

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

J. A. BRODERICK, SECRETARY
L. C. ADELSON, ASSISTANT SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

January 2, 1919.

X-1337.

SUBJECT: Foreign and International Banking Institutions;
Report of Condition as of Close of Business December 31, 1918.

Dear Sir:

Under authority of the agreement entered into by your corporation with the Federal Reserve Board, you are hereby respectfully requested to furnish the Board with a report of condition, as of close of business December 31, 1918, giving in detail all assets and liabilities of your corporation and the data asked for in the accompanying memorandum.

Please arrange to file the report of your Head Office as soon after January first as possible. Separate reports of branches and affiliated banks should be sent as soon as they are received by you. It will be appreciated if, after the reports have been received from all of your branches and affiliated banks, you will have prepared a consolidated statement for your corporation to be sent the Board.

While the Board has ruled that no specific reserve has to be carried by foreign branches or affiliated institutions of American banking corporations against deposits abroad, it, nevertheless, wishes to be advised as to the average reserve carried by all such branches and affiliated institutions of corporations, which are operating under agreement with the Federal Reserve Board. You are, therefore, requested to have each of your branches, agencies, offices and subsidiary banks furnish you, for transmission to the Board, a report of the average reserve carried during the month of December, 1918, against deposit liabilities in the form shown in the accompanying memorandum.

Kindly acknowledge receipt.

Very truly yours,

Secretary.

The following information is desired in connection with the report of condition to be made as of close of business December 31, 1918:

A. HEAD OFFICE

1. Balance sheet showing all assets and liabilities, including contingent liabilities.
2. Amount of loans and discounts, divided: Secured - Unsecured
 - (a) Demand
 - (b) Time
 - (c) Overdrafts and other advancesTotal
3. Detailed list of investments, showing:
 - (a) Issuing Government or corporation
 - (b) Interest rate
 - (c) Maturity
 - (d) Par value
 - (e) Book value
 - (f) Approximate market value -
4. Ownership of stock of affiliated institutions:
 - (a) Per cent owned by yourselves
 - (b) Per cent owned by foreign Governments
 - (c) Per cent owned by individuals and corporations
5. Amount of balances due from:
 - (a) Government bank
 - (b) Local banks (exclude subsidiary banks, if any)
 - (c) Other banks (" " " " ")
 - (d) Branches, agencies, offices and affiliated institutions.
6. Amount of balances due to:
 - (a) Banks and bankers
 - (b) Branches, agencies, offices and affiliated institutions
7. Bills payable:
 - (a) Payable to:
 - (b) Amount
 - (c) Interest
 - (d) Maturity
 - (e) Collateral - give list
8. Rediscounts:
 - (a) Amount
 - (b) With whom
 - (c) Rate

9. Reserve Statement:

Deposits in the United States:

- a. Net demand deposits (after deducting uncollected demand items payable within United States - exchanges)
- b. Time deposits.
- c. Reserve held:
 - Cash in hand
 - Bank balances _____
 - Total

Per cent of reserve -

10. Acceptances - limitations:

- a. Total outstanding acceptances \$
- b. Capital and surplus \$ _____
- Excess a over b \$
- Acceptances secured \$
- Acceptances unsecured \$

c. List of drawers of drafts accepted, with total aggregate liability in excess of 10 per cent of capital and surplus.

<u>Name</u>	<u>Address</u>	<u>Business</u>	<u>Aggregate liability</u>	<u>Security</u>
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d. Reserve against outstanding acceptances:
Required - 15 per cent.

- 1. Cash
- 2. Bank balances -(Head Office city)
- 3. Bankers acceptances -
- 4. Securities approved by Federal Reserve Board (List in detail) _____
- Total

11. General limitations:

- a. Total deposits and acceptances outstanding \$
- b. Capital and surplus

Per cent deposits and acceptances outstanding to capital and surplus _____

Limit fixed by Federal Reserve Board _____

12. List of officers and directors.
13. List of stockholders, showing number of shares owned by each.
14. List of branches, sub-branches, agencies, offices and affiliated institutions - date of opening of each and the location.
15. Date of last examination or audit - by whom made.

B. Branches, Agencies, and Subsidiary Banks and Corporations:

1. Balance sheet to be furnished by each showing in detail all assets and liabilities, including contingent liabilities, as at close of business December 31, 1918.
2. Amount of loans and discounts, showing: Secured - Unsecured
 - (a) Demand
 - (b) Time
 - (c) Overdrafts and other advances
3. Detailed list of investments, showing:
 - (a) Issuing Government or corporation
 - (b) Interest rate
 - (c) Maturity
 - (d) Par value
 - (e) Book value
 - (f) Approximate market value
4. Amount of balances due from:
 - (a) Government bank
 - (b) Local banks
 - (c) Other banks - (exclude head office and affiliated banks)
 - (d) Head Office
 - (e) Other branches, agencies and affiliate institutions
5. Amount of balances due to:
 - (a) Banks and bankers (exclude Head Office)
 - (b) Head Office
 - (c) Other branches, agencies and affiliated banks.
6. Bills payable:
 - (a) Payable to
 - (b) Amount
 - (c) Interest rate
 - (d) Maturity
 - (e) Collateral (Give list)
7. Rediscounts:
 - (a) Amount
 - (b) Maturity
 - (c) Security

8. Deposits:

	Amount	Rate of	Dollar
	Local	Exchange	Equivalent
	<u>Currency</u>		
a. Government deposits (if secured give list of collateral)			
1. Demand			
2. Time			
Other deposits			
3. Demand			
4. Time			
Total	_____		
b. Deposits - how payable:			
1. Local Currency			
2. Dollar			
3. Sterling			
4. Otherwise			
Total	_____		

9. Special Reserve Statement - average for the month of December 1918:

	Local	Dollar
	Currency	Equivalent

a. Net Deposits:		
1. Payable in local currency		
2. " in dollars		
3. " in sterling		
4. " otherwise		
Total	_____	
b. Reserve:		
1. Amount, if any, and composition required by local laws.		
2. Amount held:		
	<u>Amount</u>	<u>Per cent to</u>
		<u>net deposits</u>
a. Gold and silver.....		
b. Local currency.....		
c. Other cash.....		
d. Balance in local Govt. bank		
e. Other reserve funds.....		
TOTAL	_____	

10. Date of last examination or audit - by whom made.

X-1338

S T A T E M E N T F O R T H E P R E S S

For immediate release January 2, 1919.

The Federal Reserve Board announces that it has been advised by the Federal Reserve Bank of St. Louis that the Little Rock (Arkansas) Branch of that Bank will be opened for business on Monday, January 6, 1919. Effective that date Little Rock becomes a reserve city and all its banks that are members of the Federal Reserve system must maintain reserves of 10 per cent instead of 7 per cent as heretofore when Little Rock was a country bank point.

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7
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ADDRESS REPLY TO
FEDERAL RESERVE BOARD

FEDERAL RESERVE BOARD

WASHINGTON

January 2, 1918.

X-1341

CONFIDENTIAL

SUBJECT: DRAFTS MADE PAYABLE, OR PAYABLE
IF DESIRED, AT A DESIGNATED BANK.

Dear Sir:

I inclose for your confidential information copy of a letter from the Board's General Counsel which relates to drafts drawn by firms or corporations upon themselves and made payable, or payable if desired, at a designated bank.

The Board is inclined to agree with the view taken by its General Counsel, but before formally adopting the opinion would be glad to have an expression of the views of your bank on the subject together with a statement as to what its practice is regarding such items.

In this connection I desire to call attention to an opinion rendered by the Attorney General of the United States several months ago, which takes the position that the Federal Reserve Banks are not authorized to receive items which involve the payment of exchange charges.

Very truly yours,

Governor.

FEDERAL RESERVE BOARD
WASHINGTONC O P Y.

December 31, 1918.

Dear Governor:

Under Section 13 of the Federal Reserve Act, Federal Reserve Banks are authorized to receive from other Federal Reserve Banks, solely for the purposes of exchange or collection, checks drawn upon other Federal Reserve Banks, and checks and drafts payable upon presentation.

It appears from the correspondence submitted that it is customary for some of the larger firms or corporations to issue drafts drawn upon themselves payable at a designated bank. One of the Federal Reserve Banks has objected to receiving these items for collection on the ground that they are not checks and because this form of instrument is used by the drawer to enable him to issue these drafts without first depositing the money with the bank at which it is payable, to protect them.

From a legal standpoint, if the instruments in question are in negotiable form, that is to say, if they contain an unconditional order on the drawee to pay a fixed sum to a designated person, there is no objection to a Federal Reserve Bank receiving them for collection.

Under Section 87 of the Negotiable Instruments Law -

"Where the instrument is made payable at a bank it is equivalent to an order to the bank to pay the same for the account of the principal debtor thereon."

This Section is omitted in Illinois, Nebraska and South Dakota. In Minnesota, the word "not" is interpolated so that in that State a draft would not be equivalent to an order on a bank to pay the same. In the other States which have adopted the Negotiable Instruments Law such a draft could be treated to all intents and purposes as a draft on the bank at which it is payable. The Negotiable Instruments Law has now been adopted by all of the States except Georgia and Texas.

In some instances which have been brought to the attention of this Office, the instrument presented does not contain an unconditional order to pay a fixed sum and is therefore technically non-negotiable. In such cases a Federal Reserve Bank is entirely justified in declining to receive such items for collection.

The Board's attention has been called to the fact that some question has been raised as to the receipt on deposit of checks or drafts drawn by Federal Treasurers of the Railroad Administration against various railroad companies. While the forms used by the Railroad Administration are not entirely uniform, an examination of practically all of these forms furnished this Office by the Director of Finance and Purchases of the United States Railroad Administration, indicates that these drafts are in negotiable form and there would seem to be no reason why they should not be handled as any other bank checks. The fact that in some instances the check or draft is accompanied by an explanatory voucher showing the details to enable the auditor to make proper distribution, should not affect the negotiability of the instrument.

Respectfully,

(Signed) M. C. ELLIOTT.

General Counsel.

For Governor Harding.

W. P. G. HARDING, GOVERNOR
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FEDERAL RESERVE BOARD

WASHINGTON

January 2, 1919.

X-1342

SUBJECT: VERIFICATION OF AMOUNTS WITH
 GOLD SETTLEMENT FUND.

Gentlemen:

For purposes of verification will you kindly have the inclosed statement showing the balance in your account with the Gold Settlement Fund as at close of business January 2nd reconciled, noting exceptions, if any, and mail to Federal Reserve Board, Division of Audit and Examination.

Hereafter, a statement showing the balance in your account with the Gold Settlement Fund will be mailed to you at the close of business each Thursday (if a holiday, the next business day) for verification, to be signed and returned to the Division of Audit and Examination as soon as convenient.

Very truly yours,

Assistant Secretary.

Federal Reserve Bank,

EX-OFFICIO MEMBERS

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ADDRESS REPLY TO
FEDERAL RESERVE BOARD

January 3, 1919.

X-1346

SUBJECT: CAMPAIGN FOR THE ESTABLISHMENT
OF NEW PAR POINTS.

Dear Sir:

The value of the Federal Reserve Banks' collection system is directly related to the number of points upon which collections can be made at par, and the importance of securing substantial additions to the par list is not open to question.

Referring to circular letter of December 26, 1918, (X-1333) the Board is of the opinion from reports received that the present is the most opportune time for carrying on a campaign by all the Federal Reserve Banks for the purpose of adding nonmember banks to the present par lists of the Federal Reserve Banks. The Board therefore urges that all Federal Reserve Banks begin the campaign on January 15th. The work may be carried on by correspondence at first and may then be followed up by personal visits whenever necessary and practicable.

It is suggested that this campaign be conducted without publicity, for nothing should be done to arouse organized opposition. It seems necessary that this campaign should begin at the time above mentioned in order that it may be completed before the campaign for the next Liberty Loan begins. If the campaign for additional par points should be deferred until after the close of the Liberty Loan campaign, the summer vacation period would be reached, which is obviously an inopportune time. The Board earnestly requests, therefore, that this work be undertaken at this time.

Kindly acknowledge receipt.

Very truly yours,

Governor.

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W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

January 6, 1919.

X-1350.

SUBJECT: REVISED REGULATIONS.

Dear Sir:

I inclose herewith for your confidential information tentative draft of revised regulations which the Board proposes to issue at an early date.

Before promulgating these regulations, however, the Board would be pleased to have such comments and criticisms regarding them as you may desire to make, and would suggest that you discuss them with the Governor and Counsel for your bank.

Please let us hear from you at your earliest convenience.

Very truly yours,

Governor.

Inclosure.

X-1350 a

Tentative Draft of Regulations A, B and C, Series 1919,
which relate to

- A. Rediscounts and Advances under Section 13.
- B. Open-Market Purchases of Bills of Exchange
and Acceptances.
- C. Acceptance by Member Banks of Drafts and Bills
of Exchange under Authority of Section 13.

Tentative revision of Regulation F, Series 1917, which relates to the exercise of trust powers by national banks, has already been forwarded to counsel for Federal Reserve banks, with explanatory memoranda prepared by Counsel for the Federal Reserve Board. A copy of this memoranda and proposed regulation is sent for your information.

It is not contemplated that any material changes will be made in Regulations D, E, H, I and J, though they may be changed somewhat in form.

These regulations are now in the hands of the Board Members for consideration, but have not yet been considered by the Board.

DEFINITIONS.

The following terms which appear in the Federal Reserve Act, when used in these Regulations, are defined by the Federal Reserve Board as follows:

ACCEPTANCES.

A negotiable draft or bill of exchange payable otherwise than at sight or on demand, which has been accepted without qualification by the drawee.

AGRICULTURAL PURPOSE.

Shall include the use of the soil for planting seed, raising and harvesting crops, and the rearing, feeding and management of live stock.

BANKERS' ACCEPTANCES.

A draft or bill of exchange of which the acceptor is a bank or trust company, or a firm, person, company, or corporation engaged in the business of granting bankers' acceptance credits.

BILLS OF EXCHANGE.

An unconditional order in writing addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay at a fixed or determinable future time, a sum certain in money to order or to bearer.

COMMODITY PAPER.

A note, draft, bill of exchange, or trade acceptance accompanied and secured by shipping documents or by a warehouse, terminal, or other similar receipt covering approved and readily marketable, nonperishable staples properly insured.

BILLS OF EXCHANGE DRAWN AGAINST ACTUALLY EXISTING VALUES.

A bill of exchange discounted before acceptance may be treated as drawn against actually existing value only when it is accompanied by shipping documents, warehouse receipts, or other similar documents securing title to the goods sold. An accepted bill of exchange unaccompanied by shipping documents or other similar paper may be considered

as drawn against actually existing value if drawn against the drawee at the time of or within a reasonable time after the shipment or delivery of the goods sold. In this latter case there must be reasonable grounds to believe that the goods are in existence in the hands of the drawee either in their original form or in the shape of the proceeds of their sale.

BORROWER.

A person, firm, or corporation who receives from a member bank either in cash or by credit on the books of the member bank the funds or proceeds resulting from the negotiation of a note, draft, bill of exchange, unless the bill of exchange discounted or sold to the member bank is a bill of exchange drawn against actually existing value as defined in these Regulations.

DRAFTS.

See "Bills of Exchange".

GOODS.

Shall be construed to include goods, wares, merchandise or agricultural products, including live stock.

INDUSTRIAL.

Shall be construed as relating to manufacture or to the product of industrial labor.

ISSUED OR DRAWN.

A note may be said to be issued or a draft or bill of exchange to be drawn when it has been executed by the primary obligor and delivered to the obligee as an evidence of indebtedness. If the indebtedness arises out of an agricultural, industrial or commercial transaction it may be said to be issued or drawn for one of these purposes.

MUNICIPALITY.

Shall be construed to mean State, county, district, political subdivision, or municipality in the continental United States, including irrigation, drainage and reclamation districts.

NET FUNDED INDEBTEDNESS.

See Regulation - p _____

PROMISSORY NOTES.

An unconditional promise in writing, signed by the maker, to pay, in the United States, at a fixed or determinable future time, a sum certain in dollars to order or to bearer.

PROCEEDS OF NOTES, DRAFTS, OR
BILLS OF EXCHANGE.

Shall be held to include the proceeds or funds received either in cash or by credit on account as a result of the first or original negotiation by the owner of the note, draft, or bill of exchange, after its execution and delivery as an evidence of indebtedness by the person primarily liable thereon.

SAVINGS ACCOUNTS .

See Regulation - p _____

TIME CERTIFICATE OF DEPOSIT .

See Regulation - p _____

TIME DEPOSITS - OPEN ACCOUNTS.

See Regulation - p _____

TRADE ACCEPTANCES .

A bill of exchange drawn by the seller on the purchase of goods sold and accepted by the purchaser.

REGULATION A.

REDISCOUNTS AND ADVANCES UNDER SECTION 13.

Statutory Requirements.Form.

An instrument to be eligible for rediscount under Section 13 must be in the form of a note, or of a draft, or bill of exchange, before or after acceptance.

Maturity.

Such notes, drafts or bills of exchange must mature within ninety days from date of rediscount, unless they are issued or drawn for agricultural purposes or are based on live stock, in which case they must mature within six months from date of rediscount.

Endorsement.

Notes, drafts, bills of exchange and acceptances rediscounted under this section, must bear the endorsement of at least one member bank, except that drafts accepted by member banks to furnish dollar exchange need not be endorsed unless the regulations of the Board so provide.

Character ofNotes, Drafts and Bills of ExchangeEligible for Rediscount.

A note, draft or bill of exchange to be eligible for rediscount under this section

- (a) Must have been issued or drawn for an agricultural, industrial or commercial purpose.
- (b) Its proceeds must have been used for one of such purposes; or
- (c) It must have been issued or drawn for the purpose of carrying or trading in bonds and notes of the Government of the United States.

(A)

It must not have been issued or drawn for the purpose of carrying or trading in stocks, bonds or other investment securities except bonds and notes of the Government of the United States and must not cover merely investments.

Character of

Member Bank Acceptances

Eligible for Rediscount.

Any draft or bill of exchange drawn (a) in a domestic transaction, (b) in a transaction involving the importation or exportation of goods, or (c) to furnish dollar exchange, which is legally accepted by a member bank, is eligible for rediscount with a Federal Reserve Bank.

Limitations on

Amount of Notes, Drafts, and Bills of Exchange

that may be rediscounted.

There is no limitation on the aggregate amount of notes, drafts and bills of exchange that may be rediscounted for any one bank, but the notes, drafts or bills of exchange (except "bills of exchange drawn against actually existing value") bearing the signature or endorsement of any one borrower rediscounted for any one bank must in no case exceed in the aggregate, an amount equal to ten per cent. of the capital and surplus of the member bank.

Regulations.

Form.

The term "notes, drafts and bills of exchange" is held to include commodity paper and trade acceptances as defined in these regulations. All instruments rediscounted by any Federal Reserve bank must be in

(A)

negotiable form, must have a definite and fixed maturity, (that is, must not be payable at sight or on demand) and must conform in all respects to the statutory requirements of Section 13 as enumerated and defined in these regulations.

Applications for Rediscount.

All applications for rediscount must contain a certificate of an executive officer of the member bank to the effect that to the best of his knowledge, information or belief, the instruments offered for rediscount conform to the requirements of the Statute and to the regulations of the Board.

Evidence of Eligibility.

In addition to certificate of eligibility filed with or as part of the application for rediscount, each member bank when so required, must furnish to the Federal Reserve bank satisfactory evidence of eligibility of any note, draft or bill of exchange offered for rediscount. To this end it should require its customers, either by notation on the instrument itself, or by collateral statements, to show for what purpose the instrument was "issued or drawn" or for what purpose its "proceeds were used".

Where the customer is engaged in an agricultural, industrial or commercial business, a financial statement of such customer showing an excess of quick assets over current liabilities may be accepted as evidence of the fact that the proceeds of the instrument negotiated were used for such purposes. Unless such instrument was "issued or drawn" as defined in these regulations for an agricultural, industrial or commercial purpose, its eligibility shall be determined by the use made of its "pro-

ceeds" as herein defined.

Advances to Member Banks.

(A)

Form.

Loans or advances may be made by Federal reserve banks to member banks on the promissory notes of the member bank.

Maturity.

Such notes must mature within fifteen days.

Collateral Security Required.

They must be secured either by notes, drafts, bills of exchange or acceptances eligible for rediscount under Section 13, by bills of exchange or bankers acceptances eligible for purchase under Section 14, or by bonds or notes of the United States.

REGULATION B.

OPEN MARKET PURCHASES OF BILLS OF EXCHANGE
AND ACCEPTANCES.Statutory Requirements.Form.

Negotiable instruments purchased under authority of Section 14 of the Federal Reserve Act may be in the form of bills of exchange or acceptances but cannot be in the form of promissory notes.

Maturity.

The maturity of bills of exchange or acceptances purchased should conform to the requirements of Regulation A.

Endorsement.

Such bills of exchange or acceptances may be purchased with or without the endorsement of a member bank.

Character ofBills of Exchange and AcceptancesEligible for Purchase.

Bills of exchange and acceptances including drafts drawn against and accepted by member banks, may be purchased in the open market if they conform in all respects to the requirements of Section 13 and of Regulation A.

Drafts drawn against and accepted by non-member banks or bankers may likewise be purchased under authority of this Section if they meet the requirements of a banker's acceptance as defined in these regulations.

REGULATION C.

ACCEPTANCE BY MEMBER BANKS OF DRAFTS AND BILLS
OF EXCHANGEStatutory Authority.

National banks (and other member banks located in States, the laws of which expressly confer upon them all the powers and privileges of member banks) are authorized to accept drafts and bills of exchange

- (a) Which grow out of transactions involving the importation or exportation of goods;
- (b) Which grow out of transactions involving the domestic shipment of goods;
- (c) Which are secured at the time of acceptance by warehouse receipt or other such document, conveying or securing title to readily marketable staples;
- (d) Which are drawn under regulations prescribed by the Federal Reserve Board by banks or bankers in foreign countries, dependencies or insular possessions of the United States, for the purpose of furnishing dollar exchange.

Member banks, other than those above mentioned may accept drafts and bills of exchange to the extent permitted by the laws of the State under which they are organized.

For convenience, drafts or bills described in paragraph (a) will be referred to as foreign bills; those described in (b) and (c) will be referred to as domestic bills, and those described in (d) will be referred to as dollar exchange drafts.

Limitations on Aggregate Amount of Drafts and
Bills of Exchange that may be Accepted.

The aggregate of domestic and foreign bills accepted by any member bank must not exceed an amount equal to fifty per cent. of the capital and surplus of the accepting bank unless the consent of the Federal Reserve Board to accept a larger amount has first been obtained. With the consent of the Federal Reserve Board, the member bank may accept drafts of the character described to an amount which does not exceed one hundred per cent. of the capital and surplus of the accepting bank but the amount of domestic bills accepted must in no case exceed fifty per cent. of the capital and surplus.

In addition to the foregoing, a member bank may accept dollar exchange drafts to an amount which does not exceed fifty per cent. of its capital and surplus.

Limitations on Amount that may be accepted for
any one person, company, firm or corporation.

No member bank is permitted to accept for any one person, company, firm or corporation, either domestic or foreign bills in an amount equal to more than ten per cent. of its capital and surplus, unless the bank is secured by attached documents or by some other actual security growing out of the same transaction as the acceptance. Even though thus secured no member bank is permitted to accept for the same person, company, firm or corporation, in an amount in excess of fifty per cent. of its capital and surplus.

No member bank is permitted to accept dollar exchange drafts for any one bank in an amount exceeding ten per cent. of its capital and surplus.

Regulations.

Drafts Drawn in Transactions Involving the Importation
or Exportation of Goods.

Where a member bank accepts drafts drawn in transactions involving the importation or exportation of goods, it must have on file an agreement or guarantee from the customer for whom the drafts are accepted, containing provisions to the following effect

- (a) That such customer has an agreement that necessarily involves the exportation or importation of the goods and that the proceeds of the sale of the acceptance will be used in a transaction directly connected with such importation or exportation.
- (b) That the proceeds of the sale of the goods imported or exported will be used to pay the acceptance at maturity or to pay a renewal thereof within six months from the date of the original acceptance.

Drafts Drawn in Domestic Transactions.

A member bank accepting a draft drawn in a domestic transaction must be secured at the time of acceptance by shipping documents or by warehouse receipt or other similar document, conveying or securing to the bank title to readily marketable staples. If the drafts accepted for one customer exceed in amount ten per cent. of the capital and surplus of the accepting bank, the security must not be released during the life of the drafts. Where the aggregate of the drafts is less than ten per cent. the accepting bank may release the security upon the execution by the customer of a trust receipt therefor or of an agreement that there will be deposited with the bank so much of the proceeds of the sale of the goods represented by the security as may be necessary to pay the draft at maturity.

This agreement must be entered into with the customer for whom the draft is accepted and to whom the security is released whether or not such customer's name appears on the draft as drawer or endorser.

Drafts Drawn to Furnish Dollar Exchange.

Where the Federal Reserve Board has by general or special ruling determined that the usage of trade in any foreign country or in any dependency or insular possession of the United States, makes it necessary or advisable for banks or bankers located therein to draw drafts on member banks of the Federal Reserve System to furnish dollar exchange, any member bank, so long as such ruling is in force, may accept such drafts subject to the limitations and requirements of this regulation. Upon application of any member bank a list will be furnished of the countries, dependencies or insular possessions from which such drafts may be drawn.

26

TELEGRAM
FEDERAL RESERVE BOARD
WASHINGTON

January 6, 1919.

X-1351

CONFIRMATION OF TELEGRAM:

Federal Reserve Agents:

Boston	Richmond	Minneapolis
New York	Atlanta	Kansas City
Philadelphia	Chicago	Dallas
Cleveland	St. Louis	San Francisco

Please instruct all member banks in your district other than national banks to report condition on revised form 105 as of close of business on Tuesday, December 31, 1918. This report should be in your hands within ten days after call or after receipt of form by reporting member. Comptroller is making call as of same date.

ADELSON.

Assistant Secretary.

STATEMENT FOR THE PRESS

For immediate release January 7, 1919.

The Federal Reserve Board today announced that its January Bulletin had been completed and sent to the printer. The issue will furnish a general review of the condition and progress of the Federal Reserve System during the past year. It also contains some discussion of the present gold situation of the world, and of the United States in particular, accompanied by compilations of statistics designed to show the present gold position of the European banks and particularly of the Federal Reserve system. The general position taken by the Board is that financial and economic conditions are now in a transition stage from a war to a peace basis and during this period there should be extreme caution and a continued application of thrift and conservation principles. With reference to gold it is pointed out that the restoration of a free gold market under proper conditions at as early a date as may be feasible is strongly to be desired and it points out some of the problems that must be solved in this connection.

In outlining the development of the Reserve system during the past year, the Board says that "the increase in the power of the Federal Reserve system and its enormous increase in assets during the year 1918 has been in no small degree the result of the increase in membership. The system today numbers approximately 8,700 institutions, of which 936 are operating under State charters. This great aggregate of banks and trust companies possesses resources amounting to over 27 billions (\$27,253,000,000) and unquestionably represents about 75 per cent of the total assets of the commercial banks in the country. Strong interest is being exhibited by national institutions in the exercise of fiduciary powers which the Act of September 26, 1918, permits

the Federal Reserve Board to grant them. Some of the largest and strongest banks of the country are now equipping themselves to perform such services heretofore chiefly left to trust companies. On the other hand, many of the State bank and trust company members of the system which originally entered it largely from patriotic motives are beginning to develop portfolios of commercial paper eligible for discount and to broaden the scope of their commercial activities. The situation points to the gradual evolution of a more or less homogeneous and uniform type of banking institution, irrespective of whether such institution be organized under national or State charter". The Board then calls attention to the rapid development during the past month seen in the taking over of fiduciary powers by national banks in New York under licenses granted to them pursuant to the terms of the Federal Reserve Act.

In sketching the situation of the Federal Reserve system as a whole with special reference to the gold position of the country it is noted that for five weeks ending December 27th, the banks' gold reserves show a further gain from 2,060.3 to 2,090 millions, and their net deposits a decrease from 1,632.8 to 1,552.9 millions. Federal Reserve notes in actual circulation increased during the five weeks from 2,555.2 to 2,685.2 millions, or at the rate of 26 millions per week, as against an average of 10.5 millions for the preceding five weeks. The ratio of cash reserves to aggregate net deposits and Federal Reserve note liabilities fluctuated but slightly during the period and on December 27, stood at 50.6 per cent compared with 50.5 per cent on November 22.

During the month ending December 10, the net inward movement of gold was \$1,230,000, as compared with a net outward movement of \$2,517,000 for the month ending November 10.

Gold imports for the month, amounting to \$2,412,000 came largely from Canada, Mexico, and Portuguese Africa, while gold exports totaling \$1,132,000

The gain in the country's stock of gold since August 1, 1914, was \$1,071,669,000 as may be seen from the following exhibit:

GOLD IMPORTS AND EXPORTS
(000 omitted)

6	Imports	Exports	Excess imports over exports
Aug. 1 to Dec. 31, 1914	23,253	104,972	(1) 81,719
Jan. 1 to Dec. 31, 1915	451,955	31,426	420,529
Jan. 1 to Dec. 31, 1916	685,745	155,793	529,952
Jan. 1 to Dec. 31, 1917	553,713	372,171	181,542
Jan. 1 to Dec. 10, 1918	<u>61,066</u>	<u>39,701</u>	<u>21,342</u>
Total	1,775,732	704,063	1,071,669

(1) Excess of exports over imports.

In taking up the gold situation it is noted that the so-called Cunliffe Committee which recently issued a report on the currency and the foreign exchange situation in Great Britain has advocated the continued retention of gold in bank vaults instead of its use as a hand to hand circulating medium. It is pointed out that the United States has long employed this same general expedient, except that it retained in circulation paper representatives of gold (gold certificates) which during the war have now been practically withdrawn, so that it likewise is practically employing a fiduciary circulation based on gold, the metal itself being accumulated as reserve. On this point the Board says, "A large absolute supply of gold does not appear to be necessary to the successful maintenance of the gold standard if a country occupies the position of a banking creditor holding a large volume of foreign bills and has an efficient banking system. In the United States today, both gold and gold certificates have largely disappeared from circulation and the remaining currency in the hands of the people now consists largely of Federal Reserve notes, national bank notes, and Federal Reserve bank notes."

- 4 -

The question of a free gold market is then considered, and it is shown that while early resumption both of free movements of gold and of the control of such movements by changes in the discount rate are desirable, the restoration of such a market is necessarily dependent to some extent upon the demands of foreign countries while the resumption of actual control of gold movements and exchange rates through variation of the rate of discount/upon the fiscal policy of the nation. It is stated that "should the financing of foreign requirements become a matter of private banking arrangements, the control of gold movements and exchange rates would assume a new phase."

The existence of a generally inflated condition of credit and prices throughout the world is again noted and attention is called to the fact that thus far there has been little change in the price level. Efforts of business men to stabilize prices can only temporarily have the effect of tending to hold prices up to their present level. A return toward the old level of prices will occur when normal industrial conditions and the free international movement of the precious metals have been re-established.

The Bulletin contains elaborate tabulations showing the present gold position of the world and also the change in the status of the United States as an international creditor, due to its large holdings of securities purchased or absorbed during the war.

EX-OFFICIO MEMBERS
CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD
WASHINGTON

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ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN
J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT
ADDRESS REPLY TO
FEDERAL RESERVE BOARD

January 7, 1919.

X-1354

SUBJECT: Gold Settlement Clearings by Branches
of Federal Reserve Bank of St.Louis.

Dear Sir:-

The Federal Reserve Bank of St.Louis has requested that arrangements be made to have their three branches located at Little Rock, Louisville and Memphis commence settling direct through the Gold Settlement Fund with other Federal Reserve Banks in the same manner as that which is in effect between Federal Reserve Banks and the San Francisco branches.

Accordingly, on February 3rd and every settlement day thereafter, Louisville, Memphis and Little Rock branches, in addition to the St.Louis head office, will telegraph to the Federal Reserve Board, code Labeg, their credits for other Federal Reserve banks as at close of business the previous day to be settled through the daily gold fund clearing. The four offices of the St.Louis bank will render separately to each Federal Reserve bank and branch settling direct through the gold fund, daily mail transcripts supporting credits settled through the fund. The Board will include in the daily Bepeg telegram to other Reserve banks credits of the St.Louis offices as follows:

St.Louis	amount
Little Rock	amount
Louisville	amount
Memphis	amount

The Federal Reserve banks are requested to open separate accounts with the four offices of the St.Louis bank on February 1st and wire the Board, code Labeg, for the February 3rd gold fund clearing, amounts of credits for each of the four offices of the St.Louis Bank, and to render to each office daily mail transcripts supporting credits so reported in the gold fund clearing. Please note that the old system will continue, - statements as of January 31st, clearing, February 1st; new plan effective, - statements February 1st, clearing February 3rd.

Referring to our telegram of December 7, 1918 giving form for reporting daily Labeg telegram, please show amounts for St.Louis branches following amount for St.Louis as follows:

Little Rock	amount
Louisville	amount
Memphis	amount

Kindly advise branches and acknowledge receipt.

Very truly yours,

Assistant Secretary.

STATEMENT FOR THE PRESS.

For release afternoon papers January 8th, 1919.

Business conditions throughout the United States are reported by the Federal Reserve Board in its January Bulletin as follows:

The Business and Financial Situation in December, 1918.

Since the establishment of the Federal Reserve Bulletin the Federal Reserve Board has been in the habit of publishing monthly a report transmitted by each Federal Reserve Agent and intended to state the condition of business existing in his own district as observed by him. These reports proved of so much general interest that, a few months after their publication was first undertaken, the Board, in response to numerous local demands, authorized Federal Reserve Agents to make public their reports for local use on the first day of each month, while it continued the publication of the combined reports in the Federal Reserve Bulletin. Owing to the wide distribution of these reports on a date probably earlier than that on which the Federal Reserve Bulletin can be given to the public, and owing also to the pressure of matter for publication in the Bulletin, the Board has determined to discontinue the publication of these reports and to substitute in lieu thereof a business summary of its own, designed to furnish a general survey of national conditions. In preparing this survey the Board will make use not only of the reports of Federal Reserve Agents but also of the results obtained from its own investigations of prices, interest rates, and production in various lines. Pursuant to this plan the Board on December 17 issued the following letter to Federal Reserve Agents.

"The Federal Reserve Board has been publishing in the Federal Reserve Bulletin each month a summary review of business conditions which has been obtained from each Federal Reserve Agent. It understands the practice of the Federal Reserve Agents now is to make public these reports of business conditions, releasing them for newspaper use on the first of each month.

It is now proposed to make a change in the Board's method of using these reports. This proposed change will be as follows:

- (1) The reports will be expected as usual and upon the usual date, but their publication in the Bulletin will be discontinued after the present month.
- (2) In lieu of the reports of business conditions prepared by Federal Reserve Agents there will be published in each Bulletin a general review of business conditions which will be based upon the reports of the Federal Reserve Agents, and significant passages from the reports will be quoted.
- (3) Federal Reserve Agents will be expected to continue the local publication of their own reports of business conditions exactly as at present.

The effect of this plan will be to give each Federal Reserve Agent exclusive local use of his report, while the Board will publish its own national report. In view of this change it will be desirable to have as full and complete reports from the Federal Reserve Agents as practicable, and the restrictions as to length, limitation in the number of subjects treated, etc., which have heretofore been applied are hereby revoked. Each Federal Reserve Agent is urged to furnish as complete and full a review of business conditions in his district as he is able, the Board, as in the past, leaving it to his judgment what to publish locally.

Reports of business conditions, when transmitted by the Federal Reserve Agents to the Board, will be circulated among the members of the Board for information and will be placed on file for future reference after they have been used in the preparation of the monthly summary which is to appear in the Bulletin."

Important changes in the business and financial situation have occurred during the month of December. The transition from a war to a peace basis is now in full swing and far-reaching modifications in the organization of business are under way. Reports to the Federal Reserve Board from the several Federal Reserve districts show that the following significant factors may be enumerated.

- (1) Far-reaching modifications of Government control over industry, transportation, manufacture, and prices.
- (2) Extensive cancellation of Government contracts for manufacture and purchase of war goods and goods needed in connection with military operations.
- (3) Displacement and readjustment of labor resulting from the suspension of war production and the absorption of labor in industries which have thus far suffered from shortage.

(4) Changes in the volume of trade, indicating on the whole a slight tendency toward decline in volume.

(5) Revision of prices with considerable shrinkage in specified articles and on the average a distinct though slight downward tendency.

(6) Expansion of demand for banking accommodation and for capital.

In general, the transition from the war to the peace basis has thus far proceeded with very considerable smoothness and with decided lack of friction. Such slackening of business as has occurred is described as due to conservatism and hesitation, the outcome of a desire on the part of producers to know more of the public policies and the probable trend of business. In the New York district "industries are marking time, awaiting developments," due in part to "conservatism in buying" and "a feeling that prices will decline and to uncertainty as to the Government's policy relative to cancellations and the disposal of stocks and materials and supplies." Other districts report a similar condition of affairs, but add that the state of things is such as meets general approval and calls forth the opinion that the transition period is unavoidable and is proving beneficial in its effects. A strong tendency to defer commitments and to exercise caution before undertaking future contracts is noted in various regions. "Taken as a whole," says the First Federal Reserve District, "the situation is one of waiting for more settled conditions." From practically all districts comes the prediction that the slowing down will be temporary.

Thus far the process of readjusting labor to the new conditions has caused but little inconvenience or difficulty. Labor set free in war industries has been steadily absorbed by general business so that the principal effect thus far of the increasing free supply has been merely that of relieving a previously existing shortage. There is still an excess of demand at many points. In some places considerable numbers of employees have been dropped, but of these a part were temporary workers who had taken employment partly in order to aid war production, while many others have been promptly reemployed. Costs have altered but little, and the high expense of living has made employers feel that it is incumbent upon them to maintain wages, so far as practicable, pending distinct revision of prices for necessaries. In some cases it is reported that there is a tendency to a "settling down" upon "a higher level of prices and a higher average of wages than prevailed for some time preceding the war." From the productive standpoint, conditions continue to be satisfactory in most staple lines. Agriculture, in particular, is reported to be in an exceptionally promising condition. The farmer is said to be in "the best financial shape that has prevailed for many years." In the south he is holding his cotton for better prices and is marketing his output conservatively. Excellent crop prospects are reported, not only from the cotton region but also from the wheat States of the west and from California. On the Pacific Coast the prospects for excellent crops for the coming year are exceedingly bright.

In the live stock region "conditions are much improved" and cattle will probably go through the season in fair condition." There is an active and firmer tone in the beef trade, and record purchases of animals have been made. The movement of live stock to the leading markets of the Kansas City district continues very heavy. Tables which have been compiled by the Business Index Reporting Section show receipts and shipments of live stock at more than sixty important

markets for the first eleven months of the year at high figures. While compiled December figures are not yet available reports of Federal Reserve Agents indicate that this movement has been sustained during the past months. Iron and steel, so frequently taken as an authoritative index of business conditions, are unsettled on account of the cuts that have already been made and the expected new price basis for them and for their derivatives. Orders for new business are of some assistance, but they are not yet of a volume sufficient to indicate that prices have become settled. The market for steel is quiet and there is no disposition to make undue reductions in prices. Pig iron production in Birmingham for November was at about the same level as in October. Figures compiled by the Board's Reporting Service and published elsewhere in this Bulletin exhibit the present outlook for ingot steel, pig iron, and unfilled orders. The index numbers submitted in connection with the statistics for quantity production show a slight falling off in all of these three factors in the iron-trade situation for the month of November. Federal Reserve Agents' reports point to a further continuance of this movement during December. From Cleveland it is reported that in "all lines of iron and steel manufacture there may be said to be a waiting mood, a taking of stock, and a preparation for the future." Philadelphia producers regard the present reduction of the high tension of the last few years as very welcome, permitting the plants to be overhauled and placed in good physical condition for the expected large volume of after-war business. While coal production has not recovered the level which had been attained prior to the first of November, and while some shortage exists here and there, the output is again moving upward, car service has improved in certain sections and labor conditions are reported fairly satisfactory. The Board's study of coal production shows marked decline in monthly production of bituminous and an especially marked falling off in anthracite, while coke has fallen slightly, the figures exhibiting results up to the end of November. December developments indicate a tendency to recover from conditions thus depicted. The production of copper and of other metals which have been in exceptional demand during the war, is already showing the effects of conversion of industry to a peace basis. Zinc has been controlled, both in production and shipment, in the mid-continent field, while trading in copper and other metals has been comparatively limited. There is an apparent feeling that the price of 26¢ for copper, which continues fixed until January 1st, was too high for commercial business. The production of lead was about normal in November and stocks continue small. Producers of petroleum in the mid-continent district have only about three months' supply and regard the outlook as favorable. Stored stocks increased somewhat during the early autumn in California, but a shortage of gasoline is now expected.

In manufacturing the outlook is by no means uniform. Freight is moving fairly well, although some sections complain of delay. Munition industries have largely reduced their activity. Machine-tool manufacturing is demoralized on account of the cancellation of Government orders. Cotton and woolen mills have been running full, but the end of unfilled orders is now approaching and but little new business is being placed. Figures compiled by the Board for idle spindles in various classes of machinery engaged both in the wool and in the cotton industry, show a decided tendency to an increase in the percentage of idle machinery. Shoe manufacturing is also less active. There has been an increase in retail trade, due to the holiday season and some disposition to enlarge expenditures for personal consumption, not only on account of the usual holiday activity, but also in consequence of relaxation of economics due to the war.

At some points there would appear to be a development of extravagance.

Prices on the whole have shown only slight change, decrease in basic foodstuffs being offset by increase in dairy products, meat and groceries. Large changes have occurred in only a few lines. There has, if anything, been an advance in prices of consumers' goods, while raw materials have shown a disposition to decline. While these statistics relate to conditions only up to the first of December, preliminary reports for the early weeks of December indicate a maintenance of a practically similar situation. The average level of prices appears to be past the peak, but as yet with only comparatively slight movement downward. Thus far such changes in the prices as have occurred are apparently due to local and sporadic modifications of demand, due to alterations in employment and buying power, rather than to any fundamental modification of the underlying factors of production.

Up to the 15th of December the Board's Reporting Service shows that changes in rates of interest have been more marked than for some time past. In contrast to the month ending November 15th a general tendency may again be perceived, most districts showing a considerable decrease. In certain cases, conspicuous among which are New York, St. Louis and Minneapolis, the decrease occurs for practically all the types of paper for which quotations are given. On the other hand, rates in several districts on the whole show an increase, New Orleans and San Francisco being cases in point, while a small number of centers, among which Chicago may be mentioned, report rates practically unchanged from those prevailing during the period ending November 15th. Customary rates, in general with few exceptions, remain unchanged, the movement in rates being confined to changes in the high and low quotations. The decrease is most pronounced in the case of commercial paper and collateral loans. Rates for bankers' acceptances on the whole show a fractional decrease, while rates charged on interbank loans afford an approximately equal number of cases of increase and decrease. Rates on paper secured by Liberty bonds and certificates of indebtedness, which on the whole are lower than on ordinary commercial loans, or on loans secured by other collateral, remain practically unchanged. A greater degree of uniformity between rates prevailing in various sections may be observed in the case of commercial paper purchased in the open market than for practically any other type of paper, the rates in many instances being lower than those for customers' paper of similar maturities. prevailing

Total transactions at banks compiled by the Board up to December 18th show slight decreases in volume of transactions for individual account, but considerable gains in the volume of transactions for bank account. On the whole, the total volume of current business of banks included in 152 clearing houses remains about stable. Federal Reserve Bank operations during the latter part of the month show a tendency to a falling off in war paper. The money market has undergone but little change, but such change as has occurred indicates that national banks are again entering the commercial market as purchasers. The purchases have been sparing and made with discrimination, but in the middle west are said to indicate a gradual drift toward a more normal situation in the supply of funds. A similar situation in the Fourth District is reported, and although it is stated that money conditions are in no sense easy, the banks have now some funds to invest and are investing them in liquid paper. Collections vary considerably throughout the country and in some districts are reported very satisfactory, while elsewhere they are slow, apparently due to the fact that farmers are holding their crops for better prices.

Post-office receipts are showing a distinct decline in many sections. Pending the development of new conditions, building operations are still at a low level, although increase is expected as a development of the near future.

On the whole, the conclusions to be derived from a general review of industrial and commercial conditions, both as furnished by Federal Reserve Agents, and from the Board's own analyses, point to the distant development of the movement toward a normal or peace basis with very substantial alteration of conditions in particular lines, but with a good volume of output in the staple articles of commerce still maintained. Financial conditions, considering the great demands that are still made upon the banks, are satisfactory.

COPY

X-1356 a

FEDERAL RESERVE BOARD
WASHINGTON

M.C. Elliott
Counsel

January 4, 1919.

MEMORANDUM FOR THE BOARD:

From the accompanying file it appears that some confusion of thought exists in the minds of certain officers of Federal reserve banks and member banks as to the Board's interpretation of those provisions of Section 13 of the Federal Reserve Act which relate

- (1) To the power of member banks to accept drafts drawn in domestic transactions;
- (2) To the eligibility for rediscount by Federal reserve banks of member bank acceptances.

The understanding of this office of the provisions in question as interpreted by the Board is as follows:

POWER OF MEMBER BANKS TO ACCEPT DRAFTS
DRAWN IN DOMESTIC TRANSACTIONS.

Subject to the limitations prescribed by the Act, member banks are authorized -

- (a) To accept drafts or bills of exchange which grow out of transactions involving the domestic shipment of goods, provided shipping documents conveying or securing title are attached at the time of acceptance.
- (b) To accept drafts or bills of exchange which are secured at the time of acceptance by warehouse receipts or other such documents conveying or securing title covering readily marketable staples.

All drafts accepted in domestic transactions must be secured at the time of acceptance. If the aggregate amount of drafts accepted for one person, firm or corporation exceeds a sum equal to ten per cent of the capital and surplus of the accepting bank, such drafts must remain secured throughout the life of the draft since the Act provides that -

"No member bank shall accept, whether in a foreign or domestic transaction, for any one person, *** * * * to an amount equal at any time in the aggregate to more than ten per centum of its paid-up and unimpaired capital stock and surplus, unless the bank is secured either by attached documents or by some other actual security growing out of the same transaction as the acceptance."

To give this language any meaning it must be assumed that the accepting bank may release the security in any case in which the total amount accepted for any one customer does not exceed ten per cent. of its capital stock and surplus, but must not release it if the amount accepted exceeds this sum.

Unless this interpretation is placed upon the statute, the provision just quoted would have no meaning in so far as it relates to domestic transactions since all drafts accepted in domestic transactions must be secured at the time of acceptance.

Member banks should be cautioned, however, that when Congress granted the power to accept drafts in domestic transactions, it clearly intended to facilitate domestic commerce and did not intend this power to be exercised for the purpose of extending unreasonable lines of credit to individual borrowers. If Congress had intended to give greater latitude to banks under its jurisdiction in the matter of loans to individual borrowers a much more direct method would have been to remove or broaden the limitations of Section 5200 Revised Statutes.

ELIGIBILITY FOR REDISCOUNT OF MEMBER
BANK ACCEPTANCES.

Any draft or bill of exchange which a member bank has the power to accept is technically eligible for rediscount with a Federal reserve bank. This does not mean, however, that Federal reserve banks are required by law to rediscount any such acceptance tendered to it. In developing a market for acceptances the Federal reserve banks are called upon to carry a large amount of this class of paper. It is, of course, desirable that this market should be developed in order to give greater elasticity to the credit facilities of the member banks. It is important, however, that the Federal Reserve Board and the Federal reserve banks should take all necessary steps to insure conservatism in the exercise of the acceptance power of member banks. The policy of the Board, therefore, as reflected in its various rulings, has been to caution Federal reserve banks that in rediscounting drafts accepted in domestic transactions they should consider, and in many cases investigate, the circumstances under which the draft was accepted in order to determine whether the spirit as well as the letter of the statute has been complied with.

The Board has recognized the fact that in the ordinary course of business, shipping documents securing drafts accepted must be released in order that the customer for whom the draft was accepted may procure the goods represented by such documents. It also recognizes the fact that where such drafts are secured by warehouse receipts it is probable that at some period during the life of the draft it will be necessary for the receipt to be surrendered to the customer for whom the draft is accepted in order that the transaction involved may be consummated.

In the case of shipping documents, however, it is ordinarily necessary to release the documents at an earlier period than in the case of warehouse receipts.

In either case, the security should not be surrendered by the bank until this becomes necessary in order for the transaction to be consummated, and when surrendered, the bank should protect itself by requiring either a trust receipt or a definite agreement on the part of the customer to whom the security is surrendered that the proceeds derived from the sale of the goods represented by the shipping documents or warehouse receipts will be deposited with the accepting bank when available to pay the draft at maturity and will not be used by the customer for other purposes.

Respectfully,

(signed) M.C. ELLIOTT.

General Counsel.

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

W. P. G. HARDING, GOVERNOR
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CHARLES S. HAMLIN

FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
L. C. ADELSON, ASSISTANT SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. INLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

January 13, 1919.

X-1358

SUBJECT: Drafts made payable, or payable if desired,
at a designated bank.

Dear Sir:-

The Board has been in correspondence recently with several of the Federal Reserve banks regarding drafts made payable, or payable if desired, at a designated bank, and you are requested to inform the Executive Committee and the officers of your Bank that it is the view of the Board that Federal Reserve banks should be guided by the terms of Section 13, which provides that they may receive from any member bank and from the United States, "deposits of current funds in lawful money" * * * "or checks and drafts payable upon presentation, and also, for collection, maturing notes and bills * * *". The Attorney General of the United States, in an opinion rendered sometime ago, expressed the view that because of the provision that no exchange charges shall be made against the Federal Reserve banks, these banks should not take any items which involve a payment of exchange by them.

The Board is of the opinion, therefore, that Federal Reserve banks should receive, on deposit, from member banks, any item, whether it be a check or a draft, which will be paid on presentation at a bank without deduction for exchange, and that they would be justified in declining to receive on deposit items which involve either a delay in payment after presentation or an exchange charge. By giving notice to member banks, Federal Reserve banks can protect themselves in the matter of protest of dishonored items having a designated drawee and payable elsewhere "if desired". Counsel's opinion as to protest of such items will be transmitted in due course, for your information.

Kindly acknowledge receipt.

Very truly yours,

The Chairman,
Federal Reserve Bank,

Governor.

January 10, 1919.

The Governor,
Federal Reserve Board.

Sir:

By direction of the Secretary you are advised that the Department has referred to the Auditor for the Treasury Department for settlement the account of the Bureau of Engraving and Printing for preparing Federal Reserve Notes during the period December 1 to December 31, 1918, amounting to \$203,791.50 as follows:

	\$5	\$10	\$20	\$50	\$100	Total
Boston.....	70,000	-----	35,000	-----	14,000	119,000
New York.....	110,000	256,000	239,000	31,000	22,000	658,000
Philadelphia.....	190,000	213,000	174,000	10,000	1,000	588,000
Cleveland.....	228,000	160,000	185,000	22,000	6,000	601,000
Richmond.....	140,000	115,000	102,000	8,000	5,000	370,000
Atlanta.....	175,000	147,000	90,000	6,000	5,000	423,000
Chicago.....	95,000	276,000	202,000	5,000	3,000	581,000
St. Louis.....	175,000	170,000	75,000	1,000	-----	421,000
Minneapolis.....	141,000	60,000	50,000	-----	-----	251,000
Kansas City.....	10,000	25,000	22,000	1,000	1,000	59,000
Dallas.....	80,000	90,000	44,000	-----	-----	214,000
San Francisco.....	3,000	135,000	131,000	-----	-----	269,000
	<u>1,417,000</u>	<u>1,647,000</u>	<u>1,349,000</u>	<u>84,000</u>	<u>57,000</u>	<u>4,554,000</u>

4,554,000 sheets at \$44.75.....\$203,791.50

The charges against the several Federal Reserve Banks are as follows:

Sheets.	Bureau appropriations				Total
	Compen- sation.	Plate Printing.	Materials.	Inc. Com- pensation.	
Boston.....119,000	\$1,814.75	\$1,544.62	\$1,651.72	\$ 314.16	\$5,325.25
New York.....658,000	10,034.50	8,540.84	9,133.04	1,737.12	29,445.50
Philadelphia.....588,000	8,967.00	7,632.24	8,161.44	1,552.32	26,313.00
Cleveland.....601,000	9,165.25	7,800.98	8,341.88	1,586.64	26,894.75
Richmond.....370,000	5,642.50	4,802.60	5,135.60	976.80	16,557.50
Atlanta.....423,000	6,450.75	5,490.54	5,871.24	1,116.72	18,929.25
Chicago.....581,000	8,860.25	7,541.38	8,064.28	1,533.84	25,999.75
St. Louis....421,000	6,420.25	5,464.58	5,843.48	1,111.44	18,839.75
Minneapolis..251,000	3,827.75	3,257.98	3,483.88	662.64	11,252.25
Kansas City.. 59,000	899.75	765.82	818.92	155.76	2,640.25
Dallas.....214,000	3,263.50	2,777.72	2,970.32	564.96	9,576.50
San Francisco269,000	4,102.25	3,491.62	3,733.72	710.16	12,037.75
<u>4,554,000</u>	<u>69,448.50</u>	<u>59,110.92</u>	<u>63,209.52</u>	<u>12,022.56</u>	<u>203,791.50</u>

The Bureau appropriations will be reimbursed in the above amount from the indefinite appropriation "preparation and Issue of Federal Reserve Notes, Reimbursable," and it is requested that your Board cause such indefinite appropriation to be reimbursed in like amount.

Respectfully,

J. H. Moyle,
Assistant Secretary of the Treasury.

EX-OFFICIO MEMBERS
CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN
J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT
ADDRESS REPLY TO
FEDERAL RESERVE BOARD

FEDERAL RESERVE BOARD
WASHINGTON

January 17, 1919.
X-1361

SUBJECT: Correspondence and Enclosures.
Method of transmitting.

Dear Sir:

It is requested that instructions be given that in sending letters with enclosures to the Federal Reserve Board, the enclosures shall bear an identification mark and be folded together and attached to the forwarding letter with a clip or a rubber band.

The Board frequently receives letters containing enclosures that do not bear identification marks and are not attached to the forwarding letter. In the opening of the large amount of mail which the Board receives, letters and enclosures become separated, resulting in considerable inconvenience and also uncertainty as to whether or not the enclosures were actually received.

Kindly acknowledge receipt.

Yours very truly,

Secretary.

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

W. P. G. HARDING, GOVERNOR
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ADOLPH C. MILLER
CHARLES S. HAMLIN

FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
L. C. ADELSON, ASSISTANT SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. INLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

January 23, 1919.

X-1366

SUBJECT: Signatures of Officers of
Federal Reserve Banks.

Dear Sir:-

In order that the records of this office may be brought up to date, it is requested that you furnish as promptly as possible specimen signatures in duplicate of all officers authorized to sign on behalf of your bank.

Yours very truly,

Assistant Secretary.

Governor, Federal Reserve Bank,

TELEGRAM
FEDERAL RESERVE BOARD
 WASHINGTON

X-1367

CONFIRMATION OF TELEGRAM

January 23, 1919.

Jay, New York	Hardy, Richmond	Ramsay, Kansas City
Austin, Philadelphia	Wellborn, Atlanta	Ramsey, Dallas
Wells, Cleveland	Heath, Chicago	Perrin, San Francisco

Referring to Board's letter of January 6th (X-1350) transmitting tentative draft of revised regulations which it is proposed to issue at an early date it is requested that any suggestions or additional comments thereto which you desire to make be submitted so as to reach this office not later than January 31st.

HARDING.

Governor.

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

J. A. BRODERICK, SECRETARY
L. C. ADELSON, ASSISTANT SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

EX-OFFICIO MEMBERS
CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

January 29, 1919.

X-1370

SUBJECT: Deductions allowed in computing member banks' reserves carried with Federal Reserve Bank..

Sir:

Section 19 of the Federal Reserve Act, which relates to reserve requirements of member banks and which supersedes Section 5191 Revised Statutes, provides in part as follows:

"Every bank, banking association, or trust company which is or which becomes a member of any Federal Reserve Bank shall establish and maintain reserve balances with its Federal Reserve Bank as follows: ***

"In estimating the balances required by this Act, the net difference of amounts due to and from other banks shall be taken as the basis for ascertaining the deposits against which required balances with Federal Reserve Banks shall be determined."

Under authority of this provision of the Act, it has heretofore been customary to permit banks to treat "exchanges for clearing house" and "checks on other banks in the same place" as part of the balance due from other banks, so that these amounts have been deducted from "balances due to other banks" in computing reserve.

The Board's attention has been called to the fact that in many instances "exchanges for clearing house" greatly exceed the ledger "balances due to other banks" and as a result banks which carry few accounts for other banks are required to maintain a reserve against such exchanges. It has accordingly been suggested that where this condition exists, the member banks should be permitted to deduct "exchanges for clearing house" from individual deposits. The Board is advised by counsel that this would not be consistent with the letter and spirit of the Act but that inasmuch as "exchanges for clearing house" and "checks on other banks in the same place" are

-2-

treated as part of the "balance due from other banks" on the assumption that such items necessarily become a part of such balance in due course of business, it would be consistent with the purposes of the Act to permit the offsetting items of "cashiers' or treasurers' checks outstanding" and "certified checks outstanding", which in due course will be presented by and become a part of balances due to other banks, to be treated as part of such balances. The Board has accordingly ruled that in computing reserve, banks may deduct the total of

- (a) Balances due from other banks;
- (b) "Exchanges for clearing house";
- (c) Checks on other banks in the same place;

from the total of

- (a) Balances due to other banks;
- * (b) Cashiers' checks on own bank outstanding
- (c) Certified checks outstanding.

In determining the balances that must be maintained with the Federal Reserve Bank this method of computation may be followed.

The Comptroller of the Currency concurs in this ruling and will give the necessary instructions to national bank examiners.

Kindly acknowledge receipt.

Respectfully,

Governor.

* This will include Secretary's or Treasurer's checks in case of institutions where such officers sign.

FEDERAL RESERVE BOARD.

STATEMENT FOR THE PRESS.

Release for afternoon papers,
Thursday, January 30, 1919.

The Federal Reserve Board authorizes publication of the following statement:

GROSS AND NET EARNINGS AND DIVIDEND PAYMENTS OF THE FEDERAL RESERVE
BANKS DURING 1918; ALSO AMOUNTS TRANSFERRED TO SURPLUS FUND
AND RESERVED FOR GOVERNMENT FRANCHISE TAX.

Federal Reserve Bank	Gross Earnings	Net Earnings	Dividend Payments	Transferred to surplus fund	Reserved for Government franchise tax
BOSTON	4,475,195	3,505,180	384,180	1,460,500	1,460,500
NEW YORK	25,314,736	22,634,033	1,195,026	7,672,677	12,795,215
PHILADELPHIA	4,357,740	3,270,824	583,983	1,304,172	1,304,172
CLEVELAND	5,226,864	4,234,678	716,107	1,776,000	1,776,000
RICHMOND	2,979,048	2,325,327	232,432	1,039,799	1,039,799
ATLANTA	2,293,059	1,665,585	182,473	735,000	735,000
CHICAGO	8,481,747	6,831,073	604,635	3,100,223	3,100,223
ST. LOUIS	2,676,828	1,950,807	404,837	801,656	801,656
MINNEAPOLIS	2,049,954	1,585,546	168,103	688,872	688,872
KANSAS CITY	3,451,936	2,762,708	309,729	1,210,713	1,210,713
DALLAS	2,089,526	1,554,102	261,502	592,204	592,204
SAN FRANCISCO	4,187,785	3,117,215	497,674	1,224,088	1,224,088
TOTAL	\$ 67,584,418	\$ 55,436,978	\$ 5,540,681	\$ 21,605,904	\$ 26,728,442

FEDERAL RESERVE BOARD.

Statement for the Press:

X-1374

Release simultaneously with
release of Annual Report to
be submitted to Congress 12
o'clock noon, February 8, 1919.

The Annual Report of the Federal Reserve Board for the calendar year 1918, as submitted to Congress today, has been prepared in much greater detail than heretofore and gives a most complete story of the national financing during the last and most important year of the Great War.

In submitting the report the Board says:

"In meeting the emergencies occasioned by the war, Governments everywhere have been compelled to make unprecedented drafts upon their national incomes and resources. With the great nations engaged in a death grapple, preservation of national life has been the supreme object. Most difficult questions of financial expediency have been presented to finance ministers in deciding upon the most available and effective means of mobilizing national resources. The decision once made, it became the duty of all separate administrative agencies concerned with fiscal or banking functions to cooperate in giving effect to policies adopted, and it was in this spirit of cooperation that the Federal Reserve Board felt it to be its duty to assist in making effective the policies determined upon by the Secretary of the Treasury, however inconsistent some of the steps necessary to be taken might be with principles which usually govern in normal times. The demands of war are imperative and must be met without delay, and in financing the titanic struggle happily ended by the armistice last November, first consideration could not always be given to what was theoretically desirable, or convenient from the standpoint of banking practice.

The financial obligations of the Government are being met, the war has been won, hostilities have been ended, and representatives of the United States and the allied powers are now in conference regarding terms of peace. The country is confronted, it is true, with the problems incident to the demobilization of troops, the readjustment of prices, and the diversion of industry from war activities to the employments of peace. We are approaching an era of general readjustment and resumption of construction at home, and of reconstruction abroad, but the termination of the war at a time far in advance of popular expectation has minimized instead of magnified our national problems. We should have been

confronted with them in any event whenever the war terminated and the Government has not been required to withdraw from their ordinary employment the 2,000,000 or more of men it was preparing to withdraw in September last, nor is the country faced with the necessity of equipping them, and of maintaining overseas military and naval forces for a year or more of 4,000,000 to 5,000,000 men. The expenditures of \$25,000,000,000 to \$30,000,000,000 which had been anticipated for the year 1919 will be greatly reduced, and instead of sending new men to the front the Government is bringing back a large portion of the forces which it had been maintaining abroad.

country'

"Within a few months the war financing will have been completed, and the Board can then deal with the problems incident to bringing our credit structure and our banking operations back to a commercial basis. Our banking situation is strong and inherently sound, and is much stronger than would have been the case had the war continued for another year.

"On December 31 the Federal Reserve Banks held a reserve of about 50 per cent against their combined liability for deposits and note issues, and if the reserve against deposits be computed on the basis of the legal requirement of 35 per cent, the reserve against Federal Reserve notes would be 60 per cent. The ability of the country to absorb investments has proved to be far greater than had been anticipated, and our credit structure, although expanded, is unshaken. We have no currency problems, and conditions are not comparable with those which existed at the close of the Civil War, and while the volume of circulation is larger than it has been at any period in our history, there has been no depreciation in the gold value of our currency, every form of which is on an absolute parity with gold. True, the purchasing power of money has declined, but this is due to the abnormal and urgent demands for goods and services and the accompanying expansion of credit and currency. The quality of our currency has been maintained; there is a single standard of prices which is based upon the dollar, and not a double standard, one based upon the gold dollar, and the other upon the paper dollar, as was the case during and after the Civil War. The increased volume of Federal Reserve notes has been an incident or an effect of expansion of credits, rather than the cause of such expansion, and the conditions which resulted in additions to the country's gold stock of more than \$1,000,000,000 during the years 1915 and 1916 have changed.

"With the development of our foreign trade, with increased shipping facilities, and with the granting of credits to other nations to aid them in their work of reconstruction and to enable us to sell them goods, a new influence will be felt in due course, which will work towards the restoration of more normal levels. Banking credits, which are not extended beyond our power to sustain them, but which are at present concentrated in this country, will become more widely diffused throughout the world and the elastic quality of our currency, the main constituent of which is now the Federal Reserve

note, will soon be manifest, as indeed it has already been evidenced in some degree by the retirement of approximately \$200,000,000 of notes since the close of the year."

In this connection, attention is called to the fact that, while the minimum reserve against Federal Reserve notes required by law is 40%, as a matter of fact, this reserve has not fallen below 60%, and that, while the maximum of Federal reserve notes in circulation during the year was \$2,701,956,000, the 60% gold reserve (which otherwise would have been in circulation) held against such notes was \$1,621,173,000, so that the actual increase of circulation due to Federal Reserve notes amounted to but \$1,080,783,000.

"An obligation", says the report, "rests upon the American people to assist the Government in the completion of its financial program and to absorb the securities which have been and are yet to be issued. This absorption can be accomplished by reasonable economies and by persistent saving for some time to come, and it will be the duty of the Federal Reserve Board and of the banks in the meanwhile to aid in the extension of credit facilities, necessary in the processes of production and distribution."

That the Board is not unmindful of the many elements of danger lurking in forced and premature contraction of credit and currency is shown by the following extract from its remarks:

"Drastic contraction would be followed by results no less disastrous than those which would attend undue expansion, and the processes of deflation must therefore be permitted to work themselves out in a gradual and orderly manner. Discount rates, which for the past 18 months have been based upon the rates borne by Government issues, must for the time being continue to be fixed with regard to Treasury requirements, but when the war obligations of the Government have been digested, and the invested assets of the Federal Reserve Banks have been restored to a commercial basis, rates can be established with reference to the commercial requirements of the country.

"The Board is profoundly conscious of the responsibilities imposed upon it by the Federal Reserve Act, and during the period of readjustment and afterwards as progress is made in the re-establishment of peace conditions, its purpose will be to exercise its control of our credit structure in such manner as best to promote the national welfare, the agricultural, industrial, and commercial interests of the country, and the development of our foreign trade."

Some conception may be had of the great service rendered by the Federal Reserve System to the Government in its war financing in noting the following statement of the fiscal agency operations of the Federal Reserve Banks:

"A total of \$11,113,816,250 of bonds of the third and fourth Liberty loans, and \$10,659,743,000 of Treasury certificates of indebtedness issued in anticipation of these loans, of the forthcoming fifth loan, and of 1918 and 1919 tax receipts have been subscribed, allotted and collected through the 12 Federal Reserve Banks.

"Including operations in 1917, certificates of indebtedness and Liberty bonds subscribed for and collected through the Federal Reserve Banks have amounted to \$31,452,290,250, composed of \$14,529,708,000 of certificates and \$16,922,582,250 of Liberty bonds."

In an interesting chapter dealing with the development of the market for bankers acceptances the Board gives a full explanation of the reasons for the variance between the London and New York market rates, pointing out that while the London market rate has been lower than that in New York the official (Federal Reserve Bank) rate has been 4-1/2 % as against an official (Bank of England) rate of 5%.

Opening the chapter relating to its discount policy, the Board says:

"The discount policy of the Board has necessarily been coordinated throughout the year with Treasury requirements and policies, which in turn have been governed by demands made upon the Treasury for war purposes. All lines of business activity have been subordinated to war necessities; more than two million men have been under arms in France, another million at stations and training camps in this country, half a million more were in the Navy, making more than three and a half million men actually under arms; and it is estimated that the labor of fifteen million more has been devoted to the production, manufacture and distribution of commodities and material required in the conduct of the war. The Government has been the principal purchaser and consumer of goods, as well as the chief employer of labor, and the financing of the Government therefore has been of ~~paramount~~ importance from a commercial as well as a patriotic point of view.

The rates of interest borne by the Treasury certificates of indebtedness and by the Liberty loan bonds have been determined by the Secretary of the Treasury within the limits fixed by Congress, and the Board has felt it to be its duty to adjust its discount rates in such manner as to assist the distribution of the various Treasury issues.

The Board has therefore continued the policy, as explained in the last annual report, of giving a preferential rate of discount to notes made or offered by member banks secured by the Government's war obligations, and has continued to ~~permit~~ the Federal Reserve Banks to discount for nonmember banks, upon the indorsement of a member bank, notes secured in this manner."

The following statement is quoted as illustrating the manner in which the System has fulfilled its mission in making funds available as needed throughout the country by means of rediscounts and sales of paper between Federal Reserve Banks:

"Transactions of this character between the Federal Reserve Banks have been unusually heavy during the past year, due to three causes named in the order of their importance; First, transfers of Government funds; second, joint purchases of bankers' acceptances; and third, seasonal requirements incident to crop moving.

The Board's policy has been to equalize, in an approximate degree, the reserves of the 12 Federal Reserve Banks with the purpose of avoiding undue variations in their reserve position. Discount transactions between the banks have not, as a rule, been negotiated by the banks themselves, but through the medium of the Federal Reserve Board, instructions being given by telegraph, and transfers incident to the operations were effected in the same way.

Open-market purchases of bankers acceptances have shown a very substantial growth. Investments in paper of this class reached a maximum of \$388,383,000 on October 25. The principal market for acceptances is New York, although an open market for them has been established in Boston under the auspices of the Federal Reserve Bank there. The Federal Reserve Banks of other districts have found it more convenient to participate in the purchases of acceptances made by the Federal Reserve Bank of New York, and some of the banks have undertaken to take care of the acceptances originating in their own districts which are sold in the New York market. Voluntary transactions between the banks in acceptances have been permitted without the indorsement of the Federal Reserve Bank selling them, but in all cases where the Board has required rediscount operations the indorsement of the bank disposing of the paper has been given.

Rediscounting because of seasonal or crop-moving requirements has been confined to five banks- the Federal Reserve Banks of Kansas City, Minneapolis, Dallas, Atlanta, and Richmond- but it is probable that none of these banks would have had occasion to rediscount except for the fact that they were discounting heavily for member banks paper secured by Government obligations. Transactions in paper of this class have been so heavy and transfers of balances from one district to another so constant that the process of rediscounting between banks has been continuous through the greater part of the year.

All of the banks have disposed of paper except the Federal Reserve Banks of Cleveland and San Francisco. Rediscount operations between the Federal Reserve Banks, including voluntary purchases of bankers' acceptances, during the year, have aggregated \$655,638,000, as shown in detail in the following table:

INTERDISTRICT MOVEMENT OF BILLS DISCOUNTED OR PURCHASED BY FEDERAL RESERVE BANKS
DURING THE PERIOD FROM JAN. 1 TO DEC. 31, 1918.
(In thousands of dollars)

Federal Reserve Bank.	Rediscounts and sales between Federal Reserve Banks.			Acceptances purchased for account of other Federal Reserve Banks.	Direct purchases of acceptances in other Federal Reserve districts.	Interdistrict movement of discounted and purchased paper.				
	Dis- counted or sold by -	Dis- counted or pur- chased by -	Excess of redis- counts and sales.	Excess of dis- counts and pur- chases.	Amount pur- chased for ac- count of by -	Market in which pur- chased.	Pur- chasing bank.	Excess move- ment from -	Excess move- ment to -	
Boston	120,297	19,898	100,399		1,907	2,057	2,503	92,046		
New York	180,901	67,681	113,220	174,860		41,634		329,714		
Philadelphia	50,149	66,365		16,216	18,949		21,397		56,562	
Cleveland		137,115		137,115	65,628		5,014		207,757	
Richmond	69,063	331	68,732					68,732		
Atlanta	75,293	2,514	72,779		57			72,722		
Chicago	9,984	195,398		185,414	1,093		3,685		190,192	
St. Louis	12,500	9,051	3,449				2,770	679		
Minneapolis	24,996	99,462		74,466	6,384		2,057		82,907	
Kansas City	8,530	25,047		16,517	11,047				27,564	
Dallas	103,925	3,242	95,683		1,283		265	94,135		
San Francisco		24,534		24,534	68,512				93,046	
Total	655,638	655,638	454,262	454,262	174,860	174,860	43,691	43,691	658,028	658,028

The following brief table quoted in the Report gives a graphic picture of the effect of two years of war financing upon the Federal Reserve System. It will be seen that the enormous needs of the country, both for military and commercial purposes, have been provided for, while the System's surplus over required reserves has been lowered only by \$17,400,000.

(In millions of dollars)

	Apr. 5-6 1917	Dec. 27, 1918	Increase.
Total cash reserve	952.7	2,146.2	1,183.5
Total net deposit and Federal Reserve (note liabilities)	1,136.8	4,238.1	3,101.3
Total required reserve	416.7	1,617.6	1,200.9
Reserve percentage	84.7	50.6	34.1
Total earning assets	225.6	2,318.2	2,092.6
Free Gold	546.0	528.6	17.4
Federal reserve notes outstanding . . .	400.7	2,855.6	2,454.9
Collateral:			
Required paper (a)	22.3	(b) 1,567.3	1,545.0
Gold (c)	373.4	(d) 1,288.3	849.9
Note issue power	1,365.0	1,321.5	43.5
(a) 6 per cent (b) 55 per cent (c) 94 per cent (d) 45 per cent			

The material changes in the items comprising resources and liabilities of the Federal Reserve Banks from March 30, 1917 (which date was prior to the declaration of war and also before the act was amended on June 21, 1917, which changed reserve requirements by providing that all reserves of member banks be carried with the Federal Reserve Banks), to December 27, 1918, were:

(In millions of dollars)

Resources	Increase	Liabilities	Increase
1. Cash:		Capital	25
Gold	1,152	Surplus	1
Legals and silver	47	Deposits:	
	1,199	Government	43
2. Bill holdings:		Member bank	867
Discounts-		Foreign Government	
War paper	1,400	(and other credits	107
Other discounts	283		1,017
Acceptances	219	Federal Reserve notes	2,328
	1,902	Federal Reserve bank notes	117
3. Government securities		All other liabilities, net	
Long term		including 1918 net earnings	55
Short term	264		
4. Warrants (a)	16	Total	3,543
5. Float	171		
6. 5 per cent redemption fund against Federal Reserve bank notes	6		
7. All other resources, net	17		
Total	3,543		
	(a) Decrease		

Figures showing the earnings and expenses of the several Federal Reserve Banks for 1918 have already been made public. The aggregate net earnings were \$55,446,979, while the average rate of earnings for the year, based on total invested assets, was 4.12%. It is interesting to study the table of changes during the year in the several classes of earning assets held by the banks, viz:

(In thousands of dollars)

	Jan. 4, 1918.	Dec. 27, 1918.	Increase.
Bills discounted:			
Secured by Government war obligations:			
Customers' paper	145,208	363,025	217,817
Member banks' collateral notes.....	140,711	1,037,346	896,635
Total	285,919	1,400,371	1,114,452
Otherwise secured and unsecured -			
Agricultural paper.....	7,901	29,384	21,483
Livestock paper.....	8,601	27,334	18,733
Member banks' collateral notes.....	61,110	21,616	(i)39,494
Trade acceptances -			
In the foreign trade.....)	14,769	(27)	1,217
In the domestic trade.....)		(15,959)	
All other, n. s.....	247,513	208,247	(i)39,266
Total	339,894	302,567	(i)37,327
Total discounted bills	625,813	1,702,938	1,077,125
Bills bought in open market:			
Bankers' acceptances -			
In the foreign trade	180,609	129,162	(i)51,447
In the domestic trade.....	82,867	166,493	83,626
Dollar exchange bills.....	1,850	796	(i) 1,054
Total	265,326	296,451	31,125
Trade acceptances -			
In the foreign trade.....	5,516	3,843	(i) 1,673
In the domestic trade.....	496	3,379	2,883
Total	6,012	7,222	1,210
Total bills bought in open market ..	271,338	303,673	32,335
United States Government long-term securities.....	51,167	28,869	(i)22,298
United States Government short-term securities.....	92,058	282,677	190,619
All other earning assets.....	5,167	13	(i) 5,154
Total earning assets	1,045,543	2,318,170	1,272,627

(i) Decrease.

Attention is directed to the fact that "of the total of \$897,151,000 bills discounted and bought, as shown by the statement of January 4, 1918, \$285,919,000, or 31.9% thereof, consisted of paper secured by Government war obligations, the balance being other notes and bills rediscounted for member banks, \$339,894,000, and bills and acceptances purchased in the open market \$271,338,000. The total of paper secured by Government war obligations held by the Federal Reserve Banks on December 27, was \$1,400,371,000."

The report deals in detail with the operations of the various divisions of the Board's work. That bearing on the work of the Division of Foreign Exchange, under the administration of Director F.I. Kent, is particularly interesting. This division, acting in co-operation with all other interested departments and bureaus of the Government and through its close relations with the postal and cable ownerships, has served the twofold purpose of stopping transactions that would have benefited enemies or allies of enemies and of accumulating a vast store of valuable statistical material bearing on the trend of business throughout the world.

The Report reviews at length the successful working of a plan of daily settlements through the Gold Settlement Fund, maintained at Washington. It says that

"Combined clearings and transfers through the fund during the year 1918 aggregated \$50,242,592,000, as compared with \$27,154,704,000 in 1917, \$5,533,966,000 in 1916, and \$1,052,649,000 in 1915, making a grand total of \$83,983,911,000 since the operation of the fund was begun May 20, 1915. A comparison of the amounts of the average weekly settlements shows clearly the growth of the volume of transactions.

Average weekly volume of clearings and transfers:	
1918, July 1 to Dec. 31	\$1,064,596,000
1918, Jan. 1 to June 30	966,203,000
1917	522,206,000
1916	106,422,000
1915	31,898,000

Analysis of the principal transactions growing out of the Government's financial program, and of the transactions through the gold settlement fund since the declaration of war, April 6, 1917, shows the important part the fund has played in fiscal agency operations, for through it the Treasury has been enabled to transfer, without the actual handling of cash, vast sums from districts where they had accumulated to other districts where funds were needed to meet disbursements, the time consumed in transfers being measured in minutes instead of days."

The efficacy of this up to date method of settling balances between various sections of the country has led the Board to suggest the possibility of an international gold fund, based upon a similar principle. The Board says:

"The successful operation of the gold settlement fund has suggested the possibility of avoiding shipments of gold from one country to another in settlement of balances arising out of ordinary commercial transactions, and the Board is ready, if authorized to do so, to undertake negotiations looking to the establishment of an international gold exchange fund, or to assist in any way in its power in negotiations which may be begun by a Government department looking to that end. The Board realizes that the successful operation of a plan of this kind is dependent upon the stability of the governments concerned, and believes that definite plans can not perhaps be worked out until a stable peace has been assured. The Board would point out the importance of excluding all transactions arising from the adjustment of war obligations and of limiting the work of the fund to current commercial and exchange transactions. The gold deposited in a government bank or banks should be in the nature of a special or trust fund, and all nations participating should deposit their proper proportions of gold. Assuming that the leading nations of the world will be at peace for a long period of years, there seems to be no reason why an international arrangement of this kind should not operate as efficiently as our own gold settlement fund, which has cleared enormous transactions between distant sections of a country of vast area. The saving of loss and expense incident to abrasion and transportation charges and interest on gold transferred will be enormous, and the advantage to the commerce of the world will be incalculable. It will probably be necessary in the beginning to limit participation in the fund to the United States and the entente allies, and to a few of the leading neutral nations, but it is conceivable that all civilized countries may eventually be participants."

X-1375

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS.

For release in morning
newspapers of February 6th.

The February issue of the Federal Reserve Bulletin was completed and sent to the printer today.

In the Review of the Month, the first item in the new issue, the Bulletin discusses the general situation as to public and private financing and then says that in spite of the beginning of industrial demands at banks and the requirements of the last installments of the Fourth Liberty Loans there has been exhibited a tendency toward the increase of bank balances at financial centers. "Easier rates for money" the Review continues "have accompanied this inward movement of funds, although the price paid for longer term capital for industrial use has not been lowered, while rates for call loans and other prime commercial paper have fallen but slightly. The tendency however, has been downward and may be taken as indicative of distinct recuperative power on the part of the financial community". As an indication of capacity to reestablish normal conditions attention is called to the beginning of a decline in the amount of war paper, both at Federal Reserve Banks and at member banks. This decline has not been as rapid as has been true after the close of former Liberty loans. The expiration of the installment period of the loan with the close of January has, however, seen the successful liquidation of most of the installment accounts while there are encouraging indications that borrowers who obtained accommodation for a 90-day period are either reducing or canceling their indebtedness, thereby releasing a proportionate amount of bank funds for use in other financing.

Of the situation with respect to industrial financing the Review remarks that: "Thus far there has been little more than a beginning of industrial financing for foreign countries, and the scope of such operations will depend much upon the outcome of the peace conference. So much at least seems clear - that the United States will have a larger amount of new capital available for use in industrial development than will other nations. Our problem will be determination of the basis upon which this capital is to be divided between domestic and foreign demands and the conditions under which it will be found advisable to enlarge our holdings of foreign industrial obligations. However this problem may be worked out, it is already plain that a fundamental and essential aid in its solution will be the accumulation of as much fluid capital as possible. The requirement that saving be furthered and promoted is therefore again emphasized. There is already a tendency in many quarters toward a relaxation of the restraints upon expenditure imposed while the war was still in progress. The call for moderation in outlay and actual accumulation of funds is, however, as urgent as ever if real soundness in national and individual finance is soon to be restored."

The condition of the currency circulation of the country and the tendency of Federal Reserve notes to return to the issuing banks is given attention, both as an indication of some slackening in business activity and as a demonstration of the elasticity of the Federal Reserve note issue itself. On the latter point it is observed that recent redemptions of Federal Reserve notes constitute the most extensive reduction that has occurred since the organization of the system, while contemporaneous with this reduction in outstanding Federal Reserve notes there has been observable a tendency, not yet statistically measurable, toward the reduction of other forms of currency in circulation. "It is a noteworthy fact" says the

Review "that at many banks the over-the-counter deposits are beginning to include a considerable amount of gold coin and gold certificates. This return of funds to the financial centers is in part the outgrowth of greater confidence due to the termination of the war, which has called forth much hoarded currency from its hiding places, but it is also due in no small degree to the slackening of business activity and in lesser measure to the falling of prices already noted. The decline in business activity lessens the amount of cash required by individuals for their personal transactions, by firms and corporations for the maintenance of their counter or vault cash, as well as for payrolls, and even by country banks for the current meeting of calls of depositors. Lowered volume of business has in years past always given rise to a flow of actual currency and money toward the financial centers, and under present conditions this flow is in no small degree eventually a flow toward the Federal Reserve Banks, resulting in the ultimate cancellation of outstanding note currency.

The movement thus observable will afford no ground for surprise to those familiar with the underlying principles of the Federal Reserve note system, demonstrating as it does the elastic quality of the Federal Reserve note, and showing that, with reduced business requirements, the circulation will reduce itself with the same facility as it had previously shown in its prewar expansion to meet increased requirements. That it should return to its prewar amount is not to be expected, especially in view of the fact that so large a volume of Federal Reserve notes has been issued in substitution for the outstanding gold certificates which have been impounded for the purpose of strengthening the reserve of member and Federal Reserve Banks. Remembering, however, that, as shown in the Federal Reserve Bulletin for October 1918, the real "inflation" or abnormal expansion of currency in the United States is less

than the figures nominally representing the growth of the circulation, the contraction which has already occurred within the short space of a month or a little more suggests that it may not be long before this excess expansion will be materially reduced."

As to the business situation and outlook the Review emphasizes the fact that the country is now passing through a period of transition in which extensive readjustments affecting both capital and labor are a characteristic feature. It calls attention to the study that is being given the problem of current business in other countries and the tendency there to return to a stable price level.

"Reports of business conditions" made to the Board by Federal Reserve agents it is noted, "show that the return of active production and consumption is being retarded by high expenses of production. Uncertainty, not only among consumers, but also among those who would ordinarily be in the market for raw materials with which to manufacture goods, concerning the possibility or probability of a further drop in values, tends in the same direction. It is argued that any such decline will be carried by those who are at the moment in possession of the stocks of goods which are thus tending to move toward lower levels. Producers of secondary articles involving the application of large quantities of primary raw materials are reluctant to absorb the loss threatened, although some business men are showing a disposition to treat such losses as one of unavoidable charges upon business in the process of a speedy readjustment. The great volume of our export trade during the month of December furnishes a measure of foreign demand, but it remains true that this export trade is in large part concerned with raw materials, foods, and the like, and that we are still facing the problem of finding or making a market for our

manufactured goods in foreign countries, a process in which we can hardly hope to make the desired success so long as prices continue upon a level higher than that existing in other countries. Those countries which first succeed in readjusting their costs of production and restoring their industry to a normal level of values will be most successful in developing their exports and controlling the markets of consuming nations the world over. The facts in the case appear to be understood abroad, as is indicated by the content of the reports of the various boards and commissions which have lately been looking into the banking and credit situation and which have expressed their opinions with reference to the course properly to be followed in bringing about a return to stable conditions."

The Bulletin contains a reprint of the British report on "Financial Facilities" as well as a collection of recent important documentary material relative to gold production, central bank reserves and gold movements. Business conditions throughout the United States are surveyed at length, both as presented in the reports of Federal Reserve Agents and in those of the Federal Reserve Board's own business index section.

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

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ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
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W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

February 4, 1919

X-1376

SUBJECT: State Legislation to standardize reserves.

Dear Sir:

There are now in session, or will be during the year, the legislatures of about forty-three states, and the Board wishes to call your attention to the fact that the present is an opportune time for initiating any legislation that may be needed in connection with the membership of state banks in the Federal Reserve system.

In many of the states the laws which require separate reserves operate to deter state banks from becoming members, and you are urged to take steps to have bills introduced in the legislatures of the states in your district designed to bring about uniformity with respect to reserves and other requirements. There is enclosed herewith copy of a bill which has been introduced in several states, which bill has been prepared by the General Counsel of the Board after consulting with counsel of various Federal Reserve banks. In some of the states legislation has already been secured allowing state banks and trust companies, members of the system, to disregard the state statutes relating to reserves, and it has been found that applications from state banks have been most numerous in these states.

The Board would appreciate acknowledgment of this letter as well as a report as to the adequacy or the reverse of present laws of the various states in your district.

Very truly yours,

Governor.

An Act authorizing any bank or trust company incorporated under the laws of this Commonwealth to become a member of a Federal reserve bank; to vest in such bank all powers conferred on member banks; to provide that the exercise of such powers shall be subject to all of the provisions of the Federal Reserve Act and to regulations of the Federal Reserve Board, made pursuant thereto; to allow any such bank or trust company to comply with reserve requirements of the Federal Reserve Act in lieu of those established by this Commonwealth; to permit the authorities of this Commonwealth which supervise and examine banks and trust companies organized under its laws, to accept the examinations and audits made pursuant to the Federal Reserve Act in lieu of those required by the laws of this Commonwealth and to disclose to the Federal authorities information relating to the condition and affairs of banks and trust companies organized under the laws of this State which have become or which seek to become members of the Federal Reserve System.

Be it enacted by the Senate and House of Representatives of the Commonwealth of _____ in General Assembly met, and it is hereby enacted by the authority of the same.

SECTION 1. The words "Federal Reserve Act as herein used shall be held to mean and to include the Act of Congress of the United States approved December 23, 1913, as heretofore and hereafter amended.

The words "Federal Reserve Board" shall be held to mean the Federal Reserve Board created and described in the Federal Reserve Act.

The words "Federal reserve bank" shall be held to mean the Federal reserve banks created and organized under authority of the Federal Reserve Act.

The words "member bank" shall be held to mean any national bank, State bank or banking and trust company which has become or which becomes a member of one of the Federal reserve banks created by the Federal Reserve Act.

SECTION 2. That any bank or trust company incorporated under the laws of this Commonwealth shall have the power to subscribe to the capital stock and become a member of a Federal reserve bank.

SECTION 3. Any bank or trust company incorporated under the laws of this Commonwealth which is, or which becomes a member of a Federal reserve bank, is by this Act vested with all powers conferred upon member banks of the Federal reserve banks by the terms of the Federal Reserve Act as fully and completely as if such powers were specifically enumerated and described herein, and all such powers shall be exercised subject to all restrictions and limitations imposed by the Federal Reserve Act, or by regulations of the Federal Reserve Board made pursuant thereto. The right, however, is expressly reserved to revoke or to amend the powers herein conferred.

SECTION 4. A compliance on the part of any such bank or trust company with the reserve requirements of the Federal Reserve Act shall be held to be a full compliance with those provisions of the laws of this State which require banks or trust companies to maintain cash balances in their vaults or with other banks, and no such bank or trust company shall be required to carry or maintain reserve other than such as is required under the terms of the Federal Reserve Act.

SECTION 5. Any such bank or trust company shall be subject to the examinations required under the terms of the Federal Reserve Act, and the authorities of this State having supervision over such bank, may in their discretion accept such examination in lieu of the examination required under the laws of this Commonwealth. Such authorities, their agents and employees, may furnish to the Federal Reserve Board, the Federal reserve banks, or to examiners duly appointed by the Federal Reserve Board, or the Federal reserve banks, copies of all examinations made, and may disclose to such Federal Reserve Board, Federal reserve banks, or examiner, any information with reference to the condition or affairs of State banks or trust companies organized under the laws of this State which become members of a Federal reserve bank, or which apply for membership in a Federal reserve bank.

SECTION 6. All acts and the parts of acts inconsistent herewith are hereby repealed.

4-13-18

FEDERAL RESERVE BOARD

STATEMENT FOR THE PRESS.

For release afternoon
papers February 7, 1919.

Business conditions throughout the United States are reported by the Federal Reserve Board in its February Bulletin as follows:

Business Conditions in January, 1919.

"Practically throughout the country the month of January has been characterized by the uncertainty incident to a period of transition in business. In some cases more readjustment than had been expected has proved to be necessary. Favorable developments which some had thought would present themselves immediately after the conclusion of the armistice with Germany have been delayed. There has, therefore, been "hesitation" in business but not essential loss of confidence in the future of the general situation. Vast changes are now occurring in industry and extensive readjustments in labor. Slackening in productive effort is reported from manufacturing districts, but retail trade has as yet shown only moderate decline and in some cases little or none. Such dullness as exists is attributed to the usual after-holiday reaction, and it is the general opinion that the influence of changes in manufacturing and wholesaling lines have not yet reached the retailer and consumer.

"In the manufacturing field the changes that are taking place are affected primarily by alterations in the prices of raw materials and changes in the direction of demand. The extensive cancellation of Government war contracts has resulted in modifying the plans of many producers, while the withdrawal of Government restrictions upon the movement of raw materials has led others to the adoption of a conservative policy, pending the "settling down" of prices upon a stable basis. The changes that have taken place are, however, described as being productive of less disturbance than might reasonably have been expected, while the tone of the business community and its expectation of prosperous conditions to develop in the near future is strong. There has been some disappointment over the failure of export trade in manufactures to develop promptly, but confidence in the capacity of export demand to develop vigorously is still felt.

"In a variety of lines in which the Government has controlled the bulk or a large part of the stock of a commodity, the process of bringing about readjustment is not proving easy. The wool auctions, for example, which were first held seemed to be on too high a price basis, but subsequent revisions of prices have brought about better buying and stronger demand. The large supply of wool now available has limited

buying in South America. Producers of dry goods, however, find trade slack, while in the cotton trades reductions of prices which have already occurred are the largest at any time since the Civil War, and the profits at the mills have been correspondingly curtailed. Nevertheless, buyers are still reluctant to take the product off the hands of the manufacturers at existing levels. In the consuming parts of the country purchases of retailers are nevertheless reported about normal, although in many places buyers are cautiously operating upon a cash basis, so far as practicable. In leather and shoes prices continue high and retailers' stocks are reported low. The steel business has been unsatisfactorily small, and as a rule the industry has not much more than a month's orders ahead. Although a reduction of prices ranging from \$4 to \$6 per ton on finished materials had been recommended before the close of 1918, demand has not been enlarged, while the purchases of the shipbuilding companies and the railroads have fallen off materially. Purchases for building purposes have been small and would-be consumers who had made contracts at high prices have demanded a revision of the rates charged them.

"Price movements show, on the whole, a general tendency to decline, which has become more marked since the opening of the new year. While the general index number of the Bureau of Labor Statistics remains unchanged at 206, the number for producers' goods as computed by the Federal Reserve Board shows a falling off from 205 in November to 199 in December. In raw materials there is a slight increase from 197 to 198 due to an increase in the prices of farm products from 234 in November to 237 in December. Animal products remained unchanged at 208, as did forest products at 105, while mineral products declined from 183 to 182.

"On the other hand, consumers' goods showed a continued increase, rising from 214 in November to 216 in December. During the early part of January there was a sharp downward tendency in many classes of prices, particularly in staple woolens, cottons, iron and steel, and finally in some classes of farm products. The movement toward price reductions is now fully under way. From the second district it is reported that producers of raw materials and manufacturers generally express the belief that prices will hold about as they are now, at least for a considerable time to come, and that those which are holding off from purchasing in the hope that prices will be lower soon are likely to be disappointed. Retailers and jobbers, however, take the view that prices must come down, and that while there has been a seller's market for the past four years, the situation is now entirely changed and we are having a buyer's market. An interesting evidence of this is given by an important firm dealing largely in dry goods, which states that those who speculated too freely in piece goods have been obliged to cut prices sharply, so that woolens and worsteds are offered to-day on a lower basis than mills can manufacture them.

"The volume of business during the month, as already indicated, has shown a decided slackening in most productive lines. Information received by the Board's business index reporting section, covering returns up to the end of December, indicates an upward movement in total receipts of grain at primary and secondary markets, while shipments from these same points show a further slight decrease. Stocks on hand in these markets at the close of the month are not materially changed, the aggregate reported at the end of December being 427,000,000 bushels of total grains. The movement of grains, both to and away from the markets, was practically parallel, figures showing substantially the same increases and declines expressed in terms of percentages as to wheat, oats, corn, barley, and rye. Flour production has increased about 20 per cent during the month, the stocks on hand at the close of the month, however, remaining practically unchanged. In the coal trade, bituminous production shows recovery, but has not yet reached the high normal level established during the month of October. Anthracite production still shows a decline as compared with October and even with November, when the influenza epidemic was at its worst. The production of beehave coke for the month of December was 2,255,000 tons, which is lowest since February 1918. The by-product, however, shows an increase over November, the figure being practically the same as for October, which was the high month of the present year. Conditions during the early part of January indicate continued increase in the production of anthracite and bituminous coal, as compared with the low point reached during the holidays, and are practically back to the standard of the first half of December. In iron and steel, production during December shows an increase in pig iron and a slight falling off of about three points in steel ingot production, the index number (1911-1913 average being taken as a basis) being 128 for November and 125 for December. The corresponding index numbers for pig iron were 145 for November and 148 for December. Unfilled orders of the U. S. Steel Corporation at the close of December were 7,380,000 tons, as against 8,125,000 tons a month earlier, the index number being 154 for November, as against 140 for December.

"Information for the first two weeks of January, which was transmitted by one of the principal producing centers, indicates that the production of steel mills in the district is about 65 per cent of capacity, such production, however, being equal to about 90 per cent of the prewar production of the plants. In the non-ferrous metals, reports from various producing districts are unfavorable. In Colorado the value of gold, silver, copper, lead, and zinc was only \$33,000,000 for 1918, a falling off of \$10,000,000 from the previous year. In the Joplin district the end of the war brought an end of the price agreement on high-grade zinc ores, and the price of all grades of zinc blende was \$44.60 in December against \$56.20 in November. Sales were about stable, or 26,000 tons per month. In spelter the decline in prices brought an increased production in December the output being 47,000 tons, the largest figure since April, 1918. The stocks on hand at the close of the year increased slightly over the figures for the close of October and the close of November. Lead showed the sharpest reduction in prices yet recorded, going down from \$100 per ton early in December, and \$65 at the close of the month. Wages were cut correspondingly.

X-1377

"Cattle receipts at the six markets of the Kansas City district have been about 43 per cent larger than in January a year ago and have shown a higher level of prices than prevailed at the beginning of last year. The supply and movement of meat animals is more extensive than at the opening of 1918 and receipts of hogs as well as of sheep are particularly heavy. Packers report a continued run of the heaviest business they have ever handled. Cotton consumed during the month of December was slightly larger than during November, the relative index numbers being 101 and 105, respectively. During the early part of January there has, however, been a tendency of cotton consumption to decline. The number of active spindles during December was slightly more than during November, but since the opening of January has also shown a tendency to fall off. Both cotton and woolen mills are rigidly curtailing their production for the first time in three or four years.

"Labor is passing through a period of redistribution. Demobilization is proceeding rapidly and is already liberating a considerable quantity of men available for employment, while it is also bringing about a redistribution of men, many deciding not to return to their original places of residence. On the other hand, many employees are being set free in the so-called "war industries". The process of absorbing the labor made available in these two ways into other lines is still relatively slow. In spite of the existence of unemployment at some points, this condition has not become sufficiently general to cause serious difficulties thus far, and the early restoration of full activity in business, if accomplished, may result in absorbing the surplus supply of labor from the market comparatively soon.

"The labor situation varies very greatly from place to place, and in some of the eastern sections of the country where returned soldiers have been demobilized in large numbers unemployment presents a problem of difficulty.

"The following table prepared by the United States Employment Service gives a general estimate of the situation beginning with the week ending November 30, 1918:

Week ending.	Number cities reporting	Number cities showing shortage	Estimated shortage	Number cities showing surplus	Estimated surplus	Number cities showing industrial relations as:		
						Good	Unsettled	Active
1918								
Nov. 30...	115	29	33,878	12	11,114	90	12	5
Dec. 7...	122	29	48,226	16	22,200	91	8	5
Dec. 14...	122	30	47,130	26	30,000	95	7	4
Dec. 21...	120	25	41,002	37	66,350	88	7	7
Dec. 28....	122	26	35,542	41	91,889	91	6	7
1919								
Jan. 4...	121	27	33,397	48	120,682	87	9	6
Jan. 11...	122	22	20,033	47	176,145	81	8	8
Jan. 18...	122	18	18,644	55	211,700	83	12	12
Jan. 25...	122	18	14,350	61	258,332	83	14	8

"At Cleveland the unemployed, as reported by the United States Employment Service, for the week ending January 25, 1919, amount to 65,000, as compared with 55,000 for the preceding week; Detroit, 33,000, as compared with 30,000; Buffalo, 17,000 as compared with 15,000; Milwaukee, 10,000, as compared with none; and Seattle, 10,000, as compared with 8,000. Other cities showing a considerable surplus are the following: Toledo, 9,000; Dayton, 8,000; Pittsburgh, 8,000; Butte, 7,500; Bridgeport, 7,000; Portland, Ore., 6,500; New Haven, 6,000; Worcester, 6,000; Minneapolis, 5,000; and Syracuse, 5,000.

"There has been some measure of industrial unrest evidenced by strikes, but several of these have already been settled, among them that of the New York City workers in men's and boys' clothing, who, to the number of over 50,000, have been out for three months. They returned to work on January 23, the employers having granted their demand for a 44-hour working week. A strike of 23,000 employees of the General Electric Co. at Schenectady began December 19 and ended January 11.

About 15,000 members of the Marine Workers Union quit work January 9, tying up practically all shipping in New York harbor, but returned to work January 12, and the Federal War Labor Board is conducting hearings on the matters in dispute, which include wages and hours. The only large strike pending in the New York district is that called on January 21 and involving about 35,000 garment workers in the New York City waist and dress trade. In Connecticut the labor situation is bad and there is an over-supply due to the discharge of employees from munitions factories. Somewhat the same situation exists throughout the manufacturing district of New England, with some few exceptions, the most favorable position being found where progress has been made toward the readjustment of industry to peace conditions, and where consequently demobilized labor has been readily reabsorbed. In the agricultural regions labor is still scarce and expensive. On the Pacific coast there is some unemployment, but the bulk of the labor available has been rapidly reabsorbed. It is still too soon to state with any degree of certainty how the labor situation will develop after industry has been reconverted to its normal basis.

"It had been expected that building would almost immediately expand with the removal of restrictions which had been imposed upon the movement of materials, but in most districts it would seem that recovery has been thus far very small. There is still considerable confidence that building must promptly be resumed on account of the shortage of accommodations for business and for dwellings, but the high prices which still prevail have prevented would-be builders from embarking on any large operations thus far. In lumber and other articles classed as materials, prices have in some sections advanced even above war levels since the removal of Government restrictions, while men employed in the building trades are in some cases asking higher wages than they received during the war period. These factors tend to prevent recovery in construction.

"Financially it is reported that banking conditions are encouraging. Money is flowing back to the financial centers, and there has been a shrinkage in the outstanding volume of Federal Reserve notes at a number of banks. United States Treasury certificates have generally been satisfactorily disposed of, although some banks have had trouble in absorbing their quota. This has led to some increase in rediscounting at a number of banks. During the past 10 days, however, there has been an easier tendency in money and rates have been lower. In some sections banks have not taken up their entire quota of Treasury certificates. Commercial paper is markedly easier, especially for the prime varieties, but rates for collateral loans are but slightly changed. The rate tends to become firm as the period of the paper increases. Financing in the form of short-term notes and bonds has been successful, but rates have been firm to strong.

Foreign loans sold in the New York market during the month of December were offered on terms very favorable to the investor, the conditions indicating clearly appreciation on the part of borrowers that the supply of available capital is not overabundant. In New York call loans have fallen from 6 per cent to 5 per cent, and occasionally a renewal rate of 4 per cent was made. Time money is not only somewhat lower in the New York market, ruling toward the end of January at 5 per cent to $5\frac{1}{2}$ per cent, but is distinctly more abundant.

X-1380

February 13, 1919.

CONFIRMATION OF TELEGRAM:

To all Federal Reserve Agents except New York, Richmond,
Dallas and San Francisco.

SUBJECT: Release of Annual Report of Federal Reserve Agents.

In response to several inquiries, Board has no objection to the immediate release of the text of your annual report as printed in returned galley proof or a press summary thereof, but exhibits should not be published until after the final report has been released by the Board. Before final publication by the Board, the figures reported by the Reserve Agents must be checked and reconciled with the figures compiled by our Statistical Division. The numerous corrections and adjustments will probably delay final publication for several weeks.

If you desire to release text or a press summary before that time, you should arrange to have printing done locally as separate reprints in pamphlet form can be furnished by Government Printing Office only after full report has been printed.

Please acknowledge.

BRODERICK.

76

TELEGRAM
FEDERAL RESERVE BOARD
WASHINGTON

X-1382

CONFIRMATION

February 17, 1919.

Telegram to all Federal Reserve Agents.

SUBJECT: Statement by Federal Reserve Agents as to
readjustment of business in their districts.

Please get fullest specific information obtainable and send in connection with your monthly report of business conditions or as a separate report, statement of extent to which business in your district has readjusted itself to peace conditions, showing how far labor has been reemployed in peace activities, how far the industries of the district readjusted themselves, what changes in basic prices have occurred, how far demand has resumed its normal footing, what special difficulties are being encountered, what is the outlook for business both domestic and export and what is the prevailing tone of business sentiment. Please acknowledge.

BRODERICK.

F E D E R A L R E S E R V E B O A R D

Statement for the Press.

February 18, 1919.

- X-1384

Release for morning papers
Wednesday, February 19, 1919.

The Federal Reserve Board having been advised that at the last meeting of the Board of Directors of the Federal Reserve Bank of Atlanta the resignation of Mr. J.A. McCord as Governor of that Bank was accepted, and that Mr. M.B. Wellborn, Chairman of the Board and Federal Reserve Agent has been elected Governor effective March 1st, has appointed Mr. McCord as Class C Director for a term ending January 1, 1921, and designated him as Chairman of the Board and Federal Reserve Agent for the calendar year 1919. The Board is also advised that the Directors of the Atlanta Bank have elected Mr. L.C. Adelson, Assistant Secretary of the Federal Reserve Board and Assistant Chief of its Division of Audit and Examination, as Deputy Governor of the Atlanta Reserve Bank. Mr. Adelson having accepted this position, his connection with the Federal Reserve Board will terminate March 1st.

F E D E R A L R E S E R V E B O A R D

February 24, 1919. X-1386

CONFIRMATION TELEGRAM

Federal Reserve Agent,

Boston	Richmond	Minneapolis
New York	Atlanta	Kansas City
Philadelphia	Chicago	Dallas
Cleveland	St. Louis	San Francisco

Beginning Friday February 28 please add in your weekly telegraphic reports new item code MUSS giving for your bank contingent liability as endorser on bills rediscounted with or sold to other Federal Reserve banks. This item will be shown for each bank in Board's weekly statement and should likewise be shown in your own weekly press statement.

Secretary.

EX-OFFICIO MEMBERS

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FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
L. C. ADELSON, ASSISTANT SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

X-1389

Dear Sirs:

Inclosed herewith I hand you copies of two letters from the Treasury Department containing statements of the cost of preparing Federal Reserve notes during the month of last, the total amount chargeable against your bank being \$

Will you please deposit this amount in the General account, Treasurer, U. S., on your books, and issue C/D on form 1, National Banks, for credit of "Salaries & Expenses, Federal Reserve Board, Special Fund," cost of preparing Federal Reserve notes, mailing duplicate C/D to the Federal Reserve Board.

Your prompt attention to this matter will be appreciated.

Very truly yours,

Fiscal Agent.

Inclosures.

TREASURY DEPARTMENT

WASHINGTON

February 12, 1919.

The Governor,
Federal Reserve Board.

Sir:

By direction of the Secretary, you are advised that the Department has referred to the Auditor for the Treasury Department for settlement the account of the Bureau of Engraving and Printing for preparing Federal Reserve Notes, Series 1918, during the period January 1, 1919, to January 31, 1919, amounting to \$742.85, as follows:

	<u>\$1,000</u>	<u>\$5,000</u>	<u>\$10,000</u>	<u>Total.</u>
Boston.....	6,000	-----	-----	6,000
New York.....	1,000	1,000	1,000	3,000
Philadelphia....	2,500	-----	-----	2,500
Cleveland.....	500	-----	-----	500
Atlanta.....	500	-----	-----	500
Chicago.....	2,000	400	200	2,600
San Francisco...	1,500	-----	-----	1,500
	<u>14,000</u>	<u>1,400</u>	<u>1,200</u>	<u>16,600</u>

16,600 sheets, at \$44.75..\$742.85

The charges against the several Federal Reserve Banks are as follows:

	<u>Bureau appropriations</u>					<u>Total</u>
	<u>Sheets</u>	<u>Compen- sation</u>	<u>Plate Printing</u>	<u>Mater- ials</u>	<u>Inc. Com- pensation</u>	
Boston.....	6,000	\$91.50	\$77.88	\$83.28	\$15.84	\$268.50
New York.....	3,000	45.75	38.94	41.64	7.92	134.25
Philadelphia....	2,500	38.13	32.45	34.70	6.60	111.88
Cleveland.....	500	7.62	6.49	6.94	1.32	22.37
Atlanta.....	500	7.63	6.49	6.94	1.32	22.38
Chicago.....	2,600	39.65	33.75	36.09	6.86	116.35
San Francisco....	1,500	22.87	19.47	20.82	3.96	67.12
	<u>16,600</u>	<u>\$253.15</u>	<u>\$215.47</u>	<u>\$230.41</u>	<u>\$43.82</u>	<u>\$742.85</u>

The Bureau appropriations will be reimbursed in the above amount from the indefinite appropriation "Preparation and Issue of Federal Reserve Notes, Reimbursable," and it is requested that your Board cause such indefinite appropriation to be reimbursed in like amount.

Respectfully,

R. C. Leffingwell,

Assistant Secretary of the Treasury.

TREASURY DEPARTMENT

K-1387

WASHINGTON

February 12, 1919.

The Governor,
Federal Reserve Board.

Sir,

By direction of the Secretary, you are advised that the Department has referred to the Auditor for the Treasury Department for settlement the account of the Bureau of Engraving and Printing for preparing Federal Reserve Notes during the period January 1 to January 31, 1919, amounting to \$243,171.50 as follows:

	\$5	\$10	\$20	\$50	\$100	Total
Boston.....	185,000	214,000	252,000	4,000	11,000	666,000
New York.....	210,000	331,000	284,000	8,000	1,000	834,000
Philadelphia....	192,000	62,000	80,000	----	----	334,000
Cleveland.....	205,000	95,000	90,000	31,000	----	421,000
Richmond.....	174,000	40,000	76,000	12,000	4,000	306,000
Atlanta.....	14,000	246,000	165,000	4,000	----	429,000
Chicago.....	170,000	362,000	232,000	4,000	2,000	770,000
St. Louis.....	95,000	220,000	60,000	4,000	----	379,000
Minneapolis....	55,000	80,000	89,000	----	----	224,000
Kansas City....	155,000	134,000	186,000	----	1,000	476,000
Dallas.....	30,000	168,000	22,000	----	----	220,000
San Francisco...156,000	114,000	105,000	----	----	----	375,000
	<u>1,641,000</u>	<u>2,066,000</u>	<u>1,641,000</u>	<u>67,000</u>	<u>19,000</u>	<u>5,434,000</u>
	5,434,000 sheets at \$44.75.....					\$243,171.50

The charges against the several Federal Reserve Banks are as follows:

Sheets.	Bureau appropriations				Total	
	Compen- sation.	Plate Printing	Materials	Inc. Com- pensation.		
Boston.....666,000	\$10,356.50	\$8,644.68	\$3,244.08	\$1,758.24	\$29,803.50	
New York.....834,000	12,718.50	10,825.32	11,575.92	2,201.76	37,321.50	
Philadelphia..334,000	5,093.50	4,335.32	4,635.92	881.76	14,946.50	
Cleveland....421,000	6,420.25	5,464.58	5,843.48	1,111.44	18,839.75	
Richmond.....306,000	4,666.50	3,971.88	4,247.28	807.84	13,693.50	
Atlanta.....429,000	6,542.25	5,568.42	5,954.52	1,132.56	19,197.75	
Chicago.....770,000	11,742.50	9,994.60	10,687.60	2,032.80	34,457.50	
St. Louis.....379,000	5,779.75	4,919.42	5,260.52	1,000.56	16,960.25	
Minneapolis...224,000	3,416.00	2,907.52	3,109.12	591.36	10,024.00	
Kansas City...476,000	7,259.00	6,178.48	6,606.88	1,256.64	21,301.00	
Dallas.....220,000	3,355.00	2,855.60	3,053.60	580.80	9,845.00	
San Francisco.375,000	5,718.75	4,867.50	5,205.00	990.00	16,781.25	
	<u>6,434,000</u>	<u>\$82,868.50</u>	<u>\$70,533.32</u>	<u>\$75,423.92</u>	<u>\$14,345.76</u>	<u>\$243,171.50</u>

The Bureau appropriations will be reimbursed in the above amount from the indefinite appropriation "Preparation and Issue of Federal Reserve Notes, Reimbursable," and it is requested that your Board cause such indefinite appropriation to be reimbursed in like amount.

Respectfully,

R. C. Leffingwell,

Assistant Secretary of the Treasury.

EX-OFFICIO MEMBERS

CARTER GLASS
 SECRETARY OF THE TREASURY
 CHAIRMAN
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FEDERAL RESERVE BOARD

WASHINGTON

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 W. T. CHAPMAN, ASSISTANT SECRETARY
 W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
 FEDERAL RESERVE BOARD

February 26, 1919.

X-1390

SUBJECT: Topics suggested by Federal Reserve Board for discussion
 at Conference with Governors of Federal Reserve Banks,
 March 20, 1919.

Dear Sir:

There is enclosed herewith a tentative list of topics which the Board desires to discuss with the Governors at the meeting to be held in the Assembly Room, Metropolitan Bank Building, Thursday, March 20th. Ample time will be afforded for the discussion of any other topics which may be submitted by the Governors or any of them, as well as matters pertaining to the Victory Loan.

Very truly yours,

Governor.

CONFERENCE WITH GOVERNORS

OF

FEDERAL RESERVE BANKS

MARCH 20, 1919.

CONFERENCE WITH GOVERNORS

GENERAL FINANCIAL SITUATION: Present Problems.

1. DOMESTIC

(A) Present financial conditions.

1. Reserves and Loans of Federal Reserve Banks
2. Money Market
3. Investment market

(B) Government Financial Program

(C) Railroad Financing - Temporary and Permanent

(D) Settlement for unfinished Government Contracts

(E) Probable effect of Topics B, C, and D upon Reserve and Loan condition of Federal Reserve Banks; money market at financial centers, general investment market.

II. FOREIGN

(A) Effect upon financial and business conditions in United States of:

1. Signing Treaty of Peace
2. Discontinuance of Government Loans to Allies
3. Discontinuance of Supervision of Foreign Exchange transactions
4. Discontinuance of control of gold exports (Extent to which gold may be shipped to foreign countries.)

(B) Financial Relations with Foreign Countries

1. Present indebtedness of Allies
2. Present favorable trade balance
3. Adjustment of 1 and 2, and the effect upon future trade

(C) Development of Trade with Foreign Countries

1. Financial facilities.
2. Shipping facilities.
3. Formation of export corporations and associations.
4. Cooperation with Governmental agencies.

(D) Providing means of Payment for Commodities

1. Acceptance credits to finance exports and imports
2. Long term credits to finance American exports
3. Necessity for establishment and development of broad market for securities of foreign governments and corporations.
4. International Gold Clearance Fund - Use of plan of earmarking gold.

TOPICS SUGGESTED FOR
DISCUSSION AT
CONFERENCE WITH GOVERNORS
OF
FEDERAL RESERVE BANKS

March 20, 1919.

Meeting in Assembly Room,
Metropolitan Bank Building,
at 10:30 A.M.

TOPICS SUGGESTED FOR DISCUSSION AT CONFERENCE WITH GOVERNORS
OF FEDERAL RESERVE BANKS, MARCH 20, 1919.

X-1390a

Meeting at Assembly Room, Metropolitan Bank Building, at 10:30 a. m.

1. DISCOUNT POLICIES:

- a. How long should Reserve banks continue the present differential rates in favor of notes secured by Government obligations?
- b. Current rates of member banks for bank loans in the several Reserve districts, and their relation to present rediscount rates of Federal Reserve Banks.
- c. Liquidation of Government secured paper at Reserve banks.
- d. Expression of opinion as to the length of time which will be required to make a permanent distribution of the Government securities held by member banks.
- e. Discussion of recommendations made by Advisory Council as to discount rates and policies.

2. BANKERS' ACCEPTANCES - OPEN MARKET:

- a. Development of open market.
- b. Is a low rate at Federal Reserve Banks necessary to develop the acceptance market?
- c. Reserve Bank - policies in making purchases:
 1. Direct from accepting banks.
 2. From member banks, with or without endorsement (miscellaneous bills other than own acceptances).
 3. Through brokers and accepting houses.
 4. Through other Federal Reserve Banks.
 5. Through brokers or banks other than Reserve banks, of acceptances of member banks in other districts.
- d. Sales of acceptances to other Reserve banks with or without Reserve bank endorsement.
- e. Expression of opinion is asked as to desirability of Reserve bank making miscellaneous sales of bankers' acceptances:
 1. To member banks in its own district.
 2. To other banks, bankers, brokers or accepting houses in its own district.

3. To banks, bankers, brokers or accepting houses in other districts.

f. Necessity for general cooperative policy covering all interdistrict purchases, sales and rediscounts.

3. BANKERS' ACCEPTANCES- GENERAL:

- a. To what extent is inquiry made by Reserve Banks to determine eligibility of bankers' acceptances?
- b. Distinction - foreign and domestic acceptances as to security required at the time of and subsequent to acceptance.

4. BANKERS' ACCEPTANCES - DOMESTIC:

- a. Use and abuse of domestic acceptance.
- b. Custody of collateral.
- c. Discrimination in purchases by Reserve Banks.

5. LOANS TO MEMBER BANKS:

- a. What is the policy with respect to discount by Reserve banks of notes and bills secured by commodities; margin required?
- b. The attention of the Board has been called to what has been termed "extraordinary liberality of loans to small member banks". The margin between the Reserve bank discount rate and the rate charged to customers of rediscounting bank tends to encourage easy credit.

Discussion as to extent to which small banks or institutions which are in a weak or over-extended condition should be permitted to rediscount with Reserve bank; necessity for careful analysis of the credit statements submitted before rediscounting; and requirements as to additional collateral. Desirability of special credit investigations in cases where a bank offering paper is over-extended, or where an over-liberal loan tendency is apparent.

6. CREDIT STATEMENTS:

- a. Extent to which reliance is placed upon the standing and condition of an endorsing bank and its certificate as to the eligibility of notes submitted for rediscount, rather than determination as to eligibility as well as desirability, through analysis of financial statement of the payers of the notes rediscounted.

- b. Corporations operating subsidiary companies; suggested requirement, that such companies furnish to Reserve banks, separate financial statements of parent and all principal subsidiary corporations as of the same date.

X-1390a

7. REDISCOUNTS BETWEEN RESERVE BANKS:

At present, when the reserve percentage against combined note and deposit liabilities is reduced to about 40%, bills are sold to or rediscounted with other Federal Reserve Banks. At present the reserve percentage of a number of Reserve banks is in excess of 65%. It has been suggested that the rediscounting point be raised from 40% to 45%.

8. CREDIT BAROMETRICS:

Consideration of the suggestions made by A. Wall of Detroit, that a Bureau of Barometrics be established by the Federal Reserve Board. Would the benefits warrant the expense?

9. RESERVE BANK BUILDINGS:

Need for cooperation and interchange of ideas in the development of plans for the erection of new bank buildings, installation of vaults and other equipment.

10. RESERVE BANK INSURANCE:

Central Insurance Agency:

1. Is it desirable to establish or appoint a central insurance agency to represent all the Reserve banks, in placing registered mail and other insurance? It is claimed that this plan will have the advantage of uniformity in policies and rates, and that better results will be obtained for the twelve banks acting in unison rather than as twelve separate units as at present.

Limited Self Insurance

A Reserve bank has submitted to the Federal Reserve Board for approval a plan for the readjustment of its fidelity insurance, which contemplates:

- a. Primary individual bonds.
- b. Excess insurance, bankers' blanket policy, and Lloyd's blanket policy to be continued until accumulation in "self insurance fund" would justify the discontinuance of such excess insurance.

- c. The setting aside annually out of earnings of a stated sum over and above cost of primary bonds and excess insurance while the latter is maintained, to constitute an insurance reserve fund.

It has been suggested that if this plan can legally be adopted, it might be well to have that or a similar plan in other Federal Reserve Banks, or have the twelve banks join in establishing one "Insurance Reserve Fund".

11. BRANCHES OF FEDERAL RESERVE BANKS:

Expression of opinion is desired from the Governor of each Federal Reserve bank having branches as to:

- a. The extent of service rendered to member banks.
- b. The value of such service to member banks of the district in which the branch is located.
- c. Extent and value of service rendered by the Branch to other Federal Reserve banks.
- d. Cost of operating branches.
- e. Branches with limited functions.
- f. Use of agencies instead of branches.

12. CONCENTRATION OF GOLD AT FEDERAL RESERVE BANKS:

- a. Possibility of further increase in gold holdings.
- b. Demand for gold:
 - 1. In exchange for Federal Reserve notes redeemed at Federal Reserve Banks.
 - 2. For other purposes.

13. INTER-DISTRICT COLLECTION SYSTEM:

- a. Suggestions as to improvement in present facilities so that Reserve banks may render increased or better service to member banks.
- b. Desirability of harmonizing present interdistrict time schedules, at least between Federal Reserve cities.
- c. Reduction in float carried by Reserve banks.
- d. Recommendation of Federal Advisory Council that items be sent directly to city or town in which they are payable.

14. LEASED WIRE SERVICE:

- a. Probability that entire cost will have to be assumed by Reserve banks after the Victory Loan Bond campaign has been completed.
- b. Suggestions as to improvements in present service.

15. PENALTIES FOR DEFICIENCIES IN MEMBER BANK RESERVES:

Desirability of adoption of uniform method of determining deficiencies in reserves and assessing penalties.

16. FORM OF APPLICATION FOR EMPLOYMENT AT FEDERAL RESERVE BANKS:ADDITIONAL TOPICS FOR DISCUSSION17. NATIONAL BANK NOTES:

Suggestion of Federal Advisory Council that Reserve banks receive national bank notes on deposit and pay out in place of them clean Federal Reserve notes.

18. OFFICERS OF FEDERAL RESERVE BANKS ACTING ON COMMITTEES OF BANKING ASSOCIATIONS.19. DIRECTORS AND OFFICERS OF F.R. BANKS - MENTION OF CONNECTION WITH FEDERAL RESERVE BANK IN DEALING WITH PRIVATE ENTERPRISES IN WHICH THEY MAY BE INTERESTED.20. PAR POINTS:

Campaign for additional par points.

21. CHECKS AVAILABLE BUT NOT PAYABLE AT A F.R. BANK.

Suggestion that Clearing Houses put on discretionary list checks marked "The amount of this check is immediately available without deduction upon presentation at the Federal Reserve Bank of _____."

22. SUGGESTED AMENDMENT TO SECTION 5202 OF REVISED STATUTES:

Suggestion by Federal Advisory Council removing limit of bills that a bank might negotiate by indorsement.

TOPICS SUGGESTED BY GOVERNORS

23. Failure to obtain duplicate checks to replace checks deposited by the Collector of Internal Revenue, and lost in the mails.

Suggested by:
Govr. McDougal

-6-

X-1390a

- | | | |
|-----|---|---|
| 24. | Penalties for deficiencies in reserve. (On the program suggested by the Board -Topic No.15) | <u>Suggested by:</u>
<u>Govr. McDougal</u> |
| 25. | Uniform title for Bond Departments in Federal Reserve Banks. | <u>Govr. Miller</u> |
| 26. | Advisability of securing an amendment to the postal laws increasing the weight limit on franked mail matter. | " " |
| 27. | Our general campaign for additional par points, and, in connection with this, our campaign for the purpose of increasing State bank membership. (See Board's Topic No.20) | <u>Dep. Govr. Curtis</u> |
| 28. | How can excessive borrowing on the part of individual banks be best regulated? (See Board's Topic No. 5b) | " " |
| 29. | Exchange charged by New York banks on Federal Reserve exchange drafts. | " " |
| 30. | Uniform form of endorsement stamps used by Federal Reserve banks and their members authorized to send items direct. | " " |
| 31. | Present method of recovering for postage and insurance for shipments between Federal Reserve banks. | " " |
| 32. | Real estate and bank building. (See Board's Topic No.9) | " " |
| 33. | Duties of the Federal Reserve Agent, and proper coordination of his work with that of the Governor. | " " |
| 34. | Formation of Credit Department and the extent to which the banks are justified in getting first-hand information regarding paper offered for rediscount. | " " |
| 35. | Calculation of interest. Treasury Department pays on a 365-day basis while all the Federal Reserve banks except those of New York and Boston calculate interest and discount on a 360-day basis. Canot uniformity be obtained in this regard? | " " |
| 36. | Necessity for the banks maintaining an agency to count and witness the destruction of Federal Reserve bank notes. | " " |

EX-OFFICIO MEMBERS
CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD
WASHINGTON

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W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT
ADDRESS REPLY TO
FEDERAL RESERVE BOARD

February 27, 1919. X-1391

SUBJECT: Release of monthly reports of business conditions by Federal Reserve Agents.

Dear Sir:

In response to frequent suggestions for the release of monthly reports of business conditions to member banks and local newspapers at an earlier date than the first of the month, you are advised that hereafter such reports will be issued as "Report of Federal Reserve Agent" and not as heretofore "Report to the Federal Reserve Board", and may be released on or after the 25th of each month.

The report to be issued should be in the hands of the Board however, not later than the 20th of each month.

Very truly yours,

Secretary.

Release for morning papers,
March 1, 1919.

X-1392

Restrictions placed upon foreign trade by reason of war conditions are being raised from time to time as fast as compatible with the best interests of the Nation. Acting upon advice from the State Department, the Federal Reserve Board, the War Trade Board and the cable and postal censors, acting simultaneously, announce the raising of restrictions affecting foreign exchange transactions, foreign trade and commercial and financial cables and communications. The Federal Reserve Board announces that dealers (in foreign exchange) as defined under the Executive Order of the President of January 26, 1918, may now, and until otherwise instructed, make transfers of funds to persons, not enemies or allies of enemies, resident as follows:

Roumania,
Serbia,
Syria,
Mesopotamia,
Finland,
Bulgaria,
Turkey in Asia,
Turkey in Europe,
All Black Sea Ports,
Bohemia and Moravia (as existing August 1, 1914).
Within territory included in the line set out in Article 3
of the Military clause of the Armistice Protocol of
November 3, 1918 (part of the Trentino)
Those portions of Palestine extending as far north as the
line from Alexandretta to Aleppo, inclusive, and as far
east as the Hedjaz Railway.

The Board also announces that foreign exchange dealers in future need not present for approval to it applications for travelers' letters of credit in excess of \$5,000, instructions to open Commercial letters of credit or to make transfers of funds for the purpose of purchasing commodities to be warehoused, or applications to open commercial credits for the purpose of exporting goods from one foreign country to another foreign country.

In making this announcement, the Board says:

"The withdrawal of these requirements does not remove the responsibility from dealers of taking proper declarations of non-enemy interest, nor from reporting to the Division of Foreign Exchange before taking any action in case they have reason to believe that any transaction requested of them would, if carried out, be detrimental to the interests of the United States."

The Board has also rescinded its regulation of June 11, 1918, in so far as it applies to advice to it of deposits by "dealers" for account of foreign

correspondents but still requires that dealers accepting such deposits demand from those making the deposits who may not be dealers, customers' statements describing the transactions. The Board calls the attention of dealers to the following facts:

1. The "Trading with the Enemy Act" is still law:
2. The Executive Order of The President of January 26, 1918, must be obeyed, together with the regulations which have been issued under it;
3. It is still against the law to make remittances to "enemy" territory without regard to whether it is at present within Allied control or not, except as permission is extended through the Division of Foreign Exchange.

As rapidly as it is found possible the Board will authorize transfers of funds to portions of enemy territory under Allied control.

It is interesting in this connection to read the following order issued by the Board.

"Until otherwise instructed the exportation or importation of Russian rubles, or the transfer of funds for their purchase by persons and dealers in the United States is prohibited."

Great Britain, Canada and France are acting coincidentally with the United States in the measures outlined.

F E D E R A L R E S E R V E B O A R D

CONFIRMATION OF TELEGRAM TO ALL FEDERAL RESERVE AGENTS
(EXCEPT BOSTON AND NEW YCRK)

February 17, 1919. X-1394

SUBJECT: Campaign for establishment of new par points.

Austin - Philadelphia
Wills - Cleveland
Hardy - Richmond
McCord - Atlanta
Heath - Chicago
Martin - St. Louis
Rich - Minneapolis
Ramsay - Kansas City
Farsay - Dallas
Ferrin - San Francisco

Please advise number of banks added to par list during month February and total additions since January first. Also as of close of business twenty-eight total number of national bank members, State bank members, nonmember banks on par list and nonmember banks not on par list.

BRODERICK

F E D E R A L R E S E R V E B O A R D

WASHINGTON

February 27, 1919.

X-1395

CONFIRMATION OF TELEGRAM TO ALL FEDERAL RESERVE AGENTS.

SUBJECT:State bank applications for membership.

Board urges that during the coming month you make a special effort to increase State bank membership. The excellent results accomplished in your district in the past are appreciated and it is hoped that the good work will be continued until every eligible solvent State bank has become a member of the System. Please acknowledge.

HARDING.

F E D E R A L R E S E R V E B O A R D

97

STATEMENT FOR THE PRESS

X-1398

Release for afternoon papers,

February 28, 1919.

Mr. Milton C. Elliott has resigned as General Counsel for the Federal Reserve Board to resume private practice. Mr. Elliott has been connected with the Federal Reserve System since its organization. In 1913 he was appointed Counsel to the Comptroller of the Currency and during that year as special representative of the Treasury Department he assisted in the revision of the bill which became the Federal Reserve Act, when it was under consideration by the Banking and Currency Committee of the Senate. This bill became a law on December 23, 1913, and Mr. Elliott was then appointed Secretary and Counsel of the Reserve Bank Organization Committee and as such had charge of the administrative and legal work of the Committee in organizing the twelve Federal Reserve Banks. When the Federal Reserve Board was organized he was appointed Counsel and has continued in that position since that time. Mr. Elliott has been retained as Consulting Counsel of the Federal Reserve Board at Washington.

Mr. George L. Harrison has been appointed General Counsel of the Board to succeed Mr. Elliott. Mr. Harrison, who has been Assistant Counsel for the Board since November 1, 1914, was formerly law secretary for Mr. Justice Holmes, of the United States Supreme Court, to which position he was appointed upon graduation from the Harvard Law School.

Washington, D.C.
February 28, 1919.

CONFIRMATION OF TELEGRAM TO ALL FEDERAL RESERVE AGENTS*

X-1399

February 28, 1919.

SUBJECT: Bankers acceptances; availability of proceeds.

Curtiss - Boston	Heath - Chicago
Jay - New York	Martin- St. Louis
Austin - Philadelphia	Rich - Minneapolis
Wills - Cleveland	Ramsay- Kansas City
Hardy - Richmond	Ramsey- Dallas
Wallborn- Atlanta	Perrin- San Francisco

The schedule adopted by the Federal Reserve Bank of New York by arrangement with other Federal Reserve banks, shows that the proceeds of bankers acceptances collected through the Federal Reserve Bank of New York will be available substantially as follows:

1. At maturity: Acceptances payable at all Federal Reserve and Federal Reserve branch cities.
2. One day after maturity: Acceptances payable elsewhere in all districts except Nos. 5 and 6.
3. In the Atlanta district on acceptances of members and non-members payable in Atlanta, Jacksonville, New Orleans and Birmingham: Proceeds will be available at maturity.
Member bank acceptances payable outside of the four cities: Proceeds will be available one day after maturity.
Nonmember bank acceptances payable outside of the four cities: Proceeds will be available when collected.
4. In the Richmond district on acceptances payable in Richmond and Baltimore: Proceeds available at maturity.
Acceptances payable elsewhere in Maryland, Virginia and District of Columbia: Proceeds available two days after maturity.
Acceptances payable in West Virginia, North Carolina and South Carolina: Proceeds available three days after maturity.

The arrangements made with other Federal Reserve banks refer only to items collected for the account of the Federal Reserve Bank of New York. Please confirm by wire that you are prepared to collect in accordance with above schedule, acceptances received from or for the account of any Federal Reserve bank. It is the understanding, of course, that the items to be collected must be received by a Federal Reserve bank in time for presentation at maturity to the accepting bank or to the bank designated as the place of payment.

BRODERICK.

Secretary

W. P. G. HARDING, GOVERNOR
 ALBERT STRAUSS, VICE GOVERNOR
 ADOLPH C. MILLER
 CHARLES S. HAMLIN

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ADDRESS REPLY TO
 FEDERAL RESERVE BOARD

EX-OFFICIO MEMBERS
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 SECRETARY OF THE TREASURY
 CHAIRMAN
 JOHN SKELTON WILLIAMS
 COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

February 28, 1919.

X-1400

SUBJECT: Credit Barometrics; Proposed Establishment of Bureau.

Dear Sir:

There is enclosed herewith a galley proof of an article which will be published in the March Bulletin, covering an investigation made by Mr. Alexander Wall of the National Bank of Commerce of Detroit, on the subject "Credit Barometrics".

The suggestion has been made that the Federal Reserve Board establish a bureau for the purpose of continuing the study. The topic has been suggested for discussion at the next Governors' Conference.

It would be appreciated if you will give the Board an expression of your opinion as to the value of the results of the study, and the advisability of the establishment by the Board of a bureau or division for the purpose of making analyses of credit statements and conditions along the lines outlined in the report of Mr. Wall.

Very truly yours,

Enclosure.

Secretary.

X-1461

GOVERNORS AND FEDERAL RESERVE AGENTS
OF THE TWELVE FEDERAL RESERVE BANKS.

GOVERNORS:

<u>District</u>	<u>Bank</u>	<u>Name</u>
1	Boston	Chas. A. Morss
2	New York	Benjamin Strong, Jr.
3	Philadelphia	E. P. Passmore
4	Cleveland	F. R. Fancher
5	Richmond	Geo. J. Seay
6	Atlanta	M. E. Wellborn
7	Chicago	James E. McDougal
8	St. Louis	David C. Biggs
9	Minneapolis	Theodore Wold
10	Kansas City	J. Z. Miller, Jr.
11	Dallas	R. L. Van Zandt
12	San Francisco	J. K. Lynch

* * * * *

FEDERAL RESERVE AGENTS:

1	Boston	Frederic H. Curtiss
2	New York	Pierre Jay
3	Philadelphia	Richard L. Austin
4	Cleveland	D. C. Wills
5	Richmond	Caldwell Hardy
6	Atlanta	Joseph A. McCord
7	Chicago	Wm. A. Heath
8	St. Louis	Wm. McC. Martin
9	Minneapolis	John H. Rich
10	Kansas City	Asa E. Ramsay
11	Dallas	Wm. F. Ramsey
12	San Francisco	John Perrin.

FEDERAL RESERVE BOARD
WASHINGTON, March 1, 1919.

EX-OFFICIO MEMBERS

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CHAIRMAN
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COMPTROLLER OF THE CURRENCY

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W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

March 1, 1919.

X-1404

SUBJECT: Violations of Section 22 of the Federal Reserve Act.

Dear Sir:

Your attention is directed to the provisions of Section 22 of the Federal Reserve Act imposing penalties for certain acts therein made unlawful.

It is the desire of the Board that you make prompt report to it direct of each and every violation, or apparent violation, of the provisions of this section of the law that come to your knowledge.

Kindly acknowledge receipt.

Very truly yours,

Governor.

EX-OFFICIO MEMBERS

CARTER GLASS
 SECRETARY OF THE TREASURY
 CHAIRMAN
 JOHN SKELTON WILLIAMS
 COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

W. P. G. HARDING, GOVERNOR
 ALBERT STRAUSS, VICE GOVERNOR
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 W. T. CHAPMAN, ASSISTANT SECRETARY
 W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
 FEDERAL RESERVE BOARD

March 3, 1919.

SUBJECT: Domestic Acceptances.

X-1405-a

Dear Sir:

There is sent to you herewith, for your information and guidance, copy of opinion by the General Counsel of the Board under date of February 28, bearing upon security of acceptances in excess of 10%. This opinion was approved by the Federal Reserve Board at its meeting today.

Very truly yours,

Governor.

FEDERAL RESERVE BOARD
WASHINGTON.

February 28, 1919.

MEMORANDUM FOR THE BOARD.

Subject: Domestic Acceptances.

From the accompanying file it appears that some confusion of thought exists in the minds of certain officers of Federal reserve banks and member banks as to the Board's interpretation of those provisions of Section 13 of the Federal Reserve Act which relate

- (1) To the power of member banks to accept drafts drawn in domestic transactions;
- (2) To the eligibility for rediscount by Federal reserve banks of member bank acceptances.

The understanding of this office of the provisions in question as interpreted by the Board is as follows:

POWER OF MEMBER BANKS TO ACCEPT DRAFTS
DRAWN IN DOMESTIC TRANSACTIONS.

Subject to the limitations prescribed by the Act, member banks are authorized -

- (a) To accept drafts or bills of exchange which grow out of transactions involving the domestic shipment of goods, provided shipping documents conveying or securing title are attached at the time of acceptance.
- (b) To accept drafts or bills of exchange which are secured at the time of acceptance by warehouse receipts or other such documents conveying or securing title covering readily marketable staples.

All drafts accepted in domestic transactions must therefore be secured at the time of acceptance either by shipping documents or warehouse receipts or other such documents, as specified in the law. If the aggregate amount of drafts accepted for one person, firm or corporation exceeds a sum equal to ten per cent. of the capital and surplus of the accepting bank, such drafts, whether in a foreign or domestic transaction, must remain secured throughout the life of the draft since the Act provides that -

"No member bank shall accept, whether in a foreign or domestic transaction, for any one person, * * * * * to an amount equal at any time in the aggregate to more than ten percentum of its paid up and unimpaired capital stock and surplus, unless the bank is secured either by attached documents or by some other actual security growing out of the same transaction as the acceptance."

To give this language any meaning it must be assumed that the accepting bank may, if it chooses, release the security in any case in which the total amount accepted for any one customer does not exceed ten per cent. of its capital stock and surplus. Unless this interpretation is placed upon the statute, the provision just quoted would be meaningless in so far as it relates to domestic transactions since all drafts accepted in domestic transactions must be secured at the time of acceptance.

In any case, however, where the total amount accepted for any one customer exceeds ten per cent. of the capital stock and surplus of the accepting bank the security legally cannot be released unless some other actual security growing out of the same transaction as the acceptance is substituted therefor. This immediately raises the question as to whether or not the ordinary trust receipt substituted for shipping documents, warehouse receipts, etc., constitutes an actual security such as is required by this provision of the act. In an opinion filed by this office on October 12, 1917, and printed on page 881 of the November, 1917, Bulletin, it was stated -

"that a trust receipt which permits the purchaser of the goods to obtain control of those goods either for milling or other purposes is not an actual security within the meaning of the act, and that, therefore, acceptances secured by such trust receipts come within the 10 per cent limitation imposed by section 13.

"A different situation results, of course, in any case where the trust receipt is of such a character as not to permit the purchaser to gain control of the goods, as where they are held for the account of the acceptor by some person, warehouse, or corporation independent of the borrower."

The view expressed in this opinion has been followed by the Federal Reserve Board in various rulings relating not only to the purchaser in a transaction involving a sale, but also to any customer for whom a draft is accepted regardless of whether or not there is an actual sale of the goods covered by the documents attached to the draft.

ELIGIBILITY FOR REDISCOUNT OF MEMBER BANK ACCEPTANCES.

Under the terms of section 13 any draft or bill of exchange which a member bank has the power to accept under the provisions of that section, is technically eligible for rediscount by a Federal Reserve Bank. This does not mean, however, that Federal Reserve Banks are required by law to rediscount every such acceptance tendered to ^{them} for that purpose. In developing a general market for acceptances the Federal Reserve Banks are necessarily called upon to carry a large amount of this class of paper, but it is important that the Federal Reserve Board and the Federal Reserve Banks should take all necessary steps to insure conservatism in the exercise of the acceptance power by member banks. The policy of the Board, therefore, as reflected in its various rulings, has been to caution Federal Reserve Banks that in rediscounting drafts accepted in domestic transactions they should consider and in many cases investigate, the circumstances under which the draft was accepted in order to determine whether or not the particular transaction complies with the spirit as well as the letter of the statute.

It was in view of this policy that the Federal Reserve Board has consistently refrained from encouraging Federal Reserve Banks to rediscount or purchase warehouse acceptances after the warehouse receipts have been released though there is nothing in the law which prohibits the rediscount of such acceptances. It is recognized, however, that an unrestricted policy of rediscounting or purchasing such acceptances after the warehouse receipts have been released might very probably lead to an abuse of the domestic acceptance privilege by facilitating the use of the warehouse receipt as a mere cloak for a straight loan in violation of the provisions of Section 5200. It can not be stated, of course, as a hard and fast rule that the acceptance of a draft secured by a warehouse receipt was not a bona fide transaction merely and solely because the warehouse receipt has been surrendered before the acceptance is presented to the Federal Reserve Bank for rediscount. It should, however, put the bank on notice and should suggest extreme caution in order to determine whether in fact the acceptance complies in every way with both the letter and spirit of the law. When Congress granted the power to accept drafts in domestic transactions, it clearly intended to facilitate domestic commerce and did not contemplate that this power should be used for the purpose of extending unreasonable lines of credit to individual borrowers in substantial violation of the limitations of Section 5200 of the Revised Statutes. If Congress had intended to give greater latitude to banks under its jurisdiction in the matter of loans of this character a much more direct method would have been to remove or to broaden the limitations of Section 5200.

The Board has recognized the fact, however, that in the ordinary course of business, shipping documents securing accepted drafts must be released in order that the customer for whom the draft was accepted may procure the goods represented by such documents. It also recognizes the fact that where such drafts are secured by warehouse receipts it is probable that at some period during the life of the draft it may be necessary for the receipt to be surrendered to the customer for whom the draft is accepted in order that the transaction involved may be consummated. In the case of shipping documents it is ordinarily necessary to release the documents at an earlier period than in the case of warehouse receipts.

In either case, as a matter of policy the security should not be surrendered by the accepting bank until this becomes necessary in order for the transaction to be consummated, and even when surrendered, banking prudence requires that the bank protect itself by procuring either a trust receipt or a definite agreement on the part of the customer to whom the security is surrendered that the proceeds derived from the sale of the goods represented by the shipping documents or warehouse receipts will be deposited with the accepting bank when available to pay the draft at maturity and will not be used by the customer for other purposes. It should be remembered, however, as previously stated, that in any case where a trust receipt is substituted the ten per cent limit applies if the trust receipt is such as to give control over the goods to the borrowers or the customer for whom the draft was accepted.

Respectfully,

(Signed) M.C. ELLIOTT

General Counsel.

FEDERAL RESERVE BOARD
WASHINGTON

106

X-1406

CONFIRMATION TELEGRAM

March 3, 1919.

SUBJECT: Bankers Acceptances; availability of proceeds.

Morss	- Boston	McDougal	- Chicago
Strong	- New York	Biggs	- St. Louis
Passmore	- Philadelphia	Wold	- Minneapolis
Fancher	- Cleveland	Miller	- Kansas City
Seay	- Richmond	Van Zandt	- Dallas
Weilborn	- Atlanta	Lynch	- San Francisco

Referring to telegram of the twenty eighth, advices have been received from all Federal Reserve Banks that they are prepared to collect bankers acceptances received from or for account of any other Federal Reserve Bank and that subject to final payment, proceeds of such acceptances will be available in accordance with the schedule published by Federal Reserve Bank of New York dated February twenty sixth and outlined in our telegram dated February twenty eighth, with the understanding that items to be collected must be received by the collecting Federal Reserve Bank or Branch in time for presentation at maturity to the accepting bank or to the bank designated as the place of payment. Referring to telegram twenty eighth please note proceeds of acceptances payable in St. Paul, Minnesota, will also be available at maturity. As the effect of agreement is the adoption of a uniform acceptance collection plan covering all Federal Reserve districts, the Board requests that changes in the time schedule be subject to thirty days notice.

Please wire acknowledgment.

HARDING.

Governor.

FEDERAL RESERVE BOARD
WASHINGTON

X-1407

March 3, 1919.

CONFIRMATION OF TELEGRAM

Curtiss	- Boston	Heath	- Chicago
Jay	- New York	Martin	- St. Louis
Austin	- Philadelphia	Rich	- Minneapolis
Wills	- Cleveland	Ramsay	- Kansas City
Hardy	- Richmond	Ramsey	- Dallas
McCord	- Atlanta	Perrin	- San Francisco

Subject: Certificate of Destruction, Federal Reserve Notes.

It has been suggested that certificates of destruction form twenty three thirty four sent by office of Comptroller of the Currency advising destruction of Federal Reserve notes of your bank be discontinued. On day notes are delivered to Comptroller by National Bank Redemption Agency Comptrollers office gives credit to agent with advice as to details. It is stated that date of destruction is the only additional information on certificate and value is questioned as it is difficult to identify amount of notes destroyed with previous advices of credits. Please wire if you are in favor of the discontinuance of certificate of destruction.

BRODERICK.

F E D E R A L R E S E R V E B O A R D

WASHINGTON

STATEMENT FOR THE PRESS.

For immediate release March 5, 1919.

The passage of the bill making some minor amendments to the Federal Reserve Act has resulted in increasing from \$22,739,901 to \$49,468,341 the combined surplus of the twelve Federal Reserve Banks.

The law before amendment provided that, after payment of expenses and dividends, one half of the net earnings of the banks should be paid in to the Government as a franchise tax and the remaining one half (up to 40% of their paid in capital) could be retained by the banks as surplus. As amended, the law permits the Federal Reserve Banks to retain as surplus their net earnings (including those for the year ended December 31, 1918) up to 100% of their subscribed capital, and 10% thereafter.

STATEMENT FOR THE PRESS.

X-1409

March 5, 1919.

Release for afternoon papers,
March 6, 1919.

BUSINESS CONDITIONS IN FEBRUARY, 1919.

While progress in the readjustment of business to peace conditions is reported by the Board's representatives in the several districts to have been made during the month of February, and while the advance in different parts of the country is reported generally gratifying, some uneasiness is expressed by the public at large because the progress is not more rapid. Although the readjustment process is still far from having reached completion there is much evidence that the factors which must be reckoned with in bringing about the desired reorganization of business and financial relationships are cooperating in a fairly satisfactory way. "Although business is by no means on a settled basis," reports the First Federal Reserve District, "confidence is apparently returning". In the Third District the process of readjustment "~~has~~ made some progress", while elsewhere in spite of some difficult conditions approach to a settled status has been distinctly marked. In the Seventh District it is observed that "both labor and capital are cooperating to continue the orderly readjustment now under way." This general situation establishes a favorable basis upon which to build the processes of modification and alteration that are now at work in various fields of effort.

Labor and employment conditions ever since the signing of the armistice with Germany have been regarded as constituting the fundamental problem of business readjustment and coupled with them the reintroduction of a normal footing for prices. Reports as to labor unemployment have been

numerous in the press, but the reports of Federal Reserve Agents show that

there has probably thus far been over-anxiety and exaggeration with respect to this matter. From several of the manufacturing districts of the Federal Reserve system it is reported that labor conditions are far from satisfactory, and that there is considerable unemployment; but it is also noted that the condition does not seem to have grown worse during February. The process of absorbing unemployed labor is certainly proceeding with some degree of success. While the existence of unemployment is admitted by most of the Federal Reserve agents, it appears that the surplus of labor is smallest in the South and Southwest, while in only a very few districts is it reported that serious labor controversies are in progress. As to wages and their readjustment to the new conditions, the trend is by no means uniform or decisive. In the South and Southwest there are no indications of any reduction in the wage scale, while in the North and East employees are demanding higher wages, notwithstanding the existence of considerable unemployment. Some revisions of wage scales are reported from the Middle West, but there is as yet no general revision of wages downward, although there are indications of a tendency to let wages settle to a definite level which shall without question be higher than that existing before the war. There has been a tendency to provide labor for a greater number of persons by eliminating overtime or establishing short time. The connection between wages, prices and costs is well recognized, and it is the view of manufacturers in general that wages should not go down faster than prices. Such revisions as are occurring, therefore, are frequently parallel, wages and prices receding in like measure. The opposition of labor to any reduction in wages is very general and extremely positive, but in some cases it is accompanied by the modifying statement that cuts in wages must not go further than changes in costs of living.

-3-

The price question is inevitably of commanding importance, not only to the employee but also to the community as a whole. The Secretary of the Treasury has called attention in his letter to the chairman of the Ways and Means Committee to the necessity of reducing costs of living. Alterations have, however, proceeded only very slowly. Sauerbeck's index number for British prices shows up to February 15 a recession of 5-3/10 points from the peak of 197, reached toward the close of the war. The general index number of the Bureau of Labor Statistics for the period ending January 31, has declined four points from the peak of 206, reached during November and December, 1918. The Board's analysis of the prices furnished by the Bureau of Labor shows that a recession of about three points has occurred in the group of raw materials, where the index number for the period ending January 31, declined from 196 to 195. The index numbers for all of the subgroups included under the head of raw materials have likewise declined. In the subgroup of mineral products the reduction has been from 182 to 177, largely due to the decided cut in the price of copper. During the month the market for metals generally has shown a sharp decline with decided weakness at the end of the month. Lead, zinc, and copper have shown marked recessions, while grains, except wheat, have likewise fallen off sharply. Prices in iron and steel are largely nominal, although tentatively quoted the same as at the opening of the year, and the policy of the trade is to leave the initiative as to price concessions to the consumer. Firm bids for desirable business will probably be met by most producers.

In manufacturing, the problems of the readjustment situation are naturally more obvious than elsewhere. One of the most difficult problems is presented by the textile industry. In District No.1 curtailment of woollen-mill production is still in progress, while in District No.3 readjustment is still proceeding and values are unsettled. The cotton industry is even more directly affected. In New England the cotton market is at a complete standstill, so far as the raw material is concerned, while the mills that are operating are running only a few days each week, and profits have been reduced to a minimum or have disappeared. In the Third District demand for yarns has reached a minimum figure and prices have declined sharply. Spot cotton business is in a complete state of stagnation, while it is estimated that the mills in both North and South have about a three months' supply of raw cotton still on hand. Cancellations have occurred in various lines, while in a number of specialties, such as underwear, manufacturers continue to suffer from slack business.

In leather and shoes, raw material is today higher than when the armistice was signed, and by some it is predicted that the price of shoes will advance rather than decline. This has led some manufacturers to continue production, even though they have no orders. Leather dealers in the Third District are reported to be optimistic.

Iron and steel production has shown no increase in activity and the demand for steel is insufficient to take the output of the mills, while equipment establishments are working mostly on old orders. In the Pittsburgh district there has been a decrease of business, while in Youngstown operations are about 60 per cent of normal. The division of the steel industry which is affiliated with the railroads is practically suspended. Unfilled orders of

the United States Steel Corporation show a continuous decline from 7,379,152 tons at the close of December to 6,684,268 tons at the close of January, the index numbers being 140 and 127, respectively, while pig iron production shows a decline from 3,433,617 tons in December to 3,303,260 tons in January, the index numbers, respectively, being 148 and 143. Steel ingot production has increased from 2,992,291 tons to 3,082,427 tons, an increase of four points from 125 to 129. In view of this situation it is notable that some iron and steel men predict a period of unusual prosperity after a somewhat further readjustment has occurred. In coal, demand has been relatively light, due to the mild winter, and consuming plants are well equipped. This has enabled miners in some districts to moderate their activity, and from Ohio and Pennsylvania it is reported that some of the larger mines are operating only from one to three days per week.

In metals some drastic revisions of conditions have occurred. Prices of lead, zinc, copper and other nonferrous metals have fallen in a notable way, and the market has shown weakness. Gold mining has improved in the Colorado district. Petroleum, while threatened with a decline in crude, shows steady progress in the development of new wells and in the output. The production of copper during January shows curtailment, while mining earnings were poor and prices shrank in some cases to 16 cents per pound. The large accumulation of copper which occurred during the latter months of the war has provided the larger mines with the means of meeting the demand for many months to come.

Agriculturally the outlook throughout the country is bright. From the Southern States comes the report that the prospects indicate a large cotton acreage, so much so that a determined effort has been organized for the purpose of holding off the market as much of last year's crop as possible and for the curtailment of the planted area by one-third. With reference to wheat, the Ninth district reports that the mid-winter output has been helped by weather conditions,

Pacific Coast reports that stored stocks of grain are beginning to move slowly, and that the general outlook is excellent, the soil being in good condition, while combined acreage of winter and spring wheat may attain record proportions. Flour milling in the Ninth district, however, is suffering from lack of orders, due in part to the falling off in exports resulting from the shifting of foreign demand to the Argentine and Australian product. In the Tenth district there has been a spurt in activity during the first six weeks of 1919. The January production of wheat flour for the country at large as reported to the United States Food Administration was 12,994,000 barrels, as compared with 11,759,000 barrels in December. Cereals other than wheat have fallen in prices, and in consequence some reduction in acreage may occur. Citrus fruit crops have been damaged by unfavorable weather in December and January, but the entire yield is likely to develop favorably. Complete returns for 1918 are now available as to prunes, raisins, and the like, the raisin crop of 1918 being the largest ever recorded, with a total value close to \$19,000,000. From the Southeast it is reported that fruit and truck crops have been unusually remunerative, the movement of oranges and grapefruit being very large. In live stock excellent crop prospects and improved conditions are leading to large expansion of business by stockmen. The Tenth district reports unusually heavy receipts of cattle, fat steers, ranging up to \$18.40 per hundred pounds, as compared with \$13.50 a year ago. Receipts of hogs during January at Kansas City were 535,000 head, or 50 per cent more than in January 1918, with prices at a maximum. Receipts at 15 principal markets were considerably heavier than a year ago with respect to all food animals. The receipts of hogs were especially large, the figures standing at 4,603,335, as compared with 3,333,591 a year ago. On the other hand, figures for January for cattle and sheep show a slight falling off from the December level.

In retail trade favorable reports are general, notwithstanding disturbed conditions and reduced production in some districts. Even from some of the manufacturing districts it is reported that the retail business situation is very encouraging, with an increase in some lines of 25 per cent over 1918.

In the First district the public is purchasing freely, while in the South and West at least fairly good trade is reported. In the Middle West reductions of prices are noted in some quarters and buying has not been satisfactory. Everywhere retailers themselves are purchasing from hand to mouth on account of uncertainty of prices. This has unsettled the jobbing and wholesaling business which in any case would show a normal reduction in activity at this season of the year. There is a strong demand in many quarters for jewelry and luxuries, including pianos, which indicates that consumers still have resources for current use.

Financially, conditions during the month have been quiet and reassuring. Interest and discount rates ^{have} /on the whole been stable, with a tendency toward moderate decline in rates for time paper, especially paper with prime commercial names. Call money has been firm, with an upward tendency reaching 7 per cent on February 24. The suspension of operations by the money pool has had but little if any perceptible effect upon conditions. Rates at Federal Reserve Banks have remained practically unchanged, with the exception of a slight alteration at Boston. Bank operations, as shown by the Board's report of bank deposits (published in place of clearings) show a marked increase in volume, which has been especially pronounced in the larger centers. From the Seventh district it is reported that bank clearings are still very large, gross bank deposits showing decided increase. Banking conditions in general show a condition of greater ease, with some accumulation of funds at centers and a strong tendency on the part of hoarded money to return to the banks. According to some bankers' estimates, the amount of hoarded money that has been returned to banks since the armistice would aggregate \$300,000,000.

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 W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
 FEDERAL RESERVE BOARD

March 6, 1919.

X-1410

Subject: Campaign for New Par Points.

Dear Sir:

There is enclosed herewith a copy of report prepared from replies received from all Federal Reserve Banks in response to our telegram of February 27th, asking for information regarding the progress of the campaign being conducted for the establishment of new par points.

Very truly yours,

Enc.

Secretary.

REPORT OF FEDERAL RESERVE BANKS FEBRUARY 28, 1919, RE
CAMPAIGN FOR NEW PAR POINTS.

X-1410 a

Federal Reserve Bank of	National Banks in District	State Bank Members	Total Member Banks	Non-member Banks on Par List	No. of Banks added to Par List in Feb. 1919.	No. of Banks added to Par List since Jan. 1, 1919.	No. of non-member banks not on Par List.	Total No. non-member banks in district.
Boston	391	32	423	224	-	-	-	224
New York	620	102	722	324	-	-	-	324
Philadelphia	625	31	656	345	14	19	80	425
Cleveland	748	73	821	793	40	70	339	1,132
Richmond	530	38	568	331	17	19	1,189	1,520
Atlanta	373	53	426	230	18	20	1,344	1,574
Chicago	1,043	296	1,339	2,542	91	145	1,630	4,172
St. Louis	468	43	511	1,255	102	223	1,318	2,573
Minneapolis	801	72	873	1,209	22	50	1,629	2,838
Kansas City	965	29	994	2,193	3	- 7 (*)	1,012	3,205
Dallas	631	106	737	249	7	15	935	1,184
San Francisco	560	94	654	1,036	- 2 (*)	- 4 (*)	165	1,201
	7,755	969	8,724	10,731	312	550	9,641	20,372

Washington, D.C.
March 6, 1919.

(*) Withdrawals

FEDERAL RESERVE BOARD

STATEMENT FOR THE PRESS.

X-1413

For Release in Morning Newspapers
of Sunday, March 9, 1919.

The Federal Reserve Bulletin for March was completed and sent to the printer to-day.

The leading feature of the Bulletin, the "Review of the Month," is predominantly a discussion of readjustment to a peace basis, while the Bulletin as a whole has been designed to furnish as much information as possible with reference to the progress that is being made in connection with readjustment throughout the country. After a brief discussion of public finance during the month of February and a sketch of the new legislation adopted by Congress, the Review of the Month calls attention to Secretary Glass's statement of the readjustment problem in his letter to Chairman Kitchin, in which he said, "Upon the enactment of appropriate legislation to enable the Food Administration to protect the guaranties given by the United States, I am hopeful that it will prove possible to restore the operation of the law of supply and demand with respect to foodstuffs with, as I believe, a consequent reduction in the cost of living. A period of rising prices and of intense industrial activity such as we have experienced during the past four years is always a period of great apparent prosperity, and a period of falling prices and of the contraction of credits is always a period of depression. The retardation of the process of readjustment by artificial means can only increase the evils inherent in the situation. Buying will not begin and activity will not set in until the community at large is satisfied that prices have reached bedrock." Enlarging further upon the ideas thus suggested by the Secretary of the Treasury, the Review of the Month then calls attention to the problem of restoring prices to a stable basis, and after expressing agreement with the view of the Secretary of the

Treasury that reduction in costs of living is much to be desired, it says,

" 'Readjustment' thus becomes a problem which involves the effective transfer of labor from war work back to peace employment at stable and satisfactory remuneration, the curtailment of costs of production to a point that will enable our manufacturers to satisfy domestic demand and compete favorably with foreigners for the export trade, and the adjustment of values generally to one another upon the new basis created by normalization of prices and wages. It would be unreasonable for any factor in production to assert that it would not bear its share in this general process of readjustment. Such readjustment is designed for the common benefit of all participants in industry and the public at large. If it be equitably carried out, its effects will not tend to favor any particular class or group in the community, but will operate, while leaving all in the same relative position, or at all events in an admittedly equitable relationship one to another, to increase the general volume of business and the regularity and smoothness with which the industrial mechanism moves and functions."

The Review then takes up various special phases of readjustment and deals first with the question of labor, quoting recent figures to show the extent of unemployment. Of industrial readjustment it says that substantial progress has been made through the reduction of transportation rates and the modification of war prices in a number of fundamental lines. A necessity for special care in the investment of capital during the readjustment period is noted, and attention is called to the bill recommended by the Capital Issues Committee for the purpose of protecting investors who might otherwise be induced to commit themselves to undesirable or inopportune enterprises. Of foreign trade the Review says that "It is now becoming more and more evident that an important phase of readjustment must be sought in connection with our foreign trade. Opinion as to this branch of business has undergone some change during the past month. Up to the opening of February it had still been hoped by many that there would be a swift revival of activity and that our manufactured products would be exported in something

approaching the volume developed during the war. Several influences have intervened to prevent such a development. Important among these is the unsatisfactory position of the exchanges, making it imperatively necessary for some foreign countries to devote their efforts to improving the exchanges by keeping down the amount of their current foreign indebtedness. Moreover, it has appeared that no inconsiderable part of the foreign-trade activity of the year 1918 was directly due to the fact that the United States was financing this export movement at low rates of interest through the advances made by the Treasury Department to the several foreign Governments. That these will not be continued upon their former level is, of course, an inevitable incident of our change from a war to a peace basis, and with this change in Treasury policy some change in the activity of those branches of export trade which were dependent upon assistance of this kind is unavoidable."

Considerable attention is also given to the price situation and the question of relations between wages, profits and prices of goods. With reference to banking, attention is called to the steady movement toward the development of banking strength in foreign institutions, the slight tendency toward higher rates of discount in the domestic commercial loan market and to the evidence that liquidation is in process. With reference to liquidation the Review says: "This is entirely due to natural causes and not to a change in the discount policy of Federal Reserve Banks. There have been no noteworthy changes in Federal Reserve Bank rates. Such liquidation as has taken place at Federal Reserve Banks is not to be regarded as resulting from change in the Board's discount policy, being what it has been throughout the recent period of heavy Government financing."

"The heavy return movement of Federal Reserve notes occurring during January and amounting in the aggregate to about \$235,000,000 has given way to a slight outflow in the month of February, indicating the self-regulating character of Federal Reserve note circulation in the existing circumstances. The heavy return

flow noted above is in part to be explained by the natural liquidation which

normally occurs at the turn of the year but in larger measure was probably occasioned by the return to banking channels of the considerable volume of notes that there is reason to believe were hoarded during the war," The Review of the Month further furnishes detailed information concerning the changes in the portfolios of Federal Reserve banks during the month of February, as well as in the condition of selected member banks. In closing, the Review cites some interesting changes which have occurred during the month of January in the personnel of the Federal Reserve system, summarizing these as follows:

"In the Advisory Council Mr. J.P. Morgan has been succeeded by Mr. A.B. Hepburn for the second district; Mr. J. W. Norwood has been succeeded by Mr. Jos. G. Brown for the fifth district; Mr. J.R. Mitchell has been succeeded by Mr. C.T. Jaffray for the ninth district; and Mr. Herbert Fleishhacker has been succeeded by Mr. A.L. Mills for the twelfth district. Governor Rolla Wells, of the Federal Reserve Bank of St. Louis, has been succeeded by Mr. David C. Biggs. In the Atlanta district, Federal Reserve Agent M.P. Wellborn has succeeded Mr. Jos. A. McCord as governor of the Federal Reserve Bank of Atlanta, while Mr. McCord has become Federal Reserve agent in place of Mr. Wellborn. Mr. Louis C. Adelson, formerly assistant secretary of the Federal Reserve Board, has become deputy governor of the Federal Reserve Bank of Atlanta. In the New York district, Mr. R. M. Gidney, formerly assistant Federal Reserve agent, has become manager of the new branch of the Federal Reserve Bank of New York at Buffalo. Mr. George L. Harrison, formerly assistant counsel of the Federal Reserve Board, has been appointed general counsel of the Board in place of General Counsel Milton C. Elliott, who has resigned to enter private practice. Mr. Elliott continues as consulting counsel to the Federal Reserve Board."

The Bulletin contains an elaborate study which has been prepared under the direction of the Division of Analysis and Research by Mr. Alexander Wall of Detroit, Michigan, on the subject of "Credit Barometrics." Mr. Wall proposes an entirely new method for the purpose of testing the credit strength of commercial concerns which are applicants for credit at banks. The study is based upon and supported by a compilation of statistics derived from the statements of condition furnished by commercial houses. The Bulletin also presents the essential data relating to the fifth Government loan, the text of the amendments to the Federal

Reserve
/ Act, and a number of other important official documents. Among special features there are furnished the results of an extensive inquiry into the progress made in business readjustment in the several Federal Reserve districts. The usual statistical material is printed and included with it is further enlargement of the Board's system of business indexes.

3/7/19

WASHINGTON

X-1414

March 7, 1919.

Curtiss	- Boston	Heath	- Chicago
Jay	- New York	Martin	- St. Louis
Austin	- Philadelphia	Rich	- Minneapolis
Wills	- Cleveland	Ransay	- Kansas City
Hardy	- Richmond	Ramsey	- Dallas
McCord	- Atlanta	Perrin	- San Francisco

SUBJECT: Liability of Member Banks to Reserve Banks
in Excess of Capital and Surplus.

Please mail at earliest convenience as of close of business
February 28th above information in schedule form giving:

- A. Name of bank
- B. Location
- C. Loan liability, stating separately amount secured by United States securities, other securities and unsecured loans, also acceptance liability, then total liability.
- D. Capital and surplus.
- E. Also indicate amount of additional collateral held if any.

BRODERICK.

THE FOLLOWING STATE INSTITUTIONS HAVE BEEN ADMITTED
TO THE FEDERAL RESERVE SYSTEM DURING THE WEEK
ENDING MARCH 7, 1919.

	Capital	Surplus	Total Resources
Conneaut Mutual Loan & Trust Co., Conneaut, Ohio.	\$100,000	65,000	\$1,621,598
Clay County State Bank, Louisville, Ill.	25,000	7,500	192,068

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WASHINGTON

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W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

March 12, 1919.

X-1419

SUBJECT: Reference to Federal Reserve Bank Connections
in Advertisements of Private Business.

Dear Sir:

The attention of the Board was called sometime since to a circular which had been sent out by a brokerage firm offering for sale stock in an oil company. This circular begins, as follows:

"Would you join several Directors of the United States Federal Reserve Bank in a producing oil enterprise?", and goes on to say "The President, Mr. -----, is a Director of the United States Federal Reserve Bank of the ----- District, which in itself is a guarantee of the unusual character of this oil-producing enterprise."

While the Board does not assume any jurisdiction over the business affiliations of any director of a Federal reserve bank except in so far as such connections may affect his qualifications as prescribed in Section 4 of the Federal Reserve Act, it has always entertained the view that no director or officer of a Federal reserve bank should permit his connection with the bank to be used in furthering his private business or the interest of any corporation with which he may be associated.

The Board is confident that it is supported in this opinion by the directorates of all the Federal reserve banks, and its investigation of the particular case above referred to has demonstrated the fact that the director in question did not sanction the reference to his connection with the Federal reserve bank in the advertising literature sent out, nor was the stock offered for sale by the corporation with which he is connected, but that the stock offered belonged to individual holders and the use of the director's name was made without his knowledge or consent. The Board is informed also that after his attention had been called to these circulars he demanded that no more of them be sent out and that he spent a considerable amount of money in calling in the advertising matter which contained the improper reference.

In order, however, to avoid any misunderstanding of the Board's attitude in this matter, you are requested to lay this letter before your directors at their next regular meeting in order that it may be understood that it is the view of the Federal Reserve Board that no director of a Federal reserve bank (or of a branch) shall permit a reference to his connection

with the bank to be used for the purpose of advertising or promoting his private business connections, and that any failure or neglect on the part of a director to prevent or to stop reference to his official position in advertisements of a private business will be deemed sufficient cause for calling upon him to sever his connection either with the business so advertised or with the Federal reserve bank.

Very truly yours,

Governor.

F E D E R A L R E S E R V E B O A R D

WASHINGTON

X-1422

March 13, 1919.

Subject: Fees paid to Directors at Branch Offices.

Federal Reserve Bank of:

Cleveland	St. Louis
Richmond	Kansas City
Atlanta	Dallas
Chicago	San Francisco

Please advise the fee per meeting paid by you to directors at branch offices. If there is a discount committee advise fee paid to each director for attendance at such meetings.

BRODERICK.

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W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

March 14, 1919.

X-1424

SUBJECT: Trade acceptances by the Railroad Administration.

Dear Sir:

You are requested to bring to the immediate attention of your Executive Committee, and of your board of directors at the next meeting, the enclosed copies of correspondence between the Director General of Railroads and the Federal Reserve Board.

Very truly yours,

Governor.

X-1424a

Federal Reserve Board
Washington, D. C.

March 14, 1919.

Sirs:

In considering the means for financing current requirements of the Director General of Railroads and of the several railroad corporations whose property is under Federal control, the question has arisen whether the Federal Reserve Banks may properly rediscount for member banks, drafts discounted by them drawn upon the Director General of Railroads by manufacturers, dealers or furnishers, whether individual or corporate, of equipment, material or supplies to cover the cost of equipment, material or supplies of any character whatsoever, to be used by the Director General upon or in connection with properties subject to Federal control, sold to the Director General of Railroads, when accepted by the Director General of Railroads.

I should like to have the ruling of your board on this question.

I have been advised by my General Counsel that under the Proclamations of the President and the Acts of Congress thereunto enabling, affecting the Federal control of railroads and systems of transportation, I have authority to make such acceptance as Director General of Railroads.

Truly yours,

WALKER D. HINES

Director General of Railroads.

APPROVED

JOHN BARTON PAYNE

General Counsel.

FEDERAL RESERVE BOARD

Washington, March 13, 1919.

Director General of Railroads,
Washington, D. C.

Sir:

The Federal Reserve Board has received and considered your letter of March 13th in which you ask to be advised whether or not Federal reserve banks may properly rediscount drafts drawn by manufacturers, equipment, material and supply men, individuals or corporations, upon the Director General of Railroads to cover the cost of equipment, material, or supplies sold to the Director General of Railroads, when such drafts have been accepted by the Director General of Railroads and offered for rediscount by a member bank.

Under the provisions of Section 13 of the Federal Reserve Act, and the regulations of the Federal Reserve Board issued in pursuance thereof, Federal reserve banks may properly rediscount for their member banks drafts, commonly referred to as trade acceptances, drawn by the seller upon the purchaser of goods sold and accepted by such purchaser, provided, such drafts have a maturity at the time of discount by the Federal reserve banks of not more than ninety days exclusive of days of grace, and, provided, that they otherwise conform to the provisions of law and the regulations of the Federal Reserve Board.

It is the opinion of the Federal Reserve Board, therefore, that subject to the limitations of the Federal Reserve Act drafts drawn and accepted under the circumstances set forth in your letter are eligible for rediscount by Federal reserve banks at the prevailing rates of discount for trade acceptances.

Respectfully,

W. P. G. HARDING.

Governor.

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ADDRESS REPLY TO
FEDERAL RESERVE BOARD

X-1420

THE FOLLOWING STATE INSTITUTIONS HAVE BEEN ADMITTED
TO THE FEDERAL RESERVE SYSTEM DURING THE WEEK
ENDING MARCH 14, 1919.

	Capital	Surplus	Total Resources
Bank of Grayson, Grayson, Ga.	\$25,000	\$-----	\$137,952
State Bank of Nashua, Nashua, Mont.	25,000	3,000	180,419
Farmers Commercial & Savings (Bank, Oakley, Idaho	25,000	10,000	229,007
Farmers & Merchants Bank, Provo, Utah.	100,000	2,500	814,010
Bank of Vernal, Vernal, Utah.	60,000	15,000	494,648

You are also advised that the Fidelity Trust Company, Tacoma, Wash., has been purchased by the Bank of California, N. A. and its assets taken over by the Tacoma Branch of that bank.

X-1427

The following recommendation was made by the Federal Advisory Council to the Federal Reserve Board:

(Meeting of February 17 and 18, 1919.)

Topic 2.

It has been suggested that the Federal Reserve Banks should send all checks and other items for collection directly to the town or city in which they are payable, even if such town or city is located in another Federal Reserve district rather than send them in the first place to the Federal Reserve Bank of the district as is now the practice with at least some of the banks.

Recommendation: The Council is of opinion that collections should be made in the most direct and expeditious way possible and would recommend that in the interest of increased and better service the Board should look into this matter with the view of seeing to it that due diligence is exercised by the transit departments of the Federal Reserve Banks in the matter of check collections.

X-1427

The following recommendation was made by the Federal Advisory Council to the Federal Reserve Board:

(Meeting of February 17 and 18, 1919.)

Topic 5.- It is suggested that the Federal Reserve Banks should receive on deposit national-bank notes and pay out in place of them clean Federal Reserve notes.

Recommendation: The Council recommends that the Federal Reserve Board, as a matter of additional service to member banks, request the Federal Reserve Banks to receive on deposit for immediate credit from member banks national-bank notes unfit for circulation.

X-1427

The following recommendation was made by the Federal Advisory Council to the Federal Reserve Board:

(Meeting of February 17 and 18, 1919.)

Topic 9.

You have asked our advice as to the discount rates current at the Federal Reserve Banks, particularly as they are affected by the amount of Government issues remaining undigested as evidenced by the fact that the larger part of the invested assets of the Federal Reserve Banks consists of member banks' 15-day notes secured by Liberty bonds and Treasury certificates and of customers' notes maturing within 90 days secured in like manner.

The Board would like the opinion of the Council as to the merits of differential rates. Assuming the differentials have been necessary to aid the Treasury in floating its securities, does the Council feel that differentials with respect to the character of paper and not to time of maturity should be continued as a permanent policy?

Recommendation: Until the Liberty bonds already issued and the Victory bonds to be issued are distributed among permanent investors and paid for by them and until the banks are relieved of the obligation they are under to carry such large lines of them for their patriotic customers who have gone in debt for them, and until our Government gets through with its temporary financing on short-time certificates, the discount rates at the Federal Reserve Banks should continue to show some preference on loans covered by Government securities. The rates might well be continued as they now are until after the next bond issue has been placed, but there will come a time when such preference should not be continued, otherwise loans on Government securities will continue to form too large a proportion of the Federal Reserve Bank loans to the disadvantage of commercial paper and therefore to the disadvantage of industrial and commercial enterprise. The financial necessities of the Government for the payment of its war debts will however have to be met and provided for before such discrimination in favor of loans covered by Government securities as will induce people to borrow to pay for them in anticipation of their future earnings and incomes can be discontinued.

X-1427

The following recommendation was made by the Federal Advisory Council to the Federal Reserve Board:

(Meeting of February 17 and 18, 1919.)

Topic 10.

You have asked for the views of the Council, as to whether it will be necessary for some time to come in order to develop an acceptance market in this country to stimulate it by a low rate at the Federal Reserve Banks, and you have drawn our attention to the lower rates prevailing in London for bankers' acceptances than those current here.

Recommendation: In the opinion of the Council the acceptance market in this country is developing as well as could be expected. The market for bankers' acceptances is now and has been materially interfered with by our Government's financing on certificates of indebtedness. This interference will continue as long as the Government continues its short-time financing. In the meantime the acceptance rates at the Federal Reserve Banks should be maintained just about as they have been. When conditions again settle down on a peace basis supply and demand combined with competition in foreign markets will govern such rates. In comparing discount rates for bankers' acceptances current here with those current in London it should be remembered that during recent years much of Europe's foreign business, particularly that of England, has been financed through loans made by our Government. In this connection it is of interest to note that the acceptance business of the London banks and banks domiciled in London, on December 31, 1912, amounted to approximately £ 117,000,000 sterling, while on December 31, 1917, the same had fallen to approximately £ 82,000,000. On August 31, 1918, it had advanced to £ 86,000,000. This decrease of from 25 per cent to 30 per cent in the volume of the London acceptance business, together with the fact that our loans to the British Government had the effect of largely relieving the London banks of responsibility for financing their Government on short-time obligations while it threw exactly that burden on the banks of this country, largely accounts for the low discount rates for acceptances prevailing there and for the higher rates prevailing here. When England again resumes the financing of her imports and exports through the ordinary banking channels and the present artificial restrictions are withdrawn by both Governments in connection with their imports and exports, and our Government restrictions on all foreign exchange transactions are removed a better equilibrium of the two discount markets is likely to be established. In other words, foreign exchange markets during the war have been in quite an abnormal condition and are likely to continue so until Government war debts between the nations are finally and permanently adjusted and international business transactions return to their normal and natural course free from the governmental restrictions and impediments placed on them during the war. Until then existing conditions do not afford an equitable basis on which a comparison of current rates existing in London and New York can be made.

X-1427

The following recommendation was made by the Federal Advisory Council to the Federal Reserve Board:

(Meeting of February 17 and 18, 1919.)

Topic 11.

The Council would draw the attention of the Federal Reserve Board to the following:

Under the provisions of section 5202 of the national bank act the liabilities incurred by a national bank directly and indirectly can not exceed the amount of its capital stock except for certain purposes named.

It would seem that the amount of bills of exchange which a national bank may discount in London and other foreign centers comes under the prohibition of this section.

The rate at which 60 or 90 days bills of exchange on London are sold in this country is based upon the sterling cable rate less certain deductions, principally an interest charge at the open market rate in London for discounting bills. This rate, which to-day is 3-7/16 per cent rules much below market rates for money in this country.

In purchasing export sterling bills a national bank must discount the bill in London immediately upon its arrival if it is to engage in a profitable transaction. If it does not discount the bill it carries a 3-7/16 per cent investment to maturity when money in this country is worth more. This no bank will do.

But to engage in this class of business to the extent required by the demands of American exporters and to discount the bills purchased upon their arrival in London the contingent liability created by the bank by the indorsement of bills will quickly exceed the amount of its capital.

As it is the desire of the Federal Government and the Federal Reserve Board to encourage as far as possible the development of bankers' acceptances and the financing of foreign commerce by American banks to meet the competition of London banks, it is suggested that section 5202 be amended so as to exclude from its prohibitions the liability created by national banks as an indorser on accepted bills of exchange actually owned by the bank and rediscounted at home or abroad, or if this object can be accomplished by a ruling of the Federal Reserve Board it would be more desirable than to attempt an amendment to the act.

There is no limit to the amount of bills drawn against actually existing values which a bank may purchase and hold, hence it would seem logical that there should be no limit upon the amount which a bank might negotiate by indorsement.

EX-OFFICIO MEMBERS

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ADDRESS REPLY TO
 FEDERAL RESERVE BOARD

March 17, 1919.

X-1428

Subject: Advice Blanks for use in Connection with Return
 of Unfit Federal Reserve Notes to Treasurer U.S.

Dear Sir:

The National Bank Redemption Agency of the office of the Treasurer of the U.S. has suggested that uniform advices be adopted by all Federal Reserve banks in connection with shipments of unfit Federal Reserve notes forwarded to the Treasurer of the United States for redemption. The enclosed forms have been suggested for use, and if adopted the National Bank Redemption Agency will print and furnish a supply to all reserve banks.

Please telegraph the undersigned at your earliest convenience if you approve the adoption of these forms.

Very truly yours,

Enclosure.

Secretary.

X-1429

Effect on Reserve Situation of Federal Reserve Banks of
discounts of Trade Acceptances of the United States
Railroad Administration.

In the attached tabulation an attempt has been made to calculate the effect upon the reserves of the Federal Reserve Banks of discounts of paper accepted by the Railroad Administration. Varying degrees of depletion of the excess reserves are shown, the result depending upon whether the paper is discounted in its entirety or in part only by the Federal Reserve Banks, also whether the Federal Reserve Banks pay by deposit credit or by Federal Reserve notes. The least depletion of reserves is shown in case member banks re-discount with Federal Reserve banks only enough to provide sufficient reserve balances at their Federal Reserve banks to cover their own reserve requirements. It is assumed that all member banks are in central reserve cities and that accordingly a 13 per cent reserve minimum is required.

In the note to the table figures are given showing the present amount of the "free gold" and the additional lending capacity of the Federal Reserve Banks. On March 14 the amount of "free gold" was 576.2 millions, which will support a total of additional deposit credit of 1,646.3 millions or of 1,440.5 millions of Federal Reserve notes.

In the following table are shown amounts of the several classes of paper held by the Federal Reserve banks on March 14, 1919:

X-1429

-2-

War paper	\$1,702,351,000
Other discounted paper	184,012,000
Acceptances bought	<u>262,139,000</u>
Total	\$2,148,502,000

Distributed by maturities
as follows:

Maturing within 15 days	1,624,727,000
" " 30 "	124,142,000
" " 60 "	301,941,000
" " 90 "	76,645,000
" after 90 "	<u>21,047,000</u>
Total	\$2,148,502,000

Respectfully submitted,

M. JACOBSON.

Statistician

March 18, 1919.

STATEMENT SHOWING EFFECT OF DISCOUNT OF U.S. RAILROAD ADMINISTRATION TRADE ACCEPTANCES
UPON THE RESERVE POSITION OF FEDERAL RESERVE BANKS.

	Reserves required at Reserve Banks against		
	<u>Deposits</u>	<u>F.R. notes</u>	<u>Total</u>
All or 700 millions sold to Reserve Banks:			
For credit	\$245,000,000	--	\$245,000,000
75% for credit and 25% for F.R. notes	183,750,000	70,000,000	253,750,000
One-half or 350 millions sold to Reserve Banks:			
For credit	122,500,000	--	122,500,000
75% for credit and 25% for F.R. notes	91,875,000	35,000,000	126,875,000
13% of total or \$9,100,000 sold to Reserve Banks:			
For credit	3,185,000	--	3,185,000
75% for credit and 25% for F.R. notes	2,389,000	910,000	3,199,000

NOTE: Excess reserves ("free gold") of Federal Reserve Banks on March 14, 1919:

Net deposits \$1,769,445,000 x 35%	\$619,306,000
F.R. note circulation \$2,503,095,000 x 40%	<u>1,001,238,000</u>
Total reserves required	1,620,544,000
Total reserves held	<u>2,196,737,000</u>
Excess reserves ("free gold")	576,193,000

This "free gold" will support \$1,646,266,000 of deposit credits
or 1,440,482,000 of note circulation

X-1429

ADVANCES TO THE ALLIES BY THE UNITED STATES GOVERNMENT:

COMMITMENTS AND ACTUAL PAYMENTS BY THE TREASURY.

(Figures as of March 15, 1919)

	Commitments	Actual Advances
United Kingdom	\$4,118,481,000	\$4,072,000,000
France	2,517,477,800	2,287,477,800
Italy	1,421,500,000	1,411,500,000
Belgium	340,555,000	283,745,000
Russia	325,000,000	187,729,750
Greece	39,554,036	----
Czecho Slovaks	35,000,000	14,100,000
Serbia	27,000,000	22,000,000
Roumania	15,000,000	10,000,000
Cuba	15,000,000	10,000,000
Liberia	5,000,000	12,000
	<hr/>	
	\$8,859,567,836	\$8,298,564,550

X-1429

BALANCE OF TRADE, ALSO OF GOLD AND SILVER MOVEMENTS SINCE AUGUST 1, 1914:
(In thousands of dollars; i.e., 000 omitted)

1. COMMODITY MOVEMENT.

	Imports	Exports	Excess of Exports.
Aug. 1 Dec. 31, 1914	648,683	912,642	263,959
Calendar year 1915	1,778,597	3,554,671	1,776,074
" " 1916	2,391,635	5,482,641	3,091,006
" " 1917	2,952,468	6,233,478	3,281,010
" " 1918	3,031,305	6,150,193	3,118,888
Total	10,802,688	22,333,625	11,530,937

2. SILVER IMPORTS AND EXPORTS

	Imports	Exports	Excess of Exports
Aug 1. Dec. 31, 1914	12,129	22,140	10,011
Calendar year 1915	34,484	53,599	19,115
" " 1916	32,263	70,595	38,332
" " 1917	53,341	84,131	30,790
" " 1918	71,376	252,847	181,471
Total	203,593	483,312	279,719

3. Total Commodity and Silver Imports and Exports.

	Imports	Exports	Excess of Exports
Aug. 1, 1914 - Dec. 31, 1918	11,006,281	22,816,937	11,810,656

4. TOTAL GOLD IMPORTS AND EXPORTS.

	Imports	Exports	Excess of Imports
Aug. 1, 1914 - Dec. 31, 1918	1,776,616	705,210	1,071,406

IMPORTS AND EXPORTS OF CURRENCY

July 1918 to Feb. 1919.

(Note: Data furnished by the War Trade Board.)

1918	Imports	Exports	Net Exports.
July	\$444,194	\$3,168,406	\$2,724,212
August	502,199	2,410,319	1,908,120
September	280,697	12,079,497	11,798,800
October	701,734	2,712,354	2,010,620
November	506,346	7,585,726	7,079,380
December	5,557,131	2,139,987 (a)	3,417,144
1919			
January	938,688	1,373,167	434,479
February	3,374,678	289,439 (a)	3,085,239
	\$12,305,667	\$31,758,895	\$19,453,228

(a) Net imports.

143

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FEDERAL RESERVE BOARD

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W. M. IMLAY, FISCAL AGENT

WASHINGTON

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

March 18, 1919.

X-1430

SUBJECT: Cancellation of Unfit Federal Reserve Notes of other than Issuing Bank Forwarded for Redemption.

Dear Sir:

The National Bank Redemption Agency of the office of the Treasurer of the United States advises that it will be agreeable to them for all Federal Reserve Banks acting under the power of attorney granted by other Federal Reserve Banks to perforate and cut in half unfit Federal Reserve notes of other reserve banks forwarded to the Treasury for redemption. This arrangement will mean a material reduction in the cost of shipping unfit Federal Reserve notes of other reserve banks to Washington for redemption.

In making shipments to Washington of unfit Federal Reserve notes of other Reserve banks perforated and cut in half, the National Bank Redemption Agency requests that the regulations given in paragraph 9 of the Board's letter 495, dated Jan. 18th, 1916, which are as follows, be observed:

"Federal Reserve Banks holding their own unfit Federal Reserve notes may transmit them to the Treasury for redemption, cut and punched in the manner prescribed for unfit United States currency."

It is also requested that the two bundles of halves be securely strapped and bear identical markings so that there may be no difficulty in identifying and matching up the notes in case a shortage or overage is found in counting one of the bundles of halves.

Kindly acknowledge receipt.

Very truly yours,

Secretary.

REGULATION F
Series of 1919.

TRUST POWERS OF NATIONAL BANKS.

I. Statutory Provisions.

The Federal Reserve Act as amended by the Act of September 26, 1918, provides in part:

(Q U O T E)

II. Applications..

A national bank desiring to exercise any or all of the powers authorized by Section 11, Subsection (k), of the Federal Reserve Act, as amended by the Act of September 26, 1918, shall make application to the Federal Reserve Board, on a form approved by said Board, for a special permit authorizing it to exercise such powers. In the case of an original application, that is, where the applying bank has never been granted the right to exercise any of the powers authorized by Section 11, (k), the application should be made on Form 61-A. In the case of a supplemental application, that is, where the applying bank has already been granted the right to exercise one or more of the powers authorized by Section 11 (k), the application should be made on Form 61-B. Both forms are made a part of this regulation.

III. Separate Departments.

Every national bank permitted to act under this section shall establish a separate trust department, and shall place such department under the management of an officer or officers, whose duties shall be prescribed by the board of directors of the bank.

IV. Custody of Trust Securities
and Investments.

The securities and investments held in each trust shall be kept separate and distinct from the general funds and securities of the bank and separate and distinct one from another. Trust securities and investments shall be placed in the joint custody of two or more officers or other employees designated by the board of directors of the bank and all such officers and employees shall be bonded.

V. Deposit of Funds Awaiting Investment
or Distribution.

Funds received or held in the trust department of a national bank awaiting investment or distribution may be deposited in the commercial department of the bank to the credit of the trust department, provided, that the bank first delivers to the trust department United States bonds, or other securities owned by the bank, of the kinds eligible for investment by the trust department, in an amount equal to the amount of the funds

VI. Investment of Trust Funds.

A. Private Trusts:

Funds held in trust must be invested in strict accordance with the terms of the will, deed, or other instrument creating the trust. Where the instrument creating the trust contains provisions authorizing the bank, its officers, or its directors to exercise an unrestricted discretion in the matter of investments, funds held in trust may be invested only in those classes of securities which are approved by the directors of the bank. Where the instrument creating the trust does not specify the character or class of investments to be made and does not expressly vest in the bank, its officers, or its directors an unrestricted discretion in the matter of investments, funds held in trust shall be invested in any securities, in which corporate fiduciaries in the State in which the bank is located are authorized to invest under the laws of that State or under the decisions of its courts. If the laws of the State do not specify or describe the investments that may be made of funds held in trust by corporate fiduciaries, and if there is no decision of the courts of that State describing such investments, such funds may be invested in those classes of securities which are approved by the directors of the bank.

The Federal Reserve Board reserves the right in any case, however, to require a national bank acting in any fiduciary capacity to dispose of any trust fund investments, other than those made in accordance with the terms of the instrument creating the trust, which ~~it~~^{it} does not believe to be compatible with the best interests of the beneficiaries under the trust.

B. Court Trusts:

Except as hereinafter provided, a national bank acting as executor, administrator, or in any other fiduciary capacity, under appointment by a court of competent jurisdiction, shall make all investments under an order of that court and copies of all such orders should be filed and preserved with the records of the trust department of the bank. If the court by general order vests an unqualified discretion in the national bank to invest and re-invest funds held in trust, or, if under the laws of the State in which the bank is located corporate fiduciaries appointed by the court are permitted to exercise such unqualified discretion, national banks so appointed may invest in those classes of securities which are approved by the directors of the bank.

VII. Books and Accounts.

All books and records of the Trust Department shall be kept separate and distinct from other books and records of the bank. All accounts opened should be so kept as to enable the national bank at any time to furnish information or reports required by the State authorities, and such books and records shall be open to the inspection of such State authorities.

VIII. Examinations.

Examiners appointed by the Comptroller of the Currency or designated by the Federal Reserve Board will be instructed to make thorough and complete audits of the cash, securities, accounts, and investments of the trust department of the bank at the same time that examination is made of the banking department.

IX. Conformity with State Laws.

Nothing in these regulations shall be construed to give a national bank exercising the powers permitted under the provisions of Section 11 (k) of the Federal Reserve Act as amended any rights or privileges in contravention of the laws of the State in which the bank is located within the meaning of that Act.

X. Revocation of Permits.

The Federal Reserve Board reserves the right to revoke permits granted under the provisions of Section 11 (k), as amended, in any case where in the opinion of the Board a bank has willfully violated the provisions of the Federal Reserve Act or of these regulations or the laws of any State relating to the operations of such bank when acting in any of the capacities permitted under the provisions of Section 11 (k) as amended.

XI. Changes in Rules.

These regulations are subject to change by the Federal Reserve Board; provided, however, that no such change shall prejudice any obligation undertaken in good faith under regulations in effect at the time the obligation was assumed.

March 20, 1919.

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

March 31, 1918.

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

X-1432
(Revised)

Subject: Section 11 (k) of the Federal Reserve Act.

Sir:

An opinion has been asked with reference to the construction of Section 11 (k) of the Federal Reserve Act as amended by the Act of September 26, 1918. That section as amended, provides in part that the Federal Reserve Board shall be authorized and empowered

"To grant by special permit to national banks applying therefor, when not in contravention of State or local law, the right to act as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State in which the national bank is located.

"Whenever the laws of such State authorize or permit the exercise of any or all of the foregoing powers by State banks, trust companies, or other corporations which compete with national banks, the granting to and the exercise of such powers by national banks shall not be deemed to be in contravention of State or local law within the meaning of this Act."

The question for determination is whether a national bank may exercise any of the eight powers expressly set forth in the law quoted above in any case where neither State banks, trust companies nor other competing corporations are authorized to exercise those powers. In other words, in a State where State banks or trust companies may exercise all of these eight powers with the exception of "administration", for instance, may national banks located in that State be permitted to act in that capacity?

Under the interpretation of the term "when not in contravention of State or local law" as construed before the amendment of September 26, 1918 and as generally followed by the Federal Reserve Board prior to that date, there is no doubt that the Board may permit a national bank in such a case to act as "administrator" if there is no express provision in the laws of the State which either directly or by necessary implication prohibits national banks from acting in that capacity.

It may be argued that the second paragraph quoted above was intended to make a complete and exclusive definition of what constitutes "when not in contravention of State or local law" and that even though there is no express

provision of the State law which prohibits national banks from exercising any particular fiduciary power, nevertheless, such banks shall not be permitted to act in any fiduciary capacity in which a State bank, trust company or other competing corporation cannot act. It does not appear, however, that this construction can properly be supported nor that it is consistent with the purpose for which the amendment was enacted.

The phrase "when not in contravention of State or local law" is the only restrictive clause applicable in this discussion for it is apparent that the succeeding paragraph is permissive rather than restrictive and operates solely as an exception to the restrictive clause of the first paragraph. The purpose of this exception was merely to insure to a national bank the right to exercise fiduciary powers in any case where a State bank, trust company or other competing corporation is permitted under the State law to exercise those powers, even if the State laws should contain an express provision either directly or by necessary implication prohibiting national banks from doing so.

In other words, the sole fact that Congress expressly provided that it is not in contravention of State law within the meaning of the first paragraph of Section 11 (k) for a national bank to exercise any fiduciary power which a State bank or trust company may exercise, cannot of itself reasonably be construed to imply that it is in contravention of State law for a national bank to exercise a fiduciary power which a State bank or trust company cannot exercise. If that had been the intention of Congress the term "when not in contravention of State or local law" would have been omitted from the first paragraph and the second paragraph would have been made to read substantially as follows:

"No national bank shall be permitted to exercise any of the foregoing powers which neither State banks, trust companies or other competing corporations are permitted to exercise under the State law."

That, however, was not done. The restrictive phrase "when not in contravention of State or local law" was retained in the first paragraph without change and the second and supplementary paragraph was inserted solely to protect national banks from any possible discrimination on the part of State legislators. In short, while giving to the legislature of each State in the first paragraph, the right expressly to prohibit national banks from exercising fiduciary powers, Congress, in the second paragraph, eliminates the possibility of discrimination against national banks by providing, as a rule of law, that no State statute shall be construed to prohibit a national bank from exercising any fiduciary power which a State bank, trust company or other competing corporation can exercise.

It is respectfully submitted, therefore, that the Federal Reserve Board may legally approve the application of any national bank to exercise any of the fiduciary powers authorized by Section 11(k) unless there is an express statute of the State in which the national bank is located which either directly or by necessary implication prohibits a national bank from exercising those powers, and that even in the case where there is such an express statute, the Board may approve the application if any State bank, trust company, or other competing corporation in that State is permitted to exercise the powers applied for by the national bank. That, I believe, was the intention of Congress and the purpose of the law as amended.

Respectfully,

GEORGE L. HARRISON.

Hon. W. P. G. Harding,
Governor, Federal Reserve Board.

General Counsel.

X-1434

FEDERAL RESERVE BOARD

STATEMENT FOR THE PRESS.

For immediate release
March 20, 1919.

The Federal Reserve Board's announced conference with the Governors of Federal Reserve Banks began today and it is expected that it will not be able to conclude its session until Saturday afternoon. Among those present at today's session were the following:

Messrs. W.P.G. Harding, Governor,
C.S. Hamlin,
A.C. Miller,
John Skelton Williams,
of the Federal Reserve Board,

L.L. Rue,
A. Barton Hepburn,
W.S. Rowe
F.O. Watts,
D.G. Wing,
of the Executive Committee of the
Federal Advisory Council,

R.C. Leffingwell, Assistant Secretary of the Treasury,
and the following Governors of Federal Reserve Banks: Chas. A. Morss (Boston),
Benj. Strong (New York), E.P. Passmore (Philadelphia), E.R. Fancher (Cleveland),
Chas. A. Peple, Deputy Governor (Richmond), M.E. Wellborn (Atlanta), J.B.
McDougal (Chicago), D.C. Biggs (St.Louis), Theodore Wold (Minneapolis), J.Z.
Miller (Kansas City), R.L. Van Zandt (Dallas) and J.K. Lynch (San Francisco).

The meeting today was of a purely preliminary character for the exchange of views on the forthcoming Victory Liberty Loan and related questions. It does not appear, however, that there will grow out of the meeting any recommendation looking to a change of discount policy.

The Director General of Railroads came before the meeting and outlined his tentative views as to the financing of the immediate requirements of the railroads.

Among other matters discussed was that of permanent quarters for Federal Reserve Banks. Several of the banks have acquired properties upon which they will either construct new buildings or remodel existing structures, but no definite action was taken in this respect and the Board will not undertake to approve plans in this connection until the needs of the several banks have been more carefully studied and analyzed.

FEDERAL RESERVE BOARD
WASHINGTON

150

The telegram given below is hereby confirmed.

Assistant Secretary.

2-7729

March 20, 1919.

X-1435

Federal Reserve Bank of Atlanta requests that arrangements be made to have New Orleans branch commence settling direct through Gold Settlement Fund with other Federal Reserve banks in same manner as now in effect between Federal Reserve banks and branches of St. Louis and San Francisco.

Beginning April 2nd and every settlement day thereafter New Orleans branch in addition to Atlanta head office, will telegraph to Board code Labeg its credits for other Federal Reserve banks as at close of business previous day for settlement through daily gold fund clearing. New Orleans branch will render separately to each Federal Reserve bank and branch settling direct through Gold Fund, daily mail transcripts supporting credits settled. Board will include in daily Bepeg telegram to other reserve banks credits of New Orleans branch as follows:

Atlanta amount
New Orleans amount

Federal Reserve banks are requested to open separate account with the New Orleans branch of Atlanta on April 1st and wire Board, code Labeg, for April 2nd gold fund clearing amounts of credits for New Orleans branch of Atlanta and to render to this branch daily mail transcripts supporting credits so reported in gold fund clearing. Please note that old system will continue, - Statement March 31st Clearing April 1st, new plan effective, - statements April 1st, clearing April 2nd.

Atlanta bank suggests that all deduction of differences prior to April 1st be made in settlement with Atlanta bank direct.

Please acknowledge receipt by wire.

BRODERICK.

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

Release for afternoon
papers, March 21, 1919.

X-1436

The Federal Reserve Board has issued the following regulations effective today:

"All restrictions as to the sale or purchase of lira exchange by 'dealers' as described in the Executive Order of the President of January 26th, 1918, are hereby removed until otherwise instructed."

"Notice is hereby given that 'dealers' as defined under the Executive Order of the President of January 26th, 1918, until otherwise instructed, may make transfers of funds to persons not enemies or allies of enemies resident in Croatia, Slavonia, Bosnia, Herzegovina and Dalmatia."

EX-OFFICIO MEMBERS
CARTER GLASS
SECRETARY OF THE TREASURY
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COMPTROLLER OF THE CURRENCY

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT
ADDRESS REPLY TO
FEDERAL RESERVE BOARD

March 22, 1919.

X-1437

Subject: Uniformity of Gold Fund Clearing Telegram.

Dear Sir:

In further reference to the request from the Federal Reserve Bank of Atlanta for daily settlement through the gold fund clearing between the Federal Reserve banks and the New Orleans branch, the Board wishes to call attention to its telegram of December 7, 1918, and letter of January 7, 1919. Beginning April 2nd the daily telegrams to the Board should read as follows:

Labeg (x)	amount	Louisville	amount
		Memphis	"
Boston	"	Minneapolis	none (xx)
New York	"	Kansas City	amount
Philadelphia	"	Dallas	"
Cleveland	"	San Francisco	"
Richmond	"	Seattle	"
Atlanta	"	Spokane	"
New Orleans	"	Portland	"
Chicago	"	Salt Lake	"
St. Louis	"		
Little Rock	"	Factotum (xxx)	

(x) Charge our account in Gold Settlement Fund total of \$ _____ and credit _____.

(xx) If any bank is not receiving credit in the settlement please substitute the word "none" for amount.

(xxx) A.B.A. code for December 7th, date of credits.

Please issue the necessary instructions to have the credits to the various banks and branches reported to the Board in the order shown above.

Kindly acknowledge receipt.

Very truly yours,

Assistant Secretary.

EX-OFFICIO MEMBERS

CARTER GLASS
 SECRETARY OF THE TREASURY
 CHAIRMAN
 JOHN SKELTON WILLIAMS
 COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

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 W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
 FEDERAL RESERVE BOARD

X-1440

THE FOLLOWING STATE INSTITUTIONS HAVE BEEN ADMITTED
 TO THE FEDERAL RESERVE SYSTEM DURING THE WEEK
 ENDING MARCH 21, 1919.

	Capital	Surplus	Total Resources
Milford Trust Company, Milford, Delaware.	\$25,000	\$35,000	\$915,052 .
Farmers Savings Bank, Lytton, Iowa.	30,000	5,000	475,870
W. B. Worthen Company, Bankers, Little Rock, Arkansas.	200,000	200,000	1,876,494
Union Trust & Savings Bank, East St. Louis, Ill.	200,000	50,000	2,470,781

WASHINGTON

March 11, 1919.

The Governor,
Federal Reserve Board.

Sir:

By direction of the Secretary, you are advised that the Department has referred to the Auditor for the Treasury Department for settlement the amount of the Bureau of Engraving and Printing for preparing Federal Reserve Notes during the period February 1 to February 28, 1919, amounting to \$220,975.50 as follows:

	\$5	\$10	\$20	\$50	\$1000	Total
Boston.....	249,000	235,000	70,000	2,000	-----	556,000
New York.....	245,000	335,000	286,000	12,000	10,000	888,000
Philadelphia.....	195,000	87,000	5,000	1,000	-----	288,000
Cleveland.....	145,000	200,000	176,000	3,000	2,000	526,000
Richmond.....	200,000	110,000	20,000	2,000	2,000	334,000
Atlanta.....	81,000	231,000	104,000	1,000	-----	417,000
Chicago.....	194,000	145,000	80,000	4,000	-----	423,000
St. Louis.....	120,000	140,000	29,000	1,000	-----	290,000
Minneapolis.....	159,000	122,000	16,000	-----	-----	297,000
Kansas City.....	132,000	160,000	20,000	1,000	-----	313,000
Dallas.....	150,000	205,000	100,000	-----	-----	455,000
San Francisco.....	65,000	43,000	42,000	-----	1,000	151,000
	<u>1,935,000</u>	<u>2,013,000</u>	<u>948,000</u>	<u>27,000</u>	<u>15,000</u>	<u>4,938,000</u>

4,938,000 sheets at \$44.75.....\$220,975.50

The charges against the several Federal Reserve Banks are as follows:

	Sheets.	Bureau appropriations				Total
		Compen- sation.	plate Printing.	Materials.	Inc. Com- pensation.	
Boston.....	556,000	\$8,479.00	\$7,216.88	\$7,717.28	\$1,467.84	\$24,881.00
New York....	888,000	13,542.00	11,526.24	12,325.44	2,344.32	39,738.00
Philadelphia	288,000	4,392.00	3,738.24	3,997.44	760.32	12,888.00
Cleveland...	526,000	8,021.50	6,827.48	7,300.88	1,388.64	23,538.50
Richmond....	334,000	5,093.50	4,335.32	4,635.92	881.76	14,946.50
Atlanta.....	417,000	6,359.25	5,412.66	5,787.96	1,100.88	18,660.75
Chicago.....	423,000	6,450.75	5,490.54	5,871.24	1,116.72	18,929.25
St. Louis...	290,000	4,422.50	3,764.20	4,025.20	765.60	12,977.50
Minneapolis..	297,000	4,529.25	3,855.06	4,122.36	784.08	13,290.75
Kansas City.	313,000	4,773.25	4,062.74	4,344.44	826.32	14,006.75
Dallas.....	455,000	6,938.75	5,905.90	6,315.40	1,201.20	20,361.25
San Francisco	151,000	2,302.75	1,959.98	2,095.88	398.64	6,757.25
	<u>4,938,000</u>	<u>\$75,304.50</u>	<u>\$64,095.24</u>	<u>\$68,539.44</u>	<u>\$13,036.32</u>	<u>\$220,975.50</u>

The Bureau appropriations will be reimbursed in the above amount from the indefinite appropriation "preparation and Issue of Federal Reserve Notes, Reimbursable," and it is requested that your Board cause such indefinite appropriation to be reimbursed in like amount.

Respectfully,

R. C. Leffingwell,

Assistant Secretary of the Treasury.

TREASURY DEPARTMENT

X-1442

WASHINGTON

March 10, 1919.

The Governor,
Federal Reserve Board.

Sir:

By direction of the Secretary, you are advised that the Department has referred to the Auditor for the Treasury Department for settlement the account of the Bureau of Engraving and Printing for preparing Federal Reserve Notes during the period February 1 to February 28, 1919, amounting to \$192.43 as follows:

FEDERAL RESERVE NOTES, 1918

	<u>\$1000</u>	<u>\$5000</u>	<u>\$10000</u>	<u>Total</u>
Boston.....	----	500	----	500
Philadelphia	----	500	300	800
Cleveland...	----	100	100	200
Richmond....	1000	300	100	1400
Atlanta.....	----	100	100	200
St. Louis...	1000	100	100	1200
	<u>2000</u>	<u>1600</u>	<u>700</u>	<u>4300</u>

4300 sheets at \$44.75.....\$192.43.

The charges against the several Federal Reserve Banks are as follows:

<u>Sheets</u>	<u>Bureau appropriations</u>				<u>Total</u>	
	<u>Compen- sation.</u>	<u>Plate printing.</u>	<u>Materials</u>	<u>Increased Compensation.</u>		
Boston.....	500	\$7.63	\$6.49	\$6.94	\$1.32	\$22.38
Philadelphia.	800	12.20	10.38	11.11	2.11	35.80
Cleveland....	200	3.05	2.60	2.78	.52	8.95
Richmond.....	1400	21.35	18.17	19.43	3.70	62.65
Atlanta.....	200	3.05	2.60	2.78	.52	8.95
St. Louis....	1200	18.30	15.57	16.65	3.18	53.70
	<u>4300</u>	<u>\$65.58</u>	<u>\$55.81</u>	<u>\$59.69</u>	<u>\$11.35</u>	<u>\$192.43</u>

The Bureau appropriations will be reimbursed in the above amount from the indefinite appropriation "Preparation and Issue of Federal Reserve Notes, Reimbursable," and it is requested that your Board cause such indefinite appropriation to be reimbursed in like amount.

Respectfully,

R. C. Leffingwell,

Assistant Secretary of the Treasury.

EX-OFFICIO MEMBERS
CARTER G. GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
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COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

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W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT
ADDRESS REPLY TO
FEDERAL RESERVE BOARD

March 26, 1919.

X-1444

SUBJECT: Request for data regarding building sites
and buildings of Federal Reserve Banks.

Dear Sir:

In order that the Federal Reserve Board may have complete and accurate detailed data regarding property owned by your bank, it will be appreciated if you will have the information asked for in the accompanying form compiled, as of March 31, 1919, and sent to the Board at your earliest convenience thereafter.

Very truly yours,

Secretary.

Enclosure.

Building Sites and Buildings of Federal Reserve Banks.

The following information is desired, as of March 31, 1919, separately for Head Office and for Branches:

1. Original investment -

a. Land	\$	_____
or		
Land and buildings		_____
b. Vaults		_____
c. Buildings erected by bank		_____

TOTAL	\$	_____

2. Improvements, repairs, taxes, etc. on property owned**

	1916	1917	1918	1919	Total
a. Taxes on land and buildings	\$				
b. Repairs and improvements					
c. Repairs, etc. on vaults.					

TOTAL	\$				_____

3. Amounts charge^d to Profit and Loss -

	1916	1917	1918	1919	Total
a. Land	\$				
b. Buildings					
c. Land and bldgs (if "a" and "b" not separated)					
d. Vaults					

TOTAL					_____

4. Book value of 'Bank premises' -

5. Please furnish data of any options held, part payments made, purchases pending, etc.

6. Please also furnish diagram of property owned, showing:

- dimensions of property;
- total area (Is all of area owned available for building?)
- names of streets bordering on property
- compass directions
- cost per square foot based on original price of land with any buildings on land at time of purchase;
- general description of buildings, if any, standing on property—frame, brick; ten-story, etc.

NOTE: Please see that total of items 1 and 2 equals total of 3 and 4.

** Should include amounts put through both 'Bank premises' and 'Current expenses'

EX-OFFICIO MEMBERS
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J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT
ADDRESS REPLY TO
FEDERAL RESERVE BOARD

March 26, 1919.
X-1445

Subject: Liability of Member Banks to Reserve Banks,
in excess of Capital and Surplus.

Dear Sir:

With further reference to the Board's telegram of
March 7th, confirmation No. X-1414, it will be appreciated
if you will please mail to the Board, as of close of business
March 31st, and as close of business last business day of
each month thereafter, statement giving "Liability of member
banks to Reserve Banks, in excess of capital and surplus,"
in schedule form, as follows:

- (a) Name of bank,
- (b) Location,
- (c) Loan liability, stating separately amount secured
by United States securities, other securities,
and unsecured loans, also acceptance liability,
then total liability.
- (d) Capital and surplus,
- (e) Indicate also amount of additional collateral held,
if any.

Very truly yours,

Secretary.

EX-OFFICIO MEMBERS

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FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

X-1447

FEDERAL RESERVE BOARD BULLETIN FOR THE WEEK
ENDING MARCH 28, 1919.

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	Capital	Surplus	Total Resources
The Union Banking & Trust Co., Du Bois, Penna.	\$125,000	\$175,000	\$2,145,602

AUTHORIZED TO ACCEPT DRAFTS AND BILLS OF
EXCHANGE UP TO 100 PER CENT OF CAPITAL
AND SURPLUS:

Paterson National Bank, Paterson, New Jersey.

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

X-1448

Release for afternoon papers,
April 1st.

The Federal Reserve Board has issued the following regulation effective today:

"Notice is hereby given that 'dealers' as defined under the Executive Order of the President of January 26, 1918, until otherwise instructed may make transfers of funds to persons not enemies or allies of enemies, resident in Esthonia, Lettland, Lithuania and Poland."

F E D E R A L R E S E R V E B O A R D

WASHINGTON

X-1449

March 31, 1919.

Curtiss, Boston
Jay, , New York
Austin, , Philadelphia
Wills, Cleveland
Hardy, Richmond
McCord, Atlanta

Heath, Chicago
. . Martin, St. Louis
Rich, Minneapolis
Ramsay, Kansas City
Ramsey, Dallas
Perrin, San Francisco

SUBJECT: Campaign for State Bank Members.

In view of favorable legislation in various States
the Board believes that the present is an opportune time for
a vigorous campaign for new State bank members.

HARDING.

F E D E R A L R E S E R V E B O A R D

WASHINGTON

X-1450

March 31, 1919.

Passmore, Philadelphia
 Fancher, Cleveland
 Seay, Richmond,
 Wellborn, Atlanta
 McDougal, Chicago

Biggs, St. Louis
 Wold, Minneapolis
 Miller, Kansas City
 Van Zandt, Dallas
 Lynch, San Francisco

SUBJECT: Campaign for New Par Points.

Board appreciates results of efforts in your district to increase par points and it is hoped that the good work will be continued up to the opening of Victory Campaign, when every effort should be directed to the successful flotation of the new loan. Please advise the Board of number of banks added to par list during month of March with total additions since January first; also as of the close of business March thirty first the total number of National bank members, State bank members, non-member banks on par list and non-member banks not on par list.

HARDING.

F E D E R A L R E S E R V E B O A R D

WASHINGTON

X-1451

March 31, 1919.

Morss,	Boston	McDougal,	Chicago
Strong,	New York	Biggs,	St. Louis
Passmore,	Philadelphia	Wold,	Minneapolis
Fancher,	Cleveland	Miller,	Kansas City
Seay,	Richmond	Van Zandt,	Dallas
Wellborn,	Atlanta	Lynch,	San Francisco

SUBJECT: Items handled by Collection Department.

Please advise (One) the extent to which the facilities of your collection department are used by your member banks and by Federal Reserve banks of other districts, approximate number of items daily.

(Two) The character of the items handled, such as bill of lading drafts, trade acceptances, sight drafts and maturing notes and bills.

(Three) The approximate division between items payable on demand and items payable after sight or at a future time.

(Four) Approximate percentage of items handled which are payable at banks in Federal Reserve or branch cities and percentage of items payable by individuals or concerns other than banks.

(Five) What if any service charge is made by the Federal Reserve bank on paid items and on unpaid items.

(Six) In case items are collected for your account by other banks in your district what charge is made by such banks and what do you consider a fair charge.

HARDING.

F E D E R A L R E S E R V E B O A R D

X-1452

WASHINGTON

CONFIRMATION OF TELEGRAM.

April 1, 1919.

Moxss	Boston	McDougal	Chicago
Strong	New York	Biggs	St. Louis
Passmore	Philadelphia	Wold	Minneapolis
Fancher	Cleveland	Miller	Kansas City
Seay	Richmond	Van Zandt	Dallas
Wellborn	Atlanta	Lynch	San Francisco

SUBJECT: Federal Reserve Banks acting as Fiscal Agents
for War Finance Corporation.

You will receive shortly from War Finance Corporation prospectus of its proposed issue of \$200,000,000 Series A 5% gold bonds to be dated April 1, 1919, maturing April 1, 1920. Board has no objection to your acting as fiscal agent of War Finance Corporation in this particular transaction.

HARDING.

EX-OFFICIO MEMBERS
CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

April 1, 1919.

X-1453

SUBJECT: Appointment of Consulting Architect.

Dear Sir:

Several of the Federal reserve banks have developed plans for permanent banking quarters, and three of the banks have announced that they are ready to let contracts for construction. Other Federal reserve banks have acquired building sites and have building projects in contemplation which will call for the development of plans in the near future.

The Federal Reserve Board is required by law to approve the expenditures of Federal reserve banks, and as the approval of outlay for permanent housing necessarily carries with it approval of the character and scope as well as the cost of the contemplated structures, the Board has deemed it advisable to employ a consulting architect to assist it in the discharge of its duty in this respect. The Board has, therefore, appointed Mr. Alexander B. Trowbridge of New York City with the title of Consulting Architect. He will maintain an office in the Equitable Building, 120 Broadway, New York City, and will act as the medium for the exchange of views between the several Federal reserve banks which are engaged in planning buildings in order that all the banks may have the benefit of his suggestions in the solution of their common problems. It is expected also that the Consulting Architect's office may be the means of standardizing certain features of the work, such as vault construction, fire-proofing, materials for interior finish, furnishing, and any other matter which may be deemed suitable for standardization. The location of the offices and of the various departments, the arrangement of the fixtures and accommodations for customers are among the matters which it is believed will find their best solution by means of an exchange of views and suggestions through the Consulting Architect's office.

The Board has already communicated to the banks its view that while the buildings of the Federal reserve banks should be dignified in their character and in their architectural treatment, they should be of a practical type and excessive ornamentation and the use of costly decorative materials should be avoided.

Those banks which have already engaged architects to prepare plans are requested to send reports of the status of their building projects and plans to the Consulting Architect and to furnish him with copies of preliminary plans and sketches, and in cases where the plans have been completed, it is desired that they should send him copies of the detailed plans and specifications as well. These banks are requested to have their architects communicate with the Board's Consulting Architect with reference to their work in order that the Consulting Architect may submit to the Federal Reserve Board his recommendations for any changes which may appear to him to be advisable.

Those banks which have not as yet engaged architects or begun the development of their plans are expected to avail themselves of the services of the Board's Consulting Architect in order that they may secure the benefit of the plans or experience of the other banks and in order that when an architect has been selected the bank and the architect may be fully informed as to the type of building and disposition of space best adapted to meet the requirements of a Federal reserve bank.

Those banks which expect to have open or limited competition before making final selection of an architect are advised to avail themselves of the services of the Consulting Architect in formulating a program of competition.

Very truly yours,

Governor.

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

April 2, 1919.

Release for morning papers,
April 3, 1919.

BUSINESS AND FINANCIAL CONDITIONS DURING MARCH, 1919.

Improvement in general business conditions and the continuance of an undertone of confidence in the essential strength and soundness of the country's economic position are indicated by the reports of Federal Reserve agents as representative of the business situation toward the close of March. The actual situation itself has not changed very fundamentally, but there are symptoms pointing to improvement in future prospects and to a more complete readjustment of business to normal conditions.

According to the report from the First District, "satisfactory progress is being made * * * in adjusting business to prevailing conditions," retail trade being generally good, savings deposits increasing, and stagnant businesses beginning to recover. In the Second District there is "a general belief that fundamental conditions are sound," although there is still a waiting attitude and uncertainty as to prices. In the Third District declines in prices during the past few weeks have "improved the business situation and indicate that progress is being made in the process of readjustment." In the Fourth District "industry may be said to be 'looking up,' that is, it is glancing upward toward greater activity, rather than downward, as formerly, to a further period of stagnation, depression, and decline. The optimism which has been constantly in evidence, during the whole period of transition, is being slowly but surely substantiated by facts."

The Fifth District states that "while reports still show cross-currents from **very** dullness and uncertainty, **there are few** that do not indicate some improvement,

present or prospective, and the spirit generally is confident of overcoming difficulties." In District No. 6 "no great progress has been made during the past few weeks toward a return to normal conditions," but the general status of business is fairly satisfactory and it is felt that "as soon as cotton begins to move at a satisfactory price, trade in all lines will revive." In District No. 7, business men "while proceeding along conservative lines, reflect less apprehension regarding the immediate future than a month ago." It is also stated that "there is every reason to expect increased activity all through the Middle West." In District No. 8 "business is rapidly resuming a normal basis in many lines." District No. 9 reports that "trade in all the principal wholesale lines is satisfactory and retail trade is likewise good. Collections are good." In District No. 10 "reports from all sections * * * point to a year of activity and prosperity, while business is far less inclined than heretofore to wait for the development of new conditions." In District No. 11 no changes of importance have occurred in the general trade situation during the past 30 days, but "further progress is evident in the readjustment period, and less is heard of the uncertainties following the turn of the new year." In District No. 12 "manufacturing and industry have been, on the whole, fair," while prospects are good, exports the largest ever reported, and the principal source of anxiety is due to the labor situation.

From all Federal Reserve districts it is reported that the price situation is still the controlling factor in business conditions and outlook. Several developments of importance are evident in this connection. There has been a continuous though moderate decline of prices. Practically all of the standard index numbers show a falling off. Bradstreet's number for March 1 was \$17.2244, a decrease of 2-3/10 per cent from February 1; Dun's index number was \$217.037 on March 1, as compared with \$220.050 on February 1, a decline of 1-4/10 per cent. Sauerbeck's British index number indicates a parallel falling off of about 2 per cent.

The general index number of the Bureau of Labor Statistics for the month ending February 28th has decreased 5 points, from 202 to 197. The Board's compilation of index numbers showing the situation up to March 1, indicates that during February the prices of consumers' goods decreased 10 points, the number for the month of February standing at 202. Smaller decreases were shown in producers' goods, from 194 to 191, and for raw materials, from 195 to 192, the decline in the latter being due largely to the decline in the index number for farm products from 232 to 222. Reports since received indicate that the decline in prices has been moderately continued in some lines.

Almost equally important with the decline in prices is the fact that the public at large has apparently given up expectations of immediate and decisive declines. From some districts it is reported that, in the opinion of the local business community, "Whatever change in prices is yet to come will come slowly," and that in consequence the business community has decided that further postponement of activity, in the belief that drastic declines will occur, is not warranted. During the latter part of March there were further downward revisions of prices in important lines. The steel industry sent a representative committee to Washington which, in consultation with a board representing the Government, agreed upon standard quotations for the principal steel products, representing a reduction of about \$5 per ton. Some further revision in copper and other metal prices has likewise occurred. The problem of working off the Government's surplus copper stocks is still unsettled or only partially settled.

The War Department announced that under a tentative agreement reached with 90 per cent of the copper producers, the latter will sell the Government surplus at the market price, charging the Government actual cost for so doing. Producers will distribute it in connection with their own product, a minimum monthly amount being fixed and the actual amount disposed of being a certain percentage of their total sales, if it exceeds the minimum amount. The copper is to be distributed in 15 months. Prices for lead are expected not to be advanced from their current low figure until existing overstock has been largely disposed of. Lead ores averaged \$51.95 in February, as compared with \$60. in January, while a year ago average prices ranged around \$85.

Cotton prices have continued to decline somewhat during the early part of the month, but the prospects of a resumption of free export trade have materially strengthened them. According to the prevailing opinion in most districts, rapid and general decline of the prices of local products are not to be expected. Very great diversity of conditions exists in the manufacturing field. From Philadelphia it is reported that in a number of lines conditions are still unsettled at mills. This is distinctly true of cotton manufacturing and of iron and steel. The iron and steel output is still relatively small and probably does not exceed more than 60 to 66 per cent of capacity in the case of the independent mills, although the United States Steel Corporation reports about 95 per cent of full operation for February, as compared with 97 per cent for January. During March conditions have improved somewhat, as shown by reports received by the Board from some of the principal producing districts. Pig iron production during February amounted to 2,940,168 tons, as compared with 3,302,260 tons during January, and 2,319,399 tons a year ago, the respective index numbers being 136,¹⁴³ and 107. Steel ingot production likewise shows a decline from 3,082,421 tons in January to 2,688,011 tons in February, as compared, however, with 2,273,741 tons a year ago, the respective index numbers being 129, 120, and 102. The unfilled orders of the United States Steel Corporation have continued their decline, the figure at the close of February being 6,010,787 tons, as compared with 6,684,268 tons at the close of January, the respective index numbers being 114 and 127, while the figure at the close of February, 1918, was 9,288,453 tons, corresponding to an index number of 176.

In general manufacturing the situation is reported as "somewhat mixed." Manufacturers of boots and shoes report from various districts that their business is almost normal and in some cases up to capacity. In groceries retailers are buying slowly, while large stocks on hand have caused sharp declines in price. In some parts of the country, however, wholesalers find business im-

proving. In the Middle West activity in many lines is all that could be asked,

while elsewhere production is still far from normal. Woolen mill production has reached its lowest point and is beginning to improve. The American Woolen Co., in consequence of the cut in prices inaugurated some time ago, has, it is believed, succeeded in booking a considerable volume of orders and has adopted a policy of aggressive bidding for new business. In miscellaneous lines there is a very variable situation. The demand for jewelry, automobiles, and other luxuries appears to be brisk in many districts. Purchases of gold at the assay office in New York for the purpose of manufacturing jewelry were greater in January and February than during any preceding month since October, 1916. In the case of materials and in some cases clothing, which has been affected by the unusual weather conditions, demand is unsatisfactory and manufacturing low. Production of anthracite coal has reached a low level, due to the falling off of demand consequent upon extraordinarily mild weather in most parts of the country, while the production of bituminous coal and of coke has likewise decreased, although recent reports show a tendency to an upward movement.

In connection with the manufacturing situation there is to be noted a distinct improvement in the labor and employment outlook. From District No. 1 it is reported that except in certain centers where strikes have been in progress conditions are not alarming, while many of those who have been released from war work are finding it comparatively easy to shift into other occupations. In Chicago the employment situation is noticeably improving. Returning soldiers are being generally reemployed, although there is difficulty in placing those who desire higher wages and better appointment than they had before entering the Army.

In the agricultural districts a large demand for labor is now opening, due to the prospects of excellent crops. On the Pacific coast the problem of unemployment is still serious, but in various parts of the district the surplus of unemployed is beginning to decline and in some sections it is believed that by May 1 the entire labor surplus will have been absorbed.

In New York City, although the supply is only about equal to demand, considerable labor trouble still exists, with a number of strikes in progress.

Reports from the producing districts continue to be very satisfactory. In the West and Middle West it is stated that the condition of winter wheat is excellent and in some quarters the best that has ever been recorded for the month of March. In the Tenth District it is reported that crop prospects "are brighter at this time than at the winter break-up of any of the last 10 years." From the Chicago district it is reported that crop conditions are excellent and that an unprecedentedly small amount of complaint of crop damage is heard from planting districts. In the South there has been a reduction of cotton acreage, but prospects for production are good, while the other crops of the South and Southwest are selling at high prices and have at least produced a fair yield.

Grain movements have considerably declined during the past month. This has been noticeable for each of the five principal grains. Stocks on hand at the close of the month also show a relatively slight decline in each case. Flour production likewise shows a decrease, amounting to 7,736,000 barrels during February, as compared with 12,994,000 barrels in the previous month.

While the stocks have increased from 3,341,000 at the close of January to 3,544,000 at the close of February, conditions as a whole are dull, and there is a disposition to await further developments.

In the live-stock market the situation is reported as bright. The average price of cattle has advanced very considerably over a year ago, while sheep and lambs for February averaged about the same. The price of meats has advanced; while there has been a slight decrease in the stocks of meats, there has been a 50 per cent increase in the stock of lard. The trend of prices for live hogs for Chicago during February and early March has been higher than a year ago. Receipts of cattle and calves at 15 principal markets have decreased considerably from last month, respective figures being 1,656,046 and 1,096,118 head, corresponding to index numbers of 164 and 116. The February figure, however, is almost as large as that for a year ago. A decrease has likewise occurred in the receipts of hogs, the figures for the two months being 4,603,335 and 3,451,894, corresponding to index numbers of 209 and 168. The receipts during February, 1919, are approximately the same as receipts for a year ago, while receipts of sheep have also decreased considerably from the January figures. They are, however, somewhat larger than the February, 1918, figures. The figure for February 1919, is 744,891 head, as compared with 1,079,377 during January, the index number having decreased from 79 to 61, while figures for February, 1918, are 733,895 head, corresponding to an index number of 58.

Receipts, meltings, and stocks of sugar at the close of February show a considerable increase, both over the figures for the previous month, and over the same month in 1918, the increase in receipts, and especially in stocks, having been considerably greater, however, than the increase in meltings.

Interest and discount rates have not varied materially in any of the markets during the month of March. The Board's reports show minor variations at different points. In the New York market occasional increases in both call and time funds have been followed by fully offsetting declines. No definite trend is to be noticed in any of the principal financial markets of the month. The Board's figures, showing debits to deposit accounts, both of individuals and banks, register a moderate decline during the first half of March, the high point (based on daily averages) having been reached during the last week in February. Rates at Federal Reserve Banks have been stable. Banking conditions as a whole have been satisfactory, with some operations of considerable size successfully completed. Prominent among these was the Belgian industrial credit for \$50,000,000, while other operations have been undertaken and are in progress. There has again been an increase in Federal reserve note circulation, the total advance for the period between February 28th and March 28th amounting to \$49,469,000.

X-1455

F E D E R A L R E S E R V E B O A R D

P R E S S S T A T E M E N T

For immediate release.

The Federal Reserve Board has issued the following regulation, effective today, superseding its ruling of April 1, in that transfers of funds to persons not enemies or allies of enemies, resident in Lettland and Lithuania, will not be permitted; but transfers of funds may be made to persons not enemies or allies of enemies, resident in the Austrian Hungarian Monarchy as it existed previous to August first nineteen fourteen with the exception of Hungary.

"Notice is hereby given that 'dealers' as defined under the Executive Order of the President of January twenty-sixth, nineteen eighteen, until otherwise instructed may make transfers of funds to persons not enemies or allies of enemies, resident in Esthonia, Poland and the Austrian Hungarian Monarchy as it existed previous to August first nineteen fourteen with the exception of Hungary."

April 2, 1919.

F E D E R A L R E S E R V E B O A R D

WASHINGTON

CONFIRMATION TELEGRAM

April 3.1919

X-1457

Subject: Notes Secured by War Finance Corporation
Bonds not Exempt from Revenue Stamp Tax.

Morss, Boston,
Strong, New York
Passmore, Philadelphia
Fancher, Cleveland
Seay, Richmond
Wellborn, Atlanta

Biggs, St.Louis
Wold, Minneapolis
Miller, Kansas City
Van Zandt, Dallas
Lynch, SanFrancisco

Board calls attention to fact that notes, whether
customers' or member bank notes, secured by War Finance Corporation
bonds, are not exempt from revenue stamp tax.

HARDING.

FEDERAL RESERVE BOARD

WASHINGTON

CONFIRMATION TELEGRAM

April 3, 1919.
X-1458

Subject: Rediscount rates for Paper secured by War Finance Corporation Bonds.

Curtiss, Boston,
Jay, New York
Austin, Philadelphia
Wills, Cleveland
Hardy, Richmond
McCord, Atlanta

Martin, St. Louis
Rich, Minneapolis
Ramsay, Kansas City
Ramsey, Dallas
Perrin, San Francisco

Upon application of Federal Reserve Bank of Chicago, Board has today approved rediscount rates for paper secured by War Finance Corporation bonds at rates 1% above prevailing rates for eligible commercial paper of corresponding maturities in Chicago District, and is prepared to act upon recommendation of your bank as to rediscount rates for member bank promissory notes and customers' notes secured by such bonds. Under provisions of Section 13 of War Finance Corporation Act, the rate must not be less than 1% per annum above the prevailing rates for eligible commercial paper of corresponding maturities.

HARDING.

EX-OFFICIO MEMBERS

CARTER GLASS
 SECRETARY OF THE TREASURY
 CHAIRMAN
 JOHN SKELTON WILLIAMS
 COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

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J. A. BRÖDERICK, SECRETARY
 W. T. CHAPMAN, ASSISTANT SECRETARY
 W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
 FEDERAL RESERVE BOARD

X-1460

FEDERAL RESERVE BOARD BULLETIN FOR THE WEEK
 ENDING APRIL 4, 1919.

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	Capital	Surplus	Total Resources
The Macomb County Savings Bank, Lenox and Richmond, Mich.	\$50,000	\$10,000	\$712,869
Valley County Bank, Hinsdale, Mont.	25,000	5,000	175,516
Capital City Bank, Santa Fe, New Mexico.	50,000	10,000	373,007
The First State Bank, Lorains, Texas.	30,000	15,000	171,254
First Guaranty State Bank, Valley View, Texas.	25,000	10,000	145,063
Security Savings Bank, Brigham City, Utah.	50,000	13,000	653,174

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FEDERAL RESERVE BOARD
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W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

April 7, 1919.
X-1462

Subject: "Advice Blanks for use in Connection with
Return of Unfit Federal Reserve Notes to
Treasurer of the United States."

Dear Sir:

Favorable replies have been received from all Federal Reserve Banks to Board's letter X-1428 of March 17th, 1919, "Advice Blanks for use in Connection with Return of Unfit Federal Reserve Notes to Treasurer of the United States", and the following modifications which were suggested by the Federal Reserve Banks have been adopted and will be incorporated.

An additional copy has been added to be enclosed with the "uppers" when they are forwarded to Washington. The wording of this copy in the upper right hand corner in the parentheses will read as follows: "Inclose with uppers".

The wording in the parentheses in the upper right hand corner of the second, third and fourth copies will read as follows: "Inclose with lowers".

The National Bank Redemption Agency will have a supply of these forms printed at once and sent to the various banks.

Very truly yours

Secretary.

W. P. G. HARDING, GOVERNOR
 ALBERT STRAUSS, VICE GOVERNOR
 ADOLPH C. MILLER
 CHARLES S. HAMLIN

J. A. BRODERICK, SECRETARY
 W. T. CHAPMAN, ASSISTANT SECRETARY
 W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
 FEDERAL RESERVE BOARD

EX-OFFICIO MEMBERS

CARTER GLASS
 SECRETARY OF THE TREASURY
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 COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

April 7, 1919.

X-1464

Subject: Security covering Acceptances in Excess of 10%
 Limitation of Section 13; Section 11(k) of the
 Federal Reserve Act.

Dear Sir:

I am forwarding herewith for your information copies of two memoranda prepared by counsel, X-1461 (Security covering acceptances in excess of 10 per cent Limitation of Section 13), and X-1432 relating to the construction of Section 11(k) of the Federal Reserve Act and to the release of security against acceptances aggregating ten per cent of the capital and surplus of the accepting bank. These memoranda have been approved by the Federal Reserve Board for publication in the April Bulletin.

Very truly yours,

Governor.

(Mimeograph prepared for purposes of Record;
 Typewritten letter sent to all Federal Reserve
 Agents.)

EX-OFFICIO MEMBERS

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FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
 W. T. CHAPMAN, ASSISTANT SECRETARY
 W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
 FEDERAL RESERVE BOARD

April 5, 1919.

X-1461

SUBJECT: Security Covering Acceptances in Excess of
 10 per cent Limitation of Section 13.

Sir:

In an opinion of this office printed on page 254 of the March 1919 Bulletin, it was stated that although Section 13 of the Federal Reserve Act authorizes member banks to accept drafts drawn in domestic transactions only when secured at the time of acceptance, nevertheless, the security may properly be released after acceptance, provided, however, that in any case where the total amount accepted for any one customer exceeds ten per cent of the capital and surplus of the accepting bank the security cannot be released unless some other actual security growing out of the same transaction is substituted therefor.

The question has since been raised whether the accepting bank may release the security against drafts aggregating ten per cent of the capital and surplus of the bank in a case where the total amount of drafts accepted for one customer and outstanding at one time is in excess of that limit.

Section 13 provides in part that:

"No member bank shall accept, whether in a foreign or domestic transaction, for any one person, company, firm, or corporation to an amount equal at any time in the aggregate to more than ten per centum of its paid-up and unimpaired capital stock and surplus, unless the bank is secured either by attached documents or by some other actual security growing out of the same transaction as the acceptance: and no bank shall accept such bills to an amount equal at any time in the aggregate to more than one-half of its paid-up and unimpaired capital stock and surplus."

The question under consideration involving a construction of this paragraph may present itself in either one of two ways:

First: Under the provisions of the section quoted above, a bank may properly accept for one individual at one time, drafts aggregating as much as 50% of its capital and surplus if the bank is secured either by attached documents or by some other actual security growing out of the same transaction as the acceptance. In such a case may the bank after acceptance release the security covering drafts aggregating 10% of its capital and surplus if it retains the security covering the balance of the drafts?

Second: Under the provisions of the section quoted above, a bank may properly accept for one individual drafts aggregating 10% of its capital and surplus, and immediately thereafter release the security against that 10%. The question then is whether the bank may properly accept additional drafts for the customer before the first drafts have been liquidated if the bank holds some actual security to cover those additional acceptances?

A careful consideration of the provisions of the law indicates that Congress intended that the accepting bank may properly rely upon the general credit of the customer in acceptance transactions up to 10% of its capital and surplus but that for any acceptance liability in excess of that amount, incurred for the same customer, it must hold some actual security.

In the second case mentioned above, therefore, where a bank has accepted for a customer drafts aggregating 10% of its capital and surplus, it may accept additional drafts for that same customer even before the first drafts have been liquidated and even though it no longer holds any security against those first drafts, provided, of course, that it holds some actual security against the additional drafts.

It seems certain that Congress did not intend in any case of that character entirely to prohibit the additional acceptances but that it intended to authorize them only if the accepting bank retains some actual security against those additional acceptances so long as they constitute an acceptance liability in excess of 10% of its capital and surplus. If this were not the proper construction of the law a bank which unquestionably might have accepted for one customer drafts aggregating even as much as 50% of its capital and surplus when secured, would be limited to 10% for that same customer if it had outstanding any acceptances of the customer, no matter how small in amount, against which it had already released the security. Or to put it another way - a bank which had accepted for one customer unsecured drafts aggregating 10% of its capital and surplus growing out of an export transaction, would not be permitted to accept any domestic drafts whatever for that same customer, unless the law is construed to mean that the security provided for in the section quoted above is required only as to the amount over and above the 10% limitation.

I believe that both the letter and the spirit of the law authorize the accepting bank to rely upon the general credit of the customer on its acceptance liabilities up to an amount equal to 10% of its capital and surplus and that in the first case described above, it may release the security against drafts aggregating that amount provided it holds some actual security against the balance of the drafts accepted for that customer and that in the second case described above it may accept the additional drafts over and above the 10% limit even though it has previously released the security against the first drafts, provided that it retains some actual security against those additional drafts as long as they constitute an acceptance liability in excess of ten per cent. of the bank's capital and surplus.

Respectfully,

Hon. W.P.G. Harding,
Governor, Federal Reserve Board.

GEORGE L. HARRISON.

General Counsel.

EX-OFFICIO MEMBERS

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W. M. IMLAY, FISCAL AGENT

FEDERAL RESERVE BOARD

WASHINGTON March 31, 1918.

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

X-1432
(Revised)

Subject: Section 11 (k) of the Federal Reserve Act.

Sir:

An opinion has been asked with reference to the construction of Section 11 (k) of the Federal Reserve Act as amended by the Act of September 26, 1918. That section as amended, provides in part that the Federal Reserve Board shall be authorized and empowered

"To grant by special permit to national banks applying therefor, when not in contravention of State or local law, the right to act as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State in which the national bank is located.

"Whenever the laws of such State authorize or permit the exercise of any or all of the foregoing powers by State banks, trust companies, or other corporations which compete with national banks, the granting to and the exercise of such powers by national banks shall not be deemed to be in contravention of State or local law within the meaning of this Act."

The question for determination is whether a national bank may exercise any of the eight powers expressly set forth in the law quoted above in any case where neither State banks, trust companies nor other competing corporations are authorized to exercise those powers. In other words, in a State where State banks or trust companies may exercise all of these eight powers with the exception of "administrator", for instance, may national banks located in that State be permitted to act in that capacity?

Under the interpretation of the term "when not in contravention of State or local law" as construed before the amendment of September 26, 1918 and as generally followed by the Federal Reserve Board prior to that date, there is no doubt that the Board may permit a national bank in such a case to act as "administrator" if there is no express provision in the laws of the State which either directly or by necessary implication prohibits national banks from acting in that capacity.

It may be argued that the second paragraph quoted above was intended to make a complete and exclusive definition of what constitutes "when not in contravention of State or local law" and that even though there is no express

provision of the State law which prohibits national banks from exercising any particular fiduciary power, nevertheless, such banks shall not be permitted to act in any fiduciary capacity in which a State bank, trust company or other competing corporation cannot act. It does not appear, however, that this construction can properly be supported not that it is consistent with the purpose for which the amendment was enacted.

The phrase "when not in contravention of State or local law" is the only restrictive clause applicable in this discussion for it is apparent that the succeeding paragraph is permissive rather than restrictive and operates solely as an exception to the restrictive clause of the first paragraph. The purpose of this exception was merely to insure to a national bank the right to exercise fiduciary powers in any case where a State bank, trust company or other competing corporation is permitted under the State law to exercise those powers, even if the State laws should contain an express provision either directly or by necessary implication prohibiting national banks from doing so.

In other words, the sole fact that Congress expressly provided that it is not in contravention of State law within the meaning of the first paragraph of Section 11 (k) for a national bank to exercise any fiduciary power which a State bank or trust company may exercise, cannot of itself reasonably be construed to imply that it is in contravention of State law for a national bank to exercise a fiduciary power which a State bank or trust company cannot exercise. If that had been the intention of Congress the term "when not in contravention of State or local law" would have been omitted from the first paragraph and the second paragraph would have been made to read substantially as follows:

"No national bank shall be permitted to exercise any of the foregoing powers which neither State banks, trust companies or other competing corporations are permitted to exercise under the State law."

That, however, was not done. The restrictive phrase "when not in contravention of State or local law" was retained in the first paragraph without change and the second and supplementary paragraph was inserted solely to protect national banks from any possible discrimination on the part of State legislators. In short, while giving to the legislature of each State in the first paragraph, the right expressly to prohibit national banks from exercising fiduciary powers, Congress, in the second paragraph, eliminates the possibility of discrimination against national banks by providing, as a rule of law, that no State statute shall be construed to prohibit a national bank from exercising any fiduciary power which a State bank, trust company or other competing corporation can exercise.

It is respectfully submitted, therefore, that the Federal Reserve Board may legally approve the application of any national bank to exercise any of the fiduciary powers authorized by Section 11(k) unless there is an express statute of the State in which the national bank is located which either directly or by necessary implication prohibits a national bank from exercising those powers, and that even in the case where there is such an express statute, the Board may approve the application if any State bank, trust company, or other competing corporation in that State is permitted to exercise the powers applied for by the national bank. That, I believe, was the intention of Congress and the purpose of the law as amended.

Respectfully,

GEORGE L. HARRISON.

General Counsel.

EX-OFFICIO MEMBERS
CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD
WASHINGTON

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

April 8, 1919.

X-1465

Subject: Circulars Re- Recommendations made by Governors
of Federal Reserve Banks at Conference with
Federal Reserve Board, March 20-22.

Dear Sir:

For your information there is enclosed herewith
copies of Board's circulars X-1459 and X-1463.

Very truly yours,

Acting Chairman,
Executive Committee.

TOPICS DISCUSSED AND RECOMMENDATIONS MADE BY
GOVERNORS AT CONFERENCE WITH FEDERAL RESERVE BOARD.

WASHINGTON, MARCH 20-22, 1919.

1. DISCOUNT POLICIES:

- a. How long should reserve banks continue the present differential rates in favor of notes secured by Government obligations?

Recommendation:

It is the opinion of the meeting that present differential rates in favor of notes, secured by Government obligations, should be continued until after the fifth loan is placed, and for such reasonable period thereafter as will permit a considerable liquidation of such borrowings without imposing undue penalties upon the banks which are required to rediscount with the Federal reserve banks.

It is further suggested that no recommendation for a change in the present differential rates can well be made until it is known at what rate the next loan will be offered, at which time some readjustment of rates for loans to be secured by bonds of that issue may be necessary. The establishment of a different rate for loans secured by the bonds of the Fifth loan may necessitate a review at that time of rates applying to loans secured by bonds of the earlier issues.

- b. Current rates of member banks for bank loans in the several reserve districts, and their relation to present rediscount rates of Federal reserve banks.

Recommendation:

None.

- c. Liquidation of Government secured paper at Reserve Banks.
- d. Expression of opinion as to the length of time which will be required to make a permanent distribution of the Government securities held by member banks.

Recommendation:

It is the opinion of the meeting that if no further permanent borrowing is required by the Government after the Fifth loan is placed, and provided the general tendency toward a general commercial liquidation continues as expected, the amount of unliquidated paper held by member banks and by the Reserve Banks at the end of a period of say a year from June 1st, next, will be so small as to be a negligible factor in the position of the Federal reserve banks and can be readily dealt with at or before the expiration of that year by readjustment of rates.

- e. Discussion of recommendations made by Advisory Council as to discount rates and policies.

Recommendation:

The answer to topic (a) fully answers topic (e), except that it is the unanimous opinion of the meeting that the rates to be adopted and maintained by the reserve banks, for loans secured by Government bonds and notes should be uniform in all the reserve banks.

2. BANKERS' ACCEPTANCES - OPEN MARKET.

- a. Development of open market.
- b. Is a low rate at Federal Reserve banks necessary to develop the acceptance market?

Recommendation:

It is recommended that in general the present policy as to rates for bankers' acceptances be continued. The present developments in foreign exchange may, however, present the opportunity for securing a large increase in the volume of bills drawn in dollars, of which advantage should be taken, in case it does arise, by quoting favorable rates for open market purchases, and particularly forward rates for bills to arrive, even though that involves a larger accumulation of bills by the Reserve banks.

It is further recommended that in order to develop an active market for bills in the different reserve districts, that steps should be taken by the reserve banks to insure dealers in bills a sufficient supply of credit with which to carry them, without penalty of a high rate, until they are able to market them.

It is suggested that the reserve banks can facilitate the development of carrying arrangements for dealers by making arrangements for special purchases of bills from them under contract to repurchase within fifteen days, in cases where member banks are not willing to make collateral loans on bills at reasonable rates.

- c. Reserve Bank Policies in making Purchases:
 - 1. Direct from accepting banks.
 - 2. From member banks, with or without endorsement.
(Miscellaneous bills other than own acceptances).

Recommendation:

It is recommended that the purchase of bills be made freely from member banks, with their endorsement, unless bearing otherwise satisfactory endorsements, those bills, however, to be other than those accepted by the selling banks.

- 3. Through brokers and accepting houses.

Recommendation:

That steps be taken by the reserve banks to encourage the development of the business of dealing in bills in each of the reserve bank cities, as a facility for the development of this market, and that dealers be encouraged by having free access to Federal reserve banks,

to sell bills and to carry them under a 15 day repurchase arrangement.

4. Through other Federal Reserve banks.
5. Through brokers or banks, other than reserve banks, of acceptances of member banks in other districts.

Recommendation:

That Federal Reserve banks should not appear as purchasers of bills in other Federal Reserve districts, except through the Federal Reserve banks of those districts.

- d. Sales of acceptances to other Federal Reserve banks with or without reserve bank endorsement.

Recommendation:

It is recommended that where voluntary open market purchases are made by one reserve bank through another reserve bank, no endorsement be expected or required.

Where sales of bills by one reserve bank to another reserve bank are made by mutual arrangement, endorsement may be required by the purchasing reserve bank and such transactions should promptly be reported to the Federal Reserve Board. That where rediscounts are

arranged through the Federal Reserve Board, at rates fixed by the Board, endorsements should always be given by the borrowing bank.

- e. Expression of opinion is asked as to desirability of reserve banks making miscellaneous sales of bankers' acceptances.
 - 1. To member banks in its own district.
 - 2. To other banks, bankers, brokers, or accepting houses in its own district.
 - 3. To banks, bankers, brokers, or accepting houses in other districts.

Recommendation:

It is recommended that it be the policy of the System that no sales of bills be made by reserve banks out of their portfolios, except to other reserve banks; but as a temporary matter, to aid in the development of the market for bills among member banks, certain reserve banks may find it necessary for the time being to act as the agent of member banks in making purchases of bills and to some extent to act as dealers in bills for that purpose. That Federal reserve banks may very properly buy bills for member banks, assist them in their purchases by giving advice and taking deliveries for them.

- f. Necessity for general cooperative policy covering all interdistrict purchases, sales and rediscounts.

Recommendation:

It is the sense of the meeting that where one Federal reserve bank takes its bills in another Federal reserve district, it should be through the Federal reserve bank of that district.

Special Recommendation:

That the Federal reserve banks be permitted, as local circumstances warrant, to establish free luncheon facilities for their employees, in the belief that the expenditure involved will be more than offset in economy of time and increased control of the efficiency of the workers.

3. BANKERS' ACCEPTANCES - GENERAL.

- a. To what extent is inquiry made by reserve banks to determine eligibility of bankers' acceptances.
- b. Distinction -- Foreign and Domestic Acceptances as to Security Required at the time of and subsequent to Acceptance.

(General discussion - no recommendation)

4. BANKERS' ACCEPTANCES -- DOMESTIC.

- a. Use and abuse of domestic acceptances.
- b. Custody of collateral.
- c. Discrimination in purchases by reserve banks.

Recommendation:

The discussion developed the fact that there is a growing tendency on the part of member banks to misuse and possibly abuse, the right of acceptance credits in domestic transactions. These abuses doubtless grow, in many cases, out of a lack of knowledge of what are correct practices, and to some extent out of difficulties incident to the war. The principal abuses noted were in the employment of acceptance credits for transactions which are in fact loans upon commodities. In such cases the use of the acceptance credits is frequently a subterfuge to escape the provisions of Section 5200 of the National Bank Act, and in other cases an improper drawing of bills against domestic shipment of goods. It is the belief that it would be a mistake to endeavor to correct these practices through general regulations applying to the purchase of bills by the reserve banks.

Recommendation:

That the Federal Reserve Board obtain the services of bankers who are thoroughly familiar with both domestic and foreign acceptance credits, to prepare literature for use by the reserve banks in educating their member banks in sound methods to be employed in all branches of the acceptance business. It was further recommended "that no attempt be made, by regulation of the Federal Reserve Board, to control the method employed by member banks in conducting their business, until the literature above referred to has been prepared."

Attention was directed to a memorandum in regard to a ruling by the Comptroller of the Currency. "If this ruling is strictly construed, no bank buying the acceptances of another bank, in excess of 10 per cent of its own capital, would be able to ascertain whether the provisions of section 5200 had been violated or not, without inquiry as to every transaction under which these bills originated. The danger lies in the possible impairment of the marketability of the bills, resulting from the fear of granting excessive loans to member banks through the account 'bills purchased'."

The ruling of the Comptroller of the Currency is as follows:

"Subject: Limitations of Section 5200, as applied to bankers' acceptances.

"Recently Mr. Newnham, supervising examiner of the Comptroller's office, was called to discuss this subject in the light of present practice and rulings of the Federal Reserve Board, and the theories of the Comptroller's office.

"He explained that in the Comptroller's office it has been held for many years that only paper which resulted from the sale of goods could be classed as commercial paper, actually owned, etc., or if bills of exchange as bills of exchange drawn against actually existing values, that the mere fact that there were goods as collateral security pledged to a bill of exchange would not constitute actually existing values.

"The opinion of counsel published in the Federal Reserve Bulletin of March 1, 1917, citing from the decision of the case of the Second National Bank of Oswego, versus Burt, 93 N. Y. 233, is considered affirmative of this view. Mr Newnham also inclined to the belief that with regard to acceptances discounted for or purchased from the acceptor, such purchase or discount constitutes a loan to the acceptor and would be liable to the limitations of the statute as borrowed money; that they could not be considered as commercial paper actually owned, etc., by the acceptor offering them for sale or rediscount.

"Also, that with regard to bills drawn on a national bank against the pledge of goods in warehouse owned by the drawer:

- (a) If the bill is taken by the acceptor that it is merely a secured loan and falls within the limitations of the statute.
- (b) That in the hands of a third party as there is no sale for goods antecedent to the instrument it is within the limitations of the statute and could not be held by a national bank purchaser for an amount in excess of 10 per cent of the capital stock and surplus of the national bank purchaser."

5. LOANS TO MEMBER BANKS:

- a. What is the policy with respect to discounts by reserve banks of notes and bills secured by commodities; margin required.

Recommendation:

In view of the statements made, it seems to be the opinion of the meeting that special conditions exist in only one or two of the Federal reserve districts, and they had best be dealt with directly by the Federal Reserve Board with the banks in those districts, rather than be made the subject of a recommendation by this meeting.

b. The attention of the Board has been called to what has been termed "extraordinary liberality" of loans to small member banks. The margin between the reserve bank discount rate and the rate charged to customers of rediscounting banks, tends to encourage easy credit.

Recommendation:

It is the sense of the meeting that during the period when the Government is making such heavy demand upon the banks, it is impossible to restrict the lines to individual borrowers, as would otherwise be the case, and individual inquiry and remonstrance as a general practice is checking the tendency on the part of member banks to profiteer.

The development of the special department of examination in the reserve banks has provided facilities for making not only special credit investigations in cases where needed, but examinations of member banks themselves, with a view to checking up their condition and improving their banking practice.

In general, the examining board for the reserve banks cooperates with the examiners of the State Banking Departments.

6. CREDIT STATEMENTS.

a. Extent to which reliance is placed upon the standing and condition of an endorsing bank and its certificate as to eligibility of notes submitted for rediscount, rather than determination as to eligibility as well as desirability, through analysis of financial statement of the payers of the notes rediscounted.

Discussion of this topic discloses the fact that all the reserve banks require financial statements for all commercial paper discounted where the regulations of the Board require it. In the case of some of the reserve banks, statements are required where the amount of the note taken is considerably less than the maximum required by regulations of the Board. In general, all large lines of paper taken through the member banks are considered not only upon the standing and condition of the endorsing bank, but also the value and quality of the paper discounted.

b. Corporations operating subsidiary companies; suggested requirement, that such companies furnish to reserve banks, separate financial statements of parent and all principal subsidiary cooperations as of the same date.

Recommendation:

In the opinion of the meeting, it is desirable that separate financial statements of parent and principal subsidiary corporations as of the same date, be furnished.

7. RE-DISCOUNTS BETWEEN RESERVE BANKS.

At present when the reserve bank percentage against combined note and deposit liabilities is reduced to about forty per cent, bills are sold to or rediscounted with other Federal reserve banks. At present, the reserve percentage of a number of reserve banks is in excess of 6.5%. It has been suggested that the rediscounting point be raised from 40 to 45 per cent.

Recommendation:

It was the unanimous view of the meeting that there should be no change in the present practice.

8. CREDIT BAROMETRICS.

Consideration of the suggestion made by A. Wall of Detroit, that a Bureau of Barometrics be established by the Federal Reserve Board. Would the benefits warrant the expense?

Recommendation:

It is the unanimous belief of the meeting that the benefits of the employment of this service would not warrant the expense involved.

9. RESERVE BANK BUILDINGS.

Need for cooperation and interchange of ideas in the development of plans for the erection of new bank buildings, installation of vaults and other equipment.

Recommendation:

After full discussion, it was the unanimous opinion of the Governors of all the reserve banks, that it would be desirable to adopt the suggestion of the Federal Reserve Board, that an architect be employed to act as a clearing house for information in regard to building plans between all of the reserve banks, and to act as advisor to the Federal Reserve Board in giving approval of certain plans.

The meeting also favored the employment of Mr. Alexander B. Trowbridge, as recommended by the Board.

10. RESERVE BANK INSURANCE.

Central Insurance Agency:

Is it desirable to establish or appoint a central insurance agency to represent all the Reserve Banks in placing registered mail and other insurance? It is claimed that this plan will have the advantage of uniformity in policies and rates, and that better results will be obtained for the twelve banks acting in unison rather than as twelve separate units^{as} at present.

Limited Self Insurance:

A Reserve bank has submitted to the Federal Reserve Board for approval a plan for the readjustment of its fidelity insurance, which contemplates:

- a. Primary individual bonds.
- b. Excess insurance, bankers' blanket policy, and Lloyd's blanket policy to be continued until accumulation in "self insurance fund" would justify the discontinuance of such excess insurance.
- c. The setting aside annually out of earnings of a stated sum over and above cost of primary bonds and excess insurance while the latter is maintained, to constitute an insurance reserve fund. It has been suggested that if this plan can legally be adopted, it might be well to have that or a similar plan in other Federal Reserve banks, or

have the twelve banks join in establishing one "Insurance reserve fund."

(Mr. Kenzel was appointed Chairman of the Committee with authority to select representatives from two other reserve banks to act with him as a committee in making recommendations covering uniform practice of reserve bank insurance; which recommendations are to be submitted in writing to the reserve banks at a later date. Committee was also authorized to make a study of pension fund plans.)

11. BRANCHES OF FEDERAL RESERVE BANKS.

- a. The extent of service rendered to member banks.
- b. The value of such service to member banks of the district in which the branch is located.

Recommendation:

In the opinion of the meeting the services rendered to member banks for the establishment of branches, in furnishing prompt supplies of currency and collection facilities, are of sufficient importance to justify the establishment of a system of branches, even though the expense involved is considerable, and frequently without regard to the earnings of the branches from discount operations.

Geographical conditions largely determine the extent of the transit facilities in each branch. The extent to which branches are permitted to grant credits to member banks must be governed by local, geographical, and other conditions, which vary so greatly in the different districts that no general formula can be stated to govern that type of business.

- c. The extent and value of service rendered by the branch to other Federal reserve banks.

Recommendation:

The extent and value of service which may be rendered by branches to other Federal reserve banks is confined almost entirely to the effecting of prompt collections and transfers, which will be developed with experience.

- d. Cost of operating branches.

Recommendation:

In the opinion of the meeting, the value of the branch should not be measured by its earnings or by cost of operation, but by the value and extent of the services which it is capable of rendering to the member banks, to the parent bank, and to the other reserve banks.

In the cases of branches established for the purpose of supplying currency and transit facilities, with discounts conducted in the head office, no earnings can be shown, and the only measure of the value of the branch would be the volume and value of the services rendered. To a considerable extent, the added cost of the branch represents a reduction in the cost of operating the main bank.

- e. Branches with limited functions.
- f. Use of agencies instead of branches.

Recommendation:

It is the opinion of the conference that we have not sufficient experience at this time to enable us at this time to form a definite opinion upon this very important question. When we have further experience and have learned what the developments of the agency at Savannah are from Governor Wellborn, and possibly from other Governors, in districts where agencies have been established, we will probably be in a position to make recommendations.

12. CONCENTRATION OF GOLD AT FEDERAL RESERVE BANKS.

- a. Possibility of further increase in gold holdings.
- b. Demand for Gold.
 - 1. In exchange for Federal reserve notes received at Federal reserve banks.
 - 2. For other purposes.

Recommendation:

- 1. That the Federal Reserve Board send specific directions to each Reserve Bank, calling attention to the importance that no obstacle shall be offered at any reserve bank or its branches to the immediate redemption of Federal reserve notes in gold.
- 2. That each reserve bank be requested to keep a careful record of all receipts of gold and the sources from which the gold comes, and of all payments of gold and the purposes for which the payment is made, whether for redemption, for manufacturing purposes, for export, for reserves of banks, or otherwise; that this information be assembled in a report to be rendered monthly to the Federal Reserve Board in such form that the actual gold movement through the reserve system can be calculated and made a matter of record.

13. INTER-DISTRICT COLLECTION SYSTEM.

- a. Suggestions as to improvement in present facilities, so that reserve banks may render increased or better service to member banks.

Recommendation:

The meeting recognized that the principal improvement in present facilities will consist in an increase in the number of banks remitting at par, and that aggressive steps should be taken, after the next Liberty Loan, with the object of putting all non-member banks on the par list.

- b. Desirability of harmonizing present inter-district time schedules, at least between Federal Reserve cities.

Recommendation:

A committee of transit experts is now engaged in the study of time schedules, with the object, among others, of harmonizing present inter-district time schedules, and they expect shortly to submit a report.

The committee of transit experts will include in their report

various proposals for the reduction of float carried by Federal Reserve banks, including revisions of intra-district and inter-district schedules.

c. Reduction in float carried by reserve banks.

Recommendation:

It is recommended that the Federal Reserve Board secure from the Treasury Department such rulings as will reduce the float now arising by reason of immediate credit for the various checks received on deposit in Federal Reserve banks as the Government's fiscal agents.

d. Recommendation of Federal Advisory Council that items be sent directly to city or town in which they are payable.

Recommendation:

It is urgently recommended to the Federal Reserve Board that no extension of the plan for direct sending of items be now undertaken until the number of par points is increased and until the mechanical problems of the collection system are more fully developed and the system is working smoothly.

In addition to the recommendation above mentioned, the attention of the Board is called to the probability of the renewal of an aggressive campaign, under the leadership of the smaller banks of the country, to secure the restoration of exchange by amendment to the Federal Reserve Act.

14. LEASED WIRE SERVICE.

- a. Probability that entire cost will have to be assumed by reserve banks after the Victory Loan campaign has been completed.
- b. Suggestions as to improvements in present service.

(Governors McDougal and Fancher were appointed as a committee to consider the matter of increasing efficiency, and all other points in connection with the operation of the wires, also to consider and report upon the subject of the use of codes.)

15. PENALTIES FOR DEFICIENCIES IN MEMBER BANK RESERVES.

Desirability of adoption of uniform method of determining deficiencies in reserves, and assessing penalties.

(Governor Fancher offered a motion for a uniform method of calculating reserves, which motion was duly seconded and carried.)

Recommendation:

After the above resolution was adopted, it was found that the practices, which vary in the different Federal Reserve Districts, cannot be changed by agreement among the Governors, and if uniformity is to be obtained in the method of calculating deficiencies in reserves, it will be necessary to have it adopted by a resolution of the Federal Reserve Board, the alternative being the continuance of methods which are not uniform in the different districts. The discussion developed that there are persistent offenders against the reserve requirements

in some districts, and it is suggested that any rule which may be developed for uniform method of calculating deficiencies, provide an exception in the case of these institutions so that they may be more severely dealt with.

16. FORM OF APPLICATION FOR EMPLOYMENT AT FEDERAL RESERVE BANKS.

Recommendation:

It is respectfully suggested that the Federal Reserve Board consider whether a ruling should not be issued as to the form of blanks used by applicants for positions with Federal reserve banks, which would eliminate the possibility of criticism arising on account of some discrimination in matters of race or religion. It is also suggested that it may be advisable, in the interest of the system, that employees of Federal reserve banks should only be citizens of the United States, or those who have declared their intention of becoming citizens.

17. NATIONAL BANK NOTES.

Suggestion of Federal Advisory Council that reserve banks receive national bank notes on deposit, and pay out in place of them clean Federal reserve notes.

Recommendation: Unanimously disapproved.

18. OFFICERS OF FEDERAL RESERVE BANKS ACTING ON COMMITTEES OF BANKING ASSOCIATIONS.

Recommendation:

It is the unanimous view of the meeting that the recommendation of the Governors, made in 1917, that officers of reserve banks should not serve on committees of banking associations, be followed out.

19. DIRECTORS AND OFFICERS OF F.R. BANKS - MENTION OF CONNECTION WITH FEDERAL RESERVE BANK IN DEALING WITH PRIVATE ENTERPRISES IN WHICH THEY MAY BE INTERESTED.

Recommendation:

It is the understanding of the conference that the Federal Reserve Board has taken cognizance of the possibility of embarrassment arising in this matter, and the conference expresses its hearty endorsement of the views entertained by the Federal Reserve Board.

20. PAR POINTS - CAMPAIGN FOR ADDITIONAL PAR POINTS.

(Covered in recommendation submitted to Board on Topic 13 A.)

21. CHECKS AVAILABLE BUT NOT PAYABLE AT A FEDERAL RESERVE BANK.

Suggestion that clearing houses put on discretionary lists checks marked "The amount of this check is immediately available without deduction, upon presentation at the Federal Reserve Bank of _____."

Recommendation:

The meeting recommends that the practice described under this heading should, if possible, be checked and ultimately eliminated.

22. SUGGESTED AMENDMENT TO SECTION 5202 OF REVISED STATUTES.

Suggestion by Federal Advisory Council removing limit of bills that a bank might negotiate by endorsement.

Recommendation:

Advisory Council's recommendation approved.

23. FAILURE TO OBTAIN DUPLICATE CHECKS TO REPLACE CHECKS DEPOSITED BY THE COLLECTOR OF INTERNAL REVENUE, AND LOST IN THE MAILS.

Recommendation:

The conference unanimously recommends to the Federal Reserve Board that the Board send a circular letter to all Federal Reserve Banks requesting a report as to the extent of the difficulties and of possible losses which they have encountered by reason of losses in the mails of checks deposited by the Internal Revenue Collectors of which duplicates cannot be obtained by reason of the failure of the collectors of internal revenue to keep adequate records and descriptions of checks so deposited. It is further recommended that upon receipt of these reports, the Federal Reserve Board undertake in behalf of the Federal reserve banks to secure such relief in this matter as the Treasury Department is able to afford.

24. PENALTIES FOR DEFICIENCIES IN RESERVE. (On the program suggested by the Board-Topic 15.)

Recommendation: None.

(Topic discussed under Topic No. 15.)

25. UNIFORM TITLE FOR BOND DEPARTMENTS.

Recommendation: None.

26. ADVISABILITY OF SECURING AN AMENDMENT TO THE POSTAL LAWS, INCREASING THE WEIGHT LIMIT ON FRANKED MAIL MATTER.

Recommendation: None.

27. OUR GENERAL CAMPAIGN FOR ADDITIONAL PAR POINTS, AND IN CONNECTION WITH THIS, OUR CAMPAIGN FOR INCREASING STATE BANK MEMBERSHIP.

Recommendation: None.

(Covered in the discussion under topic No. 13.)

28. HOW CAN EXCESSIVE BORROWING ON THE PART OF INDIVIDUAL BANKS BE BEST REGULATED.

Recommendation: None.

(Covered in discussion under topic 5-B.)

29. EXCHANGE CHARGED BY NEW YORK BANKS ON FEDERAL RESERVE EXCHANGE DRAFTS.

Recommendation:

It is recommended that Federal Reserve Exchange Drafts be placed on the par lists of all Federal reserve banks.

30. UNIFORM FORM OF ENDORSEMENT STAMPS USED BY FEDERAL RESERVE BANKS AND THEIR MEMBERS AUTHORIZED TO SEND ITEMS DIRECT.

Recommendation:

It is recommended that the subject of uniform endorsement stamps be referred to the special committee of transit experts for investigation and recommendation.

31. PRESENT METHOD OF RECOVERING FOR POSTAGE AND INSURANCE FOR SHIPMENTS BETWEEN FEDERAL RESERVE BANKS.

Recommendation:

It is recommended that this question be referred to the next meeting of Auditors of Federal reserve banks.

32. REAL ESTATE AND BANK BUILDING. (Board's topic No. 9.)

Recommendation:

Subject discussed and recommendations made at the meeting of the Governors, on Thursday, March 20th.

33. DUTIES OF THE FEDERAL RESERVE AGENT, AND PROPER COORDINATION OF HIS WORK WITH THAT OF THE GOVERNOR.

Recommendation:

After discussion of the above topic, the conference requested the Chairman to discuss this subject informally with Governor Harding.

34. FORMATION OF CREDIT DEPARTMENT AND THE EXTENT TO WHICH THE BANKS ARE JUSTIFIED IN GETTING FIRST HAND INFORMATION REGARDING PAPER OFFERED FOR REDISCOUNT

(Topic discussed at an earlier session under heading No. 6, credit statement.)

35. CALCULATION OF INTEREST;

Treasury Department pays on a 365 day basis while all the Federal reserve banks except those of New York and Boston calculate interest and discount on a 360 day basis. Cannot uniformity be obtained in this regard.

Recommendation:

It is recommended that discounts with Federal reserve banks and between Federal reserve banks, be calculated on the basis of 365 days a year, beginning July 1st, next.

36. NECESSITY FOR THE BANKS MAINTAINING AN AGENCY TO COUNT AND WITNESS THE DESTRUCTION OF FEDERAL RESERVE BANK NOTES.

Recommendation:

It is suggested that the Federal Reserve Board ascertain from each of the Federal reserve banks the total cost and the cost per thousand of present facilities, and the probability of an increase in the cost for witnessing the destruction of Federal reserve bank notes, at the Treasury Department in Washington.

It is also respectfully suggested that the plan recommended by Mr. Emerson to Mr. Broderick be examined with a view of determining whether that, or some other plan, cannot be adopted, which will relieve

the banks of this expense, or at least reduce it.

Governor McDougal:

I would like to bring up the subject of forwarding to Washington mutilated Federal Reserve notes. Under the present practice, such notes are forwarded to Washington uncancelled, registered mail, insured or expressed, and the cost of such shipment charged to the Federal reserve bank issuing the notes.

This cost would be very materially reduced if we could be permitted to ship mutilated Federal reserve notes of other Federal reserve banks to Washington in the same manner as we do our own.

During 1918 a saving of \$5,993.53 could have been made on Federal reserve notes shipped to Washington by us for other Federal reserve banks, and on our Federal reserve notes shipped by them. From this you can see that the saving for the twelve districts would be well worth while.

Governor Strong:

It is suggested that the Federal Reserve Board give consideration to the adoption of some plan by which Federal reserve banks may be permitted to ship reserve notes of other Federal reserve banks, unfit for circulation, cancelled and split, as they do with their own notes.

EX-OFFICIO MEMBERS
CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
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CHARLES S. HAMLIN

FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

SUBJECT: Comments and rulings by the Federal Reserve Board with respect to recommendations made by Governors of Federal Reserve Banks at conference with Federal Reserve Board, March 20 - 22, 1919.

X-1463

Dear Sir:

A stenographic copy of the minutes of the conference held on March 20th-22nd has been sent to the Governor of each Reserve Bank, and upon request a copy of the minutes of the meetings held on March 20th was sent to the Advisory Council member for each Federal Reserve district. There is enclosed herewith for reference, a list of topics discussed, with the recommendations submitted by the Governors to the Board (stencil X-1459).

The Board has carefully considered the recommendations made by the Governors and with respect to certain of the recommendations the Board offers special comments and in a few instances rulings have been made as hereafter indicated.

For convenience, the topics referred to are numbered in same order in which they were discussed at the conference, and are also listed in the same order in the mimeograph (X-1459) enclosed.

TOPIC 2. BANKERS' ACCEPTANCES:

(d) Sales of acceptances to other Reserve Banks with or without Reserve Bank endorsement.

Recommendation:

It is recommended that where voluntary open market purchases are made by one Reserve Bank through another Reserve Bank, no endorsement be expected or required.

Where sales of bills by one Reserve Bank to another Reserve Bank are made by mutual arrangement, endorsement may be required by the purchasing Reserve Bank and such transactions should promptly be reported to the Federal

Reserve Board. That where rediscounts are arranged through the Reserve Board, at rates fixed by the Board, endorsements should always be given by the borrowing bank.

The Board approves the recommendation with the exception that it considers it essential that all interdistrict sales of bankers' acceptances be made through, or under participation/arrangements approved by, the Board, in order that it may be kept fully informed of the loan and reserve conditions of all Federal Reserve Banks. This is the practice at present.

Special Recommendation:

That the Federal Reserve Banks be permitted, as local circumstances warrant, to establish free luncheon facilities for their employees.

The Board is not prepared to approve such expenditures at this time, as it is believed that it has not the power to permit appropriations for this purpose. It is considered proper, however, that the Federal Reserve Banks be permitted to establish facilities and serve luncheons to their employees at a price sufficient to cover the cost. In the new building plans, if possible, it will be well to provide facilities for this purpose.

TOPIC 9. RESERVE BANK BUILDINGS:

Need for cooperation and interchange of ideas for the development of the plans for the erection of new bank buildings, installation of vaults and other equipment.

Recommendation:

After full discussion it was the unanimous opinion of the Governors of all the Reserve Banks that it would be desirable to adopt the suggestion of the Federal Reserve Board that an architect be employed

to act as a clearing house for information in regard to building plans between all the Reserve Banks and to act as advisor to the Federal Reserve Board in giving approval of certain plans.

Comment by the Board:

On April 1st the Board advised the Federal Reserve Banks of the appointment of Mr. Alexander B. Trowbridge as Consulting Architect of the Board, and the banks have been furnished with an outline of the work of his department (see Stencil X-1453).

TOPIC 10. RESERVE BANK INSURANCE:

Mr. Kenzel, of the Federal Reserve Bank of New York, was appointed Chairman of a committee with authority to select representatives from two other Reserve Banks, to act with him as a committee to draw up recommendations to be submitted to the Reserve Banks with a view to establishing uniform practice in Reserve Bank insurance. The committee was also authorized to make a study of the pension fund plans.

The Board approves the principle of Reserve Bank "self insurance".

TOPIC 12. CONCENTRATION OF GOLD AT FEDERAL RESERVE BANKS:

Recommendation:

That the Federal Reserve Board send specific directions to each Reserve Bank calling attention to the importance that no obstacle shall be offered at any Reserve Bank or its branches to the immediate redemption of Federal Reserve notes in gold.

That each Reserve Bank be requested to keep a careful record of all receipts of gold and the sources from which the gold comes, and of all payments of gold and the purposes for which the payment is made, whether for redemption, for manufacturing purposes, for export, for reserves of banks, or otherwise, that this information be assembled in a report to be rendered monthly to the Federal Reserve Board in such form that the actual gold movement through the Reserve System can be calculated and made a matter of record.

The Board recognizes the fact that through the constant efforts of the officers of the Federal Reserve Banks excellent results have been accomplished in accumulating gold in the Federal Reserve

Banks. According to the figures compiled by the Division of Reports and Statistics, the gold holdings of the System have shown a steady increase. However, in the desire to retain the gold, the Reserve Banks must not lose sight of the fact that Federal Reserve notes are redeemable in gold or lawful money at Federal Reserve Banks and in gold at the office of the Treasurer of the United States at Washington.

It is not expected that, as long as the gold embargo is in effect, Federal Reserve notes will be presented for redemption in any considerable volume, since the gold so obtained could be exported from the country only under license issued by the Federal Reserve Board. The presumption would, therefore, be that redemption was asked for in order to obtain gold for hoarding. It is, nevertheless, the opinion of the Board that no obstacles should be put in the way of immediate redemption in gold of Federal Reserve notes at any Federal Reserve Bank or its branches, unless there is good reason to believe that a use incompatible with the public interest is to be made of the gold thus obtained.

At the present time the Board maintains a weekly record of gold receipts and disbursements of the Federal Reserve Banks on Form X-1053, which data are received Saturday morning by wire as of the close of business Friday. The Board's Statistical Division is preparing a new blank which will embody the suggestions made by the Governors.

TOPIC 13. INTER-DISTRICT COLLECTION SYSTEM:

(a) Suggestions as to improvement in present facilities so that Reserve Banks may render increased or better service to member banks.

Recommendation:

The meeting recognized that the principal improvement in present facilities will consist in an increase in the number of banks remitting at par, and that aggressive steps should be taken after the next Liberty Loan with the object of putting all non-member banks on the par list.

The Board is desirous of increasing present inter-district collection facilities at Reserve Banks and urges that an aggressive campaign be waged at Reserve Banks for the addition of new par points up to the time of the opening of the Victory Loan Campaign, when every effort should be directed to the successful flotation of this Loan. After the completion of the Loan Campaign efforts should be renewed. The Board is of the opinion that the best results are obtained in securing new par points in those districts where the Campaign is conducted under the leadership of an officer of the bank well versed in transit matters.

(c) Reduction in float carried by Reserve Banks.

Recommendation:

It is recommended that the Federal Reserve Board secure from the Treasury Department such rulings as will reduce the float now arising by reason of immediate credit for the various checks received on deposit in Federal Reserve Banks as the Government's fiscal agents.

Representatives of the Board have discussed with the officials of the Treasury Department the question of float carried by the Reserve Banks arising from the fact that immediate credit is given for checks and drafts received in connection with the bond and other fiscal agency transactions of the Government, and as soon as definite

conclusions are reached the Board will advise the Reserve Banks.

TOPIC 15. PENALTIES FOR DEFICIENCIES IN MEMBER BANK RESERVES:

Desirability of adopting a uniform method of determining deficiencies in reserve and assessing penalties.

Recommendation:

Governor Fancher offered a motion to have a uniform method of calculating reserves, which motion having duly seconded was carried.

After the above motion was adopted, it was found that the practices which vary in the different Reserve Districts can not be changed by agreement among the Governors, and if uniformity is to be obtained in the method of calculating deficiencies in reserves it will be necessary to have it adopted by a resolution of the Federal Reserve Board, the alternative being the continuance of methods which are not uniform in the different districts. The discussion developed that there are persistent offenders against the reserve requirements in some districts, and it is suggested that any rule, which may be developed for a uniform method of calculating deficiencies, provide an exception in the case of these institutions, so that they may be more severely dealt with.

The Board concurs in the above recommendations and with the view of insuring uniformity in the method of determining deficiencies in reserves and assessing penalties, requests that the following rule be adopted, effective July 1st:

In the case of member banks in reserve and central reserve cities, deficiencies in reserves should be computed on the basis of average daily net deposit balances covering a weekly period, and in the case of country banks, that deficiencies in reserves should be computed on the basis of average daily net deposit balances covering a semi-monthly period.

In the case of banks in reserve and central reserve cities, the Reserve Banks have the option of requiring member banks to render a report weekly showing the daily net deposits against which reserve is required to be maintained, or to render weekly a report showing the average

net deposit balances against which reserve is required to be maintained. In the case of the country banks the Reserve Banks have the option of requiring a report to be rendered semi-monthly, showing the daily net deposits against which reserve is required to be maintained, or a report showing the average net deposit balances against which reserve is required to be maintained. If the present practice at any Reserve Bank is more stringent than that suggested by the Board, it is optional with the Reserve Bank whether to continue its present rule or adopt the plan suggested by the Board.

TOPIC 16. FORM OF APPLICATION FOR EMPLOYMENT:

In connection with the recommendation made by the Governors as to form of application for employment of Federal Reserve Banks, it is suggested that in the future all reference to religion or country of birth be omitted from the application blank. This is in accord with the present rules of the Civil Service Commission.

The Board would be pleased to be advised of the number of employees at each Federal Reserve Bank who are not citizens of the United States or who have not taken out first citizenship papers.

TOPIC 17. NATIONAL BANK NOTES:

Suggestion of Federal Advisory Council that the Reserve Banks receive National Bank notes on deposit and pay out in place of them clean Federal Reserve notes.

Recommendation:

Disapproved.

The Board considers that it should be left to the discretion of the Reserve Bank whether it desires to receive notes of National Banks on deposit and pay out in place of them clean Federal Reserve notes, but suggests that a Reserve Bank should not give immediate credit for unfit National Bank notes deposited. Such notes should be received as collection items only.

TOPIC 23. FAILURE TO OBTAIN DUPLICATE CHECKS TO REPLACE CHECKS DEPOSITED BY THE COLLECTOR OF INTERNAL REVENUE AND LOST IN THE MAILS.

The conference unanimously recommends to the Federal Reserve Board that the Board send a circular letter to all Federal Reserve Banks requesting a report as to the extent of the difficulties and of possible losses which they have encountered by reason of losses in the mails of checks deposited by Internal Revenue Collectors, of which duplicates can not be obtained, by reason of the failure of the Collectors of Internal Revenue to keep adequate records and descriptions of checks so deposited. It is further recommended that upon receipt of these reports, the Federal Reserve Board undertake, in behalf of the Federal Reserve Banks, to secure such relief in this matter as the Treasury Department is able to afford.

The Federal Reserve Banks are requested to furnish to the Board as soon as convenient a report of losses which have been sustained by reason of losses in the mails of checks deposited by Internal Revenue Collectors which have been sent out for collection, and of which duplicates could not be obtained by reason of the failure of the Collectors of Internal Revenue to keep adequate records and descriptions of checks deposited with Reserve Banks; also, a statement as to the extent of difficulties in connection with deposits received from Collectors of Internal Revenue in your district. Upon receipt of this information from the various Banks, the Board will discuss the question with the Treasury Department.

TOPIC 35. CALCULATION OF INTEREST:

Treasury Department pays on a 365 day basis, while all the Federal Reserve Banks, except those of New York and Boston, calculate interest and discount on a 360 day basis. Can not uniformity be obtained in this regard?

Recommendation:

It is recommended that discounts with Federal Reserve Banks and between Federal Reserve Banks be calculated on the basis of 365 days a year beginning July 1st next.

The Board concurs in the recommendation of the Governors and requests that effective July 1, 1919, the computations of interest or discount on loans to member banks or Federal Reserve Banks be made on a 365 day basis. It is believed desirable that this method be continued as long as the bill holdings of the Reserve Banks continue to be based largely on Government paper, interest on which is figured on a 365 day basis.

TOPIC 36. NECESSITY FOR THE BANKS MAINTAINING AN AGENCY TO COUNT AND WITNESS THE DESTRUCTION OF FEDERAL RESERVE BANK NOTES.

Recommendation:

It is suggested that the Federal Reserve Board ascertain from each of the Federal Reserve Banks the total cost and the cost per thousand of present facilities, and a probable increase in this cost for witnessing the destruction of Federal Reserve Bank notes at the Treasury Department in Washington.

It is also respectfully suggested that the plan recommended by Mr. Emerson to Mr. Broderick be examined with a view of determining whether that or some other plan can not be adopted which will relieve the banks of this expense, or at least reduce it.

The Board is at the present time negotiating with the Treasury Department with a view of eliminating "special count" made by Agents of the Federal Reserve Banks of mutilated Federal Reserve Bank notes forwarded to the Treasury Department for redemption and destruction.

As soon as satisfactory arrangements have been completed the Federal Reserve Banks will be advised.

Recommendation by Mr. McDougal:

It is suggested that the Federal Reserve Board give consideration to the adoption of some plan by which Federal Reserve Banks may be permitted to ship reserve notes of other Federal Reserve Banks, unfit for circulation, cancelled and split, as they do with their own notes.

The above special suggestion by Governor McDougal is covered by Board's letter X-1430, dated March 15th, on the subject of "Cancellation of Unfit Federal Reserve Notes of Other than Issuing Bank Forwarded for Redemption".

The Board desires to express its appreciation of the consideration given to the topics suggested for discussion, as well as the valuable suggestions made at the Conference.

Very truly yours,

Governor.

April 8, 1919.

FEDERAL RESERVE BOARD

WASHINGTON

Confirmation of Telegram

April 10, 1919.

X-1467

Morss - Boston	Peple - Richmond	Wold - Minneapolis
Strong - New York	Wellborn - Atlanta	Miller - Kansas City
Passmore - Philadelphia	McDougal - Chicago	Van Zandt - Dallas
Fancher - Cleveland	Biggs - St. Louis	

SUBJECT: Gold Fund Clearing - Closing Salt Lake Branch April 15, 1919.

Salt Lake Branch closed Tuesday April 15th holiday. Salt Lake branch therefore will not participate in Gold Fund clearing Wednesday April 16th. Please omit Salt Lake credits your daily code Labeg Engrain wire for April 16th gold fund clearing. Your Labeg Engrained wire for April 17th clearing should include Salt Lake credits as of close of business April 15th and 16th. Please advise branches and acknowledge by wire.

BRODERICK.

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD
WASHINGTON

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

April 15, 1919.

X-1469

Subject: Trust Powers of National Banks.

Dear Sir:

In compliance with your recent request I send you
herewith, copy of Regulation "F", Series of 1919, covering
Trust Powers of National Banks.

Very truly yours,

W.T. CHAPMAN.

Assistant Secretary.

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD
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W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

April 10, 1919.
X-1470

Subject: Trust Powers of National Banks.
Regulation F, Series of 1919.

Dear Sir:

I am handing you, herewith, pageproof of Regulation F, Series 1919, relating to the exercise of trust powers by national banks. This regulation is now in the hands of the printer and will be released April 15th.

Yours very truly,

Secretary.

Enclosure.

FEDERAL RESERVE BOARD

WASHINGTON

Confirmation of Telegram

April 11, 1919.

X-1471

Morss, Boston

Strong, New York

Passmore, Philadelphia

Fancher, Cleveland

Peple, Richmond

McDougal, Chicago

Biggs, St. Louis

Wold, Minneapolis

Miller, Kansas City

Van Zandt, Dallas

Lynch, San Francisco

SUBJECT: Gold Fund Clearing: Closing New Orleans Branch April 18, 1919.

New Orleans branch closed Friday April 18th holiday. New Orleans branch therefore will not participate in gold fund clearing Saturday April 19th. Please omit New Orleans credits your daily code Labeg Engulfed wire for April 19th gold fund clearing. Your Labeg Engulfing wire for April 21st clearing should include New Orleans credits as of close of business April 18th and 19th. Please advise branches and acknowledge by wire.

BRODERICK.

EX-OFFICIO MEMBERS
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FEDERAL RESERVE BOARD

WASHINGTON

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ADDRESS REPLY TO
 FEDERAL RESERVE BOARD

X-1473

FEDERAL RESERVE BOARD BULLETIN FOR THE WEEK
 ENDING APRIL 11, 1919.

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	Capital	Surplus	Total Resources
Franklin County Trust Co., Greenfield, Mass.	\$200,000	\$100,000	\$2,721,760
Waltham Trust Company, Waltham, Mass.	200,000	100,000	4,891,089
The Fidelity Trust Company of Buffalo, N. Y.	1,000,000	1,000,000	19,026,685
The Shadyside Bank, Shadyside, Ohio.	35,000	3,900	306,639
The peoples Bank, New Bern, N. C.	100,000	50,000	1,834,599
State Bank of Reform, Reform, Ala.	25,000	6,000	312,109
Bank of Tennessee, Nashville, Tenn.	200,000	50,000	250,000
Farmers State Bank, Rice, Texas.	40,000	11,000	183,387

AUTHORIZED TO ACCEPT DRAFTS AND BILLS OF
 EXCHANGE UP TO 100 PER CENT OF CAPITAL
 AND SURPLUS:

National Newark & Essex Banking Company, Newark, N. J.
 Mercantile Trust & Deposit Company, New York, N. Y.
 Phoenix & Third National Bank, Lexington, Kentucky.

FEDERAL RESERVE BOARD

WASHINGTON

Confirmation of Telegram

April 12, 1919.

X-1474

Curtiss, Boston

Jay, New York

Austin, Philadelphia

Wills, Cleveland

Hardy, Richmond

McCord, Atlanta

Heath, Chicago

Martin, St. Louis

Rich, Minneapolis

Ramsay, Kansas City

Ramsey, Dallas

Perrin, San Francisco

SUBJECT: Regulation F. - Trust Powers National Banks.

In page proof of Regulation F, forwarded to you and Governor under date of April 10, X-1470, in paragraph A, under investment of Trust Funds, eliminate the word unrestricted and in paragraph B, eliminate the word unqualified. Corrected copies will be mailed Monday.

BRODERICK.

Secretary.

FEDERAL RESERVE BOARD

STATEMENT FOR THE PRESS.

218

For release in the morning
papers Tuesday, April 15th, 1919.

The Federal Reserve Bulletin for April was sent to the printer today. Its publication has been deferred for some days in order to furnish at the earliest possible moment the official statement of the Secretary of the Treasury, concerning the fifth, or Victory Liberty Loan. A large part of the Review of the Month, which, as usual, is the leading feature of the issue, deals with the conditions of the loan and the banking situation, as affected by it. After quoting at length the statement of the Secretary of the Treasury, in which the terms of the new offering are stated, the Board discusses some of its salient features as follows:

"So clearly are the terms and conditions of the new issue set forth in the Treasury statement" says the Review "that comment would seem to be called for with respect only to one or two points in connection with the announcement. Of these the most important is probably the character of the new offering as an issue of 'notes' rather than of 'bonds'. The new notes, under the terms which have been fixed by the Secretary of the Treasury, are to run for not over four years. Practically, therefore, the difference between the old and the new issues is that while the Government must redeem or refund the notes after a given period it might or might not, at its option, refund the older issues. There is evidently no warrant whatever for the view that the notes are essentially a different kind of investment or are to be regarded in some special or peculiar way as contrasted with the bonds. They are like the latter Government obligations, while the period of their life is entirely sufficient to

warrant the ordinary investor in putting his funds into them. Indeed, as is well known, before the war one of the most important conservative investments in the money market of the United States was offered by a series of short-term notes issued by railroads and public-service corporations. These had become a favorite investment with discriminating buyers, their maturity being from one to five years, the preferred life as a rule not exceeding two or three years. When the investor purchases a Government note with a maturity of four years he has the assurance that the obligation thus purchased will possess greater stability of value than could possibly be given by any bond whose maturity is long or which is subject to the possibility of redemption after a specified period, but which has no definite or positive claim for such redemption upon the maker or issuer of such bonds. Far from its being true, therefore, that the new 'notes' are not well adapted to private subscription, they are eminently so adapted, while the conditions under which they are to be issued should bring them much closer to the requirements of the individual buyer than has been true of any of the preceding Liberty Loans."

The review then describes the financial situation which has called forth the new offering of notes, saying that this is so well known that only a very general description of the circumstances attendant upon the placing of the issue need be furnished.

It is noted that

"the Treasury has, from the beginning of December last to the end of the month of March issued in certificates of indebtedness intended to anticipate the proceeds of this flotation approximately \$4,700,000,000, after deducting exchanges and redemptions. These obligations run five months from their date of issue. At the present time the expenditures of the Treasury are running at the rate of about \$1,300,000,000 per month, a figure decidedly less than the rate of expenditure in January and about the same as that which was established during February. The exact outlay for March has been \$1,379,811,785. Estimated expenditures up to the end of this fiscal year will bring the outlay for the fiscal year as a whole to about \$18,000,000,000 or \$19,000,000,000 of which sum there had been expended up to the end of March \$15,164,224,227. Congress has in the meantime adopted legislation designed to afford new sources of revenue from taxation, the first installment of which was turned into the Treasury on March 15. This legislation, however, will not suffice to meet the requirements of the Department, as the figures already furnished amply show."

The Board also comments upon the fact that the new loan will all be used, as pointed out by the Secretary of the Treasury in his statement, for the retirement of outstanding certificates of indebtedness, which have been issued in anticipation of the sale of the notes. On this point the Review continues as follows:

"The policy of issuing short-term certificates of indebtedness was resorted to by the Treasury Department early in the war at a time when the needs of the Government were exceptionally urgent and unexpected in character. They have served their purpose well as a means of supplying the Treasury without delay with the funds of which it stood in need. In so doing, however, the certificate policy has necessarily placed upon the banks the

necessity of bearing a continuing burden of war securities.

This burden was, of course, at a minimum immediately after the conclusion of a Liberty loan, inasmuch as at that time at least a considerable part of the new bonds had been sold to the public and the certificates to that extent 'funded'. In so far, of course, as a Liberty loan did not result in inducing the public actually to take over and pay for the new bonds, the banks instead of carrying the short-term certificates of the Government now carried the paper at whatever date maturing, which had been made by their clients for the purpose of enabling themselves to subscribe for bonds. Inasmuch as the process of borrowing by the Government against certificates has almost invariably been begun within a very short time after the completion of a Liberty Loan, there has been steadily in the hands of the banks a varying quantity of certificates which has increased as the date of flotation of each Liberty Loan drew nearer, thereafter to be technically reduced by the public through the process of borrowing at the banks for the purpose of absorbing the bonds. The necessity of general public subscription as an indispensable element in the process of financing this becomes apparent."

Attention is then called to the necessity of securing a wide popular distribution of the new notes, as against the condition in which they might be left in the hands of the banks, and the statement of the Secretary of the Treasury, issued on March 12th, wherein broad subscription to the notes was urged, is quoted. The review then comments upon the necessity of taking up the notes as generally as possible, saying:

" It should be understood that under the plan of financing which has been pursued by the Government since the entry of the United States into the war, the direct source from which public funds are drawn is the commercial banks of the country. Precisely this same situation exists in the case of the fifth loan, and precisely the same obligation rests upon the community to participate in the purchase and absorption of the bonds needed for the funding of the certificates. During the continuance of the war there was, of course, the impetus growing out of the belief that subscriptions made in this way were necessary for the purpose of aiding in the immediate maintenance of the armies in the field. The Government still has strong military forces in Europe engaged in the important and necessary work of completing our operations there. The obligations which have been met since the opening of the year and are still to be liquidated are those which remain subsequent to the conclusion of the war, and which represent the obligations or indebtedness incurred for the conduct of the struggle. Essentially, however, the reason why the public should subscribe for and take up the securities offered in one of these great periodical loans is that of self-interest. If the obligations already taken by the banks are not liquidated, the community at large will suffer from a continued inflation of banking credit and from the high prices that are consequent upon this condition of affairs. Only one remedy for the situation now existing can be applied - that, namely, of subscribing freely for the Government obligations when offered and of paying for them out of the proceeds of saving, or to be accumulated either already accumulated/ from time to time. Indeed, the urgency for adherence to this policy is greater now than it was during the war, inasmuch as at that time there was strict oversight and control on the part of the Government over production, distribution, and,

in a measure, consumption, while at present that oversight has naturally and properly been greatly relaxed, or, in many branches of business entirely abolished. The responsibility of saving and conserving resources thus remains with those who are the recipients of current incomes, either from investments or from salaries and wages, in perhaps a higher degree than was previously true.

"Neglect on the part of the public fully to appreciate and fully to perform its duty in taking up and paying for the forthcoming Victory note issue", says the review, "would have a very prejudicial effect upon the banking position by aggravating the state of credit expansion which already exists." It is pointed out that, under the Income Tax law approximately \$1,001,000,000 have already been received as a first installment. "This", says the review, "is currently accepted as equivalent to about one-quarter of the total return to be expected, but is probably in excess of that figure. While probably the large majority of individuals and corporations will prefer to take advantage of the installment method of payment, there are not a few who are following the custom of former years of paying in lump sum. Such payments tend relatively to reduce the payments to be received at subsequent installment periods. There is no means of estimating with accuracy the total return on the basis of the installment of March 15, unless it be assumed that this installment is roughly equal to one-quarter of the total, in which case the gross income from the income, corporation and excess profits taxes will amount to not more than \$4,000,000,000."

The moneys received on March 15 served to liquidate issues of certificates of indebtedness which were falling due on that date and consequently simply to transfer a specified amount of bank credit from one group in the community to another through the medium, first, of tax payments to the Government, and then liquidating payments made to meet its outstanding certificates. Inasmuch as practically \$800,000,000 of the March 15 receipts were thus absorbed in settling maturing claims, the first tax payment leaves the Treasury in about the same position as before, so far as current payments are concerned, and it must therefore dispose of the same problem as heretofore in connection with its program of borrowing and expenditure."

After thus discussing the situation as to the prospective fifth loan, the Review takes up the question of railroad financing and points out that this matter is now definitely shifted to the War Finance Corporation under the plan already announced, whereby that organization cooperated with the Director General of Railways. The War Finance Corporation bond offering of April 2nd is described and the Review then turns to the general commercial paper situation, saying that

"Renewed purchases of commercial paper by banks are reported, while not a few institutions are stated to be considering the best methods to be followed in the use of their fluid funds when short-term Treasury certificates of indebtedness shall be withdrawn from the market. The volume of funds available for private industrial enterprises has seemed to be reasonably satisfactory, although rates have been kept at a tolerably high level as a result of the

conservatism of bankers who desire to avoid the development of any cramped position which might result from the demands of the Government during the progress of the fifth loan. While the Government is still supporting the export trade in no inconsiderable degree, it is noteworthy that a substantial percentage of the new financing now in progress is intended for the purpose of facilitating the movement of goods to foreign countries. These credits are taking the form in many instances of acceptances, while in others they are simply ordinary advances designed to sustain business which is being developed for export account."

The recent Belgian industrial credit is cited as an example of current peace borrowing for the rehabilitation of European countries, whose productivity has been impaired by the war. On the question of foreign exchange, the Review, after referring to the suspension of governmental control, or "pegging", says that

"These changes in the situation of exchange mark the beginning of a new period in international finance. The withdrawal of Government support in important branches of exchange is equivalent to a statement that henceforth the movement of commodities for private account between the United States and other countries must be financed on some basis other than that of Government guaranty. In normal times the decline of exchange occurs in countries adversely affected by an unfavorable balance of trade.

The effect of such an adverse balance is to depress the rate of exchange and thus to raise the price of imported commodities in the country which is suffering from a fall of exchange and a tendency is thus automatically set up to restrict further excessive buying by importers. Great Britain has already found it necessary to adopt strong measures to prevent further importations of commodities and the withdrawal of support for sterling will tend to make these restrictions still further effective. The same situation will probably exist in an even more marked degree with respect to importations from the United States into Italy. All these conditions must necessarily exert an important effect upon our export trade. Indeed, the extent to which we can now export to foreign countries which have lately been belligerent will depend upon their ability to finance their own needs, or to obtain adequate assistance in such financing from American banks and bankers. Undoubtedly such assistance will be forthcoming in considerable measure, but it can hardly be expected that so tremendous a flow of goods out of the United States will be maintained as has been true for a long time past, giving us during the years 1916-1918 a favorable merchandise balance of about \$9,000,000,000. So far as it is thus maintained, the result will be accomplished only through action on the part of Americans looking to the purpose of financing foreign buyers in their purchases. This, in other words, means that the United States, in order to continue as a great exporter, must also continue as a great investor in foreign countries, and that to the extent she is able to do so her selling power will be correspondingly developed and sustained. It must soon become a question, therefore, through what agency and methods the American investor can best be reached in entering the field of foreign investment.

"A special situation had developed early in March in connection with French exchange. The most striking feature of these occurrences was a marked decline in the international value of the franc - French francs being quoted on March 18th at 5.80 per dollar, since when the quotation has fallen below 6 francs. The decline of the French franc has been variously attributed to developments in connection with French Government financing, to a deliberate relaxation of the control or "pegging" of French exchange by the Government of France, and to other factors. The truth of the situation is that our payments to France, both through Government loans and through disbursements for the Army on the spot, have greatly fallen off. New credits opened by the United States Treasury to the French Government since the armistice and up to the end of March amount to only \$285,000,000, while the withdrawal of fully half of our troops and their transfer back to the United States has correspondingly decreased the amount expended for soldiers' pay and expenses. France has not and will not for some time to come be in a position to export effectively, and the destruction of much of her northern industrial region, and the disorganization of other producing sections, as well as the delay caused by the necessity of converting her war plants to peace uses will necessarily retard still further the development of her power to ship salable goods. France must therefore contemplate for a considerable time to come a situation in

which she must either purchase less abroad or must expect in the absence of artificial control an unfavorable state of the exchanges. The removal of the restrictions by France upon the movement of gold would involve the shipment out of the country of a considerable volume of the metal for the purpose of equalizing exchanges, and this makes it less probable that there will be such a restoration of the free movement of gold in the immediate future.

"From the standpoint of the United States, the continuance of large exports of grain and foodstuffs which have kept the record of January, February, and the early part of March fully up to that of any corresponding period in the past, means that foreign countries will be under the continued necessity of finding/satisfactory means of settling with the United States for goods which they are not in position to offset by means of corresponding exports of the United States. This suggests that the exchange problem may become more pressing. Both it and the question of gold embargoes will need to be considered at an early date. Meantime, it is worth while to note that the Treasury still has limited powers of extending financial accommodation to foreign countries."

and

The usual review of business and financial conditions during March is included in the Bulletin and, in addition, there is published a series of statements from the Federal Reserve Banks with reference to the liquidation of war paper now in their hands. Among the other features contained in the issue are a description of current indexes of business conditions, and a translation of the law extending the charter of the Bank of France, together with a review of its war operations.

WASHINGTON

April 8, 1919.

The Governor,
Federal Reserve Board.

Sir:

By direction of the Secretary, you are advised that the Department has referred to the Auditor for the Treasury Department for settlement the account of the Bureau of Engraving and Printing for preparing Federal Reserve Notes during the period March 1 to March 31, 1919, amounting to \$203,344.00 as follows:

	<u>\$5</u>	<u>\$10</u>	<u>\$20</u>	<u>\$50</u>	<u>\$100</u>	<u>Total</u>
Boston.....	265,000	184,000	36,000	---	---	485,000
New York.....	176,000	844,000	69,000	2,000	---	1,091,000
Philadelphia....	86,000	50,000	5,000	---	---	141,000
Cleveland.....	2,000	33,000	11,000	---	---	46,000
Richmond.....	30,000	144,000	28,000	5,000	2,000	209,000
Atlanta.....	281,000	91,000	40,000	---	---	412,000
Chicago.....	570,000	580,000	4,000	2,000	---	1,156,000
St. Louis.....	94,000	16,000	42,000	2,000	---	154,000
Minneapolis....	30,000	50,000	3,000	---	---	93,000
Kansas City....	481,000	163,000	---	---	---	644,000
Dallas.....	26,000	21,000	5,000	---	---	52,000
San Francisco...	5,000	19,000	32,000	---	5,000	61,000
	<u>2,046,000</u>	<u>2,205,000</u>	<u>275,000</u>	<u>11,000</u>	<u>7,000</u>	<u>4,544,000</u>

4,544,000 sheets at \$44.75.....\$203,344.00

The charges against the several Federal Reserve Banks are as follows:

	<u>Sheets</u>	<u>Bureau appropriations</u>				<u>Total</u>
		<u>Compen- sation.</u>	<u>plate Printing.</u>	<u>Materials.</u>	<u>Inc. Com- pensation.</u>	
Boston.....	485,000	\$7,396.25	\$6,295.30	\$6,731.80	\$1,280.40	\$21,793.75
New York.....	1,091,000	16,637.75	14,161.18	15,143.08	2,880.24	48,822.25
Philadelphia..	141,000	2,150.25	1,830.18	1,957.08	372.24	6,309.75
Cleveland.....	46,000	701.50	597.08	638.48	121.44	2,058.50
Richmond.....	209,000	3,187.25	2,712.82	2,900.92	551.76	9,352.75
Atlanta.....	412,000	6,283.00	5,347.76	5,718.56	1,087.68	18,437.00
Chicago.....	1,156,000	17,629.00	15,004.88	16,045.28	3,051.84	51,731.00
St. Louis.....	154,000	2,348.50	1,998.92	2,137.52	406.56	6,891.50
Minneapolis...	93,000	1,418.25	1,207.14	1,290.84	245.52	4,161.75
Kansas City...	644,000	9,821.00	8,359.12	8,938.72	1,700.16	28,819.00
Dallas.....	52,000	793.00	674.96	721.76	137.28	2,327.00
San Francisco.	61,000	930.25	791.78	846.68	161.04	2,729.75
	<u>4,544,000</u>	<u>69,296.00</u>	<u>\$58,981.12</u>	<u>\$63,070.72</u>	<u>\$11,996.16</u>	<u>\$203,344.00</u>

The Bureau appropriations will be reimbursed in the above amount from the indefinite appropriation "Preparation and Issue of Federal Reserve Notes, Reimbursable," and it is requested that your Board cause such indefinite appropriation to be reimbursed in like amount.

Respectfully,

R. C. Leffingwell,

Assistant Secretary of the Treasury.

STATEMENT FOR THE PRESS.

X-1478

For immediate release
Wednesday, April 16, 1919.

280

The Federal Reserve Board makes public the following instructions to Federal Reserve Banks, bearing on the rediscount of paper secured by Government obligations.

Section 3 of the Act approved March 3, 1919, amends Section 11 of the Federal Reserve Act by the substitution of a new sub-section (m) which reads as follows:

"(m) Upon the affirmative vote of not less than five of its members the Federal Reserve Board shall have power to permit Federal Reserve banks to discount for any member bank notes, drafts, or bills of exchange bearing the signature or indorsement of any one borrower in excess of the amount permitted by section nine and section thirteen of this Act, but in no case to exceed twenty per centum of the member bank's capital and surplus: Provided, however, That all such notes, drafts, or bills of exchange discounted for any member bank in excess of the amount permitted under such sections shall be secured by not less than a like face amount of bonds or notes of the United States issued since April twentyfourth, nineteen hundred and seventeen, or certificates of indebtedness of the United States: Provided further, That the provisions of this subsection (m) shall not be operative after December thirty-first, nineteen hundred and twenty."

Under the provisions of this Section, Federal Reserve banks are permitted upon the affirmative vote of not less than five members of the Federal Reserve Board, to rediscount for any one member bank, notes, drafts or bills of exchange of any one borrower in excess of those limits now imposed by Sections 9 and 13 of the Federal Reserve Act, provided that the aggregate in no case shall exceed twenty per cent and provided that any rediscounts over and above ten per cent shall be secured by Government obligations of the kinds specified.

The interpretation of this amendment is very clear as to rediscounts for national member banks and the only question which might arise is as to whether or not the power to rediscount an additional ten per cent of paper secured by the proper Government obligations applies to the case of a State member bank which under the State law has already loaned under the regular line of credit in excess of ten per cent to one borrower. Section 9, independent of the amendment, provides in substance that if a State bank has loaned in excess of ten per cent to any one borrower, the Federal Reserve bank cannot rediscount for that bank any of the paper of that borrower, but if on the other hand it has not loaned in excess of ten percent then the State member bank shall be afforded the regular rediscount

privileges conferred by Section 13 up to the limits set forth in Section 13.

The amendment of March 3, 1919, confers powers "in excess of the amount" set forth in Sections 9 and 13 so that in order to give full force to that part of the language which refers to Section 9 it must be interpreted to mean that even though the State member bank has loaned in excess of ten per cent to one borrower under his regular line of credit, nevertheless the Federal Reserve bank may rediscount paper of that borrower which is secured by the Government obligations of the kind specified, provided that the aggregate of all rediscounts does not exceed twenty per cent of the member bank's capital and surplus.

If it were intended to authorize State member banks to rediscount with their Federal Reserve banks, paper secured by Government obligations only in the case where the State bank has loaned less than ten per cent under its regular line of credit, there could have been no purpose in referring to Section 9 in the amendment.

The Board therefore rules under authority granted in this amendment that the Federal Reserve banks may rediscount until December 31, 1920 for national and state member banks, paper secured by not less than a like face amount of bonds or notes of the United States issued since April 24, 1917, or certificates of indebtedness of the United States, without regard to the amount the borrowing bank may have already loaned to its borrower under his regular line of credit; provided, however, that the aggregate of all rediscounts must in no case exceed twenty per centum of the capital and surplus of the member bank.

Illustration: The result in a specific case would be as follows: State member bank A has loaned fifteen per cent to X on his regular line of credit and fifteen per cent to X on the security of Government obligations of the kinds specified. What and how much might the reserve bank rediscount of these items? The regular line being in excess of ten per cent., Section 9 applies and none of that paper may be rediscounted but the amendment of March 3, 1919, authorizes the rediscount of paper in "excess" of what could have been rediscounted heretofore under Section 9 provided first that the excess be secured by Government obligations of the kinds specified and provided second, that the aggregate in no event shall exceed twenty per cent. In the case supposed therefore, the reserve bank could take all fifteen per cent of the paper secured by the Government obligations but none of the paper taken in X's regular line of credit. If the commercial line had been nine per cent., for instance, the reserve bank could rediscount all of the nine per cent and in addition eleven per cent of the paper secured by Government obligations, making a total of twenty per cent of the capital and surplus of the member bank. "

233

EX-OFFICIO MEMBERS
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SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

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ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

April 16, 1919.

X-1480

Subject: Regulation F - Series 1919.

Dear Sir:

There is being sent you today under separate cover a supply of Regulation F, Series of 1919, superseding Regulation F, Series of 1917, Trust Powers of National Banks. Kindly forward one of these regulations to each national bank in your district which has been granted fiduciary powers.

Very truly yours,

Assistant Secretary.

EX-OFFICIO MEMBERS
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ADDRESS REPLY TO
FEDERAL RESERVE BOARD

FEDERAL RESERVE BOARD

WASHINGTON

April 16, 1919.
X-1482

Subject: Collection of Trade Acceptances.

Sir:-

The American Acceptance Council has called the attention of the Board to the desirability of having trade acceptances which are payable at member banks or clearing member banks collected free of charge on the same terms as bankers' acceptances are collected.

The Federal Reserve Board is desirous that holders of trade acceptances be given all collection facilities possible, and requests that your bank, if it has not already done so, effect arrangements for the collection of trade acceptances payable at member banks on the same terms as bankers' acceptances.

Very truly yours,

Governor.

202

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ADDRESS REPLY TO
FEDERAL RESERVE BOARD

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN

JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

April 17, 1919.

X-1487

Subject: Holidays - Federal Reserve Banks.

Dear Sir:

In order to eliminate unnecessary confusion and to relieve a part of the congestion of the telegraph wires, the Board requests that the Federal Reserve Banks advise the Board at least one week in advance of local holidays which the bank is going to observe, in order that the Board may issue the necessary instructions with regard to handling credits through the daily Gold Fund Clearing and also with regard to reporting "Tend" figures. The Board will also advise other Reserve Banks immediately, making it unnecessary for the closing bank to send advices to the other Reserve Banks.

Kindly acknowledge receipt.

Very truly yours,

Assistant Secretary.

EX-OFFICIO MEMBERS
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SECRETARY OF THE TREASURY
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COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

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W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

X-1488

FEDERAL RESERVE BOARD BULLETIN FOR THE WEEK ENDING APRIL 18, 1919.

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	Capital	Surplus	Total Resources
Burlington City Loan & Trust Co., Burlington, N. U.	\$100,000	\$100,000	\$1,664,333
Union Savings Bank & Trust Co., Steubenville, Ohio.	250,000	250,000	3,482,391
The First State Bank, Clinton, Okla.	50,000	5,000	510,095
First Guaranty State Bank, Seymour, Texas.	35,000	3,000	104,463
Bank of Eagle, Eagle, Idaho.	25,000	----	191,098
Bank of Camas prairie, Grangeville, Idaho.	50,000	50,000	866,346
Gonzales State Bank & Trust Co., Gonzales, Texas.	75,000	25,000	674,995

EX-OFFICIO MEMBERS
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W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

April 22, 1919. X-1490

Subject: Communication between the Federal Reserve Board and Federal Reserve Banks.

Dear Sir:

Paragraph 8, Section 4 of the Federal Reserve Act provides that,

"Class C directors shall be appointed by the Federal Reserve Board",

and that,

"One *** shall be designated by said board as chairman of the board of directors of the Federal reserve bank and as 'Federal Reserve agent' *** and in addition to his duties as chairman of the board of directors of the Federal reserve bank he shall be required to maintain *** a local office of said board on the premises of the Federal reserve bank. He shall make regular reports to the Federal Reserve Board and shall act as its official representative for the performance of the functions conferred upon it by this act".

To obviate delays which have arisen in bringing to the attention of officers and directors of the Banks direct communications from the Federal Reserve Board to the Chairman and Federal Reserve Agent, the Board has decided that in future it will address to the Federal Reserve Agent, as such, all communications pertaining to the business of his office as defined by the statute, and to the Chairman of the Board all communications affecting the operations of the Bank itself. Communications addressed to him as Chairman should be communicated promptly to the Executive Committee of his bank and he may exercise his discretion as to letters addressed to him as Federal Reserve Agent.

Kindly acknowledge receipt.

Very truly yours,

Governor.

75
1919

EX-OFFICIO MEMBERS
CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

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W. M. IMLAY, FISCAL AGENT
ADDRESS REPLY TO
FEDERAL RESERVE BOARD

April 22, 1919.
X-1491

Subject: Circular Letters sent to Member Banks.

Dear Sir:

Several of the Federal Reserve Banks have recently furnished the Board with canvas ring binders, which they furnish to member banks of their district, containing copies of all general letters, circulars, and bulletins sent to member banks which are in effect. If your Bank furnishes this service to your member banks, the Board would be pleased to receive one of your binders, with copies of all general letters you have issued that are in effect, and would also appreciate being placed on your mailing list to receive copies of all new letters issued.

If your Bank does not furnish this binder service, the Board would appreciate receiving copies of all general letters sent to your member banks which are in effect, and would be glad to be placed on your mailing list to receive all general letters issued, so that the Board may maintain a complete file.

Very truly yours,

Assistant Secretary.

238

X-1492

W. P. G. HARDING, GOVERNOR
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ADOLPH C. MILLER
CHARLES S. HAMLIN

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W. T. CHAPMAN, ASSISTANT SECRETARY
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ADDRESS REPLY TO
FEDERAL RESERVE BOARD

EX-OFFICIO MEMBERS
CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

Dear Sir:-

You will find enclosed herewith a specimen report of examination which has been prepared by Mr. S. G. Sargent, Chief Examiner, Federal Reserve Bank of San Francisco, to be furnished the examiners in his district with a view to making all reports more or less uniform.

It has been suggested that if the examining departments of the other Federal Reserve Banks would make up similar specimen reports to be exchanged with the other examining departments it would be possible to develop a comprehensive report which could be standardized throughout the entire system.

With this in view will you kindly submit the specimen report herewith to your examining department with instructions to prepare a similar specimen report for inspection by the examining department of the other Federal Reserve Banks. We will also be glad to consider any changes that may be suggested in the printed form of report (Form 103).

Kindly have sufficient copies, say 15, forwarded to this office so that an interchange may be made with other Federal Reserve Banks.

Very truly yours,

Secretary.

(Enclosure)

EX-OFFICIO MEMBERS

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ADDRESS REPLY TO
FEDERAL RESERVE BOARD

April 23, 1919.

X-1493

Subject: Opinion Acting Commissioner of Internal Revenue as to whether Five Per Cent Bonds of War Finance Corporation are "Admissible Assets".

Dear Sir:

Your attention is invited to an opinion of the Acting Commissioner of Internal Revenue as to whether the five per cent bonds of the War Finance Corporation are "inadmissible assets" under the provisions of Section 325 of the Revenue Act of 1918, as follows:

"The term 'inadmissible assets' is defined in the aforesaid section of the Act to mean 'stocks, bonds, and other obligations (other than obligations of the United States), and dividends the interest from which is not included in computing net income'. Section 213 (b) of the Act provides that the interest on bonds issued by the War Finance Corporation shall be exempt from taxation to the extent provided in the Act authorizing the issue of such bonds; and it is provided in Section 16 of the War Finance Corporation Act that the bonds issued by the War Finance Corporation shall be exempt, both as to principal and interest, from all taxes except estate and inheritance taxes, and also from graduated additional income, excess profits and war profits taxes on the interest on an amount of such bonds the principal of which does not exceed \$5,000.00. Under the terms of Section 17 of the War Finance Corporation Act such bonds are not obligations of the United States".

"It is accordingly held that the bonds of the War Finance Corporation, the principal of which does not exceed \$5,000.00 are inadmissible assets. Bonds of the War Finance Corporation, the principal of which exceeds \$5,000.00 are admissible assets".

Very truly yours,

Governor.

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ADDRESS REPLY TO
 FEDERAL RESERVE BOARD

EX-OFFICIO MEMBERS
 CARTER GLASS
 SECRETARY OF THE TREASURY
 CHAIRMAN
 JOHN SKELTON WILLIAMS
 COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

April 24, 1919.

X-1494

Subject: Engraved Signatures of Bank Officers
 on Federal Reserve Bank Notes.

Dear Sir:

The attention of the Board has been called by the Director of the Bureau of Engraving and Printing to the fact that the change of the name of a bank officer on a plate involves a good deal of time and expense, and as there is no legal objection to the use of the name of a former officer on a bank note, even though the note is issued after the connection of the officer with the bank has ceased, the Federal Reserve Board requests that whenever there is a change in the office of a governor or cashier, specimen signatures of the new official be sent to the Board in order that proper signature may be engraved upon new plates, which will not be used, however, until the old plates are worn out. All plates in use, therefore, will be employed as long as they are fit without any change in the names of officers, and as the old plates are discarded new ones will be substituted bearing the new names.

Very truly yours,

Governor.

EX-OFFICIO MEMBERS

CARTER GLASS
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ADDRESS REPLY TO
 FEDERAL RESERVE BOARD

April 25, 1919.

X-1497

Subject: Request by a Discount Corporation that Federal Reserve Banks receive and transmit Bills purchased by the Discount Corporation from Member Banks.

Dear Sir:

The Federal Reserve Board has been informed that a certain discount corporation has communicated with Federal Reserve banks requesting that the respective Federal Reserve banks should, for the convenience of the discount corporation, take delivery and become temporary purchasers from their member banks of acceptances sold by them to the discount corporation and forward such bills to another Federal Reserve bank for delivery to the discount corporation as a resale by the respective Federal Reserve banks to the corporation.

After careful consideration of the matter, the Board has reached the conclusion that transactions of this kind ought not to be engaged in by a Federal Reserve bank. Facilities of this character extended to any particular firm or corporation would, of course, have to be extended to others, and the arrangement proposed appears to the Board as infringing upon the functions of member banks. There seems to be no reason why the proposed service cannot be rendered equally well by member banks who can avail themselves of the services of the Federal Reserve bank, if necessary, but as a matter of policy it seems that private firms and corporations and non-member banks should not be permitted to transact business of this kind through a Federal Reserve bank. In some cases this might imply approval by the Federal Reserve bank of the specific transaction, and the Federal Reserve bank has no right either to approve or disapprove, and in any event could not undertake to pass upon the bills delivered to it for transmission.

Kindly acknowledge receipt.

Very truly yours,

Governor.

EX-OFFICIO MEMBERS

CARTER GLASS
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 W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
 FEDERAL RESERVE BOARD

X-1500

April 26, 1919.

SUBJECT: FORMS OF FIDUCIARY CERTIFICATE.

Dear Sir:-

For your information I am sending you herewith sample copies of the engraved forms of permit which the Board is issuing to national banks which have been granted permission to act in fiduciary capacities under Section 11-K of the Federal Reserve Act as amended. You will note that one form is for use where banks are granted only a portion of the powers specified in the act, and the other where banks are granted full powers.

Very truly yours,

Assistant Secretary.

Enclosures.

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
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FEDERAL RESERVE BOARD

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W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

X-1501

FEDERAL RESERVE BOARD BULLETIN FOR THE WEEK
ENDING APRIL 25, 1919.

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	Capital	Surplus	Total Resources
Mechanics Bank, Brooklyn, N. Y.	\$1,600,000	\$320,000	\$34,706,848
Kempf Commercial & Savings Bank, Chelsea, Michigan.	40,000	40,000	776,342

CHANGE OF NAMES:

Mercantile Trust & Deposit Company, New York, N. Y.	to	Mercantile Trust Company, New York, N. Y.
Sullivan Bank & Trust Company, Montgomery, Ala.	to	Merchants Bank of Montgomery, Montgomery, Ala.

VOLUNTARY LIQUIDATIONS:

Farmers & Stockgrowers Bank, Salt Lake City, Utah.
The Security Bank, Webster, S. D.
(Reincorporated under the name of the Security Bank & Trust Company,
Webster, S. D.)

AUTHORIZED TO ACCEPT DRAFTS AND BILLS
OF EXCHANGE UP TO 100 PER CENT OF CAP-
ITAL AND SURPLUS:

Liberty Bank, St. Louis, Mo.

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD
WASHINGTON

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

April 26, 1919.

X-1502

Subject: Revenue Stamps on Acceptances Based on Exports.

Dear Sir:

For your information, the Federal Reserve Board has received the following inquiry from a Federal Reserve Bank:

"Can you find out for us whether an acceptance drawn as an inherent bona fide part of an exportation of merchandise requires revenue stamps under the new law?",

and in reply has sent the following message:

"Because of constitutional restriction against taxes on exports, drafts which are drawn against shipments from the territorial United States, including the District of Columbia, Hawaii and Alaska to foreign countries are not subject to stamp tax even though accepted or delivered or both accepted and delivered within the United States. Shipments from the territorial United States to the Canal Zone, Virgin Islands, Porto Rico and the Philippines are not considered shipments to foreign countries but drafts against shipments to Porto Rico, the Virgin Islands and the Philippines are exempt from stamp tax by express legislation".

Very truly yours,

Governor.

X-1503

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For immediate release,
April 28th, 1919.

The Federal Reserve Board announces the appointment of Mr. Embry L. Swearingen, President of the First National Bank and the Kentucky Title Savings Bank and Trust Company of Louisville, as director of the Louisville Branch of the Federal Reserve Bank of St. Louis, to succeed Col. Charles E. Hoge, deceased.

EX-OFFICIO MEMBERS

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 SECRETARY OF THE TREASURY
 CHAIRMAN
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FEDERAL RESERVE BOARD
 WASHINGTON

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J. A. BRÖDERICK, SECRETARY
 W. T. CHAPMAN, ASSISTANT SECRETARY
 W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
 FEDERAL RESERVE BOARD

May 1, 1919.

X-1506

Subject: Elimination of Count of Federal Reserve Bank Notes
 by Special Agents of Federal Reserve Banks.

Dear Sir:

In reference to the recommendation made at the Governors' Conference to Topic Number 36 for the elimination of the count by Special Agents of the Federal Reserve Banks of mutilated Federal Reserve bank notes forwarded to the Treasury Department for redemption and destruction, the Board desires the following information:

1. Total amount paid to Special Agents.
 - (a) From January 1st to December 31, 1918.
 - (b) From January 1st to March 31, 1919.
2. Cost per thousand for present facilities.
3. Date of expiration of present contracts.

The Board would appreciate receiving this information as soon as convenient as it will be of assistance in determining whether or not it will be possible to formulate a less expensive plan. Any further information or suggestions that you may be able to furnish in this connection will be appreciated.

Very truly yours,

Assistant Secretary.

X-1508

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For immediate release
May 1, 1919.

The Federal Reserve Board issues the two following regulations effective immediately:

"Until otherwise instructed, the requirement issued by the Division of Foreign Exchange on June 11th, 1918, prohibiting 'dealers' as defined under the Executive Order of the President of January 26, 1918, from acting upon confirmations of cablegrams received by them where the original cablegram in part or in whole has never been delivered, and also requiring that all confirmations of cablegrams be delivered to certain Federal Reserve Banks, dependent upon their destination, is hereby revoked, with the exception of confirmations referring to any cablegrams which might cover transactions either directly or indirectly with territory not formally opened to trade and transfers of funds."

"The War Trade Board, at the request of the Supreme Economic Council, has issued a general license through the Bureau of Enemy Trade which authorizes the transfer of funds to Germany, provided the proceeds are used for the purchase of food to be shipped to Germany; and until otherwise instructed 'dealers' as defined under the Executive Order of the President of January 26, 1918, are permitted to make transfers of funds to Germany through the American Relief Administration in accordance with regulations issued April 22, 1919, covering the making of similar remittances to various other Central European countries."

F E D E R A L R E S E R V E B O A R D

WASHINGTON

Confirmation of Telegram

April 30, 1919.

X-1509

Austin - Philadelphia	Martin - St. Louis
Wills - Cleveland	Rich - Minneapolis
Hardy - Richmond	Ramsay - Kansas City
McCord - Atlanta	Ramsey - Dallas
Heath - Chicago	Perrin - San Francisco

Subject: Campaign for Par Points.

Please advise number of nonmember banks added to par list during month of April and total net additions since January first; also advise as at close of business April thirtieth number of National bank members, State bank members, nonmember banks on par list and non-member banks not on par list.

During first three months of this year about one thousand par points were added to list. The Board feels sure that with experience gained still greater progress will be made during next few months and the banks are urged to continue their efforts.

HARDING.

W. P. G. HARDING, GOVERNOR
 ALBERT STRAUSS, VICE GOVERNOR
 ADOLPH C. MILLER
 CHARLES S. HAMLIN

EX-OFFICIO MEMBERS
 CARTER GLASS
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FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
 W. T. CHAPMAN, ASSISTANT SECRETARY
 W. M. IMLAY, FISCAL AGENT
 ADDRESS REPLY TO
 FEDERAL RESERVE BOARD

X-1510

FEDERAL RESERVE BOARD BULLETIN FOR THE WEEK ENDING MAY 2, 1919.

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	Capital	Surplus	Total Resources
Ironbound Trust Company, Newark, N. J.	\$200,000	\$100,000	\$7,353,873
Berks County Trust Company, Reading, Pa.	250,000	155,000	4,137,296
Farmers & Merchants Bank Co., Metamora, Ohio.	25,000	5,500	297,832
Citizens Bank of Delavan, Delavan, Wis.	50,000	25,000	875,971
First State Bank, Prescott, Ark.	50,000	1,500	305,617
Security Bank & Trust Company, Webster, S. D.	60,000	25,000	1,601,387
Farmers & Merchants Savings Bank, Logan, Utah.	100,000	15,075	388,926

CONVERSIONS:

City Bank, Syracuse, N. Y.	into	City Bank Trust Company, Syracuse, N. Y.
Fidelity Trust Company, Kansas City, Mo.	into	Fidelity National Bank & Trust Company, Kansas City, Mo.

VOLUNTARY LIQUIDATIONS:

First Standard Bank & Trust Company, Maysville, Kentucky.

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS.

X-1511

For release afternoon papers,
Tuesday, May 6, 1919.

BUSINESS CONDITIONS IN APRIL 1919.

During the month of April business prospects have improved, retail trade has increased in volume, prices have apparently assumed a more stable position, and business generally is considered on a stronger and better footing. The floating supply of labor which had threatened a considerable amount of unemployment during the months of February and March has been partially absorbed and the prospect of a large grain crop promises still further opportunity for the use of the entire labor supply. Federal Reserve Agents almost without exception report a growth in confidence and improvement in general trade and industrial conditions. Manufacturing is still retarded in steel and some other basic industries, but there is improvement in the copper and lead situation. Textile manufacturing, both in wool and cotton, particularly the former, is improving. The export trade of the month has been large and financial conditions have been quiet and reassuring.

In the First Federal Reserve District "the turn in the tide of business which was beginning to be felt a month ago, becomes increasingly evident each week, and the impression is becoming general that no lower price level will be established at least for some time. This is having the effect of encouraging buyers to place orders with more confidence, and manufacturers are going ahead in a surprisingly satisfactory manner. It will be a long time before all sections of this district are back again on a strictly peace basis and before labor and materials are again evenly distributed, but the period of unemployment and stagnant business, which many expected, shows no sign of materializing, and the trend is decidedly in the other direction"

From the Second Federal Reserve District it is reported that growth in confidence is manifested "in the more numerous advance orders placed with wholesalers for the fall. Certain lines in the ordinary distributive trade, such as jewelry, automobiles, and musical instruments, are very active. Retail trade, including the mail-order business, has continued to expand, and production in textile mills has increased". District No. 3 reports retail trade "wonderfully good and reports from all parts of the district very encouraging." Reports from District No. 4 state that "the whole industrial field is breathing easier, and gains along practically every line, while in many cases infinitesimal in scope, reflect a condition which gives indication of progress both steady and permanent." From District No. 5 it is stated that there is indication of "increasing confidence and stability"; from District No. 6 that "during the past month there has been an increase in practically all lines of business"; from District No. 7 that "fundamental conditions, aside from a lack of confidence in the stability of the present price level, are considered sound"; from District No. 8 that "business activity continues to improve with the further readjustment of prices, and in some lines it is practically normal"; from District No. 9 that "the general outlook throughout the district is very good"; from District No. 10 that "a more hopeful spirit seems to prevail and in most lines of industrial activity things have assumed a cheerful aspect." The Tenth District further speaks of "unparalleled prospects for bumper crops" and of an increase in buying. In the Eleventh District it is stated that "a sound and normal business is being transacted"; from the Twelfth District it is reported that "manufacturing and industry are fair, but increased activity is expected, due to improved labor conditions," while agriculture and stock-raising enterprises are said to be in excellent condition.

- 3 -

Possibly the most conspicuous feature of the whole business situation is found in the fact that prices have apparently been somewhat "stabilized". Marked declines are still reported here and there in some special lines, but from nearly all districts it is reported that the uncertainty concerning prices has been mitigated and that business men now expect that existing levels of prices will be substantially maintained for some time to come. The Bureau of Labor's commodity index numbers show that the decline in prices noted during the past three months has now not only been checked, but that prices as a whole have apparently taken a slight turn upward, the general index number increasing from 197 to 200. This general situation, as further analyzed in the Board's compilations, shows that during March the decrease in price of producers' goods continued, the index number for the group standing at 169 as compared with 191 for the month of February. The decrease is paralleled by a decrease in the prices of raw mineral products, the index number for which group stands at 170 as compared with 173 for the month of February. The index numbers in the case of consumers' goods and the other groups of raw materials, however, show an increase. This is particularly marked for farm products and animal products in the latter group, the index numbers increasing respectively from 222 to 235 and from 208 to 216. During the early part of April a further strengthening of prices in many lines has been noted. Efforts at Government price fixing are still under consideration, the difficulty of bringing about a definite adjustment in connection with steel, coal, and other basic articles having as yet proved insuperable. This leaves those industries without a standard price level recognized by the Government, but with the expectation on the part of dealers that prices will not decline materially below present figures.

The most important industrial development during the month of April has undoubtedly been the Government's estimate for acreage and production of the principal agricultural crops. The forecast for grain was made public on April 8 and showed a condition of 99.87 per cent, or the highest condition percentage ever recorded on the largest acreage ever under cultivation, so far as winter wheat was concerned. The estimated yield of winter wheat under these circumstances is 837,000,000 bushels, with other/cereals in almost equally promising condition so far as can be forecast at this season. From the wheat district of the Middle West it is stated that spring wheat seeding is well advanced and that conditions are satisfactory, while winter wheat and other cereals have come through the season in excellent condition. On the Pacific coast crop conditions are unusually favorable, wheat sown in the fall has wintered well, the acreage of winter wheat is considerably greater than that of last year, while other products of the soil promise an unusually abundant outturn. Practically all growing crops in the South and Southwest are reported as satisfactory, there being a good outlook for increased acreage and for large yield per acre. The movement of grain to the markets continues in smaller volume, due to heavy marketing in the fall and early winter. Domestic flour demand and the opening of foreign markets to American wheat has tended to raise prices. Receipts of corn at the principal markets are comparatively small and the same is true of oats and other grains. Flour milling has improved during the month and in some sections is as much as 50 per cent above the total for the corresponding date in 1918. Production during the month of March was 10,247,000 barrels, as compared with 7,736,000 during the month of February and 12,994,000 during January. The stocks at the mills show an increase from 3,544,000 at the close of February to 4,578,000 barrels at the close of March. As for live stock, movements to the primary markets of the Southwest show some decrease as compared with a year ago, while a steady rise in hog prices since the removal of the Government guaranteed figure of \$17.50 has been observed. The price of hogs at about the middle of

April was \$20.00. The decrease in the receipts of hogs during March has been

especially pronounced, receipts at 60 markets for the month being 3,632,874, as compared with 4,404,751 during February and 4,444,406 during March, 1918. The figures of receipts of cattle and of sheep likewise show a falling off from the figures for March, 1918, though both are slightly above the figures for February of the present year. This condition is reflected in reduced purchases by packers during March. The reports indicate that packers' operations in primary markets were reduced 9 per cent in cattle, 1 per cent in hogs, 5.7 per cent in calves, as compared with purchases for slaughter in March 1918. Stocks of beef in the United States on April 1 are reported to show a heavy decline from the March 1 figure, although for pork products no material change is noted. There appears to have been a continuance of the heavy export movement of meat products which was so well sustained during the winter months. The fact that the industry has been released as of April 1 from industrial control by virtue of a proclamation signed by the President, leaves the price and movement of the product to be regulated by demand and supply. In the cotton-growing regions the prospect for yield is satisfactory, weather conditions having been good, but owing to efforts to bring about a curtailment of acreage it is now estimated in some sections that a reduction in the total area of land under cultivation amounting to as much as 15 per cent to 20 per cent of the acreage of 1918 will be effected.

In the manufacturing industry fundamental interest continues to center around the steel situation. This is still undecided because of the failure to arrive at a definite price policy for the coming months. So far as known, the schedule of prices tentatively agreed upon between the Government and representatives of the industry during March has continued practically in effect. Latest reports indicate that the mills of the United States Steel Corporation have been running at 74 per cent of capacity, while independents are running at 45 to 50 per cent of capacity. Pig-iron production during March was 3,090,243 tons, as compared with 3,141,180 tons during February, the respective index numbers being 133 and 136. Steel-ingot production likewise declined, production in March being 2,262,265 tons, corresponding to an index number of 111, as compared with 2,688,011 tons during February, the index number for the latter month being 121. The unfilled orders of the United States Steel Corporation have continued to decline, standing at the close of March at 5,430,572 tons, as compared with 6,010,787 tons at the close of February, the index numbers, respectively, being 103 and 114. It is reported from Dallas that the present situation in the copper industry "has nothing about it to stimulate enthusiasm," the market being practically at a standstill, while during the past month there have been quotations as low as $14\frac{1}{2}$ cents. The curtailing of output from 30 per cent to 50 per cent has had little effect on reducing the world's surplus, as sales have not equaled the reduced output. These conditions have been in process of slow rectification since the middle of the month. The copper situation has become more encouraging during the month of April, some considerable sales being reported at prevailing prices. Lead ores have declined in value, but the demand for them remains firm, and there is no accumulation of surplus stocks. Zinc has shown a downward tendency, but with comparatively heavy shipments. Production of both metals has been considerably decreased during the past several months. In coal, production continues at about the same rate, but

the present demand is naturally very light. Orders for the coming winter's supply have not yet begun, while some plants which are usually heavy consumers have suspended demand. In the West Virginia district conditions show little improvement, and sales of mining machinery are slow. Bituminous coal production during the month of March was 33,716,000 tons, as compared with 31,497,000 tons during the month of February. The daily production of anthracite coal declined somewhat from ^{the} February figures, total production for the month being 3,938,907 tons, as compared with 3,871,932 tons during February. The respective index numbers were 70 and 74. Figures for production of both bituminous and anthracite coal are very much below those of a year ago, when bituminous coal production was 48,631,115 tons, and that of anthracite 7,276,777 tons, the index numbers being, respectively, 131 and 129. The production of beehive coke has continued to decline, amounting during March to 1,768,449 tons, corresponding to an index number of 68 as compared with 1,822,894 tons during February, the index number for which was 75. In lumber, markets show generally a firm tone, with demand still up toward the output and practically no decline in prices, but on the contrary, advances in various grades.

In general manufacturing, conditions still continue somewhat "spotty". In many sections mills have smaller stocks than usual, but with an improving demand both for goods and for yarns, while many factories are estimating on new orders and showing a larger interest in the situation. The depleted condition of retail stocks has led to purchases of a hand-to-mouth variety, even on the part of dealers who do not wish to commit themselves fully as to the future. Greater activity in preparation for the spring trade is reported by wholesalers and jobbers. It is predicted in some quarters

that demand from now on will be sufficient to enable the South to dispose without further sacrifice of the cotton it is carrying. Labor conditions in the cotton-milling regions are still unsettled. In the woollen trade demand for men's wear has become very much more active. A large volume of orders has been developed during the month of April. From Richmond it is reported that business is still dull with the underwear and blanket mills, but in other lines mills are reported as having realized much benefit from the policy of drastic price reduction initiated two months ago. The industry is now regarded as being once more upon a normal basis so far as volume is concerned, while raw wool has recently sold at auction upon a basis of parity with the Government prices. The automobile industry is apparently fully occupied and is running on the basis of about 90 per cent of existing facilities. In leather and shoes the principal companies have reported phenomenal profits and prices are strongly maintained with abundant orders. The lifting of the English embargo on the cheaper grades of leather has stimulated foreign demand.

General labor conditions are improving. From many of the manufacturing districts they are reported as fairly satisfactory. The question of wage re-adjustment has made comparatively little progress and labor continues to be employed on nearly a war basis of remuneration. The volume of unemployment on the Pacific coast is very much less than a month ago, and the same is true of New England. From many sections a shortage of farm hands is reported. Partial revival in the building trades promises to open a considerable new field of demand for labor heretofore unemployed or obliged to seek occupation in other lines of industry. The labor situation is less satisfactory on the Atlantic seaboard than in the interior, due to the fact that considerable numbers of returned soldiers have failed to redistribute themselves to their points of origin. In the Middle West, especially in the chief agricultural regions, the situation has decidedly improved.

Export trade during the month has continued large, although it consists predominantly of raw materials and articles for further manufacture. Nevertheless, interest in the export trade continues unabated, and several important developments have occurred during the month. Shipping rates have shown a decided downward tendency, while the organization of an investment trust for the purpose of encouraging the absorption of foreign securities has made a beginning in the practical financing of export business. The organization of associations under the Webb law for the purpose of facilitating foreign trade, indicates a continuous interest on the part of manufacturers, both large and small, in the development of markets abroad. Two export organizations have been formed by important members of the banking industry and twenty-five large lumber mills have united for the same purpose. Similar activity is reported in a number of other lines. A cotton export corporation organized to facilitate the distribution of cotton in other countries and its steady movement from the United States is projected. The announced action of the economic council at Paris, made public on April 23, by virtue of which the black list is to be abolished and the system of licensing exports for shipment to foreign countries terminated, is regarded in many lines

of trade as promising a much better opportunity for foreign shipments. Parallel action has been announced by the War Trade Board on April 28.

Financially the month has been quiet. The Board's compilation of interest and discount rates from the principal centers shows relatively few fluctuations and these not of a character to indicate any decisive trend. The greatest variations have been noted in connection with call money, which has fluctuated from $3\frac{1}{4}$ per cent to $6\frac{1}{2}$ per cent, but has been firm during the latter part of the period at around $5\frac{1}{2}$ per cent. The supply of bank acceptances has been small and total volume in the market indicates a falling off. There has been a tendency to shorten maturities of commercial paper considerably, while the demand for the best names has been very satisfactory. The opening of the Liberty loan campaign on April 21 has tended to hold various industrial enterprises in check, pending the completion of the Government's requirements. As a rule, the policy of bankers has been to conserve their lending power until after the loan has been fully disposed of. Some tendency to liquidation was noticed among the banks prior to the offering of the Victory loan, the effort of these institutions being to reduce their outstanding commitments wherever reasonably possible. Federal reserve notes have increased somewhat during the early part of the month, but later showed a slight tendency to fall off. The prospects for moderate accommodation to business and industry appear to be encouraging, most banks having still a substantial margin of lending power.

CONFIRMATION OF TELEGRAM

May 6, 1919 X-1513

Curtiss, Boston
 Jay, New York
 Austin, Philadelphia
 Wills, Cleveland

Hardy, Richmond
 McCord, Atlanta
 Heath, Chicago
 Martin, St. Louis

Rich, Minneapolis
 Asa E Ramsay
 Wm. F. Ramsey
 Perrin, San Francisco

SUBJECT: Raising of Restrictions on Silver Exports.

On August fifteenth nineteen eighteen, the Federal Reserve Board announced that licenses for the export of silver would thereafter be granted only for civil or military purposes of importance in connection with the prosecution of the war and only in cases where the exporter certified that the silver to be exported had been purchased at a price which did not directly or indirectly exceed \$1.01 $\frac{1}{2}$ per ounce one thousand fine at the point where silver is refined in the case of silver refined in the United States or at the point of importation in the case of imported silver. The occasion which required the above limitations on the export of silver having now passed, the Federal Reserve Board will hereafter, unless a governmental necessity should again arise, resume its former policy of granting freely and without condition all applications for the export of silver bullion or of silver coin of foreign mintage. This change of the policy of granting licenses does not do away with the necessity of filing an application for licenses to export silver bullion or silver coin of foreign mintage. Such applications must, as heretofore, be filed through the Federal Reserve Bank of the appropriate district, but such applications will, as stated above, be freely granted by the Federal Reserve Board. The Secretary of the Treasury does not contemplate any further sales of silver under the Pittman Act, except to the Director of the Mint. The Board especially requests, however, that all banks continue to segregate silver certificates received and forward them for redemption as heretofore.

X-1514

May 7, 1919.

TO THE EMPLOYEES OF THE FEDERAL RESERVE BOARD.

Under provisions of an Act approved March 1, 1919, there was created a Commission known as the "Joint Commission on Reclassification of Salaries". This Commission is charged with the duty of investigating the rates of compensation paid to civilian employees of the Government in the District of Columbia including the executive departments and other Government establishments, and of reporting what reclassification and readjustments of compensation should be made.

Under plan as outlined by this Commission it is arranged that in each department or independent organization, there is to be organized a Central Committee composed of a representative of the organization, and a representative of the employees, the former representative to be appointed by the executive head of the organization, and the latter by the employees themselves.

There is, therefore, enclosed a ballot which should be filled out by each employee, designating the employee of the Staff of the Federal Reserve Board desired as the representative of the Board's employees on the Central Committee. These ballots should be sealed and returned to this office without delay, as it is necessary that our representative be elected at the earliest possible moment.

The following tellers to count the ballots have been appointed:

J. E. Horbett,
Rolfe E. Brett,
Margaret A. Rice.

By order of the FEDERAL RESERVE BOARD,

J. DE LA MATER

Chief Clerk.

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

Release morning papers, Thursday,
May 8, 1919.

The Federal Reserve Bulletin for May was completed and sent to the printer today.

In the Review of the Month, the leading feature of the issue, principal attention is devoted to the changed position of the Government as a borrower, and to the altered conditions in the business world growing out of the partial readjustment of trade and industry to post war conditions. Speaking of the financial situation, the Review, after sketching the prospects in connection with the Victory Loan and subsequent financing, calls attention to the position of the Government as a commercial borrower in the money market and says:

"The whole investment situation has been complicated by such a variety of factors since we entered the war that the shrinkage in values sustained by many of our leading investment securities may not safely of itself be taken as an indication of recapitalization or adjustment to a new level of interest return. Subsequent to the conclusion of the armistice and prior to the placing of the fifth Liberty loan there was an interruption to normal development of business, due to the fact that whereas war demands had been suspended, peace demands had not yet begun to make themselves effectively felt. It was an epoch of "readjustment" and of transition from war to peace. The fifth loan marks, financially speaking, the close of this transition period, and future sales of securities, whether governmentally or privately issued, will have to be adjusted to the new basis of yield. On the whole, this alteration is a desirable change in the conditions which have heretofore existed and gives promise of the early restoration of stability and normal equilibrium in the investment market. It probably means also that the Government's offerings of securities will be more and more taken by investors who purchase them because they desire to hold and retain them."

The Review then passes to the relationship between financial and industrial activity. On this point it summarizes the existing conditions as follows:

"The entry of the Government into the investment market upon what may be regarded as practically a normal basis synchronizes with the re-opening of industrial activity upon a substantially parallel footing. The close of the month of April finds business apparently readjusted to the new conditions, at least temporarily, and ready to proceed with current activities in the belief that existing conditions will not, for a reasonable time at least, be very materially altered. This situation is reported to the Board by Federal Reserve Agents from all parts of the country, it being their view that present conditions are beginning to be recognized as, in effect, normal for the time."

Discussing the business prospects, the Review suggests that a temporary adjustment has practically been brought about, and that with this as a basis it may be expected that a period of business activity will now set in and continue for some time to come. It sketches the position of industry as outlined by Federal Reserve Agents, and then describes the present status of prices in the following language:

"The decline of prices which has already occurred has been chiefly confined to relatively few basic commodities, and while these enter extensively as materials of production into the manufacture of consumable goods, competition has not yet served to restore the level of general prices at retail to even the new basis which has been reached in the underlying or essential lines referred to. On the other hand, world conditions have been such as either to hold certain classes of prices practically stable or even in some cases to bring about a slight upward trend. Particularly has this been true in some instances where, through Government control, the price level had been held down to a basis lower than that which it would naturally have assumed. The net result, as shown in the Board's price index, therefore, is a slight advance in the general level. This bears out the view often expressed in the Federal Reserve Bulletin that the underlying and most general factor tending to sustain the present high level of values is the credit and banking situation, inflated as it is throughout the world. So long as the condition of inflation referred to continues to exist as at present, it must be expected that reductions of price will occur slowly as a result of changes in the demand for and supply of commodities. This will in some cases bring about reductions in the levels of values, but in others will produce corresponding and offsetting variations in the opposite direction. Prices will thus be subject to temporary oscillations, but in order to bring about any broad and far-reaching readjustment affecting the relationship of all commodities to the unit of purchasing power, inflated credit conditions must be eliminated, and the business community must be placed upon practically the footing in relation to credit and money which it is normally to occupy."

Business, it is pointed out, is becoming much more active and vigorous than during the past few months.

"The readjustment of business" says the Review,

"to a new price basis is, however, proceeding, and the increased activity of trade due to the revival of purchasing under the prospective great increase in agricultural output and the general disposition throughout the country to abandon the attitude of hesitation and postponement, which has been characteristic for some time past, has rendered the question of control of prices by public authority less urgent than it seemed to be a few weeks ago. What is now happening seems to indicate that business will, after a period of initial readjustment in prices, proceed upon a level not far removed from that established during the war, leaving the question as to the ultimate level of prices to the future and to more slowly acting forces."

Considerable attention is devoted to the prospect of the foreign trade of the Country. The Board takes the position that a great inrush of foreign goods is hardly to be expected. On this point it says:

"The view has been expressed in some quarters that the resulting state of the exchanges would lead to heavy exportation of goods to the United States, the proceeds thereof to be available to pay for or settle outstanding interest claims and perhaps accruing installments of principal obligations, or, at all events, to liquidate new and heavy purchases of material from this country. Developments during the past few weeks have raised a very serious doubt how far any such movement is to be expected. In many lines European costs are now apparently higher than in the United States, this being true of textiles and other items in which Great Britain seemed formerly to enjoy a decided competitive advantage. The existence of high money costs abroad will necessarily alter the competitive situation which had existed before the war, and will raise the question how foreign countries are actually to pay off their indebtedness unless the price situation is favorable to shipments of goods to the United States. Adjustment of international price levels to the altered conditions of the different countries is a necessary step to the readjustment of international trade on a stable basis.

In order to stabilize relations with other countries and to provide a means of at once keeping up our export trade and paying for imported goods, looks with favor upon the Board the formation of so-called investment trusts. After describing the methods by which such investment trusts operate in foreign countries, their relation to export business is outlined as follows:

"The investment trust, from this standpoint, would be made highly beneficial to those who participated in it simply as investors. In the present situation, however, the establishment of companies for foreign financing will serve a very much larger end. This end is the facilitation and promotion of the export business of the United States. It is highly probable that in present circumstances the proceeds will be used in purchasing American supplies and materials even though there has been no express stipulation that the proceeds growing out of such advances shall be spent in the country from which the capital is derived or that they shall be used in the purchase of machinery, materials, and the like, produced by designated concerns or groups of concerns. In the present situation, the extension of our actual export trade in materials is more feasible than ever before because of the fact that the United States occupies so conspicuous, not to say unique, a position as a creator and furnisher of capital in international business. Occupying the position it does, the Nation is thus able to make its own terms for the furnishing of capital. It may be able, in other words, within limits, to establish its own price for goods sent to foreign countries, taking its payment in the form of securities which are then distributed to buyers, but clearly, good judgment and moderation in fixing the terms of the loans and the conditions of purchase will be required if a satisfactory and permanent relationship is the object aimed at."

The Board considers foreign exchange developments during the past month in considerable detail, and also gives the position of reserve and member banks and of exports and imports of gold out of and into the United States. Important action with reference to the acceptance situation is outlined in the following paragraph:

"At a meeting of governors of Federal Reserve Banks with the Federal Reserve Board at Washington on March 20-22, the following report was made:

"The discussion developed the fact that there is a growing tendency on the part of member banks to misuse and possibly abuse the right of acceptance credits in domestic transactions. These abuses doubtless grow, in many cases, out of a lack of knowledge of what are correct practices, and to some extent out of difficulties incident to the war. The principal abuses noted were in the employment of acceptance credits for transactions which are in fact loans upon commodities. In such cases the use of the acceptance credits is frequently a subterfuge to escape the provisions of section 5200 of the National Bank Act, and in other cases an improper drawing of bills against domestic shipment of goods. It is the belief that it would be a mistake to endeavor to correct these practices through general regulations applying to the purchase of bills by the reserve banks."

"After full consideration of the situation the Federal Reserve Board has requested a committee of Federal Reserve Agents to prepare suitable acceptance literature designed to explain the acceptance

principle and to guide the development of acceptance methods among the banking community with a view to improving present practices, and at the same time with the object of stimulating the wider use and application of the acceptance principle, both in domestic and foreign trade under sound and safe conditions. The investigation of this situation will probably be begun shortly after the conclusion of the Victory loan campaign, and it will be sought to obtain general expressions of opinion from all those who are most conversant with acceptance principles and practices."

The May issue of the Bulletin contains an elaborate description of the war experience of the banks of Belgium, as well as an ^{account} of the war activities of the German Reichsbank. New and important rulings by the Board and by the Division of Foreign Exchange are published, and detailed statistics relating to prices at home and abroad are furnished. The usual statistical tables and summaries of Federal Reserve Bank condition are included.

W. P. G. HARDING, GOVERNOR
 ALBERT STRAUSS, VICE GOVERNOR
 ADOLPH C. MILLER
 CHARLES S. HAMLIN

EX-OFFICIO MEMBERS
 CARTER GLASS
 SECRETARY OF THE TREASURY
 CHAIRMAN
 JOHN SKELTON WILLIAMS
 COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
 W. T. CHAPMAN, ASSISTANT SECRETARY
 W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
 FEDERAL RESERVE BOARD

May 7, 1919. X-1518

Subject: Publicity.

Dear Sir:

The Board is desirous of ascertaining the practice of local newspapers regarding the use of matter appearing in the Federal Reserve Bulletin. As you know, the present practice of the Board is to issue first a preliminary press bulletin stating what the forthcoming Bulletin will say on business conditions, which statement is followed within a few days by a statement of the contents of the Bulletin, under the heading "Review of the Month", and then, when the Bulletin itself comes from the printer it is given to the newspaper men in order that they may pick out such special features for publication as they may see fit. It is believed that this method has resulted in giving to the Bulletin better publicity than prevailed prior to the adoption of the present system. Will you be good enough, therefore, to send to the Board clippings from the leading newspapers of your District, containing either editorials or news matter based on the contents of the Federal Reserve Bulletin.

In this connection, will you please instruct that greater care be exercised in the selection of newspaper clippings for transmission to the Federal Reserve Board. In some instances, we receive clippings from Federal Reserve Banks in the original envelopes in which they are transmitted to the Banks by the clipping bureaus. It is not the desire of the Board to receive all clippings merely mentioning the Federal Reserve System. What it does desire is, as above, all clippings bearing upon the Federal Reserve Bulletin and all editorial and pertinent news bearing on the Federal Reserve System as such, or, of course, particular Federal Reserve Banks. We receive many clippings in connection with the Liberty Loan Campaigns, in which the only reference made to the Federal Reserve System is that "Banks in the _____ District have subscribed," etc.

Very truly yours,

Secretary.

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

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W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

May 7, 1919.

X-1519a

Subject: Campaign for New Par Points.

Dear Sir:

There is enclosed herewith a copy of report prepared from replies received from all Federal Reserve Banks in response to our telegram of April 30th, asking for information regarding the progress of the campaign being conducted for the establishment of new par points.

Very truly yours,

Secretary.

Enclosure.

CAMPAIGN FOR NEW PAR POINTS.
REPORT OF FEDERAL RESERVE BANKS APRIL 30, 1919.

X-1519

Federal Reserve Bank of	National Banks in District	State Bank Members	Total Member Banks	Non-member Banks on Par List	No. of Banks added to Par List in Apr. 1919.	No. of Banks added to Par List since Jan 1, 1919.	No. of non-member banks not on Par List	Total No. non-member Banks in district.
Boston	392	33	425	243	--	--	--	243
New York	622	105	727	322	--	--	--	322
Philadelphia	632	34	666	349	15	54	55	404
Cleveland	746	75	821	803	8	86	325	1 128
Richmond	529	40	569	295	2	27	1 095	1 390
Atlanta	367	60	427	288	17	25	1 300	1 588
Chicago	1 046	298	1 344	2 883	220	496	1 289	4 172
St. Louis	467	45	512	1 341	41	311	1 236	2 577
Minneapolis	801	72	873	1 294	43	125	1 554	2 848
Kansas City	971	31	1 002	2 279	82	77	970	3 249
Dallas	629	112	741	281	1	85	1 194	1 475
San Francisco	566	96	662	911	--	-16 *	150	1 061
Total	7,768	1,001	8,769	11,289	429	1,270	9,168	20,457

Washington, D. C.
May 7, 1919.

* Withdrawals

271

EX-OFFICIO MEMBERS

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SECRETARY OF THE TREASURY
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COMPTROLLER OF THE CURRENCY

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FEDERAL RESERVE BOARD

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ADDRESS REPLY TO
FEDERAL RESERVE BOARD

May 7, 1919.

X-1520

Subject: Rules of Clearing House Associations.

Dear Sir:

For the information of the Board, please secure and forward at your earliest convenience, a copy of the present rules in force at the principal clearing house associations in your district, with particular reference to schedule of charges for collection of checks.

Very truly yours,

Governor.

X-1521

Federal Reserve Board.

STATEMENT FOR THE PRESS.

For release morning papers, Tuesday,
May 6, 1919.

On August 15, 1918. the Federal Reserve Board announced that licenses for the export of silver would thereafter be granted only for civil or military purposes of importance in connection with the prosecution of the war and only in cases where the exporter certified that the silver to be exported had been purchased at a price which did not directly or indirectly exceed $\$1.01\frac{1}{2}$ per ounce one thousand fine at the point where silver is refined in the case of silver refined in the United States or at the point of importation in the case of imported silver. The occasion which required the above limitations on the export of silver having now passed, the Federal Reserve Board will hereafter, unless a governmental necessity should again arise, resume its former policy of granting freely and without condition all applications for the export of silver bullion or of silver coin of foreign mintage.

This change of the policy of granting licenses does not do away with the necessity of filing an application for licenses to export silver bullion or silver coin of foreign mintage. Such applications must, as heretofore, be filed through the Federal Reserve Bank of the appropriate district, but such applications will, as stated above, be freely granted by the Federal Reserve Board.

The Secretary of the Treasury does not contemplate any further sales of silver under the Pittman Act, except to the Director of the Mint.

W. P. G. HARDING, GOVERNOR
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ADDRESS REPLY TO
FEDERAL RESERVE BOARD

EX-OFFICIO MEMBERS
CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD
WASHINGTON

May 7, 1919.
X-1522

Subject: Notary fees on items protested.

Dear Sir:

Please advise the practice at your bank (head office and branches) with respect to the protest of unpaid checks, drafts and other items. Are the services of a salaried employee utilized for this purpose, or are the items protested by outside notaries? If the notary is an employee of the head office or branch, please state whether or not the fees collected are retained by him or are paid to the bank. If the latter is the case, please advise to what account such fees are credited, and what amount was so credited during 1918, and the first quarter of 1919.

Very truly yours,

Secretary.

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

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ADDRESS REPLY TO
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COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

May 8, 1919.

X-1524

Subject: Gold Settlement Clearings by Baltimore Branch of
Federal Reserve Bank of Richmond.

Dear Sir:

The Federal Reserve Bank of Richmond has requested that arrangements be made to have their Branch at Baltimore commence settling direct through the Gold Settlement Fund with other Federal Reserve Banks and those Branches which are now settling direct, in the same manner as is now in effect between Federal Reserve Banks and a number of the Branches.

Accordingly, beginning on June 3rd and on every settlement day thereafter, the Baltimore Branch, in addition to Richmond Head Office, will telegraph to the Federal Reserve Board, code LABEG, its credits for other Federal Reserve Banks and direct-settling Branches as at close of business the previous day to be settled through the daily gold fund clearing. The Board will include in the daily BEPEG telegram to other Federal Reserve Banks and direct-settling Branches the credits of Baltimore as well as Richmond, as follows:

Richmond	amount
Baltimore	amount

and the Baltimore Branch will render to each Federal Reserve Bank and Branch, settling direct through the gold fund, daily mail transcripts supporting credits as settled through the fund.

The Federal Reserve Bank of Richmond desires that all credits in Baltimore territory, immediately due or deferred maturing June 2nd and thereafter, be credited through Gold Settlement Fund to Baltimore Branch. The Federal Reserve Banks and those Branches settling direct through the gold fund are requested, therefore, to open an account with the Baltimore Branch at such time as will permit credits therein becoming available June 2nd and thereafter; and to wire to the Board, code LABEG, the amount of such credits for the June 3rd gold fund clearing and for each daily clearing thereafter. They will also render ^{to} the Baltimore Branch daily mail transcripts supporting credits thus settled through the gold fund clearing.

It is also requested that all deductions from credits for return items, errors, differences, etc., be made in settlement with whichever Bank (Richmond or Baltimore) the original item was settled.

Please note that new system is effective statements as of close of business June 2nd, clearing June 3rd.

Kindly advise your Branches and acknowledge receipt of this letter by wire.

Very truly yours,

Assistant Secretary.

X-1526

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

May 9, 1919.

For immediate Release,
Friday, May 9, 1919.

Arrangements have been made with the American Relief Administration under which class "A" dealers who have reestablished their banking relations in any of the countries covered in the regulations issued by the American Relief Administration April 22nd, may purchase exchange on the countries in question from the American Relief Administration, whenever it is in the market, for remittance to their banking correspondents to cover cables, demand or money orders which they may sell directly to their customers in the ordinary manner and without restrictions. This arrangement does not revoke the regulations issued April 22nd, which prohibit the purchase of exchange in any of the countries concerned from any source except the American Relief Administration, nor does it authorize remittances to Germany except through the American Relief Administration. The circular of instructions will be issued by the Relief Administration in a few days, but in the meantime eligible Class "A" dealers may make applications for exchange to the American Relief Administration, 115 Broadway, New York City.

FEDERAL RESERVE BOARD

X-1527

CONFIRMATION OF TELEGRAM.

Boston	Morse	Chicago	McDougal
New York	Strong	St. Louis	Biggs
Philadelphia	Passmore	Minneapolis	Wold
Cleveland	Fancher	Kansas City	Miller
Richmond	Seay	San Francisco	Calkins
Atlanta	Wellborn		

El Paso Branch of Federal Reserve Bank of Dallas will commence settling direct with other Federal Reserve Banks and direct settling Branches through the gold settlement fund effective statements May seventeenth clearing May nineteenth. Dallas requests that all letters including return items to and from El Paso dated prior to May seventeenth irrespective of date received be handled by Dallas as heretofore. All return item letters from or to El Paso bearing date May nineteenth and thereafter will be handled by El Paso irrespective of date of letter in which item was originally enclosed. Board's letter of procedure mailed today. Please advise branches and acknowledge receipt by wire.

BRODERICK

EX-OFFICIO MEMBERS
CARRER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

May 9, 1919

X-1528

Subject: Gold Settlement Clearings El Paso Branch Federal Reserve Bank of Dallas.

Dear Sir:

The following is a confirmation of Board's wire sent you today:

"El Paso Branch of Federal Reserve Bank of Dallas will commence settling direct with other Federal Reserve Banks and direct settling branches through the gold settlement fund effective statements May seventeenth clearing May nineteenth. Dallas requests that all letters including return items to and from El Paso dated prior to May seventeenth irrespective of date received be handled by Dallas as heretofore. All return item letters from or to El Paso bearing date May nineteenth and thereafter will be handled by El Paso irrespective of date of letter in which item was originally enclosed. Boards letter of procedure mailed today. Please advise branches and acknowledge receipt by wire."

Accordingly, beginning May 19th and every settlement day thereafter, the El Paso branch in addition to Dallas head office, will telegraph to the Federal Reserve Board, code LABEG, its credits for other Federal Reserve Banks and direct settling branches as at close of business previous day to be settled through the daily gold fund clearing. The Board will include in the daily BEPEG telegram to other Federal Reserve Banks and direct settling branches the credits of El Paso as well as Dallas as follows:

Dallas amount
El Paso amount

and the El Paso branch will render to each Federal Reserve Bank and branch settling direct through the gold clearing daily mail transcripts supporting credits as settled through the fund.

The Federal Reserve Bank of Dallas requests that all letters including return items to and from El Paso dated prior to May 17th, irrespective of date received, be handled by Dallas as heretofore. The return item letters from or to El Paso bearing date of May 19th and thereafter will be handled by El Paso irrespective of date of letter in which item was originally enclosed. The Federal Reserve Banks and those branches settling direct through the gold fund are requested therefore to open an account with the El Paso branch at such time as will permit credits therein becoming available May 17th and thereafter; and to wire to the Board, code LABEG, the amount of such credits for the May 19th gold fund clearing and for each daily clearing thereafter. They will also render to the El Paso branch daily mail transcripts supporting credits thus settled through the gold fund clearing.

Please note that new system is effective statements as of close of business May 17th, clearing May 19th.

Kindly advise your branches and acknowledge receipt of this letter.

Very truly yours,

Assistant Secretary.

EX-OFFICIO MEMBERS
 CARTER GLASS
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 CHAIRMAN
 JOHN SKELTON WILLIAMS
 COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

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ADDRESS REPLY TO
 FEDERAL RESERVE BOARD

X-1530

FEDERAL RESERVE BOARD BULLETIN FOR THE WEEK ENDING MAY 9, 1919.

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	Capital	Surplus	Total Resources
The Farmers Bank Co., Pandora, Ohio.	\$25,000	\$7,500	\$223,127
Security Trust Company, Wheeling, W. Va.	300,000	200,000	2,827,915
Merchants & Farmers Bank, Emporia, Va.	50,000	50,000	554,526
Merchants & Farmers Bank, Dumas, Ark.	50,000	13,250	314,424
Union Trust Company, Madison, Ill.	50,000	----	50,000
Bank of Maplewood, Maplewood, Mo.	50,000	6,050	473,097
Bank of Goltry, Goltry, Okla.	25,000	2,500	209,599
First State Bank, Ralls, Texas.	25,000	2,500	79,318
Cache Valley Banking Co., Logan, Utah.	100,000	22,000	1,374,839

CONSOLIDATION:

The Mercantile Trust Company and the Union Trust Company, Little Rock, Ark., have consolidated under the name Union and Mercantile Trust Co., Little Rock.

W. P. G. HARDING, GOVERNOR
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ADDRESS REPLY TO
FEDERAL RESERVE BOARD

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CARTER GLASS
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CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

X-1530

FEDERAL RESERVE BOARD BULLETIN FOR THE WEEK ENDING MAY 16, 1919.

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	Capital	Surplus	Total Resources
The Peoples Bank Company, Frazeyburg, Ohio.	\$25,000	\$35,000	\$482,650
First Trust & Savings Bank, Des Moines, Iowa.	200,000	17,122	1,784,461
Dardanelle Bank & Trust Co., Dardanelle, Ark.	50,000	10,000	424,880
Citizens Bank & Trust Co., England, Ark.	100,000	10,000	465,912
Cotton Belt Savings & Trust Co., Pine Bluff, Ark.	100,000	40,000	901,561
Bellevue State Bank, Bellevue, Idaho.	30,000	8,000	401,640

AUTHORIZED TO ACCEPT DRAFTS AND BILLS OF EXCHANGE UP TO 100 PER CENT OF CAPITAL AND SURPLUS:

Citizens National Bank, Hillsboro, Texas.

F-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT FOR THE WEEK
ENDING MAY 23, 1919.

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	Capital	Surplus	Total Resources
Firestone Park Trust & Savings Bank, Akron, Ohio.	\$200,000.	\$75,000	\$3,490,189
Citizens State Bank, Roundup, Montana.	50,000	35,000	721,714
Tracy Loan & Trust Company, Salt Lake City, Utah.	218,700	100,000	709,413

CONSOLIDATIONS:

The Charleston Trust & Savings Bank and the Second National Bank, Charleston, Ill., have consolidated under the name of the National Trust Bank of Charleston.

AUTHORIZED TO ACCEPT DRAFTS AND BILLS OF
EXCHANGE UP TO 100 PER CENT OF CAPITAL
AND SURPLUS:

Edisto National Bank, Orangeburg, S. C.

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ADDRESS REPLY TO
 FEDERAL RESERVE BOARD

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 CARTER GLASS
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 CHAIRMAN
 JOHN SKELTON WILLIAMS
 COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT FOR THE WEEK ENDING MAY 30, 1919.

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	Capital	Surplus	Total Resources
Bank of East Aurora, East Aurora, N. Y.	\$75,000	\$25,000	\$1,220,494
Geneva Trust Company, Geneva, N. Y.	100,000	175,000.	3,507,520
Bank of Commerce & Trusts, Richmond, Va.	250,000	200,000	3,237,256
Guaranty State Bank, Troup, Texas.	25,000	15,000	268,337

EX-OFFICIO MEMBERS

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ADDRESS REPLY TO
FEDERAL RESERVE BOARD

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT FOR THE WEEK
ENDING JUNE 6, 1919.

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	Capital	Surplus	Total Resources
Gloucester Safe Deposit & Trust Co., Gloucester, Mass.	\$200,000	\$200,000	\$4,943,687
The Nev. Bedford Safe Deposit & Tr. Co., Nev. Bedford, Mass.	200,000	300,000	4,463,468
Peoples Bank of Buffalo, Buffalo, N. Y.	600,000	600,000	16,482,564
The First State Savings Bank, Crosswell, Mich.	25,000	5,000	503,866
First State & Savings Bank, Holly, Mich.	30,000	60,000	1,263,363
The Hopkins State Savings Bank, Hopkins, Mich.	25,000	5,000	423,527
First State & Savings Bank, Mason, Mich.	25,000	15,000	580,603

CONVERSION:

St. Louis Union Bank,
St. Louis, Mo.

into

St. Louis Union National Bank,
St. Louis, Mo.

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT FOR THE WEEK
ENDING JUNE 13, 1919.

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	Capital	Surplus	Total Resources
Bridgeport Bank & Trust Co., Bridgeport, Ohio.	\$75,000	\$40,000	\$915,318
First State Bank of Henderson, Henderson, Texas.	25,000	15,000	180,916
First State Bank, Drummond, Idaho.	25,000	- - -	54,035
Helper State Bank, Helper, Utah.	50,000	25,000	493,909
Security State Bank, LaCrosse, Wash.	30,000	6,045	129,378

AUTHORIZED TO ACCEPT DRAFTS AND BILLS OF
EXCHANGE UP TO 100 PER CENT OF CAPITAL
AND SURPLUS:

Brownwood National Bank, Brownwood, Texas.

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT FOR THE
WEEK ENDING JUNE 20, 1919.

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	Capital	Surplus	Total Resources
Bank of Buffalo, Buffalo, N. Y.	\$1,000,000	\$1,000,000	\$29,925,166
Equitable Trust Company, Atlantic City, N. J.	200,000	100,000	1,947,869
Second Security Bank, Chicago, Ill.	200,000	100,000	2,975,149
First State & Savings Bank, Howell, Mich.	75,000	15,000	631,642
Bank of Arcadia, Arcadia, Wis.	25,000	15,000	647,067

CONSOLIDATION:

The American National Bank and the Bank of Commerce, member banks, and the American Trust Company, a non-member bank, all of Little Rock, Ark., have consolidated under the name American Bank of Commerce & Trust Company, which institution has been allotted stock and is now a member bank.

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT FOR THE
WEEK ENDING JUNE 27, 1919.

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	Capital	Surplus	Total Resources
American State Bank, Saginaw, Mich.	\$200,000	\$100,000	\$3,089,732
First State Bank, Brownsville, Tenn.	200,000	----	1,291,310

Note.- The State Bank of Reform, Reform, Alabama, has decided not to complete its membership by making payment on account of capital stock, and it is, therefore, not a member of the Federal Reserve System.

WITHDRAWN:

The Exchange Bank of Kentucky, Mt. Sterling, Ky., has withdrawn from membership.

AUTHORIZED TO ACCEPT DRAFTS AND BILLS
OF EXCHANGE UP TO 100 PER CENT OF
CAPITAL AND SURPLUS:

First National Bank, Kansas City, Mo.
Portland National Bank, Portland, Me.

EX-OFFICIO MEMBERS

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ADDRESS REPLY TO
FEDERAL RESERVE BOARD

May 12, 1919.

X-1533

Subject: Uninsured Shipments of Cancelled
Liberty Loan Bond Coupons.

Dear Sir:

For your information, there is enclosed herewith
a copy of a letter received from a Federal Reserve Bank
in regard to the above stated subject and a copy of the
Board's reply thereto.

Very truly yours,

Assistant Secretary.

Enclosures.

W. P. G. HARDING, GOVERNOR
 ALBERT STRAUSS, VICE GOVERNOR
 ADOLPH C. MILLER
 CHARLES S. HAMLIN

J. A. BRODERICK, SECRETARY
 W. T. CHAPMAN, ASSISTANT SECRETARY
 W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
 FEDERAL RESERVE BOARD

EX-OFFICIO MEMBERS

CARTER GUTTS
 SECRETARY OF THE TREASURY
 CHAIRMAN
 JOHN SKELTON WILLIAMS
 COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

April 22, 1919.

X-1533 a

Mr. J.Z. Miller, Jr.,
 Governor, Federal Reserve Bank,
 Kansas City, Missouri.

" SUBJECT: Shipment of cancelled Liberty Loan Bond coupons.

Dear Sir:

Receipt is acknowledged of your letter of April 15, regarding shipments by your bank to Washington of cancelled Liberty Loan bond coupons. We have conferred with officials of the Treasury Department and are informed that, should any shipments of coupons be lost in transit, it would be a very difficult matter to obtain settlement from the Treasurer of the United States; - in fact, it is the opinion that your bank would not have any recourse whatever from the Treasury Department. We have further been advised by the Treasury Department that recently several of the Federal Reserve banks have taken this matter up with the Treasurer's office, but that no uniform practice is being observed at the present time. Should your bank decide to insure shipments of cancelled coupons to Washington at your own expense, Treasury Department officials advise that it will be possible for your bank to make such shipments under the Treasury Department insurance policy, which rate would effect a very material saving over ordinary rates."

Very truly yours,

Assistant Secretary,

FEDERAL RESERVE BANK
OF
KANSAS CITY

April 15, 1919.

X-1533 b

Federal Reserve Board,
Washington, D.C.

Gentlemen:

"Under date of September 13, 1918, we received telegraphic instructions from Assistant Secretary of the Treasury Leffingwell from which we quote as follows:

'From this date, Federal Reserve Banks are not authorized to insure shipments of paid canceled coupons for account of Treasury Department or Treasurer, and if coupons are insured by any Federal Reserve Bank for own account, expenses of premiums therefor will not be reimbursed directly or indirectly by the Department.'

In compliance with these instructions, we have been forwarding canceled coupons by registered mail un-insured. It occurs to us, however, that in the event of loss of any of the coupons in transit between our bank and the Treasury Department, it might be a very difficult matter to obtain credit on the books of the Treasurer of the United States. The Department's rule, as you know, is that a duplicate check cannot be issued under the expiration of 90-days from the date of the original check. Furthermore, in the event of a lost check, the Department required in some cases affidavits and an indemnity bond.

We believe that in the event of a lost shipment of coupons, we might have even greater difficulty and feel that we should take steps to protect ourselves. It is understood that one of the Federal Reserve Banks has reached the conclusions that shipments of canceled coupons will be insured at its expense, and we will appreciate your recommendation on the subject."

Yours truly, . . .

J.Z. MILLER JR.

Governor.

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

May 13, 1919.

X-1534

Subject: Campaign for Par Points.

Dear Sir:

Four hundred and twenty-nine (429) banks were added to the par list during April, and a total of twelve hundred and seventy (1270) since January 1st. Of this number over eight hundred are in Districts Seven and Eight. The Victory Loan campaign is completed, and you are now asked to put the power of your bank organization back of a determined effort to place every solvent bank upon the par list of your District. Every non-par bank should be reached either by correspondence, or by a personal visit of a representative of your Bank who is thoroughly familiar with the transit system. This latter plan has been very successful in two districts.

The prospect of the extension of the par territory by States is more favorable than by districts. For instance, from present indications the trend will be westward from the Atlantic, and probably eastward from the Pacific States:

PAR TERRITORY

	<u>Districts</u>		
New England (6 States)	1 and 2	All banks	
New York	2	" "	
New Jersey	2 and 3	" "	
Delaware	3	" "	
		<u>Number of non-par banks</u>	
Maryland	5	28	
Pennsylvania	{ 3	52	
	{ 4	43	95

-2-

X-1534

	<u>Districts</u>	<u>Number of non-par Banks</u>
Ohio	4	200
Michigan	7	324
Indiana	7 and 8	292
Illinois	7 and 8	267

Attention is called to the above table just to show the possibility of the extension of par lists by States. For instance, where a State is in two Federal Reserve Districts, the campaign in both sections of ^{the} State should be simultaneous.

A statement is frequently made to the Reserve Bank representatives by officers of the non-par banks, that such banks will not agree to remit at par until the Reserve Bank is in a position to place all banks in the State on the par list.

It is recognized, of course, that in some States an irreducible minimum will shortly be reached. It has been suggested that, in justice to the banks that are now on the par list, in such States a date should be fixed, up to which time an intensive campaign should be made and every non-par bank given an opportunity to voluntarily join the par collection system, but after which time the Reserve Bank should adopt such means as may be necessary to insure collection at par of items on all banks in such States.

The continued success of the collection system depends upon our ability to add at least four to five thousand banks to the par list. The par territory will spread if the Reserve Bank officials enter wholeheartedly into the movement. The Board realizes that difficulties in some districts appear almost insurmountable, but the objections will be gradually overcome and the system extended until items on every solvent bank are collectible through the Reserve Banks.

- 3 -

The Board is confident that successful results will be attained in this campaign because it will be intelligently and carefully directed by the officers of Federal Reserve Banks who are familiar with the transit problems.

What progress will your Bank report by July 1st?

Very truly yours,

Governor.

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

EX-OFFICIO MEMBERS
CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD
WASHINGTON

May 13, 1919.
X-1535

Subject: Suggestions as to proper definition
of term "Readily marketable staples".

Dear Sir:

Section 13 of the Federal Reserve Act as amended provides that any member bank may accept drafts or bills of exchange drawn upon it which grow out of transactions involving the domestic shipment of goods "provided shipping documents conveying or securing title are attached at the time of acceptance; or which are secured at the time of acceptance by a warehouse receipt or other such document conveying or securing title covering readily marketable staples".

Inquiries received by the Board indicate that there is no unanimity of opinion as to what articles may be classed as "readily marketable staples", and the Board feels that it will be necessary for it to give in a regulation a specific definition of the term. It is desired before the regulation is issued that definite suggestions as to the proper definition of the term be received from the chairmen and governors of all Federal Reserve Banks, and you are requested to give the Board the benefit of your idea of a proper definition at as early a date as may be convenient to you.

A tentative definition, which is favorably regarded by the members of the Federal Reserve Board, is as follows:

"A 'readily marketable staple' may be defined as an unspecialized article of commerce, preferably a material of industry, of such wide and varied uses as to make it the subject of constant dealings in ready markets with such frequent quotations of prices as to make (a) the price easily and definitely ascertainable, and (b) the staple itself easy to realize upon by sale at any time."

Very truly yours,

Governor.

OFFICERS AND DIRECTORS OF FEDERAL RESERVE BANKS.

District No. 1 - Federal Reserve Bank of Boston.

(Frederick H. Curtiss, Chairman and Federal Reserve Agent, Allen Hollis, deputy chairman, Chas. A. Morss, Governor.)

DIRECTOR	RESIDENCE	BUSINESS AFFILIATIONS	TERM EXPIRES Dec. 31, -
<u>Class A.</u>			
Thomas P. Beal	Boston, Mass	Pres. 2nd. Natl. Bank Boston,	1919 ²⁰
Edward S. Kennard	Rumford, Maine	Cashier, Rumford Natl. Bank	1920 ²¹
F. M. Drew	Ansonia, Conn.	V-P Ansonia Natl. Bank	1921 ¹⁹
<u>Class B.</u>			
Edmund R. Morse	Proctor, Vt.	Treas. Vermont Marble Co.	1919
Phillip R. Allen	E. Walpole, Mass.	Bird and Son., Inc. Paper Manufacturers	1920
Chas. G. Washburn	Worcester, Mass	Trustee & Manufacturer	1921
<u>Class C.</u>			
Jesse H. Metcalf	Providence, R.I.	Manufacturer	1919
Frederic H. Curtiss	Boston, Mass	Chairman, Federal Reserve Bank, Boston and Federal Reserve Agent.	1920
Allen Hollis	Concord, N.H.	Lawyer	1921

District No. 2 - Federal Reserve Bank of New York.

(Pierre Jay, chairman and Federal Reserve Agent, George Foster Peabody, deputy chairman, Benjamin Strong Jr., Governor.)

Class A.

Wm. Woodward	New York	Pres. Hanover Natl. Bank	1919
R.H. Treman	Ithaca, N.Y.	Pres. Tompkins Co., Natl. Bank	1920
Charles Smith	Oneonta, N.Y.	Pres. Citizens Natl. Bank, Oneonta	1921

Class B.

H.R. Towne	New York	Chairman, Yale & Towne Mfg. Co.,	1919
W.B. Thompson	Yonkers, N.Y.	(Officer and Director of	1920
Leslie R. Palmer	Croton-on-Hudson, N.Y.	Sundry Corporations	1921

Class C.

Pierre Jay	New York		1919
George Foster Peabody	Lake George, N.Y.	Compania Metallurgica Mexicana	1921
W.L. Saunders	New York	Chairman & Director Ingersoll-Rand Co.,	1920

District No. 3- Federal Reserve Bank of Philadelphia.

(Richard L. Austin, chairman and Federal Reserve Agent, H.B. Thompson, deputy chairman, E.P. Passmore, Governor)

DIRECTOR	RESIDENCE	BUSINESS AFFILIATIONS	TERM EXPIRES Dec. 31, -
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Class A

M.J. Murphy	Clarks Green, Pa.	c/o A.B. Leach & Co. Invest. Bankers, N.Y.	1919
Francis Douglas	Wilkes-Barre, Pa.	Cashier, 1st Natl. Bank	1921
Joseph Wayne, Jr.	Philadelphia, Pa.	Pres. Girard Natl. Bank	1920

Class B

A.B. Johnson	Philadelphia, Pa.	Pres. Baldwin Loco. Works Philadelphia, Pa.	1919
E.S. Stuart	Philadelphia, Pa.	Merchant, Philadelphia, Pa.	1920
Chas. K. Haddon	Camden, N.J.	Pres. Victor Talking Machine Co., Camden, N.J.	1921

Class C

H.B. Thompson	Wilmington, Del.	Pres. U.S. Finishing Co., New York	1919
Richard L. Austin	Philadelphia, Pa.		1920
Chas. C. Harrison	Philadelphia, Pa.	c/o Harrison & Co., Bankers	1921

District No. 4- Federal Reserve Bank of Cleveland

(D.C. Wills, chairman and Federal Reserve Agent, Lyman H. Treadway, deputy chairman, E.R. Fancher, governor.)

Class A

W.S. Rowe	Cincinnati, O.	1st Natl. Bank	1919
Robert Wardrop	Pittsburgh, Pa.	Peoples Natl. Bank	1920
O.N. Sams	Hillsboro, O.	Merchants Natl. Bank	1921

Class B

R.P. Wright	Erie, Pa.	Reed Mfg. Co.,	1919
T.A. Coombs	Lexington, Ky.	Coombs Lumber Co.,	1920
John Stambaugh,	Youngstown, O.	Brier Hill Steel Co.	1921

Class C

Lyman H. Treadway	Cleveland, O.	Peck, Stow & Wilcox	1919
D.C. Wills	Cleveland, O.		1920
H.P. Wolfe	Columbus, O.	The Columbus Dispatch	1921

District No. 5 - Federal Reserve Bank of Richmond.

(Caldwell Hardy, chairman and Federal Reserve Agent, James A. Moncure, deputy chairman, George J. Seay, governor.)

DIRECTOR	RESIDENCE	BUSINESS AFFILIATIONS	TERM EXPIRES Dec. 31, -
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Class A

J.F. Bruton	Wilson, N.C.	Pres. 1st Natl. Bank	1919
Edwin Mann	Bluefield, W. Va.	Pres. 1st Natl Bank (Bluefield)	1920
Chas. E. Rieman	Baltimore, Md.	Pres. Western Natl. Bank	1921

Class B

James F. Oyster	Washington, D.C.	Merchant, Washington, D.C.	1919
D.R. Coker	Hartsville, S.C.	Merchant & Planter	1920
Edmund Strudwick	Richmond, Va.	Pres. Atlantic Life Ins. Co.	1921

Class C.

James A. Moncure	Richmond, Va.	Sec. & Treas. Richmond Guano Co.	1919
Caldwell Hardy	Richmond, Va.		1920
Howard Bruce	Baltimore, Md.	Pres. Hartlett-Hayward Co.	1921

District No. 6 - Federal Reserve Bank of Atlanta.

(Joseph A. McCord, chairman and Federal Reserve Agent, Edward T. Brown, deputy chairman, M.B. Wellborn, governor.)

Class A

F.W. Foote	Hattiesburg, Miss	V-P 1st Natl Bank	1919
P.R. Kittles	Sylvania, Ga.	Pres. Natl Bank of Sylvania	1920
John K. Ottley	Atlanta, Ga.	V-P 4th Natl Bank	1921

Class B

W.H. Hartford	Nashville, Tenn	Hartford Hosiery Mills	1919
Jas. E. Zunts	New Orleans, La.	Atty. at Law	1920
J.A. McCrary	Decatur, Ga.	Contractor & Engineer	1921

Class C

W.G. Kettig	Birmingham, Ala.	Sou. Rep. Crane Co.	1919
Jos. A. McCord	Atlanta, Ga.	(Capitalist and	1920
Edward T. Brown	Atlanta, Ga.	(Attorney	1921

District No. 7 - Federal Reserve Bank of Chicago.

(William A. Heath, chairman and Federal Reserve Agent, James Simpson, deputy chairman, James B. McDougal, governor.)

DIRECTOR	RESIDENCE	BUSINESS AFFILIATIONS	TERM EXPIRES Dec. 31, -
<u>Class A</u>			
James B. Forgan	Chicago, Ill	Chairman, 1st Natl. Bank	1919
E.L. Johnson	Waterloo, Iowa	Pres. Leavitt & Johnson Trust Co.	1920
Geo. M. Reynolds	Chicago, Ill	Pres. Continental & Commercial Natl. Bank	1921
<u>Class B</u>			
John W. Blodgett	Grand Rapids, Mich	Chairman & Treas. Blodgett Co.	1919
Albert R. Erskine	South Bend, Ind	Pres. Studebaker Corp	1920
A.H. Vogel	Milwaukee, Wis	Pres. Pfister & Vogel Leather Co.	1921
<u>Class C</u>			
E.T. Meredith	Des Moines, Iowa	Publisher "Successful Farming"	1919
James Simpson	Chicago, Ill	1st V-P Marshall Field Co.	1920
Wm. A. Heath	Chicago, Ill		1921

District No. 8 - Federal Reserve Bank of St. Louis.

(William McC. Martin, chairman and Federal Reserve Agent, John W. Boehne, deputy chairman, David C. Eiggs, governor)

<u>Class A</u>			
Sam. A. Ziegler	Albion, Mich	Cashier, Albion Natl. Bank	1919
Walker Hill	St. Louis, Mo	Pres. Mechanics-Amer. Natl. Bank	1920
J.C. Utterback	Paducah, Ky	Pres. City Natl Bank	1921
<u>Class B</u>			
W.B. Plunkett	Little Rock, Ark	Plunkett-Jarrell Gro. Co.	1919
Leroy Percy	Greenville, Miss	Attorney & Planter	1920
Rolla Wells	St. Louis, Mo.		1921
<u>Class C</u>			
C.P.J. Mooney	Memphis Tenn	Editor "Commercial Appeal"	1919
John W. Boehne	Evansville, Ind	Retired Capitalist	1920
Wm. McC. Martin	St. Louis, Mo		1921

District No. 9 - Federal Reserve Bank of Minneapolis -

(John H. Rich, chairman and Federal Reserve Agent, Wm. H. Lightner, deputy chairman, Theodore Wold, governor.)

DIRECTOR	RESIDENCE	BUSINESS AFFILIATIONS	TERM EXPIRES Dec. 31, -
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Class A

E.W. Decker	Minneapolis, Minn	Pres. Northwestern Natl. Bank	1919
L.B. Hanna	Fargo, N.D.	Ex-Gov. North Dakota	1920
Wesley C. McDowell	Marion, N.D.	Pres. 1st Natl. Bank	1921

Class B

F.R. Bigelow	St. Paul, Minn	Insurance	1919
N.B. Holter	Helena, Mont	Holter & Co., Hdwe.	1920
F.P. Hixen	La Crosse, Wis	Hixen & Co., Inc.	1921

Class C

John W. Black	Houghton, Mich	Retired	1919
John H. Rich	Minneapolis, Minn		1920
Wm. H. Lightner	St. Paul, Minn	Attorney	1921

District No. 10 - Federal Reserve Bank of Kansas City

(Asa E. Ramsay, chairman and Federal Reserve Agent, F.W. Fleming, deputy chairman, J.Z. Miller Jr., governor.)

Class A

W.J. Bailey	Atchison, Kas	Pres. Exchange Natl Bank	1919
C.E. Burnham	Norfolk, Nebr	Pres. Norfolk Natl Bank	1920
J.C. Mitchell	Denver, Col.	Pres. Denver Natl. Bank	1921

Class B

M.L. McClure	Kansas City, Mo	V-P Drumm Comm. Co.	1919
Harry W. Gibson	Muskogee, Okla	Retired	1920
T.C. Byrne	Omaha, Nebr	Byrne & Hammer Dry Goods Co.	1921

Class C.

F.W. Fleming	Kansas City, Mo	Retired	1919
Asa E. Ramsay	Kansas City, Mo		1920
R.H. Malone	Denver, Col.	Retired	1921

District No. 11 - Federal Reserve Bank of Dallas

(W.F. Ramsey, chairman and Federal Reserve Agent, W.B. Newsome, deputy chairman, R.L. Van Zandt, governor.)

DIRECTOR	RESIDENCE	BUSINESS AFFILIATIONS	TERM EXPIRES Dec. 31, -
<u>Class A</u>			
B.A. McKinney	Durant, Okla	V-P Durant Natl. Bank	1919
E.K. Smith	Shreveport, La.	Pres. Commercial Natl. Bank	1920
John T. Scott	Houston, Texas	Pres. 1st Natl. Bank	1921
<u>Class B</u>			
Marion Sansom	Ft. Worth, Texas	Livestock Commission	1919
J.J. Culbertson	Paris, Texas	Cotton Oil Mills	1920
Frank Kell	Wichita Falls, Tex.	Wholesale Grain	1921
<u>Class C</u>			
H.O. Wooten	Abilene, Texas	Wholesale Groceries	1919
W.F. Ramsey	Dallas, Texas		1920
W.B. Newsome	Dallas, Texas	Investments	1921

District No. 12 - Federal Reserve Bank of San Francisco

(John Perrin, chairman and Federal Reserve Agent, Walton N. Moore, deputy chairman, J.U. Calkins, governor)

<u>Class A</u>			
C.K. McIntosh	San Francisco	V-P Bank of Calif. N.A.	1919
J.E. Fishburn	Los Angeles,	Pres. Merchants Nat. Bank	1920
M.A. Buchan	Palo Alto	Pres. 1st Natl. Bank	1921
<u>Class B</u>			
E.H. Cox	San Francisco	Pres. Weed Lumber Co.	1919
A.B.C. Dohrmann	San Francisco	Pres. Dohrmann Comml. Co.	1920
J.A. McGregor	San Francisco	Pres. Union Iron Works	1921
<u>Class C</u>			
Edward E. Elliott	Berkeley, Cal.	Atty. & Prof. of International Law, Univ. of Cal.	1919
John Perrin	San Francisco		1920
Walton N. Moore	San Francisco	Pres. Walton N. Moore. Dry Goods Company	1921

OFFICERS AND DIRECTORS OF FEDERAL RESERVE BRANCH BANKS .District No. 2 - Buffalo Branch of the Federal Reserve Bank of New York.
(Ray M. Gidney, Manager)

DIRECTOR	RESIDENCE	BUSINESS AFFILIATIONS	TERM EXPIRES Dec. 31, -
Clifford Hubbell(a)	Buffalo	Pres. Fidelity Trust Co.	1919
Chas. M. Dow(a)	Jamestown	Pres. Natl. Chautauqua Co. Bank	1919
Elliott C. McDougal	Buffalo	Pres. Bank of Buffalo	1920
Harry T. Ramsdell	Buffalo	Pres. Mfg. & Traders Natl Bank	1920

District No. 4- Cincinnati Branch of the Federal Reserve Bank of Cleveland.
(L.W. Manning, Manager)

Hon. Judson Harmon	Cincinnati, O	Atty. Harmon, Colston, Goldsmith, and Hoadley	1919
Chas. A. Hinsch	Cincinnati, O	Pres. 5th-3rd Natl. Bank	1919
W.C. Proctor	Cincinnati, O	Pres. Proctor & Gamble Co.	1919
W.S. Rowe	Cincinnati, O	Pres. 1st Natl. Bank	1919

District No. 4- Pittsburgh Branch, Federal Reserve Bank of Cleveland.
(George DeCamp, Manager)

Chas. W. Brown	Pittsburgh, Pa	Pres. Pittsburgh Plate Glass Co.	1919
James D. Callery(a)	Pittsburgh, Pa	V-P Philadelphia Co. (Pittsburgh)	1919
T.H. Given(a)	Pittsburgh, Pa	Pres. Farmers Deposit Natl Bank	1919
R.B. Mellon	Pittsburgh, Pa	V-P Mellon Natl. Bank	1919

District No. 5- Baltimore Branch, Federal Reserve Bank of Richmond.
(M.M. Prentis, Manager)

Chas. C. Homer, Jr.	Baltimore, Md	Pres. 2nd Natl Bank; Savings Bank	1919
Wm. Ingle (a)	Baltimore, Md	Pres. Baltimore Trust Co	1919
Waldo Newcomer(a)	Baltimore, Md	Pres. Natl Exchange Bank	1919
H.B. Wilcox	Baltimore, Md	V-P Merchants-Mechanics 1st Natl Bank	1919

District No. 6- New Orleans Branch, Federal Reserve Bank of Atlanta.
(Marcus Walker, Manager)

J.P. Butler, Jr.	New Orleans, La.	V-P Canal B & T Co.	1919
John E. Bouden, Jr.	New Orleans, La.	Pres. Whitney-Central Natl Bank	1919
P.H. Saunders(a)	New Orleans, La.	Pres. Commercial Trust & Savings	1919
Frank Roberts	Lake Charles, La.	Pres. Calcasieu Natl Bank	1919
H.B. Lightcap	Jackson, Miss	Capitalist & Farmer	1919
A.P. Bush(a)	Mobile, Ala.	Wholesale Grocer	1919
Jas. E. Zunts(a)	New Orleans, La.	Attorney at Law	1919

District No. 6- Birmingham Branch, Federal Reserve Bank of Atlanta.
(A.E. Walker, Manager)

DIRECTOR	RESIDENCE	BUSINESS AFFILIATIONS	TERM EXPIRES Dec. 31, 1919.
W.H. Kettig(a)	Birmingham, Ala.	Sou. Rep. Crane Co.	
Oscar Wells(a)	"	Pres. 1st Natl. Bank	
T.O. Smith	"	V-P Birmingham Trust & Savings Bank	
W.W. Crawford	"	Pres. American Trust & Savings Bank	
John H. Frye	"	Pres. Traders Natl Bank	

District No. 6- Jacksonville Branch, Federal Reserve Bank of Atlanta
(George R. DeSaussure, Manager)

John C. Cooper(a)	Jacksonville, Fla.	Atty. at Law
Edward W. Lane	"	Pres. Atlantic Natl. Bank
Bion H. Barnett	"	Pres. Barnett Natl. Bank
Giles L. Wilson	"	V-P Florida National Bank
Fulton Saussy	"	F. Saussy Company

District No. 7- Detroit Branch of Federal Reserve Bank of Chicago.
(R.B. Locke, Manager)

John Ballantyne(a)	Detroit, Mich	Pres. Merchants Natl Bank
Emory W. Clark	"	Pres. First & Old Natl. Bank
Julius H. Haas	"	Pres. Wayne County & Home Savings Bank
Charles H. Hodges(a)	"	Manufacturer

District No. 8- Louisville Branch, Federal Reserve Bank of St. Louis
(W.P. Kincheloe, Manager)

Geo. W. Norton	Louisville, Ky	Capitalist
F.M. Sackett(a)	Louisville, Ky	Pres. Pioneer Coal Co.
W.C. Montgomery	Elizabethtown, Ky	V-P 1st-Hardin Natl. Bank
Embry L. Swearingen	Louisville, Ky	Pres. 1st Natl Bank

District No. 8- Memphis Branch, Federal Reserve Bank of St. Louis.
(John J. Heflin, Manager)

R. Brinkley Snowden	Memphis, Tenn	V-P Bank of Commerce and Trust Co
John D. McDowell	Memphis, Tenn	V-P Union & Planters Bank & Trust Co.
T.K. Riddick(a)	Memphis, Tenn	Attorney
S.E. Ragland	Memphis, Tenn	Pres. Central-State Natl. Bank

District No. 8- Little Rock Branch, Federal Reserve Bank of St. Louis.
(A.F. Bailey, Manager)

Ed. Cornish	Little Rock, Ark	Pres. American Natl. Bank
Moorhead Wright(a)	"	Pres. Union Trust Company
Geo. W. Rogers(a)	"	V-P Bank of Commerce
C.A. Pratt	"	Pres. Exchange Natl. Bank.

District No. 10 - Denver Branch, Federal Reserve Bank of Kansas City.
(G.A. Burkhardt, Manager)

DIRECTOR	RESIDENCE	BUSINESS AFFILIATIONS	TERM EXPIRES Dec. 31, 1919.
C.C. Parks	Denver, Colo	V-P 1st Natl. Bank	
A.C. Foster	"	V-P United States Natl. Bank	
John Evans (a)	"	Pres. International Trust Co.,	
Alva Adams (a)	Pueblo, Colo.	Pres. Pueblo Savings & Trust Co.,	

District No. 10- Omaha Branch, Federal Reserve Bank of Kansas City.
(O.T. Eastman, Manager)

Luther Drake	Omaha, Nebr	Pres. Merchants Natl. Bank	
J.C. McNish	Omaha, Nebr	Pres. McNish Cattle Loan Co.,	
P.L. Hall(a)	Omaha, Nebr	Pres. Central Natl Bank	
R.O. Marnell(a)	Nebraska City, Nebr	Cashier, Merchants Natl. Bank	

District No. 11 - El Paso Branch, Federal Reserve Bank of Dallas,
(R.R. Gilbert, Manager)

W.W. Turney(a)	El Paso, Texas	Attorney at Law	
A.P. Coles(a)	"	Investments	
A.F. Kerr	"	V-P El Paso Bank & Trust Co.,	
U.S. Stewart	"	Pres. City Natl. Bank.	

District No. 11 - Houston Branch of the Federal Reserve Bank of Dallas.
(Sam. R. Lawder, Manager)

J.A. Pondrom	Houston, Texas	V-P So. Texas Commercial Natl. Bank	
Frank Andrews	"	Director, Union Natl Bank	
J.C. Chiasey(a)	"	V-P Houston Natl. Exchange Bank	
J.J. Davis (a)	Galveston, Texas	Pres. South Texas State Bank, Galveston.	

District No. 12- Portland Branch, Federal Reserve Bank of San Francisco.
(C.L. Lamping, Manager)

E.A. Cockingham	Portland, Oregon		
J.C. Ainsworth	"	Pres. United States Natl. Bank	
Nathan Strauss (a)	"	Gen. Mgr. Fleishmer Mayer & Co.,	
Joseph N. Teal (a)	"		

District No. 12 - Seattle Branch, Federal Reserve Bank of San Francisco.
(C.J. Shepherd, Manager)

M.F. Backus	Seattle, Wash.	Pres. Natl. Bank of Commerce.	
M.A. Arnold	"		
Chas. H. Clarke(a)	"	Pres. Kelley, Clarke Co.,	
Chas. E. Peabody (a)	"	Puget Sound Navigation Co.,	

District No. 12 - Spokane Branch, Federal Reserve Bank of San Francisco.
(Chas A. McLean, Manager)

DIRECTOR	RESIDENCE	BUSINESS AFFILIATIONS	TERM EXPIRES
			Dec. 31, 1919
D.W. Twohy	Spokane, Wash	Pres. Old Natl Bank.	
R.L. Rutter	"	Pres. Spokane & Eastern Trust Co.,	
Peter McGregor(a)	"	Pres. McGregoe Land & Livestock Co.,	
G.I. Toevs(a)	"	V-P Centennial Mill Co.,	

District No. 12 - Salt Lake Branch, Federal Reserve Bank of San Francisco.
(Chas. H. Stewart, Manager)

L.H. Farnsworth	Salt Lake City, Utah	Pres. Walker Bros. Bankers.
Chapin A. Day	Ogden, Utah	Director 1st Natl Bank, Ogden Utah
G.G. Wright(a)	Idaho Falls, Utah	Asst. Gen. Mgr. Con. Wagon & Mch. Co.
Lafayette Hanchett(a)	Salt Lake City, Utah	Director, Natl. Copper Bank, Salt Lake Mining Engr.

(a) Appointed By the Federal Reserve Board,

F E D E R A L R E S E R V E B O A R D

WASHINGTON

May 15, 1919. X-1537

Curtiss, Boston
 Jay, New York
 Austin, Philadelphia
 Wills, Cleveland

Hardy, Richmond
 McCord, Atlanta
 Heath, Chicago
 Martin, St. Louis

Rich, Minneapolis
 Ramsay, Kansas City
 Ramsey, Dallas
 Perrin, San Francisco

Subject: Classification of Victory Notes on Form 34.

Please include in your Friday night telegram form 34 for May 16 and subsequent weeks amount of Victory notes on hand code BAKE. Such notes should be reported separately on mail form 34. Board's weekly bank statement will show one U.S. Government bond, two U.S. Victory notes and three U.S. certificates of indebtedness instead of U.S. long and short-term securities as heretofore. Please make same segregation in your own weekly press statement. Certificates of indebtedness should include as heretofore amounts bought under Pittman Act and held to secure Federal Reserve bank note circulation, also holdings under repurchase agreements and holdings of certificates issued in anticipation of taxes and Victory loan.

BRODERICK.

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN

JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

May 20, 1919.

X-1541

Subject: Revision of Weekly Member Bank Condition
Statement to Provide for Classification
of Victory Notes.

Dear Sir:

With the view of enabling the Board to follow more closely changes in member bank holdings of Victory notes, may we request that you instruct all banks submitting weekly condition reports (form 51-A) to report separately, beginning with the report for June 6, their net investments in United States Victory notes.

There are forwarded herewith 75 copies of form St. 51 (revised) for the use of your bank in submitting your consolidated report to the Board. The only important changes in the form are the addition of new item "U.S. Victory Notes" to follow item 2, and the substitution of the caption "Loans secured by U.S. Government war obligations" for "Loans secured by Liberty bonds and certificates" as shown against item 5 of the old form.

Form 51-A should be changed in the same manner as indicated in form St. 51, and in addition the explanation following item 5 should be modified so as to read "All loans carried by bank for which borrower has pledged Liberty bonds, Victory notes or Treasury certificates as security (exclusive of paper under rediscount)". In case a new supply of form 51-A is ordered by your bank care should be exercised to see that the changes made in the form forwarded with our letter dated April 1 (St. 302), relative

to the method of figuring net demand deposits, are incorporated in the revised edition.

In this connection please be sure to instruct your member banks that in reporting their holdings of U.S. war securities they should include their net investments only in such securities. For example, if bank "A" buys Liberty bonds or Victory notes on the Government plan for the purpose of selling such bonds or notes to its customers, the bank should report as its holdings of Liberty bonds or Victory notes the excess of the amounts paid to the Government over the amounts of installment payments received from individual subscribers, viz., if bank "A" has paid the Government one million dollars, and individuals or corporations purchasing bonds or notes from it on the installment plan have paid installments amounting to \$400,000, the bank should report merely its net investment in such securities as \$600,000. In case individual subscribers purchasing bonds or notes on the installment plan have paid the reporting bank an amount in excess of that which it has invested in such bonds or notes, such excess should be reported among the demand deposits of the reporting bank for the reason that such amounts represent obligations of the bank to purchase and deliver bonds to the individuals or corporations subscribing through it.

Yours very truly,

Secretary.

W. P. G. HARDING, GOVERNOR
 ALBERT STRAUSS, VICE GOVERNOR
 ADOLPH C. MILLER
 CHARLES S. HAMLIN

EX-OFFICIO MEMBERS
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 SECRETARY OF THE TREASURY
 CHAIRMAN
 JOHN SKELTON WILLIAMS
 COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

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 W. T. CHAPMAN, ASSISTANT SECRETARY
 W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
 FEDERAL RESERVE BOARD

May 20, 1919.

X-1542

Subject: Weekly Press Statements of
 Federal Reserve Banks.

Dear Sir:

An examination of the Press Statements issued by the Federal Reserve banks giving their condition as at close of business on Friday of each week shows that some of them are made out practically in accordance with the form adopted by the Board for its weekly published reports, while others show figures in much greater detail or adopt a different classification from that followed by the Board. It is difficult therefore for the public to make intelligent comparisons of the reports issued by the several Federal Reserve Banks.

With the view of having all published condition reports compiled on a uniform basis in order to render easier comparisons of the statements issued by the various Reserve banks, it is requested that in future press reports showing the resources and liabilities of your bank, you use the same captions and follow the same order of presentation as adopted by the Board in its weekly press statement. In case you desire to show items in greater detail than in our weekly statement, there will be no objection on the part of the Board provided you show the detailed items under sub-heads and give, in addition, totals against the same captions as are shown in the Board's weekly statement. For example, in the deposit block "All other deposits" are made up of Non-member bank clearing account, Due to War Finance Corporation, Cashier's checks, Federal Reserve exchange and transfer drafts. These items may all be specified in your weekly press statement if you so desire, provided the total is also shown under caption "All other deposits, including foreign government credits", or under "All other deposits" in case your bank has no foreign government credits.

In the same block - item "Due to Members - Reserve account" should take the place of the caption "Member banks deposits (net)" used at present by some of the Federal Reserve Banks. The above caption should represent all member bank deposits credited to their reserve account, and not the net deposits as figured by some banks at the present time and by the Board prior to January 1917.

In arriving at figures to be shown under the captions as given in the Board's weekly press statement, it is requested that you be guided by the instructions given in our letter of December 18 (St.118), copy of which is enclosed herewith.

Yours very truly,

(Enclosure)

Secretary.

X-1543

WAR TRADE BOARD

ACTION OF MAY 2, 1919.

The Bureau of Exports is hereby instructed to remove from the Conservation List, on May 5, 1919 or as soon thereafter as possible, all manufacturers of gold whereof the value of the gold content does not exceed 65 per cent of the total value:

The Bureau of Exports is further directed to advise the Customs Division of the Treasury Department that in every Export Declaration covering a shipment of manufactures of gold, whereof the value of the gold content does not exceed 65 per cent of the total value, there must be embodied a statement setting forth the value of the gold content as well as the total value of each item of such shipment, and stating that the value of the gold content of each item of the shipment does not exceed 65 per cent of its total value;

The Bureau of Exports is further directed, jointly with the Federal Reserve Board, to advise the Customs Division of the Treasury Department that all manufactures of gold, whereof the value of the gold content exceeds 65 per cent of the total value, are to be regarded as gold bullion, the exportation of which is subject to the exclusive control of the Federal Reserve Board pursuant to the Proclamations and Executive Orders applicable thereto, and that applications for licenses to export such commodities should be made through the Federal Reserve Bank of the district from which the application is made, and that all such applications must state the value of the gold content of the articles proposed to be exported, as well as the total value of such articles.

X-1544

<u>Governor</u>	<u>Deputy Governor</u>	<u>Cashier</u>	<u>Assistant Cashiers</u>
BOSTON Chas. A. Morss	Chas. E. Spencer, Jr. (See Deputy C.C. Bullen(also cashier)	governor)	Wm. Willett E.M. Leavitt F.W. Chase Wm. N. Kenyon H.A. Saunders L.W. Sweetser
NEW YORK Benjamin Strong	R.H. Treman J.H. Case J.F. Curtis L.F. Sailer R.T. Crane (Asst. to Governor)	L.H. Hendricks	E.R. Kenzel (Mgr of investments) J.D. Higgins A.W. Gilbert G.E. Chapin J.W. Jones A.J. Lins W.B. Matteson L.R. Rounds I.W. Waters J.E. Raasch C.H. Coe J.E. Crane W.A. Hamilton
PHILADELPHIA E.P. Passmore	Wm. H. Hutt, Jr.	W.A. Dyer	Thomas Gamon, Jr. C.A. McIlhenny James M. Toy R.M. Miller, Jr Frank LaBold W.J. Davis
CLEVELAND E.R. Fancher	M.J. Fleming) Frank J. Zurlinden) (Assistants to Governor)	H.G. Davis	C.W. Arnold W.F. Taylor H.F. Strater
RICHMOND George J. Seay	Chas. A. Peple R.H. Broadus	George H. Keesee	C.V. Blackburn Thos. Marshall, Jr W.W. Dillard
ATLANTA M.B. Wellborn	L.C. Adelson	M.W. Bell	R.A. Sims J.L. Campbell W.R. Patterson W.B. Roper H.F. Coniff

Governor	Deputy Governor	Cashier	Assistant Cashiers
CHICAGO			
J.B. McDougal	C.R. McKay B.G. McCloud (Asst to Governor)	S.B. Cramer	F.J. Carr Clark Washburn Frank A. Lindsten O.J. Netterstrom D.A. Jones J.F. Dillard F. Bateman F.R. Hanrahan A.H. Vogt K.C. Childs Louis G. Meyer (Acting)
ST. LOUIS			
David C. Biggs	O.M. Attebery	J.W. White	A.H. Haill J.W. Rinkleff W.H. Glasgow
MINNEAPOLIS			
Theodore Wold	R.A. Young	S.S. Cook	F.C. Dunlop Gray Warren R.E. Towle L.E. Rast
KANSAS CITY			
J.Z. Miller, Jr.	C.A. Worthington (Asst. to Governor)	J.W. Helm (Acting)	John Phillips, Jr E.P. Tyner L.H. Earhart G.E. Barley C.E. Daniel M.W.E. Park
DALLAS			
R.L. Van Zandt	Lynn P. Talley (also Cashier)	(See Deputy Governor)	Fred Harris Paul G. Taylor R.B. Coleman Dwight P. Reardon
SAN FRANCISCO			
J.U. Calkins	Wm. A. Day	Ira Clark	W.N. Ambrose C.D. Phillips H.C. Vogelsang J.C. Galbraith C.R. Shaw Wm. Hale

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

EX-OFFICIO MEMBERS
CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

X-1545

SUBJECT: Credit Barometrics.

Dear Sir:

In response to your request for a copy of the FEDERAL RESERVE BULLETIN containing an article on Credit Barometrics, you are advised that this article was published in the March issue of the FEDERAL RESERVE BULLETIN, which, I regret to say, is now exhausted. I understand, however, that Mr. George H. Paine, Land Title Building, Philadelphia, Pennsylvania, has had the article reprinted in a separate pamphlet, and doubtless you will be able to obtain a copy by addressing him.

Very truly yours,

Acting Assistant Secretary.

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

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W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

May 22, 1919.
X-1546

Subject: Campaign for State Bank Members.

Dear Sir:

The following is confirmation of telegram sent you today:

"During the year 1918 six hundred and eighty-six State institutions were admitted to membership, ninety-one banks have joined the system since January first, 1919. With the Victory Loan campaign finished and favorable legislation enacted in many States, the Board believes the present to be an opportune time to start an aggressive campaign for new members. A drive for additions to the par list is already under way.

"Solvent State banks which you believe would make desirable members should be approached either by correspondence or by a personal visit of a representative of your bank who is fully familiar with all the departments of the Reserve Bank and the various ways in which service may be rendered to member banks.

"Officers and employees of branches should be used and directors should be asked to give encouragement and support to the campaign in branch territory. The cooperation of officers of large member banks should be requested. The Board believes an aggressive campaign will produce excellent results and desires to be kept informed as to the progress made".

For your information there is enclosed a statement showing the number of State institutions members of the Federal Reserve System by Districts and by States as of January 1, 1918, January 1, 1919, and May 20, 1919.

Very truly yours,

Assistant Secretary.

TABLE SHOWING NUMBER OF STATE INSTITUTIONS, MEMBERS OF THE
FEDERAL RESERVE SYSTEM, BY STATES AND DISTRICTS.

X-1546a

	* * * * *		
		January 1, 1918	January 1, 1919
			May 20, 1919
Alabama	4	11	13
Arizona	0	3	4
Arkansas	0	10	15
California	0	4	4
Colorado	1	3	4
Connecticut	2	6	6
Delaware	1	3	4
District of Columbia	1	1	1
Florida	2	8	8
Georgia	7	18	19
Idaho	2	27	33
Illinois	24	64	70
Indiana	3	21	23
Iowa	10	77	79
Kansas	4	6	6
Kentucky	3	12	11
Louisiana	6	15	16
Maine	0	2	2
Maryland	3	6	7
Massachusetts	11	22	25
Michigan	35	117	123
Minnesota	6	24	24
Mississippi	1	2	2
Missouri	10	20	22
Montana	4	17	20
Nebraska	2	9	9
Nevada	0	0	0
New Hampshire	0	0	0
New Jersey	7	29	32
New Mexico	0	6	7
New York	39	75	78
North Carolina	0	5	6
North Dakota	3	5	5
Ohio	10	46	58
Oklahoma	0	6	8
Oregon	3	12	11
Pennsylvania	8	36	40
Rhode Island	1	3	3
South Carolina	5	13	14
South Dakota	1	11	12
Tennessee	1	5	6
Texas	11	90	102
Utah	0	15	21
Vermont	0	0	0
Virginia	4	9	10
Washington	9	28	28
West Virginia	1	3	4
Wisconsin	5	31	32
Wyoming	0	0	0
Total	250	936	1027

Districts	January 1, 1918	January 1, 1919	May 20, 1919.
1	13	31	34
2	46	101	106
3	7	30	35
4	15	67	80
5	14	37	41
6	20	54	58
7	72	288	301
8	13	44	53
9	16	70	75
10	9	27	32
11	11	100	113
12	14	87	99
Total	250	936	1,027

EX-OFFICIO MEMBERS
 CARTER GLASS
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 CHAIRMAN
 JOHN SKELTON WILLIAMS
 COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

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 ADOLPH C. MILLER
 CHARLES S. HAMLIN

J. A. BRODERICK, SECRETARY
 W. T. CHAPMAN, ASSISTANT SECRETARY
 W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
 FEDERAL RESERVE BOARD

May 22, 1919.

X-1548

Subject: Collection of Trade Acceptances.

Sir:

Referring to the Board's letter dated April 16, 1919, (X-1482), in which the Reserve Banks were requested, if they had not already done so, to effect arrangements for the collection of trade acceptances payable at member banks on the same terms as bankers' acceptances, the Board has received replies from the Federal Reserve Banks from which it is noted that little difficulty will be experienced in the collection of trade acceptances payable in cities where Federal Reserve Banks or branches are located, on the same terms as bankers' acceptances.

It is apparent, however, that there may be considerable difficulty in the collection of trade acceptances payable at member banks in other cities, and for that reason it is believed well at this time to defer the request made in our former communication until such time as the par collection system is more fully developed, so that trade acceptances payable at both member and non-member banks may be collected on the same basis.

The Board urges all Reserve Banks to endeavor to collect all trade acceptances at par, and on the same basis as bankers' acceptances if it is possible to do so.

Very truly yours,

Governor.

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

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CHARLES S. HAMLIN

FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

May 27, 1919.

X-1551

Subject: Construction of Vaults by Federal Reserve Banks.

Dear Sir:

The Board is in receipt of the following suggestion with respect to the construction of vaults by Federal Reserve Banks:

"We find as a result of other investigations we have made that there is no concensus of opinion as to what is the proper material out of which to build a vault. In this city the best vaults are built of armor plate, but we are told by some that it is not burglar proof, because the electric torch can cut a hole through armor plate in a short time; others say that this is so theoretically, but that a hole sufficiently large cannot be cut in heavy armor plate under conditions under which burglars would have to work. Manganese steel is recommended by some, and laminated steel plates by others. It is recommended, generally, that all vaults be protected by a covering of concrete, reinforced with steel, but there are very decided differences of opinion as to the proper thickness of this covering. As nearly every Federal Reserve Bank will have to build a vault and will want to have it built of the best material and in the best way to provide the maximum amount of protection, would it not be well to have a commission appointed to investigate the matter of material and form of construction, and so avoid the necessity and expense of every bank doing it?"

Will you please communicate to Consulting Architect Trowbridge any suggestions that you may have to make on this topic, in order that he may make a proper study and recommendation to the Board in the premises.

Very truly yours,

Secretary.

THIS LETTER SENT TO ALL CHAIRMEN EXCEPT PHILADELPHIA.

EX-OFFICIO MEMBERS
CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

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FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

May 27, 1919.

X-1552

Subject: Calculation of Interest or Discount.

Dear Sir:

With further reference to Topic No. 35 of the Conference of Governors, March 20-22, 1919, subject, "Calculation of Interest", which is given below, together with recommendation of the Governors and the Board's ruling, the question has been raised whether all interest or discount in connection with all loan operations of Federal Reserve Banks, commencing July 1, 1919, is to be calculated on a 365 day basis.

It is the understanding of the Board that interest or discount on bills discounted or rediscounted for member banks and on all rediscounts between Federal Reserve Banks will be computed on a 365 day basis, but that no change is to be made in calculating interest or discount on open market purchases of Federal Reserve Banks.

"Topic 35: CALCULATION OF INTEREST:

Treasury Department pays on a 365 day basis while all the Federal Reserve Banks, except those of New York and Boston, calculate interest and discount on a 360 day basis. Can not uniformity be obtained in this regard?

RECOMMENDATION:

It is recommended that discounts with Federal Reserve Banks and between Federal Reserve Banks be calculated on the basis of 365 days a year, beginning July 1st, next year.

The Board concurs in the recommendation of the Governors and requests that, effective July 1, 1919, the computations of interest or discount on loans to member banks or Federal Reserve Banks be made on a 365 day basis. It is believed desirable that this method be continued as long as the bill holdings of the Federal Reserve Banks continue to be based largely on Government paper, interest on which is figured on a 365 day basis."

Very truly yours,

Secretary.

THIS LETTER SENT TO ALL GOVERNORS.

EX-OFFICIO MEMBERS
CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

FEDERAL RESERVE BOARD

WASHINGTON

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W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

May 27, 1919.

X-1553.

Subject: Transmission of Gold Settlement Clearing Telegram.

Dear Sir:

With a view to increasing the efficiency of the leased wire system, and at the same time facilitate the handling of the Gold Settlement Fund clearing telegrams, will you kindly issue instructions to your telegraph operators that, commencing with the telegram for June 9th clearing, the names of the Federal Reserve Banks and their branches be designated in the daily Labeg messages by the following letters of the alphabet, in the order shown below:

Boston	(A)	New Orleans	(N)	Kansas City	(J)
New York	(B)	Chicago	(G)	Dallas	(K)
Philadelphia	(C)	St. Louis	(H)	El Paso	(R)
Cleveland	(D)	Little Rock	(O)	San Francisco	(L)
Richmond	(E)	Louisville	(P)	Seattle	(S)
Baltimore	(M)	Memphis	(Q)	Spokane	(T)
Atlanta	(F)	Minneapolis	(I)	Portland	(U)
				Salt Lake	(V)

Under this arrangement, the operators in sending the gold settlement fund clearing telegrams will use instead of the name of the bank a single letter of the alphabet, which will be followed by the amount to be credited to the bank through the gold settlement fund clearing.

For example: BOSTON \$ (Amount) will be shown: A \$(Amount)

The same form will be used by the Washington operators in sending the daily Bepeg telegrams to the banks.

For your information, there are enclosed copies of the printed forms used by the Board in receiving and sending the daily gold settlement fund telegrams.

Kindly advise branches and acknowledge receipt.

Very truly yours,

Assistant Secretary.

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

EX-OFFICIO MEMBERS
CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

June 6, 1919.

X-1553 a

Subject: Transmission of Gold Settlement Clearing Telegram.

Dear Sir:

Referring to our wire of May 31st requesting that instructions given in the Board's letter of May 27th, subject: "Transmission of Gold Settlement Clearing Telegrams" be disregarded, owing to the request for participation in daily Gold Fund Clearing of additional branches, the Board requests that effective June 16th, the names of the Reserve Banks on the daily Gold Settlement Fund Clearing messages be designated by symbols as indicated below:

Boston	(A)	Chicago	(G)	Omaha	(JB)
New York	(B)	St. Louis	(H)	Dallas	(K)
Philadelphia	(C)	Little Rock	(HA)	El Paso	(KA)
Cleveland	(D)	Louisville	(HB)	San Francisco	(L)
Richmond	(E)	Memphis	(HC)	Seattle	(LA)
Baltimore	(EA)	Minneapolis	(I)	Spokane	(LB)
Atlanta	(F)	Kansas City	(J)	Portland	(LC)
New Orleans	(FA)	Denver	(JA)	Salt Lake	(LD)

Under this arrangement the operators sending the Gold Settlement Fund Clearing telegrams will use a single letter instead of the name of the parent Bank and two letters instead of the name of the Branch, which will be followed in each case by the amount to be credited to the Bank or Branch through the Gold Settlement Fund Clearing.

For Example RICHMOND amount will be shown E amount
BALTIMORE amount " " " EA amount

The same form in exactly the same order will be used by the Washington operators in sending the daily Bepeg telegrams to the Banks.

Kindly advise branches and acknowledge receipt by wire.

Very truly yours,

Assistant Secretary.

Letter sent to Governors of F.R. Banks.

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

Released for afternoon papers
Thursday, May 29, 1919.

During the month of May, there has been a noticeable upward trend in business, with evidences of great activity in certain lines, especially those closely related to the leading retail trades which have felt the release of buying power held back during the war and in the first months after the armistice. Practically uniform reports from all Federal Reserve Agents, point to a summer and autumn of unusual activity with many indications of "business prosperity" especially in agriculture and merchandise, and to some degree, in manufacturing. The country now seems to be passing through a period of free expenditure or reaction from the enforced economy and business restrictions of the war period. If the present activity should prove to be based principally on these causes, a reaction therefrom may be looked for when these forces have spent themselves.

From District No. 1 it is reported that "manufacturers and merchants in practically all lines are doing a large business and buyers who withheld orders awaiting lower prices are now purchasing heavily before costs advance further". From District No. 2 it is reported that business readjustment has gone forward despite prices and that the pressure of the retail purchaser, working from the bottom, has forced activity into the branches of industry where doubt in the future and disinclination to go ahead had prevailed because of the high cost of materials and labor. District No. 3 reports that the business situation continues to show improvement in many lines and that further increases are expected as the year advances. District No. 4 reports that "we are no longer awaiting prosperity, it is already with us. Business is

breathing easier." From the Fifth District it is reported that "improving conditions in trade have developed rapidly **** few unfavorable comments are heard, and optimistic reports are so general as to excite caution as to accepting them without qualifications". In the Sixth District "business in almost all lines has continued active, retail trade is still on the increase, and wholesale merchants also report an increased volume of trade." In the Seventh District "the volume of business *** is sufficiently large *** to indicate the enormous buying power which high farm prices, wages, and the production of the war period has created." The Ninth District reports that "industrially speaking, the outlook is for an active year. Wholesale business is active and retail trade is very satisfactory. Collections are good."

In the Tenth District correspondents of the Federal Reserve Agent "are more optimistic **** than at any time this year" and there is "cheerfulness on the part of bankers, merchants, farmers, manufacturers and wage-earners." All correspondents regard conditions at this time as favorable to a continuance of prosperity for many months to come. In the Eleventh District general and careful investigation tends to confirm earlier predictions that "business has reached a period of prosperity which was not only unexpected but, we believe, is not fully appreciated." The Twelfth District states that "manufacturing and industry have been active in most of the centers of the district. Wholesale and retail trade are good and collections vary from good to fair ****. Labor is now almost fully employed in all sections of the district except Utah."

The price and reconstruction situation throughout the country is practically a continuation of that already noted during the month of April. Prices in some districts are at "about the same level for corresponding months of last year," while elsewhere business men are reaching the conclusion that the return from war to normal conditions does not necessarily mean the pre-war level, but that "far-reaching and permanent economic changes" have been produced. Trade in some sections has "reached the conclusion that most of its fears have not been realized and were without foundation," while "merchants **** are in a condition of solvency which they have not enjoyed for many years." One Federal Reserve Bank finds that "the public is slowly adjusting itself to the conviction that there is to be no rapid post-war drop in prices and is reconciling itself to the probability that the old pre-war prices may never again be reached." What would have been accepted as a good pre-war volume of business is much less likely to be acceptable as sufficient volume for our reconstruction work.

The Board's index based upon that of the Department of Labor, shows that prices have exhibited no tendency to retrograde, but on the whole are moving slightly upward, the figure rising from 200 to 203 in April. The effect of this condition has been to bring about a condition of greater confidence and to develop a latent buying power which was apparently only awaiting decision as to the probabilities of the coming months before making itself felt. The increase is due entirely to the increase in the prices of raw materials and consumers' goods, the index numbers for the groups in question rising from 197 to 200 and from 206 to 210 respectively. On the other hand, the index number for the

group of producers' goods declined from 190 to 186, while among the sub-groups included under the head of raw materials the index number for the mineral products group likewise declined from 171 to 169, which, however, did not serve to offset considerable increases in the prices of both farm and animal products, the index numbers for the latter groups increasing from 235 to 243 and from 216 to 223 respectively. Reports of Federal Reserve Agents develop the conspicuous fact that this slight increase in prices has brought about a general belief that the time has come when business men may proceed actively with further commitments without running the risk which they had some months ago predicted of constantly shrinking values for raw material stocks.

Agriculturally, the remarkable promise of the early spring appears to be sustained in an unusual degree. Winter wheat still continues to warrant the forecast of a wholly unprecedented yield which has been made known by the Department of Agriculture. In the Kansas City District winter wheat is reported in excellent condition and growers are counting on the largest yield in history. Weather conditions during May have been beneficial in checking the too rank growth which was made by wheat in the early spring. The spring wheat acreage probably will not be much increased, due to weather conditions, but the prospects

for a large yield are said to be of the best. The Ninth District states that "soil and moisture conditions have been generally favorable throughout the month." In districts where crops have been poor for two years past the outlook is very satisfactory. In the corn-producing States the prospect is thus far very favorable and in the cotton region the outlook is for a "hopeful growing season". Diversification due to organized effort is making progress and the cash returns to farmers are expected to be unusual. On the Pacific Coast the staple crops have "made satisfactory advancement and are in good condition" although rain is needed. Some losses of fruit crops have occurred but the food outlook is promising. Grain movements to primary markets have for the most part been slightly heavier in April than in February and March, but shipments have been more than three times the volume of receipts. Flour production during the month of April amounted to 11,274,000 barrels as compared with 10,498,000 during the previous month, though stocks at mills at the close of the month on the other hand, show a slight decrease. In consequence of the increases in the price of flour which recently occurred, steps were taken by the Grain Corporation to check the rise, though the efforts in certain localities at any rate appear as yet to have met with little success. As a result of stimulated prices milling operations since April 1, have been about double those of the same period last year, but this increased activity has been experienced only by those mills which were able to obtain allotments from Government wheat stocks. It is reported from certain centers that the mills have booked sufficient orders to absorb the present stocks of wheat which are available but are unwilling to make further commitments in view of the decrease in wheat stocks. It has been remarked that during the past

year the United States raised insufficient corn to supply domestic requirements, due largely to the increased demand for feeding purposes. Speculative trading in the commodity has been exceedingly heavy of late with spectacular movements in prices and marked on the whole by a considerable increase.

From Chicago/^{it} is reported that prices of cattle are considerably higher than a year ago, while prices of sheep are lower. Beef has therefore advanced while mutton and lamb have slightly fallen. Smaller receipts of hogs at the principal markets have resulted in a decrease in the stocks of pork and lard. Kansas City, however, reports that the cattle trade has been rather dull with prices slightly weaker, although they still show a considerable margin over a year ago. Hogs, however, have continued to advance, speculators paying up to \$21.

In Kansas City there was a decrease during April of 34% in the receipts of cattle, an increase of 34% in receipts of calves, a decrease of 7 $\frac{1}{4}$ % in hogs, an increase of 29% in sheep and an increase of 58% in horses and mules. Receipts of cattle during April at fifteen principal markets were 1,255,379 head as compared with 1,094,614 during March, the respective index numbers being 125 and 109 as compared with 1,533,147, corresponding to an index number of 152 a year ago. Receipts of hogs decreased from 2,842,663 head during March to 2,823,484 head during April, the respective index numbers being 129 and 128, while receipts during April 1918, were 2,942,449 head, corresponding to an index number of 134. Receipts of sheep on the other hand increased from 847,842 to 970,070, with respective index numbers of 62 and 71, as compared with 733,709 a year ago, corresponding to an index number of 54. It is expected that the export movement will continue on a large scale for some time to come.

In steel and iron the reports for the month show a reduction of output to what are said to be the lowest figures for a good while past. In spite of this fact prices of steel stocks as quoted on the exchanges have materially advanced. A notable development during the month has been the establishment of an open market for steel through the abandonment of the effort to stabilize values and prices, aided by the entrance of the Railway Administration into the market as a large buyer of rails and equipment. Bids for 400,000 tons of railway steel were requested by the Railway Administration on May 8 and 200,000 tons have been allotted. A much better tone in the steel and iron market is reported at various points, although the mill activity is said to be only about 70% of normal in the establishments of the United States Steel Corporation and 50% at independent mills. Pig iron production shows a continued decrease from 3,090,243 tons during March to 2,478,218 tons during April, the respective index numbers being 133 and 107. The latter is the lowest figure since February, 1918. Steel ingot production likewise shows a decrease from 2,662,265 tons during March to 2,239,711 tons during April, the index numbers respectively being 110 and 93. The unfilled orders of the United States Steel Corporation have also decreased from 5,430,572 tons at the close of March to 4,800,685 tons at the close of April, the index numbers respectively being 103 and 91, while the figure at the close of April, 1918, was 8,741,882 tons, corresponding to an index number of 166. The figure for the close of April, 1919, is the lowest since June, 1915, at the end of which month the total was 4,678,196 tons. Although pig iron trade in the Atlanta district is dull as it is elsewhere, the steel mills are active and rails are being rolled in preparation for a considerable trade. The high freight rates heretofore prevailing out of the Atlanta district have been a handicap, but a recent ruling by the Interstate Commerce Commission seems likely to give them access to trade in northern territory which has up to the present been impossible. While the bituminous coal industry is reported to be at present depressed and unsatisfactory, with an output less than

coal operators are optimistic for the future. The current use of fuel is in excess of production and stocks are being consumed, while an increase in the production of bituminous coal since the opening of May is noted. Shipments of anthracite for the month of April show a substantial recovery from the low figures for the two previous months, the tonnage for April being 5,224,715 as compared with 3,938,908 for March, the respective index numbers being 93 and 70. The production of beehive coke on the other hand continues to decline, the output for April being 1,316,960 tons as compared with 1,768,449 during March, the corresponding numbers being 50 and 68. It is reported from the New York market that after several weeks of almost no demand the copper market shows a slight improvement. Quotations have been reported as high as 16¢, while producing companies are operating on a 50% basis. Production of four large companies during the first four months of 1919 amounted to 122,541,610 tons as compared with 180,425,458 tons during the last four months of 1918. In spite of the reduced domestic output, stocks have continued to increase due in considerable measure to continued heavy importations. The lead market is somewhat firmer than it has been for some time past and the tin market is dull. From Kansas City it is reported that considerable reductions have occurred in the prices paid for zinc and lead ores and there has been a decrease in their production. It is reported that production in the lead industry, however, is at a considerably higher level than in the copper, zinc and iron industries.

During the month of April more than 1000 new petroleum wells were completed with new production of about 43,600 barrels daily in the Kansas City district. A substantial gain in production is now expected.

General manufacturing is showing decided improvement. The wool market is strong with prices in favor of the seller. Large orders have been placed with the mills both for yarns and finished goods. Weavers have operated freely in purchasing wool at Government auctions in the Philadelphia district.

Woolen and worsted mills are going back to full time with a large volume of orders. While fine wool is in considerable demand and commands high prices, low-grade wool on the other hand is in relatively little demand and a lower trend in prices is indicated. Fall orders for woolen underwear and high-grade hosiery are appearing in good volume. Very decided improvement has occurred in cotton milling and orders are being booked well into the fall. The demand is for the finer goods and prices have been advanced until they even exceed winter levels. There has been active buying from the new wool clip in the West. These conditions are reflected in the demand for dry goods and shoes which is one of the most marked symptoms of trade recovery in the month under review. Foreigners who are leaving the country in considerable numbers are reported to be carrying with them many pairs of shoes to meet needs abroad. Prices are being marked up for fall delivery, the outlook now being for an increase of 25 to 50¢ a pair for retailers.

Retail trade practically throughout the country is assuming unprecedented volume, while prices continue abnormally high. Retailers in most sections have made little or no adjustment but continue to demand prices based upon war conditions. In New York large establishments report a volume of business two-thirds greater than a year ago and in Chicago returns range from 25 to 50% in excess of 1918. The demand is largely for the highest class of goods with prices a secondary consideration only. In the South there is said to be "no contraction in the public buying power" while a greater proportion of cash sales is reported. In the Richmond District there is an "active trade, consumers buying freely without question as to prices." The effect of this active purchasing throughout the country is being reflected in the activity of wholesale business, advance orders for goods for autumn being reported satisfactory in volume, although still less than a year ago. Prices for cotton and wool goods have again advanced and retail stocks have in many cases been reduced to a low point. Retailers in some sections are actively placing orders for immediate delivery. The high

wages prevailing in most parts of the country and the increasing volume of employment creates a condition of remarkable strength in local business, both volume of sales and receipts of cash surpassing past records. Manufacturing is already feeling the impetus furnished by this continuation of strong purchasing power.

In building there has been a distinct revival throughout the country and particularly in the principal population centers marked advancement is now noted. Chicago shows a gain in building permits of 169% compared with a year ago, and similar or larger gains are reported in most of the large cities of the Middle West. In New York building has been retarded, although the need is very great, an obstacle being presented by the difficulty of obtaining satisfactory building loans, but the realty market is better than for the past eighteen months. The value of building contracts awarded in the Seventh District for the year thus far is about double those awarded in the same period of 1918. Advancement in building has been less noticeable in the far South, but such reports as are available point to a coming revival, while in some places the greater activity is already very encouraging. On the Pacific Coast reports from nineteen principal cities for April show an increase of 31% over March and 47% over April, 1918. In the states of the southern and eastern seaboard building is progressing rapidly. The Fifth District reports that the housing question is urgent and that there is considerable activity "in home sites and building, particularly apartment houses in cities". Real estate values are said to be hardening and in some places there is a decided boom, while sales of farm lands are on the increase.

Labor and employment conditions have made further progress toward normal. In the principal manufacturing centers it appears for the most part to be true that labor is fairly well employed. Skilled labor is generally in demand throughout the country and at unprecedentedly high wages. Notable advances of wages have occurred in the cotton textile mills of New England, the present wages of labor there being fully 100% above pre-war figures. There is an

increasing shortage of laborers on farms and of skilled mechanics in shipyards and although the supply of farm labor in many sections now equals the demand, an increasing deficiency is expected within the next few weeks. Unemployment is most frequent at points of disembarkation where returning soldiers are being mustered out of the military service, but even at these points good progress is being made in the process of absorbing the floating supply of labor. In the Southwestern cotton region the past ninety days has witnessed almost a complete reversal of previous conditions, and there is a greater demand for common labor than heretofore. Few strikes are now in progress, although here and there labor difficulties have been reported. This is particularly noticeable in the New England district, where it is stated that the increased cost of living, as well as the higher scale of living to which workmen have become accustomed, has had the effect of rendering the new rates of remuneration less satisfactory than the old ones, and as a result some unrest is reported in that district.

A remarkable feature of the business situation is the continuance of an enormous favorable export balance. This balance, according to official reports for the month of April amounted to the unprecedented total of \$442,000,000. While the shipments still consist largely of food stuffs and raw materials there are some indications of an advance in sales of manufactured goods and these are expected to increase from now on, granting that favorable provision is made for financing sales to foreign countries. Trade with the Scandinavian countries has shown special advancement, but business with South America, Japan and China has been partially checked. From the New York district it is reported that 75% of shipments now going forward represent orders placed and largely paid for some time ago. Shipping facilities have improved somewhat during the past month, but sailing dates of vessels are still very unreliable. Plans are in prospect for the development of methods of financing and facilitating the growth of export trade.

The month of May has witnessed some important, not to say remarkable, financial developments. The stock market has been passing through a speculative era

only comparable to that of three years ago. Transactions on the New York Exchange in the week ending May 17 were the largest for any week since 1901. The heavy purchases are attributed largely to the presence of out of town buyers who are in possession of large amounts of funds. In interest rates, however, despite this remarkable speculative activity, there has been a distinct downward trend during the month. This trend has been noticeable in almost all classes of paper, but particularly in the case of commercial paper sold in the open market, and also in the case of interbank loans, as well as a fractional decrease for indorsed bankers' acceptances. Prevailing rates for customers' prime commercial paper on the whole show decrease, while collateral loans on the other hand remain relatively firm. In the call money rate, however, there has been at times a distinct upward trend and on one occasion the rate reached a level of $7\frac{1}{2}\%$ in New York. This figure, however, was maintained only for a few hours. The rate for paper collateralized by Liberty loan bonds has been slightly advanced in places, due to the desire on the part of banks to encourage customers to liquidate their obligations for overdue subscription payments. Liberty loan bonds themselves have commanded decidedly better prices during the latter part of the month of May, this result being attributed to the popularity of the fifth Victory notes whose value was in a measure reflected upon other classes of Government securities. The banking position of the country is reported as on the whole sound, present circumstances considered, and ^{reserve} percent-ages of the Federal Reserve system have shown an ability to hold their own. Transactions at clearing house banks which report to the Board show essential stability with a slight tendency toward an increase in volume.

A remarkable feature of financial developments during the month has been the sharp decline in quotations of most foreign currency. Lire and francs have established new low rates going respectively to 8.36 and 6.70 up to May 20, while sterling, which had shown some ability to reach higher levels, has again

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

May 28, 1919

X-1556

Subject: Export of Manufactured Gold.

THIS LETTER SENT TO ALL FEDERAL RESERVE AGENTS

Dear Sir:

On May 2nd, the War Trade Board issued a regulation in connection with the export of manufactured gold, which stated that applications for gold, the value of the gold content of which exceeded 65% of the total value, were to be regarded as gold bullion, and subject to the control of the Federal Reserve Board, a copy of which regulation was mailed you on May 20th.

In this respect, further regulation was issued by the War Trade Board on May 9th, stating that applications for gold, the value of the gold content of which did not exceed 65% of the total value, could be exported without individual licenses from the War Trade Board, and in order that you may properly handle any applications which are filed through your Bank, we are enclosing copy of regulation of May 9th for your guidance. Such applications for manufactured gold filed through your Bank which must come before the Board should be made out on the regular Federal Reserve Board application forms.

Kindly acknowledge receipt.

Very truly yours,

Assistant Secretary.

Enclosure.

X-1556a

WAR TRADE BOARD

WASHINGTON

(W.T.B.R. 732)

May 9, 1919.

EXPORTATION OF GOLD AND MANUFACTURES THEREOF

The War Trade Board announce the following regulations governing the exportation of manufactures of gold, effective May 9, 1919:

All manufactures of gold, the bullion value of which does not exceed 65% of the total value, may be exported, without individual export licenses, under the special export licenses applicable to the exportation of commodities not on the Export Conservation List. The shipper must, however, state in his Export Declaration (Customs Cat. No. 7525) the bullion value of each item in the shipment and the total value of such item, and that no item in such shipment has a bullion value in excess of 65% of the total value of such item.

Every manufacture of gold, the bullion value of which exceeds 65% of the total value, is now regarded, for the purpose of exportation, as gold bullion, the exportation of which is under the exclusive control of the Federal Reserve Board. All applications, therefore, to export manufactures of gold, the bullion value of which exceeds 65% of the total value, should be filed with the Federal Reserve Bank of the district from which the shipment is made. On such applications must be stated the value of the gold content of the articles proposed to be exported, as well as the total value of such articles.

Vance C. McCormick,
Chairman.

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ADDRESS REPLY TO
FEDERAL RESERVE BOARD

May 31, 1919.

X-1558

SUBJECT: Closing of books on June 30, 1919.

Dear Sir:

The Board requests that the books of the Federal Reserve Banks be closed on June 30, 1919, and in order to insure uniformity of practice the following method of treatment of reserves, depreciation allowances and earnings has been approved for the period ending June 30, 1919:

1. Cost of Federal Reserve and Federal Reserve Bank notes and Furniture and Equipment:
Charge balance of accounts as shown by books on June 30 to current expense account.
2. Reserve for Taxes, including tax on Federal Reserve Bank note circulation:
Set aside sufficient amounts to take care of all taxes accrued, whether on account of bank note circulation or otherwise.
3. Extraordinary Charge-offs or Depreciation Allowances:
That all action regarding extraordinary charge-offs or depreciation allowances, including depreciation charges on account of bank premises, be deferred until closing of books on December 31, 1919.

LETTER SENT TO ALL CHAIRMAN.

4. Profit and Loss and Surplus Accounts:
Transfer to surplus account 90% of the balance remaining in profit and loss account, after making allowance for dividend payments, the remaining 10% to be retained in profit and loss account until the books are closed on December 31, at which time proper provision should be made for depreciation and extraordinary charges against earnings for the year 1919.

May we request that you present this letter to your Board of Directors at an early date so that their resolution in the matter of closing the books and payment of dividends on June 30, together with a statement of the estimated amount of gross and net earnings, also of dividends accrued for the six months ending June 30, 1919, may reach the Board not later than June 15, 1919.

Very truly yours,

Governor.

STATEMENT FOR THE PRESS.

To be released for morning papers, Tuesday, June 3, 1919.

The Federal Reserve Bulletin for June was sent to the printer today. The issue is largely devoted to the discussion of current conditions affecting prices of commodities and the export trade, while the Review of the Month, which is as usual the leading feature of the number, places the main emphasis upon the progress that is being made in reconstruction, and the relationship between this reconstruction process on the one hand and foreign advances and shipments on the other. With reference to the general question as to how far advances can safely and wisely be made for the purpose of improving the situation in Europe, the Bulletin says:

"Not to establish a working community of prices, values and rates of yield on investment would mean that interchange of goods and of investment funds among nations would meet with difficulty. The situation of the world today is such that for some time to come there will be a marked reduction of the differences between the economic systems of the leading countries. It is certainly not to the interest of any nation that other nations with which it has close relations should be seriously retarded in the legitimate use of resources and in the proportionate employment of labor. The attention of the people of the United States has naturally been focused upon the further improvement and expansion of domestic industry, but the position of the country when considered from a world standpoint shows that such expansion involves for its fullest^{success} expansion elsewhere, both in order that customary markets for sale and purchase may continue to exist for domestic products and in order that foreigners may be enabled to liquidate in due time their obligations to

necessarily to be made to them in the future. The continuation of such advances accordingly implies that such foreign countries shall be helped to attain a condition in which they may settle their indebtedness by the shipment of goods, a means of liquidation which they can not successfully employ unless they are enabled to place themselves in a productive condition. Our banking and financial organization thus has a new and important function to perform - more important and responsible than any it has been called upon to perform in the past - that of determining the division of capital in the international field just as it has heretofore been one of its principal functions to determine the division of capital within our own territory and within different fields of industry."

Domestically, reconstruction is proceeding in a satisfactory way, and conditions during the month of May have tended toward the development of an optimistic point of view on the part of business men and bankers. Prices have advanced slightly, and building operations are better, - a general condition of improvement which is set forth at length in the usual monthly review of business conditions. The Review of the Month, after merely referring to this business improvement, notes that it is closely connected with the termination of restrictions and limitations upon trade along various lines. It states that "The restoration of business to a competitive basis necessarily implies the restoration of our banking and financial mechanism to the exercise of its normal functions in connection with the development of trade." Attention is sharply called to the speculative situation in the stock market, and the relation of the banking mechanism thereto, as follows:

"One phase of the present situation which parallels conditions that have existed at the close of most former wars is the development of an active speculative situation in the securities market. During the past month operations on the New York Stock Exchange have been upon a basis practically unprecedented since the opening of the war and paralleled

only by the active market operations which marked the advent of large munitions orders when the European contest had definitely established itself. A succession of "million-share days" with abnormally high prices in many classes of goods, has indicated the scope of the speculative movement itself, while the fact that much of the buying within recent weeks is said to have come not from professional traders but from prospective investors throughout the country, indicates the hold which the movement is already taking upon the population of the United States. One phenomenon which has presented itself as an incident to this speculative movement is the existence of high call money rates. These rates have at times gone as high as $7\frac{1}{2}$ per cent, although only for a short period in any instance. Such fluctuations of the call money rate have promptly been followed by little more than very moderate curtailment of the volume of banking accommodation. There is here undoubtedly an element of danger to the financial position of the country. Ordinarily a sharp check could be administered through the advancing of the rates of rediscount at Federal Reserve Banks. Such a check for the moment encounters some difficulty as long as the Federal Reserve Banks deem it necessary to promote the absorption of Liberty Loan securities by maintaining low rates. For the moment the avoidance of abnormally high loan accounts must be effected by means other than those which would ordinarily be applied under the methods and principles of central banking. Eventually, when circumstances will permit, and the Federal Reserve Banks assume their normal functions making advances chiefly against liquid commercial paper, reducing to small proportions advances against United States Government collateral, a natural and effective check to existing conditions in the money market may be afforded through changes in rates at Federal Reserve Banks."

This speculative situation is given a prominent place because of the shortness of the supply of capital in various parts of the world,- a condition of affairs which is then outlined in the review at some length. The community is warned that the tendency at the present time is to "attempt to accomplish too much in a short time, and to go beyond the natural limits set by available resources." It is noted that the situation abroad is one of peculiar difficulty, involving unprecedented financial problems, and the Review points out that the European countries must necessarily obtain large assistance from abroad. On this point the following statement is made:

"Studies of financial and banking conditions in the principal European countries, published both in the current number of the Bulletin and in the May issue, show that the currency and banking situation on the Continent is unusually difficult, while it would appear that supplies of available capital have been reduced to a minimum basis. It does not seem probable that conditions in these foreign countries can be promptly restored to a normal footing without importing from abroad in very large measure the funds that are needed in the process of financial rehabilitation. In this connection the question is pertinently raised what will be the effects of the reparation which is to be made by the Central Powers as a result of the peace settlement. This reparation will of course operate to create a one-sided balance of trade in goods, ships, and forms of capital, as well as of securities, between the Central Powers and the countries with which they transact business. It will therefore tend to place the recipients of the reparation in possession of funds with which they may liquidate their obligations to their own citizens or to foreign countries. France, Belgium, and other continental nations are heavily indebted to Great Britain, as well as to the United States, while Great Britain likewise is a heavy debtor of this country. The reparation payments, while passed through the countries which are their recipients, will thus in the last analysis furnish the basis for payments to the United States designed to liquidate the advances

made by this country to cover the cost of the war, save in so far as American investors may prefer to leave their funds actually at work abroad."

Referring to the exchange situation, and the market fluctuations in various foreign countries, the Review calls attention to the large requirements of current financing intended for the maintenance of the export trade, and furnishes the following analysis of the relation between the export trade and prices:

"The primary effect of the present great exportation of goods from the United States is twofold - that of keeping fields, factories, and men employed, and disposing of their product, on the one hand; and, on the other, that of maintaining prices. A slackening of the export trade would mean an increased consumption of goods at home or else a lessened production of them. The constant assumption is that the latter of the two alternatives would be the one to be pursued and that accordingly a reduction of exports from the United States would mean a limitation of prices in this country. Shortened industry, less demand for labor and accordingly falling prices, would be the net result of such a change in the direction of our business. For this reason many business men and financiers today evidently regard the maintenance of our great export balance as practically essential, the chief modification which they seem to wish to make in it being that of substituting manufactures for a part of the agricultural products which we are now shipping abroad. It is for the attainment of this end, and incidentally that of selling these exports at practically the prices now prevailing, that much of the current theorizing and most of the practical expedients that are now suggested in prevailing discussion of our international position are intended. This leaves untouched, however, the possible alternative that even

if our export trade should be less active there might be developed an equal demand for our goods in domestic trade which would result in employing our labor and capital at practically the same rate."

This condition of affairs, it is pointed out, raises the question how far the country can safely and wisely go in the application of its capital abroad as contrasted with the development of better conditions at home. The view taken on this point is stated as follows:

"New industrial opportunities have not presented themselves with their accustomed speed and only in a comparatively few industries whose work was largely contributory to the waging of the war can it be said that there has been a sufficient stimulus to development. This situation is evidenced by the high rates of interest which many industries stand ready to pay for the obtaining of capital in the present market. Assuming that foreign countries are in position to pay equally high rates, the question of the use of our available loan funds would be determined by the views entertained by business men and experts concerning the probable earning power of the industries of those countries. A reduction in our export trade would necessitate some readjustment of conditions or relationships such as that which followed the armistice, but the transition could undoubtedly be effected. Present exportations are unquestionably upon a basis which it would be difficult to maintain as a permanency, being as they are so far above the prewar level."

The positive opinion is expressed that the time has come for the Government to withdraw so far as possible from the further extension of aid in post war financing, it being urged that the responsibilities in this important field be taken over by the banks of the country. As to that the Review says:

"In this situation it is not unnatural that some important private interests have been calling for Government aid in supporting exchange and in the extension of credits for export business. Congress has already declined to increase the powers of the Treasury Department with respect to direct loans to be made to foreign countries, and it remains to be seen how far the credit of \$1,000,000,000 placed within the reach of the War Finance Corporation can be availed of in practice. Whatever may be determined on this score, it is not desirable that Government direction of private industry should be continued longer than is absolutely essential. When a foreign country obtains an advance from the Government of the United States and then spends the funds thus allotted it in the purchase of American goods for exportation to its own citizens, there has been practically a joint Government guarantee of either private consumption or private manufacture, or of both, with the results which usually follow from such guarantees. These results may be considered embodied in a tendency to indiscriminate consumption and more or less uneconomic use of the funds or goods which are thus set apart for the promotion of national development. A time must inevitably arrive when the emergency is no longer such as to require national borrowing in behalf of private individuals and when to continue this policy of subsidy or public support practically results in the increase of an indebtedness which is passing beyond the power of the debtors to liquidate. Our present banking organization is capable of safeguarding the country against undue devotion of its funds to foreign development should such tendencies manifest themselves, and at the same time of avoiding unwise withholding of support which comes from a lack of vision or a failure to understand the ultimate results of the refusal of present accommodation. This, of course, still

leaves open the question of the precise means by which our bankers and exporters can thus protect themselves. But it is understood that the problem is now fully under consideration and reasonable provision for the needs of the future may accordingly be expected."

A tendency on the part of the public to decline in thrift is noted, and emphasis is ^{placed} upon the necessity of maintaining the impulse to save, which was developed during the war.

The Review of the Month contains a comment upon the present banking situation, the gold import and export situation, and various activities of the Federal Reserve System.

An exceptionally thorough and encouraging review of business conditions following detailed reports from the several Federal Reserve Districts, is also furnished.

In the general section of the Bulletin, there is further discussion of foreign banking developments, and an elaborate summary of tables relating to comparative price conditions in the United States and foreign countries. An account is also furnished of the Board's plan for the development of a "collection index" designed to show in relative terms the state of things as to the collection of outstanding mercantile accounts. Legal decisions, and the Board's detailed statistics of business indexes showing the development of commercial conditions during the month of May, and covering prices, interest rates, and volume of trade are also furnished.

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

EX-OFFICIO MEMBERS
CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

June 2, 1919. .
X-1561

SUBJECT: List of Officers and Employees of Federal Reserve Banks, July 1, 1919.

Dear Sir:

With reference to the Federal Reserve Board's letter of September 11, 1918, X-1189, on the subject of salaries of officers and employees of Federal Reserve Banks, as of January 1st and July 1st of each year, it is suggested that, in order to secure uniformity in submitting this data for July 1, 1919, the following form be followed:

Department:

<u>Date of</u> <u>Employment</u>	<u>Name</u>	<u>Position</u>	<u>Present</u> <u>Annual</u> <u>Salary</u>	<u>Proposed</u> <u>Increase</u>	<u>Proposed</u> <u>Annual</u> <u>Salary</u>
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This list should show all employees of each department, and also any officers and employees not assigned to any particular department.

Also, please show on separate sheet a recapitulation by departments, giving the following information:

<u>Department</u>	<u>Number of</u> <u>Employees</u>	<u>Total Annual</u> <u>Salaries</u>	<u>Total</u> <u>Proposed</u> <u>Increases</u>	<u>Total proposed</u> <u>Annual</u> <u>Salaries</u>
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This recapitulation should be footed and show grand totals.

As requested in the Board's letter of September 11, 1918, the Board desires detailed information on all increases in salary, amounting to \$300.00 or more per annum, also prompt advice in the case of appointment of any new employee at a salary of \$2,400.00, or more, per annum, with a statement describing the duties to be performed, the qualifications of the employee, and the proposed salary.

In addition to the foregoing information, the Board desires that you submit a memorandum with your report for July 1st, covering the duties assigned to each officer of the bank and the departments which are operated under his general supervision, or immediate direction; also a description of the duties of employees receiving salaries of \$3,000 or more per annum, who are engaged in special work for the bank, but who are not assigned to any particular department, stating the rate of compensation, and whether the employee devotes his entire time to the work of the Reserve Bank.

The Board desires further that the memorandum include a brief description covering the scope of the work of each department, its subdivision, the name of the officer or employee in charge of each department, or subdivision, the names of his principal assistants, and the name of the officer of the bank, who has general supervision of the operation of the department.

To secure uniformity, it is suggested that this information be furnished in accordance with the attached form.

Very truly yours,

Enclosure.

Governor.

X-1561a

DEPARTMENT: Discount Department

SCOPE: General, but brief description of the work of the department.

GENERAL SUPERVISION:

Deputy Governor.

IMMEDIATE SUPERVISION:

Assistant Cashier.

MANAGER:

ASSISTANT MANAGER:

<u>DIVISIONS:</u>	<u>In Charge</u>	<u>Assistant</u>
Loans to member banks, unsecured	_____	_____
Loans to member banks, Government collateral	_____	_____
Member bank promissory notes	_____	_____
Acceptances purchased	_____	_____
Rediscounts with or for other Federal Reserve Banks	_____	_____
Custody of collateral	_____	_____
Records	_____	_____

EX-OFFICIO MEMBERS
CARTER GLINES
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

June 4, 1919.

X-1562

Subject: Gold Settlement Clearings by Denver and Omaha Branches
of the Federal Reserve Bank of Kansas City.

Dear Sir:

We confirm our wire to you today as follows:

"Denver and Omaha Branches of Federal Reserve Bank of Kansas City will commence settling direct through the Gold Settlement Fund effective statements June 14th clearing June 16th. Accounts with Denver and Omaha Branches will be handled in accordance with our letter of May 8th, X-1524, in re Baltimore Branch settling direct. Full letter instructions being mailed today. Kindly acknowledge by wire."

The Federal Reserve Bank of Kansas City has requested that arrangements be made to have their Branches at Denver and Omaha commence settling direct through the Gold Fund Clearing with other Federal Reserve Banks and their Branches which are now settling direct in the same manner as is now in effect between Federal Reserve Banks and a number of their Branches.

Accordingly, beginning on June 16th and on every settlement day thereafter, the Denver and Omaha Branches, in addition to Kansas City Head Office, will telegraph to the Federal Reserve Board, code LABEG, their credits for other Federal Reserve Banks and direct-settling Branches as at close of business the previous day to be settled through the daily Gold Fund Clearing. The Board will include in the daily BEPEG telegram to other Federal Reserve Banks and direct-settling Branches the credits of Denver and Omaha as well as Kansas City, as follows:

Kansas City	amount
Denver	amount
Omaha	amount

and the Denver and Omaha Branches will render to each Federal Reserve Bank and Branch, settling direct through the gold fund, daily mail transcripts supporting credits as settled through the fund.

The Federal Reserve Bank of Kansas City desires that all credits in Denver and Omaha territory, immediately due or deferred, maturing June 14th and thereafter be credited through the Gold Settlement Fund to Denver and Omaha Branches. The Federal Reserve Banks and those Branches settling direct through the Gold Fund are requested, therefore, to open

accounts with Denver and Omaha Branches at such time as will permit credits for the respective Branch becoming available June 14th and thereafter; and to wire to the Board, code LABEG, the amount of such credits for the June 16th Gold Fund Clearing and for each daily clearing thereafter. They will also render to Denver and Omaha Branches daily mail transcripts supporting credits thus settled through the Gold Fund Clearing.

It is also requested that all deductions from credits for return items, errors, differences, etc. be made in settlement with whichever bank (Kansas City, Denver or Omaha) the original item was settled.

Please note that new system is effective statements as of close of business June 14th, clearing June 16th.

Kindly advise your Branches and acknowledge receipt of this letter.

Very truly yours,

Assistant Secretary.

Letter sent to Governors of all Federal
Reserve Banks.

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
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FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

June 4, 1919.

X-1563

Subject: Notary Fees on Items Protested.

Dear Sir:

With further reference to the Board's letter of May 7, 1919. (X-1522 - subject "Notary Fees on Items Protested"), the Board is advised by its General Counsel that there appears to be some conflict of authority as to the right of a bank or a notary to enter into an agreement whereby the notary, in consideration of his employment by the bank, shall assign to the bank his notary fees. The general and well-established principles of public policy, as well as statutory and common law, prohibit a public officer from assigning his unearned salary or fees, although it has been held that the principles which apply to the assignment of unearned salary or fees do not apply to the assignment of salary or fees earned prior to the assignment.

The Board believes that, because of the doubts as to the propriety of a bank's receiving notary fees for its own account, it would be well to either employ notaries not connected with the bank or to permit a notary who is in the employ of the bank in another capacity to retain the fees for his own use as part of his compensation for general services. If the fees amount to any considerable sum the bank may properly take that into account in determining the salary to be paid to that employee or they may be divided among several employees doing notarial work. It does not seem proper in the circumstances, for the bank to divert all or any portion of the notary fees to its own use.

Very truly yours,

Governor.

Letter sent to Chairmen, Federal Reserve Banks.

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

W. P. G. HARDING, GOVERNOR
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CHARLES S. HAMLIN

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

June 5, 1919.

X-1564

The Federal Reserve Board believes there is need for a better understanding of the business of American corporations engaged principally in foreign banking business, and the conditions under which such corporations must function, in order that the Board may get better light on the subject of the extent to which it would be possible to make uniform the agreements executed by such corporations with the Board in order to make their stock eligible for investment by National banks. Accordingly you are invited to have a representative of your company present at a conference with the Federal Reserve Board, to be held at ten a.m. Wednesday, June 18th, in the Assembly Room of the Federal Reserve Board on the Seventh Floor of the National Metropolitan Bank Building, Washington.

It will be the chief purpose of the conference to determine whether or not it is necessary or desirable to make further modifications in the existing agreements with foreign banking corporations, and the Board would be glad to have your representative come prepared to give to the Board the benefit of your views. The Board is very desirous of imposing upon the corporations only such conditions as will best enable them to conduct their operations and develop their business along sound banking lines.

Very truly yours,

Governor.

Letter sent to selected list of banks.
engaged in foreign banking

X-1565

Released for publication in morning papers of Saturday, June 7th, 1919.

AFTER-WAR ADJUSTMENT: THE PRESENT PRICE OUTLOOK

An address by

A.C. Miller, Member, Federal Reserve Board,

Delivered at Pittsburgh,

Friday morning, June 6, 1919.

before the

National Hardware Association of the United States.

The perplexity in which the business mind of the country was left at the time of the armistice by the confused price situation resulting from the war has been much relieved by what has taken place in the last six months and particularly in the last three months. It would be premature to say that the situation has clarified itself sufficiently to speak of the price outlook with confidence. Certain factors, however, which are destined to exercise a very considerable influence upon the trend of prices in the future, are coming to be discernible and it is worth while, because of the decisive bearing which the price situation has upon business and employment, to undertake at this time to examine them.

The expectation that prices would drop and go on dropping was expressed by competent students at the time of the armistice and was shared by many business men. Such had been our experience after the Civil War. Indeed, some, who had in mind that experience, feared that the decline of prices might proceed so rapidly as to be disturbing. Prices dropped some 30 per cent in the first six months of the year 1865. This fact suggested that at least a considerable decline might not unreasonably be expected in the United States following the close of the great war. Such, moreover, had been a very common feature of the after-math of other great wars.

There seemed to be justification, therefore, for the expectation that prices in Europe and the United States would begin to fall with the turn of the year 1918. The only question was how rapid would be the decline and how long continued. The operation of natural economic

- 2 -

forces and particularly the devotion of the productive energy and resources of different countries to peace industries was expected to do much to relieve shortages which were in part responsible for the momentous price changes induced by the war. The fact that fifty million men or more were to be released from armies and from war work led to the belief that there would be a quick resumption of industrial activity in Europe and increased production of goods and resulting declines in values and prices. This conclusion also seemed to be the logical consequence of the general acceptance of the view that the price situation, which had developed throughout the world as a result of war conditions, was highly artificial and highly inflated.

Whatever differences of opinion may have existed during the war as to the cause or causes of the revolutionary advance of prices experienced, it is now coming to be more and more clearly recognized and frankly admitted that the chief factor in the price revolution is to be attributed to the enormous increase in the volume of circulating credit, bank notes and government currency put out in the past four and a half years.

The situation in the United States is coming to be so well understood that no extended reference to it is necessary. It is well known that in our five Liberty Loan Campaigns the Treasury has been obliged to borrow from the community and issue government obligations more rapidly than the comparative rate of savings by the people could support, with the result that a considerable part (perhaps as much as seven billions of dollars) of the several issues of bonds made by the Government have had to be financed by an expansion of banking credit and, to a lesser degree, of banking currency.

- 3 -

It is coming to be recognized that our banking and financial situation can never be as healthy and strong as it should be until the banks are relieved of the burden of carrying such large investments, either for themselves or for their customers, in Liberty Bond operations. This means that such parts of the community as have not yet done their full part in absorbing and digesting the government issues, must by one method or another be induced or made to save and pay up, or buy. Those who believed that this process would be rapid, and they were many, and that the Government would soon disappear from the market as a competitor for current loan funds, expected as a natural consequence that the volume of our circulating bank credit and currency would shrink and that with the shrinkage would come a lowering of the price level.

Other countries, it was thought, would move along the same general course as the United States, though of necessity more slowly because of their continuing financial difficulties. A reduction in the volume of circulating media of one kind or another was, however, regarded as such an essential part of good financial policy in the process of post-war readjustment that this reduction was taken almost as a certainty.

The feeling of caution and hesitation, which characterized the temper of the American business community at the close of the war, was the natural outgrowth of this expectation of the probable future course of prices. It is well known that this view was shared by an important agency of the Government, which was set up for the special purpose of assisting the expected downward course of prices by gradual and orderly price revisions. By mediating the transition from war prices to peace prices, the Industrial Board of the Department of Commerce undertook to bring about the resumption of industry and its adjustment to

- 4 -

anticipated conditions more quickly than if left to the unassisted working of natural economic forces. Price stabilization was expected to bring buyers in to the market, particularly for basic materials required in construction work and thus to accelerate the process of industrial readjustment and improve the employment situation. The abandonment of this policy by the voluntary retirement of the Industrial Board and other steps that have been taken toward decontrol of industry have left the process of readjustment pretty much to the unimpeded action of the market.

The movement since the armistice is interesting. For the first month or two there was little or no change; with the opening of the year 1919, prices moved downward, though slowly; toward the end of March the downward trend halted and with the beginning of April there is a noticeable upward trend - most marked in the retail trades and those manufacturing trades which are closely auxiliary to the leading retail trades (such as the textiles, clothing, boot and shoe trades), but with some evidence recently that it might develop into a more general forward movement. At the moment, prices are close to the war level and, in many instances, moving forward.

Many questions are raised by the behavior of prices since the armistice: Is the recent forward trend to be regarded as indicative of the probable future course of prices, or is the advance to be regarded as accidental and temporary and as merely marking an interruption of the expected downward trend? These questions, of course, can not be answered with positiveness. The factors which influence the price situation and to which it is responsive, even under normal conditions are so diverse and frequently so obscure that

the resultant is always a matter of great uncertainty. The unexpected is apt to supervene and destroy the validity of even the most carefully considered forecast. As a result of the war, the price situation in all parts of the world has become so vastly complicated that conjecture is perforce a much more hazardous undertaking than usual, particularly if any attempt is made to deduce general conclusions from tendencies discernible only in particular industries or groups of industries, so subtle and exceptional are the influences now at work in different fields of industry.

PRICE SITUATION CLARIFYING

However hazardous the undertaking, it seems nevertheless worth while to direct attention to some of the underlying factors which seem now to be emerging and which seem likely to exercise an important bearing upon the future trend of prices, looking forward:

- (1) to a period of some years, during which the general readjustment of the world's industry and trade is being worked out; and,
- (2) to a briefer period of a year or more, during which Europe will be in the first stages of her reconstruction.

All business calculations run in terms of prices. Business judgments are for the most part price judgments. Raw materials, labor, fuel, and the other requisites of production are bought at prices; they are converted into goods to be sold at prices. Unless the prices at which the requisites of production are bought and the products are sold are fairly calculable and a satisfactory margin of profit shown between them, the attitude of business will be hesitant. Falling prices are, therefore, obviously to be regarded as an addition to the ordinary hazards of industry. It is therefore a question of vital concern to inquire whether the price situation has clarified itself sufficiently to suggest some expectation of what may be the future price trend.

Until Europe recovers industrially and brings its productive capacity up to what will be normal for its decimated population, no considerable or rapid fall

of commodity prices is to be expected. Indeed, until the point is reached where the process of recovery is well under way, a rise of prices rather than a fall is to be expected. Should the eventual outcome show what some have often predicted that the war has given an added impulse to the inventive spirit and to the instinct of thrift, the resulting increase in production and savings would have an important effect in hastening the readjustment of prices. It cannot be too strongly emphasized that it is only as more goods are produced in exchange for the inflated currencies of the world, or more income saved from earnings and used for the purpose of liquidating loans and advances made by the banks, that the financial and credit situation will gradually be improved by the reduction of outstanding bank liabilities and prices respond by a gradual fall. How long it may take the movement, as thus defined, to run its course, no one can predict.

It is a matter of common knowledge that it was fourteen years before the currency disorders growing out of the Civil War were measurably corrected and the greenback dollar brought to a parity with gold. It took Europe fifteen years to effect the restoration of public credit, reorganization of currency and banking, and the readjustment of industry to a stable basis, after the close of the Napoleonic Wars. Considering the vast reach of the present war, which on its economic side has not yet closed, and considering the great destruction of industrial and financial capital, the terrible disorganization of industry, and the impairment of the morale of the working forces of Europe, there seems little reason to expect that the process of reconstruction and readjustment, first the one and then the other, through which Europe is about to pass, will be short or easy. Ten years would seem, on the whole, a short period in which to expect a restoration of economic conditions in Europe to a normal basis and the rectification of the price situation.

The general outlook, therefore, may be said to be for a gradual fall of prices during the next ten years or longer, depending mainly upon how rapidly Europe will recover her productive power and correct her currency disorders by deflating her

distended currency.

Those who take a more sanguine view should not overlook the bearing which an artificially forced rapid deflation - should that in any event be practicable - would have upon the debt status of the European Governments. One of the main reasons for believing that deflation and, therefore, price reductions, will not proceed rapidly in Europe is derived from this cause.

The enormous debts, which the war has left European countries, have been contracted in terms of depreciated currencies; by and large commodity prices are double or more than double what they were in Western Europe in 1914. They have increased 100 per cent in the United States; they have increased more in England than in the United States; more in France than in England; more in Italy than in France; in Russia and in the countries that constituted the former Austro-Hungarian Empire, conditions are so chaotic that no basis for comparison is available. If prices could be and were put back to their pre-war level, the effect would be much the same as doubling the debts of the several countries of Europe while maintaining their existing price levels. Such a proceeding would, of necessity, place a burden of taxation virtually so heavy as to force a repudiation/under one guise or another. Even under their existing depreciated currencies, European countries are struggling with the problem of handling their great debts, and their enormously swollen national budgets. This condition alone, if nothing else, would seem to compel the expectation that deflation will be a slow process in Europe and that, as deflation will be gradual, so the fall of prices will be gradual. Many factors will, no doubt, enter into the restoration of the value of the inflated currencies of Europe. But, in the end, it is likely to turn out, as in the United States after the Civil War, that Europe's main reliance in correcting the present condition of inflation will be the natural process of "growing up" to its ^{now} excessive and redundant volume of currency.

With the price structures in all leading countries more closely interlocked

than ever before because of the new ^{community} of interest and fortune resulting from the war, no one country, like the United States, can set itself apart and maintain a price structure very far out of line with the world price structure. Price movements in the United States are bound to be affected by the price movements in Europe and no great changes in the price structure of this country are to be expected except as they reflect changes in the world's price structure. With the larger part of the commercial world in a serious condition of inflation and no prospect that the period of economic readjustment will be a short one, the fall of prices, to which many have been looking forward as an inevitable consequence of the war, seems likely to be a slow one; so slow that for most ordinary purposes in making business calculations and in reaching business judgments, it may be taken as a negligible factor. While prices, looking forward over a long series of years, may assuredly be expected to show a downward course, the fall of prices from year to year, it is to be repeated, will probably be so small as to make possible losses from the decline a factor of no consequence, except in the case of long period investments of fixed capital upon an extensive scale, when it would probably be a wise precaution to set up special sinking funds to amortize shrinkages of value from this cause.

While the general trend of prices for the next ten or fifteen years may be expected to be downward, the downward movement is not likely to pursue a steady and unbroken course. It will probably be broken by frequent ups and downs in the process of finding a new normal level because the general process of economic readjustment is likely in each important stage of its development to result in some mal-adjustments, which would inevitably produce price disturbances.

The future price trend, in other words, is likely to have much of a fluctuating character and, therefore, to give to the period of readjustment something more of a speculative character than is usual in normal circumstances.

So much as regards the general and more distant price trend. As regards the

near future, there is little reason, I think, to expect any marked interruption of present price tendencies in our own and other leading markets, mainly because of the world's urgent need for goods. Europe is in a bad condition in nearly every way -

economically, socially, politically, physically and psychologically.

The process of disbanding the armies and getting the men back to farm and workshop is proving a difficult and slow one. Idleness since the armistice has worked its effect in industrial demoralization. One of the main problems presented by the transition to peace conditions is the restoration of the economic morale of large sections of the population of Europe. Feeding the hungry and clothing the naked is an obvious and immediate necessity; equally necessary and as important in its general effect is the alimentionation of industry in Europe with raw materials and equipment ; farms must be ^{restocked;} implements are lacking; the railroads must largely be reconstructed; machinery must be rebuilt or replaced; everywhere there is need of basic materials and tools before Europe can get back to a condition where she can produce goods enough to sustain herself and pay for her imports. It will take time to effect this work of restoration and repair. While no accurate estimate can be made of the needs of the several European countries, enough already ^{and} is known to make it clear that they are/for some time will continue to be very considerable. Whether it will take one or two years to accomplish the first stage of her reconstruction, it seems certain that until it is accomplished her needs will tax the ability of the non-European world to the utmost to supply foodstuffs and raw materials. It may be expected, therefore, that there will be a very heavy demand upon our markets for a great variety of goods during the first phase of the reconstruction process, provided we are able and willing to finance Europe in its purchases for such a period of time as Europe must have before making final settlement: that is, provided we supply by loans the capital needed in Europe to assist her recovery.

The most important thing now, from every point of view, is that Europe should

go to work. In those parts where they can not work because they lack the tools and materials, they must be helped to work. Where they do not want to work, because demoralized, they must be made to work. Hunger and idleness are one of the greatest menaces in Europe. They present the immediate objectives of policies of cooperation with the reconstruction needs of Europe.

Momentarily, Europe lacks the means of paying for the food and material that she must get from the outside world. She has no goods to give in exchange for these, at least not in adequate amount; she has no gold which she can spare, nor do we, or other nations in our position, need or want more gold. But with fair prospect that her economic and political morale will be restored, she has what should be acceptable to us in the process of extending economic assistance, to wit: credit.

The foundations of credit, both national and private, are reputation for integrity or good faith and demonstrated economic capacity, and these, fortunately, still exist in Europe. The prospect, therefore, is that there may be expected a very considerable credit demand for American goods, that is to say a demand both for goods and for the credit with which to buy them during the initial period of European reconstruction.

The ^{short-period} price trend may, therefore, be reasonably expected to rule high, if our exports to Europe on credit continue on anything like their present scale.

We are now exporting a net excess of goods over what we are receiving as imports at a rate of well over three thousand millions of dollars a year. Assuming that the value of our annual output of goods of all kinds and descriptions amounts, under present conditions, to sixty billions of dollars or more, the exportation^{a a} of net excess of three thousand millions means a loan to Europe of capital goods to the extent of five per cent of our total annual production. On its purely

economic side, the question whether we can indefinitely go on doing this reduces itself to a question of productive capacity. On the financial side, it reduces itself to the question of our willingness to save and add to the capital supply of America available for use in Europe after the needs of our own industry have been reasonably provided. Beyond that the question is a technical one; it is that of devising the best form of machinery for mobilizing such capital as can be spared for the purpose for the use of Europe.

Complete and accurate data are not available for estimating the extent to which the productive capacity of the United States has increased in recent years, much less have we any satisfactory indication of the increase in the capital or saving capacity of the United States. There is, however, statistical foundation for an estimate of 16 per cent increase in the productive capacity of the United States in the past five years, measuring the increase not in its money value but, far more significantly, in its physical volume, to warrant the use of this ratio in estimating the financial capacity of the United States. Accepting 35 billions as an approximate estimate of the money value of the products of American industry before the beginning of the European War, an increase of 16 per cent in the physical productivity of industry would yield an increase of 5.6 billions of dollars in the money value of the nation's productivity. But figured, as the increase should be, on the basis of the 1918-19 price level, which is 100 per cent higher than the 1914 level, the increase would amount to 11.2 billions. It is most noteworthy that this increase in the economic productivity of the United States has taken place without the usual addition to our working forces from immigration.

The period has been one of emigration, rather than of immigration. The estimated 11.2 billions is, therefore, to be regarded as pretty much a purely economic surplus, after making deduction of course for the expense of taking care of the natural increase in our population, which has occurred in this interval of time and which is estimated at some four millions. In other words, this increase in our production is due to the fact that the industries of the nation have been working at a high pitch of intensity under the impulse that was given by war conditions and that a larger percentage of the nation, than before the war, entered the ranks of its productive workers.

Bearing in mind that the capital which Europe needs and will seek to obtain from us by borrowing will consist of goods which are the product of American labor, it is obvious that the process of accommodating Europe will involve either the continued high activity of American industry or a reduction in the amount of goods available for American consumption. In either event, must there be saving. Nationally, the question is whether we shall undertake to finance Europe by savings out of a reduced volume of production or out of a sustained volume of production. In the latter event, the problem of making reasonable advances of capital to Europe should present no great difficulty economically. The problem will then be to convert an adequate amount of the potential savings of the nation into actual savings. In the former event, however, the question would present almost insurmountable difficulties and the attempt to undertake any excessive financing for Europe would probably in the end result in the forced growth of the savings fund of the nation by a further inflation of credit and a further increase in the cost of living.

No more pressing financial problem confronts the United States than the setting up and putting in motion the machinery for determining the extent to which we can safely undertake to finance reconstruction in Europe. Fundamentally the problem is one of keeping the industrial activity of the nation stimulated and, equally important, keeping the savings spirit of the country from weakening. The people must everywhere be made to appreciate that in the present condition of the European world, it is our urgent duty to keep up our newly acquired saving habit. Beyond that a sufficient portion of the community must be educated to an interest in the purchase of European obligations or American obligations based upon European collateral. More than this, some competent agency, which will merit the confidence of the American people - public in character but preferably not governmental - must be set up for seeing to it that the apportionment of such capital as may be yielded by the savings of the nation shall be made wisely, with due regard for the economic needs of American industry and the American consumer, as well as the needs of European industry and the European consumer. The opportunity to make financial and traders' profits out of the needs of Europe by the sale to Europe of goods and materials on long-term securities floated in the American market is such that great care must be taken that such operations are constantly kept within the limits of national economic prudence, both in our own interest and in Europe's interest. It might therefore be advisable to set up a Committee on Financial Facilities for Europe composed of a membership - following the analogy of the Federal Reserve organization - one-third representing financial interests, one-third commercial interests and one-third to be selected by the Federal Reserve Board representing the general public interest. But whether this or some other method is adopted, it is of primary importance that a national and representative character should be given to any movement for the mobilization of our financial and economic resources for Europe's use. The matter is one of too grave consequence to be left to the determination of private

temptations,
interest alone. The situation offers so many that abuse of the credit
facilities of the Federal Reserve System would be almost certain to result with
consequence
a further and disastrous inflation of credit as a . No method of providing
for the financing of Europe that does not contain careful safeguards against this
contingency can be regarded as satisfactory. What Europe needs is capital. The
Federal Reserve Banks are not investment institutions; they deal in credit, not
capital. The attempt, under any disguise, to use their facilities as a substitute
for capital would be fatal to the Federal Reserve System and injurious to the
public at large.

6/5/19

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS.

X-1566

For immediate release,
Thursday, June 5, 1919.

Announcement is made of the appointment of the following directors of the
Houston Branch of the Federal Reserve Bank of Dallas:

Mr. Sam R. Lawder

Mr. J.A. Pondrom

Mr. Frank Andrews

Mr. J.C. Chidsey

Mr. J.J. Davis

The first three gentlemen have been appointed by the Board of Directors of the Federal Reserve Bank of Dallas, while the last two are the appointees of the Federal Reserve Board. Mr. Lawder has been the Manager of the El Paso Branch of the Federal Reserve Bank of Dallas and will serve in a similar capacity at the Houston Branch. Mr. Pondrom is First Vice President of the South Texas Commercial National Bank, Houston, Texas. Mr. Andrews is a Director of the Union National Bank of Houston. Mr. Chidsey is Vice President of the Houston National Exchange Bank, and Mr. Davis is President of the South Texas State Bank, Galveston, Texas.

STATEMENT FOR THE PRESS

For immediate release,
June 9, 1919.

The Federal Reserve Board announces that, after consultation with the Secretary of the Treasury, and with his approval, it has been recommended to the President, and the President has approved the recommendation that the control which has heretofore been exercised over transactions in foreign exchange and over the exportation of coin, bullion and currency, be terminated, except as to the importation or exportation of rouble notes or exchange operations with that part of Russia now under the control of the so-called Bolshevik Government, and except as to exchange transactions with territories in respect of which such transactions are at present permitted only through the American Relief Administration.

Licenses for the export of silver have recently been freely granted, so that the present step, so far as concerns silver, involves no change of policy.

Control over the export of gold has, until now, been actually exercised, although since the termination of hostilities greater latitude has been allowed than before that time in granting applications for its export. Hereafter, applications for the export of gold will, like applications for the export of silver, be freely granted, irrespective of destination or amount. Applications for both gold and silver exports must, however, continue to be made to the Federal Reserve Board until such time as the President shall by proclamation formally bring to an end the present control.

The control at present exercised over foreign exchange, including the reports required to be made by dealers, will necessarily continue until the President shall, by formal action, put an end to the present requirements,

CONSULTANTS

but so far as licenses are required to . . . specific transactions, such licenses will be freely granted, except for the importation or exportation of rouble notes, or for foreign exchange transactions with that part of Russia now under the control of the so-called Bolshevik Government, and except as to exchange transactions with territories in respect of which such transactions are at present permitted only through the American Relief Administration.

Attention is called to the fact that neither the present modification of policy, nor the termination of the above controls, when they shall have been terminated by action of the President, authorizes transactions with enemies, except so far as such transactions may be authorized by general or specific licenses granted by the War Trade Board.

The conditions do not now exist which led during the war to the restrictions on the free movement of the money metals and on exchange operations. It is felt that at the present time every step toward the restoration of natural conditions is a help, not only to this country, but to the entire world.

Our gold reserves are so strong that even a very considerable outward movement of gold can be faced without any apprehension. To the extent that such shipments tend to restore normal conditions elsewhere, they tend to increase the buying power of nationalthat wish to become, and should be, our customers. The advances by the United States to Governments associated with us in the prosecution of the War are rapidly coming to an end, with the result that the command of the rest of the world over our gold will be decreased, and it is quite possible that with the restoration of more normal conditions elsewhere and the continuance of large favorable trade balances, a movement of gold toward this country may set in. Such a movement may well prove to be undesirable, tending, as it would, to keep our prices above the level of other markets and so put us at a disadvantage in international trade.

It is confidently believed that we should take, and that we are safe in

taking, these important steps toward the restoration of natural conditions.

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

EX-OFFICIO MEMBERS
CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD
WASHINGTON

June 10, 1919.
X-1571

Subject: Campaign for New Par Points.

Dear Sir:

There is enclosed herewith a copy of report prepared from replies received from all Federal Reserve Banks in response to our telegram of May 29th, asking for information regarding the progress of the campaign being conducted for the establishment of new par points.

In addition there is also enclosed a special report showing non-member banks not on par list distributed by states according to Federal Reserve districts.

Very truly yours,

Enclosure.

Assistant Secretary.

Letter sent to / Chairmen of all Federal Reserve Banks.

CAMPAIGN FOR NEW PAR POINTS.

REPORT OF FEDERAL RESERVE BANKS MAY 31, 1919.

Federal Reserve Bank of	National Banks in District	State Bank Members	Total Member Banks	Non-member Banks on Par List	Ratio of non-member Banks on Par List to total non-member banks in district	No. of Banks added to Par List during May 1919.	No. of Banks added to Par List since Jan. 1, 1919.	No. of non-member banks not on Par List	Total no. non-member banks in district.
Boston	393	34	427	243	100 [%]	--	--	--	243
New York	625	107	732	319	100	--	--	--	319
Philadelphia	632	34	666	357	87.9	4	48	49	406
Cleveland	745	80	825	808	71.7	7	93	319	1,127
Richmond	529	41	570	299	21.5	--	25	1,093	1,392
Atlanta	367	58	425	296	18.6	19	46	1,299	1,595
Chicago	1,047	301	1,348	3,013	72.2	135	628	1,157	4,170
St. Louis	466	54	520	1,423	54.0	82	393	1,210	2,633
Minneapolis	806	74	880	1,291	45.3	2	127	1,557	2,848
Kansas City	971	32	1,003	2,279	70.2	37	98	966	3,245
Dallas	628	113	741	337	30.3	57	130	* 776	* 1,113
San Francisco	566	100	666	911	85.7	4	--	152	1,063
TOTAL	7,775	1,028	8,803	11,576	57.4	347	1,588	8,578	20,154

Washington, D.C.
June 10, 1919.

* AMENDED FIGURES.

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

EX-OFFICIO MEMBERS
CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD
WASHINGTON

June 10, 1919.
X-1572

Subject: Transit and Audit Conference.

Dear Sir:

We are enclosing herewith six copies of a tentative program of topics suggested for discussion at the conference of Transit Managers and Auditors of Federal Reserve Banks, to be held at Cleveland, Ohio, June 23-25, 1919, in order that representatives of your Bank who will attend may acquaint themselves with the subjects that will be taken up.

Very truly yours,

Enclosure.

Assistant Secretary.

Letter to Chairmen of all Federal Reserve Banks.

X-1572a

Copy of Governor Harding's telegram of June 5, 1919 suggesting Transit and Audit Conference to be held in Cleveland June 23-25, 1919.

" Subject: Transit and Audit Conference.

The Board suggests that a conference of transit men and auditors of Reserve banks be held at Cleveland June 23rd to 25th to discuss transit questions and accounting problems between Reserve banks. The Board is advised that the committees appointed at the last conference will submit their reports at the meeting.

You are requested to telegraph not later than tomorrow night the names of representatives who will attend and also topics suggested for discussion at the transit meeting and suggested topics for the audit meeting other than those which have already sent to Mr. Jefferson, all of which will be included in a tentative program which will be prepared and sent to each bank and designated representatives.

Please communicate direct with Strater at Cleveland regarding hotel accommodations."

X-1575

CONFERENCE OF TRANSIT MANAGERS AND AUDITORS OF FEDERAL RESERVE BANKS.

CLEVELAND, OHIO.

June 23-25, 1919

The Federal Reserve Banks will be represented as follows:

	<u>TRANSIT</u>	<u>AUDIT</u>
BOSTON	Mr. Willett	Mr. Currier
NEW YORK	Mr. Hendricks Mr. Coe	Mr. Jefferson Mr. Rounds
PHILADELPHIA	Mr. Dyer Mr. Gamon	Mr. Stockton
CLEVELAND	Mr. Fleming Mr. Strater	Mr. Wagner
RICHMOND	Mr. Blackburn	Mr. Walden
ATLANTA	Mr. Adelson Mr. Patterson	Mr. Taylor
CHICAGO	Mr. Kramer Mr. Bachman	Mr. Burgess Mr. Hopkins
ST. LOUIS	Mr. Attebery Mr. Behring Mr. Gilmore	Mr. Novy
MINNEAPOLIS	Mr. Warren Mr. Core	Mr. Long
KANSAS CITY	Mr. Helm Mr. Tyner	Mr. Wardell
DALLAS	Mr. Taylor Mr. Burkett	Mr. Weiss
SAN FRANCISCO	Mr. Hale	Mr. House

CONFERENCE OF TRANSIT MANAGERS OF FEDERAL RESERVE BANKS,
CLEVELAND, OHIO, June 23-25, 1919.

Suggested by

- I. Any plan of operation adopted by Conference must be strictly followed by all Federal Reserve Banks, and can be modified only on approval of a majority of Transit Advisory Committee and the Secretary of the Federal Reserve Board. 4
- II. FLOAT:
- A. Report of Committee.
- III. TIME SCHEDULES:
- A. Report of Committee.
- B. Time schedules on Reserve cities in other districts. 7
- C. Possible improvement of inter-district and intra-district clearing time schedules through co-operation of Post Office Department and readjustment of mail train schedules.
- IV. PAR LIST:
- A. Representatives should be prepared to explain any methods used by their respective banks since last conference, in acquiring par points. 4
- B. The desirability of furthering the par collection system at this time by collecting on non-member banks where the latter refuse to remit at par through the medium of post offices or express companies at the respective points. 11-4
- C. Whether Federal Reserve Banks should advise each other by wire of withdrawals from par list. 11
- D. Recognize changes only as published in par list and supplements. 8-12
- E. Removal of points from par list before next edition of supplement is published. 10
- F. Handling of items drawn on points which have with-drawn from par list between supplements. 11
- G. That on new par lists names of all banks in a city that can be handled be shown in detail and not as "all banks" or "all National banks". 11

Suggested by

- H. Routing of non-member bank items. 8
- I. Direct routing of time items between Federal Reserve districts. 1
- J. Should savings banks and trust companies not carrying actual checking accounts appear on par list? 11
- K. Every Federal Reserve Bank should have a list of member banks attached to each Federal Reserve district and should be notified from time to time of any change - such a list is absolutely necessary when returning items direct. 2
- L. Should not the Federal Reserve Inter-district collection system books be amplified so that member banks may ~~better understand how and where to route~~ their items? 2

V. CASH LETTERS:

- A. Should a Federal Reserve Bank acknowledge to member banks in other Federal Reserve districts, cash letters received from them. 2-4-8-11
- B. Cash letters to include items drawn on banks and bankers only. 7
- C. Uniform cash letters between Federal Reserve Banks. Shall Federal Reserve Banks supply cash letters to direct sending banks? 7
- D. Discontinuance of coupons at bottom of cash letters, substituting postal card advice therefor. 7
- E. Uniform method of deferring country cash letters when a Sunday or holiday intervenes. 12
- F. In order to avoid unnecessary accounting and numerous entries, would it not be better to handle checks drawn on insurance companies, railroad companies, large corporations, etc. payable in Federal Reserve cities, when missorted through cash letters, rather than to enter them for collection. 2
- G. Dispense with acknowledgment of cash letters received direct from member banks in other Federal Reserve districts. 3
- H. Discontinuance by Federal Reserve Banks of forwarding duplicate as well as original advices of receipts for letters received by them from other districts. 11

I. That Federal Reserve Banks do not acknowledge receipt of cash letters to members of other districts, but let such bank inquire of its own Federal Reserve bank. 11

VI. COLLECTION ITEMS:

- A. Should proceeds of large items in other districts be telegraphed on date of payment? 7
- B. Protest fees on unpaid collection items should be classed as deductible items. 11-12
- C. Uniform forms for advising items deducted and entered for collection. 12
- D. Uniform form of advice of payment of all collections credited on same day. 12
- E. Telegraphic advice to member banks of credit for collections. 12
- F. Collection of trade acceptances. 12
- G. Direct routing by member banks of one district to other Federal Reserve Banks of collection items. 12
- H. Recovery of charges on unpaid collection items routed direct. 12
- I. Should member banks of one district forward a collection to a bank of another district and request that bank to deposit proceeds with its Federal Reserve Bank for credit for transfer by wire. 12
- J. Should a check with special instructions to telegraph payment or non-payment be handled for cash or collection. 2
- K. Advisability of sending non-cash collection items to member and non-member banks in other districts for remittance when paid to the sending Federal Reserve Bank or the Federal Reserve Bank of the district in which the collection bank is located. 4
- L. Should a Federal Reserve Bank assume the risk of loss by crediting member banks with proceeds of collections upon advice of member or non-member banks of other districts that a remittance has been made to their Federal Reserve Bank. 4

Suggested by

VII. WIRE TRANSFERS.

- A. Wire transfers from a member bank in one district to a Federal Reserve Bank or branch in another district for use of a non-member bank in that district. 4
- B. Uniform closing hour for wire transfers at all Federal Reserve Banks, and uniform method of handling. 8-10
1. When received from member banks.
 2. When received from Federal Reserve Banks or branches.
- C. Proceeds to be available to member banks as of day on which funds were transferred. 8
- D. Wire transfers between member banks or between member banks and non-member banks for account of individuals or firms. 6-11

VIII. LEASED WIRE SERVICE.

- A. Telegrams over private wire system to be signed to show department or officer to whom reply should be addressed. 4
- B. Use of private wire for advising of returned items and other transit operations. 5-8
- C. Small telegrams between Federal Reserve Banks covering unpaid items sent direct by member banks of other districts be sent over leased wires with instructions to notify sending banks. 7
- D. Adoption of A.B.A. code for transit managers. 8
- E. The private wires are occasionally loaded with business - could not something be done to relieve this condition. 2

IX. TELEGRAPHIC CHARGES.

- A. Should a Federal Reserve Bank absorb telegraphic charges on wires sent direct to member banks in other districts. 2-10
- B. Absorption of cost of telegrams on unpaid items. 6

Suggested by

C. Telegraphic charges on messages to and from a member bank re unpaid items to be absorbed by the Federal Reserve Bank of the district to which the cash letter is forwarded, regardless of whether received from another Federal Reserve Bank or a member bank of another district.

12

X. UNIFORM PROTEST INSTRUCTIONS.

A. Uniform protest instructions to be followed by all Federal Reserve Banks.

11

B. Should protest fees on collection items, telegram charges, etc., be handled as deductions.

12

Suggested by

XI. EXCHANGE DRAFTS AND TRANSFER DRAFTS:

- A. Removal of limit on exchange drafts. 4
- B. Federal Reserve Banks and direct settling branches to draw drafts on other Federal Reserve Banks and direct settling branches. 8
 - 1. Method of handling by branches.
- C. Transfer drafts should be treated as deductible items. 12
- D. Recommendation that use of transfer drafts be either stimulated or abolished. 12

XII. EXCHANGE CHARGES:

- A. Possibility of exchange charges on items payable in Federal Reserve cities. 1

XIII. ENDORSEMENTS:

- A. Uniformity of date and A. B. A. number. 8
- B. Distinctive form of endorsement used by banks forwarding remittances direct to other Federal Reserve Banks. 9
- C. Practice of stamping endorser's number on face of check. 9

XIV. RETURNED ITEMS:

- A. Shall unpaid or irregular items be returned direct to sending bank? 10
- B. Where a check is returned unpaid without reason for non-payment, Federal Reserve Bank should return check to its endorser but notify the returning bank that it failed to give a reason for refusal. 11

XV. EXPENSE:

- A. Can any uniform plan for paying postage to member banks for remittances made to Federal Reserve Bank be evolved. 11
- B. Uniform method of compilation or abolition of transit expense records. 12

Suggested by

XVI. LOST ITEMS.

- A. Failure to report lost items within a reasonable time.

7

XVII. GENERAL.

- A. Advisability of using words "At par" in the wording placed on checks to show that they are collectible through Federal Reserve Banks

9

- B. Use of the words "Payable at" or "Payable through" on checks and drafts.

9

- C. Uniform phraseology in writing and wiring Federal Reserve Banks in regard to credit deductions and deferred debits.

12

- D. Special symbols on checks to indicate Federal Reserve Banks or bank through which checks should be collected.

- E. Parent bank should be addressed with request to convey to or secure information from its branches.

8

- F. Uniform rules and regulations at various Federal Reserve Banks to govern handling of transit items.

9

CONFERENCE OF AUDITORS OF FEDERAL RESERVE BANKS
CLEVELAND, OHIO, JUNE 23-25, 1919.

Suggested by

- | | |
|---|------|
| I. Any plan of operation adopted at conference of auditors must be strictly followed by all Federal Reserve Banks, and can only be modified on approval of a majority of the Auditors' Advisory Committee and the Secretary of the Federal Reserve Board. | 4 |
| II. FEDERAL RESERVE BANK ACCOUNTS: | |
| A. Adoption of uniform report of open items in uncollected funds and exception accounts. | 4 |
| B. Uniform method of adjusting erroneous deductions and credits. | 4 |
| C. Method of handling accounts with other Federal Reserve Banks. | 11 |
| D. Semi-monthly reconciliation between Federal Reserve Banks. | 11 |
| E. Inter-Reserve Banks' arrangements with branch banks. | 11 |
| F. Supporting transcripts with copy of entries. | 11 |
| G. Handling exceptions by wire. | 11 |
| H. Errors made by one Federal Reserve Bank corrected by another. | 11 |
| III. ACCOUNTING METHODS: | |
| A. Official recognition of Dunlop plan of accounting. | 9 |
| IV. GOLD SETTLEMENT FUND: | |
| A. Deductions from Gold Settlement Fund Suspense Account: | |
| (1) Revision of list of items. | 2 |
| (2) Protest fees and cost of telegrams. | 11 |
| (3) Lost checks. | 49-2 |

	<u>Suggested by</u>
B. Calculating anticipated credits through Gold Settlement Fund.	11
C. Desirability of settlement through Gold Settlement Fund by Federal Reserve Board same day as credits are wired by banks.	4-7
D. Method of treatment when debits exceed credits in Gold Settlement Fund clearing.	6
E. Adoption of practice of wiring daily advice direct to beneficiary banks of gold settlement credits reported to Board.	10
F. Advisability of Federal Reserve Board rendering weekly written statements of transactions in Gold Settlement Fund. This in addition to daily telegraphic advice as at present.	7
G. Elimination of reports by and for Federal Reserve Banks or direct settling branches observing holidays on which other Federal Reserve Banks are open for business.	3
 V. FORMS:	
A. Revision of forms X-794 and X-794a.	4
B. Standardization of inter-Federal Reserve Bank forms.	2
(1) Advice of deductions, Gold Settlement Fund Suspense Account.	
C. Uniform forms for advising of items deducted and entered for collection.	12
D. Uniform form of advice of payment of all collections credited on same day.	12
E. Uniform form for verification of outstanding debits between Federal Reserve Banks.	12
F. Uniform forms of advice of shipments of Federal Reserve notes.	5

Suggested by

VI. EXPENSE ITEMS BETWEEN FEDERAL RESERVE BANKS:

- A. Cost of shipping Federal Reserve notes.
- (1) Method of recovery, monthly versus daily. 9-11
- B. Cost of shipping Federal Reserve notes to other banks to be absorbed by Federal Reserve Bank making shipment. 6-7-8-11-12
- C. Present method of recovering for postage and insurance for shipments between Federal Reserve Banks. Conference of Governors March 20-22/19 11

VII. REDISCOUNT TRANSACTIONS:

- A. Federal Reserve Banks anticipating notes rediscounted with other Federal Reserve Banks should wire total principal and total discount separately. 4
- B. Disposition of discount paid to Federal Reserve Banks in excess of amount collected from members. 11

VIII. DEFERRED DEBITS:

- A. Adoption of uniform method of monthly advice regarding exceptions in deferred debits account. 8
- B. Reconciliation of accounts. 5-6-11-12

IX. LEASED WIRE SERVICE:

- A. Adoption of A. B. A. code by auditors 8

X. FEDERAL RESERVE NOTE SHIPMENTS:

- A. Responsibility for tracing shipments of Federal Reserve notes 5

XI. COLLECTIONS:

- A. Final proceeds to be shown on paid non-cash collections. 4

Suggested by

XII. RELATIONS WITH TREASURY DEPARTMENT:

- | | |
|---|----|
| A. Relations of Federal Reserve Banks with Treasury Department | 11 |
| B. Advisability of requesting Treasury Department for weekly detailed statement of Redemption Fund Accounts. | 7 |
| C. Interest on depository balances should continue to the time when the remittances covering withdrawals are available. | 11 |
| D. Arrange with Treasury Department to permit debits and credits to the Treasurer's account for the purpose of correcting errors. | 7 |

XIII. GENERAL:

- | | |
|---|-------|
| Auditors' and Assistant Auditors' signatures to be on file in all Federal Reserve Banks and Branches. | 7 |
| Advisability of assigning a number to each bank. | 7 |
| Signatures of officers to be filed singly in order to obviate necessity of new cards for single change. | 12 |
| Uniformity in accounting phraseology between Federal Reserve Banks. | 4-5-8 |

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

EX-OFFICIO MEMBERS
CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD
WASHINGTON

June 10, 1919.

X-1573

Subject: Borrowings by Member Banks on Security of
Government Obligations.

Dear Sir:

The Federal Reserve Board is concerned over the existing tendency towards excessive speculation, and while ordinarily this could be corrected by an advance in discount rates at the Federal Reserve Banks, it is not practicable to apply this check at this time because of Government financing. By far the larger part of the invested assets of Federal Reserve Banks consists of paper secured by Government obligations, and the Board is anxious to get some information on which it can form an estimate as to the extent of member bank borrowings on Government collateral made for purposes other than for carrying customers who have purchased Liberty bonds on account, or other than for purely commercial purposes.

The Board would appreciate your comments on this situation in your district.

Very truly yours,

Governor.

Draft of letter to the Chairman of each Federal Reserve Bank.

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

W. P. G. HARDING, GOVERNOR
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FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

June 10, 1919.

X-1574

Subject: Definition of Term "Readily Marketable Staples".

Dear Sir:

The Federal Reserve Board transmits herewith a definition of the term "readily marketable staples" as used in that part of Section 13 of the Federal Reserve Act which authorizes any member bank to accept drafts which are secured at the time of acceptance by a warehouse receipt or other such document conveying or securing title covering "readily marketable staples".

The Board issues this definition as a guide to Federal Reserve Banks and member banks in determining what staples may properly be considered readily marketable within the meaning of that Section and suggests that although the law does not expressly restrict eligible staples to those which are non-perishable, nevertheless banks as a matter of prudence and protection to themselves should not consider as eligible any staple which is in its nature so perishable as not to be reasonably sure of maintaining its value as security at least for the life of the draft which is drawn against it.

DEFINITION.

A readily marketable staple may be defined as an article of commerce, agriculture or industry of such uses as to make it the subject of constant dealings in ready markets with such frequent quotations of prices as to make (a) the price easily and definitely ascertainable; and (b) the staple itself easy to realize upon by sale at any time.

Very truly yours,

Governor.

Letter to Chairmen of all Federal Reserve

Ex-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

June 10, 1919.

X-1576

Subject:Reclassification of Reserve and Central Reserve Cities.

Dear Sir:

In section 13 of the Federal Reserve Act there is a clause which provides that "the organization of Federal reserve districts and Federal reserve cities shall not be construed as changing the present status of reserve and central reserve cities", and consequently in the exercise of the power conferred upon the Board in paragraph (e) of section 11, "to add to the number of cities classified as reserve and central reserve cities under existing law in which national banking associations are subject to the reserve requirements set forth in section twenty of this Act; or to reclassify existing reserve and central reserve cities or to terminate their designation as such", the Board did not change the status of the three central reserve cities, New York, Chicago and St. Louis, which had been central reserve cities for many years prior to the passage of the Federal Reserve Act. Consequently member banks in these cities are obliged to carry reserves of 13% against their demand deposits while banks in the other cities having Federal reserve banks, which were also reserve cities under the old law, need carry only 10% reserves against their demand deposits.

More than two years ago the Board announced its policy of classifying all cities in which branches of Federal reserve banks might be located as reserve cities, and accordingly member banks in all such cities are now required to carry 10% reserves against their demand deposits. It is obvious, however, in view of the change in reserve requirements made by the Federal reserve law as originally enacted and more particularly by the amendment of June 21, 1917, that the old classification of reserve and central reserve cities has become obsolete. The member banks in St. Louis, for example, have no greater opportunity for expansion than have those of Boston, Philadelphia and Cleveland, all of which cities exceed St. Louis in population, but because of the previous status of St. Louis as a central reserve city they are required to carry 13% reserves against demand deposits while those of the other three cities named need carry only 10%.

The Board is considering the advisability of reclassifying the list of central reserve and reserve cities, and as all twelve cities in which Federal reserve banks are located have become the financial centers of their respective districts, it seems that there may be good reasons for classifying

them all as central reserve cities. Such action would increase the reserve requirements in nine of the Federal reserve cities from 10% to 13% as against demand deposits. It is not the purpose of the Board to take hasty action, and if the Board should determine to make the change, it would give ample notice.

The present law does not require nor permit any part of a member bank's lawful reserve to be carried in its own vault, and the amount of cash carried by a member bank is optional with it. A member bank in a Federal reserve city can, therefore, afford to let its vault cash run down to a minimum for the reason that it can replenish its cash on a few minutes notice, while banks located at a distance feel that prudence demands that they carry a larger amount of vault cash as time is a necessary factor in adding to their cash holdings in case of unexpected need or emergency. The same observations apply to cities which have branches of Federal reserve banks, and it may be argued that those cities also should be classified as central reserve cities.

The Board feels, however, that it must consider the effect upon the member banks and particularly upon State banks which have become members of the system and which can exercise their statutory privilege of withdrawing on six months' notice. If it should be deemed advisable to classify branch bank cities as central reserve cities, it might be well to give them longer notice than in the case of Federal reserve bank cities of such intention in order that the member banks in any branch bank city may have ample time to decide whether to increase their reserves or to have their branch discontinued.

The Board is receiving a good many applications for the establishment of additional branches, and perhaps if it were known that all branch bank cities would be classified as central reserve cities the desire to have additional branches established would not be so keen.

This is a confidential letter and in discussing it with your executive committee and your directors you should have it so understood. It is important, however, that the matter be carefully considered before any action is decided upon, and you are requested, after conferring with your officers and directors, to write the Board stating frankly the consensus of opinions expressed. You are also invited to give a full and free expression of your own views.

Very truly yours,

Governor.

LETTER SENT TO CHAIRMAN OF ALL BANKS

F E D E R A L R E S E R V E B O A R D

CONFIRMATION OF TELEGRAM.

June 12, 1919.

X-1581

Curtiss,	Boston	Hardy,	Richmond	Rich,	Minneapolis
Jay,	New York	McCord,	Atlanta	Ramsay,	Kansas City
Austin,	Philadelphia	Heath,	Chicago	Ramsey,	Dallas
Wills,	Cleveland	Martin,	St. Louis	Perrin,	San Francisco

Effort is being made to secure early publication of BULLETIN.

Board would appreciate receiving promptly, not later than the twentieth of the month in accordance with Board's letter February 27, 1919, X-1391, your monthly report of business conditions for June.

BRODERICK.

F E D E R A L R E S E R V E B O A R D

WASHINGTON.

June 12, 1919. X-1582

CONFIRMATION TELEGRAM

Curtiss, Boston	Hardy, Richmond	Rich, Minneapolis
Jay, New York	McCord, Atlanta	Ramsay, Kansas City
Austin, Philadelphia	Heath, Chicago	Ramsey, Dallas
Wills, Cleveland	Martin, St. Louis	Perrin, San Francisco

Subject: Redemption of Federal Reserve notes in Gold.

Board calls your attention to importance in all cases of redeeming Federal Reserve Notes in gold promptly when gold is demanded as this is obviously a necessary incident in removal of export restriction. You should not however relax your efforts to bring back gold into Federal Reserve Bank.

HARDING.

Governor.

Letter sent to chairmen of all Federal Reserve Banks.

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

EX-OFFICIO MEMBERS
CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

June 13, 1919.
X-1584

Subject: Penalties for Deficient Reserves.

Dear Sir:

With a view of insuring uniform practice in all Federal Reserve districts in the method of determining deficiencies in reserves and assessing penalties, the Board desires to amplify its letter of April 8th, X-1463, and requests that the following rules be adopted: effective October 1, 1919:

1. Computation of deficiencies in reserve balances:
Deficiencies in reserve balances of member banks in central reserve and reserve cities should be computed on the basis of average daily net deposit balances covering a weekly period. Deficiencies in reserve balances of country banks should be computed on the basis of average daily net deposit balances covering a semi-monthly period.
2. Report of member banks:
Reports showing, day by day, in even hundreds, the amount of net demand deposits, and the amount of time deposits, should be rendered weekly by member banks in central reserve and reserve cities, and semi-monthly by country banks.
3. Method of assessing penalties:
Penalties for deficiencies in reserves should be assessed monthly, on the basis of average daily deficiencies, covering a weekly period for banks in central reserve and reserve cities, and covering a semi-monthly period in the case of country banks. Federal Reserve Banks may at their discretion, in extreme cases assess penalties for deficiencies in reserves on the basis of daily deficiencies.
4. Rate of penalty:
The Board has fixed a basic rate of 2% above the 90-day discount rate of each district in assessing penalties for deficiencies in reserves. The Board will approve, upon application by Reserve Banks, a progressive penalty rate, increasing one-half of one per cent for each subsequent deficiency within the calendar year.

Very truly yours,

Sent to chairmen all F.R. Banks.

Governor,

EX-OFFICIO MEMBERS
CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

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W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

June 19, 1919.

X-1586

Personal and Confidential

Subject: Transfer of certain Sub-Treasury Functions
to Federal Reserve Banks.

Dear Sir:

There is enclosed herewith for your personal and confidential information, a memorandum which is now being considered by a committee recently appointed by the Secretary of the Treasury to report upon the advisability of recommending the transfer of certain sub-treasury functions to the Federal Reserve Banks.

The Board is advised that the committee is desirous of having the benefit of your views, and it will therefore be appreciated if you will forward to this office at your earliest convenience such criticisms, suggestions and comments as you may care to make.

Very truly yours,

Enclosure.

Governor.

Letter to Chairmen and Governors of all F.R. Banks.

PERSONAL AND CONFIDENTIAL

Subject: Memorandum presented to Special Committee Suggesting the Transfer of Certain Sub-Treasury Functions to Federal Reserve Banks.

"The following suggestions relative to work to be performed by the Federal Reserve Banks in the event that the Subtreasuries should be discontinued, are respectfully presented for your consideration:

1. It is suggested that all work now performed by the Subtreasuries be transferred to, and be performed by, the Federal Reserve Banks, and that this work be done by the Federal Reserve Banks, not as Fiscal Agents of the United States, but as a depositary function. It is suggested that the trust funds of the United States be transferred to the three Coinage Mints, the Assay Office at New York, and the Treasury of the United States at Washington, D.C.

2. The special features in connection with this transfer that deserve attention, are as follows:

- (a) Storage and Custody of the Trust Funds.
- (b) Distribution of Subsidiary and Minor Coins.
- (c) Exchange of Subsidiary and Minor Coins.
- (d) Exchange of Currency.

Storage and Custody of the Trust Funds.

It is believed that the custody and control of trust funds should be absolutely kept within the control of the Treasury Department and under the supervision of one of its designated officers or employees. The transfer of the Gold coin and Standard Silver Dollars now in the custody of the Subtreasuries to the three Coinage Mints and the Treasury at Washington, would have the advantage of insuring the distribution of such funds to points in the United States where it could be convenient for ready use and at the same time the transfer could be effected without additional cost to the Government as to custody. If the trust funds were transferred to the Federal Reserve Banks and vaults in such banks were set apart for the use of the Treasury Department, it would be necessary at all times to have a representative of the Treasurer of the United States in charge of such funds which would be an element of cost not necessary if such funds were transferred to the Coinage Mints, the Assay Office at New York and the Treasury at Washington. Also, the necessity for having a wide distribution of the trust funds held by the Government, is not apparent and if there is no necessity for such procedure, it is not understood how justification can be made for the additional cost that would be necessary, as well as the fact that the matter might be of more or less inconvenience to the Federal Reserve Banks.

The question of the issuance of Gold Certificates payable to the order of a specified payee, is not believed as important at the present time as it was before the authorization of the issuance of Federal reserve notes in the larger denominations. Again, if necessary, arrangements may be made whereby Federal Reserve Banks could be authorized to accept deposits of Gold and issue

therefor documents in the nature of interim receipts which would be honored by the Superintendents of the Coinage Mints, or the Assay Office at New York, or the Treasurer at Washington, for the issuance of Gold Certificates payable to the order of a specified payee. Again, the Federal Reserve Banks might be made the custodians of the stock of unissued Gold certificates payable to order, and upon receipt of deposits of Gold coin or demand Gold certificates, issue such certificates payable to order of definite payees and at the same time make payment to the Treasurer of the United States through transfers of an equivalent amount in the Gold Settlement Fund.

Distribution of Subsidiary and Minor Coins.

There seems to be no good reason why the Federal Reserve Banks cannot take over the work of the distribution of the subsidiary and minor coins in the same manner as such distribution is now effected by the Subtreasuries.

The holdings by the Federal Reserve Banks of subsidiary and minor coin would not reach any volume sufficiently large as to cause concern. In the event, however, that such holdings should be found too large for current distribution needs, transfers could be made to the Mints.

The subsidiary Silver coin would be counted as reserve money and for this reason would not be a tax on the reserve percentage of the Federal Reserve Banks.

It is the present practice for the Government to pay transportation charges on subsidiary silver and minor coins from the Mints to the different Subtreasuries or between Subtreasuries, and banks desiring these coins which are located in other cities, must pay the transportation charges from the various Subtreasuries. In other words, shipments of subsidiary and minor coins from the Subtreasuries and Mints direct to consignees, are at the expense of such consignees. At one time, the Government paid transportation charges on such coins to the consignees through annual appropriations made by Congress, but the discontinuance of such appropriation made necessary the collection of charges from consignees.

Exchange of Subsidiary and Minor Coins.

The redemption of subsidiary and minor coins now being performed by the Subtreasuries could be transferred to the Federal Reserve Banks and considered as exchanges rather than redemptions inasmuch as the operation in effect is simply the getting of one kind of money in exchange for another kind. Should at any time the holdings of minor and subsidiary coin by the Federal Reserve Banks assume proportions too large for any use, such holdings may be transferred to the Coinage Mints, as above stated.

Exchange of Currency.

No reason is apparent as to why the exchanges of currency cannot be as well handled by the Federal Reserve Banks as by the Subtreasuries. Such currency as may be received by the Federal Reserve Banks in performing this function, that is unfit for use, may be transferred to the Treasury at Washington and accounting arrangements made whereby the amounts of such currency in transit as is available or considered as reserve money, can still be counted by the Federal

Reserve Banks as a part of its available assets.

It is the present custom of the Subtreasuries in making shipments of unfit currency to this office, to cancel the same before shipment and to forward the uppers and lowers on different days. No reason is apparent why such procedure may not be followed by the Federal Reserve Banks when acting in a similar capacity.

Payment of Checks over the Counter .

If the Subtreasuries are discontinued, it is submitted that it will be necessary for the Federal Reserve Banks to make payments to the public creditors of checks presented to them over the counter. It is not believed that this function will be any great addition of work to the Federal Reserve Banks, but it appears to be essential that the public creditors have definite points, as at present, where they can secure payment for checks issued under the authority of Government Disbursing Officers. Also, it will be necessary that Disbursing Officers of the United States have a definite place where they can present their checks over the counter and get in return therefor currency of requisite denominations that will enable them to use for payroll and other purposes.

Costs.

Inasmuch as the entire cost of the Subtreasury system, exclusive of salaries paid to the Assistant Treasurers of the United States, is somewhat less than \$500,000 per annum, it is not believed that the Federal Reserve Banks would demand of the Government reimbursement for the transfer of the above mentioned functions to be performed by them instead of the Subtreasuries. However, this matter is presented for your consideration.

Fiscal Agents.

The matter was thoroughly discussed as to whether or not the above mentioned functions should be performed by the Federal Reserve Banks as Fiscal Agents of the United States, or as to whether it would be better for such functions to be performed as depositaries with special provision in the Act which discontinues, or may discontinue, the Subtreasuries, to the effect that all of the above mentioned functions shall be performed by the Federal Reserve Banks under the control of the Treasurer of the United States, such control to be exercised under the general supervision of the Secretary of the Treasury in the same manner as the latter office now exercises general control over the acts of the Treasurer in relation to the business now performed by the Subtreasuries."

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

X-1588

June 21, 1919.

SUBJECT: ASSESSMENT FOR GENERAL EXPENSES OF THE FEDERAL RESERVE BOARD, JULY 1 TO DECEMBER 31, 1919.

Dear Sirs:-

There is inclosed for your information and attention copy of a resolution adopted by the Federal Reserve Board at a meeting held on June 19, 1919, levying an assessment upon the several Federal Reserve Banks of an amount equal to one hundred seventy-six thousandths of one per cent (.00176) of the total paid-in capital stock and surplus of such banks to defray the estimated general expenses of the Federal Reserve Board from July 1 to December 31, 1919. This assessment does not include the cost of engraving and printing Federal Reserve notes.

There is also inclosed a statement showing the basis upon which the assessment is levied.

The assessment should be computed upon your paid-in capital and surplus as of close of business June 30, 1919, that is, upon capital paid-in as shown by books on that date, and surplus after adjustment in accordance with circular letter X-1568, dated May 31, 1919.

I have the honor to request that you bring this matter to the early attention of the Board of Directors of your bank, and deposit one-half of the amount of your assessment in the General Account, Treasurer, U. S., on your books on July 1, 1919, and one-half on September 1, 1919, in each instance issuing a C/D on Form 1, National Banks, for credit of "Salaries and Expenses, Federal Reserve Board, Special Fund," assessment for general expenses.

Kindly send duplicate C/D to Federal Reserve Board.

Very truly yours,

Fiscal Agent.

Inclosures.

LETTER SENT TO ALL CHAIRMEN.

X-1588a

RESOLUTION LEVYING ASSESSMENT

Whereas, under section 10 of the act approved December 23, 1913, and known as the Federal Reserve Act, the Federal Reserve Board is empowered to levy semi-annually upon the Federal Reserve Banks in proportion to their capital stock and surplus an assessment sufficient to pay its estimated expenses, including the salaries of its members, assistants, attorneys, experts, and employees for the half year succeeding the levying of such assessment together with any deficit carried forward from the preceding half year; and

Whereas, it appears from estimates submitted and considered that it is necessary that a fund equal to one hundred seventy-six thousandths of one per cent (.00176) of the total paid-in capital stock and surplus of the Federal Reserve Banks be created for the purpose hereinbefore described, exclusive of the cost of engraving and printing of Federal Reserve notes; Now, therefore,

Be it resolved, That pursuant to the authority vested in it by law, the Federal Reserve Board hereby levies an assessment upon the several Federal Reserve Banks of an amount equal to one hundred seventy-six thousandths of one per cent (.00176) of the total paid-in capital stock and surplus of such banks, and the Fiscal Agent of the Board is hereby authorized to collect from said banks such assessment and execute, in the name of the Board receipts for payments made. Such assessment will be collected in two installments of one-half each; the first installment to be paid on July 1, 1919, and the second half on September 1, 1919.

K-1588b

ESTIMATE FOR JULY 1919, ASSESSMENT.

Average monthly encumbrance for period January 1, 1919, to June 30, 1919.	\$45,027.28
Estimated monthly requirements, July 1 to December 31, 1919, inclusive.	48,605.00
Estimated monthly increase	3,577.72
Estimated requirements, June to December 1919, inclusive	291,630.00
Estimated unencumbered balance June 30, 1919	<u>4,000.00</u>
	<u>287,630.00</u>

Estimated paid-in capital and surplus of Federal Reserve Banks, as of close of business June 30, 1919	163,700,000.00
An assessment of one hundred seventy-six thousandths of one per cent (.00176) will produce	288,112.00

I have the honor to recommend, therefore, that
an assessment of one hundred seventy-six
thousandths of one per cent (.00176) be levied.

W. M. Imlay

Fiscal Agent.

DETAILED STATEMENT OF EXPENDITURES AND COMMITMENTS AS A
BASIS OF ESTIMATE

	Monthly average Jan. 1 to June 30, 1919.	Estimate for the 1919.	Estimated monthly re- quirements. July 1 to Dec. 31, 1919.
PERSONAL SERVICES:			
Board and its clerks	\$6,366.77	\$6,391.50	\$7,500.00
Secretary's office	3,655.88	3,595.00	4,000.00
Counsel's office	1,979.52	2,090.00	2,500.00
Division of Audit and Examination	5,195.36	5,224.99	6,000.00
Division of Reports and Statistics	4,103.09	4,290.84	4,500.00
Division of Analysis and Research	1,411.78	1,337.50	1,600.00
Division of Issue	2,867.53	3,128.49	3,500.00
Messengers	722.22	750.65	750.00
Charwomen	77.55	78.00	100.00
Architecture	402.78	555.56	560.00
Contingent			2,000.00
	<u>\$26,782.79</u>	<u>\$27,442.53</u>	<u>\$33,010.00</u>

NONPERSONAL SERVICES:			
Transportation and subsistence -			
Board and its clerks	201.57	182.21	200.00
Secretary's office	19.99	10.00	100.00
Division of Audit and Examination	2,887.46	3,128.78	3,500.00
Division of Reports and Statistics			
Division of Analysis and Research	70.20	55.00	100.00
Counsel's Office			
Messengers	4.17	5.00	5.00
Communication service -			
Telephone	182.89	198.40	200.00
Telegraph	206.11	225.50	250.00
Postage	18.25	20.00	20.00
Printing and binding, etc.	3,099.45	2,500.00	3,500.00
Contract repairs	13.00	15.00	15.00
Electricity (light and power)	35.20	35.20	35.00
Steam (heat)	25.00	25.00	25.00
Other nonpersonal services	338.48	490.31	350.00
Supplies -			
Stationery	447.03	576.97	450.00
Periodicals	21.31	36.80	30.00
Other	267.76	315.35	275.00
Equipment:			
Furniture and Office	746.41	856.40	700.00
Books	35.87	30.00	40.00
Gold-Settlement Fund (including salaries)	869.84	875.84	1,000.00
Rent	652.77	719.83	800.00
Contingencies			1,000.00
	<u>10,142.76</u>	<u>10,291.59</u>	<u>12,595.00</u>

DIVISION OF FOREIGN EXCHANGE 8,101.73 6,597.39 3,000.00

GRAND TOTAL 45,027.28 44,331.51 48,605.00

Total expenditures and commitments
 January 1 to June 30, 1919 270,163.70
 Total estimate for next six months 291,680.00

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

EX-OFFICIO MEMBERS
CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

July 1, 1919.

X-1589

SUBJECT: Foreign and International Banking Institutions;
Report of Condition as of Close of Business
June 30, 1919.

Dear Sir:

Under authority of the agreement entered into by your corporation with the Federal Reserve Board, you are hereby respectfully requested to furnish the Board with a report of condition, as of close of business June 30, 1919, giving in detail all assets and liabilities of your corporation and the data asked for in the accompanying memorandum.

Please arrange to file the report of your Head Office as soon after July first as possible. Separate reports of branches and affiliated banks should be sent as soon as they are received by you. It will be appreciated if, after the reports have been received from all of your branches and affiliated banks, you will have prepared a consolidated statement for your corporation to be sent to the Board.

While the Board has ruled that no specific reserve has to be carried by foreign branches or affiliated institutions of American banking corporations against deposits abroad, it, nevertheless, wishes to be advised as to the average reserve carried by all such branches and affiliated institutions or corporations, which are operating under agreement with the Federal Reserve Board. You are, therefore, requested to have each of your branches, agencies, offices and subsidiary banks furnish you, for transmission to the Board, a report of the average reserve carried during the month of June, 1919, against deposit liabilities in the form shown in the accompanying memorandum.

Kindly acknowledge receipt.

Very truly yours,

Secretary.

Enclosure.

REPORT OF CONDITION TO FEDERAL RESERVE BOARD.

The following information is desired in connection with the report of condition to be made as at close of business June 30, 1919:

A. HEAD OFFICE

1. Detailed balance sheet showing all assets and liabilities, including contingent liabilities.
2. Amount of loans and discounts, divided: Secured - Unsecured
 - (a) Demand
 - (b) Time
 - (c) Overdrafts and other advances
 - Total
3. Detailed list of investments (including stock of affiliated institutions) showing:
 - (a) Issuing Government or corporation
 - (b) Interest rate
 - (c) Maturity
 - (d) Par value
 - (e) Book value
 - (f) Approximate market value -
4. Ownership of stock of affiliated institutions:
 - (a) Per cent owned by yourselves
 - (b) Per cent owned by foreign Governments
 - (c) Per cent owned by individuals and corporations
5. List of banks, branches, etc. having balances due to your corporation with amount for each bank separately:
 - (a) Government bank
 - (b) Local banks (exclude subsidiary banks, if any)
 - (c) Other banks (" " " " ")
 - (d) Branches, agencies, offices and affiliated institutions.
6. List of banks, branches, etc. having balances due from your corporation with amount for each bank separately:
 - (a) Banks and bankers
 - (b) Branches, agencies, offices and affiliated institutions.
7. Bills payable:
 - (a) Payable to:
 - (b) Amount
 - (c) Interest rate
 - (d) Maturity
 - (e) Collateral - give list.

8. Rediscounts:

- (a) Amount
- (b) Maturity
- (c) Rate
- (d) With whom
- (e) Secured or unsecured - if secured, give detailed information regarding security.

9. Reserve Statement:

Deposits in the United States:

- (a) Net demand deposits (after deducting uncollected demand items payable within United States - exchanges)
- (b) Time deposits.
- (c) Reserve held:
 - Cash on hand
 - Bank balances _____
 - Total

Per cent of reserve -

10. Acceptances - limitations:

- (a) Total outstanding acceptances \$
- (b) Capital and surplus \$ _____
- Excess a over b \$
- Acceptances secured \$
- Acceptances unsecured \$
- Amount required to be secured under agreement with Federal Reserve Board \$
- (Give list of security held as required above giving description and approximate amount)
- (c) List of drawers of drafts accepted, with total aggregate liability in excess of 10 per cent of capital and surplus.

<u>Name</u>	<u>Address</u>	<u>Business</u>	<u>Aggregate Liability</u>	<u>Security(*)</u> or <u>Guaranty</u>
-------------	----------------	-----------------	----------------------------	--

(d) Reserve against outstanding acceptances:

- Required - 15 per cent.
- 1. Cash (**)
- 2. Bank balances - (Head Office city) (**)
- 3. Bankers acceptances -
- 4. Securities approved by Federal Reserve Board (List in detail) _____
- Total

(**) These amounts, of course, must not include those appearing in 9-(c) as part of your reserve against deposits.

11. General limitations:

- (a) Total deposits and acceptances outstanding
- (b) Capital and surplus

Per cent deposits and acceptances outstanding
to capital and surplus _____

Limit fixed by Federal Reserve Board against aggregate
deposits and acceptances outstanding _____

- 12. List of officers and directors.
- 13. List of stockholders, showing number of shares owned by each.
- 14. List of branches, sub-branches, agencies, offices and affiliated institutions - date of opening of each and the location.
- 15. Date of last examination or audit - by whom made.

B. Branches, Agencies and Subsidiary Banks and Corporations.

- 1. Balance sheet to be furnished by each, showing in detail all assets and liabilities, including contingent liabilities, as at close of business June 30, 1919.
- 2. Amount of loans and discounts, showing: Secured - Unsecured
 - (a) Demand
 - (b) Time
 - (c) Overdrafts and other advances.
- 3. Detailed list of investments, showing:
 - (a) Issuing Government or corporation
 - (b) Interest rate
 - (c) Maturity
 - (d) Par value
 - (e) Book value
 - (f) Approximate market value
- 4. Amount of balances due from: (Name of bank and amount for each)
 - (a) Government bank
 - (b) Local banks
 - (c) Other banks - (exclude head office and affiliated banks)
 - (d) Head Office
 - (e) Other branches, agencies and affiliated institutions
- 5. Amount of balances due to: (Name of bank and amount for each)
 - (a) Banks and bankers (exclude Head office)
 - (b) Head office
 - (c) Other branches, agencies and affiliated banks
- 6. Bills payable:
 - (a) Payable to
 - (b) Amount
 - (c) Interest rate
 - (d) Maturity
 - (e) Collateral (Give detailed list)

7. Rediscounts:

- (a) Amount
- (b) Maturity
- (c) With whom
- (d) Rate
- (e) Secured or unsecured - if secured, give detailed data

8. Deposits:

Dollar
Equiv-
alent

(a) Government deposits (if secured give list of collateral)

- 1. Demand
- 2. Time

Other deposits

- 3. Demand
- 4. Time _____

Total

(b) Deposits - how payable:

- 1. Local Currency
- 2. Dollar
- 3. Sterling
- 4. Otherwise _____

Total

9. Special Reserve Statement - average for the month of June, 1919:

(a) Net deposits:

- 1. Payable in local currency
- 2. " in dollars
- 3. " in sterling
- 4. " otherwise _____

Total

(b) Reserve:

- 1. Amount, if any, and composition required by local laws.
- 2. Amount held:

	<u>Amount</u>	<u>Per cent to net deposits</u>
(a) Gold and silver\$		%
(b) Local currency.....		
(c) Other cash.....		
(d) Balance in local Govt. bank.....		
(e) Other reserve funds _____		
Total		

10. Date of last examination or audit - by whom made.

NOTE: 1. Where a schedule does not refer to your corporation, please indicate this by inserting the word "None".

2. Reports for foreign branches, agencies, etc., should be in terms of United States money, stating the rate of exchange at which they were converted.

EX-OFFICIO MEMBERS
CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

June 20, 1919.

X-1590

SUBJECT: Form of agreement required by the Federal Reserve Board of Foreign Banking Corporations as a condition precedent to the purchase of their stock by National banks under the provisions of Section 25, of the Federal Reserve Act.

Dear Sir:

The Board desires to express to you its appreciation of your prompt compliance with ~~the~~ request to have a representative attend the conference held in Washington on June 18th for the purpose of discussing generally the terms of the agreement with the various foreign banking corporations.

The conference proved to be a most interesting one, and as a result the Board has formulated the enclosed draft of agreement, to be generally uniform with respect to all such corporations. It will be noted that the modifications are of a minor character.

It is requested that you submit the revised form of agreement to your officers and directors at your ~~early~~ convenience, and if satisfactory to them, advise the Board of your formal acceptance thereof, which you will signify by executing and forwarding to the Board an agreement in the form herewith transmitted. Upon receipt of the new agreement it will be substituted for the one now on file with the Board.

Very truly yours,

Governor.

SENT TO BANKS & CORPORATIONS DOING BUSINESS IN FOREIGN COUNTRIES
UNDER THE SUPERVISION OF THE FEDERAL RESERVE BOARD.

Form of Agreement required by the Federal Reserve Board of Foreign Banking Corporations as a Condition Precedent to the Purchase of their Stock by National Banks under the Provisions of Section 25 of the Federal Reserve Act.

A. GENERAL:

In order to enable you and other corporations of the same character to compete effectively in foreign countries, it is necessary that latitude be given in the development of business abroad, and the Board believes that, for the present at least, restrictions should not be rigid or too much in detail, and that it is desirable to prescribe only general rules for your guidance. As occasion required, the Board will modify its regulations in such manner as experience may prove to be necessary.

B. POWERS:

1. In the United States:

a. Deposits: It is clear that in order to avoid competition in the matter of receiving deposits with national banks and state banks, which do not enjoy the wide powers which you must necessarily possess in order to compete successfully in foreign countries, you should not be permitted in the United States to receive individual deposit accounts or domestic bank exchange or collection accounts. You will be permitted, however, to receive any deposit which is incidental to, or for the purpose of, carrying out transactions in foreign countries or dependencies of the United States, where you have established agencies, branches, or business connections. Deposits of this character may be made by individuals, firms, corporations or banks, whether foreign or domestic, and may be time deposits or on demand.

Reserves: It will be required that, against all such deposits received in the United States, you maintain a reserve in the amount required by law against such deposits of member banks located in central reserve cities. The Federal Reserve Banks are authorized, for purposes of clearing or collection, to receive deposits from non-member banks, and your reserve against domestic deposits may be maintained by opening a clearing account with the Federal Reserve Bank of your district, where an adequate balance may be carried by you.

b. Acceptances:

In the matter of acceptance of drafts and bills of exchange, the Board has concluded that you should be authorized to accept for all transactions permissible to member banks under the provisions of the Federal Reserve Act, provided that you make no

acceptance for account of any one drawer in an amount aggregating at any time in excess of ten per centum of your subscribed capital and surplus, unless the transaction be fully secured, or represents an exportation or importation of merchandise and is guaranteed by a bank or banker of undoubted solvency; and provided that whenever the aggregate of your acceptances outstanding at any time (a) exceeds the amount of your subscribed capital and surplus, fifty per centum of all acceptances in excess of such amount shall be fully secured, or (b) exceeds twice the amount of your subscribed capital and surplus, all acceptances outstanding in excess of such amount shall be fully secured, whichever of said two requirements shall call for the smaller amount of secured acceptances; and provided further that in no event shall the aggregate of all your acceptances outstanding, plus the total of all deposits held by you, whether foreign or domestic, exceed six times the amount of your subscribed capital and surplus, except with the approval of the Federal Reserve Board.

Reserves:

It must be understood, furthermore, that against all acceptances outstanding you will maintain a reserve of at least fifteen per centum in liquid assets, which shall consist of:

1. Cash;
2. Balances with other banks;
3. Bankers' acceptances; and / or
4. Such securities as the Board may, from time to time, permit.

2. In foreign countries.

You are authorized to accept deposits of any kind from banks, individuals and corporations in foreign countries, and generally to exercise such powers and to do such things as are incidental to banking conducted in the countries and dependencies in which you may transact business. The Board assumes however that in the matter of receiving deposits, making loans, and in all other business conducted in foreign countries, you will be guided primarily by the laws of those countries and by sound business judgment and banking principles. While the Board will not require you to carry abroad cash reserves against deposits abroad, should it appear at any time that your business methods are such as to afford insufficient protection, the Board will formulate such restricting regulations as may be proper in the circumstances.

C. REPORTS AND EXAMINATIONS:

1. You will be required to make two reports annually to the Federal Reserve Board, covering such details as may be prescribed.
2. You will also be subject to such examinations as the Board may order, these examinations to be made either by employees or agents of the Board or of the Federal Reserve Bank of your district.

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

X-1591

For immediate release Friday, June 20, 1919.

The Federal Reserve Board had today a conference with the executive committee of the Federal Advisory Council (Mr. James B. Forgan of Chicago, Mr. L. L. Rue of Philadelphia, Mr. Daniel G. Wing of Boston and Mr. W. S. Rowe of Cincinnati) to consider problems relating to the financing of the foreign trade of the United States.

There was discussion as to what unusual features attached to this trade and the bearing thereof upon the American banking situation. The Board and the Committee of the Council were in entire accord that the matter of providing long term advances for Europe presented an investment rather than a banking problem and that the necessary funds must therefore come from the investment market. It was, however, the opinion of the conference that as a step towards supporting plans for the financing of our foreign trade it would be well to add a new paragraph to Section 25 of the Federal Reserve Act so as to permit National banks until January 1, 1921, without regard to the amount of their capital and surplus, to invest not exceeding in the aggregate five per centum of their capital and surplus in the stock of one or more corporations principally engaged in such phases of international or foreign financial operations as may be necessary to facilitate the export of goods from the United States. The Board voted to recommend this legislation to Congress.

411

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SHELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

FEDERAL RESERVE BOARD

WASHINGTON

June 23, 1919.

X-1592

Subject: Plan for conducting Competition
for Selection of Architect.

Sir:

I enclose herewith for your information copy of a letter addressed to the Governor of the Federal Reserve Bank of New York commenting upon his plan for conducting a competition for the selection of an architect for the bank building.

The Board feels that in view of the quasi-public character of the Federal Reserve Banks it would be desirable in all cases where an architect has not already been selected that a reasonable number of qualified architects be considered and that a choice be made by some competitive method.

Very truly yours,

Governor.

Letter to all Chairmen, copy to Governors.

Enclosure.

June 21, 1919.

Dear Governor Strong:-

Your letter of the 12th instant outlining your plans for conducting a competition in your selection of an architect for your building has been brought to the attention of the Board and the method proposed meets with its approval.

The Board understands that a number of leading architects will be invited to submit plans under conditions set out in your program of competition prepared by Mr. Trowbridge and approved by your directors, and that the plans will be judged anonymously, the award to be made upon the final decision of the directors, the terms of the contract being specified in advance in the program of competition. The Board understands further that only those architects will be invited to compete as have such qualifications as would justify the bank in awarding the work to any one of them without competition, so that the anonymity of the plans and the award upon that basis will insure a suitable selection and at the same time a fair competition beyond any possible criticism. You state that the competitive plans selected will not necessarily be those adopted for the building nor is it your expectation to have the plans and estimates produced by the competition determine in any way the probable cost of the building, and that the competition is primarily for the selection of an architect rather than for the adoption of building plans, completion of which will necessarily be deferred until after the architect has been selected.

The Board would be gratified if those Federal Reserve Banks which have not already selected their architects would conduct competitions along similar lines for the selection of their architects.

Very truly yours,

(Signed) W.P.G. HARDING.

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

Governor.

Enclosure sent with X-1592 to all Chairmen, copy to governor.

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

June 26, 1919.

X-1594

Subject: State Bank Membership Applications held by
Federal Reserve Banks.

Dear Sir:

Section 9, of the Federal Reserve Act, provides that any bank incorporated by or organized under any law of any State or of the United States, desiring to become a member of the Federal Reserve System, may make application to the Federal Reserve Board. It is further stated that "in acting upon such applications the Federal Reserve Board shall consider the financial condition of the applying bank, the general character of its management, and whether or not the corporate powers exercised are consistent with the purposes of this act."

It is the custom of the Federal Reserve Banks to forward to the Federal Reserve Board, with the recommendation of the Reserve Bank committees, applications of those state banks which are considered to be in a condition sufficiently satisfactory to warrant their admission to the Federal Reserve System. The committees invariably suggest conditions of membership. The Board has been informed that, in a number of districts where the Reserve Bank committees are not satisfied with the conditions of the applying banks, such banks have been given an opportunity to withdraw their applications, with the understanding that when the criticized conditions have been improved the Reserve Bank committee will again be willing to consider the applications.

The Board is desirous of having in its files a complete report of all applications made by State banks for membership in the System, and you are, therefore, requested to send, at your earliest convenience, a list of applications on which definite action by you has been deferred, giving the reasons why action has not been taken by your committee. It is also suggested that in future, in case an application is withdrawn, the Board be so advised.

Very truly yours,

Governor.

Letter to Chairmen of all Federal Reserve Banks.

F E D E R A L R E S E R V E B O A R D

X-1601

S T A T E M E N T F O R T H E P R E S S

For immediate release
June 30, 1919.

The Federal Reserve Board has been advised through the Secretary of the Treasury that the President has signed a proclamation revoking, subject to certain exceptions, certain prior proclamations and orders including the executive order of January 26, 1918 relating to the embargo on coin, bullion and currency and to the restrictions on transactions in foreign exchange. Under this action and the action thereunder which has been taken by the Federal Reserve Board with the approval of the Secretary of the Treasury all restrictions have been removed from the export of coin, bullion and currency and from transactions in foreign exchange except with or for persons in that part of Russia now under control of the so-called Bolshevik Government, including also the export and import of ruble notes. Applications and licenses, beginning July 1, 1919, will not be required for the export of coin, bullion or currency except as above stated. Neither the proclamation nor the action of the Federal Reserve Board in connection therewith, should be construed so as to authorize remittances to enemy territory which are permitted, as heretofore, only under special or general license of the War Trade Board.

EX-OFFICIO MEMBERS
 CARTER GLASS
 SECRETARY OF THE TREASURY
 CHAIRMAN
 JOHN SKELTON WILLIAMS
 COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD
 WASHINGTON

W. P. G. HARDING, GOVERNOR
 ALBERT STRAUSS, VICE GOVERNOR
 ADOLPH C. MILLER
 CHARLES S. HAMLIN

J. A. BRODERICK, SECRETARY
 L. C. ADELSON, ASSISTANT SECRETARY
 W. T. CHAPMAN, ASSISTANT SECRETARY
 W. M. INLAY, FISCAL AGENT

ADDRESS REPLY TO
 FEDERAL RESERVE BOARD

January 9, 1919.

SUBJECT: Report of Earnings and Dividends of
 State Bank and Trust Company members.

Dear Sir:

We are forwarding today under separate cover copies
 of form 107 for the use of State Bank and Trust Company members
 in submitting their semi-annual report of earnings and dividends.

May we request that you advise the banks that this report
 cover the six-month period ending December 31, 1918, even though
 they may not have closed their books on December 31, 1918 and the
 dividends declared cover a period other than that mentioned
 above.

Yours very truly,

Assistant Secretary.

Mr.
 Federal Reserve Agent,

St. 146

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

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ADOLPH C. MILLER
CHARLES S. HAMLIN

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L. C. ADELSON, ASSISTANT SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

January 14, 1919

Gentlemen:

Your courtesy will be appreciated if you will kindly cause to be forwarded regularly to the Federal Reserve Board copies of periodical press statements and reviews bearing upon the money market and business conditions, also copies of semi-annual and annual reports of condition that your bank may prepare for general distribution.

In return the Board will be pleased to place the name of your institution on its mailing list for the regular transmittal of copies of its own weekly bank statements and annual reports, both of which, it is thought, may prove of interest to you.

Respectfully,

Assistant Secretary

St. 156

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

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W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

January 15, 1919.

SUBJECT: Form St.51a, weekly condition
report of member banks in
selected cities.

Dear Sir:

There are being forwarded to you today
under separate cover copies of form St.51a
for distribution among your reporting member banks.
The only change from the preliminary form re-
lates to the note at the bottom which has been
changed to read "This report should be mailed to
the Federal Reserve Bank on SATURDAY morning of
each week."

Yours very truly,

Assistant Secretary

Mr.
Federal Reserve Agent,

St.157

EX-OFFICIO MEMBERS
CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
L. C. ADELSON, ASSISTANT SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

January 18, 1919

Dear Sir:

In addition to the purchase of acceptances by the New York and Boston banks for the account of other Reserve banks, a new practice has recently developed whereby direct purchases in the New York and Boston markets are made by other Federal Reserve banks. In order that complete data regarding such purchases may be available may we request that each Federal Reserve bank furnish the Board with a statement for the calendar year 1918 showing by months amounts of direct purchases of acceptances in markets located outside its own Federal Reserve district. A similar statement for January 1919 is desired, when complete data for the month have become available. Beginning February 1, it is requested that reports descriptive of such operations be given on separate schedules BD-7 which are to bear additional notation as follows:

"Direct Purchase in _____ market."

Yours very truly,

Assistant Secretary

TREASURY ADVISED TO REFUSE A SUBSIDY.

The Committee presided over by Lord Inchcape, which was appointed last September to consider and report upon the effect of the war upon the gold production of the British Empire, with reference particularly to the treatment of low-grade ores and how far it may be of importance to the national interests to secure the continuance of the treatment of such ores, and generally how to stimulate the production of gold, has submitted its report to the Treasury. The Committee says it is not prepared to recommend any bounty or subsidy for the purpose of stimulating the gold output of the Empire. Gold being the standard of value, no more can properly be paid for it than its value in currency.

In 1917 there was a reduction as compared with the previous year in the value of the gold produced in the Empire of £3,429,415, and in 1918 a further fall of £4,652,207, as compared with the 1917 production, is anticipated. The decline in the Transvaal last year was due to a combination of shortage of explosives and shortage of labour and in 1918 mainly to the shortage of labour, not due to any large extent to the war. The decline in Australasia in 1917 and 1918 was normal and due in the main to natural causes, but it was accelerated by the increase of costs and decrease in the efficiency of labour caused by the war up to the date of the Committee's appointment.

The treatment of low-grade ore in the Transvaal has not to any extent which could be determined been reduced by the war. From the point of view solely of gold production the abandonment of the treatment of low-grade ore in favour of higher grade ore will not within any measurable period reduce the total output of the Empire, and the continuance of the working of low-grade mines which are unable to work at a profit to themselves is not therefore a matter of any great importance to national interests.

SUBSIDY WOULD ENHANCE PRICES.

A subsidy for the production of gold appears to the Committee to be fundamentally unsound. Gold has been adopted as the standard of value because by reason of the operation of natural causes it is available in such quantities and at such a cost of production in terms of other commodities as to give it a more or less stable value. Its value in terms of commodities is directly influenced by the laws of supply and demand. Periods of increased gold production, following the discovery of further deposits of gold capable of extraction at a low cost, have been marked by an increase in the price of commodities. The exhaustion of these sources of supply has been accompanied by a decline in the price of commodities. The intention of the subsidy suggested by the gold producers is to enable gold to be produced which otherwise would not, conformably with the economic laws of supply and demand, be produced at all. Other things being equal, the result would be that the purchasing power of the whole of the world's gold would be diminished pro tanto. The value in terms of gold of the commodities for which it is exchanged would rise.

GOLD RESERVES AND FOREIGN TRADE.

It is undoubtedly desirable (The Committee go on to say) that considerable gold reserves should be held in this country, but in our view the most important function of a gold reserve is that it should be available for export at the standard price when required to meet foreign indebtedness. We think it essential to preserve a free market in gold, but clearly it would not be a business proposition to do so if we had to pay £4. 10s. 3d. for an ounce of gold in order to export it at £3. 17s. 10½d. We can only maintain our gold reserves if the value of our exports, visible and invisible, exceeds on the balance the value of our imports.

The London Chamber of Commerce apprehend that prices may fall rapidly at peace, with disastrous results to industry, and contend that it might be in the public interest to take steps to prevent the rapid fall in the price of commodities by stimulating the production of gold at the expense of the taxpayer. We neither share their apprehension nor accept their contention. We have no reason to believe that there will not be forthcoming from the British Empire on a parity basis as much gold as we shall need for the purpose of strengthening our gold reserves, but in any case the additional amount of gold which at best we could hope to secure by a subsidy would, in the opinion of our witnesses, be of no advantage to this country for building up reserves unless we can afford to keep it.

EX-OFFICIO MEMBERS

CARTER GLASS
 SECRETARY OF THE TREASURY
 CHAIRMAN
 JOHN SKELTON WILLIAMS
 COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

W. P. G. HARDING, GOVERNOR
 ALBERT STRAUSS, VICE GOVERNOR
 ADOLPH C. MILLER
 CHARLES S. HAMLIN

J. A. BRODERICK, SECRETARY
 L. C. ADELSON, ASSISTANT SECRETARY
 W. T. CHAPMAN, ASSISTANT SECRETARY
 W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
 FEDERAL RESERVE BOARD

February 13, 1919

Dear Sir:

Forms 44 and 381 have been revised to include Federal Reserve notes of higher denomination than \$100, authorized by the provisions of the Act of Congress approved September 26, 1918, amending the Federal Reserve Act, and a supply of each is being forwarded to you today under separate cover.

The latter form now consists of two sheets, form 381 to be used for reporting Federal Reserve notes received from and returned to other Federal Reserve banks during the month and form 381a for reporting the aggregate amounts received from and returned to other Federal Reserve banks from the beginning of the calendar year to the end of the report month.

Very truly yours,

Assistant Secretary

Mr.
 Federal Reserve Agent,

St.207

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

W. P. G. HARDING, GOVERNOR
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FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
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W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

February 14, 1919.

SUBJECT: Discontinuing weekly telegraphic reports, form X-938, showing F.R. bank notes received, on hand, etc.

Dear Sir:

In the future it will not be necessary for you to telegraph weekly figures, form X-938, showing Federal Reserve bank notes received from the Comptroller, on hand, etc. It is requested, however, that you continue to forward the complete mail report to the Board showing figures as of close of business each Friday.

Yours very truly,

Assistant Secretary.

St.209

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

422
W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

J. A. BRODERICK, SECRETARY
L. C. ADELSON, ASSISTANT SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

February 20, 1919

SUBJECT: Corrected "Float" Statements
for January 31 and February 7.

Dear Sir:

We are enclosing corrected copies of the "FLOAT" statement for January 31 and February 7 which please substitute for those previously furnished.

In the statements originally sent you, figures for net debits and net credits in the Friday morning settlements were inadvertently used instead of figures of the Saturday morning settlement.

Very truly yours,

Assistant Secretary

St.222

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
L. C. ADELSON, ASSISTANT SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

March 4, 1919

SUBJECT: Weekly report of War Savings and Thrift Stamps,
series 1919.

Dear Sir:

There are being forwarded to you today under separate cover copies of form 106, Weekly report on War Savings and Thrift Stamps, Series 1919. This report should be submitted to the Board on and as at close of business on Friday of each week.

No further reports covering transactions relating to 1918 series of War Savings and Thrift Stamps need be forwarded to the Board.

Yours very truly,

Assistant Secretary

Mr.
Federal Reserve Agent,

St. 241

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

J. A. BRODERICK, SECRETARY
L. C. ADELSON, ASSISTANT SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

EX-OFFICIO MEMBERS
CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

March 4, 1919

SUBJECT: Weekly report of 5th Liberty Loan transactions, also sales of 1918-19 tax certificates.

Dear Sir:

There are being forwarded to you today under separate cover copies of form 132 for reporting transactions relating to the Fifth Liberty Loan also sales of 1918-1919 tax certificates. This report should be submitted to the Board on and as at close of business on Friday of each week. Special attention is invited to the memorandum at the bottom of the form requesting information regarding the amount of payments on Fifth Liberty Loan bonds made by cash, certificates and credit.

Reports on form 130 covering transactions pertaining to the Fourth Liberty Loan may be discontinued on April 1.

Yours very truly,

Assistant Secretary

Mr.
Federal Reserve Agent,

St.242

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

FEDERAL RESERVE BOARD

WASHINGTON March 4, 1919

J. A. BRODERICK, SECRETARY
L. C. ADELSON, ASSISTANT SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

SUBJECT: Weekly Clearing House Bank Statement.

Dear Sir:

Referring to previous circular instructions, especially letter to Clearing House Managers dated August 30, 1918, and with the view of insuring uniformity of statements, the following explanations and amplifications of former instructions are issued for your future guidance:

1. Reports should be confined to the banks which are members of the local clearing house or which clear through clearing house members (so-called clearing house non-member banks.) In order that we may be able to follow more intelligently changes in the weekly figures, may we request that your telegraphic reports state in addition to total debits, also number of banks covered by the report (code word IDES.)
2. Debits to individual account should include all debits charged to the accounts of individuals, firms and corporations, also of the United States Government, including debits to war loan deposit account. Checks and other debits against savings accounts and payments from trust accounts, also certificates of deposit paid should be reported among debits to individual account.
3. Debits to bank account should include all debits to account of banks and bankers, exclusive of -
 - (a) debits to account of Federal Reserve bank,
 - (b) debits in settlement of clearing house balances.
 It is important that the report show aggregate debits to individual account separately from aggregate debits to bank account.

Respectfully,

Secretary.

Mr.

St. 243

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

W. P. G. HARDING, GOVERNOR
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FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
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W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. INLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

March 4, 1919

SUBJECT: Weekly report of bank transactions.

Dear Sir:

Enclosed herewith please find copies of circular letter for transmittal to reporting clearing house managers in your district. You will note that the enclosed instructions modify but slightly previous circular of August 30. May I suggest that in sending out this circular you enclose a letter over your own signature, expressing appreciation of the service rendered heretofore and adding suggestions for the improvement of the service that may occur to you as the result of your own experience in handling the weekly clearing house bank reports.

Please note also the following instructions in answer to inquiries from Federal Reserve banks:

In reporting weekly debits to bank account, Federal Reserve Banks should include debits to members' reserve account and non-members' clearing account only (code IKRA.) Do not include any debits on account of transactions with other Federal Reserve banks. Debits to special depository banks shown on the books of the Fiscal Agent Department should not be included with debits to either Government or bank account.

Yours very truly,

Secretary.

Mr.
Federal Reserve Agent,

St. 244

STATEMENT FOR THE PRESS.

March 7, 1919

The Federal Reserve Board has completed its statement showing condition on December 31, 1918 of all member banks, including 7,762 National banks and 930 Trust Companies and State banks.

Loans and discounts (including overdrafts) were 13,562 millions, of which 3,634 millions or 27 per cent represents loans and discounts of Trust company and State bank members. Among the total investments reported - United States Liberty bonds figure to the extent of about 1,589 millions, of which 375 millions are reported by the member non-national banks. Treasury certificates held at the close of the past year by all member banks totaled 1,303 millions, of which 321 millions represent the holdings of non-national members.

Loans upon the security of Liberty bonds and Treasury certificates carried by member banks at the close of the year aggregated 1,402 millions, of which 345 millions, or about 25 per cent is shown for member institutions other than National banks. Most of these loans are secured by Liberty bonds. For the National banks the Comptroller shows 1,020 millions loaned on Liberty bonds and 37 millions on Treasury certificates, which together constitutes about 10.6 per cent of the total loans and discounts of the National banks reported for the end of 1918. For the other member banks this percentage works out at 9.5 per cent. The total of these loans (so-called war paper) is exclusive of approximately 360 millions, the amount of war paper held under rediscount on December 31, 1918 by the Federal Reserve banks. It thus appears that at the end of 1918 the member banks held about 4,300 millions of their invested funds in the shape of United States war obligations and war paper, or more than 20 per cent of the 20,525 millions of their total loans and investments (other than fixed investments) reported at the close of the past year.

Aggregate reserve balances of all member banks (all with the Federal Reserve banks) are given as 1,654 millions, of which 474 millions or 29 per cent represents reserve balances of members other than national banks. Combined capital and surplus of all member banks is shown as 2,713 millions, of which 759 millions or about 28 per cent represents the capital and surplus of members other than national banks. Demand deposits of all member banks totaled 13,305 millions, of which 3,848 millions was reported by the 930 Trust company and State bank members of the System. Of the total of 483 millions of government deposits, about 172 millions or over 35 per cent is given as the share of the non-national members, while of the total time deposits of 3,826 millions about 1,353 millions is reported by the Trust Company and State bank members.

Acceptance liabilities of all member banks were in excess of 480 millions, of which over 37 per cent is shown for the non-national institutions, mainly the larger Trust companies in New York city. Of the total rediscount liabilities (largely to the Federal Reserve banks) of about 730 millions, about 228 millions or 31 per cent is given as the share of members other than national banks.

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
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CHARLES S. HAMLIN

FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

March 10, 1919.

SUBJECT: Condition reports of State bank
and Trust company members.

To the Cashier or Treasurer:

Enclosed please find three blank forms of report of condition to be used for submitting statement of condition of your institution at close of business on Tuesday, March 4, 1919.

May I call your attention to the following changes on face of the report:

Item No. 3 - In this item should be entered the amounts paid by the bank in settlement of drafts drawn on it for payment, under authority of its letters of credit, and for which payments the bank has not yet been reimbursed by its customers. This item has no connection with item 38 on the liability side of the report and should not show an offsetting entry to that item under any circumstances, nor should it be confused with item 4, as item 3 relates to drafts drawn for payment, and not acceptances, by the bank. When a customer becomes liable to the bank on account of ACCEPTANCES drawn under a letter of credit such liability of the customer should be shown in item 4 and not in item 3.

Item No. 38 - In this item should be shown only letters of credit and traveler's checks which were SOLD FOR CASH and are still outstanding. This item is in no way connected with item 3, resources, and should not be used for offsetting entries to that item; nor should it be confused with item 39 as only liabilities on account of acceptances should be shown in item 39.

Please forward two copies of your report to the Federal Reserve Agent of your District and retain one copy for your files.

Respectfully,



Secretary.

(St.253)

EX-OFFICIO MEMBERS

CARTER GLASS

SECRETARY OF THE TREASURY
CHAIRMAN

JOHN SKELTON WILLIAMS

COMPTROLLER OF THE CURRENCY

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
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FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENTADDRESS REPLY TO
FEDERAL RESERVE BOARD

March 19, 1919.

SUBJECT: Revision of form 50,
monthly report of
clearing operations.

Dear Sir:

During the past few months considerable difficulty has been experienced in securing comparable reports from all Federal Reserve Banks with reference to clearing operations and to the number of member and non-member banks in the district and non-member banks on the par list. With a view to standardizing these reports and obtaining complete data from all banks two new forms (50 and 50-A) have been devised to take the place of form 50 now in use.

You will note that we have provided on the new form 50 for the total number and amount of items handled, in addition to the daily averages which were required heretofore, also that additional captions have been provided to insure uniform reporting of items sent direct by Federal Reserve Banks to banks located in their branch cities, and by branch banks to banks located in their head office cities, as well as items sent direct to banks located in other Federal Reserve districts. The total on this form, following item 7, should represent the number and amount of items handled by the reporting Federal Reserve bank or branch without duplication, while items 8, 9 and 10 should represent items which have been handled by a Federal Reserve Bank and a branch, or by two Federal Reserve Banks or branches.

With reference to form 50-A, it will be noted that we have called for somewhat more detailed information regarding changes in the status of both member and non-member banks. Data reported on this form should enable the Board to follow the changes in membership and in par points much more closely than has been possible in the past. Inasmuch as a number of Federal Reserve Banks would find it practically impossible to definitely ascertain every increase or

(St. 275)

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
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JOHN SKELTON WILLIAMS
CONTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HANLIN

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. INLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

April 1, 1919

SUBJECT: Form St.51-A, Weekly Condition Report
of Member Banks in Selected Cities.

Dear Sir:

The Board's supply of form St.51-A, Weekly condition Report of Member Banks in Selected Cities, is now practically exhausted, and as several Federal Reserve Banks have expressed a desire to have this form printed locally in order that the name of the Reserve Bank and the department to which it is to be addressed may appear thereon, the Board has decided not to have this form reprinted at the Government Printing Office but to let each Reserve Bank print its own supply. It is requested, however, that in printing these forms you use the same description of the various items as adopted by the Board.

You will note from the revised form enclosed herewith that the only change which has been made in the form relates to the method of figuring net demand deposits, item 9. This change is necessary in order to conform to the Board's recent ruling relating to the method of arriving at amounts due to banks and bankers for the purpose of calculating required reserves.

Yours very truly,

Assistant Secretary.

St.302

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

April 1, 1919

SUBJECT: Abstract of condition of
member banks as of December
31, 1918.

Dear Sir:

We are forwarding to you under separate cover
copies of the Board's Abstract No.5 showing condition of
member banks as at close of business December 31, 1918.
Please forward one copy of the abstract to each State bank
and trust company member in your district.

Yours very truly,

Assistant Secretary

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN

JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

April 1, 1919

SUBJECT: Charts showing movement of principal assets and liability items during 1918 and 1919.

Dear Sir:

We are forwarding to you today under separate cover two charts showing the movement of

- (1) Net deposit and note liabilities, also cash reserves, and
- (2) the various classes of earning assets,

of all Federal Reserve Banks during the period January 1, 1918 to March 7, 1919. All the information required to continue the several curves for the remainder of the present calendar year may be obtained from the Board's regularly weekly published statements.

As the above charts do not provide for showing member banks' collateral notes separately from other classes of paper, we will discontinue sending the regular weekly memorandum showing the amount of such notes held at close of business each Friday.

Yours very truly,

Assistant Secretary.

st.306

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

FEDERAL RESERVE BOARD

WASHINGTON April 8, 1919

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

SUBJECT: Distribution by F. R. Bank of
weekly report of debits to
deposit account.

Dear Sir:

We are advised by one of the Federal Reserve Banks that, with the view of arousing greater interest in the Board's weekly statement of debits to individual and bank accounts, it proposes to commence direct distribution of the Board's consolidated weekly statement of these debits among reporting clearing house banks in the district. The Reserve bank accordingly requests that we supply it with a sufficient number of copies of our weekly report to enable it to forward one to each of the reporting banks.

Will you be good enough to inform the Board whether or not you believe it desirable to supply each of the reporting banks in your district with a copy of the statement, and if so how many copies you will require for this purpose.

Yours very truly,

Assistant Secretary.

EX-OFFICIO MEMBERS

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JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

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ADOLPH C. MILLER
CHARLES S. HAMLIN

FEDERAL RESERVE BOARD

April 8, 1918

WASHINGTON

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
M. IMLAY, FISCAL AGENT
ADDRESS REPLY TO
FEDERAL RESERVE BOARD

SUBJECT: Revision of weekly F. R. bank statement.

Dear Sir:

Confirming our telegram of April 7 regarding additional telegraphic information for publication in the Board's weekly press statement, reading as follows:

"Referring our February 24 telegram regarding publication of contingent liability on rediscounted paper, please telegraph as at close of business each Friday as part of your regular weekly statement form 34 - Contingent liability as endorser on discounted paper rediscounted with each other Reserve bank, code MAIN; and on bankers acceptances sold to each other Federal Reserve bank with your endorsement, code MEND. Stop. Please wire also amount of bills secured by government war obligations discounted separately for each Reserve bank, code MILL; also bankers' acceptances bought separately from each other Reserve bank with its endorsement, code MODE; and bankers acceptances bought from each Federal Reserve bank without its endorsement code MUSE. Please continue to give telegraphic data for code words MUSS, MEID and MORN in your daily TEND telegram but omit from Friday night telegram; also place Board's Statistical Division on mailing list for Friday night press statement showing condition your bank. Letter follows."

Beginning with Friday April 11, the detailed statement showing resources and liabilities of the Federal Reserve banks will appear on two sheets, the resources on one and the liabilities on the other. The resource sheet will contain the following memoranda:

- (a) "Includes bills discounted for other Federal Reserve banks, viz....." as a footnote to asset item "Bills discounted, secured by government war obligations."
- (b) "Includes bankers' acceptances bought from other Federal Reserve banks -
With their endorsement
Without their endorsement"
as a footnote to asset item "Bills bought in open market."

The liability sheet will show each bank's contingent liability as endorser on paper sold to or rediscounted with other Federal Reserve banks, as follows:

- "Contingent liability as endorser on -
- (a) Discounted paper rediscounted with other Federal Reserve banks
- (b) Bankers' acceptances sold to other Federal Reserve banks"

The statement showing Federal Reserve notes outstanding and the maturity distribution of bills and other short-term investments held by Federal Reserve banks now appearing as memorandum items at the bottom of the Federal Reserve Agents' statement will be transferred to the liability sheet to follow the figures showing contingent liability as above indicated.

It is requested that you show on the reverse side of your form 34 as at close of business on each Friday the additional information regarding your bank's holdings of paper discounted for or purchased from other F. R. banks, also its contingent liability as endorser on paper rediscounted with or sold to other Federal Reserve banks in the following manner:

	Discounted paper acquired from other Reserve Banks	Bankers' Acceptances acquired from other F.R. banks	Contingent liability as endorser on bills or sold to other F.R. banks
	With their endorsement	Without their endorsement	Discounted bills Bankers' Acceptances
Boston			
New York			
Philadelphia			
Cleveland			
Richmond			
Atlanta			
Chicago			
St. Louis			
Minneapolis			
Kansas City			
Dallas			
San Francisco			
Totals			

The total against memorandum item (a) "Bills discounted for other Federal Reserve banks" to be shown in the Board's statement as a footnote to resource item "Bills discounted, secured by Government war obligations" must agree with the total of memorandum item (a) on the liability sheet - "Contingent liability as endorser on discounted paper rediscounted with other Reserve Banks." Inasmuch as these figures will be telegraphed to the Board by different banks the utmost care must be exercised in their compilation, or differences will occur which it may become necessary to adjust by telegram on Saturday before the Board's statement can be released to the press.

Please acknowledge receipt.

Yours very truly,

Secretary.

St.323b

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

W. P. G. HARDING, GOVERNOR
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CHARLES S. HAMLIN

FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

April 16, 1919.

SUBJECT: Revision of "Weekly Report
of Gold Receipts and Dis-
bursements," form X-1053.

Dear Sir:

There are being forwarded to you today 50 copies of form X-1053, revised so as to enable the Board to follow more closely the movement of gold into and out of the Federal Reserve system.

It will be noted that on the reverse side of the form we have added a detailed distribution of amounts shown against item ORIN - "All other receipts" and item PORK - "All other disbursements." We have also added a classification designed to show the purposes for which gold withdrawals are to be used. This classification shows the amounts withdrawn for export, for use in the industrial arts, for reserves of banks, for payments to the United States Government, and for all other purposes (the latter to be specified in detail), and is in accordance with the recommendations made by the Governors at their conference in Washington, March 20-22.

In order that the Board may be able to follow more closely the gold situation from week to week, it is requested that until further notice you forward this additional information likewise each week together with the other data on the form.

Yours very truly,

Assistant Secretary.

St.336

EX-OFFICIO MEMBERS
CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD
WASHINGTON

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W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT
ADDRESS REPLY TO
FEDERAL RESERVE BOARD

April 16, 1919.

SUBJECT: Revision of form "A",
Monthly Report of In-
vestment operations.

Dear Sir:

We are forwarding to you today under separate cover
copies of form "A". This form has been revised so as to pro-
vide for more detailed information regarding open-market pur-
chases of acceptances, especially of acceptances acquired from
banks and dealers in other Federal Reserve districts and from
other Federal Reserve banks.

None of the branch banks have been supplied with copies
of this form.

Yours very truly,

Assistant Secretary.

St.337

EX-OFFICIO MEMBERS
CARTER GLASS
SECRETARY OF THE TREASURY
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FEDERAL RESERVE BOARD

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

WASHINGTON

April 25, 1919

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

SUBJECT: Revision of form 38, "Distribution,
by classes, of paper and short-term
investments held."

Dear Sir:

We are forwarding to you today under separate cover
copies of form 38, revised as of April 12, 1919. The only
change made in the body of the form has been the addition
of new items to show acceptances bought in the open market
classified according to endorsements. May I request that
you render your first report on the revised form as at
close of business Friday, May 2.

Special care should be taken to see to it that proper
amounts are reported each week against memorandum items
"Acceptances bought from acceptor" and "Acceptances bearing
endorsement of more than one bank or banker."

Separate reports are desired for parent banks and for
each branch bank which carries earning assets on its own
books, and in addition a combined report from the parent
bank for both parent bank and branches. Branches which
carry earning assets on their own books should be supplied
by the parent bank with copies of the new form.

Yours very truly,

Assistant Secretary

EX-OFFICIO MEMBERS

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SECRETARY OF THE TREASURY
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FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

May 13, 1919

SUBJECT: Weekly report of debits to bank
account at clearing house banks.

Dear Sir:

An examination of the reports received from Federal Reserve Agents showing debits to bank account as reported by clearing house managers in the various cities in their districts seems to indicate that there is a lack of uniformity among reporting banks in the compilation of these figures. It will be appreciated, therefore, if you will ascertain from each clearing house manager submitting reports to you, the exact methods adopted by the reporting banks in compiling figures of debits to bank account.

In this connection may I again call your attention to the statement on page 258 of the Board's March Bulletin, that debits to bank account should include all debits to account of banks and bankers, exclusive of (a) debits to account of Federal Reserve bank, (b) debits in settlement of clearing house balances. It is evident that the amounts of cash letters forwarded to correspondent banks must be included with other debits to bank account. Our attention, however, has been called to the fact that some of the banks have not been including such figures.

Will you be good enough to give this matter your early attention in order that any lack of uniformity which may exist in the compilation of these figures may be revealed and corrected at the earliest possible date.

Yours very truly,

Assistant Secretary.

Mr.
Federal Reserve Agent,

St.381

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

W. P. G. HARDING, GOVERNOR
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FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

May 22, 1919

SUBJECT: Weekly member bank condition
report (form St.51).

Dear Sir:

May we request that in consolidating the weekly member bank statement special efforts be made to check each item against the corresponding item for previous weeks, with the view of detecting errors made in the original returns sent to you by reporting banks. This will facilitate our work of compilation and obviate the necessity of our telegraphing for confirmation or correction of the consolidated items.

It is suggested that the accountant in charge of the consolidation maintain a working sheet for each reporting bank and enter thereon, in parallel columns, the successive weekly figures of each item. If this is not practicable we would suggest the use of such working sheets to show the combined figures for reporting banks in each selected city in your district. In any event, specific instructions should be given to have all figures on the working sheet which is forwarded to the Federal Reserve Board compared with corresponding figures on the working sheet for the preceding week before figures are telegraphed to the Board.

Yours very truly,

Assistant Secretary.

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

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CHARLES S. HAMLIN

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

May 28, 1919.

SUBJECT: Loans secured by Liberty
bonds and U. S. Treasury
certificates of indebted-
ness.

Dear Sir:

Enclosed please find one copy each of tabulated
statements showing (a) amounts of paper secured by Liberty
bonds and U. S. Treasury certificates of indebtedness held
among its assets by each Federal Reserve bank as at close
of business on May 9, including amounts discounted for
other Federal Reserve banks, and (b) amounts of such paper
discounted for member banks in each Federal Reserve dis-
trict and outstanding on that date, including paper under
rediscount with other Federal Reserve banks.

Yours very truly,

Assistant Secretary

St.407

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

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ADOLPH C. MILLER
CHARLES S. HAMLIN

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

June 2, 1919

SUBJECT: Abstract of Condition of
Member Banks as of March
4, 1919

Dear Sir:

We are forwarding to you under separate cover
copies of the Board's Abstract No.6 showing condition of
member banks as at close of business on March 4, 1919.
Please forward one copy of the abstract to each State Bank
and Trust Company member in your district.

Very truly yours,

Assistant Secretary.

Mr.
Federal Reserve Bank,

st-412

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

June 24, 1919.

SUBJECT: Report of Earnings and
Dividends of State bank
and Trust company members.

Dear Sir:

We are forwarding today under separate cover copies of form 107 for the use of State bank and Trust company members in submitting their semi-annual report of earnings and dividends.

Please advise the banks that this report is to cover the six-month period ending June 30, 1919, irrespective of whether they may have closed their books on that date or not, and whether the dividends declared cover a period other than that mentioned above.

Yours very truly,

Assistant Secretary.

Mr.
Federal Reserve Agent,

st. 441 1/2

THIS LETTER SENT TO ALL FEDERAL RESERVE AGENTS.

EX-OFFICIO MEMBERS
CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
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W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

June 24, 1919

SUBJECT: Condition reports of State
bank and Trust Company
members.

Dear Sir:

Enclosed herewith please find copies of form 105,
Condition report of State bank and Trust company members,
revised as of June 14, 1919, together with copies of
circular of instructions for the information and guidance
of reporting members.

In the past considerable difficulty has been experienced
in getting comparable reports from all member banks, and with
the view of securing greater uniformity in methods of com-
pilation it has been thought desirable to furnish each report-
ing bank with a copy of instructions explaining the meaning of
certain of the items appearing in the report, also outlining
the manner in which reports are to be prepared.

Please mail three copies of form 105 and three copies of
circular of instructions to each State Bank and Trust Company
member in your district at the earliest practicable date, with
instructions to hold the blank forms in readiness for the next
condition report. Ten days after receipt of call by the mem-
ber banks, please request delinquent institutions, by wire if
necessary, to forward their reports immediately. It is im-
portant that these reports be compiled and forwarded to the
Board with as much dispatch as possible, in order that the
figures may be consolidated at the earliest practicable date
following the date of call.

Yours very truly,

Assistant Secretary.

(Copy of this letter sent to each Federal Reserve Agent)

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

W. P. G. HARDING, GOVERNOR
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FEDERAL RESERVE BOARD

WASHINGTON

June 24, 1919

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

SUBJECT: Report of earnings, expenses
and dividend payments for 1919.

Dear Sir:

Please be good enough to accompany your earnings and expense reports for the month of June with an additional statement showing the following information for the 6 months ending June 30, 1919:

- 1. Gross earnings _____
- 2. Total current expenses _____
- 3. Net earnings _____
- 4. Profit and loss January 1, 1919 _____
- 5. Net debit or credit to profit and loss during 6 months period _____
- 6. Net amount available for dividends, surplus, etc. _____

- 7. Dividends paid _____
- 8. Interest paid on stock surrendered _____
- 9. Total dividend payments _____
- 10. Carried to surplus fund _____
- 11. Carried to profit and loss _____
- Total _____

An additional statement should also be furnished the Board, showing in detail all debits and credits in the profit and loss account during the first six months of the year.

It will be appreciated if you will have data regarding gross earnings, code "Each"; net earnings, code "Earn"; total dividend payments, code "Tyre"; amounts carried to surplus fund, code "Even", and amounts carried to profit and loss, code "Eads", compiled and telegraphed to the Board not later than July 7, 1919.

Yours very truly,

Assistant Secretary.

(Copy of this letter sent to each Chairman of Bank)