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AND FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

June 20, 1917.

Dear Sirs:

The Conference Report on Federal Reserve Act Amendments having passed the Senate, the Amendments will have been enacted into law as soon as the President affixes his signature.

Under separate cover there is forwarded to you a copy of the Conference Report as adopted. A reprint of the Act is in course of preparation and will be sent to you in a few days in such quantity as you may desire.

As soon as the amended law goes into effect it will be necessary to adjust the weekly statements issued by the banks and the consolidated statement issued by the Board so as to conform to the new provisions of the Act. I take pleasure in inclosing herewith a copy of the consolidated statement showing the method which the Board will adopt in publishing the next weekly statement, provided the new Act is in force at that time. There is also inclosed copy of Form 34, containing the changes to be made by the bank in its daily statement to the Board.

In preparation of its weekly statement, the Board proceeds on the theory that the liability of Federal reserve banks on outstanding Federal reserve notes will ^{not} be "reduced" by the amount ^{of gold} held by the Agent but that gold deposited with the Federal reserve agent is to be considered as collateral and reserve but is not to be considered as "reducing liability."

It was thought advisable to keep the item "Gold held by the banks" and "Gold with Federal reserve agent" separate so as to show exactly how the notes are secured.

A Federal reserve bank, under the amended law, will be entitled to withdraw gold held by the Federal reserve agent and substitute therefor commercial paper, provided it maintains a reserve of at least 40 per cent of gold in its own vaults, or it may withdraw the gold held with the agent down to 40 per cent. It should be borne in mind, however, that whenever there is in the hands of the Federal reserve agent more than 40 per cent of gold

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against notes, the excess beyond that figure can be counted as additional reserve against notes only, but cannot be in that case counted as a reserve against deposits.

You will be advised by telegram as soon as the President affixes his signature to the Bill, and, upon receipt of such telegram, the above instructions are to be considered as being in force.

Yours respectfully,

Governor.

Inclosures.