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Before the
Federal Reserve Board

IN THE MATTER OF
PETITION OF MEMBER BANKS OF NORTHERN NEW
JERSEY FOR CHANGE IN THE GEOGRAPHICAL
LIMITS OF FEDERAL RESERVE
DISTRICTS Nos. 2 and 3

Answer on Behalf of
Federal Reserve Bank of Philadelphia
(District No. 3)

#108
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ties of Ocean and Mercer. The capital stock subscriptions by these banks aggregate \$1,950,300. Their deposits in the Federal Reserve Bank December 11th, 1914, aggregated \$3,164,000. The change sought by the petitioners would result in the reduction of the total subscribed capital of the Federal Reserve Bank of Philadelphia (District No. 3) from \$12,528,000 to \$10,577,700, and the increase of the total subscribed capital of the Federal Reserve Bank of New York (District No. 2) from \$19,932,000 to \$21,882,300. It would result in the reduction of the deposits of the Reserve Bank of Philadelphia on that date from \$19,359,000 to \$16,195,000, and an increase in the deposits of the Reserve Bank of New York from \$103,837,000 to \$107,001,000. The deposits which would be transferred, representing two-twelfths of the required reserves of the member banks, will be increased until, at the expiration of two years, they represent five-twelfths of the required reserves which, on the basis of the amount above stated would amount approximately to \$7,910,000.

It is not sought in this answer to controvert the statements in petitioners' Brief as to the close commercial and financial alliance of Northern New Jersey with New York. It would seem obvious that on the ground of convenience and the customary course of business, could sole regard have been given to these considerations in the apportionment and determination of the Districts, the Banks of Northern New Jersey would have been assigned to the New York rather than the Philadelphia District. No one

can doubt but that careful consideration was given by the Organization Committee to such matters as convenience, accessibility and the trend of business in the apportionment of the various Districts and the selection of Reserve Cities. This was a duty imposed upon the Organization Committee by the Federal Reserve Act, Section 2, quoted by the petitioners, which is as follows:—

“That the Districts shall be apportioned with due regard to the convenience and customary course of business and shall not necessarily be co-terminus with any State or States.”

It is submitted, however, that the word “due” before the word “regard” deserves at least equal emphasis with the word “shall” underlined by the petitioners in their Brief. It was proper and necessary for the members of the Organization Committee in the exercise of their good judgment to consider other factors. Two of those factors mentioned in the Committee’s report of April 2d, 1914, are in point here.

“The probable ability of the Federal Reserve Bank in each District after organization and after the provisions of the Federal Reserve Act shall have gone into effect to meet legitimate demands of business, whether normal or abnormal, in accordance with the spirit and provisions of the Federal Reserve Act.”

“The fair and equitable division of the available capital for the Federal Reserve Banks among the Districts created.”

Such reasons as set forth in petitioners' Brief for their inclusion in the New York District must be considered as of great weight. Had it been possible to include Northern New Jersey in the New York District and by the severance of some other portion of the New York District and the addition of other territory to the Philadelphia District to preserve as equable a division of available capital throughout the country as by the present apportionment, no opposition could have been justly made to the contention of the petitioners. The members of the Organization Committee having given especially careful consideration to just the factors emphasized by the petitioners, there seem obviously to have been reasons which outweighed in their minds such objections as are now presented, objections which anyone can appreciate, inconveniences with which we are quite ready to sympathize. Now that the districts have been actually defined, we submit that the change sought by the petitioners would involve too many other changes to be justifiable, unless it were the only method of correcting a serious error in the apportionment, or to provide facilities actually lacking and necessary which cannot be provided in any other way.

It is submitted that it is not proper to assume at this time that the inclusion of the banks of Northern New Jersey in the Philadelphia District will result in such inconvenience, such loss of business, and such reduced efficiency as the petitioners contend. Any division of the country into districts must be expected to result in some initial inconvenience to banks near the boun-

dary lines, but it is believed that the actual inconvenience to such banks will soon be found to be very slight. Personal visits of representatives of member banks to the Reserve Bank while often desirable, will not probably often be necessary. The mails, the telegraph and telephone are less expensive than visits in person, and for the purpose of transactions between member banks and the Reserve Banks can in most instances be as effective. Measures can be taken whereby all necessary information as to credits in connection with re-discounting will be readily available to the Reserve Bank at Philadelphia. Banking and business generally need not be more confined within the respective districts than heretofore. An opportunity should be given for the terms of the Act to be made more fully effective and the possibilities and practical operations of the Federal Reserve Banks to be more clearly realized and understood before any reapportionment should be attempted.

The petitioners aver that if their reserve is kept elsewhere than in New York City large balances will have to be maintained by them in New York banks not only at a loss in earnings, but also to the detriment of all the manufacturing communities of the section because of the diminished loaning power of the banks.

In this connection it is proper to consider how far the requirements of the new system need change previously existing conditions.

If the very moderate collection charges imposed by New York banks influenced many banks in Northern New Jersey, as avcrred in petitioners' Brief, to open

deposit accounts in Philadelphia, which have been maintained to mutual advantage for over ten years, it would seem that it would be no great hardship to continue to maintain deposits in Philadelphia under the requirements of the new system.

As of October 31st, 1914, all but fourteen of the 132 Northern New Jersey banks now included in the Philadelphia District reported deposit accounts in Philadelphia.

The aggregate gross deposits of the Northern New Jersey Banks on that date were reported as follows (in thousands):

Demand.....	\$137,571,000
Time.....	16,359,000
Total.....	<u>\$153,930,000</u>

Their aggregate reserve deposits reported were

New York.....	\$13,860,000
Philadelphia.....	4,528,000
Other Cities.....	666,000

On the basis of these deposits the total reserve required under the new system would be

12% of \$137,571,000.....	\$16,508,520
5% of \$16,359,000.....	817,950
Total.....	<u>\$17,326,470</u>

Two-twelfths of this total, viz: \$2,887,745, would be all that would be required to be deposited in the

Philadelphia Reserve Bank under the new system for the first year, as compared with \$4,528,000, the actual amount of reserves deposited in Philadelphia before the new system became effective.

On the basis of aggregate deposits as above stated, the Northern New Jersey banks would be required at the end of twelve months to increase the amount of their reserve deposits in Philadelphia from \$2,887,745 to \$4,331,617 (*i. e.*, three-twelfths of required reserve); at the expiration of eighteen months to increase the amount to \$5,775,490 (four-twelfths of required reserve); and at the expiration of twenty-four months to \$7,219,362 (five-twelfths of required reserve). For eighteen months therefore these banks could comply with the new reserve requirements and keep larger balances on deposit in New York than they reported October 31st, 1914, without exceeding the total of their reserve deposits in both cities on that date.

Of the reduced reserve now required the Northern New Jersey Banks can keep five-twelfths on deposit with their reserve banks in New York for the period of one year, at the end of two years, after gradual reductions, but two-twelfths and after three years none.

Even after three years, however, in view of the reduction in the required reserve and the fact that it has been the practice of New Jersey banks to keep large deposits in Philadelphia for the reasons indicated, they can comply with the new requirements and still maintain substantial deposit accounts in New York without diminishing their present loaning powers to any material extent.

A comparison of the old and new reserve requirements as affecting the Northern New Jersey banks, based on such figures as are available, seems to justify this statement. The Northern New Jersey banks reported on October 31st, 1914, as already stated, the following aggregate gross deposits:—

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For the purpose of comparison there may be added to this last total the 5% redemption fund to secure circulation, counted as part of the old but not as part of the new reserve. Based on a total circulation of the Northern New Jersey Banks, amounting to \$12,464,737, as shown by the report of the Controller of the Currency for 1913 (which total may be expected to be considerably reduced by 1917), the redemption fund would amount to \$623,236, and this it may be noted is less than one-half of one per cent. of the total deposits as above stated.

Deducting from the reserve under former requirements.....	\$23,089,500
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together with redemption fund.....	623,236
	17,949,706
leaves a balance of.....	\$5,139,794

which by the new system is released from reserve. This may not be sufficient to constitute the deposit balances which petitioners consider it necessary to maintain in New York. It is fair to assume, however, that the deposits maintained in New York and Philadelphia were larger than the amounts required as reserve, and it would certainly seem possible that they will be able to maintain sufficient New York deposits for all practical purposes and still be no more restricted in their loaning powers and efficiency than under previous reserve requirements with the balances they have maintained in New York and Philadelphia in the past. If this is so the fact that these banks are included in the Philadelphia District need have little effect on their business, or their previous business relations.

Section 16 of the Federal Reserve Act provides in part as follows:—

“Every Federal reserve bank shall receive on deposit at par from member banks or from Federal reserve banks checks and drafts drawn upon any

of its depositors, and when remitted by a Federal reserve bank, checks and drafts drawn by any depositor in any other Federal reserve bank or member bank upon funds to the credit of said depositor in said reserve bank or member bank."

If, as it seems reasonable to expect, checks on the Federal Reserve Bank of Philadelphia or on any member bank in the Philadelphia District can be made available as cash at par through the Federal Reserve Bank of New York, clearly some of the inconveniences anticipated by the petitioners may be eliminated.

As to the transportation of currency, no great change from previous methods is likely to be necessary. When it is cheaper and more convenient for Northern New Jersey banks to send their currency to New York they can still do so. It would seem possible to obtain from their correspondents drafts on the New York Reserve Bank, which would be accepted for deposit by the Philadelphia Reserve Bank. When they wish to obtain currency by messenger from New York it would seem quite possible to do so from their correspondents there by means of checks on the Philadelphia Reserve Bank or reserve notes from Philadelphia, redeemable in New York.

Indeed, most, if not all, of the serious objections raised by the petitioners can be eliminated, provided adequate deposit accounts may still be maintained in New York without loss of earnings or diminished loaning capacity. This, as has been indicated, we be-

lieve can be done. It is true under the new system they may not receive interest on their reserve deposits. But this we believe will be more than counterbalanced by the new facilities and advantages which the Federal Reserve system will afford.

Certainly sufficient time has not elapsed, nor have sufficient changes in the relations of banks of Northern New Jersey with those of New York been made or shown to be probable to demonstrate as yet that the apportionment by the Organization Committee was not the best under all present circumstances. We believe that as the result of experience it will be found that the relationships of the banks of Northern New Jersey with those of New York will not and need not be materially changed. If, however, in the course of the year during which the reserve deposits required in Philadelphia are so small, or the two years during which the transfer of reserves is gradual, it is found that inconvenience has resulted to Northern New Jersey from the existing apportionment which should be removed, or loss is threatened which should be prevented, it is submitted that even then a change in the boundaries of the districts should not be made unless a change in the general apportionment throughout the country is practicable. If experience shows that the apprehensions of the banks of Northern New Jersey are justified, it would seem that every material objection raised by the petitioners would be removed and every convenience would be accorded them of which their inclusion in the Philadelphia District might tend to deprive them, by the establishment of a branch

bank in Northern New Jersey such as the Federal Reserve Bank is required under the Act to establish if and when occasion demands. This, in our judgment, is the only possible change that should be considered in the interests of the banks of Northern New Jersey, and this only if, after further experience, it is found that their needs are not otherwise properly met.

Our answer to the Petitions of the Banks of Northern New Jersey can therefore only be this:

The Federal Reserve Bank of Philadelphia must oppose the removal of Northern New Jersey from its district to the New York District unless other territory, supplying equivalent capital and deposits, is added to the Philadelphia District. Otherwise, the capacity of the Reserve Bank of Philadelphia to properly meet the needs of its district will be impaired. The addition of other territory to this District necessarily would be at the expense of an adjoining district which in turn would be entitled to additional territory to offset its loss and so on, perhaps until all of the twelve districts were affected. We consider that a trial should be given to the system by the banks of Northern New Jersey under the present apportionment at least during the period while the requirements for deposits of reserves at Philadelphia, in connection with the reduction in the prescribed reserve, can affect them to so slight an extent. If, after such trial, some change is found to be necessary for the accommodation of Northern New Jersey, every practical requirement could be met by the establishment of a branch bank within the territory, a far more feasible method of supplying such needs as

the petitioners set forth than one leading to the extended readjustment of districts which their assignment to the New York District must now involve.

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

CHARLES J. RHOADS,
Governor.

PARKER S. WILLIAMS,
Counsel.

BEFORE THE FEDERAL RESERVE BOARD

IN THE MATTER OF
PETITION OF MEMBER BANKS OF NORTHERN NEW
JERSEY FOR CHANGE IN THE GEOGRAPHICAL LIMITS
OF FEDERAL RESERVE DISTRICTS NOS. 2 AND 3, AS
DETERMINED BY THE ORGANIZATION COMMITTEE.

ANSWER ON BEHALF OF THE FEDERAL RESERVE BANK
OF PHILADELPHIA (DISTRICT NO. 3).

TO THE FEDERAL RESERVE BOARD:

Charles J. Rhoads, Governor of the Federal Reserve Bank of Philadelphia, the representative duly appointed by the Board of Directors of said Bank to appear and answer to petitions of member banks of Northern New Jersey to review the assignment of said banks of Northern New Jersey to Federal Reserve District No. 3, and to alter the lines of said District so that the banks in New Jersey north of the northerly line of the counties of Ocean and Mercer shall be included in Federal Reserve District No. 2, makes answer to said petitions as follows:—

The Federal Reserve Bank of Philadelphia has one hundred and thirty-two member banks in the section of New Jersey north of the northerly lines of the coun-

ties of Ocean and Mercer. The capital stock subscriptions by these banks aggregate \$1,950,300. Their deposits in the Federal Reserve Bank December 11th, 1914, aggregated \$3,164,000. The change sought by the petitioners would result in the reduction of the total subscribed capital of the Federal Reserve Bank of Philadelphia (District No. 3) from \$12,528,000 to \$10,577,700, and the increase of the total subscribed capital of the Federal Reserve Bank of New York (District No. 2) from \$19,932,000 to \$21,882,300. It would result in the reduction of the deposits of the Reserve Bank of Philadelphia on that date from \$19,359,000 to \$16,195,000, and an increase in the deposits of the Reserve Bank of New York from \$103,837,000 to \$107,001,000. The deposits which would be transferred, representing two-twelfths of the required reserves of the member banks, will be increased until, at the expiration of two years, they represent five-twelfths of the required reserves which, on the basis of the amount above stated would amount approximately to \$7,910,000.

It is not sought in this answer to controvert the statements in petitioners' Brief as to the close commercial and financial alliance of Northern New Jersey with New York. It would seem obvious that on the ground of convenience and the customary course of business, could sole regard have been given to these considerations in the apportionment and determination of the Districts, the Banks of Northern New Jersey would have been assigned to the New York rather than the Philadelphia District. No one

can doubt but that careful consideration was given by the Organization Committee to such matters as convenience, accessibility and the trend of business in the apportionment of the various Districts and the selection of Reserve Cities. This was a duty imposed upon the Organization Committee by the Federal Reserve Act, Section 2, quoted by the petitioners, which is as follows:—

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It is submitted, however, that the word “due” before the word “regard” deserves at least equal emphasis with the word “shall” underlined by the petitioners in their Brief. It was proper and necessary for the members of the Organization Committee in the exercise of their good judgment to consider other factors. Two of those factors mentioned in the Committee’s report of April 2d, 1914, are in point here.

“The probable ability of the Federal Reserve Bank in each District after organization and after the provisions of the Federal Reserve Act shall have gone into effect to meet legitimate demands of business, whether normal or abnormal, in accordance with the spirit and provisions of the Federal Reserve Act.”

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Such reasons as set forth in petitioners' Brief for their inclusion in the New York District must be considered as of great weight. Had it been possible to include Northern New Jersey in the New York District and by the severance of some other portion of the New York District and the addition of other territory to the Philadelphia District to preserve as equable a division of available capital throughout the country as by the present apportionment, no opposition could have been justly made to the contention of the petitioners. The members of the Organization Committee having given especially careful consideration to just the factors emphasized by the petitioners, there seem obviously to have been reasons which outweighed in their minds such objections as are now presented, objections which anyone can appreciate, inconveniences with which we are quite ready to sympathize. Now that the districts have been actually defined, we submit that the change sought by the petitioners would involve too many other changes to be justifiable, unless it were the only method of correcting a serious error in the apportionment, or to provide facilities actually lacking and necessary which cannot be provided in any other way.

It is submitted that it is not proper to assume at this time that the inclusion of the banks of Northern New Jersey in the Philadelphia District will result in such inconvenience, such loss of business, and such reduced efficiency as the petitioners contend. Any division of the country into districts must be expected to result in some initial inconvenience to banks near the boun-

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The petitioners aver that if their reserve is kept elsewhere than in New York City large balances will have to be maintained by them in New York banks not only at a loss in earnings, but also to the detriment of all the manufacturing communities of the section because of the diminished loaning power of the banks.

In this connection it is proper to consider how far the requirements of the new system need change previously existing conditions.

If the very moderate collection charges imposed by New York banks influenced many banks in Northern New Jersey, as averred in petitioners' Brief, to open

deposit accounts in Philadelphia, which have been maintained to mutual advantage for over ten years, it would seem that it would be no great hardship to continue to maintain deposits in Philadelphia under the requirements of the new system.

As of October 31st, 1914, all but fourteen of the 132 Northern New Jersey banks now included in the Philadelphia District reported deposit accounts in Philadelphia.

The aggregate gross deposits of the Northern New Jersey Banks on that date were reported as follows (in thousands):

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Two-twelfths of this total, viz: \$2,887,745, would be all that would be required to be deposited in the

Philadelphia Reserve Bank under the new system for the first year, as compared with \$4,528,000, the actual amount of reserves deposited in Philadelphia before the new system became effective.

On the basis of aggregate deposits as above stated, the Northern New Jersey banks would be required at the end of twelve months to increase the amount of their reserve deposits in Philadelphia from \$2,887,745 to \$4,331,617 (*i. e.*, three-twelfths of required reserve); at the expiration of eighteen months to increase the amount to \$5,775,490 (four-twelfths of required reserve); and at the expiration of twenty-four months to \$7,219,362 (five-twelfths of required reserve). For eighteen months therefore these banks could comply with the new reserve requirements and keep larger balances on deposit in New York than they reported October 31st, 1914, without exceeding the total of their reserve deposits in both cities on that date.

Of the reduced reserve now required the Northern New Jersey Banks can keep five-twelfths on deposit with their reserve banks in New York for the period of one year, at the end of two years, after gradual reductions, but two-twelfths and after three years none.

Even after three years, however, in view of the reduction in the required reserve and the fact that it has been the practice of New Jersey banks to keep large deposits in Philadelphia for the reasons indicated, they can comply with the new requirements and still maintain substantial deposit accounts in New York without diminishing their present loaning powers to any material extent.

A comparison of the old and new reserve requirements as affecting the Northern New Jersey banks, based on such figures as are available, seems to justify this statement. The Northern New Jersey banks reported on October 31st, 1914, as already stated, the following aggregate gross deposits:—

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For the purpose of comparison there may be added to this last total the 5% redemption fund to secure circulation, counted as part of the old but not as part of the new reserve. Based on a total circulation of the Northern New Jersey Banks, amounting to \$12,464,737, as shown by the report of the Controller of the Currency for 1913 (which total may be expected to be considerably reduced by 1917), the redemption fund would amount to \$623,236, and this it may be noted is less than one-half of one per cent. of the total deposits as above stated.

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Section 16 of the Federal Reserve Act provides in part as follows:—

“Every Federal reserve bank shall receive on deposit at par from member banks or from Federal reserve banks checks and drafts drawn upon any

NEW JERSEY BANKERS ASSOCIATION
BANKING AND CURRENCY COMMITTEE
P. O. BOX 589
NEWARK, NEW JERSEY

WALTER M. VAN DEUSEN, NEWARK, CHAIRMAN
ROBERT D. FOOTE, MORRISTOWN
BLOOMFIELD H. MINCH, BRIDGETON
HENRY G. PARKER, NEW BRUNSWICK
EDWARD C. STOKES, TRENTON

Sept 25, 1914.

Federal Reserve Board,
Washington, D. C.

Gentlemen:

We beg to transmit herewith, petition duly signed by one hundred and twenty three member banks in Northern New Jersey, asking that the northern part of New Jersey be transferred from Federal Reserve District number 3, (Philadelphia) to Federal Reserve District number 2, (New York).

The aggregate capital and surplus of these banks amount to \$31,226,427. Their deposits to \$156,456,000.

Nine banks in Northern New Jersey with a capital and surplus of \$1,177,500, and with deposits of \$5,310,000, have not signed the petition. We append herewith a list of the banks not signing, and their reasons therefor.

Farmers National Bank, Allentown, N. J., located in the Southern corner of Monmouth County, and somewhat nearer Philadelphia than New York City.

Belvidere National Bank, Belvidere, N. J. This town is in the extreme Western part of the State, and has direct train service to Philadelphia, and is the only town in Warren County which does not have direct train service to New York City.

Hunterdon County National Bank, Flemington, N. J. "It is immaterial to us whether we are in the Philadelphia Reserve District or the New York Reserve District. We are within 50 miles of both cities, and it makes no particular difference to us one way or the other."

Union National Bank, Frenchtown, N. J., located on the Delaware River, in the Western part of the State. Train service to Philadelphia is more direct than to New York.

Lambertville National Bank, Lambertville, N. J., located about one-half way between New York City and Philadelphia, it is immaterial to them which district they are in.

Manasquan National Bank, Manasquan, N. J., located in the lower part of Monmouth County, about equally distant

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from New York City and Philadelphia. When the vote was taken by the organization Committee they voted in favor of Philadelphia.

First National Bank, Milford, N. J., located on the Delaware River with more direct service to Philadelphia than to New York City.

Second National Bank, Phillipsburg, N. J., located on the Delaware River in the extreme Western part of the State somewhat more convenient to Philadelphia.

National Bank of North Hudson, West Hoboken, N. J. They say they would much prefer to be affiliated with the New York District, but fear signing a petition would embarrass your Honorable body.

We also transmit herewith twenty copies of a brief setting forth our reasons for desiring to have the change made, and are accompanying it with copies of a map of New Jersey showing the division line which we suggest.

We would appreciate your consideration of our petition at your convenience, and request an opportunity to be heard orally in the matter.

Respectfully yours,

Banking and Currency Committee

New Jersey Bankers Association



Chairman.

of its depositors, and when remitted by a Federal reserve bank, checks and drafts drawn by any depositor in any other Federal reserve bank or member bank upon funds to the credit of said depositor in said reserve bank or member bank."

If, as it seems reasonable to expect, checks on the Federal Reserve Bank of Philadelphia or on any member bank in the Philadelphia District can be made available as cash at par through the Federal Reserve Bank of New York, clearly some of the inconveniences anticipated by the petitioners may be eliminated.

As to the transportation of currency, no great change from previous methods is likely to be necessary. When it is cheaper and more convenient for Northern New Jersey banks to send their currency to New York they can still do so. It would seem possible to obtain from their correspondents drafts on the New York Reserve Bank, which would be accepted for deposit by the Philadelphia Reserve Bank. When they wish to obtain currency by messenger from New York it would seem quite possible to do so from their correspondents there by means of checks on the Philadelphia Reserve Bank or reserve notes from Philadelphia, redeemable in New York.

Indeed, most, if not all, of the serious objections raised by the petitioners can be eliminated, provided adequate deposit accounts may still be maintained in New York without loss of earnings or diminished loaning capacity. This, as has been indicated, we be-

lieve can be done. It is true under the new system they may not receive interest on their reserve deposits. But this we believe will be more than counterbalanced by the new facilities and advantages which the Federal Reserve system will afford.

Certainly sufficient time has not elapsed, nor have sufficient changes in the relations of banks of Northern New Jersey with those of New York been made or shown to be probable to demonstrate as yet that the apportionment by the Organization Committee was not the best under all present circumstances. We believe that as the result of experience it will be found that the relationships of the banks of Northern New Jersey with those of New York will not and need not be materially changed. If, however, in the course of the year during which the reserve deposits required in Philadelphia are so small, or the two years during which the transfer of reserves is gradual, it is found that inconvenience has resulted to Northern New Jersey from the existing apportionment which should be removed, or loss is threatened which should be prevented, it is submitted that even then a change in the boundaries of the districts should not be made unless a change in the general apportionment throughout the country is practicable. If experience shows that the apprehensions of the banks of Northern New Jersey are justified, it would seem that every material objection raised by the petitioners would be removed and every convenience would be accorded them of which their inclusion in the Philadelphia District might tend to deprive them, by the establishment of a branch

bank in Northern New Jersey such as the Federal Reserve Bank is required under the Act to establish if and when occasion demands. This, in our judgment, is the only possible change that should be considered in the interests of the banks of Northern New Jersey, and this only if, after further experience, it is found that their needs are not otherwise properly met.

Our answer to the Petitions of the Banks of Northern New Jersey can therefore only be this:

The Federal Reserve Bank of Philadelphia must oppose the removal of Northern New Jersey from its district to the New York District unless other territory, supplying equivalent capital and deposits, is added to the Philadelphia District. Otherwise, the capacity of the Reserve Bank of Philadelphia to properly meet the needs of its district will be impaired. The addition of other territory to this District necessarily would be at the expense of an adjoining district which in turn would be entitled to additional territory to offset its loss and so on, perhaps until all of the twelve districts were affected. We consider that a trial should be given to the system by the banks of Northern New Jersey under the present apportionment at least during the period while the requirements for deposits of reserves at Philadelphia, in connection with the reduction in the prescribed reserve, can affect them to so slight an extent. If, after such trial, some change is found to be necessary for the accommodation of Northern New Jersey, every practical requirement could be met by the establishment of a branch bank within the territory, a far more feasible method of supplying such needs as

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

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