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 AND FISCAL AGENT

ADDRESS REPLY TO
 FEDERAL RESERVE BOARD

January 4, 1917.

Dear Sir:

I am sending you herewith four copies of drafts of the various amendments which have been prepared by the Board and submitted after discussion to the Committees on Banking and Currency of the Senate and the House of Representatives.

You will see the amendments cover the following subjects:

1. AMENDMENT TO SECTION 16 which provides

- (a) for the issue of Federal reserve notes directly against the deposit of 100% gold; or 100% of paper, or both.
- (b) for the counting of gold held by the Federal reserve agents as security for notes, as part of the gold reserve required to be held by the bank against such Federal reserve notes.

This amendment was approved and endorsed by a majority of the Board.

2. AMENDMENT OF SECTION 19 abbreviating and simplifying the clauses in Section 19 which relate to reserve requirements. This

proposed amendment provides that all member banks shall maintain reserves in the Federal Reserve Bank as follows:

	Against Demand Deposits	Against Time Deposits
(a) Country Banks	7%	3%
(b) Reserve City Banks	10%	3%
(c) Central Reserve City Banks	13%	3%

and in addition every member bank is required to keep in its own vault for till money an amount of specie or currency (not necessarily gold or lawful money) equal to five per cent of its demand deposits, less the amount of net balances with Federal Reserve Banks in excess of the minimum above stipulated.

3. AMENDMENT OF SECTION 11 so as to permit the Federal Reserve Board to raise reserve requirements in emergencies, just as it is now empowered in certain contingencies of a different kind to lower those requirements.

4. AMENDMENT OF SECTION 16 to permit nonmember State banks and trust companies, even though too small to be eligible for membership in the Federal Reserve Banks, to avail themselves of the clearing and collection facilities of the Federal Reserve Banks, provided that they cover at par checks on themselves sent for collection by the Federal Reserve Bank, and provided further that they keep a compensating balance with the Federal Reserve Bank in an amount to be determined under rules prescribed by the Federal Reserve Board.

5. AMENDMENT OF SECTION 22 - the penal statute - so as to define more clearly the rights and limitations of directors in the matter of

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accepting fees or compensation other than the ordinary fees paid directors for legitimate services rendered in the regular course of business, the performance of which services is not incumbent upon them in their capacity as directors.

6. AMENDMENT OF SECTION 13 to restore the provision which was by error stricken from the Act in the amendments of September 7, 1916, thus restoring to national banks, with the approval of the Federal Reserve Board, the right to accept up to 100% of their capital and surplus in transactions involving imports or exports.

7. AMENDMENT OF SECTION 17 to cancel the provision of the National Bank Act which requires national banks to maintain a minimum deposit of Government bonds with the Treasurer of the United States.

8. AMENDMENT OF SECTION 25 to authorize member banks located in cities of more than 100,000 population and which have a capital and surplus of more than \$1,000,000, to establish branches in the same city, provided the State laws do not prohibit State banks and trust companies from establishing branches.

9. AMENDMENT OF SECTION 9 to authorize mutual savings banks not having capital stock to become associate members of the Federal reserve system under certain prescribed conditions.

10. AMENDMENT OF SECTION 18 so as to give to United States one year 3% gold notes in the hands of Federal reserve banks the

circulation privilege for the issuance of Federal reserve bank notes.

11. AMENDMENT OF SECTION 4 to abolish the title and office of Deputy Federal Reserve Agent, thus having two unattached Class C directors instead of one as at present, and to create the position of Assistant Federal Reserve Agent, who shall not be a director of the bank, but who shall be a salaried bonded officer in the Federal Reserve Agent's Department, serving at all times as an Assistant to the Federal Reserve Agent and qualified to act for the Agent in his absence.

Very truly yours,

Governor.

Inclosure.