the United States has now been rearranged so as to create in all 10 districts, the change from the first method of districting consisting simply in the readjustment of the central western and southwestern territory, a process which necessitated the further readjustment of the boundary line between this region and the southeastern states. In the subsequent discussion it will be suggested that two of the districts already mapped out be subdivided, these being the Pacific Coast district already established which will be separated into a north Pacific and south Pacific section, and the Great Lakes district which will be subdivided into an eastern Great Lakes and western Great Lakes section. In order however that the proposed division of the country as now arranged upon a basis of 10 districts with a further possible subdivision into 12 may be easily understood, a general map designed to exhibit the relationship of the several districts to one another as well as the principal routes of transportation is herewith presented ~~(as page 91).~~

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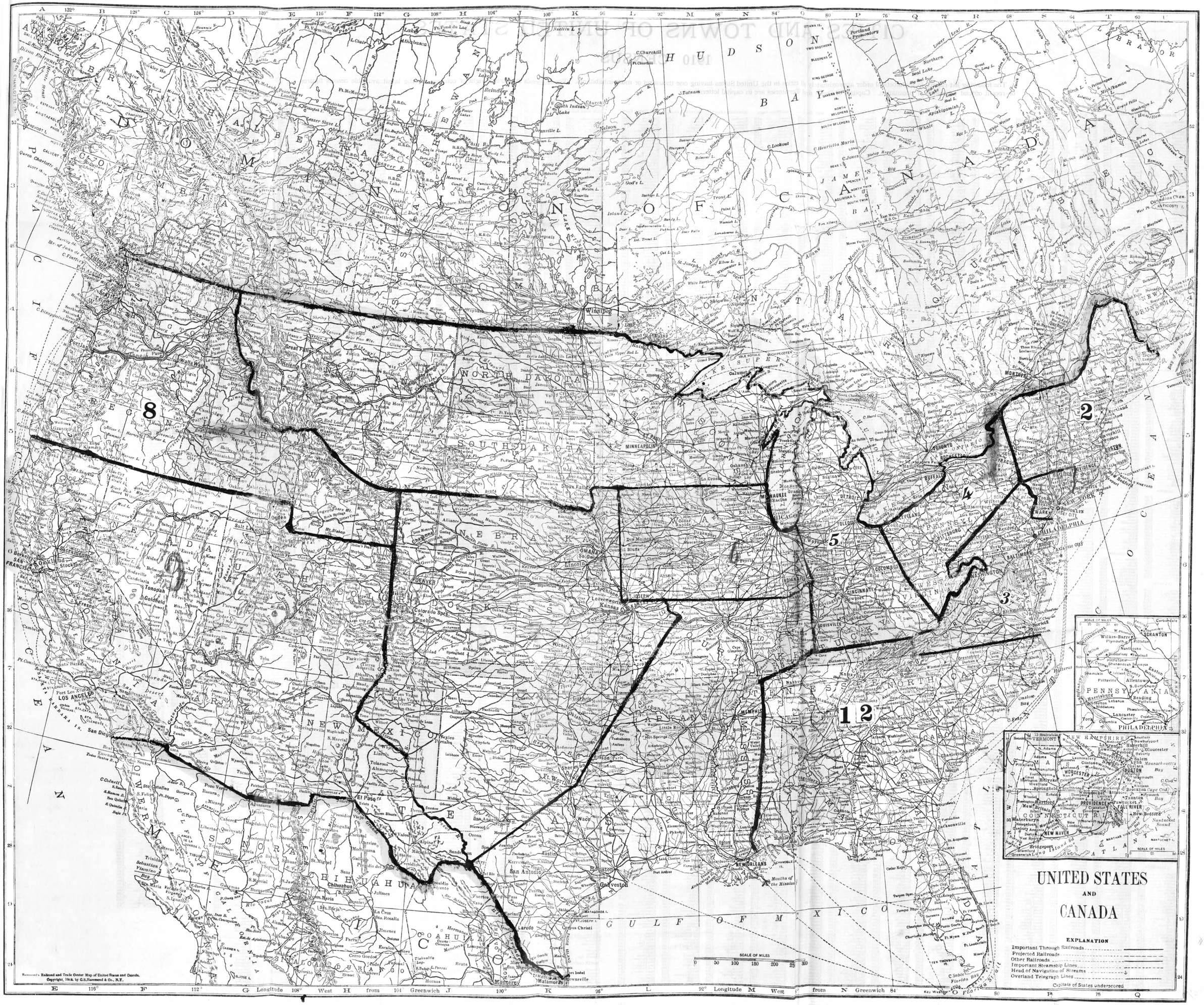

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CITIES AND TOWNS OF UNITED STATES

1910 CENSUS

The following list names in alphabetical order approximately all cities in the United States having one thousand or more inhabitants. The numerals at extreme right of column are the latest available census figures or recent official estimates of population. Capitals of States and Territories are in capital letters.

ALABAMA

Abbeville..... 1,141
Acton..... 1,500
Adger..... 1,200
Alabama City..... 4,313
Albertville..... 1,500
Alexander City..... 1,716
Alexandria..... 1,071
Andalusia..... 2,488
Anniston..... 12,794
Ashland..... 1,062
Athens..... 1,715
Atmore..... 1,000
Attalla..... 2,513
Auburn..... 1,800
Avondale..... 4,500
Bartelso..... 1,000
Bessemer..... 10,604
Birmingham..... 132,685
Blocton..... 2,000
Blountsville..... 1,000
Boaz..... 1,203
Brewton..... 3,180
Bridgeport..... 1,500
Brighton..... 1,200
Bucksville..... 1,000
Butler..... 1,000
Camden..... 1,000
Carbon Hill..... 2,000
Carrollton..... 1,000
Centre..... 1,000
Centreville..... 1,000
Chatom..... 1,000
Chickasaw..... 5,000
Childersburg..... 1,000
Citronelle..... 1,000
Clanton..... 1,200
Clayton..... 1,000
Cleburne..... 1,000
Cullman..... 1,500
Dadeville..... 1,100
Daphne..... 1,000
Decatur..... 5,228
Demopolis..... 4,000
Dolomite..... 1,000
Dothan..... 2,616
East Lake..... 4,100
East Tallassee..... 2,000
East Thomas..... 1,500
Elba..... 1,000
Elyton..... 1,000
Enterprise..... 1,800
Eufaula..... 4,232
Eutaw..... 1,359
Evergreen..... 1,001
Fairfield..... 1,582
Florala..... 1,200
Florence..... 4,359
Fort Payne..... 1,215
Gadsden..... 10,557
Girard..... 2,000
Grayson..... 1,000
Greenville..... 3,000
Guntersville..... 2,255
Hackleburg..... 1,000
Hamilton..... 1,500
Hartford..... 1,159
Hartselle..... 1,714
Headland..... 1,090
Henagar..... 1,000
Huntsville..... 8,068
Irondale..... 1,200
Jacksonville..... 2,529
Jasper..... 4,979
Kellyton..... 1,000
Kennedy..... 1,000
Keystone..... 1,000
Lafayette..... 3,000
Lanett..... 4,820
Linden..... 1,900
Linville..... 1,053
Livingston..... 1,884
McCall..... 1,000
Madison..... 1,000
Marion..... 3,000
Mobile..... 39,067
Monroeville..... 1,000
Montgomery..... 38,136
Moulton..... 1,000
Mount Vernon..... 1,000
Muscle Shoals City..... 1,000
Nauvoo..... 1,000
Newton..... 1,000
New Decatur..... 5,118
Northport..... 1,000
Oakman..... 1,065
Opelika..... 4,744
Opp..... 1,500
Oxford..... 1,000
Ozark..... 2,229
Phenix..... 2,000
Piedmont..... 4,000
Pine Hill..... 1,000
Prattville..... 2,222
Prichard..... 3,034
Rainsville..... 1,000
Roanoke..... 2,046
Russellville..... 3,000
Scottsboro..... 3,000
Selma..... 15,054
Sheffield..... 4,863
Shorter..... 1,000
Slocomb..... 1,000
Spring Hill..... 1,000
Stevenson..... 1,000
Sulligent..... 1,000
Sumiton..... 1,000
Summerville..... 1,000
Sylacauga..... 3,854
Talladega..... 7,141
Tallassee..... 4,041
Thomas..... 1,500
Thomasville..... 1,500
Troy..... 3,961
Tuscaloosa..... 8,407
Tuscumbia..... 3,324
Tuskegee..... 3,937
Union Springs..... 3,836
Uniontown..... 1,000
Vernon..... 1,000
West End..... 1,500
Wetumpka..... 1,103
Wheeler..... 1,500
Woodlawn..... 1,000
Woodward..... 1,000
Yellow Pine..... 1,000
Yolande..... 1,000

ARIZONA

Bisbee..... 9,019
Casa Blanca..... 1,200
Clifton..... 4,874
Congress..... 1,000
Douglas..... 6,437
Dunnes..... 1,200
Flagstaff..... 3,633
Globe..... 7,083
Jerome..... 2,393
Kingman..... 1,000
Lowell..... 1,000
Mesa..... 1,692
Miami..... 1,500
Morenci..... 5,010
Nogales..... 3,514
PHOENIX..... 11,134
Prescott..... 3,092
Tempe..... 1,200
San Carlos..... 1,000
Tempe..... 1,382
Tombstone..... 1,103
Tucson..... 13,193
Williams..... 1,261
Yuma..... 3,914

ARKANSAS

Argenta..... 11,138
Arkadelphia..... 3,443
Arkansas City..... 1,000
Ashdown..... 1,258
Augusta..... 1,329
Bauxite..... 1,200
Bearden..... 1,500
Beaver..... 1,000
Bentonville..... 1,600
Berryville..... 1,000
Blytheville..... 3,847
Booneville..... 1,740
Brinkley..... 2,992
Brookland..... 1,000
Bryant..... 1,000
Bryant..... 1,000
Camden..... 7,655
Carlisle..... 1,000
Charleston..... 1,435
Clarksville..... 2,194
Conway..... 2,794
Corning..... 1,284
Cottonplant..... 1,000
Crossett..... 2,033
Dardanelle..... 2,012
Decatur..... 1,000
Dermott..... 1,661
Dewitt..... 1,061
Dumas..... 1,000
Earle..... 1,342
Eldorado..... 2,424
England..... 1,838
England Springs..... 1,000
Fayetteville..... 2,704
Fordyce..... 2,000
Forrest City..... 2,484
Fort Smith..... 23,975
Greenwood..... 1,124
Gurdon..... 1,282
Hamburg..... 1,787
Harrison..... 1,000
Hartford..... 1,000
Helena..... 5,550
Hope..... 4,211
Hot Springs..... 14,424
Huntington..... 1,700
Huttig..... 1,000
Jonesboro..... 7,123
Junction City..... 1,000
Lake Village..... 1,074
Leola..... 1,000
Lewisville..... 1,200
LITTLE ROCK..... 45,941
Lonoke..... 1,157
Magnolia..... 2,045
Malvern..... 2,178
Manila..... 1,000
Marianna..... 1,000
Marked Tree..... 2,026
Marvell..... 1,000
Monticello..... 2,214
Morrilton..... 1,200
Nashville..... 1,080
Newport..... 3,257
Norfolk..... 1,269
Osceola..... 2,529
Ozan..... 1,979
Pangburn..... 1,000
Paris..... 1,497
Piggott..... 1,150
Pinebluff..... 15,101
Pocahontas..... 1,542
Prescott..... 3,959
Rector..... 2,830
Rogers..... 2,526
Russellville..... 2,131
Searcy..... 3,000
Springdale..... 2,405
Stamps..... 2,116
Stuttgart..... 2,740
Sugar Loaf..... 1,000
Texarkana..... 5,653
Trumann..... 1,000
Van Buren..... 2,788
Warren..... 2,253
Wynne..... 2,033

CALIFORNIA

Alameda..... 32,383
Alhambra..... 5,021
Anaheim..... 3,215
Antioch..... 1,124
Angels Camp..... 1,000
Arcata..... 2,316
Auburn..... 1,000
Avalon..... 1,477
Azusa..... 2,107
Bakersfield..... 5,991
Banning..... 1,000
Benicia..... 1,800
Berkeley..... 40,434
Beverly..... 1,000
Black Diamond..... 2,372
Bodie..... 1,000
Burlingame..... 3,150
Chico..... 3,105
Chino..... 1,114
Claremont..... 3,000
Coalinga..... 4,199
Colton..... 4,902
Colusa..... 1,582
Corona..... 3,549
Coronado..... 4,207
Corte Madera..... 1,114
Crescent City..... 1,000
Cucamonga..... 1,000
Downey..... 1,117
Dunsmuir..... 1,261
El Centro..... 1,610
Elsinore..... 1,564
Escondido..... 1,344
Eureka..... 12,893
Folsom City..... 1,000
Fort Bragg..... 2,452
Fresno..... 24,892
Fruitvale..... 1,725
Fullerton..... 1,159
Gait..... 1,437
Glendale..... 2,746
Glendora..... 1,500
Glen Ellen..... 1,000
Grass Valley..... 4,329
Hanford..... 3,222
Haywards..... 2,746
Healdsburg..... 2,011
Highland..... 1,200
Hollister..... 2,393
Hollywood..... 1,400
Huntington Park..... 1,200
Imperial..... 1,257
Inglewood..... 1,332
Irvington..... 1,000
Jackson..... 1,000
Kentfield..... 1,000
Kerman..... 1,000
Kerman..... 1,000
Kerman

Subdivision of Districts.

The foregoing division, which recognizes ten distinct districts, represents, it is believed, substantially the general grouping that will need to be followed in assigning the banks of the country to reserve banks, and while some other arrangements would be possible, none now in mind, it is thought, is to be preferred to this. It is, however, evident from a general survey of the districts as now laid out that two of those recommended are lacking in proportion--the Great Lakes district because of its unduly large capital, the Pacific Coast district because of its unwieldy size and defective transportation. While these districts, for the reasons already sufficiently stated, are considered to be geographical and banking units in the larger sense of the term, it is recommended that each of them be broken into two without, however, changing the boundaries of the district in relation to other districts. It will be recalldd that certain canons have been laid down as a guide in the process of districting at earlier points in this study, one of them being that so far as practicable the reserve banks should be prevented from assuming a preponderating size; another that where an excessive area is required for any district in order to meet capitalization requirements a further division may fairly be made if it appears that early future development is likely to produce the needed wealth and bank capital at a not too distant date.

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North Pacific District.

Accepting these general canons and turning attention to the suggested districts, a beginning may be made with the Pacific Coast. As is seen from the map already submitted the area assigned to the district is exceedingly large. To reach San Francisco, the probable headquarters of the reserve bank, from Seattle or Portland on the north is a journey of some forty-eight hours with transportation facilities unsatisfactory, (hearings Seattle and Portland). Moreover, the evidence at hand shows a certain variation between the types of industry and business prevailing on the Northern Pacific Coast and those prevailing in the central and southern region. This suggests the desirability of dividing the Pacific Coast into two sections, one northern and one southern. That the probable future development of the northwestern section of the country will be great is clearly indicated by the facts as to recent growth in bank capital and resources. Undoubtedly the movement of population and capital into the northwestern States, which is already a marked feature of the industrial history of the region, will continue. That being assumed to be the case, the establishment of two districts on the Pacific Coast instead of one may be taken as a desirable conclusion and a corresponding readjustment may be sought.

As already indicated, the bank capital suggested for the district reserve bank of the Pacific Coast would upon the present suggested basis work out at about $8,574,000 , the national bank capital and surplus of the region being $142,900,000 . This on the face of it is sufficient to provide capitalization for two reserve banks that would be within the limits of size set by the act. It is not, however, desirable to defeat the purposes of the subdivision in the matter of transportation by attempting to equalize the capital between the two districts. A division between the northern and southern port-

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ions of the district may be effected on general geographical and transportation considerations by taking the northern portion of the territory largely following State lines, since there are no considerations to prevent, and assigning to such a northern Pacific Coast district the States of Washington, Oregon, Idaho and that part of Wyoming formerly included in the Pacific Coast district.

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Description of District.

On this basis the North Pacific district suggested would be described as follows: Beginning at the northwestern corner of the United States follow the Canadian frontier to the Northeastern corner of the State of Idaho. Follow the eastern boundary of Idaho eastward and southward to the Wyoming boundary then follow the southwestern boundary of the St. Paul-Minneapolis district to its intersection with the southern boundary of Wyoming. Follow the southern boundaries of Wyoming, Idaho and Washington west to the Pacific Coast, then follow the coast north to the point of departure.

Analysis of Testimony.

The testimony relating to the Pacific Coast as a whole was that taken at Seattle, Portland, San Francisco and Los Angeles, (that at El Paso having already been sufficiently considered in fixing the southwestern frontier of the Pacific Coast district). While in general the position of San Francisco and Los Angeles witnesses was in favor of a single Pacific Coast district it was not violently so, there being admission that the northern section constituted practically an area by itself. In speaking at San Francisco, R. M. Lynch for example advocated a very large Pacific Coast district and the same position was assumed by W. G. Gardner. The latter specifically urged the inclusion of Arizona, Utah and part of New Mexico as belonging in the strict sense of the word to the Pacific Coast district. In the same way C. K. McIntosh urged a bank whose member banks should possess about $130,000,000 capital which would practically imply the inclusion of all the territory already assigned to the Pacific Coast district. Californians generally inclined to the "large" district already indicated. On the other hand, at the northern hearings, while the general identity of the interests

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of the Pacific Coast was recognized, there was a direct request for the organization of a separate North Pacific district provided a capital could be had that would be satisfactory to the government authorities. This view was taken during the hearings at Portland for example by Edward Cookingham (minutes pp. 2820 ff.) who represented that even if one were not now established in the North Pacific region it would soon be absolutely necessary. A like view was taken by W. L. Thompson, President of the Oregon State Bankers Association, who recommended the placing of a reserve bank at Portland. San Francisco, he thought, would be entitled to second choice as the site of such an institution. A similar view was taken by R. S. Rush and other witnesses. It is worthy of note that the entry of sufficient state banks to make up the desired capital was promised. A. L. Mills gave the results (p.2686) of a canvass of banks in Montana, Idaho, Washington and Oregon, which showed a general preference for Portland. Of the banks, $18,000,000 in capital voted for Portland, $8,000,000 for Seattle and $7,000,000 for Spokane. At Seattle, the request for a bank was also strongly expressed partly on the ground that, considering Alaska as tributary to the district, Seattle was more central than Portland, partly on the ground that the population and wealth of Washington were greater than those of Oregon. This view was distinctly taken by Governor Lister (p. 2354 ff.). But independent of location the witnesses from the northern Pacific Coast States, irrespective of locality, were thoroughly in favor of the establishment of a bank in their own section. M. J. Backus expressed the general sentiment in his assertion that the immediate growth of the region would undoubtedly be so great as to provide an abundant supply of bank capital for the new institution and that the state banks would unquestionably join with the national in making up the resources re-

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quired for immediate reliance.

The only point where any considerable difference of opinion seems to have occurred, was found in connection with the inclusion or non-inclusion of Montana in the North Pacific district. While there was some evidence in favor of the inclusion of Montana, it is believed that the retention of that State in the St. Paul-Minneapolis district is the wiser course. The capital of national banks in Montana is roughly $9,000,000, 6 percent of which would be $540,000. This could be spared from the St. Paul-Minneapolis district, but it is not believed the transfer would be to the interest of Montana which is industrially closer to the territory bordering it on the east. If any of the State should be transferred to the North Pacific district, it should probably be only the western one-third or one-half.

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Capitalization.

The capitalization of the north Pacific Coast district under these conditions would be as follows:

State or City:	Capital and Surplus
Washington,	$ 6,200,000
Seattle,	5,600,000
Spokane,	4,200,000
Tacoma,	1,100,000
Oregon,	7,200,000
Portland,	6,800,000
Idaho,	5,100,000
Wyoming, three-fifths estimated,	1,800,000
Total	$38,000,000
Capitalization of reserve bank @ 6%	$2,280,000

On this basis over $1,900,000 would require to be raised from State bank members, private subscription or governmental purchase of stock.

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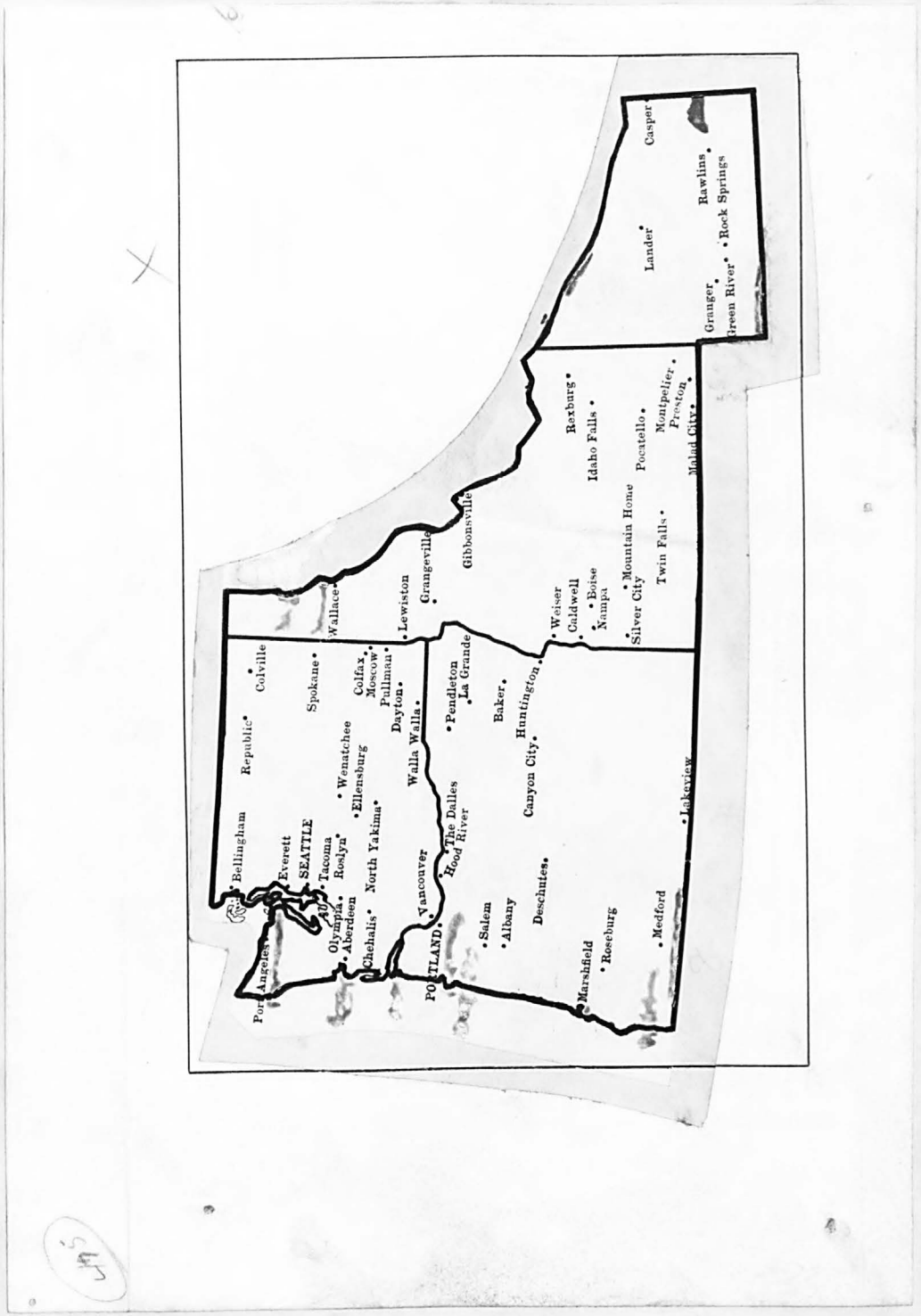
Map of North Pacific District



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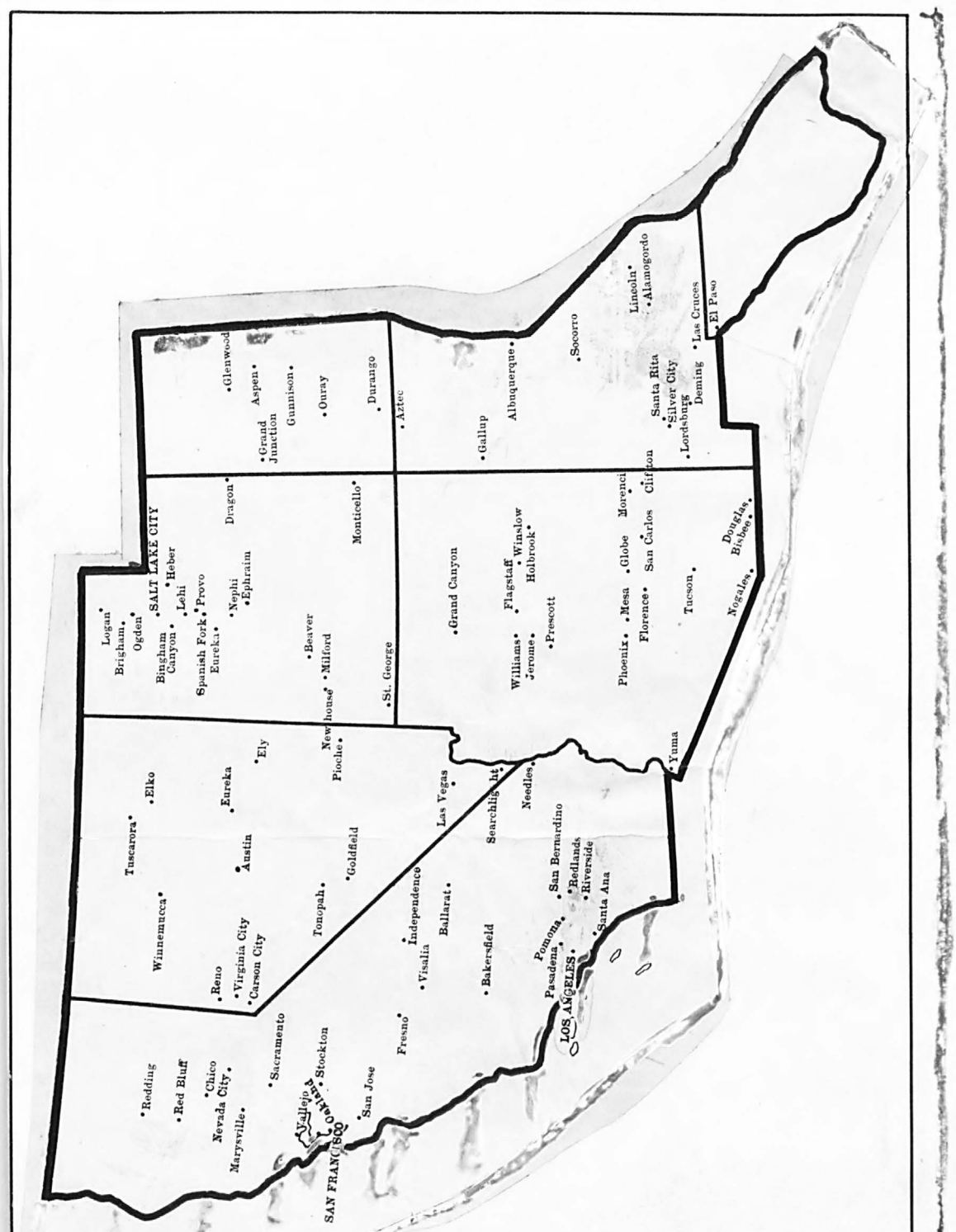
Map of South Pacific District



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South Pacific District.

Cutting off the North Pacific district in the way just indicated would leave the remainder of the Pacific Coast district as previously outlined to constitute a new district which might be known as the South Pacific district. Its capitalization would then be as follows:

Capitalization.

State or City:	Capital and Surplus
California,	$ 30,800,000
Los Angeles,	9,400,000
San Francisco,	44,800,000
Arizona,	1,800,000
Nevada,	2,300,000
Colorado, three-fifths estimated,	3,600,000
Utah,	1,600,000
Salt Lake City,	3,400,000
New Mexico, three-fifths estimated,	2,000,000
Southwestern Texas, one-tenth estimated,	5,200,000
Total	$104,900,000
Capitalization of reserve bank @ 6%	$6,294,000

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Subdivision of Great Lakes District.

As already noted, the great extent of the Great Lakes district marks it out as a suitable field for further subdivision, while the fact that it has so large a capitalization as has been assigned to it does the same. Studying the Great Lakes district as a whole, it must be admitted that there is no part of it which is not within fairly reasonable distance of any of the points likely to be selected as the site of a headquarters bank. The distances are, however, considerable and the areas included in it are decidedly distinct from one another. It is, therefore, probably an improvement upon the plan of keeping this district upon an independent basis to make a suitable subdivision of it. The line of division referred to should be drawn in such a way as to leave an approximately equal number of large centers in each of the two resulting districts, and so far as possible to maximize the convenience of inhabitants of the district in reaching the reserve bank. It is, therefore, submitted that the line of division should be begun at a point on the Lake frontier of Ohio about midway between Cleveland and Toledo to intersect the southern boundary of Ohio (bordering upon West Virginia) at another point to be selected with a view to the division of the latter State. This point as will be presently seen in the analysis of testimony should probably be placed just north of Parkersburg. There is no positive evidence regarding the location of the point on the southwestern frontier of West Virginia which should serve to fix the dividing line between the two parts of the district, except that the evidence shows that the line should run considerably north of Charleston. It is, however, believed that a point on the border due west of Lynchburg, Va., will fulfil the requirements of the evidence. Connect the three points indicated and the southwestern boundary of the northern and eastern portion of the district is complete.

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Description of District.

Follow the southern shore of the St. Lawrence and of the Great Lakes from the northwest corner of the New England district to a point midway between Cleveland and Toledo, O. Connect this point with the West Virginia frontier just north of Parkersburg and connect this point with a point on the southwestern boundary of West Virginia west of Lynchburg. Follow the southwestern boundary of the Philadelphia and New England districts east and north to point of departure.

Capitalization

State or City :	Capital and Surplus
New York, one-third estimated,	$ 28,000,000
Pennsylvania, one-half estimated,	71,000,000
Pittsburg,	48,500,000
Ohio, one-third estimated,	18,150,000
Cleveland,	14,400,000
West Virginia, two-thirds estimated,	11,100,000
Total	$191,150,000
Capitalization of Reserve Bank @ 6%	$11,690,000

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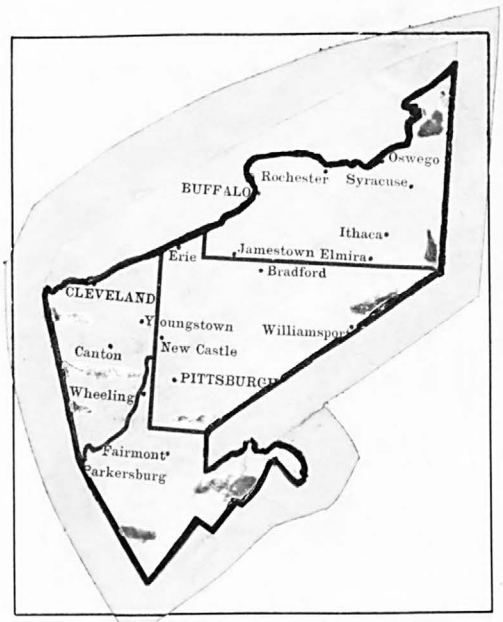
Map of Eastern Great Lakes District



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Western Great Lakes District.

By cutting off the section of territory which has been described as the eastern Great Lakes district there is left a western district or territory which may be referred to as the western Great Lakes district, including the southern peninsula of Michigan, eastern Indiana, western Ohio, southwest and west Virginia and northwestern Kentucky. This it is proposed to regard as an independent district with the designation already assigned to it above. It is the present belief that this territory is sufficiently important and possesses sufficient bank capitalization, besides complying sufficiently in other ways with the requirements already indicated in connection with other districts for independent organization in the way suggested.

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Analysis of Testimony.

The testimony relating to the organization of a Great Lakes district was surveyed in connection with the outlines of such a district as originally recommended and does not need to be reviewed in detail. A few points specially bearing upon the division of the district from east to west should, however, be considered. As was noted in the discussion of the hearings held at Philadelphia, the principal problem involved in making such a separation is the question how to divide West Virginia. The evidence there submitted, however, showed that the lower part, including Charleston and the adjacent country, should be regarded as more properly tributary to Cincinnati, while the upper part should be considered as belonging to Pittsburg and the district to which the latter city should be assigned. There would be nothing to prevent such a division of the district as is here proposed from being made on lines that would practically place the whole of Ohio in the western division of the original Great Lakes district, while arranging for the separation of the State of West Virginia between the two sub-districts in the manner suggested. The evidence at Cleveland, however, shows the desirability of including that city with the eastern division of the territory inasmuch as through it is handled a large volume of lake trade in ores, coal and the like, that is an outgrowth of the business activities of the Pittsburg district. It would, therefore, appear that the inclusion of Cleveland and a reasonable stretch of coast to the westward, including all that territory that is naturally and properly ancillary to the City of Cleveland itself should be a part of the plan for effecting the division, even if such inclusion should render the disparity between the capitalization of the two sections as thus subdivided somewhat more marked than it would otherwise be were the line of division to be drawn rather more to the east, so as to follow the Ohio boundary.

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One other topic is worthy of additional mention. The question is properly raised whether the subdivision into two smaller districts should not lead to rearrangement of the southern boundary line separating the Great Lakes district from the southeastern and St. Louis districts. Some light on this question was shed by the hearings at New Orleans at which appeared representatives of Louisville, asking for the establishment of a reserve bank at that place and mapping out a territory for it which would have thrown some of the territory now assigned to the southeastern district and some of that assigned to the St. Louis district into a Louisville region. Even if Louisville is not to be considered as the site of the bank of the district--a topic not yet passed upon and still to be considered in the section upon bank's headquarters--the issue remains open whether it would not be desirable to have a readjustment that would carry the boundary of the western Great Lakes district further to the southward. Analysis of the testimony of Representative Sherley, Senator James, and others, at New Orleans, does not, however, appear to afford any sound basis for making such a readjustment. While Louisville has been in the proposed division of territory assigned to a northern section notwithstanding the apparent preference of the city's representatives for southern associations, it should be borne in mind that this preference was expressed in connection with an effort to secure designation as the headquarters of a reserve bank. In fact the associations of Louisville are shown to be with Cincinnati and with Chicago under ordinary conditions, and the assignment to be made should, therefore, be to a district containing or centering around one of those cities. The shifting of Louisville into a southern district would moreover unduly limit the capital of the western Great Lakes district as now proposed. On the other hand, to extend the Great Lakes district still further to the south would be undesirable for geographical and transportation reasons and would result in placing in the northern section some places such as Memphis which are confessedly more closely drawn to and allied with the southern part of the country.

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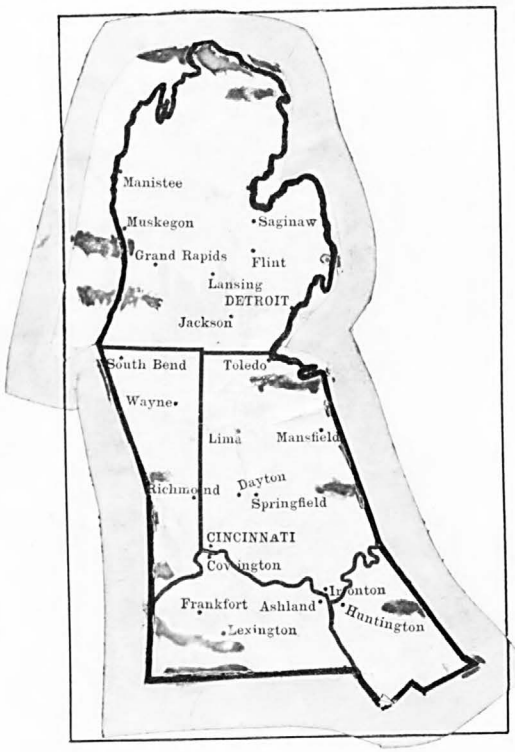
Capitalization

The capitalization of the western Great Lakes District on the basis thus indicated will be as follows:

State or City:	Capital and Surplus
Ohio, two-thirds estimated,	$ 36,300,000
Cincinnati,	20,300,000
Columbus,	14,400,000
Michigan, three-fourths estimated,	12,000,000
Detroit,	7,000,000
Indiana, one-third estimated	10,500,000
Kentucky, one-half estimated,	9,000,000
Louisville,	8,200,000
West Virginia, one-third estimated,	5,500,000
Total	$123,200,000
Capitalization of reserve bank @ 6%	$7,295,000

Map of Western Great Lakes District



General Summary.

It is now possible to present a complete survey and comparison of what has been suggested in the foregoing discussion. This is done by offering a consolidated and comparative statement of each of the groupings already proposed as follows:

Division into Eight Districts.

Number	Name	Capitalization
1	New York,	$ 18,996,000
2	Boston or New England,	11,238,000
3	Philadelphia or Alleghany,	14,1oo,ooo
4	Great Lakes,	18,735,ooo
5	Chicago or Central,	14,786,ooo
6	Pacific Coast,	8,574,ooo
7	St. Louis or Western,	9,319,ooo
8	Southern,	9,132,ooo

Division into Nine Districts.

Number	Name	Capitalization
1	New York,	$ 18,996,ooo
2	Boston, or New England,	11,238,ooo
3	Philadelphia, or Alleghany,	14,1oo,ooo
4	Great Lakes,	18,735,ooo
5	Chicago, or Central,	1o,o86,ooo
6	St. Paul-Minneapolis, or Northwestern,	4,7oo,ooo
7	Pacific Coast,	8,574,ooo
8	St. Louis, or Western,	9,319,ooo
9	Southern,	9,132,ooo

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Division into Ten Districts.

Number	Name	Capitalization
1	New York,	$ 18,996,000
2	Boston, or New England,	11,238,000
3	Philadelphia, or Alleghany,	14,100,000
4	Great Lakes,	18,735,000
5	Chicago, or Central,	10,086,000
6	St. Paul-Minneapolis, or Northwestern	4,700,000
7	Pacific Coast,	8,574,000
8	Kansas City, or Southwestern,	7,138,000
9	St. Louis, or Mississippi Valley,	8,229,000
10	Southeastern,	5,000,000

Division into Eleven Districts.

Number	Name	Capitalization
1	New York,	$ 18,996,000
2	Boston, or New England,	11,238,000
3	Philadelphia, or Alleghany,	14,100,000
4	Great Lakes,	18,735,000
5	Chicago, or Central,	10,086,000
6	St. Paul-Minneapolis, or Northwestern,	4,700,000
7	South Pacific,	6,294,000
8	North Pacific,	2,280,000
9	Kansas City, or Southwestern,	7,138,000
10	St. Louis, or Mississippi Valley,	8,229,000
11	Southeastern,	5,000,000

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Division into Twelve Districts.

Number	Name	Capitalization
1	New York,	$ 18,996,000
2	Boston, or New England,	11,238,000
3	Philadelphia, or Allegheny,	14,100,000
4	Eastern Great Lakes,	11,690,000
5	Western Great Lakes,	7,295,000
6	Chicago, or Central,	10,086,000
7	St. Paul-Minneapolis, or Northwestern,	4,700,000
8	South Pacific,	6,294,000
9	North Pacific,	2,280,000
10	Kansas City, or Southwestern,	7,138,000
11	St. Louis, or Mississippi Valley,	8,229,000
12	Southeastern,	5,000,000

Recommendations.

Of these proposed divisions the last-named,--into twelve districts as shown and numbered upon the map submitted as page ~~91~~ is recommended.

Numbering of Banks.

In what has been said thus far numbers have been assigned to the proposed reserve banks arbitrarily in consecutive order. This was merely for the purpose of convenience. When the time comes to assign official numbers to the banks the numbering actually adopted should be based upon the system of numbering employed by the American Bankers Association at the present time for the purpose of giving to each reserve bank a number which will be identical with the official bank number today in vogue in that district. This will considerably facilitate the sorting of checks in the clearing process which is to be put into effect under the proposed measure.

In order to carry out this plan it is suggested that a letter and a number be assigned to each bank such numbers to be used on their notes and on their checks and to be officially recognized as furnishing the description of the several banks. The letters should run consecutively in such order as the Organization Committee may determine upon, presumably in the order of capitalization. The numbers should be, as already indicated, those already established by the common agreement of the banks. On this basis the numbering might run as follows: (assuming that the reserve banks were to be established in the places here used as the headquarters of the districts:) New York, a 1, Philadelphia, b 3, Cleveland, c 6, Boston, d 5, Chicago, e 2, St. Louis, f 4, Cincinnati, g 13, Kansas City, h 18, San Francisco, i 11, Atlanta, j 64, Minneapolis, k 17, Portland, l 24.

The convenience which would be realized to the banks by following this system of numbering will be very great. It is strongly recommended that the system of numbering as outlined herein shall be adopted.

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PART IV

A general discussion and explanation of the probable results of the system of districting herein described, and an indication of such changes of detail as would probably have to be made in putting it into practical effect will now be briefly undertaken.

Reasons for drawing the division lines between the districts have already been sufficiently discussed in connection with the analysis of testimony. While, however, the lines may have been correctly drawn the question will remain how largely workable the scheme as thus outlined will be, and whether it is or is not desirable to select a given number of banks. It is most convenient to begin with a discussion of the actual number of banks to be created.

Reasons for Establishing 12 banks.

As already seen, divisions have been suggested into 8, 9, 10, 11 and 12 districts. The division into 12 districts has been strongly recommended, with the divisions into 11, 10, 9 and 8 suggested in the descending order of preference. As seen from the analysis already given, it is not only true that the division into 12 districts is much more convenient and workable from the standpoint of transportation and hence of bank clearing, but it is also obvious that this division measurably satisfies the demands of the country for the establishment of reserve banks, and affords recognition in a substantial way to practically every distinct section of territory included within it.

In addition to this, however, it must be borne in mind that under the act as it now stands, there is no machinery for rearranging the districts in practice, since there is no provision for a process whereby banks might be required to surrender the stock they held in a reserve bank, in order that they might be reassigned to a new district. No doubt this difficulty could be overcome by exacting from the banks

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an agreement to surrender such stock as is now assigned to them in lieu of such stock as might be offered them under a rearrangement of banking districts. This, however, would be a somewhat clumsy method of securing the desired end, and might or might not be legally valid. The safest way is unquestionably that of assigning the full twelve districts in the expectation that, when the need arises for more, Congress will make due provision for the additional others, and that this will become entirely possible upon the expiration of the twenty-year charters of the new reserve banks. The only problem to be met with in that view of the case is that of selecting the twelve districts in such a way as to conform as nearly as possible to the probable future development of the banking business during the time which must elapse before the creation of new districts is legally authorized. That the districts proposed in this memorandum for the eastern part of the country, particularly for the northeastern section, are likely to remain about stable, and that their banking capital will not very rapidly increase within the next few years, comparatively speaking, is the present belief. The western and central western districts have been arranged in such a way as to permit a very large growth of banking capital within them before they approach the larger eastern districts in the amount of their capitalization. It may reasonably be expected that the north and south Pacific Coast districts, the northwestern district, the southwestern and southeastern districts, and probably the Mississippi Valley district, will increase at a much more rapid rate in the amount of their capitalization than will the others. This merely amounts to saying that the proposed division into districts has been planned with a view to the future and not solely with present necessities in mind. It is believed that, by creating the twelve districts, inconvenience will be saved and legal complications avoided, while the necessities of the country during the

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next few years will be far better safeguarded and provided for than they could be by the creation of a smaller number of districts not based upon the obvious requirements of future growth.

Direction of Business

In the division which has been mapped out, it will be noted that an effort has been made to recognize the fact that business at the present time has a northern and easterly trend. In most cases, the headquarters of given districts will be so located as to recognize this fact and to give the fullest possible scope to existing habits and methods, doing as little violence as ~~possible~~ may be to prevailing customs, and wherever practicable adopting existing banking relationships as ~~to~~ a basis for the new organization, particularly in its clearing phases. At the same time, there has been no hesitation in making changes wherever it is believed that the existing banking practice is purely artificial and where, therefore, a change will increase convenience instead of diminishing it. This is seen, for instance, in the southeastern district where as will be later observed, it is believed to be desirable to develop a new banking center. Wherever such a change has been necessary, the effort has been made to lay out the boundaries of the district in such a manner that, both from the transportation standpoint, as well as from the point of view of business and manufacturing growth, the new banking center will develop in harmony with the general commercial interests of the district where it is situated. The point is one that will be enlarged upon in somewhat greater detail when the location of the headquarters banks and the placing of their branches is taken up. At this point it is sufficient to say that the districting proposed has been planned with the requirements referred to fully in mind.

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Question of Reserve Holdings

The division into districts proposed above has been worked out without any reference to existing reserve relationships in detail, except insofar as the general lines of reserve holdings were indicated in the hearings before the Organization Committee, and except insofar as the broad data previously available on this subject afford light. As is well known, however, these data are not complete or detailed. Before effecting the districting as a finality, it would be well to ascertain with accuracy the reserve affiliations of each and every bank in the system by ascertaining from them the facts in the case, as suggested by the writer in a memorandum filed with the Organization Committee on January 8, 1914. If each bank has been asked to indicate its choice of a district or city with which to be associated, these data should be considered in conjunction with the figures for reserves.

It should be understood, however, that the data, whatever they may be on this subject, will not affect in any very general manner the outlines of the districts already proposed. On the contrary, those general outlines are determined by broader considerations, and it may be true in many cases that there would be reasons for assigning a bank to a given district notwithstanding that its affiliations would place it elsewhere if nothing else were considered. The single fact that, as is well known, and as the reports of the Comptroller show, a large number of banks have their reserve agents in New York, Chicago or St. Louis rather than in a reserve city nearer home, is due to an artificial condition which has existed heretofore and is not a circumstance to which any particular weight should be assigned in making up the districts under the new system. In a less degree and with very much greater limitation, the same may be said of the facts as to reserve holdings in the smaller reserve cities. Nevertheless when it is possible

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to assign a given bank or series of banks to one district rather than another because of its business preference, this should be done. The result may be to establish very irregular dividing lines between districts or, where transportation peculiarities exist, to run long strips of territory from one district up into the territory assigned to another. The symmetrical arrangement of the regions classified in the several districts would thus be destroyed. There is no harm in such a result, inasmuch as the districts are to be regarded as groups of banks, rather than as areas of territory. Even if this arrangement upon the basis of reserve holdings and banking preferences should entirely readjust the boundaries of the districts within reasonable limits, it would be well worth while to defer to bank preferences to that extent, provided that no serious effects upon the capitalization or general principles of districting would thereby be exerted. To sum this matter up, the division should not be made by counties or groups of counties where a state has to be divided between two districts, but should be made by assigning each individual bank to a given district so far as possible in accordance with preference. In some towns, it may even turn out that a portion of the banks will be in one district and another portion in another, although such a division is not desirable unless good reason is shown for it. This implies that the straight dividing lines which were employed in the districting of the country as already accomplished are not to be regarded as anything more than a very broad and general indication of the sections through which such dividing lines should pass.

Distribution of Reserve Banks

Subject to these modifications and limitations, the distribution of the reserve banks may be defended upon the grounds advanced in Part I of this memorandum where the principles to be observed

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in the districting were outlined. Something further, however, needs to be said concerning the general assignment of banks in different parts of the country. A survey of the districting plan already proposed indicates that there have been assigned to the northern and eastern part of the country an apparently disporportionately large numer of districts. The New York, Boston, Philadelphia and Eastern Great Lakes districts, four in number, are north of and correspond with the district embracing the southeastern states which has a capital of $5,000,000. In the middle west the Chicago and western Great Lakes districts correspond to the Mississippi Valley district in the South, while the southwestern or Kansas City district embraces the territory as far west as the Rocky Mountains and as far north as the immense northwestern district with headquarters at St. Paul or Minneapolis. On the Pacific Coast only two districts could be organized even by the sale of some stock to state banks or the public, while the intermountain country is divided between the Pacific Coast and the central west. In the effort to alter this plan of districting in such a way as to give to the "south" or ~~x~~ to the "West" a larger number of districts, on the ground that there should be a certain sectional equality of distribution, the difficulty (already so fully discussed) of irregular distribution of population and capital will inevitably be encountered. Only two remedies could be applied in connection ~~xx~~ therewith; (a) the placing of the headquarters of given districts in that part of the country which was supposed to have been slighted--in those districts where the territory included is so great as to occupy parts of two general sections of the country, or (b) to readjust the districts themselves so as to divide up great regions in a different way and make given parts of the country independent or self controlling. A careful survey of the field seems to indicate that the

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only point at which the latter method of remedy or readjustment could be applied would be in the southwest where, as already indicated, the state of Texas has sufficient capital of its own and is organied upon a sufficiently independent economic basis to warrant the ~~organization~~ creation of a district running east and west, instead of dividing Texas between two longitudinal districts running north and south. This question was sufficiently considered, it would seem, in connection with the discussion of the southwestern and Mississippi Valley districts. The point to which attention is called just here is that probably nowhere else in the districting, could this plan be employed to advantage. Some have suggested that the districts on the Atlantic Coast be elongated so as to take in North and South Carolina while compensating capital is obtained by carrying the extreme southern states such as Mississippi, Alabama and Georgia into a district which should be allowed to run higher up the Mississippi River along the eastern bank of that stream, extending over the southern part of what we have called, in the preceding pages, the Great Lakes district. While this plan might be feasible, it is not believed that it would be desirable. The effect of it would be either to enlarge the capital of the Philadelphia district or, waiving that point, to establish too great a north and south extent of territory, especially when it is remembered that the headquarters of this district are likely to be at Philadelphia itself. The same objection would hold good of the companion district embracing the far southern states with the southern portion of the middle west. Moreover, the districts thus created would be decidedly inferior in transportation as well as in quick clearing capacity to those which have been tentatively suggested above. It would seem that there is but one argument seriously to be considered in favor of such a plan as against that which has just been mapped out--namely the

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view that any district established should, if possible, contain a variety of different interests which will make seasonal demands for loans at different times. This is the argument for so-called "shoe-string" districts, that has been put forward from time to time, or as others have expressed it, it is a demand for the inclusion of a lending and borrowing area within each district.

Question of Lending and Borrowing Areas

As regards this argument, it should be noted that even if it be allowed full scope, the idea is one which cannot be completely applied throughout the whole process of districting. The New York and Chicago districts, for example, will almost necessarily be debarred from making use of it, while the same is true of sundry of the other districts in greater or less degree. This would not be a good argument against employing the plan so far as practicable, if it should be entitled to serious theoretical consideration. The question must be considered, therefore, how far such serious theoretical consideration may be granted to it. Under existing conditions, the idea is one which undoubtedly should have large weight, inasmuch as today the banks of the country are habitually compelled to shift currency back and forth, relying upon one another for seasonal aid through the redistribution of their fluid resources in that way. If conditions were to be the same under the new system as at present, it would be necessary to provide for this state of things. However, the very essence of the new plan is intended to meet the condition which in the past has caused chief trouble by eliminating this necessity of interdependence between districts. The Federal Reserve Act will presumably afford a means of making each district self-supporting in a credit way; so that, assuming the plan to work as it is expected to work, the need for mutual seasonal aid and shipments of currency will be minimized.

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For example, the cotton raising states, in securing accommodation through rediscounts at their reserve bank, will be supplied with the facilities they need as an outgrowth of ~~the~~ paper, backed by bills of lading showing shipments of cotton, which they submit as a basis for accommodation. This accommodation will automatically come into existence and as automatically contract, expanding ~~and~~ or contracting ~~at the same time~~ the amount of deposit credits or of currency as the case may be, created by the reserve bank, and obviating the necessity of sending elsewhere for currency or of obtaining loans at distant points. This of course is on the assumption that the reserve bank keeps itself constantly in a fluid condition, readily able to liquidate its obligations or, when necessary, to increase its outstanding liabilities, so that it is not necessary to rely upon outer assistance. If the bank allowed itself to become "loaned up", its customers would have to go elsewhere for aid, but this condition would be about as likely to occur even if the district contained a greater variety of classes of business, and hence a greater variety of seasonal demands for accommodation. Other things being equal, it is probable that the inclusion of a number of local areas possessing different kinds of business, and subject to different seasonal necessities would be preferable if it could be had without undue difficulty in the formation of the districts. It is not however a primary consideration, and with proper management on the part of the reserve bank, there is no reason why that institution cannot supply the needed accommodation even under conditions where the so-called "peak of the load" in the matter of lending presents itself at one special season of the year and is particularly acute. The question is one having to do with good management of the reserve bank and such management might be good or bad independent of the lending and borrowing areas comprised in the district.

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Open Market Operations

As already intimated in a former part of the discussion, too, the open market provisions of the Federal Reserve Act will greatly assist the easy conduct of the several reserve banks. For example, the great value of the cotton crop and the lack of banking capital in the Southern States has within recent years required the assistance of northern banks in financing the crop. There is no reason why such financing should not be carried on in future just as it has been in the past, if the banks desired. Of course, it is desirable to have the several districts "self-supporting" if possible,--that is to say, able to take care of their own financing. It is not probable, however, that even the largest district would be completely able to handle such a crop as the cotton crop with its own funds. Much European capital is today engaged in this business and will doubtless continue to be so. The Federal Reserve Act has made a special provision for meeting such a contingency by permitting the use of foreign acceptances, while in its general open market provisions, it affords the basis for operations on the part of Federal reserve banks outside of the district where the paper originates. If, for example, the Federal reserve bank of New York has a large supply of surplus funds at the time when the reserve bank of the southeastern states is feeling the demand for loans very acutely, it would naturally employ its spare funds in buying in the open market such paper as was being offered for sale, the Federal reserve bank of the southeastern states being occupied with its own rediscount operations and unable to take much of this open market paper.

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PART V

The question must now be considered where to locate the headquarters of several districts, that is to say where to place the actual establishment of the reserve bank of ~~the~~ Each district; and where if at all to place branches thereof.

This discussion may be carried on district by district, indicating in each case the headquarters of the district and the probable location of the branches. Prior to discussing the districts in due order, however, it is desirable to lay down the principles upon which the placing of the banks and their branches should be effected.

Choice of Chief City.

In choosing the chief city of the district--that is to say the city in which the headquarters bank is to be located--two main considerations are to be borne in mind:

(a) Existing banking relationships and associations.

(b) Geographical and transportation considerations, governing the relative ease of access of different parts of the district.

In some cases it will be found that these two sets of considerations cannot be harmonized; in others that a city can be selected that will satisfy both.

Wherever possible, the preference should be given to a city which has acquired a distinct leadership in ~~the~~ matters of business, and with which the banks within the district are in the habit of dealing. Where the choice between two cities would otherwise be difficult to make on account of practical equality in the extent and importance of their commercial relationships, the cities to be chosen should be that which has the advantage in ease of communication. This is fundamentally desirable because of the necessities of the clearing process and the advantage to be gained from having all parts of the district within

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easy reach of headquarters.

Location of Branches

The problem of branches is likely to be decidedly serious from the very beginning. It will be found, upon a close examination of the subject, that the establishment of branches will be practically out of the question so far as any useful purpose is concerned, unless a distinct territory is assigned to each branch. This involves the question whether a district shall be broken up among a number of branches with the headquarters bank simply presiding over the series, or whether a district ~~will~~ shall be assigned to the headquarters bank just as it is assigned to each branch. In either case, the problem of subdistricting each district is raised and this would involve a study of somewhat the same character that has just been carried out for the districts themselves, except that the conclusion reached will be less important since subdistrict lines can be varied at will, and probably without very much friction. Some of the testimony already available, obtained during the hearings before the reserve bank Organization Committee, has a valuable bearing upon this subject. At some points it would require to be eked out with other information. There is, however, no purpose to be served in attempting a very careful process of subdistricting until the districts themselves have been determined, so that what is said in this memorandum will be confined entirely to general remarks, without effort at the detailed study of the subdistrict question.

One further point should be carefully noted in this connection. There are two ways in which the branches may be established. They may be created either (a) as mere local boards of directors charged with the duty of passing upon paper and perhaps carrying on a clearing process for the subdistrict, but without any stock of cash, without a bank-

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ing house and without the power to make loans directly, merely transmitting the approved paper to the headquarters bank; or (b) as full-fledged branch banking institutions with a banking house and fixtures, a stock of coin, and a full staff of employees. The latter method of establishing branches will be exceedingly expensive and should not, in the judgment of the writer, be undertaken until the reserve bank system has become fully established. Care and judgment should be exercised even in establishing branches on the first-named basis, and they should not be created unless they are actually needed for immediate purposes. Even in the latter event, there should be no undue haste in creating them, but the headquarters banks should be allowed to get a satisfactory start before the complicating elements involved in branch organization are allowed to enter into the problem. There will, however, be no harm in announcing at the time of the districting the probable names of cities regarded as suitable sites for branch banks, leaving the decision to be revised later if necessary, and permitting the question of branch organization to remain in the background until such time as the actual establishment of the branches is resolved upon, when the type of such organization to be adopted may be indicated.

We may now turn to the details of the different districts.

New York District.

As seen from the maps already presented, the New York district is small in area and contains only a fringe of territory surrounding Greater New York itself. New York City is from every standpoint the proper site of the headquarters bank and no branches are needed.

Boston District.

As already indicated when mapping out this district, and as suggested by the title which has been given to it, there can be no

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question as to the proper headquarters for the New England district. Boston is in size, in business affiliations, and in transportation the city unmistakably marked out as the site of the bank. There is only one question with respect to the New England district and that relates to the matter of branches. A survey of the field seems to indicate that there is no part of New England from which easy access to Boston cannot be had,--sufficiently at least for the purposes of the reserve bank organization. In the New England district, however, was included Eastern New York. The question may arise whether the relative independence of this section should not be recognized by the establishment of a branch. It is recommended that, if such a branch be established, it be located at Albany, New York, although the creation of such a branch is by no means considered necessary from a transportation standpoint or from that of business and industrial conditions. If the Albany region desires the creation of a branch, there would be no serious objection to placing one at that point, assuming that a liberal branch policy were to be followed.

Philadelphia District.

In the Philadelphia district, several candidates for selection as reserve bank headquarters are found, the number including Philadelphia itself, Baltimore, Washington, and Richmond, Virginia. There is nothing in the size or geography of the district to call for the establishment of branches, but the fact that so many separate centers of considerable size and importance exist suggests the propriety of considering their claims.

Because banking business tends to move north and east, because Philadelphia is by far superior in business importance to the other cities of the district, and because it already has important banking connections which it is desirable not to disturb, it is the present belief that

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Philadelphia should be the headquarters of this district. For the same reasons which suggested the selection of Albany as the site of the branch in the New York district, it is believed that branches may well be located at Baltimore and Richmond, Virginia.

With reference to Washington, D. C., some special considerations should be taken into account and they will be deferred for later and fuller treatment on an independent basis.

Eastern Great Lakes District.

In the eastern Great Lakes district two cities, both candidates for selection as the sites of a reserve bank, deserve attention,--Pittsburg, Pa., and Cleveland, Ohio. Buffalo, New York, may also be considered. From the standpoint of geographical location and present predominance in business, Pittsburg undoubtedly has the advantage of the other places. Under ordinary conditions it would seem to be indicated as the proper site for the reserve bank of the district. In this instance it is, however, believed that the ordinary considerations should not govern, and that Pittsburg should not be selected in this connection. Pittsburg has not in the past shown itself to be a very satisfactory banking headquarters. The fact that a bank has presumably been located in Philadelphia, Pa., is also a minor consideration against the designation of Pittsburg, although not a very important one. Of the two remaining cities, it is believed that Cleveland is decidedly preferable, while inasmuch as Cleveland is the distributing point for the principal commerce of the Great Lakes it may well be considered in competition with Pittsburg even if there were no other considerations to be taken into account. In this case as in that of the other districts already considered, no branches are needed, but if desired may be located at Pittsburg and Buffalo.

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Western Great Lakes District.

In the western Great Lakes district, the geographical and transportation situation does not point to the selection of a given city with the same degree of clearness and certainty as in some others. The points that have presented claims are Detroit, Michigan, Cincinnati, O., Columbus, O., and Louisville, Ky. It is believed that both in point of commercial importance and relative ease of access, Cincinnati is to be preferred to the other three cities as the location of the headquarters bank. For reasons of convenience, and because it is situated in an area which is rather peculiarly its own, the establishment of a branch at Detroit, Mich., is distinctly recommended. A branch at Louisville, Ky., may be permitted from the same grounds that controlled in the selection of cities as branch headquarters in the other districts.

Chicago District.

In the Chicago district as in that of New York, there can be no question with reference to the proper point at which to place the headquarters bank,--namely, Chicago, Ill. The district is so compact and every part of it is within such easy reach of the center that no good reason is recognized for the establishment of any branches. If such should be created, however, the natural points for them would be Milwaukee, Wisc., Indianapolis, Ind., and possibly a city in Iowa, say, Des Moines. In this case, as in others already discussed, the establishment of such branches may be made permissive, being left to depend upon the disposition of the communities themselves, and the feeling of the members of the board of directors of the headquarters bank itself. The creation of the branches is in such cases almost purely a local issue.

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Northwestern District.

A special problem is presented by the northwestern district, owing to the somewhat similar claims of St Paul and Minneapolis, the so-called "Twin-Cities", for selection as the site of the headquarters bank. A careful reading and analysis of the testimony relating to this subject appears to indicate that of the two cities Minneapolis is perhaps the better situated and the more convenient. From the general broad standpoint there is no general choice between the two, either answering the purpose satisfactorily. No other city in the district compares with St Paul or Minneapolis as the appropriate site for the headquarters bank. Assuming, however, that one or the other has been chosen, there will be no need whatever for a branch in that one of the two cities which has been rejected, nor could the establishment of such a branch be warranted by any considerations that are now evident. As for other branches, the great extent of the district indicates the desirability of selecting a point in the western part of the region as the site of a branch, when the time comes for the establishment of such branches. Probably Bismarck, North Dakota, would prove a satisfactory place for ~~such~~ a western branch and if desired another might be established in the western part of Montana, possibly at Helena, Butte, or some other town in that general region. To make an intelligent selection would apparently require data that are not now available.

North Pacific District.

In the north Pacific district the headquarters bank should probably be located at Portland, Ore. This is situated about midway between the northern and southern boundaries, and while it would be well were the headquarters more centrally located from the east and west standpoint, Portland evidently has the support of the majority of the banks as the site of the reserve institution. This was made evident

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during the hearings at Portland and elsewhere. The selection of Portland, however, will ultimately necessitate the establishment of at least one branch for convenience' sake in Southwestern Idaho or in Wyoming, possibly at Lander, Wyo. A branch at Boise, Idaho, may be desirable for the same reason. The creation of a branch at Seattle will not be necessary from any standpoint except that of local pride ~~and prejudice~~ but may be permitted as in the case of some of the branches suggested in the eastern states.

South Pacific District.

In the South Pacific district, as in the North Pacific section, there can be little doubt about the choice of the headquarters, San Francisco being conspicuously preferable to any other location. This was conceded in the hearings at Los Angeles and El Paso and requires practically no argument. San Francisco is open to the same objection as was Portland from the standpoint of geographical location--in that it is situated at the extreme west of the district thereby necessitating the probable establishment of branches as soon as convenient. One such branch should undoubtedly be placed at El Paso, Tex., that city being, as was shown in the hearings at El Paso, the headquarters of a region including southwestern Texas and a portion of New Mexico and Arizona. The creation of a branch at Salt Lake City would provide for the needs of the northern and northeastern portion of the district. Certainly for some time to come no branch would be needed in Nevada or in Arizona.

Kansas City District.

The use of the term "Kansas City District" indicates that the writer has selected Kansas City as the probable headquarters of the district, including the southern and central west. For many rea-

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sons this would appear to be a wise course. In this district, however, the question may be fairly asked whether it would not be feasible to locate the headquarters at a southern point, say, Fort Worth, Tex. or at a western point, say, Denver, Colo., instead of placing them at Kansas City. Conditions in the district, both from the standpoint of transportation and business, are such as to render a selection of this kind entirely feasible, but the adoption of such a plan would imply a reversal of the normal course of business which, as well known, is toward the north and east, and would compel various cities which have been in the habit of acting as reserve holders for others to invert this relationship. It is not believed, therefore, that so drastic a change should be made, but that the headquarters chosen should be in the northern and eastern portion of the district, inasmuch as a centrally located and important city accessible from all parts of the region is lacking. In the northern and eastern part of the district, it is believed that Kansas City is superior to Lincoln, Neb., or Omaha, from the standpoint of both the transportation and volume of business. Assuming that Kansas City is settled upon as the headquarters, the natural points to be selected as branch sites are Fort Worth, Tex., Denver, Colo., and possibly Lincoln or Omaha, Neb., although neither of these latter cities would be as useful locations for a branch as would Denver or Fort Worth.

St. Louis District.

As indicated by the choice of the name, and as shown in former portions of the discussion, it is believed that St. Louis is the proper headquarters of the Mississippi Valley district. The same general argument with reference to the selection of a southern or southwestern point that was presented in dealing with the Kansas City

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district may be suggested in connection with the St. Louis district. While New Orleans or some one of the reserve cities in Texas might be chosen as the site of the headquarters bank, they should not be so. St. Louis, by reason of the position it has already attained as a banking headquarters, is the natural site for the reserve bank, to say nothing of the other considerations relating to general trends of business that have already been mentioned. New Orleans, however, should unquestionably be assigned a branch office, and it will be well for geographical reasons to select one of the reserve cities of Texas for the same purpose. So far as the evidence now at hand indicates, the choice of the Texas point at which to place a branch might safely fall upon any one of several cities. Galveston or Houston would probably be the preferable location. In addition, it may be found that a branch at some point in Arkansas, western Mississippi, or southwestern Tennessee, would be advisable. Memphis, Tenn., would probably come closer to fulfilling all of the requirements than any other city of that general region.

Southeastern District.

In the southeastern district, a considerable number of cities are available as possible points at which to place the headquarters of the reserve bank of the district. Included among them are Charlotte, N. C., Columbia, S. C., Birmingham, Ala., and Atlanta, Ga. After a review of the testimony presented on behalf of these places, the present opinion is that, while there is no great or commanding reason for the selection of any one of them in preference to any other, the geographical situation of Atlanta and the facts as to present clearing practice entitle it to a decided preference over the other points, which, unless counterbalanced by other considerations not now

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known should lead to its selection in preference to any of the others. Assuming that such a choice has been made, the question of branches is at once raised. The southeastern district is of large extent, and communication with its several parts is by no means as good as it should be, considerations which would dictate the establishment of a number of branches were it not for the smallness of the capital of the district. Before establishing any branches, the ground should be looked over with care, and a local investigation made in order that the number of branches ultimately established may not be too large. The points immediately suggested from a geographic and transportation standpoint as proper locations for branches are Charlotte, N. C., or Columbia, S. C., or perhaps both, Jacksonville, Fla., Savannah, Ga., and Mobile, Ala. There seems to be no reason for the establishment for a branch at Birmingham under any circumstances, assuming that Atlanta is selected as the headquarters. Nashville, Tenn., might be also be assigned a branch. This would make far too many branches, if a full-fledged organization and banking house should be assigned to each branch office, and too many for convenience and desirable management of the clearing system even if a branch should be simply a skeleton organization of the kind that has been referred to above. To differentiate, however, between these several points in order to make certain which of them should have branches to the exclusion of others, would, as already stated, require a much larger accumulation of data than is now available.

Special Problem at Washington, D. C.

Having thus cursorily surveyed the branch question as affecting the several districts into the country is to be divided under the proposed plan, there remains a special point to be considered in closing. This was noted when we were considering the organization of

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the Philadelphia district. At that time, the treatment of the banking situation in Washington, D. C. was reserved for later discussion. Such discussion must be given to it now.

Assuming that the headquarters bank of the district is to be located at Philadelphia, and that Washington, D. C. is included within the Philadelphia district, Washington might be treated in either of the following ways:

(a) It might be assigned no special status but left on the same basis as other portions of the territory.

(b) It might be made the site of a branch of the headquarters bank.

Alternative with these proposals have been suggested the following:

(a) Organize Washington and the District of Columbia into a separate district, selling such stock as might be necessary to the public, or allowing the Government to subscribe to it.

(b) Shift the headquarters bank to Washington (instead of Philadelphia).

Considering these different suggestions, it may be first noted that for reasons already stated, when studying the Philadelphia district, Washington is not a desirable site for a headquarters bank. Neither, under ordinary circumstances, would there be any call for a branch at Washington if one were placed at Baltimore or at Richmond, or both. The only ground for placing either a branch or a headquarters bank at Washington is found that the Treasury is there and that the Federal Reserve Board will have its seat there. In the light of these two considerations it is thought that there should probably be a provision for the creation of some special banking machinery at Washington. This

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however, might not be very satisfactory, were it to take the form of a branch or a reserve bank with headquarters at Philadelphia. Such a branch would be of no service under the special conditions, unless it were a full-fledged institution with a banking house of its own. The Philadelphia bank might be indisposed to incur this expense. On the other hand, the organization of the District of Columbia as a separate district with a reserve bank of its own whose stock would be largely sold to the public or subscribed by the government would present very decided difficulties. The bank would get but little rediscount business, and would have to sustain itself through open market operations, foreign exchange transactions, and the like. It might tend to become a central banking institution of a kind foreign to the idea of the Federal Reserve Act. This suggestion is, therefore, regarded with disfavor.

There remains a special way of dealing with the situation. This would be found in the establishment of a joint branch or joint agency representing all of the Federal reserve banks and jointly maintained by them, its function being to serve as a medium through which government operations could be conducted and by means of which Treasury policies involving the shifting of funds or other banking transfers could be made effective. In another report which is to be submitted to the Organization Committee, it will be strongly urged that the foreign branches of the reserve banks shall be joint branches, and it will there be shown that the Reserve Board has the power to make this requirement. It is believed that the Board would have similar power to bring about the creation of a joint branch at Washington, D. C., whose expenses should be paid in proportion to the relative capitalization of the several banks by those banks themselves. This would supply the desirable banking machinery at Washington, would give direct communication bet-

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ween the Federal Reserve Board and the Government, and would advance the convenience of management of the system from many points of view. If it should be felt that the Federal Reserve Act does not give the power to any Federal reserve bank to establish a branch office outside of its own district and within the United States--notwithstanding that the District of Columbia might for this particular purpose be excluded from all districts-- the proposed branch might be termed an agency, and might be debarred from doing any business whatever, except that of communicating with the several reserve banks, receiving and transmitting government funds and the like. It would, however, be preferable that the Washington branch should be a fully equipped and fully operated institution representing jointly the whole reserve system. If this be deemed impossible or inadvisable a branch of the joint branch plan Philadelphia bank should be placed at Washington

Conclusion.

While there are other phases of this subject that deserve serious and elaborate discussion, they can be more profitably considered when the districting of the country has been tentatively completed in an official manner and when, therefore, a greater degree of certainty exists with respect to the probable outlines of the several areas.

Respectfully submitted,

(Signed) H. Parker Willis

