

122.6-1 - Adjustments between FRBanks, New
York & Philadelphia account changes
in Boundaries of FRDistricts

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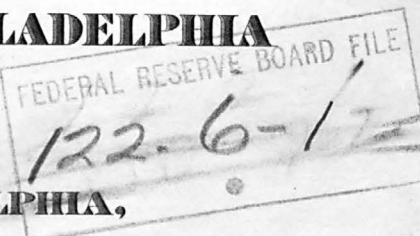
CHARLES J. RHOADS,
GOVERNOR.
EDWIN S. STUART,
DEPUTY-GOVERNOR.
FRANK M. HARDT,
CASHIER.

RICHARD L. AUSTIN,
CHAIRMAN.
GEORGE M. LA MONTE,
DEPUTY CHAIRMAN.

#3
FEDERAL RESERVE BANK OF PHILADELPHIA

408 CHESTNUT STREET

PHILADELPHIA,



August 6, 1915

S i r s :

I beg to acknowledge receipt of your favor of the 5th instant, stating that the Board had approved the plan for the adjustment of earnings and expenses, in connection with the transfer of the banks of northern New Jersey from District No. 3 to District No. 2, presented in our letter of July 21, and accompanying documents, and authorizing us to put the same into effect.

We have today communicated this information to the Federal Reserve Bank of New York, and are arranging to adjust our accounts in accordance with the plan which has been approved.

Respectfully,

Governor.

FEDERAL RESERVE BOARD,
Washington, D. C.

CJR-D



2073
FEDERAL RESERVE BANK
OF NEW YORK

FEDERAL RESERVE BOARD FILE
302.1
~~302.2~~
N.Y.

Aug. 6, 1915.

FEDERAL RESERVE BOARD FILE
122-6-1

S i r s :

Receipt is acknowledged of your letter of August 5th addressed to Governor Strong, notifying him of the approval of the Federal Reserve Board of the plan for the adjustment of earnings and expenses in connection with the transfer of the banks in northern New Jersey from District No. 3 to District No. 2 presented in our letter of July 20th, and authorizing this bank to put the plan into effect.

We have already been in communication with Governor Rhoads on the subject and the details effecting the adjustment will be worked out when Governor Rhoads is here next Tuesday.

Respectfully,

W. H. Clegg
Chairman.

Federal Reserve Board,
Washington, D. C.

PJ/PE

Referred to **FILE**

Mr. _____ AUG 9 1915

AUG 9 1915
for the preparation of a
reply for the signature of



122.6-1

August 5, 1915.

S I R :

By direction of the Federal Reserve Board, I have the honor to advise you that the plan for the adjustment of earnings and expenses in connection with the transfer of the banks in northern New Jersey from District No 3 to District No. 2, presented in your letter of July 20th, and accompanying documents have been approved by the Federal Reserve Board; and that you have been authorized to put it into effect.

Respectfully,

Secretary.

Mr. Benjamin Strong, Jr.,
Governor, Federal Reserve Bank,
New York City.

HPW/OD

2/3-1.2.3-*Ellerth*

FEDERAL RESERVE BOARD FILE

1-22-6-1

August 5, 1915.

21.8.

S I R :

By direction of the Federal Reserve Board, I have the honor to advise you that the plan for the adjustment of earnings and expenses in connection with the transfer of the banks in northern New Jersey from District No. 3 to District No. 2, presented in your letter of July 21st, and accompanying documents have been approved by the Federal Reserve Board ; and that you have been authorized to put it into effect.

Respectfully,

Secretary.

Mr. C. J. Rhoads,
Governor, Federal Reserve Bank of Philadelphia.

122.6-1

FEDERAL RESERVE BOARD

WASHINGTON

RECEIVED

AUG 4 1915

GOVERNOR'S OFFICE

August 4, 1915.

My dear Governor:

I am attaching hereto a letter [?] just received from Mr. Cotton, relative to the proposed settlement of accounts between the Federal Reserve Banks of New York and Philadelphia, incident to the transfer of northern New Jersey from the Philadelphia to the New York district, together with the complete file on this subject.

You will observe that Mr. Cotton disagrees with the opinion filed by Mr. Elliott, relative to the proposed method of adjustment and states that, in his opinion, there is no legal objection to carrying out the plan as recommended by and agreed to by both the Federal Reserve Bank of Philadelphia and the Federal Reserve Bank of New York.

Respectfully,

G. S. Harrison

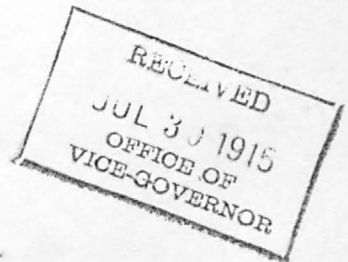
Assistant Counsel.

Hon. Charles S. Hamlin,
Governor.

122.6-1

FEDERAL RESERVE BOARD
WASHINGTON

July 29, 1915.



Dear Mr. Delano:

letter 7/24/15

I have read the brief of Governor Rhoads, and also that of our Counsel, Mr. Elliott, in the matter of adjustment of accounts between the Federal reserve banks of New York and Philadelphia, incident to the transfer of member banks in Northern New Jersey from Philadelphia to New York.

No method of procedure has been prescribed by the Act in adjusting the respective accounts of banks thus transferred, and it would seem to me that as the Board is given the necessary power to readjust the districts, it must, by necessary implication, have the power to readjust the accounts in a fair, equitable manner.

In my opinion the proposed settlement reaches a just, equitable result, and is approved by both parties thereto, and, consequently, should be authorized by the Board, unless it is clearly in violation of law.

While I have great respect for Judge Elliott's opinion, I am inclined to think in this case it would be wise to ask an opinion from Mr. Cotton on the matter before reaching a final conclusion.

Very sincerely yours,

Edw. S. Hamilton

Governor.

Hon. F. A. Delano,
Federal Reserve Board.
oard.

FEDERAL RESERVE BOARD

WASHINGTON

July 28th, 1915.

M.C. ELLIOTT
COUNSEL

My dear Governor:-

I have examined, as requested, the accompanying papers which relate to the adjustment of accounts between the Federal Reserve Banks of New York and Philadelphia incident to the transfer of member banks in northern New Jersey from District No. 3 to District No. 2.

While I fully appreciate the force of the arguments presented in so far as they relate to the equities of the case, I am unable to agree with the conclusion reached that the Board can legally authorize the Federal Reserve Bank of New York to assume and pay any part of the expenses of the Federal Reserve Bank of Philadelphia, or that the Board can legally authorize the Federal Reserve Bank of Philadelphia to pay any part of its gross earnings to the Federal Reserve Bank of New York.

The fundamental question involved appears to be whether the banks in question can make these payments without exceeding their corporate powers. I can find no authority to sustain this right on the part of the banks.

It is contended that if these banks withdraw from the Federal Reserve Bank of Philadelphia they are not entitled to receive any dividends out of the future earnings of that bank. There is some force in this suggestion but as explained to the Board when the recommendation was made that accrued dividend certificates be issued to the banks transferred, it is the opinion of this office that this course is justified for the following reasons:

While it is true that as a method of procedure adopted by the Board petitions of banks desiring to be transferred to other districts have been heard, this right is not given the banks by the Federal Reserve Act since the provision to this effect was eliminated from the House bill and the matter of review was left to the Federal Reserve Board to be taken up on its own motion. The method of procedure in question was adopted as expedient in order that the Board might have the benefit of the arguments of the bankers but, as explained, these

petitions were not heard in compliance with any provisions of the Act.

Consequently, the banks transferred did not withdraw voluntarily from the Federal Reserve Bank of Philadelphia and are not transferred to the Federal Reserve Bank of New York by their voluntary act since the Federal Reserve Act does not vest in member banks the right to select the Federal Reserve Bank to which they desire to become a stockholder. Their withdrawal on the other hand is due to the act of the Federal Reserve Board - an administrative body of the Government in changing the geographical limits of the Federal reserve districts. This being true, and the Federal Reserve Act being silent on the subject of what amount member banks whose stock is canceled under these conditions shall receive, it is reasonably within the province of the Federal Reserve Board to determine this question and since their dividends are cumulative under the terms of the Act, and their transfer is the result of change in the district lines, it appears to be consistent with the provisions of the Act for the Federal Reserve Bank of Philadelphia to issue accrued dividend certificates to be paid when the earnings of that bank justify the payment.

The determination of this question, however, merely settles the rights as between Federal reserve banks and their stockholders, namely, the member banks. This question is entirely independent of the right of one Federal reserve bank to enter into contractual relations with another Federal reserve bank.

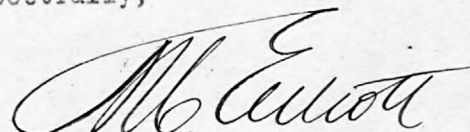
In the accompanying brief the suggestion is made that the Board is without authority to require the Federal Reserve Bank of Philadelphia to assume the payment at some future time of dividends not yet earned, and it is urged that member banks withdrawing from the Federal Reserve Bank of Philadelphia are entitled to receive only the book value of their respective holdings.

It is accordingly argued that the Board having exceeded its authority in requiring the issuance of accrued dividend certificates, it can go further and authorize the Federal Reserve Bank of New York to assume and pay accrued dividends to the banks transferred out of its future earnings, and also to pay a proportionate part of the organization and current expenses of the Federal Reserve Bank of Philadelphia. As above stated, I cannot agree with this conclusion. Whether the Board has authority to require the Federal Reserve Bank of Philadelphia to

issue accrued dividend certificates or not, its ruling on this subject can have no bearing on its right to authorize a contract between the two Federal Reserve Banks if such contract is ultra vires.

The Board has recently had occasion to fully recognize and sustain the separate entity of Federal reserve banks as corporations organized under Federal law. As corporations such banks possess only those powers which are granted them by law and such others as are reasonably incidental to the powers so granted. The Board cannot by regulation add to these powers and so with great deference to the opinion of Counsel to the Federal reserve banks, and with full appreciation of the weight that should be given to the recommendations of the officers of these banks, I am, nevertheless, forced to the conclusion that the Board is without legal authority, by approval of the accompanying plan, to vest in the Federal Reserve Bank of New York the power to pay any part of the expenses of the Federal Reserve Bank of Philadelphia, or to vest in the Federal Reserve Bank of Philadelphia the power to pay any part of its earnings to the Federal Reserve Bank of New York.

Respectfully,


Counsel.

Hon. F. A. Delano,
Vice Governor.

CHARLES J. RHOADS,
GOVERNOR.
EDWIN S. STUART,
DEPUTY-GOVERNOR.
FRANK M. HARDT,
CASHIER.

122-6-1
RICHARD L. AUSTIN,
CHAIRMAN.
GEORGE M. LA MONTE,
DEPUTY CHAIRMAN.

FEDERAL RESERVE BANK OF PHILADELPHIA

408 CHESTNUT STREET

PHILADELPHIA, July 21, 1915

FEDERAL RESERVE BOARD,

Washington, D. C.

S i r s :

In accordance with your suggestion, we enclose herewith a brief setting forth our views regarding the adjustment of earnings and expenses, etc. in connection with the transfer of the banks of northern New Jersey from District No. 3 to District No. 2.

We also enclose a letter from the Federal Reserve Bank of New York on the same subject, supplementing our brief.

As you will notice from the date of our brief, this matter was prepared about ten days ago, but there has been delay in forwarding it to you on account of the absence of Governor Strong, to whom it was submitted for his consideration.

Hoping that the reasons set forth in the brief will appeal to the Board, I remain,

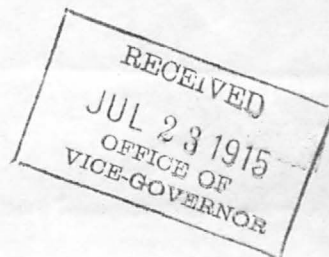
Very truly yours,



Governor.

CJR-D

(Enc.)



122-6-1

7/1/15

In the Matter of the Transfer of Banks of Northern New Jersey from District No. 3 to District No. 2, Pursuant to Order of the Federal Reserve Board, effective July 1, 1915.

To the Federal Reserve Board,

Washington, D. C.

Sirs:--

In effecting the transfer of the banks of Northern New Jersey from District No. 3 to District No. 2, the Federal Reserve Board has approved repayment to the member banks transferred of the full amount paid by them on account of their subscriptions to the capital stock of the Federal Reserve Bank of Philadelphia, or in fact the payment of the amount of such subscriptions, on the order of such member banks, directly to the Federal Reserve Bank of New York on account of their subscriptions to the capital stock of the latter.

The Federal Reserve Board is now requested to approve a plan of adjustment of earnings and expenses in connection with such transfer, to which the Federal Reserve Banks of New York and Philadelphia have agreed, as follows:

"EXPENSES OF ORGANIZATION

The Federal Reserve Bank of New York agrees to assume such part of the expense of organization of the Federal Reserve Bank of Philadelphia as the capital of the banks to be transferred bore to the total capital of the banks in District No. 3 at the time the assessment was levied by the Federal Reserve Board in November, 1914. Expense of organization is not to include cost of furniture and fixtures or cost of printing and shipping Federal Reserve Notes.

CURRENT EXPENSE

The Federal Reserve Bank of New York agrees to assume such proportion of the current expenses of the Federal Reserve Bank of Philadelphia as the capital paid in by and deposits to the credit of the banks to be transferred bears to the total capital paid in by and deposits to the credit of all of the member banks in District No. 3 at the close of business June 30th, 1915.

GROSS EARNINGS

The Federal Reserve Bank of Philadelphia agrees to allow as a set-off to the expenses above assumed, such proportion of the gross earnings of the Federal Reserve Bank of Philadelphia as the capital paid in by and deposits to the credit of the banks to be transferred bears to the total capital paid in by and deposits to the credit of all of the member banks in District No. 3 at the close of business June 30, 1915."

It is respectfully submitted that such basis of adjustment is the only equitable and proper one in view of the circumstances relating to the transfer in question, and particularly in view of the repayment to the member banks of the full amount of their subscriptions to capital stock of the Philadelphia Reserve Bank instead of limiting such repayment to the book value of their holdings.

The Federal Reserve Act contains no specific provisions respecting adjustment of earnings and expenses upon the transfer of member banks from one district to another. It does, however, contain provisions relative to adjustment upon the surrender of holdings of a member bank which voluntarily liquidates. It provides (Section 5) that in such case

" x x the shares surrendered shall be cancelled 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."

It also provides (Section 5) that

" x x 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."

It is submitted that in the case of a transfer of member banks from one district to another one of two courses should be followed:

I. The member banks transferred should be required to surrender their stock in the Reserve Bank from which they are transferred, and receive payment therefor as in the case of voluntary liquidation, and to apply and pay for stock in the Federal Reserve Bank to which they are transferred as in the case of any banks applying for stock subsequent to organization thereof, complying with the provisions of the Act relating to both transactions, as quoted; or

II. If it is deemed proper that the banks transferred be repaid the full amount of their original subscriptions, without regard to profits or losses, the Reserve Bank from which they are transferred should be required to pay any share of profits to which such member banks would have been entitled to the Reserve Bank to which they are transferred, or the latter Reserve Bank should be required to pay the former the proportion of any losses representing the difference between the book value and the par value of the stock surrendered.

If there is a departure from the requirements of the Act, in the payment to withdrawing member banks of an amount exceeding the book value of their shares surrendered, i. e. if the first course is not followed, the second course would seem to be the only proper alternative. No other course, it is submitted, could be more free from objection, equitable or legal.

Certainly in the present case there would be less ground for the stockholders of the New York Bank to object to the payment to Philadelphia than ground for the remaining stockholders of the Philadelphia Bank to object to being made to bear the loss properly chargeable to those withdrawing. Philadelphia has removed from it the capital and deposits contributed by the New Jersey members, the future use of which would aid in making up its losses. New York on the other hand will have the benefit of

such additional assets. The stockholders of the New York Bank have the further advantage of the payment of par for the new stock issued to the New Jersey members at a time when their own expenses are still in excess of earnings. There is therefore a consideration for the payment agreed to between New York and Philadelphia.

Conditions in the second and third Federal Reserve Districts, in both of which total expenses exceeded gross earnings to July 1st, may be such as to eliminate certain objections which might be raised in cases of transfer where profits have been earned in one and losses sustained in the other of the Districts affected by the change. In no case, however, could it be considered fair that the remaining members of a Reserve Bank which has sustained losses should bear the proportion of such losses chargeable to members withdrawn from it. Whether or not it should be required to transfer a portion of its surplus profits, if any, in excess of accrued dividends, is perhaps not so important to its remaining members in view of the ultimate disposition of such profits under the Federal Reserve Act. It would seem that in every case the course freest from valid objection must be that most nearly conformable to the provisions of the Act above quoted respecting adjustment on voluntary liquidation and application for stock in Federal Reserve banks subsequent to organization. If it is deemed desirable not to make such adjustment directly with the member banks, but pay them par on surrender of their stock and require them to pay par for subscriptions to new stock, the most equitable adjustment then must be that the Reserve Bank to which they are transferred should receive an amount representing any share of profits to which they would have been entitled to date of transfer, or assume any proportion of losses with which they would have been chargeable. In other words, the transfer of the original capital stock subscriptions at par from one Reserve Bank to

another, in effect places the banks transferred in the same position with respect to stock subscriptions as though they had become members of the latter Reserve Bank at the outset. The fairest method of completing the adjustment must therefore be that which as nearly as possible places the entire transaction on the same basis.

We believe that the approval of the plan of adjustment by the Federal Reserve Board need not establish a precedent which will be difficult to follow.

In our consideration of the matter we can hardly of course disregard the special circumstances relating to this transfer, but to certain extent at least, they must exist in all the early cases of readjustment of districts. The transfer of the Banks of Northern New Jersey from District No. 3 to District No. 2 was directed obviously because the Federal Reserve Board considered that Northern New Jersey should not have been included in District No. 3 by the Organization Committee in the first instance. The change was not made because of changed conditions within the territory occurring subsequent to the original determination of the districts. The banks of Northern New Jersey were not included in District No. 3 in response to any request from the representatives of the other member banks within that district. They have been transferred upon their own petition and at a time when the aggregate earnings of the Federal Reserve Bank of District No. 3 were less than the aggregate of organization and current expenses. Being permitted to withdraw on their own request at such a time, such banks would seem to be entitled, certainly equitably and as we believe also legally, to receive only the book value of their stock, and be obliged themselves to suffer the loss represented by the difference between such book value and the amount they would be required to pay as subscription to the stock of the Federal Reserve Bank of New York. This course was not followed for

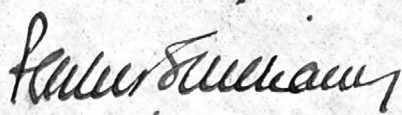
reasons approved by the Federal Reserve Board. It is referred to again merely to emphasize what would have been the position of the Federal Reserve Bank of Philadelphia upon the most strict compliance with the spirit if not the terms of the Federal Reserve Act. It is difficult to see any ground for placing the Federal Reserve Bank of Philadelphia in any other position, i. e. in any position in which there is imposed upon its remaining member banks any proportion of losses chargeable to the banks transferred.

Such considerations as these in connection with the transfer now in question might have been thought to prejudice our view respecting the proposed plan as a possible precedent.

As we have endeavored to indicate, however, we believe that apart from any conditions peculiar to Districts Numbers 2 and 3, when upon the transfer of member banks from one district to another it is found necessary to depart from what must be considered the most strict compliance with the provisions of the Federal Reserve Act, such a plan of adjustment as that now submitted for the approval of the Federal Reserve Board must be regarded as the fair and proper plan, and the freest from legal objection.

It should be added that the attitude of the Federal Reserve Bank of New York in the matter of this transfer, the courtesy and consideration shown by its officers in arranging the various details and their readiness in agreeing to this plan of adjustment have been particularly appreciated by the officers of the Federal Reserve Bank of Philadelphia.

Respectfully submitted on behalf of the Federal Reserve
Bank of Philadelphia.


Counsel.


Governor.

July 12th, 1915.

FEDERAL RESERVE BANK
OF NEW YORK

July 20, 1915.

S i r s :

Referring to the matter of the readjustment of Federal reserve districts Nos. 2 and 3 and the consequent transfer of the stock ownership of the banks of Northern New Jersey from the Federal Reserve Bank of Philadelphia to the Federal Reserve Bank of New York, we have to say that we have read the brief submitted to your Board on this subject by the officers of the Federal Reserve Bank of Philadelphia and heartily concur in the arguments therein presented in behalf of the plan agreed upon between the two banks.

We have no additional arguments to present except to emphasize still further the essential fairness of the plan which seems to make the liabilities follow the assets. Assuming as we do that the Federal reserve banks will ultimately be successful in earning their dividends and also surpluses for the benefit of the government, it seems to us clearly more just that the liability to pay such dividends should follow the assets, i. e., the capital and deposits of the transferred banks from the use of which the dividends will be earned by this bank, rather than to saddle the payment of such dividends upon the other stockholders of the Philadelphia bank which have been deprived of the capital and surplus from the use of which such dividends would have been earned.

Of course, the same argument holds true with respect to payment by this bank of an appropriate share of the expenses of the Philadelphia bank, which could fairly be chargeable to the presence as members of the New Jersey banks transferred and which would have been recouped had such

July 20, 1915.

banks stayed in as stockholders of the Philadelphia bank.

Respectfully,

Benjamin Strong Jr.
Governor.

Arthur
Counsel.

To
Federal Reserve Board,
Washington, D. C.

JFC/LCE

CHARLES J. RHODES,
GOVERNOR.
EDWIN S. STUART,
DEPUTY-GOVERNOR.
FRANK M. HARDT,
CASHIER.

RICHARD L. AUSTIN,
CHAIRMAN.
GEORGE M. LAMONTE,
DEPUTY CHAIRMAN.

#3
122-6-1
FEDERAL RESERVE BANK OF PHILADELPHIA

408 CHESTNUT STREET

PHILADELPHIA, June 19, 1915

F. A. DELANO, Esq.,

Vice-Governor, Federal Reserve Board,
Washington, D. C.

RECEIVED
JUN 21 1915
OFFICE OF
VICE-GOVERNOR

S i r :

I beg to acknowledge receipt of your telegram of yesterday advising that the question as to which bank should assume the liability for the accumulated dividends in connection with the transfer of the banks of northern New Jersey had been left for further consideration, but I should have preferred omitting any allusion to the question in the circular.

I am very glad that this decision has been reached, as I am convinced that in view of the fact that the Philadelphia bank has not earned its expenses for the period covered, it would be improper for us to assume any such liability. Suppose, for example, that the Federal Reserve Bank of Philadelphia were to be entirely abandoned and all of its members transferred to New York: under such circumstances, it would be absurd for a bank going out of existence to issue its due bill for accumulated dividends, and yet, I believe, the transfer of part of its members is really an analogous situation. On the other hand, in the case of the transfer of 121 banks from Dallas to Kansas City, where Dallas has probably not only earned its expenses but something towards dividends, I still think that Kansas City should assume liability for the accumulated dividends in view of the fact that Dallas will probably in the accounting pay something to Kansas City, the reverse of the situation between New York and Philadelphia.

Appreciating the consideration which the Board and its Counsel have given to this matter, and regretting that I was unable to be in Washington, I remain,

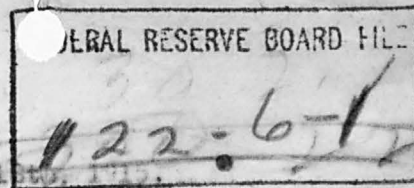
Very truly yours,



Governor.

CJR-D

FILE
JUN 18 1915
Federal Reserve Board



Benjamin Strong, Jr., Governor,
Federal Reserve Bank,
New York City.

At conference this morning it was agreed to leave the question open of adjustment of accounts between the two Federal Reserve Banks and the issuance of accrued dividend certificates, and to authorize modification of joint letter to member banks by embodying a provision to the effect that the Board will later consider and determine which of the Federal Reserve Banks should assume liability for accrued dividends and will then authorize such Federal Reserve Bank to issue the accrued dividend certificates.

W. J.

[Signature]

Vice Governor.

File No. -----
Office of General Counsel
Federal Reserve Board.

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June 17th, 1915.

Mr. G. W. LaMonte,
Deputy Federal Reserve Agent,
Federal Reserve Bank,
Philadelphia, Pa.

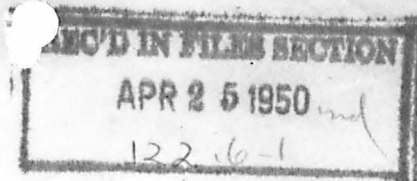
My dear Mr. LaMonte:-

Your letter of the fourteenth instant
was duly received.

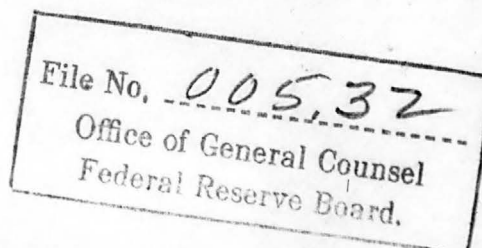
As you have already been advised, the
Board has determined to have the banks arrange
for the surrender and cancellation of stock in
the Federal Reserve Bank of Philadelphia and to
subscribe to the stock of the Federal Reserve
Bank of New York. The adjustment of accounts
as between the two Federal Reserve Banks will
be treated as an independent question.

With best wishes,

Very sincerely yours,



June 17th, 1915.



Mr. Pierre Jay, Chairman,
Federal Reserve Bank,
New York City.

My dear Mr. Jay:-

Your letter of the fourteenth instant
was duly received.

As you have already been advised, the
Board has determined to have the banks arrange
for the surrender and cancellation of stock in
the Federal Reserve Bank of Philadelphia and to
subscribe to the stock of the Federal Reserve
Bank of New York. The adjustment of accounts
as between the two Federal Reserve Banks will
be treated as an independent question.

With best wishes,

Very sincerely yours,

#2
FEDERAL RESERVE BANK
OF NEW YORK

FEDERAL RESERVE BOARD FILE

122.6-1

FILE
JUN 18 1915
Federal Reserve Board

June 17, 1915. 71.8

S i r s :

Your letter of June 16th enclosing copies of forms and instructions recommended by Counsel of the Federal Reserve Board and approved by the Board, relative to the details of transfer of member banks as a result of recent redistricting of Districts Nos. 2 and 3, has been received. We are proceeding with the preparation of papers and will mail them to the member banks not later than the first of the week.

Respectfully,

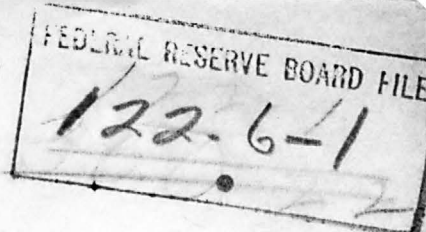
Wm. C. Miller
Chairman.

Federal Reserve Board,
Treasury Building,
Washington, D. C.

J
HMJ/RAH



#2



WS

June 17, 1915.

Mr. Pierre Jay,
Federal Reserve Agent,
New York.

S I R :

As requested in your letter of June 16, I have to-day mailed you, under separate cover, 150 copies of Form B-2149.

Respectfully,

Secretary.

CHARLES J. HARRIS,
GOVERNOR.
EDWIN S. STUART,
DEPUTY-GOVERNOR.
FRANK M. HARDT,
CASHIER.

RICHARD L. AUSTIN,
CHAIRMAN.
GEORGE M. LAMONTE,
DEPUTY CHAIRMAN.

FEDERAL RESERVE BOARD
122.6-1

FEDERAL RESERVE BANK OF PHILADELPHIA

408 CHESTNUT STREET

PHILADELPHIA,

June 17, 1915.

Federal Reserve Board,
Washington, D. C.

Sirs:

Your letter of June 16, enclosing
forms and instructions recommended by your
counsel relative to the transfer of member
banks to District No. 2, is duly received.

Yours truly,

Geo M. Lamonte

G.

Deputy Federal Reserve Agent.

CHARLES J. RHOADS,
GOVERNOR.
EDWIN S. STUART,
DEPUTY-GOVERNOR.
FRANK M. HARDT,
CASHIER.

RICHARD L. AUSTIN,
CHAIRMAN.
GEORGE M. LAMONTE,
DEPUTY CHAIRMAN.

#3

FILE

FEDERAL RESERVE BANK OF PHILADELPHIA

408 CHESTNUT STREET

PHILADELPHIA, June 17, 1915

FILE

JUN 19 1915

Federal Reserve Board

FEDERAL RESERVE BOARD,

Washington, D. C.

S i r s:

I beg to acknowledge receipt of telegram with reference to the transfer of the banks of northern New Jersey, and also letter, enclosing copies of forms and instructions recommended by Counsel of the Federal Reserve Board in this connection, both dated June 16, 1915.

Most unfortunately, I am under the necessity of being in Cape May Friday morning to address the Annual Convention of the Pennsylvania Bankers Association, and do not feel it would be good policy to break the engagement and thus, possibly, offend a great many member banks in this district. It also happens that our Counsel is out of town for a few days and cannot come to Washington, but I have communicated with Mr. Curtis, Counsel of the Federal Reserve Bank of New York, and understand that he will be in Washington Friday morning to go over the questions involved.

In accordance with the telegram and letter, we are proceeding to have the letters and forms of resolutions recommended by Counsel of the Federal Reserve Board, prepared to be sent out to the banks of northern New Jersey.

I would respectfully submit, however, that it does not seem proper to me that this bank should issue its due bill for the accumulated dividends to which the banks of Northern New Jersey are entitled under the law on their capital stock payments, if they are to be transferred to another district. The only way such dividends can ever be earned and paid is upon the employment of the resources which will be in our hands after the transfer has been accomplished, and I do not see how it will be fair to the banks remaining in this district to charge them with that liability. The Federal Reserve Bank of New York will have the use of those resources, and it would seem to me that they are the ones who should assume this liability. I hope that Mr. Curtis will concur in this view and present it to Counsel of the Federal Reserve Board.

I can arrange to come to Washington early Saturday morning, if desired, and hold myself in readiness to do so on telegraphic request to that effect.

Trusting that the Board will understand my reasons for not coming to Washington tomorrow, I remain,
Very truly yours,

Governor.

FEDERAL RESERVE BANK
OF NEW YORK

June 16, 1915.

S i r s :

Referring to telegram received to-day, we are proceeding with all due haste to prepare papers in connection with the transfer of Northern New Jersey Banks to this district.

It will assist us very much if you will arrange to have about 150 copies of Treasury Department Comptroller of the Currency Form B-2149 for calculation of reserve of national banks in cities other than reserve and central reserve cities sent to us. These will be forwarded with the other papers to the member banks to be transferred.

Respectfully,

Pierpont
Chairman.

Federal Reserve Board,
Washington, D. C.

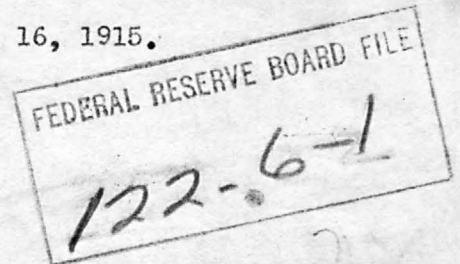
HMJ/EEB.



#2
FEDERAL RESERVE BANK
OF NEW YORK

RECEIVED
JUN 17 1915
GOVERNOR'S OFFICE
JUN 17 1915

June 16, 1915.



S i r :

Receipt is acknowledged of your telegram of to-day to Governor Strong, relative to the decision of the Board in regard to the procedure to be followed in the transfer of the banks in Northern New Jersey from District No. 3 to District No. 2.

We have been in communication with the Philadelphia bank and understand that the work of preparing the forms is now under way, and we have telegraphed Governor Strong the substance of your message in order that he may be fully advised thereof.

Respectfully yours,

Wm. C. Miller
Chairman.

Honorable Chas. S. Hamlin,
Governor, Federal Reserve Board,
Washington, D. C.

PJ/LCE

B
FEB 18

JUN 18 1915

Federal Reserve Board

FEDERAL RESERVE BOARD FILE
122-6-12

Charles J. Rhoads, Governor,
Federal Reserve Bank,
Philadelphia, Pa.

At conference this morning it was agreed to leave the question open of adjustment of accounts between the two Federal Reserve Banks and the issuance of accrued dividend certificates and to authorize modification of joint letter to member banks by embodying a provision to the effect that the Board will later consider and determine which of the Federal Reserve Banks should assume liability for accrued dividends and will then authorize such Federal Reserve Bank to issue the accrued dividend certificates.

W. J. Rhoads
Vice Governor.

TELEGRAM #3
FEDERAL RESERVE BOARD
WASHINGTON

FEDERAL RESERVE BOARD FILE

June 16th, 1915.

J. J.

Charles J. Rhoads,
Care Federal Reserve Bank, Chicago, Illinois

Memorandum of agreement between the Federal Reserve Banks of New York and Philadelphia contains provisions which present legal difficulties. Have wired you to Philadelphia to arrange for passage of resolution by member banks which have been approved as submitted. Also for sending out joint letter with certain amendments. The Board desires you & your counsel to visit Washington on your return from Chicago to take up the question of adjustment of accounts between the Federal reserve banks.

Governor.

OFFICIAL BUSINESS
GOVERNMENT RATES
CHARGE FEDERAL RESERVE BOARD

File No.

005,32

TELEGRAM

Office of General Counsel
Federal Reserve Board.

FEDERAL RESERVE BOARD

WASHINGTON

REC'D IN FILES SECTION

June 16th, 1915
APR 25 1950

122,6-1

Charles J. Rhoads, Governor,
Federal Reserve Bank, Philadelphia, Pa.

In further reference to plan submitted for transfer of banks in northern New Jersey, form of resolutions to be passed by member banks embodied in applications for surrender of stock in Federal Reserve Bank of Philadelphia and for application to stock in Federal Reserve Bank of New York have this day been approved. Proposed joint letter has been approved with elimination of provisions that Federal Reserve Bank of New York will assume liability for accrued dividends due stockholders Federal Reserve Bank of Philadelphia which are transferred. Use of Para B one forty nine for calculation of reserve has been approved. Governor Strong or Mr. Curtis and Governor Rhoads and his counsel will be requested to visit Washington on their return from Chicago to take up adjustment of certain provisions contained in agreement between the two banks which present legal difficulties. These can be treated independently and arrangements should be made to proceed at once to have member banks pass resolutions and file necessary applications to perfect the transfer. Adjustment of accounts between the Federal reserve banks to be determined later.

OFFICIAL BUSINESS
GOVERNMENT RATES
CHARGE FEDERAL RESERVE BOARD

POSTAL TELEGRAPH - COMMERCIAL CABLES

CLARENCE H. MACKAY, PRESIDENT.

RECEIVED AT
POSTAL TELEGRAPH BUILDING
1345 PENNSYLVANIA AVENUE
WASHINGTON, D. C.
TELEPHONE: MAIN 6800

TELEGRAM

DELIVERY NO. 295

The Postal Telegraph-Cable Company (Incorporated) transmits and delivers this message subject to the terms and conditions printed on the back of this blank.

16W-19058

DESIGN PATENT NO. 40529

FEDERAL RESERVE BOARD FILE

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122-6-1
RECEIVED

FX- Chicago, ILL. June 16-15

JUN 16 1915

C. S. Hamlin,

Governor Federal Reserve Board.,

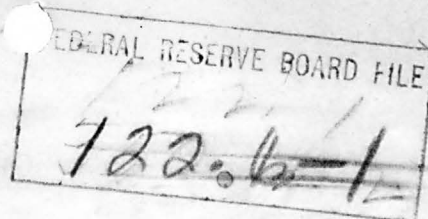
GOVERNOR'S OFFICE

Washington D. C.

Telegram received Mr Curtis will be in Washington Friday morn-
ing regret my boys commencement prevents my going myself thank
you for telegraphing.

Benj. Strong Jr.

2



NS

June 16, 1915.

Dear Sir:

I transmit herewith copies of forms and instructions prepared by Counsel of the Federal Reserve Board and approved by the Board relative to the details of transfer of membersbanks as result of the recent redistricting decisions made public by the Board.

Please take action in accordance with the enclosed matter.

Respectfully,

Secretary.

Mr. Pierre Jay,
Federal Reserve Agent,
New York.



Ms

June 16, 1915.

Dear Sir:

I transmit herewith copies of forms and instructions
~~recommended~~ by Counsel of the Federal Reserve Board and approved
by the Board relative to the details of transfer of member
bankers result of the recent redistricting decisions made
public by the Board.

Please take action in accordance with the enclosed mat-
ter.

Respectfully,

Secretary.

Mr. George M. LaMonte,
Deputy Federal Reserve Agent,
Philadelphia, Pa.

Amuse's opinion # 2 + 3 17
June 16th, 1915.
122-6-1

My dear Governor:-

As requested by the Board, I have examined the accompanying papers which relate to the plan agreed upon by the Federal Reserve Bank of New York and the Federal Reserve Bank of Philadelphia for the transfer of certain banks in northern New Jersey from District No. 3 to District No. 2. These papers consist of -

- (1) Proposed resolutions to be adopted by member banks in northern New Jersey.
- (2) Proposed joint letter to be sent to the banks to be transferred.
- (3) Treasury Form B-149 referred to in joint letter.
- (4) Memorandum of agreement between the Federal Reserve Bank of New York and the Federal Reserve Bank of Philadelphia.

For convenience these will be considered in the order indicated:

(1) The proposed resolutions are embodied in forms of application for surrender of stock in the Federal Reserve Bank of Philadelphia and for subscription to stock in the Federal Reserve Bank of New York. These forms appear to be entirely in accord with the provisions of the Act and set forth fully and concisely all material facts. I, therefore, recommend that the Board approve their use in this case and that substantially similar forms be adopted for use in other districts affected by the order of the Board which becomes effective from July 1, 1915.

(2) The proposed joint letter to be sent to the member banks to be transferred also appears to be entirely con-

sistent with the provisions of the Act with the exception of the next to the last paragraph on page three. This paragraph reads as follows:

"Upon completion of transfer of your bank to district No. 2, the Federal Reserve Bank of New York will assume all liability for dividends that have accrued to July 1, 1915, on your stock in the Federal Reserve Bank of Philadelphia to which you may be entitled under the Federal Reserve Act".

This paragraph is manifestly incorporated in the letter in question pursuant to the agreement between the two Federal reserve banks. For reasons which will be more fully discussed in considering this agreement, this assumption of liability on the part of the Federal Reserve Bank of New York does not appear to be authorized by law and as at present advised would, in my opinion, constitute an ultra vires act on the part of the officers and directors of that bank.

I, therefore, recommend that this paragraph should be eliminated and that the Federal Reserve Bank of Philadelphia should issue to the member banks transferred an accrued dividend certificate payable to such member banks when other accrued dividends are paid to its stockholders. A suggested form of certificate has been submitted to the Board for its consideration and copies have been sent to the Governors of the Federal Reserve Banks of New York and Philadelphia.

(3). Treasury Form B-149 prescribing method of calculating reserve has, I understand, been heretofore approved by the Department and it is, of course, entirely proper that this information should be furnished the Federal reserve banks.

(4) The memorandum of agreement between the Federal Reserve Bank of New York and the Federal Reserve Bank of Philadelphia contains certain provisions which do not appear to be authorized by the Federal Reserve Act, as understood by this office, and unless the Board can be fully satisfied of the legality of these provisions its approval should, of course, be withheld. Briefly summarized, these provisions are to the following effect:

(a) An agreement on the part of the Federal Reserve Bank of New York to assume and pay a proportionate part of the organization and current expenses of the Federal Reserve Bank of Philadelphia.

(b) An agreement on the part of the Federal Reserve Bank of New York to assume all liability for dividends that have accrued to July 1, 1915, on stock held by member banks of the Federal Reserve Bank of Philadelphia.

(c) An agreement on the part of the Federal Reserve Bank of Philadelphia to pay to the Federal Reserve Bank of New York a proportionate part of its gross earnings from date of organization to July 1, 1915,

These agreements are evidently predicated upon the assumption that the effect of the resolution the Board adopted May 4th, which readjusts the limits of Districts 2 and 3, is to annul and cancel the membership in the Federal Reserve Bank of Philadelphia of those banks which are affected by the order of the Board and to make their membership in the Federal Reserve Bank of New York, to which they are transferred, effective from the date of its organization.

This assumption, however, is not only inconsistent with the terms of the order which becomes effective on July 1, 1915, but it would hardly be within the power of the Board to legally enter an order making a bank's membership effective from a date several months prior to its subscription to the stock of a Federal reserve bank and canceling a bank's membership as of some prior date.

The banks in northern New Jersey will not become eligible to membership in the Federal Reserve Bank of New York until July 1, 1915, and any attempt on the part of the directors of the Federal Reserve Bank of New York to assume the payment of interest on the cash-paid subscriptions of such member banks while stockholders of the Federal Reserve Bank of Philadelphia would, as above stated, appear clearly to be an *ultra vires* act for which the directors might be held liable.

The same objection pertains to the payment of any part of the organization and current expenses of the Federal Reserve Bank of Philadelphia and to the payment by the Federal Reserve Bank of Philadelphia of any part of its gross earnings to the Federal Reserve Bank of New York.

It should be borne in mind that the transfer of membership of the banks in question is not a matter of agreement as between the two Federal reserve banks but results from the fact that the alteration in the district lines renders these banks ineligible to hold stock in the Federal Reserve Bank of Philadelphia and makes them eligible, after July 1, 1915, to hold stock in the Federal Reserve Bank of New York.

The letter of the Secretary to these banks that they should "work out a plan" for the transfer of banks in the af-

fect territory should not be construed as authorizing any agreement inconsistent with the provisions of the Act. It was clearly intended to relate to the details of procedure to be adopted in surrendering and cancelling stock, the refund of cash payments and the transfer of reserve and deposit balances. In so far as the plan submitted deals with these questions the Board is, as above stated, fully justified in signifying its approval but I am unable to agree that the Board can legally authorize the Federal Reserve Bank of New York to pay the relatively small sum of \$8,124.04 (the amount estimated by Mr. Jay to be the cost of transfer under the plan agreed upon) and to assume the payment of approximately \$24,000 accrued dividends on stock of the Federal Reserve Bank of Philadelphia. If the Board desires to give this phase of the matter further consideration, I would respectfully recommend -

First. That the forms of application for surrender of stock in the Federal Reserve Bank of Philadelphia, and for subscription to stock in the Federal Reserve Bank of New York be approved.

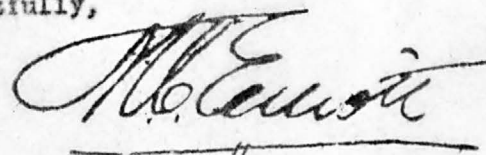
Second. That the joint letter be approved with the amendment suggested.

Third. That the adjustment of any claim that the Federal Reserve Bank of Philadelphia may have against the Federal Reserve Bank of New York on account of these transfers be treated as an independent question and that Counsel for the respective Federal reserve banks be requested to submit for the Board's consideration opinions dealing with the right of

the directors and officers of the banks in question to consummate the tentative agreement submitted.

Owing to the fact that both Governor Strong and Governor Rhoads have been in Chicago attending a meeting of the Governors, I have not yet received replies to my letters raising these questions. It is for this reason that I suggest that the transfers of membership be consummated and the question of adjustment of accounts as between the Federal reserve banks be treated independently.

Respectfully,



Counsel.

Hon. Charles S. Hamlin,
Governor.

A

MEMORANDUM OF AGREEMENT
BETWEEN FEDERAL RESERVE BANK OF PHILADELPHIA AND FEDERAL RESERVE BANK
OF NEW YORK FOR ADJUSTING THE TRANSFER OF 131 BANKS IN NORTHERN NEW
JERSEY FROM DISTRICT NO. 3 to DISTRICT NO. 2, AS OF JULY 1st, 1915.

EXPENSE OF ORGANIZATION

The Federal Reserve Bank of New York agrees to assume such part of the expense of organization of the Federal Reserve Bank of Philadelphia as the capital of the banks to be transferred bore to the total capital of the banks in District No. 3 at the time the assessment was levied by the Federal Reserve Board in November, 1914. Expense of organization is not to include cost of furniture and fixtures or cost of printing and shipping Federal Reserve Notes.

CURRENT EXPENSE

The Federal Reserve Bank of New York agrees to assume such proportion of the current expenses of the Federal Reserve Bank of Philadelphia as the capital paid in by and deposits to the credit of the banks to be transferred bears to the total capital paid in by and deposits to the credit of all of the member banks in District No. 3 at the close of business June 30th, 1915.

GROSS EARNINGS

The Federal Reserve Bank of Philadelphia agrees to allow as a set-off to the expenses above assumed, such proportion of the gross earnings of the Federal Reserve Bank of Philadelphia as the capital paid in by and deposits to the credit of the banks to be transferred bears to the total capital paid in by and deposits to the credit of all of the member banks in District No. 3 at the close of business June 30, 1915.

It is agreed that the plan of adjustment shall be presented to the banks to be transferred in a joint letter signed by the Governor of the

A

Memorandum of Agreement -2-

Federal Reserve Bank of Philadelphia and the Governor of the Federal Reserve Bank of New York. A copy of this letter is attached, together with resolutions referred to therein, all of which are to be a part of this Agreement.

Union National Bank,
Union, N.J.

Dear Sirs:

By resolution adopted May 4, 1915, the Federal Reserve Board granted the petition of certain banks in Northern New Jersey for the readjusting of Districts Nos. 2 and 3. In such readjustment the county in which your bank is situated is to be included in District No. 2 on and after July 1, 1915.

For the purpose of carrying out the resolution of the Federal Reserve Board, you are requested to have your Board of Directors adopt, on or before July 1st, the enclosed resolutions covering the surrender of your stock in the Federal Reserve Bank of Philadelphia and application for stock in the Federal Reserve Bank of New York. When this has been done a certified copy should be forwarded to the Federal Reserve Bank of New York. Two copies of the resolutions are enclosed so that you may have a duplicate for your files.

For convenience, we have arranged the necessary operations in order, as follows:

1. Adopt the resolutions above referred to and send a certi#

fied copy to the Federal Reserve Bank of New York.

2. Send to ^{the} Federal Reserve Bank of New York with the certified copy of the resolutions, all receipts issued and sent to you for payments made by you on account of your subscription to the capital stock of the Federal Reserve Bank of Philadelphia.

3. Execute and send to the Federal Reserve Bank of New York the enclosed order, authorizing the Federal Reserve Bank of Philadelphia to remit to the Federal Reserve Bank of New York on your behalf, the net amount heretofore paid by you on account of your subscription to the capital stock of the Federal Reserve Bank of Philadelphia. This payment will be applied by the Federal Reserve Bank of New York on account of your subscription to the capital stock of said Bank.

Upon receipt of this payment, the Federal Reserve Bank of New York will execute and forward to you its temporary receipt for the amount so paid.

4. At the close of business June 30, 1915, for the purpose of transferring your reserve balance from the Federal Reserve Bank of

Philadelphia to the Federal Reserve Bank of New York, please send to the Federal Reserve Bank of New York for your credit, your draft on the Federal Reserve Bank of Philadelphia for the balance as shown on your books.

5. Please fill out Treasury Department Form B-2149, calculation of reserve as of the close of June 30, 1915, and send it to the Federal Reserve Bank of New York.

The Federal Reserve Bank of Philadelphia will send statement of your account ^{to} through the close of business June 30th and will reconcile it in the usual manner.

Upon completion of transfer of your Bank to District No. 2, the Federal Reserve Bank of New York will assume all liability for dividends that have accrued to July 1, 1915, on your stock in the Federal Reserve Bank of Philadelphia, to which you may be entitled under the Federal Reserve Act.

Kindly note that all of the above papers are to be sent to the Federal Reserve Bank of New York.

FEDERAL RESERVE BANK OF PHILADELPHIA

By _____
Governor.

FEDERAL RESERVE BANK OF NEW YORK

By _____
Governor.

N. J. 191 .

Federal Reserve Bank of Philadelphia,
Philadelphia, Pa.

Dear Sirs:

In accordance with resolution of the Federal Reserve Board dated May 4, 1915, transferring this bank from District No. 3 to District No. 2 and with the resolutions of the Board of Directors of this bank dated _____ 1915, this bank has applied for cancellation of its _____ shares of the stock of the Federal Reserve Bank of Philadelphia and has applied for _____ shares of the stock of the Federal Reserve Bank of New York.

To facilitate these transactions you are hereby authorized and requested to pay to the Federal Reserve Bank of New York on account of our subscription to the capital stock of that bank \$_____ representing the net amount paid by us on account of our subscription to _____ shares of your capital stock.

Yours very truly,

President or Cashier.

At a meeting of the Board of Directors of the
of duly called and held on the day
of 191 , the following resolution was offered and duly adopted:

"WHEREAS, this Bank has subscribed to shares of
the capital stock of the Federal Reserve Bank of Philadelphia, pursuant to a resolution adopted by its Board of Di-
rectors on the day of 1914, in accordance with the provisions of
the Act of Congress approved December 23rd, 1913, and known as the Federal Reserve Act, and has paid on account
thereof in instalments the sum of \$..... said sum being 50 per cent of the par value of said
shares;

AND WHEREAS, according to the certificate filed April 2nd, 1914, by the Reserve Bank Organization Com-
mittee with the Comptroller of the Currency, designating the several Federal Reserve cities and defining the geogra-
phical limits of the districts to be respectively served by the Federal reserve banks located in said cities, this Asso-
ciation was at that time located in District No. 3, which district is served by the Federal Reserve Bank of Philadelphia;

AND WHEREAS, the Federal Reserve Board under the authority granted to it by Section 2 of the said Federal
Reserve Act has by resolution adopted May 4th, 1915, ordered that Federal Reserve District No. 2 shall be modified
and extended so as to include on and after July 1st, 1915, the Counties of Monmouth, Middlesex, Hunterdon, Somer-
set, Union, Essex, Passaic, Hudson, Bergen, Morris, Sussex and Warren in the State of New Jersey, which said Coun-
ties have heretofore been included in Federal Reserve District No. 3;

AND WHEREAS, this Association is located in the County of in the State of New
Jersey, said County being one of the 12 counties transferred by said resolution and order from District No. 3 to
District No. 2;

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 make application to the said Federal Reserve Bank
of Philadelphia for the cancellation of said shares
of stock heretofore allotted to this Bank and for the refund of all payments made thereon;

AND BE IT FURTHER RESOLVED, that the President or Vice-President and Cashier of this Association be
and they are hereby authorized, empowered and directed to make application for and to subscribe to
..... shares of the par value of \$100. each, of the capital stock of
the Federal Reserve Bank of New York, to pay for such stock in accordance with the provisions of the said Federal
Reserve Act, and to take any other action neccessary or desirable to the accomplishment of the said readjustment."

I Hereby Certify that the foregoing is a true and correct copy of a resolution passed
by the Board of Directors of this Association on the date specified.

.....
Cashier.

(SEAL)

Pursuant to the foregoing resolution the _____ of
of _____ hereby makes application for the cancellation
of _____ shares of stock of the Federal Reserve
Bank of Philadelphia heretofore allotted to it, and for the refund of such cash payments as this
Bank may be entitled to under the provisions of Section 5 of the Federal Reserve Act.

Pursuant to foregoing resolution, the _____
of _____ hereby subscribes to makes application to the
Federal Reserve Board for _____ shares of the capital
stock of the Federal Reserve Bank of New York of the par value of \$100. each, amounting to
\$ _____ and agrees to pay for same in accordance with the provisions
of the Federal Reserve Act.

7/ more
over

_____ of _____

(SEAL)

By _____ President

Cashier. _____

We, the undersigned, hereby certify that this Bank has an unimpaired capital of \$ _____
and surplus of \$ _____ as shown by its books at the close of
business on the day of 191 _____.

(To be signed by three or more directors)

Directors

LOCATION OF APPLYING BANK
(Please fill in.)

City or Town _____

County _____

State _____

CERTIFICATE ^{of} FEDERAL RESERVE AGENT

The foregoing application for the surrender of stock in the Federal Reserve Bank of
Philadelphia has been examined and the statement of the number of shares allotted to the ap-
plying bank has been verified. I recommend that _____
shares of stock be accepted for cancellation and that the cash subscriptions already paid for
this surrendered stock be returned.

Turn around
on sheet

Federal Reserve Agent
FEDERAL RESERVE BANK OF PHILADELPHIA

CERTIFICATE OF FEDERAL RESERVE AGENT

The foregoing application forshares of stock in the Federal Reserve Bank of New York has been examined and checked. The amount of stock applied for is equal to 6% of the capital and surplus of the applying bank as shown by certified statement of Directors. I recommend that.....shares of stock be allotted to it by the Federal Reserve Board.

.....
Federal Reserve Agent
FEDERAL RESERVE BANK OF NEW YORK

CERTIFICATE OF APPROVAL

The foregoing application for the surrender ofshares of stock in the Federal Reserve Bank of Philadelphia, and for the allotment of.....shares of stock in the Federal Reserve Bank of New York has been approved by the Federal Reserve Board.

.....
Secretary, Federal Reserve Board.

RECORD OF ENTRY

The foregoing application has been duly entered on the records of the Federal Reserve Board.

.....
Bookkeeper

.....191 .

File No.

005.32

File 157

Office of General Counsel
Federal Reserve Board.

REC'D IN FILES SECTION

APR 25 1950

June 15, 1915.

My dear Governor:

I have examined the agreement submitted by the Federal reserve banks of Philadelphia and New York relating to the transfer of member banks located in Northern New Jersey from the Philadelphia to the New York district, together with the appended forms and resolutions, and find that there is but one substantial difference between that agreement and the one suggested by Mr. Elliott.

The forms and resolutions in so far as they affect member banks themselves are practically the same. Exhibit "D" of the New York plan embodies the resolution of the board of directors of the member bank and the applications for the cancellation of stock in the Federal Reserve Bank of Philadelphia, and for the allotment of stock in the Federal Reserve Bank of New York. This Exhibit "D" seems to be in very good form and contains everything that is covered by Exhibits "A" and "B" of Mr. Elliott's plan, with two exceptions: (a) that Exhibit "D" of the New York plan relates only to the question of capital stock, whereas Mr. Elliott's forms provide also for an application for refund of the reserve deposits; and (b) Mr. Elliott's form of resolution provides that the board of directors give the president or cashier authority to authorize the Philadelphia bank to make the transfer of funds direct to the New York bank, whereas under the New York plan this authority is given to the Philadelphia bank by the president and cashier of the member bank without any resolution on the part of the Board of directors of such bank. This difference, however, would hardly seem important.

Inasmuch as the details of the agreement were left to the various Federal reserve banks by the Board, I would suggest that Exhibit "D" be approved by the Board. Exhibit "D", in conjunction with the plan to transfer reserve balances by draft, covers all the points provided for in Mr. Elliott's forms marked "Exhibit A" and "Exhibit B".

Exhibit "C" of the New York plan is the written authority of the member bank to the Philadelphia bank to transfer its cash-paid subscriptions to the New York bank. This point is covered in Mr. Elliott's Exhibit "A", and there seems to be no necessity for requiring Exhibits "C" and "D" of the New York plan to be combined as Mr. Elliott has done.

Exhibit "B" of the New York plan is the letter of instructions to be forwarded to member banks in the transferred district. This letter is not at all inconsistent with the plan proposed by Mr. Elliott, except (a) reserve balances are to be transferred by draft on the Federal Reserve Bank of Philadelphia instead of by authority of the board of directors of the member bank, to such Federal reserve Bank of Philadelphia to make the transfer; and (b) that it contemplates that the New York bank will assume all liability for dividends that have accrued up to July 1, 1915, on the stock held by such member banks in the Federal Reserve Bank of Philadelphia.

This raises the vital and important distinction between the two proposed plans.

Under the New York Agreement the Federal Reserve Bank of New York agrees to assume a portion of the organization and current expenses of the Philadelphia bank up to the close of business June 30, 1915, and the Philadelphia bank agrees to allow as a set-off a similar proportion of its gross earnings up to the close of business on June 30, 1915. The New York plan also contemplates that the Federal Reserve Bank of New York will assume the liability for the payment of accrued dividends due to the member banks transferred.

The agreement proposed by Mr. Elliott is based on the conclusion that the transfer of northern New Jersey takes effect on July 1; that up until that date the member banks located in that region are members of the Federal Reserve Bank of Philadelphia; and that as such the Philadelphia bank should pay any expenses involved on account of such banks and that it is entitled to the earnings resulting from the use of the deposits of such banks; And, furthermore, that it should maintain the liability to pay accrued dividends on the stock of such banks for the period between November 16, 1914 and July 1, 1915.

Unless the order of the Board made the transfer effective as of the date of November 16, 1914, - an act which would be of doubtful legality, - Mr. Elliott is of the opinion that there is no legal authority for the Federal Reserve Bank of New York to pay even a proportionate amount of the expenses involved in the organization and operation of the Philadelphia bank. So, also, it is doubtful whether the New York bank would have the legal right to assume the liability of the Philadelphia bank to pay accrued

dividends. Similarly, the Philadelphia bank has no legal right to pay a proportion of its gross earnings to the New York bank.

It is argued, of course, that the Philadelphia bank in paying organization expenses reasonably contemplated that northern New Jersey would be located in the Philadelphia district indefinitely, and the organization expenses would be a very small item as compared with the ultimate good or profit to be obtained out of the use of the funds of the member banks of northern New Jersey if they were left indefinitely in the Philadelphia district. The fact, however, that the expenses of the Philadelphia bank have exceeded its earnings is responsible for the loss that must fall somewhere, and to argue that merely because a part of the Philadelphia district has been transferred to the New York district New York should assume that loss, is inconsistent with the legal rights involved.

The present members of the New York district might well say that the proportionate deficit of \$8,000 in the Philadelphia bank is a misfortune which they should not be compelled to pay just because of the one fact that they are prosperous.

It is felt that the New York plan promises an equitable adjustment of the situation, but it hardly seems fair to the member banks of the New York district. It is purely a gratuitous contribution on their part to the Philadelphia bank, made on the ground that the Philadelphia bank has a deficit and the New York bank a surplus. It is true that the amount involved is relatively small, and that possibly the New York member banks might not complain, but it is equally true that inasmuch as the amount involved is small, the Philadelphia banks will not complain, and, particularly as they have no legal right on which to base their objection, On the other hand it seems to me that the New York member banks might well show that the Federal Reserve Bank of New York has no legal authority whatever for the payment, out of its funds, of eight thousand odd dollars to the Philadelphia bank because it has failed to pay expenses in the past.

The plan of adjustment of transfers should be uniform in the various districts in so far as it is possible, and certainly so unless there is some valid ground for making a distinction in the various districts. If this New York plan is adopted merely to govern the transfer of northern New Jersey, Dallas might well argue that they, too, should be paid for their proportion of the organization expenses or for the earnings of the Dallas bank exceed expenses. The Kansas City bank will very probably file a claim that they should be treated according to the New York agreement, in which case they would necessarily be paid a certain balance by

C. S. H. ----4.

the Dallas bank, in addition to receiving all the benefits to be derived from the new members.

I can not see any argument which will be sufficient ground for the Board to make a valid distinction between the Oklahoma and New Jersey transfers. In the one case, Philadelphia has lost money; in the other, Dallas has made money. There is no more logical reason for demanding that New York pay Philadelphia, to make good its losses, than that the Board should demand that Dallas pay over to Kansas City the proportionate earnings it has made due to the membership of the banks in southern Oklahoma which are to be transferred July 1st.

It seems inevitable that one bank or another of other districts will complain if they are treated differently from New York, and I do not believe that the Board has a convincing answer to give to justify the distinction.

I feel sure that Mr. Elliott will suggest that the New York plan be adopted as far as the procedure and the forms submitted are concerned, but I do not believe that he will feel at liberty to agree to the rest of the plan, which is, at best, of doubtful legality, merely for the purpose of saving the Philadelphia bank about \$8,000.

Respectfully,

Signer G. S. H. H. H.

FEDERAL RESERVE BANK
OF NEW YORK

File No. 005.32
Office of General Counsel
Federal Reserve Board.

REC'D IN FILES SECTION
June 14, 1915. APR 25 1950
122.6-1

My dear Judge Elliott:

Your letter of June 12th to Governor Strong has been handed to me in his absence and I was preparing a memorandum on the subject when Mr. Warburg happened in about half past two, and I spoke to him of the matter.

I gave him a copy of the memorandum as far as it had gone up to the time he was in the office, and a copy of our file of papers on the subject, all of which he stated he would look over on the train. In the absence of both Governor Strong and Mr. Curtis, I am merely elaborating slightly the memorandum I gave him when he was here.

I should like very much, if it seems advisable to the Board to make any changes in the plan agreed upon between Philadelphia and New York, to have the matter lie over, if possible, until the return of Governor Rhoads and Governor Strong from Chicago, where they are attending the Governors' Conference, and trust that this can be arranged.

Yours very truly,

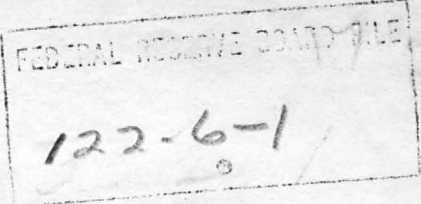
Revere Jay
by W.V.C.

Chairman.

Honorable M. C. Elliott,
Counsel, Federal Reserve Board,
Washington, D. C.

PJ/LCE

FEDERAL RESERVE BANK
OF NEW YORK



June 14, 1915.

Dear Mr. Warburg:

Referring to Judge Elliott's letter to Governor Strong, dated June 12th, relative to the plan for the transfer of the banks in Northern New Jersey from District No. 3 to District No. 2, and confirming our conversation on the subject when you were in our office this afternoon, we have been working on this matter in accordance with the suggestion contained in Mr. Willis' letter to Governor Rhoads of May 7th, which reads as follows:

"I was instructed to say to you that the Board would be pleased if you would now proceed to work out, in conjunction with the Federal Reserve Bank of New York, a plan covering the details of the transfer of the banks in the territory which has been shifted from the Philadelphia District to the New York District, and when such plan has been arranged to your mutual satisfaction, transmit it for the consideration and approval of the Board itself."

The main difference between the two plans is this:

(a) The plan agreed upon by the New York and Philadelphia banks contemplated an adjustment of expenses and earnings between the two banks and the assumption of the accrued dividend by the New York bank.

(b) Judge Elliott's plan contemplates no adjustment of expenses or earnings and leaves the payment of the dividend, when earned, up to July 1st on the Philadelphia bank.

The cost of the transfer to us is estimated at \$8,124.04, as follows:

6/14/15.

Ratio of expense, both current and organization, less that part of organization expense appropriated for the cost of preparing Federal reserve notes chargeable against 131 banks in Northern New Jersey transferred to the New York District, to the close of business April 30, 1915.

	<u>Total</u>	<u>North Jersey Banks</u>	<u>Balance</u>
Capital.....	\$12,501,500.00	\$1,925,300.00	\$10,576,200.00
Deposits.....	<u>21,558,334.51</u>	<u>3,198,837.00</u>	<u>18,359,497.51</u>
	\$34,059,834.51	\$5,124,137.00	\$28,935,697.51

	<u>Paid to 4/30/15</u>	<u>N.Y. Portion</u>	<u>Balance</u>
Organization Expense (Basis-Capital)	\$22,238.96	\$3,424.93	\$18,814.03
Current Expense (Basis-Capital & Deposits)	<u>65,349.28</u>	<u>9,831.48</u>	<u>55,517.80</u>
	\$87,588.24	13,256.41	74,331.83
Earnings (Basis-Capital & Deposits)	<u>34,114.57</u>	<u>5,132.37</u>	<u>28,982.20</u>
	53,473.67	8,124.04	45,349.63

A rough estimate shows that the accumulated dividend which the New York bank would assume would amount to about \$24,000.

The basis of this settlement, which was agreed upon and is satisfactory to both banks, was that as Philadelphia had done the pioneer work for the banks to be transferred we should reimburse them for the proportion of current expenses and of organization expenses, except cost of furniture and cost of printing Federal reserve notes, while Philadelphia would allow us the proportionate part of their earnings from operation.

With regard to the dividend, it was felt that inasmuch as we would thus be placed in the same position as though the banks had been in this district from the outset, we should assume the dividend upon the stock to be taken over by us on July 1st. Of course, if a further transfer were made later, and dividends were being paid by the banks in question, the adjustment would

6/14/15.

naturally be made as of the time of the last dividend.

Judge Elliott suggests having the Philadelphia bank transfer the reserve balances to the New York bank. We preferred the transferring of reserve balances by draft, since the member banks will deposit with us the net amount due them leaving the correct balance in Philadelphia to pay any checks that may be outstanding. These drafts will be paid through the gold settlement fund and obviate the transfer of gold for these particular transactions.

We were very well satisfied with the combined resolutions, applications for cancellation and issue of stock, approvals of Federal reserve agents and Federal Reserve Board, prepared as one document by the counsels of the Federal Reserve Banks of Philadelphia and New York. These, together with the letter to the member banks, and the order for transfer of funds to pay for new stock, seemed to present the matter simply and concretely.

Yours very truly,

Pierre Jay
by H. V. C.
Chairman.

Honorable Paul M. Warburg,
Federal Reserve Board,
Washington, D. C.

PJ/LCE

6

We have been working on this matter in accordance with the suggestion contained in Mr. Willis' letter of May 7th, which reads as follows:

"I was instructed to say to you that the Board would be pleased if you would now proceed to work out, in conjunction with the Federal Reserve Bank of New York, a plan covering the details of the transfer of the banks in the territory which has been shifted from the Philadelphia District to the New York District, and when such plan has been arranged to your mutual satisfaction, transmit it for the consideration and approval of the Board itself."

Governor Strong and Mr. Curtis are away - do not like to change the substance of the agreement since the details were carefully considered by them and approved. Glad to tell you the reasons for our conclusions and to show the results from the plan proposed.

Philadelphia has done all the pioneer work so far as the banks to be transferred is concerned. The benefits to be derived remain to be realized. It seemed equitable to us for New York to assume part of the expenses except cost of furniture and cost of printing Federal reserve notes, and also a part of the accrued dividend, and for Philadelphia to allow as a set-off, the earnings derived from operation.

We would not suggest this as a permanent plan of transfer. After the banks have begun to earn their dividends, we would think the transfers should be made upon a different basis.

A calculation of the amount to be assumed by New York as of the close of business April 30th, has been made. A copy of this calculation is attached.

It is proposed to adjust current expenses and earnings to July 1st.

There will be no change in expense of organization which has been considered as of the date of assessment by the Federal Reserve Board.

A rough estimate shows that the accumulated dividend ^{to be assumed} planned ~~will~~ amount to a little over \$24,000.

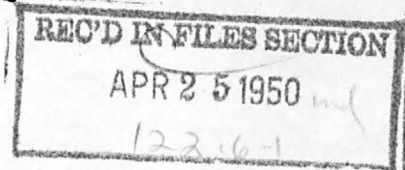
We were much pleased with the combined resolutions, applications for cancellation and issue of stock, approvals of Federal Reserve Agents and Federal Reserve Board, prepared as one document by the counsels of the Federal Reserve Banks of Philadelphia and New York. These together with the letter to the member banks and order for transfer of funds to pay for new stock, seems to present the matter simply and concretely.

We prefer the transferring of reserve balances by draft, since the member banks will deposit with us the net amount due them, leaving the correct balance in Philadelphia to pay any checks that may be outstanding. These drafts will be paid through the gold settlement fund and obviate the transfer of gold for these particular transactions.

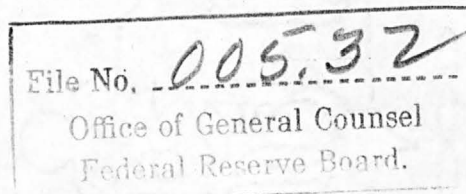
RATIO OF EXPENSE, BOTH CURRENT AND ORGANIZATION, LESS THAT PART OF ORGANIZATION EXPENSE APPROPRIATED FOR THE COST OF PREPARING FEDERAL RESERVE NOTES CHARGEABLE AGAINST 131 BANKS IN NORTHERN NEW JERSEY TRANSFERRED TO THE NEW YORK DISTRICT, TO THE CLOSE OF BUSINESS APRIL 30, 1915.

	<u>Total</u>	<u>North Jersey Banks</u>	<u>Balance</u>
Capital	\$12,501,500.00	\$1,925,300.00	\$10,576,200.00
Deposits	<u>21,558,334.51</u>	<u>3,198,837.00</u>	<u>18,359,497.51</u>
	34,059,834.51	5,124,137.00	28,935,697.51
	<u>Paid to 4/30/15</u>	<u>New York Portion</u>	<u>Balance</u>
Organization Expense (Basis-Capital)	\$22,238.96	3,424.93	18,814.03
Current Expense (Basis-Capital & Deposits)	65,349.28	9,831.48	55,517.80
	<u>87,588.24</u>	<u>13,256.41</u>	<u>74,331.83</u>
Earnings (Basis-Capital & Deposits)	<u>34,114.57</u>	<u>5,132.37</u>	<u>28,982.20</u>
	53,473.67	8,124.04	45,349.63

THE FEDERAL RESERVE BANK
OF PHILADELPHIA



408 CHESTNUT STREET



June Fourteenth
1915.

Re: Transfer of northern New Jersey banks from
District No. 3 to District No. 2.

M. C. Elliott, Esq., Counsel,
c/o Federal Reserve Board,
Washington, D. C.

My dear Mr. Elliott:

I have before me your letter of the
12th, addressed to Governor Rhoads, upon the above subject
matter, with the enclosures referred to.

Inasmuch as Governors Rhoads and Strong have gone
over this matter with a great deal of detail and attention,
and are at this time in Chicago attending a conference of
the governors of the Federal reserve banks, I therefore
suggest that you defer any further consideration of this
matter at the Board meeting on Tuesday, but await the re-
turn of Governors Rhoads and Strong to their respective
cities.

Yours very truly,

GML:G.

Deputy Federal Reserve Agent.



137
File No. 0-5,32
Office of General Counsel
Federal Reserve Board.

file
REC'D IN FILES SECTION
JUN 12, 1950
APR 25 1950
122.6-1

Mr. Benjamin Strong, Jr.,
Governor Federal Reserve Bank,
New York City.

My dear Mr. Strong:

Your letter with enclosures, relating to the transfer of the banks of northern New Jersey from District No. 3 to District No. 2, was referred to me yesterday for attention.

Without having been advised that you had this matter in hand, for adjustment, I had prepared, for submission to the Board, forms of application and other papers in relation to these transfers. I have been requested by the Board to consider the papers submitted by you and to make a report to it on Tuesday.

Upon an examination of your papers I find that in so far as the surrender of stock in the Federal Reserve Bank of Philadelphia and the application for stock in the Federal Reserve Bank of New York are concerned, the two plans are substantially in accord. It appears, however, that according to the tentative agreement reached between the Federal Reserve Bank of New York and the Federal Reserve Bank of Philadelphia, the New York bank is to assume a certain proportion of the expenses of the Philadelphia bank and is to receive a proportionate part of its gross earnings in consideration therefor. The Federal Reserve Bank of New York is also to assume the payment of the cumulative dividend on the cash payment on subscriptions of the member banks transferred.

Without going into an extensive discussion of the difference between the two plans, it seems that, in effect, we have proceeded on the theory that the transfer is to be made as of July the first; that each bank is to assume its own expenses to that date, and is to be entitled to receive all earnings up to that date, while under your plan the transfer is made effective as of the date of the organization of the two banks, and you are endeavoring to place each bank in the position that it would have been had the limits of the two districts been originally as they are since the readjustment by the Federal Reserve Board.

It seems to me that this will establish a precedent which it will be very difficult to follow in any future readjustments, and that certain legal questions are involved which will present some difficulty. For example, there is some question of the right of the New York bank to assume any of the expenses of the Philadelphia bank and to assume the payment of interest on cash-paid subscriptions to that bank. On the other hand, there is some question of the right of the Philadelphia bank to pay any part of its earnings to the New York bank.

I am enclosing for your consideration, a rough preliminary draft of papers prepared by this office in connection with the transfer of member banks. While they deal with the transfer of the banks in the Fifth District, they are intended as a form for use in all districts.

In order that I may present the matter properly to the Board on Tuesday, will you please look over these papers and write me, if possible, on Monday, your objections to the plan as outlined. If you have the information, I would like to have a statement showing approximately the loss or gain to either bank as a result of making the transfer in the manner suggested, as we, of course, want to bring about this adjustment on a basis which will be equitable to all parties concerned.

I am writing Governor Rhoads, of Philadelphia, to the same effect.

Very sincerely yours,

File No. 005.32
Office of General Counsel
Federal Reserve Board.

June 1, 1950
REC'D IN FILES SECTION
APR 25 1950
122.6-1

File

Mr. Charles J. Rhoads,
Governor, Federal Reserve Bank,
Philadelphia, Pennsylvania.

My dear Mr. Rhoads:

The Board has referred to me for attention a letter from Mr. Strong with enclosures embodying a plan agreed upon by you and Mr. Strong for the transfer of the banks of northern New Jersey from District No. 3 to District No. 2.

Without having been advised that you had this matter in hand for adjustment, I had prepared, for submission to the Board, forms of application and other papers in relation to these transfers. I have been requested by the Board to consider the papers submitted by Mr. Strong and to make a report to it on Tuesday.

Upon an examination of these papers I find that in so far as the surrender of stock in the Federal Reserve Bank of Philadelphia and the application for stock in the Federal Reserve Bank of New York are concerned, the two plans are substantially in accord. It appears, however, that according to the tentative agreement reached between the Federal Reserve Bank of New York and the Federal Reserve Bank of Philadelphia, the New York bank is to assume a certain proportion of the expenses of the Philadelphia bank and is to receive a proportionate part of its gross earnings in consideration therefor. The Federal Reserve Bank of New York is also to assume the payment of the cumulative dividend on the cash payment on subscriptions of the member banks transferred.

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readjustment by the Federal Reserve Board.

It seems to me that this will establish a precedent which it will be very difficult to follow in any future readjustments, and that certain legal questions are involved which will present some difficulty. For example, there is some question of the right of the New York bank to assume any of the expenses of the Philadelphia bank and to assume the payment of interest on cash-paid subscriptions to that bank. On the other hand, there is some question of the right of the Philadelphia bank to pay any part of its earnings to the New York bank.

I am enclosing for your consideration, a rough preliminary draft of papers prepared by this office in connection with the transfer of member banks. While they deal with the transfer of the banks in the Fifth District, they are intended as a form for use in all districts.

In order that I may present the matter properly to the Board on Tuesday, will you please look over these papers and write me, if possible, on Monday, your objections to the plan as outlined. If you have the information, I would like to have a statement showing approximately the loss or gain to either bank as a result of making the transfer in the manner suggested, as we, of course, want to bring about this adjustment on a basis which will be equitable to all parties concerned.

I am writing Governor Strong to the same effect.

Very sincerely yours,

FEDERAL RESERVE BANK
OF NEW YORK



file

June 10, 1915.

S i r s :

We have agreed with the Federal Reserve Bank of Philadelphia upon the terms and methods of transferring the member banks located in certain counties in Northern New Jersey from District No. 3 to District No. 2 as provided in your resolution of May 4, 1915. The papers which are attached set forth in detail the terms agreed upon and the methods to be employed in making the transfer.

Briefly - the Federal Reserve Bank of New York has agreed to assume a portion of the organization and current expenses of the Federal Reserve Bank of Philadelphia, and the Federal Reserve Bank of Philadelphia has agreed to allow, as a set-off, a portion of its gross earnings; both to the close of business June 30, 1915. (For details see Exhibit A.)

We have agreed to send a joint letter setting forth the details, specially addressed to each of the member banks and signed by the governors of both banks. (See Exhibit B.)

We propose sending with this letter an order, to be executed by the member banks, directing the Federal Reserve Bank of Philadelphia to pay to the Federal Reserve Bank of New York, the proceeds of the shares surrendered. These payments to be applied by the Federal Reserve Bank of New York on account of subscription to its stock. (See Exhibit C.)

6/10/15.

We have drafted a set of resolutions to be adopted by the Boards of Directors of the member banks. These resolutions have been approved by the counsels of both banks. (See Exhibit D.)

We also propose sending a copy of the Comptroller of the Currency's Form B-2149, Calculation of Lawful Money Reserve of National Banks Located Elsewhere Than in Reserve Cities and Central Reserve Cities. (See Exhibit E.)

We shall be grateful if you will take this matter under consideration and advise us of your approval at as early a date as may be possible.

Respectfully,

Ree: Hoover Jr.

Governor.

Federal Reserve Board,
Washington, D. C.

HMJ/EEB.
Encs. (5)



122.6-1

EXHIBIT A

7/20/15

MEMORANDUM OF AGREEMENT
BETWEEN FEDERAL RESERVE BANK OF PHILADELPHIA AND FEDERAL RESERVE BANK
OF NEW YORK FOR ADJUSTING THE TRANSFER OF 131 BANKS IN NORTHERN NEW
JERSEY FROM DISTRICT NO. 3 to DISTRICT NO. 2, AS OF JULY 1st, 1915.

EXPENSE OF ORGANIZATION

The Federal Reserve Bank of New York agrees to assume such part of the expense of organization of the Federal Reserve Bank of Philadelphia as the capital of the banks to be transferred bore to the total capital of the banks in District No. 3 at the time the assessment was levied by the Federal Reserve Board in November, 1914. Expense of organization is not to include cost of furniture and fixtures or cost of printing and shipping Federal Reserve Notes.

CURRENT EXPENSE

The Federal Reserve Bank of New York agrees to assume such proportion of the current expenses of the Federal Reserve Bank of Philadelphia as the capital paid in by and deposits to the credit of the banks to be transferred bears to the total capital paid in by and deposits to the credit of all of the member banks in District No. 3 at the close of business June 30th, 1915.

GROSS EARNINGS

The Federal Reserve Bank of Philadelphia agrees to allow as a set-off to the expenses above assumed, such proportion of the gross earnings of the Federal Reserve Bank of Philadelphia as the capital paid in by and deposits to the credit of the banks to be transferred bears to the total capital paid in by and deposits to the credit of all of the member banks in District No. 3 at the close of business June 30, 1915.

It is agreed that the plan of adjustment shall be presented to the banks to be transferred in a joint letter signed by the Governor of the

Memorandum of Agreement -2-

Federal Reserve Bank of Philadelphia and the Governor of the Federal Reserve Bank of New York. A copy of this letter is attached, together with resolutions referred to therein, all of which are to be a part of this Agreement.

122.6-1
7/20/15
EXHIBIT B

Union National Bank,

Union, N. J.

Dear Sirs:

By resolution adopted May 4, 1915, the Federal Reserve Board granted the petition of certain banks in Northern New Jersey for the readjusting of Districts Nos. 2 and 3. In such readjustment the county in which your bank is situated is to be included in District No. 2 on and after July 1, 1915.

For the purpose of carrying out the resolution of the Federal Reserve Board, you are requested to have your Board of Directors adopt, on or before July 1st, the enclosed resolutions covering the surrender of your stock in the Federal Reserve Bank of Philadelphia and application for stock in the Federal Reserve Bank of New York. When this has been done a certified copy should be forwarded to the Federal Reserve Bank of New York. Two copies of the resolutions are enclosed so that you may have a duplicate for your files.

For convenience, we have arranged the necessary operations in order, as follows:

1. Adopt the resolutions above referred to and send a certi-

fied copy to the Federal Reserve Bank of New York.

2. Send to the Federal Reserve Bank of New York with the certified copy of the resolutions, all receipts issued and sent to you for payments made by you on account of your subscription to the capital stock of the Federal Reserve Bank of Philadelphia.

3. Execute and send to the Federal Reserve Bank of New York the enclosed order, authorizing the Federal Reserve Bank of Philadelphia to remit to the Federal Reserve Bank of New York on your behalf, the net amount heretofore paid by you on account of your subscription to the capital stock of the Federal Bank of Philadelphia. This payment will be applied by the Federal Reserve Bank of New York on account of your subscription to the capital stock of said Bank.

Upon receipt of this payment, the Federal Reserve Bank of New York will execute and forward to you its temporary receipt for the amount so paid.

4. At the close of business June 30, 1915, for the purpose of transferring your reserve balance from the Federal Reserve Bank of Philadelphia to the Federal Reserve Bank of New York, please send to the Federal Reserve Bank of New York for your credit, your draft on

the Federal Reserve Bank of Philadelphia for the balance as shown on your books.

5. Please fill out Treasury Department form B-2149, calculation of Reserve as of the close of June 30, 1915, and send it to the Federal Reserve Bank of New York.

The Federal Reserve Bank of Philadelphia will send statement of your account to the close of business June 30th and will reconcile it in the usual manner.

Upon completion of transfer of your Bank to District No. 2, the Federal Reserve Bank of New York will assume all liability for dividends that have accrued to July 1, 1915, on your stock in the Federal Reserve Bank of Philadelphia, to which you may be entitled under the Federal Reserve Act.

Kindly note that all of the above papers are to be sent to the Federal Reserve Bank of New York.

FEDERAL RESERVE BANK OF PHILADELPHIA

By _____
Governor.

FEDERAL RESERVE BANK OF NEW YORK

By _____
Governor.

Office Correspondence

FEDERAL RESERVE
BANK OF NEW YORK

122-6-1
Date June 10, 1915.

To Governor Strong, Mr. Jay and Mr. Curtis,

Subject: Re Transfer of Northern

From Mr. Jefferson.

New Jersey Banks. 6/10/15

I spent yesterday in conference with Governor Rhoads, Mr. Harrit, Mr. Gamon and Mr. Rudder, of the Federal Reserve Bank of Philadelphia, and hand you herewith papers as listed, representing agreement reached with them in connection with the taking over of the one hundred and thirty one Northern New Jersey Banks.

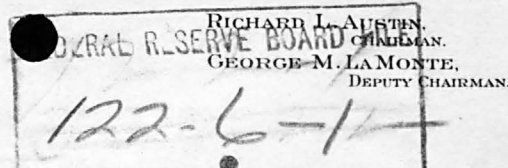
*Which referred
in letter WFR Board*

- (a) Memorandum of agreement between Philadelphia and New York.
- (b) Proposed joint letter to be sent to the banks to be transferred.
- (c) Proposed resolutions to be adopted by the Northern New Jersey Banks.
- (d) Treasury Form B 149 referred to in joint letter.

They have the resolutions set up in their multigraph and will hold the type until the Federal Reserve Board has approved the papers and they will then print as many as will be necessary.

In forms like Exhibit (c) we will use printer's ink instead of typewriter ribbon. I also reached an agreement with them regarding the practical details which need not be considered at this time.

CHARLES J. RHOADS,
GOVERNOR.
EDWIN S. STUART,
DEPUTY-GOVERNOR.
FRANK M. HARDT,
CASHIER.



FEDERAL RESERVE BANK OF PHILADELPHIA

408 CHESTNUT STREET

FILE

JUN 11 1915


PHILADELPHIA, June 9, 1915

Federal Reserve Board

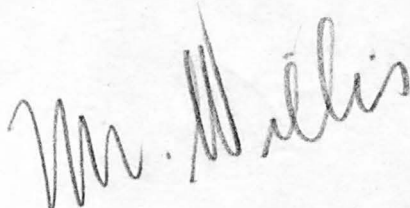
Dear Mr. Warburg:

I believe we have now settled all the details relative to the transfer of the banks of northern New Jersey to the New York District. Today, Mr. Jefferson, of the Federal Reserve Bank of New York, has been here, and has gone over our suggestions as to the method of accounting, etc., and will take them back to New York for final approval there. Probably some one from the New York Bank will take the papers to Washington for review by the Federal Reserve Board on Friday. The matter does not present any difficulties; we merely wish to be sure that we have technically covered the transfer of stock payments from one district to another.

Very truly yours,


Governor.

PAUL M. WARBURG, Esq.,
Federal Reserve Board,
Washington, D. C.



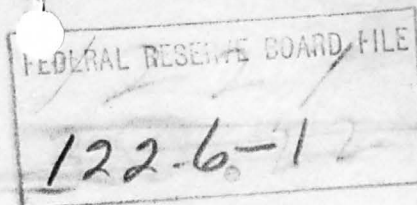
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5
6
72
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8

$$\begin{array}{r} 27 \\ 5 \\ \hline 19 \end{array}$$

EDWIN
FRAN

HS

#3



June 3, 1915.

Sir:

Your letter of June 1 was duly received.
In reply I have to say that the formal decrees
in the redistricting cases, and among them that
in the New Jersey case, were completed and trans-
mitted to the several banks yesterday. Doubt-
less you have received the decree in the New Jer-
sey case through Mr. Austin before this.

Respectfully,

Secretary.

Charles J. Rhoads, Esq.,
Governor, Federal Reserve Bank,
Philadelphia, Pa.

CHARLES J. RHOADS,
GOVERNOR.
EDWIN S. STUART,
DEPUTY-GOVERNOR.
FRANK M. HARDT,
CASHIER.

122-67
RICHARD L. AUSTIN,
CHAIRMAN.
GEORGE M. LAMONTE,
DEPUTY CHAIRMAN.

FEDERAL RESERVE BANK OF PHILADELPHIA

408 CHESTNUT STREET

PHILADELPHIA, June 1, 1915.

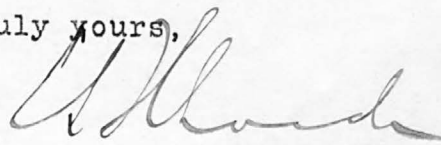
FEDERAL RESERVE BOARD,

Washington, D. C.

S i r s :

In drafting a letter to be sent to the banks of northern New Jersey which are to be transferred from District No. 3 to District No. 2 as of July 1, 1915, we desire to refer to the resolution of the Federal Reserve Board on this subject. Up to this writing we have only received a memorandum issued to the press, which informs that the Board adopted a resolution on May 4, 1915. This was supplemented by a telegram, received by us, informing that the transfer would be effective as of July 1, 1915. If agreeable, we should be glad to receive a formal resolution or letter on the point, which will be our authority for communicating with the northern New Jersey banks on this subject.

Very truly yours,


Governor.

CJR-D



Rhoads

#3

FEDERAL RESERVE BOARD FILE

122.6-1

MAY 21 1915
Federal Reserve Board

May 21, 1915.

S I R :

In answer to your question whether it is necessary for the one hundred and thirty-one (131) New Jersey banks to adopt and file resolutions relative to their surrender of stock in the Federal Reserve Bank of Philadelphia and take out stock in the Federal Reserve Bank of New York, you are advised that the matter is in the hands of the counsel of the Board and you will be informed as soon as further information is in hand.

Respectfully,

Secretary.

Mr. Charles J. Rhoads,
Governor, Federal Reserve Bank,
Philadelphia, Pennsylvania.

CHARLES J. RHODES,
GOVERNOR.
~~EDWIN S. STUART,~~
DEPUTY-GOVERNOR.
FRANK M. HARDT,
CASHIER.

RICHARD L. ALDEN,
CHAIRMAN.
GEORGE M. LA MONTE,
DEPUTY CHAIRMAN.

3
FEDERAL RESERVE BANK OF PHILADELPHIA

408 CHESTNUT STREET

122.6-1
PHILADELPHIA.

May 17, 1915.

Federal Reserve Board,
Washington, D. C.

Sirs:

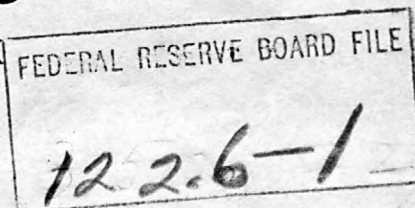
We are in receipt of your letter of
May 14th, enclosing a copy of the opinion
of your counsel, relative to the rediscount
status of banks included in territory
which has been ordered transferred from
one Federal reserve district to another,
for which we thank you.

Yours truly,

RLA-G.

R. L. Alden
Federal Reserve Agent.

#2
FEDERAL RESERVE BANK
OF NEW YORK



May 15, 1915.

S i r s :

Receipt is acknowledged of your letter of May 14th, transmitting copy of an opinion prepared by Counsel relative to rediscount status of banks in territory ordered transferred from one district to another.

Respectfully,

Wm. C. Miller
Chairman.

Federal Reserve Board,
Washington, D. C.

PJ/RAH

2
HS

3327
FEDERAL RESERVE BOARD FILE
122-6-12
W. J.

May 14, 1915.

Sir:

By direction of the Federal Reserve Board I transmit for your information a copy of an opinion prepared by Counsel of the Board relative to the rediscount status of banks included in territory which has been ordered transferred from one Federal reserve district to another.

Respectfully,

Secretary.

Mr. Pierre Jay,
Chairman, Board of Directors,
Federal Reserve Bank of New York.

Enclosure.

246.1
170.8
5/6/15

#3

FEDERAL RESERVE BOARD FILE
122.6-1
350.22

NGM.

May 14, 1915.

W. J.

Sir:

By direction of the Federal Reserve Board I transmit for your information a copy of an opinion prepared by Counsel of the Board relative to the rediscount status of banks included in territory which has been ordered transferred from one Federal reserve district to another.

170.3 ✓
5/6/15

Respectfully,

Secretary.

Mr. Richard L. Austin,
Chairman, Board of Directors,
Federal Reserve Bank of Philadelphia.

Inclosure.

mscu

2
FEDERAL RESERVE BANK
OF NEW YORK

FEDERAL RESERVE BOARD FILE

122.6-1

N. J.

May 11, 1915.

S i r s:

Receipt is acknowledged of your letter of May 8, enclosing copy of your letter to Governor Rhoads, dated May 7 relative to the preparation of plan covering the transfer of the banks in northern New Jersey to the New York district.

We shall take this matter up with Governor Rhoads at the first opportunity, as suggested by you.

Respectfully,

Handwritten signature
Chairman.

Handwritten signature

Federal Reserve Board,
Washington, D. C.

PJ/MP



CHARLES J. RHOADS,
GOVERNOR.
EDWIN S. STUART,
DEPUTY GOVERNOR.
FRANK M. HARDT,
CASHIER.

RICHARD L. AUSTIN,
CHAIRMAN.
GEORGE M. LA MONTE,
DEPUTY CHAIRMAN.

Ph... #3
FEDERAL RESERVE BANK OF PHILADELPHIA

408 CHESTNUT STREET

FILE

MAY 11 1915

Federal Reserve Board

PHILADELPHIA, May 10, 1915
H. J.

DR. H. PARKER WILLIS,

Secretary,

Federal Reserve Board,

Sir:

Today Mr. Austin has handed me your letter of the 8th instant, addressed to him, together with a copy of your letter of the 7th instant, addressed to me, which latter has apparently gone astray in the mails, as it has never reached me.

In accordance with your suggestion, we will proceed to work out a plan, in conjunction with the Federal Reserve Bank of New York, of settlement, covering the transfer of the banks in northern New Jersey as of July 1st, and will submit our plan to the Board for its consideration.

Very truly yours,

CJR-D

C. J. Rhoads
Governor.



CHARLES J. RHOADS,
GOVERNOR.
EDWIN S. STUART,
DEPUTY-GOVERNOR.
FRANK M. HARDT,
CASHIER.

RICHARD L. AUSTIN,
CHAIRMAN.
GEORGE M. LA MONTE,
DEPUTY CHAIRMAN.

FEDERAL RESERVE BANK OF PHILADELPHIA

408 CHESTNUT STREET

PHILADELPHIA, May 10, 1915.

FILED
MAY 11 1915
Federal Reserve Board

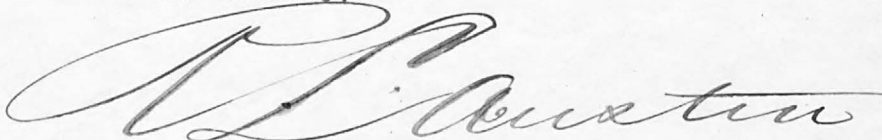
Federal Reserve Board,
Washington, D. C.

Sirs:

I am duly in receipt of your letter of the 8th inst.,
enclosing a copy of letter addressed to Mr. Charles J.
Rhoads, Governor of this Bank, in reference to the pre-
paration of the plan for effecting the transfer of
banks from one district to another.

We have been giving some thought to this matter.
As soon as the plan is worked out, we will take pleasure
in submitting it to you.

Yours truly,



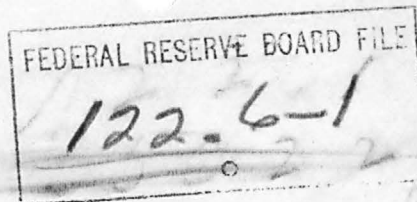
RLA-G.

Federal Reserve Agent.



Cust
HS

#3



May 8, 1915.

Sir:

For your information I enclose copy of
a letter of May 7 sent to Governor Rhoads
of the Federal Reserve Bank of Philadelphia.

It was the thought of the Board that all
other Federal reserve banks which are affected
by transfers from one district to another,
might, if they chose, follow the plan adopted
by the New York and Philadelphia reserve banks,
and approved by the Federal Reserve Board.

Very respectfully,

Secretary.

Mr. Richard L. Austin,
Chairman, Board of Directors,
Federal Reserve Bank of Philadelphia.

Enclosure.

pcw

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10-11

HS

#2

FEDERAL RESERVE BOARD FILE
122.6-1-
W. J.

May 8, 1915.

Sir:

For your information I enclose copy of a letter of May 7 sent to Governor Rhoads of the Federal Reserve Bank of Philadelphia.

It was the thought of the Board that all other Federal reserve banks which are affected by transfers from one district to another, might, if they chose, follow the plan adopted by the New York and Philadelphia reserve banks, and approved by the Federal Reserve Board.

Very respectfully,

Secretary.

Mr. Pierre Jay,
Chairman, Board of Directors,
Federal Reserve Bank of New York.

Enclosure.

PCW

Rhoads

#3.

FE.	RESERVE BOARD FILE
122-6-1	

May 7, 1915.

[Handwritten signature]

Dear Governor Rhoads:

Thank you for your yesterday's letter.

I am about to leave for New York and shall refer your letter to our Secretary, who will answer it.

Let me say, though, that I think it will be best for your District and New York to take up the matter of the readjustment of the New Jersey territory and then submit to us a plan which the two Districts would suggest for the carrying out of the necessary steps.

Very truly yours,

C. J. Rhoads, Esq.,
Governor, Federal Reserve Bank,
Philadelphia, Pennsylvania.

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122-6-1

FEDERAL RESERVE BOARD
WASHINGTON

MAY 17, 1915.
Federal Reserve Board

MEMORANDUM FOR MR. WILLIS:

FEDERAL RESERVE BOARD

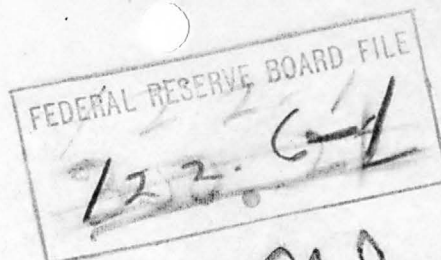
MAY 7 1915

Kindly note the appended letter which is to go to Governor Rhoads. Please note what he says concerning official confirmation, which I think ought not to be omitted.

P. M. W.

Rhoads

#3



May 7, 1915.

N. J.

S i r:-

Your letter, addressed to Mr. Warburg under date of the sixth instant was read at the Board meeting this morning.

I was instructed to say to you that the Board would be pleased if you would now proceed to work out, in conjunction with the Federal Reserve Bank of New York, a plan covering the details of the transfer of the banks in the territory which has been shifted from the Philadelphia District to the New York District, and when such plan has been arranged to your mutual satisfaction, transmit it for the consideration and approval of the Board itself.

I have the honor to be,

Very respectfully,

Secretary.

Mr. Charles J. Rhoads,
Governor, Federal Reserve Bank,
Philadelphia, Pa.

795
9/2/1915
#3
FEDERAL RESERVE BOARD
WASHINGTON
May 6th, 1915.
350.22
260.
FEDERAL RESERVE BOARD FILE
122-6-1
Elliott

M.C. ELLIOTT
COUNSEL

My dear Mr. Warburg:-

As requested, I have read and considered the attached letter from Mr. C. J. Rhoads, Governor of the Federal Reserve Bank of Philadelphia, dated May 5, 1915. Mr. Rhoads submits the following inquiry:

"In case any banks in northern New Jersey apply to us for rediscounts between now and July 1st, I would inquire whether, in your judgment, we should accommodate them, and I would also inquire whether it would be satisfactory to let us carry any rediscounts which we may have for northern New Jersey banks which mature after July 1st, until the notes run off".

While I have not seen the order of the Board to be entered in connection with the change in the district lines of District No. 2, it is my understanding that the transfer of membership from Philadelphia to New York of those banks located in the district to be assigned to New York is to be made not later than July first. This being true, the banks in northern New Jersey will continue to be members of the Federal Reserve Bank of Philadelphia until that time and will be entitled to any privileges extended to other members.

As to the rediscounts carried at the time that such banks cease to be members of the Federal Reserve Bank of Philadelphia, while the Act makes no specific provision in regard to this situation, I can see no legal objection to the Federal Reserve Bank of Philadelphia continuing to hold such rediscounts until they mature. Where a member bank rediscounts with a Federal Reserve Bank eligible paper held by it the Federal Reserve Bank becomes the owner of such paper and the member bank is contingently liable as endorser. This being true, there would seem to be no justification for assuming that a change in the status of a member bank in its relation to the Federal Reserve Bank should in any way affect the legality of such rediscounts. For example, if a member bank should go into liquidation, the Federal Reserve Bank would have the right to hold and collect any rediscounts held by it and would have a claim against the estate of

such liquidating bank for any loss suffered under the contract of the endorser.

I am of the opinion, therefore, that the Federal Reserve Bank of Philadelphia will be fully justified under the law in extending the privilege of rediscount to the banks referred to as long as they remain members of that bank, and that any rediscounts held at the time when they cease to be members may be retained until collected.

Very sincerely,


Counsel.

Hon. Paul M. Warburg,
Federal Reserve Board.

CHARLES J. RHOADS,
GOVERNOR.
EDWIN S. STUART,
DEPUTY-GOVERNOR.
FRANK M. HARDT,
CASHIER.

122-6-1
RICHARD L. AUSTIN,
CHAIRMAN.
GEORGE M. LA MONTE,
DEPUTY CHAIRMAN.

FEDERAL RESERVE BANK OF PHILADELPHIA

408 CHESTNUT STREET

PHILADELPHIA, 5/6/1915

Dear Mr. Warburg:

I wish to thank you for your letter of yesterday, regarding the decision reached by the Board, in reference to the banks of northern New Jersey, and feel that the Board has demonstrated to the country at large that they are actuated by the best interests of the whole community in discharging their duties, which is something that all of us who are familiar with the situation knew, but which, perhaps, is not generally appreciated throughout the country. On this account I feel all the more comfortable to leave the future of our territory in your hands, knowing that you will do the right thing.

May I trouble you to let me know at your convenience whether the Board proposes to lay down uniform principles on which adjustments are to be made in the case of transfers of territory in dealing with the questions of proportionate expense, earnings, etc., or is it the Board's wish that we take the matter up direct with the Federal Reserve Bank of New York and settle the matter ourselves. The subject does not present any serious difficulties, although it may be desirable to have a ruling from the Board as to just what basis is to be used in arriving at the figures.

So far we have not received any formal notice of your decision, except a telegram from Secretary Willis and an unsigned copy of the statement given to the press, but I take it that in due course a formal order will be sent us, authorizing us to release the banks in northern New Jersey and to pay over to the Federal Reserve Bank of New York the proportion of capital which said banks have paid in to us.

Very truly yours,

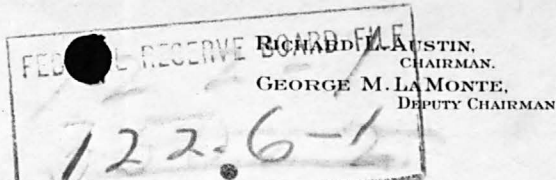


Governor.

PAUL M. WARBURG, Esq.,
Federal Reserve Board,
Washington, D. C.

CJR-D

CHARLES J. RHOADS,
GOVERNOR.
EDWIN S. STUART,
DEPUTY GOVERNOR.
FRANK M. HARDT,
CASHIER.



Amstrong

FEDERAL RESERVE BANK OF PHILADELPHIA

408 CHESTNUT STREET

Forbes

PHILADELPHIA, May 6, 1915.

My dear Mr. Warburg:

7

Because we are not made happy by the transfer from this district of certain banks in north New Jersey to New York, it does not mean that we do not approve of the action of the Board. We are all on record here as favoring the including of north New Jersey in the New York district, and believe your action will better dispose the banks toward the system. It sometimes causes one pain even to accept the right thing.

La Monte

Just now we are disturbed over the possibility of losing our much esteemed Deputy Federal Reserve Agent, Mr. LaMonte. I suggested to him that as long as he has interests in Trenton, that he for the time being claim his residence there, so that he will not have to go out of office on July 1st. I have made arrangements with him to look after the duties of this office during part of July when I hope to be away, and if it can be arranged to keep him in office until, say the first of August, it would be pleasing to all of us and entirely agreeable to Mr. LaMonte. If there is any prospect of having additional territory added to this district, it might be well to have the new director represent that territory.

Yours very truly,

R. L. Austin

Federal Reserve Agent.

RLA-G.

To

Paul M. Warburg, Esq.,
c/o Federal Reserve Board,
Washington, D. C.

