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No complete sets of the Bulletin for 1915 are available. Bound copies of the Bulletin for 1916 may be had at \$5 per copy.

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FEDERAL RESERVE BULLETIN

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No. 7

REVIEW OF THE MONTH.

The month of June has been, perhaps, more important than any other similar period in the history of the Federal Reserve System. Three epochal events have given it this unusual position—the consummation of the Liberty Loan (with the added functions assigned to the Federal Reserve Banks as fiscal agents of the Government of the United States); the adoption of the amendments to the Federal Reserve Act which became law on June 21; and the favorable decision of the Supreme Court in *Bank v. Fellows*, the so-called trustee powers case.

Completion of
Liberty Loan.

Completion of subscriptions to the Liberty Loan was announced by the Secretary of the Treasury on June 16 in a statement making known that the offering had been heavily oversubscribed. Subsequent figures show that the aggregate subscriptions received amounted to \$3,035,226,850, and came from more than 4,000,000 individual subscribers. The large percentage of subscriptions received in sums of less than \$10,000, estimated as it is at 99 per cent, shows to how great a degree the small subscriber has actually taken up the bonds. It can not as yet be stated how far subscriptions to the bonds have been paid for outright either by checks upon accumulated funds in banks, or by transfer of cash, and in what measure the subscribers have taken advantage of the various plans for liquidation by installments which have been offered to them by the various banks and trust companies of the country. In so far as subscriptions have been made on a partial payment basis, however, they will imply the necessity of continuous saving by all such subscribers during the period

in which the latter are engaged in liquidating their installment pledges. While the operation is in progress, the relation of the banks to the loan as supporters and carriers of the bonds will naturally be continued. Thus far the efforts of the banks have manifestly been in direct line with the recommendation, placed before them by the Board in statements both before and after the beginning of the war with Germany, that they should act as distributors, and only to a moderate extent as actual investors in the new securities. The country is to be congratulated upon the smooth and efficient working of the plan for the distribution of the new bonds, and so far as now can be foreseen, upon the readiness and success with which the public has arranged to absorb them.

It is worth while, by way of review, to enumerate the various steps taken by the Federal Reserve Board in its effort to facilitate the distribution of the loan through the assistance of the banks. These various steps have been as follows:

- Policy of Federal Reserve Banks.
1. Establishment of a rate of 3 per cent per annum for the discount at Federal Reserve Banks of the direct 15-day obligations of member banks, secured by Treasury certificates of indebtedness. These certificates were issued at 3 and 3½ per cent per annum.
 2. The establishment of a rate of discount at Federal Reserve Banks of 3½ per cent per annum for customers' 90-day notes rediscounted with the indorsement of member banks when such notes had been originally given for the purpose of securing funds for the purchase of bonds.
 3. The general grant of permission to member banks to act as agents of nonmember banks

in rediscounting until further notice the notes of the latter at Federal Reserve Banks in order to obtain funds to facilitate the operations of such non-member banks in Government bonds.

4. The establishment of a "one-day rate" of from 2 to 4 per cent for use in financial centers, chiefly New York, for the purpose of restoring to the market funds temporarily withdrawn through Government loan operations.

5. Provision that nonmember bank notes might be discounted at Federal Reserve Banks with the indorsement of a member bank on the same basis as customers' notes (that is, running up to 90 days' maturity) on condition that such notes should be rediscounted only up to July 15, provided that the notes were accompanied by an affidavit that the proceeds thereof had been used for the purchase or carrying of bonds.

6. General assurances to savings banks and trust companies that the Board desired in every way to cooperate with them in avoiding shock or disturbance to existing conditions; and that the system stood ready further to extend through member banks reasonable accommodation at Federal Reserve Banks for the purpose of protecting the interests of such savings banks and trust companies in the event of necessity resulting from withdrawals made by depositors in order to purchase or invest in Government bonds.

It will be observed that the action taken by the Board has been limited to specified periods of time and specified maturities in the belief that as early as possible the member banks ought to endeavor to close their operations by requiring customers to liquidate as rapidly as possible their purchases of bonds.

Comparative figures for earning assets, especially for the amounts of bills held by the Federal Reserve Banks on May 18 and June 22, are of unusual interest in throwing light on the amount of assistance actually rendered by the

Federal Reserve Banks to the banking community in the flotation of the Liberty Loan. This aid was given by discounting, at the rates of 3 and 3½ per cent already described, member banks' notes secured by commercial paper or United States certificates of indebtedness and interim receipts of subscriptions to the Liberty Loan. Between May 18 and June 22 the amounts of these notes held by the Federal Reserve Banks increased from \$14,883,000 to \$169,789,000. In the meantime the Federal Reserve Banks increased their holdings of acceptances purchased in the open market from \$100,177,000 to \$194,303,000, the increase for the last two weeks only, being about \$60,000,000. It is likely that by far the larger portion of American bank acceptances "afloat" are at present in the portfolios of the Federal Reserve Banks. The Federal Reserve Bank of New York was especially active during the past month, increasing its holdings of discounted and purchased paper by about 121.2 millions and 67.9 millions, respectively.

Practically no change is shown in the total of United States securities held, but there was a large reduction in the amount of municipal warrants carried by the Federal Reserve Banks.

In the following table are shown the changes between the two dates in the amounts of bills held by each bank, as well as the aggregate investments held by all the banks:

[In thousands of dollars.]

Federal Reserve Bank.	May 18.	June 22.	Net increase.	Net decrease.
Boston.....	15,734	41,795	26,061	.....
New York.....	30,968	220,032	189,064	.....
Philadelphia.....	21,544	27,586	6,042	.....
Cleveland.....	9,965	20,499	10,534	.....
Richmond.....	15,576	16,919	1,343	.....
Atlanta.....	5,284	5,227	.....	57
Chicago.....	10,877	41,933	31,056	.....
St. Louis.....	7,053	11,267	4,214	.....
Minneapolis.....	9,534	10,536	1,052	.....
Kansas City.....	4,361	18,031	13,670	.....
Dallas.....	4,062	5,151	1,089	.....
San Francisco.....	10,065	16,261	6,196	.....
Total bills.....	145,023	435,287	290,264	.....
Total U. S. securities.....	114,390	114,918	528	.....
Total municipal warrants.....	14,639	2,444	.....	12,195
Total investments held.	274,052	552,649	278,597	.....

Changes of cash holdings resulting from the loan operations have likewise been important. A loss of about one hundred millions in total reserve and a reduction of the so-called excess reserves of the New York City clearing house banks from \$146,754,000 on May 19 to \$54,051,000 on June 16, resulting in a decline of these banks' reserve percentage (as gauged by the ratio of their total reserves to their net demand deposits) from 22.6 per cent to 19.5 per cent, are the most prominent developments. Government deposits of these banks, chiefly in connection with Liberty Loan operations, increased meanwhile about sixty-three millions. A similar tendency is noted by the New York State banking department, the reserve percentage of the trust companies in Greater New York showing a decrease from 25.6 to 21.4 per cent and the reserve percentage of the New York City State banks a decline from 28.5 to 23.8 per cent. Foreign Government deposits with the leading New York banks apparently account for the temporary improvement in the reserve situation of the clearing house banks indicated in the report for May 26.

Average excess reserves of the Philadelphia clearing house banks and trust companies show a decline from \$19,627,000 for the week ending May 19 to \$14,209,000 for the week ending June 16. This movement was somewhat intermittent, the report for the week ending June 2 indicating an increase in average excess reserves from \$18,593,000 to \$23,262,000.

For the Boston clearing house banks a gradual increase of average excess reserves from \$28,350,000 for the week ending May 19 to \$34,829,000 for the week ending June 9, is shown, the report for the following week indicating, however, a decline to \$32,635,000.

Reports to the Comptroller of the Currency from 42 clearing house associations indicate, for the same period, aggregate increases of \$44,262,000 in excess reserves as against aggregate decreases of \$138,919,000, or a net decrease in excess reserves of \$94,657,000 between the week ending May 19 and the week ending June 16.

The gold position is of direct interest in this same connection. For the four weeks ending June 15 the total net outward gold movement was \$43,048,000. Gold imports and exports. gold imports during the period amounting to \$3,535,000 and gold exports during the same period, largely to the Far East, to \$46,583,000.

The increase of the country's stock of gold through net gold imports since August, 1914, appears from the following exhibit:

Gold imports and exports into and from the United States from Aug. 1, 1914, to June 15, 1917.

[000 omitted.]

	Imports.	Exports.	Excess of 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 June 15, 1917.....	338,839	153,810	235,029
Total.....	1,549,792	446,001	1,103,791

¹ Excess of exports over imports.

The rapid increase in the operations of Federal Reserve Banks occurring since the initiation of loan operations makes it particularly appropriate to examine with care the expansion of bank credits both in the United States and in Europe. European figures are of especial interest, as indicating to some extent the increase in lending operations necessitated by the conduct of the war. The following figures designed to illustrate some of the salient points in connection with this enlargement of bank credits have, therefore, been compiled from the returns furnished by all banks of the United States, as well as from those which show the condition of the principal British banks and the central banks of continental Europe.

Figures for individual deposits subject to check, as reported by national banks on June 30, 1916, and March 5, 1917, are given in the following table. On the supposition that the individual deposits, subject to check, of all the reporting banks in the United States increased

at the same rate between the two dates, there is obtained a total of such deposits for March 5 of \$13,756,428,000.

	National banks.	All reporting banks.
Mar. 5, 1917.....	\$6,368,293,000	\$13,756,428,000
June 30, 1916.....	5,577,629,000	12,045,909,000
Increase, total.....	790,664,000	1,710,519,000
Increase, per cent.....	14.2	14.2

During the past three years the money in circulation increased as follows:

June 1, 1917.....	\$4,731,327,000
July 1, 1914.....	3,419,168,000
Increase.....	1,312,159,000

For aggregate individual deposits subject to check the estimated increase for about the same period is as follows:

Mar. 5, 1917.....	\$13,756,428,000
June 30, 1914.....	9,539,574,000
	4,216,854,000

This, therefore, is a total increase of individual check deposits and money of \$5,529,013,000.

The increase of \$4,216,854,000 in checking deposits thus shown may be compared with an increase of \$1,920,100,000, or 45 per cent, in the bank holdings of various securities (including Government bonds, but exclusive of Federal Reserve Bank stock), as shown by the following figures: Total bank investments on June 30, 1916, were, \$6,821,516,000, and on June 30, 1914, were, \$5,584,900,000.

Between June 30, 1916, and March 5, 1917, the investments of National and Federal Reserve Banks increased from \$2,378,109,000 to \$2,588,704,000, or by about 9 per cent. Applying this rate of increase to the June 30, 1916, figures for all bank investments, there is shown a calculated total of bank investments for March 5, 1917, of \$7,435,452,000, or \$1,850,552,000 in excess of the like total for June 30, 1914. This increase constitutes about 45 per cent of the increase during the same period shown above in individual deposits, subject to check.

Comparative figures of principal assets and liabilities of the principal banks of England,

Scotland, and Ireland, including the Bank of England, at the end of 1913 and 1916, recently published by the London Statist, especially figures of discounts, investments, and deposits, are instructive in this connection. They show the changes in the condition of the banks resulting from assistance rendered to their customers as well as to the Government direct in financing the war. It is well to bear in mind that while the bank-note circulation of the United Kingdom shows a relatively moderate increase during the period, the amount of Government currency notes, whose issue began only in August, 1914, reached a total of \$730,675,776 at the end of 1916, and stands at present (June 6) at \$772,936,462, secured by gold to the extent of 17.9 per cent only.

	End of 1913.	End of 1916.
Cash in hand and at Bank of England.....	\$1,013,050,000	\$1,905,673,000
Bills discounted.....	593,265,000	857,253,000
Investments.....	1,180,530,000	2,493,098,000
Bank notes in circulation.....	221,859,000	362,506,000
Deposit and current accounts.....	5,557,728,000	8,067,221,000

Statements of the German Reichsbank, the Bank of France, and the Russian State Bank, showing their comparative condition just prior to the outbreak of the war and at the most recent available date, afford further light upon credit expansion in Europe.

Principal assets and liabilities of the German Reichsbank.

	July 31, 1914.	May 23, 1917.	June 7, 1917.
Gold in vault.....	\$298,261,000	\$602,897,000	\$602,930,000
Loans and discounts.....	495,296,000	2,194,374,000	.....
Treasury notes.....	7,960,000	124,322,000	.....
Deposits.....	299,515,000	1,104,482,000	.....
Bank notes in circulation.....	692,442,000	1,935,435,000	1,964,721,000

Principal assets and liabilities of the Bank of France.

	July 30, 1914	May 24, 1917..
Gold in vault.....	\$799,279,000	\$624,435,000
Advances to the Treasury since Aug., 1914.....	.....	2,007,200,000
Bank notes in circulation.....	1,289,855,000	3,743,140,000
Current account deposits:		
Government.....	73,834,000	15,673,000
Other.....	182,881,000	507,361,000
	256,715,000	523,034,000

Principal assets and liabilities of the Russian State Bank.

	July 26/29, 1914.	May 1/14, 1917.
Gold on hand.....	\$325,884,000	\$761,262,000
Loans and discounts, including collateral loans.....	400,205,000	660,143,000
Treasury bills.....		4,687,166,000
Deposits and current accounts:		
Government.....	264,937,000	108,752,000
Other.....	327,585,000	1,450,223,000
Notes in circulation.....	341,174,000	5,900,428,000

The general question of bank-credit expansion in Europe has been interestingly discussed in an article in the London Economist, elsewhere reproduced in this issue of the Federal Reserve Bulletin (p. 518).

The President on June 21 signed the bill amending the Federal Reserve act, which in its original form had already passed the House of Representatives on May 5 and the Senate on May 9. Both Houses had previously received and adopted a conference report reconciling the two drafts of the measure, this report being debated in the House on June 12-14, and in the Senate on June 18. The act as finally adopted embodies principles already discussed in the Bulletin, and in the Board's various reports and statements, the only new feature being a modification of the so-called exchange amendment, to which reference was made in the Review of the Month for June 1. The exchange amendment gave to the banks the right to make an exchange charge of not exceeding one-tenth of 1 per cent. As finally modified in the conference report and in the measure now law, this amendment places in the hands of the Federal Reserve Board the authority to regulate the amount of exchange charges, within this limit of one-tenth of 1 per cent, and provides that no exchange charge shall be made to Federal Reserve Banks. This is a mandatory requirement that non-member as well as member banks shall remit absolutely at par. No material changes were made in the other provisions of the law, the work of the conference committee consisting in the harmo-

nizing of the Senate and House drafts by selecting from each the sections which were agreed upon for incorporation into the final law. Thus the provision adopted by the Senate with reference to the issue of reserve notes against gold, and the counting of gold held by Federal Reserve Agents, as part of the note reserve of Federal Reserve Banks, was adopted; while the House's provision as to the amount of reserves, which omitted all requirements as to vault cash, was likewise included. Other important sections taken from the Senate bill were those providing for new methods of handling the gold settlement fund and altering the liability of Federal Reserve Agents for moneys in their charge. The Board has so frequently and so positively expressed its views with reference to the urgent necessity of the adoption of the legislation and the benefits to be derived from it that only very general comment is required at this time.

The amendments, as already remarked, follow lines that have been recommended by the Board and were fully explained both in the Annual Report for 1916 and in communications to both Houses of Congress. Their broad purpose is that of strengthening the gold reserves of the Federal Reserve Banks, and this end is accomplished in two principal ways. Arrangements are made for transferring to the Federal Reserve Banks the vault cash heretofore carried at the option of the banks either in their own vaults or with the reserve institutions. At the same time the nonmember banks are encouraged to deposit their reserves with the Federal Reserve Banks by the making of liberal provisions which will enable them to exchange their gold for Federal Reserve notes and to carry accounts with the Federal Reserve Banks for the clearing and collection of their checks. The other method chiefly relied upon to effect the purpose of the amendments is that of rendering the system more attractive to State institutions in the belief that they will become members of it

Scope of Amendments.

and in consequence subscribe for stock and deposit their reserves with the reserve banks. The act now adopted releases the money reserve heretofore carried in the vaults of the member banks in so far as it may not be locally necessary, since the member banks are left to the exercise of their own judgment regarding the amount of funds so needed.

Other amendments provided for in the new law authorize desired changes in the criminal section of the Federal Reserve Act, adjusting the provisions with reference to action of directors more nearly to practical requirements as developed by experience. They also make provision for improved methods of conducting the work of the gold settlement fund, which has at times been delayed on account of the fact that the various processes of shifting, indorsing, and cashing the ten thousand dollar gold certificates by which the fund was represented had become very burdensome.

Various other improvements of administrative practice have likewise been incorporated, not the least important being a change in the liability provisions of the law, whereby the Federal Reserve Banks are made to join with the Reserve Agents in their assumption of liability for notes and gold. On the whole the Board believes it to be true that the amendments have added very materially to the efficiency of the Federal Reserve Act as a working measure and have also strengthened the reserve system as a whole by providing for a much larger control over the gold stock of the country.

The section of the new law relating to State banks and trust companies is practically an enactment of the Board's regulations on that subject already in effect. As heretofore stated by the Board, it was deemed advisable to make plain to intending members that these administrative regulations would be recognized as having the force of law, and hence the recommendation to Congress that they be incorporated into the pending measure. In general the provisions now given legislative sanction

assure every State bank and trust company entering the Federal Reserve System that there shall be no interference with its charter and statutory rights, and that it may continue to exercise all powers granted to it under such charter. In addition, of course, it becomes entitled to the usual privileges of member banks. In order to put the State banks thus becoming members upon a plane of equality with national banks, and at the same time to enforce upon them a rule which experience has shown to be wise, it is, however, specified that the Federal Reserve Bank shall not grant to a State member bank the discount privilege with respect to any paper made by a borrower who is obligated to the member bank to an amount in excess of 10 per cent of its capital and surplus. The conditions of examination of State member banks are also carefully defined, these State members being subject only to examination by the Board or by the Federal Reserve Bank of their district, on the one hand, and, of course, to the State examination prescribed by the authorities of the State in which they may be located. This provision also transfers to the Federal Reserve Bank of the district the reports which State members have heretofore made to the Comptroller of the Currency. As in the past, there is suitable provision for the withdrawal of State members who may desire to leave the system. The assurances as to conditions of their membership thus furnished to State banks have been very generally approved by institutions which had contemplated making application, but had been deterred by considerations of various kinds.

A feature of the law amending the Federal Reserve Act that is likely to figure in an important way in the operation of the Federal Reserve System during the near future, is that which relates to the establishment of branches. Few provisions of the law have been found more unsatisfactory than those bearing on this subject, the text of the act lacking clearness and precision, besides meeting with various

**Position of
State Banks.**

**Change in Status
of Branches.**

difficulties of practice not anticipated. Perhaps the two most troublesome elements in the situation have been that relating to the appointment of the directorates of branches, and that which requires the Federal Reserve Banks to establish branches. Under these provisions it has often appeared that the Federal Reserve Board could not direct the establishment of branches, but must wait for the initiative to come from the Federal Reserve Banks. The new law authorizes the Board to require the establishment of such branches. Thus it would seem that the responsibility for the further development of the branch system is now most largely centered in the Federal Reserve Board, whose duty will, therefore, be at an early date to examine the field and develop a consistent policy of branch banking. The experience thus far has been such as to indicate that a method of control over branches different from that heretofore applied may be desirable. Leaving this for further determination as conditions develop, the Board is considering the establishment of branches at various places. The creation of a branch at Spokane, Wash., with probably branches at Seattle, Wash., and Portland, Oreg., has already been tentatively provided for, and the same is true of the proposed branch at Baltimore, Md.

Immediately upon receiving official information that the new measure had been signed and had become law, the Board on June 22 sent out to Federal Reserve Banks a general letter advising them of the adoption of the amendments to the act and requesting them to bring the information to the attention of their member banks. In this letter particular attention was called to the new reserve requirements, but it was suggested to the Federal Reserve Banks that in view of the changes in progress as the result of Government borrowing operations, care should be used in effecting the transfers. It was also suggested that a beginning be made in central reserve cities and Federal Reserve cities by requiring banks at

those points to build up their balances in Federal Reserve Banks without further delay, while it was recommended that elsewhere deficiencies in balances be not penalized until after July 15. The Board at the same time issued to all Federal Reserve Banks instructions with reference to the new form to be given to the consolidated weekly statement of Federal Reserve Banks in consequence of the changes in the provisions of the law. The most significant of these changes, of course, related to the accounting for gold and notes, particularly as between the bank itself and the Federal Reserve Agent. Letters and telegrams on this subject were dispatched to the banks on June 20 and 21 in order that they might be prepared against the date when they would be informed of the actual signing of the new measure, so that if practicable, the consolidated weekly statement of the system might assume its revised form in the issue of June 23. As the bill ultimately became law on June 21, it proved possible to secure the cooperation of the Federal Reserve Banks in time to make the desired change in the statement issued on June 23. A copy of the revised statement appears elsewhere in this issue.

Supplementary to the instructions already issued as above described, the Board suggested to the Federal Reserve Banks that it would probably be well for them to adopt a uniform policy with respect to their method of treating and reporting reserves against notes and deposits. The new amendments to the act would permit a reserve bank to count gold held by its Federal Reserve Agent as a part of its required note reserve, while the Federal Reserve Bank might, if it chose, retain such gold on deposit with the agent against its outstanding notes, or might substitute commercial paper for the gold to any extent desired, provided that the gold remaining in the hands of the agent or specially segregated against notes in the vaults of the bank itself did not fall short of 40 per cent of the notes

New Reserve Requirements.

Changes in Reserve Policy.

outstanding. Differences in policy on the part of Federal Reserve Banks in regard to the treatment of this item would have resulted in considerable variations in the statements issued by them, and the Board consequently thought it well to recommend to them that, so far as practicable, they maintain in their reports an approximately equal percentage against both notes and deposits. The reports heretofore issued have shown Federal Reserve notes secured by practically 100 per cent of gold. Under the new mode of reporting the withdrawal of such gold from behind the notes in exchange for commercial paper and its transfer to the deposit reserve account correspondingly strengthens the deposit protection by enlarging the funds technically held for that purpose. The plan establishes practically a new basis of reserve comparison for the reserve banks and will correspondingly alter or affect comparisons based upon the older figures.

One feature of the month's changes in reserve requirements and reserves has grown not out of the legislation referred to, but out of the conditions of the war. Obligations amounting to about \$50,000,000 in favor of American holders, which matured at London joint stock banks, were paid at the Bank of England. The resulting obligation to holders of the paper was assumed by the Federal Reserve Bank of New York and by it distributed among the Federal Reserve Banks pro rata, with the understanding that the proceeds of the obligation when paid should be deposited with the Bank of England and held there as "ear-marked" gold, subject to the orders of the reserve system. Permission to carry out this transaction was given by the Federal Reserve Board on June 7, thus adding to the consolidated weekly statement a new item—"Gold held with foreign agencies"—which appeared for the first time on June 23. This step is in line with the practice of foreign banks. It has the advantage of avoiding the necessity of shipping gold over-sea under dangerous conditions, while

at the same time the use made of the money as reserve is identical with that to which it would have been put had the metal been actually and physically present in the vaults of the reserve banks themselves. The Board in granting the permission specified, however, that for the future such holdings of ear-marked gold in foreign countries should not exceed a moderate percentage of the total gold holdings of participating banks. An inspection of the statement of the banks for the week ending June 23 shows that the amount so held was \$52,600,000.

The decision of the Supreme Court of the United States in the case of *Bank v. Fellows*, handed down on June 11 (and printed elsewhere in this issue), fully sustains the action of Congress in providing for the grant of trustee powers to national banks, subject to such limitations as State law may impose. The Federal Reserve Board has, since its organization, granted trustee powers, in whole or in part, to nearly 400 banks, guiding its action in each case by competent legal advice with respect to the scope of such powers to be permitted under the law of the State in which the applying bank is located. Most of the banks thus granted trustee powers are already exercising them to a greater or less extent. The decision of the court confirms them in what they have already done and assures them of the constitutionality of the provision of law under which they are operating. It is to be expected that many others will now apply for and be granted authority of this kind. The banking aspect of this decision is also of very considerable importance. The verdict takes another step toward the establishment of a greater degree of similarity of function between commercial banks and trust companies, thereby continuing the development which has already been begun from the opposite side as the result of the action of various States in granting to trust companies commercial banking powers. It is not likely that even in those States where the development is most advanced and decided, an

**Holding of
Gold Abroad.**

**Use of Trustee
Powers.**

identity of function will at any time in the near future be brought about, but the present processes of development are such as to suggest an increasingly close degree of approximation to this condition in the case of some institutions or groups of institutions. We print elsewhere in this issue a comparative showing of the status of State law on the subject of acceptances. It would be much to be desired if uniformity of State law on that question and others relating to banking in general, could be secured, together with liberal and rational legislation regarding relations between banks and trust companies, and the relationship of both classes of institutions to the Federal Reserve System.

During the past month the movement of State banks and trust companies into the Federal Reserve System has continued.

Among those admitted have been the Merchants Loan & Trust Co. of Chicago, the St. Joseph's Valley Bank of Elkhart, Ind., Messrs. Coffman, Dobson & Co., of Chehalis, Wash., the Guardian Savings & Trust Co., of Cleveland, Ohio, and several others. The adoption of the amendments to the Federal Reserve Act has led a number of State institutions to declare their intention of becoming members at an early date, their hesitation thus far being said to be due to the fact that they desired to have legislative assurance of the stability of the provisions with reference to membership of State banks embodied in the Board's administrative regulations.

Subscriptions to Liberty Loan.

The following statement issued by Secretary of the Treasury McAdoo under date of June 22, 1917, furnishes summarized information with reference to the Liberty Loan operations in progress during the months of May and June:

"The total of the subscriptions to the \$2,000,000,000 Liberty Loan amounts to \$3,035,226,850—an oversubscription of \$1,035,226,850, or 50 per cent more than the amount offered.

"More than 4,000,000 men and women of the United States subscribed for the bonds, placing this vast sum of money at the disposal of their Government for the prosecution of the war. Of this number it is estimated that 3,960,000 people, or 99 per cent, subscribed in amounts ranging from \$50 to \$10,000, while the number of individual subscribers to \$5,000,000 and over was 21, their subscriptions aggregating \$188,789,900.

"The figures as to the number of subscriptions are estimates, because the returns from the 12 Federal Reserve Banks in this respect are incomplete, but when finally reported they will exceed the number stated. One of the chief purposes of the campaign was to distribute the Liberty Bonds widely throughout the country and place them as far as possible in the hands of the people. This was important, because the strength of Government finance, like the strength of Government policies, rests upon the support of the people. The large number of subscribers, especially the large number of small subscribers, is most gratifying, and indicates that the interest of the people was aroused as never before in an issue of bonds.

"The widespread distribution of the bonds and the great amount of the oversubscription constitute an eloquent and conclusive reply to the enemies of the country who claimed that the heart of America was not in this war. The result, of which every citizen may well be proud, reflects the patriotism and the determination of the American people to fight for the vindication of outraged American rights, the speedy restoration of peace, and the establishment of liberty throughout the world.

"The Congress pledged all the resources of America to bring the war to a successful termination. The issue just closed will serve as an indication of the temper and purpose of the American people and of the manner in which they may be expected to respond to future calls of their country for the necessary credits to carry on the war.

"As originally announced the present issue of bonds is limited to \$2,000,000,000, and no allotments will be made in excess of that amount. I have consequently decided to exercise the right reserved in the announcement offering the bonds to the public, to allot in full all applications for the smaller amounts and to reduce allotments on applications for the larger amounts. In view of the great number of subscribers for \$10,000 and less, allotments will be made in full to them.

The subscriptions by Federal Reserve Districts are as follows:

Boston.....	\$332, 447, 600
New York.....	1, 186, 788, 400
Philadelphia.....	232, 309, 250
Cleveland.....	286, 148, 700
Richmond.....	109, 737, 100
Atlanta.....	57, 878, 550
Chicago.....	357, 195, 950
St. Louis.....	86, 134, 700
Minneapolis.....	70, 255, 500
Kansas City.....	91, 758, 850
Dallas.....	48, 948, 350
San Francisco.....	175, 623, 900

Allotments will be made as follows:

Subscriptions.		Allotments.	
Up to and including \$10,000.	\$1, 296, 684, 850	100 per cent.....	\$1, 296, 684, 850
Over \$10,000 up to and including \$100,000.	560, 103, 050	60 per cent, but not less than \$10,000 bonds.	336, 061, 850
Over \$100,000 up to and including \$250,000.	220, 455, 600	45 per cent, but not less than \$60,000 bonds.	99, 205, 000
Over \$250,000 up to and including \$2,000,000.	601, 514, 900	30 per cent, but not less than \$112,500 bonds.	184, 381, 800
Over \$2,000,000 up to and including \$6,000,000.	234, 544, 300	25 per cent, but not less than \$600,000 bonds.	58, 661, 250
Over \$6,000,000 up to and including \$10,000,000.	46, 674, 150	21 per cent.....	9, 801, 600
\$25,000,000.....	50, 000, 000	20.22 per cent.....	10, 110, 000
\$25,250,000.....	25, 250, 000	20.17 per cent.....	5, 093, 650
Total subscriptions	3, 035, 226, 850	Total allotment.	2, 000, 000, 000

"In cases where larger subscriptions have been reported to the Federal Reserve Banks as consisting of a number of smaller subscriptions, provision has been made for allotment in accordance with the several amounts of the smaller subscriptions."

Following is the distribution and allotment of Liberty Bonds, by Federal Reserve Districts:

Districts.	\$50 to \$10,000.		\$10,050 to \$100,000.	
	Allotment.	Subscription.	Allotment.	Subscription.
1. Boston.....	\$203, 265, 400	\$203, 265, 400	\$39, 302, 900	\$65, 504, 850
2. New York.....	274, 019, 550	274, 019, 550	103, 616, 200	172, 093, 700
3. Philadelphia.....	112, 412, 100	112, 412, 100	27, 903, 800	46, 506, 300
4. Cleveland.....	123, 729, 400	123, 729, 400	45, 819, 550	76, 365, 950
5. Richmond.....	68, 506, 150	68, 506, 150	12, 731, 350	21, 218, 950
6. Atlanta.....	37, 741, 100	37, 741, 100	4, 248, 500	7, 080, 850
7. Chicago.....	195, 210, 700	195, 210, 700	49, 587, 400	82, 645, 650
8. St. Louis.....	40, 960, 400	40, 960, 400	18, 833, 650	31, 472, 700
9. Minneapolis.....	39, 747, 600	39, 747, 600	9, 106, 300	15, 177, 150
10. Kansas City.....	40, 732, 350	40, 732, 350	10, 304, 400	17, 173, 950
11. Dallas.....	25, 954, 500	25, 954, 500	7, 127, 300	11, 878, 850
12. San Francisco.....	129, 405, 600	129, 405, 600	7, 430, 500	12, 384, 150
Total.....	1, 296, 684, 850	1, 296, 684, 850	336, 061, 850	560, 103, 050

Districts.	\$100,050 to \$250,000.		Over \$250,000.	
	Allotment.	Subscription.	Allotment.	Subscription.
1. Boston.....	\$10, 293, 900	\$22, 875, 350	\$12, 155, 700	\$40, 802, 000
2. New York.....	35, 628, 000	79, 173, 300	130, 723, 250	660, 901, 850
3. Philadelphia.....	7, 360, 100	16, 355, 750	17, 033, 750	57, 035, 100
4. Cleveland.....	10, 457, 700	23, 239, 300	16, 970, 200	57, 814, 050
5. Richmond.....	3, 611, 250	8, 025, 000	3, 744, 900	11, 987, 000
6. Atlanta.....	1, 557, 000	3, 460, 000	2, 736, 550	9, 596, 600
7. Chicago.....	15, 089, 850	33, 533, 050	12, 814, 150	45, 806, 550
8. St. Louis.....	3, 013, 050	6, 695, 700	2, 172, 350	7, 005, 900
9. Minneapolis.....	1, 269, 350	2, 820, 750	3, 636, 000	12, 510, 000
10. Kansas City.....	3, 401, 200	7, 553, 250	7, 744, 950	28, 294, 300
11. Dallas.....	1, 356, 750	3, 015, 000	2, 225, 000	8, 100, 000
12. San Francisco.....	6, 166, 850	13, 704, 150	6, 041, 500	20, 130, 000
Total.....	99, 201, 000	220, 455, 600	268, 043, 300	957, 983, 350

New Form of Federal Reserve Bank Statement.

Immediately upon the adoption of the bill amending the Federal Reserve Act, the Federal Reserve Board directed Federal Reserve Banks to alter the form of their weekly statement in such a way as to show the altered status with respect to reserves resulting from the passage of the new legislation. The necessity for this grew out of the amendment providing that gold with a Federal Reserve Agent should count as part of the reserves of the Federal Reserve Bank which deposits such gold. The Board's letter on this subject, addressed to Federal Reserve Banks, was sent out on June 20, and was as follows:

The conference report on Federal Reserve Act amendments having passed the Senate, the amendments will have been enacted into law as soon as the President affixes his signature.

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

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

made by the bank in its daily statement to the Board.

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

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

A Federal Reserve Bank, under the amended law, will be entitled to withdraw gold held by the Federal Reserve Agent and substitute therefor commercial paper, provided it maintains a reserve of at least 40 per cent of gold in its own vaults, or it may withdraw the gold held with the Agent down to 40 per cent. It should be borne in mind, however, that whenever there is in the hands of the Federal Reserve Agent more than 40 per cent of gold against notes, the excess beyond that figure can be counted as additional reserve against notes only, but can not be in that case counted as a reserve against deposits.

State Banks Admitted.

The following State institutions were admitted to membership in the Federal Reserve System during the month of June: International Trust Co., Boston, Mass.; International Bank and the German Savings Institution, St. Louis, Mo.; Standard Trust & Savings Bank, Chicago, Ill.; Merchants Loan & Trust Co., Chicago, Ill.; St. Joseph Valley Bank, Elkhart, Ind.; Coffman, Dobson & Co., Bankers (Inc.), Chehalis, Wash.; Guardian Savings & Trust Co., Cleveland, Ohio; and the Atascosa County State Bank, Jourdanton, Tex. The number of State institutions which have now joined the system is 56.

Offerings of Two Per Cent Bonds.

Only \$1,279,000 of United States 2 per cent consols were offered for sale through the Treasurer of the United States to Federal Reserve Banks under section 18 of the Federal Reserve Act for the quarter ending June 30, 1917. Sixteen banks made offerings, distributed among ten districts. In view of all conditions, the Federal Reserve Board on June

26 voted not to request Federal Reserve Banks to make purchases of United States bonds for this quarter.

Dividends Declared by Federal Reserve Banks.

Dividends at the rate of 6 per cent per annum for varying periods were declared during June by all Federal Reserve Banks except at Boston. The following table gives the periods for which dividends were declared during the present calendar year:

Federal Reserve Bank of—

New York.....	Apr. 1-Dec. 31, 1915.
Philadelphia.....	July 1-Dec. 31, 1915.
Cleveland.....	July 1-Dec. 31, 1915.
Richmond.....	Nov. 1, 1916-June 30, 1917.
Atlanta.....	July 1-Dec. 31, 1916.
Chicago.....	Jan. 1-June 30, 1916.
St. Louis.....	{Apr. 1-June 30, 1915.
	{July 1-Dec. 31, 1915.
Minneapolis.....	July 1, 1915-June 30, 1916.
Kansas City.....	{July 1-Dec. 31, 1915.
	{Jan. 1-June 30, 1916.
Dallas.....	May 1-Oct. 31, 1916.
San Francisco.....	Apr. 1-Sept. 30, 1915.

Fiduciary Powers.

The applications of the following banks for permission to act under section 11-k of the Federal Reserve act have been approved since the issue of the June Bulletin:

DISTRICT No. 1.

Trustee, executor, administrator, and registrar of stocks and bonds:
Webster and Atlas National Bank, Boston, Mass.

DISTRICT No. 2.

Registrar of stocks and bonds:
Paterson National Bank, Paterson, N. J.

DISTRICT No. 6.

Trustee, executor, administrator, and registrar of stocks and bonds:
Fourth National Bank, Macon, Ga.

DISTRICT No. 7.

Trustee, executor, administrator, and registrar of stocks and bonds:
First National Bank, Red Oak, Iowa.
First National Bank, Waverly, Iowa.

DISTRICT No. 11.

Trustee, executor, administrator, and registrar of stocks and bonds:
Commercial National Bank, Shreveport, La.
First National Bank, Orange, Tex.

DISTRICT No. 12.

Trustee, executor, administrator, and registrar of stocks and bonds:
First National Bank, Moscow, Idaho.

Reserve Requirements Under the New Amendments.

The Federal Reserve Board on June 22 sent to all Federal Reserve Banks an official letter announcing that the Act amending the Federal Reserve Act had become law and explaining the conditions under which the new reserve requirements would be made effective. The letter is as follows:

The bill recently passed by Congress amending the Federal Reserve Act has been approved by the President and has become a law. A revised draft of the Federal Reserve Act as amended has been prepared and will be forwarded to all Federal Reserve Banks and member banks as soon as received from the printer. New regulations by the Board are in the course of preparation and will be forwarded to you in the very near future. In the meantime your attention is directed to section 10 of the Act in question which amends section 19 of the Federal Reserve Act and provides in part as follows:

"SEC. 19. Demand deposits within the meaning of this Act shall comprise all deposits payable within thirty days, and time deposits shall comprise all deposits payable after thirty days, all savings accounts and certificates of deposit which are subject to not less than thirty days' notice before payment, and all postal savings deposits.

"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:

"(a) If not in a reserve or central reserve city, as now or hereafter defined, it shall hold and maintain with the Federal Reserve Bank of its district an actual net balance equal to not less than seven per centum of the aggregate amount of its demand deposits and three per centum of its time deposits.

"(b) If in a reserve city, as now or hereafter defined, it shall hold and maintain with the Federal Reserve Bank of its district an actual net balance equal to not less than ten per centum of the aggregate amount of its demand deposits and three per centum of its time deposits.

"(c) If in a central reserve city, as now or hereafter defined, it shall hold and maintain with the Federal Reserve Bank of its district an actual net balance equal to not less than thirteen per centum of the aggregate amount of its demand deposits and three per centum of its time deposits."

Compliance with this section will make it necessary, in most cases, for member banks to increase their balances with the Federal Reserve Banks. It is, of course, desirable that these deposits should be made promptly, but with as little disturbance to financial conditions as possible, and to accomplish this the cooperation of all member banks is necessary.

Federal Reserve Banks in central reserve cities should request their member banks located in such cities to increase their balances with their Federal Reserve Bank in an amount sufficient to comply with the new requirement of the Act, not later than June 27.

In view of the fact that it is to be assumed that reserve city banks and country banks will be obliged to draw heavily upon their central reserve city and reserve city correspondents in order to meet demands to be made on account of the instalments becoming due upon subscriptions to the Liberty Loan, country banks and reserve city banks should be requested immediately to build up their balances with their respective Federal Reserve Banks by remitting cash from their own vaults as far as they can do so without impairing their ability to care for local needs.

The Board considers it inadvisable to increase at this time the pressure on reserve and central reserve cities by encouraging heavy withdrawals from those cities by correspondent banks desiring to make transfers to the Federal Reserve Banks to meet the new reserve requirements.

While the new law becomes technically effective upon the date of its passage by Congress and signature by the President, it is, of course, understood that a reasonable time must be allowed for making the necessary transfer of reserve to meet the requirements of the Act.

If, therefore, member banks continue to maintain with the Federal Reserve Banks the percentage of reserve required hitherto, the Federal Reserve Banks may, until July 15, reasonably refrain from imposing penalties against member banks on account of deficiency in reserve carried with them. That is to say, failure to transfer the additional amount required by the new Act need not be penalized until after July 15.

It is suggested to Federal Reserve Banks that it might be advisable for them, in order to facilitate and expedite the transfer of cash from vaults of member banks to the vaults of Federal Reserve Banks, to show liberality, as far as permitted by law, in refunding to member banks the shipping expenses of currency sent to Federal Reserve Banks before June 30 and

in dealing with remittances of gold coin to be exchanged for Federal Reserve notes. A similar policy is suggested in dealing with State banks desiring to establish balances with Federal Reserve Banks in advance of becoming either full members or members of the clearing system.

It must be evident to all banks that it is to their own interest to strengthen as far as possible the reserve and lending power of their Federal Reserve Banks, the facilities of which are likely to be used extensively in connection with the shifting of funds incident to the payments to be made on account of Liberty bond subscriptions. Every bank, member and non-member, should, therefore, do its utmost to strengthen the gold reserve of the Federal Reserve Banks by promptly transferring such vault money as can be spared and by exchanging gold certificates and gold for Federal Reserve notes, thereby helping to carry out the policy adopted for the public welfare of encouraging for purposes of general circulation, the use of Federal Reserve notes rather than of gold certificates.

It is hoped that banks in Federal reserve cities will make a special effort to cooperate with the central reserve cities in at once transferring to their respective Federal Reserve Banks such amount of vault money as they can conveniently spare. In case of demand they can always replenish their currency supply by calling upon their respective Federal Reserve Banks.

Rediscounts for Nonmember Banks.

The following letter, regarding authority granted by the Federal Reserve Board to member banks to rediscount for nonmember banks whenever the proceeds are used for the purpose of paying for or carrying Liberty Loan bonds, was sent to all Federal Reserve Banks on June 9:

Inquiries have been made of the Board from several quarters concerning the Board's circular of May 22. In this circular the Board has authorized member banks to rediscount for nonmember banks, including savings banks, from June 15 to July 15, whenever the proceeds have been or are to be used to meet demands caused by subscriptions to the Liberty Loan. The question has been raised whether this authorization would permit member banks

to rediscount with their indorsement with Federal Reserve Banks a direct obligation of a nonmember bank provided the nonmember bank states in an affidavit that the proceeds of the note have been used for the purpose of paying for or carrying Liberty Loan bonds.

The Board has carefully considered this matter and reached the conclusion that, in view of the importance of making this loan a success, and furthermore, in view of the fact that the amendments covering the admission of State banks are still under the consideration of Congress at this time, the Board should not, all things considered, withhold this authority, which it is advised by counsel it may grant, it being strictly understood that this authority, as stated before, is given to be in force only between June 15 and July 15, 1917, and the Board is desirous that it should be understood that the whole question will be reviewed after that date and a new decision then given to cover similar cases in the future.

Amendments to the Federal Reserve Act.

The bill (H. R. 3673) amending various sections of the Federal Reserve Act has been passed by Congress and was approved by the President on June 21, 1917.

For the convenience of member banks the Board has prepared the following synopsis of those amendments. The text of the bill is printed after this synopsis:

Section 1.—Branches of Federal Reserve Banks.

This section amends section 3 of the Federal Reserve Act so as to authorize the Board to permit or require any Federal Reserve Bank to establish branch banks within its district, and provides that the number of directors of such branches shall, at the option of the Board, be not more than seven nor less than three.

Section 2.—Assistants to Federal Reserve Agents.

This section amends section 4 of the Federal Reserve Act so as to provide for the appointment of assistants to the Federal Reserve Agents who shall have power to act in his name and stead during his absence or disability. The office of Deputy Federal Reserve Agent formerly held by one of the class C directors is abolished.

Section 3.—Membership of State Banks and Trust Companies.

This section amends section 9 of the Federal Reserve Act relating to the admission of State banks and trust companies to the Federal Reserve System, so as to provide that, subject to the provisions of the Federal Reserve Act and to the regulations of the Board made pursuant thereto, any State bank or trust company which becomes a member of the Federal Reserve System shall retain its full charter and statutory rights and may continue to exercise all corporate powers granted to it by the State in which it was created and shall be entitled to all the privileges of member banks; provided, however, that no Federal Reserve Bank may discount for such a member bank any note, draft, or bill of exchange of any one borrower who is liable to the member bank for more than 10 per cent of its capital and surplus.

State banks and trust companies which are member banks are made subject to examinations made by direction of the Federal Reserve Board or of the Federal Reserve Bank by examiners selected or approved by the Federal Reserve Board. Examinations by State authorities when approved by the directors of the Federal Reserve Bank may be accepted in lieu of examinations by examiners approved by the Federal Reserve Board. Reports of condition and of payments of dividends must be made to the Federal Reserve Bank instead of the Comptroller of the Currency as in the past. State banks and trust companies which have become member banks are authorized to withdraw from the Federal Reserve System after six months' written notice.

Section 4.—Clearing and Collection for Nonmember Banks.

This section amends section 13 of the Federal Reserve Act so as to authorize Federal Reserve Banks, solely for purposes of exchange or of collection, to receive deposits of currency, checks, drafts, and maturing notes or bills from any nonmember bank or trust company which maintains with the Federal Reserve Bank a

balance sufficient to offset the items in transit held for its account by the Federal Reserve Bank. This section also authorizes any member bank to make reasonable charges to be determined and regulated by the Federal Reserve Board, but in no case to exceed 10 cents per \$100 or fraction thereof for the collection or payment of checks and drafts and remission therefor by exchange or otherwise. Federal Reserve Banks, however, are not subject to these charges.

Section 5.—Acceptances by Member Banks.

This section amends section 13 of the Federal Reserve Act so as to authorize the Federal Reserve Board to permit member banks to accept drafts and bills of exchange drawn against shipments of goods or against warehouse receipts covering readily marketable staples up to 100 per cent of the capital and surplus of the accepting bank.

Section 6.—Foreign Agencies of Federal Reserve Banks.

This section amends section 14, subsection (e) of the Federal Reserve Act so as to authorize the Federal Reserve Board to give its consent to or require reserve banks to open and maintain accounts in foreign countries, etc., and also provides for participation accounts.

Section 7.—Issue of Federal Reserve Notes Against Gold.

This section amends section 16 of the Federal Reserve Act so as to authorize the issue of Federal Reserve notes upon the security of gold or gold certificates and so as to provide that gold or gold certificates held by the Federal Reserve Agent as collateral security shall be counted as part of the gold reserve which the Federal Reserve Bank is required to maintain against its notes in actual circulation. This section also authorizes the issue of Federal Reserve notes upon the security of 15-day notes of member banks secured by eligible commercial paper or by bonds or notes of the United States.

Section 8.—Deposits of Gold with the Treasurer or Assistant Treasurer.

This section amends section 16 of the Federal Reserve Act so as to authorize the Treasurer or any assistant treasurer of the United States

to receive deposits of gold or gold certificates when tendered by any Federal Reserve Bank or Federal Reserve Agent for credit to its or his account with the Federal Reserve Board.

Section 9.—Deposits of Government Bonds with the Treasurer.

This section amends section 17 of the Federal Reserve Act so as to repeal any provision of law requiring any national bank to maintain a minimum deposit of bonds with the Treasurer of the United States.

Section 10.—Reserves.

This section amends section 19 of the Federal Reserve Act so as to provide for an immediate transfer of all reserves to Federal Reserve Banks. Under this section the total amount of reserves to be maintained by a member bank must be carried with the Federal Reserve Bank of its district. The amount of these reserves is as follows:

	Demand deposits.	Time deposits.
	Per cent.	Per cent.
Country banks.....	7	3
Reserve city banks.....	10	3
Central reserve city banks.....	13	3

Member banks are no longer required to maintain any reserves in their own vaults.

Section 11.—Salaries or Fees of Directors, Officers, or Employees.

This section amends section 22 of the Federal Reserve Act, relating to the salaries or fees paid to officers, directors, or employees of member banks by adding provisos to the effect that directors, officers, employees, or attorneys shall not be prohibited from receiving the same rates of interest paid to other depositors of the bank, and that notes, drafts, bills, or other evidences of debt executed or indorsed by directors or attorneys of the bank may be discounted with such bank on the same terms and conditions as other notes, drafts, bills, or other evidences of debt, upon the affirmative vote or written assent of a majority of the members of the board of directors of such member bank.

TEXT OF AMENDMENTS.

[Public—No. 25—65th Congress.]

[H. R. 3673.]

An Act To amend the act approved December 23, 1913, known as the Federal Reserve Act, as amended by the acts of August 4, 1914, August 15, 1914, March 3, 1915, and September 7, 1916.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section three of the act known as the Federal reserve act be amended and reenacted so as to read as follows:

“SEC. 3. The Federal Reserve Board may permit or require any Federal reserve bank to establish branch banks within the Federal reserve district in which it is located or within the district of any Federal reserve bank which may have been suspended. Such branches, subject to such rules and regulations as the Federal Reserve Board may prescribe, shall be operated under the supervision of a board of directors to consist of not more than seven nor less than three directors, of whom a majority of one shall be appointed by the Federal reserve bank of the district, and the remaining directors by the Federal Reserve Board. Directors of branch banks shall hold office during the pleasure of the Federal Reserve Board.”

SEC. 2. That section four in the paragraph relating to the appointment of class C directors and prescribing their duties be amended and reenacted so as to read as follows:

“Class C directors shall be appointed by the Federal Reserve Board. They shall have been for at least two years residents of the district for which they are appointed, one of whom shall be designated by said board as chairman of the board of directors of the Federal reserve bank and as ‘Federal reserve agent.’ He shall be a person of tested banking experience, and in addition to his duties as chairman of the board of directors of the Federal reserve bank he shall be required to maintain, under regulations to be established by the Federal Reserve Board, 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. He shall receive an annual compensation to be fixed by the Federal Reserve Board and paid monthly by the Federal reserve bank to which he is designated. One of the directors of class C shall be appointed by the Federal Reserve Board as deputy chairman to

exercise the powers of the chairman of the board when necessary. In case of the absence of the chairman and deputy chairman, the third-class C director shall preside at meetings of the board.

"Subject to the approval of the Federal Reserve Board, the Federal reserve agent shall appoint one or more assistants. Such assistants, who shall be persons of tested banking experience, shall assist the Federal reserve agent in the performance of his duties and shall also have power to act in his name and stead during his absence or disability. The Federal Reserve Board shall require such bonds of the assistant Federal reserve agents as it may deem necessary for the protection of the United States. Assistants to the Federal reserve agent shall receive an annual compensation, to be fixed and paid in the same manner as that of the Federal reserve agent."

SEC. 3. That section nine be amended and reenacted so as to read as follows:

"SEC. 9. Any bank incorporated by special law of any State, or organized under the general laws 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, under such rules and regulations as it may prescribe, for the right to subscribe to the stock of the Federal reserve bank organized within the district in which the applying bank is located. Such application shall be for the same amount of stock that the applying bank would be required to subscribe to as a national bank. The Federal Reserve Board, subject to such conditions as it may prescribe, may permit the applying bank to become a stockholder of such Federal reserve bank.

"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.

"Whenever the Federal Reserve Board shall permit the applying bank to become a stockholder in the Federal reserve bank of the district its stock subscription shall be payable on call of the Federal Reserve Board, and stock issued to it shall be held subject to the provisions of this act.

"All banks admitted to membership under authority of this section shall be required to comply with the reserve and capital requirements of this act and to conform to those provisions of law imposed on national banks which

prohibit such banks from lending on or purchasing their own stock, which relate to the withdrawal or impairment of their capital stock, and which relate to the payment of unearned dividends. Such banks and the officers, agents, and employees thereof shall also be subject to the provisions of and to the penalties prescribed by section fifty-two hundred and nine of the Revised Statutes, and shall be required to make reports of condition and of the payment of dividends to the Federal reserve bank of which they become a member. Not less than three of such reports shall be made annually on call of the Federal reserve bank on dates to be fixed by the Federal Reserve Board. Failure to make such reports within ten days after the date they are called for shall subject the offending bank to a penalty of \$100 a day for each day that it fails to transmit such report; such penalty to be collected by the Federal reserve bank by suit or otherwise.

"As a condition of membership such banks shall likewise be subject to examinations made by direction of the Federal Reserve Board or of the Federal reserve bank by examiners selected or approved by the Federal Reserve Board.

"Whenever the directors of the Federal reserve bank shall approve the examinations made by the State authorities, such examinations and the reports thereof may be accepted in lieu of examinations made by examiners selected or approved by the Federal Reserve Board: *Provided, however,* That when it deems it necessary the board may order special examinations by examiners of its own selection and shall in all cases approve the form of the report. The expenses of all examinations, other than those made by State authorities, shall be assessed against and paid by the banks examined.

"If at any time it shall appear to the Federal Reserve Board that a member bank has failed to comply with the provisions of this section or the regulations of the Federal Reserve Board made pursuant thereto, it shall be within the power of the board after hearing to require such bank to surrender its stock in the Federal reserve bank and to forfeit all rights and privileges of membership. The Federal Reserve Board may restore membership upon due proof of compliance with the conditions imposed by this section.

"Any State bank or trust company desiring to withdraw from membership in a Federal

reserve bank may do so, after six months' written notice shall have been filed with the Federal Reserve Board, upon the surrender and cancellation of all of its holdings of capital stock in the Federal reserve bank: *Provided, however,* That no Federal reserve bank shall, except under express authority of the Federal Reserve Board, cancel within the same calendar year more than twenty-five per centum of its capital stock for the purpose of effecting voluntary withdrawals during that year. All such applications shall be dealt with in the order in which they are filed with the board. Whenever a member bank shall surrender its stock holdings in a Federal reserve bank, or shall be ordered to do so by the Federal Reserve Board, under authority of law, all of its rights and privileges as a member bank shall thereupon cease and determine, and after due provision has been made for any indebtedness due or to become due to the Federal reserve bank it shall be entitled to a refund of its cash paid subscription with interest at the rate of one-half of one per centum per month from the date of last dividend, if earned, the amount refunded in no event to exceed the book value of the stock at that time, and shall likewise be entitled to repayment of deposits and of any other balance due from the Federal reserve bank.

"No applying bank shall be admitted to membership in a Federal reserve bank unless it possesses a paid-up, unimpaired capital sufficient to entitle it to become a national banking association in the place where it is situated under the provisions of the national-bank act.

"Banks becoming members of the Federal Reserve System under authority of this section shall be subject to the provisions of this section and to those of this act which relate specifically to member banks, but shall not be subject to examination under the provisions of the first two paragraphs of section fifty-two hundred and forty of the Revised Statutes as amended by section twenty-one of this act. Subject to the provisions of this act and to the regulations of the board made pursuant thereto, any bank becoming a member of the Federal Reserve System shall retain its full charter and statutory rights as a State bank or trust company, and may continue to exercise all corporate powers granted it by the State in which it was created, and shall be entitled to all privileges of member banks: *Provided, however,* That no Federal reserve bank shall be permitted to discount for any State bank or trust company notes, drafts, or bills of ex-

change of any one borrower who is liable for borrowed money to such State bank or trust company in an amount greater than ten per centum of the capital and surplus of such State bank or trust company, but the discount of bills of exchange drawn against actually existing value and the discount of commercial or business paper actually owned by the person negotiating the same shall not be considered as borrowed money within the meaning of this section. The Federal reserve bank, as a condition of the discount of notes, drafts, and bills of exchange for such State bank or trust company, shall require a certificate or guaranty to the effect that the borrower is not liable to such bank in excess of the amount provided by this section, and will not be permitted to become liable in excess of this amount while such notes, drafts, or bills of exchange are under discount with the Federal reserve bank.

"It shall be unlawful for any officer, clerk, or agent of any bank admitted to membership under authority of this section to certify any check drawn upon such bank unless the person or company drawing the check has on deposit therewith at the time such check is certified an amount of money equal to the amount specified in such check. Any check so certified by duly authorized officers shall be a good and valid obligation against such bank, but the act of any such officer, clerk, or agent in violation of this section may subject such bank to a forfeiture of its membership in the Federal Reserve System upon hearing by the Federal Reserve Board."

SEC. 4. That the first paragraph of section thirteen be further amended and reenacted so as to read as follows:

"Any Federal reserve bank may receive from any of its member banks, and from the United States, deposits of current funds in lawful money, national-bank notes, Federal reserve notes, or checks and drafts payable upon presentation, and also, for collection, maturing notes and bills; or, solely for purposes of exchange or of collection, may receive from other Federal reserve banks deposits of current funds in lawful money, national-bank notes, or checks upon other Federal reserve banks, and checks and drafts payable upon presentation within its district, and maturing notes and bills payable within its district; or, solely for the purposes of exchange or of collection, may receive from any nonmember bank or trust company deposits of current funds in lawful money, national-bank notes, Federal reserve notes, checks and drafts payable upon presentation,

or maturing notes and bills: *Provided*, Such nonmember bank or trust company maintains with the Federal reserve bank of its district a balance sufficient to offset the items in transit held for its account by the Federal reserve bank: *Provided further*, That nothing in this or any other section of this act shall be construed as prohibiting a member or nonmember bank from making reasonable charges, to be determined and regulated by the Federal Reserve Board, but in no case to exceed 10 cents per \$100 or fraction thereof, based on the total of checks and drafts presented at any one time, for collection or payment of checks and drafts and remission therefor by exchange or otherwise; but no such charges shall be made against the Federal reserve banks."

SEC. 5. That the fifth paragraph of section thirteen be further amended and reenacted so as to read as follows:

"Any member bank may accept drafts or bills of exchange drawn upon it having not more than six months sight to run, exclusive of days of grace, which grow out of transactions involving the importation or exportation of goods; or 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. 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: *Provided, however*, That the Federal Reserve Board, under such general regulations as it may prescribe, which shall apply to all banks alike regardless of the amount of capital stock and surplus, may authorize any member bank to accept such bills to an amount nor exceeding at any time in the aggregate one hundred per centum of its paid-up and unimpaired capital stock and surplus: *Provided further*, That the aggregate of acceptances growing out of domestic transactions shall in no event exceed fifty per centum of such capital stock and surplus."

SEC. 6. That section fourteen, subsection (e), be amended and reenacted so as to read as follows:

"(e) To establish accounts with other Federal reserve banks for exchange purposes and, with the consent or upon the order and direction of the Federal Reserve Board and under regulations to be prescribed by said Board, to open and maintain accounts in foreign countries, appoint correspondents, and establish agencies in such countries wheresoever it may be deemed best for the purpose of purchasing, selling, and collecting bills of exchange, and to buy and sell, with or without its indorsement, through such correspondents or agencies, bills of exchange (or acceptances) arising out of actual commercial transactions which have not more than ninety days to run, exclusive of days of grace, and which bear the signature of two or more responsible parties, and, with the consent of the Federal Reserve Board, to open and maintain banking accounts for such foreign correspondents or agencies. Whenever any such account has been opened or agency or correspondent has been appointed by a Federal reserve bank, with the consent of or under the order and direction of the Federal Reserve Board, any other Federal reserve bank may, with the consent and approval of the Federal Reserve Board, be permitted to carry on or conduct, through the Federal reserve bank opening such account or appointing such agency or correspondent, any transaction authorized by this section under rules and regulations to be prescribed by the Board."

SEC. 7. That section sixteen, paragraphs two, three, four, five, six, and seven, be further amended and reenacted so as to read as follows:

"Any Federal reserve bank may make application to the local Federal reserve agent for such amount of the Federal reserve notes hereinbefore provided for as it may require. Such application shall be accompanied with a tender to the local Federal reserve agent of collateral in amount equal to the sum of the Federal reserve notes thus applied for and issued pursuant to such application. The collateral security thus offered shall be notes, drafts, bills of exchange, or acceptances acquired under the provisions of section thirteen of this act, or bills of exchange indorsed by a member bank of any Federal reserve district and purchased under the provisions of section fourteen of this act, or bankers' acceptances purchased under the provisions of said section fourteen, or gold or gold certificates; but in no event shall such collateral security, whether gold, gold certifi-

cates, or eligible paper, be less than the amount of Federal reserve notes applied for. The Federal reserve agent shall each day notify the Federal Reserve Board of all issues and withdrawals of Federal reserve notes to and by the Federal reserve bank to which he is accredited. The said Federal Reserve Board may at any time call upon a Federal reserve bank for additional security to protect the Federal reserve notes issued to it.

Every Federal reserve bank shall maintain reserves in gold or lawful money of not less than thirty-five per centum against its deposits and reserves in gold of not less than forty per centum against its Federal reserve notes in actual circulation: *Provided, however,* That when the Federal reserve agent holds gold or gold certificates as collateral for Federal reserve notes issued to the bank such gold or gold certificates shall be counted as part of the gold reserve which such bank is required to maintain against its Federal reserve notes in actual circulation. Notes so paid out shall bear upon their faces a distinctive letter and serial number which shall be assigned by the Federal Reserve Board to each Federal reserve bank. Whenever Federal reserve notes issued through one Federal reserve bank shall be received by another Federal reserve bank, they shall be promptly returned for credit or redemption to the Federal reserve bank through which they were originally issued or, upon direction of such Federal reserve bank, they shall be forwarded direct to the Treasurer of the United States to be retired. No Federal reserve bank shall pay out notes issued through another under penalty of a tax of ten per centum upon the face value of notes so paid out. Notes presented for redemption at the Treasury of the United States shall be paid out of the redemption fund and returned to the Federal reserve banks through which they were originally issued, and thereupon such Federal reserve bank shall, upon demand of the Secretary of the Treasury, reimburse such redemption fund in lawful money or, if such Federal reserve notes have been redeemed by the Treasurer in gold or gold certificates, then such funds shall be reimbursed to the extent deemed necessary by the Secretary of the Treasury in gold or gold certificates, and such Federal reserve bank shall, so long as any of its Federal reserve notes remain outstanding, maintain with the Treasurer in gold an amount sufficient in the judgment of the Secretary to provide for all redemptions to be made by the Treasurer. Federal reserve notes received by the Treasurer other-

wise than for redemption may be exchanged for gold out of the redemption fund hereinafter provided and returned to the reserve bank through which they were originally issued, or they may be returned to such bank for the credit of the United States. Federal reserve notes unfit for circulation shall be returned by the Federal reserve agents to the Comptroller of the Currency for cancellation and destruction.

The Federal Reserve Board shall require each Federal reserve bank to maintain on deposit in the Treasury of the United States a sum in gold sufficient in the judgment of the Secretary of the Treasury for the redemption of the Federal reserve notes issued to such bank, but in no event less than five per centum of the total amount of notes issued less the amount of gold or gold certificates held by the Federal reserve agent as collateral security; but such deposit of gold shall be counted and included as part of the forty per centum reserve hereinbefore required. The board shall have the right, acting through the Federal reserve agent, to grant, in whole or in part, or to reject entirely the application of any Federal reserve bank for Federal reserve notes; but to the extent that such application may be granted the Federal Reserve Board shall, through its local Federal reserve agent, supply Federal reserve notes to the banks so applying, and such bank shall be charged with the amount of notes issued to it and shall pay such rate of interest as may be established by the Federal Reserve Board on only that amount of such notes which equals the total amount of its outstanding Federal reserve notes less the amount of gold or gold certificates held by the Federal reserve agent as collateral security. Federal reserve notes issued to any such bank shall, upon delivery, together with such notes of such Federal reserve bank as may be issued under section eighteen of this act upon security of United States two per centum Government bonds, become a first and paramount lien on all the assets of such bank.

"Any Federal reserve bank may at any time reduce its liability for outstanding Federal reserve notes by depositing with the Federal reserve agent its Federal reserve notes, gold, gold certificates, or lawful money of the United States. Federal reserve notes so deposited shall not be reissued, except upon compliance with the conditions of an original issue.

"The Federal reserve agent shall hold such gold, gold certificates, or lawful money available exclusively for exchange for the outstand-

ing Federal reserve notes when offered by the reserve bank of which he is a director. Upon the request of the Secretary of the Treasury the Federal Reserve Board shall require the Federal reserve agent to transmit to the Treasurer of the United States so much of the gold held by him as collateral security for Federal reserve notes as may be required for the exclusive purpose of the redemption of such Federal reserve notes, but such gold when deposited with the Treasurer shall be counted and considered as if collateral security on deposit with the Federal reserve agent.

"Any Federal reserve bank may at its discretion withdraw collateral deposited with the local Federal reserve agent for the protection of its Federal reserve notes issued to it and shall at the same time substitute therefor other collateral of equal amount with the approval of the Federal reserve agent under regulations to be prescribed by the Federal Reserve Board. Any Federal reserve bank may retire any of its Federal reserve notes by depositing them with the Federal reserve agent or with the Treasurer of the United States, and such Federal reserve bank shall thereupon be entitled to receive back the collateral deposited with the Federal reserve agent for the security of such notes. Federal reserve banks shall not be required to maintain the reserve or the redemption fund heretofore provided for against Federal reserve notes which have been retired. Federal reserve notes so deposited shall not be reissued except upon compliance with the conditions of an original issue."

All Federal reserve notes and all gold, gold certificates, and lawful money issued to or deposited with any Federal reserve agent under the provisions of the Federal reserve act shall hereafter be held for such agent, under such rules and regulations as the Federal Reserve Board may prescribe, in the joint custody of himself and the Federal reserve bank to which he is accredited. Such agent and such Federal reserve bank shall be jointly liable for the safekeeping of such Federal reserve notes, gold, gold certificates, and lawful money. Nothing herein contained, however, shall be construed to prohibit a Federal reserve agent from depositing gold or gold certificates with the Federal Reserve Board, to be held by such board subject to his order, or with the Treasurer of the United States for the purposes authorized by law.

SEC. 8. That section sixteen be further amended by adding at the end of the section the following:

"That the Secretary of the Treasury is hereby authorized and directed to receive deposits of gold coin or of gold certificates with the Treasurer or any assistant treasurer of the United States when tendered by any Federal reserve bank or Federal reserve agent for credit to its or his account with the Federal Reserve Board. The Secretary shall prescribe by regulation the form of receipt to be issued by the Treasurer or Assistant Treasurer to the Federal reserve bank or Federal reserve agent making the deposit, and a duplicate of such receipt shall be delivered to the Federal Reserve Board by the Treasurer at Washington upon proper advises from any assistant treasurer that such deposit has been made. Deposits so made shall be held subject to the orders of the Federal Reserve Board and shall be payable in gold coin or gold certificates on the order of the Federal Reserve Board to any Federal reserve bank or Federal reserve agent at the Treasury or at the Subtreasury of the United States nearest the place of business of such Federal reserve bank or such Federal reserve agent: *Provided, however,* That any expense incurred in shipping gold to or from the Treasury or subtreasuries in order to make such payments, or as a result of making such payments, shall be paid by the Federal Reserve Board and assessed against the Federal reserve banks. The order used by the Federal Reserve Board in making such payments shall be signed by the governor or vice governor, or such other officers or members as the board may by regulation prescribe. The form of such order shall be approved by the Secretary of the Treasury.

"The expenses necessarily incurred in carrying out these provisions, including the cost of the certificates or receipts issued for deposits received, and all expenses incident to the handling of such deposits shall be paid by the Federal Reserve Board and included in its assessments against the several Federal reserve banks.

"Gold deposits standing to the credit of any Federal reserve bank with the Federal Reserve Board shall, at the option of said bank, be counted as part of the lawful reserve which it is required to maintain against outstanding Federal reserve notes, or as a part of the

reserve it is required to maintain against deposits.

"Nothing in this section shall be construed as amending section six of the act of March fourteenth, nineteen hundred, as amended by the acts of March fourth, nineteen hundred and seven, March second, nineteen hundred and eleven, and June twelfth, nineteen hundred and sixteen, nor shall the provisions of this section be construed to apply to the deposits made or to the receipts or certificates issued under those acts."

SEC. 9. That section seventeen be amended and reenacted so as to read as follows:

"SEC. 17. So much of the provisions of section fifty-one hundred and fifty-nine of the Revised Statutes of the United States, and section four of the act of June twentieth, eighteen hundred and seventy-four, and section eight of the act of July twelfth, eighteen hundred and eighty-two, and of any other provisions of existing statutes as require that before any national banking association shall be authorized to commence banking business it shall transfer and deliver to the Treasurer of the United States a stated amount of United States registered bonds, and so much of those provisions or of any other provisions of existing statutes as require any national banking association now or hereafter organized to maintain a minimum deposit of such bonds with the Treasurer is hereby repealed."

SEC. 10. That section nineteen be further amended and reenacted so as to read as follows:

"SEC. 19. Demand deposits within the meaning of this act shall comprise all deposits payable within thirty days, and time deposits shall comprise all deposits payable after thirty days, all savings accounts and certificates of deposit which are subject to not less than thirty days' notice before payment, and all postal savings deposits.

"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:

"(a) If not in a reserve or central reserve city, as now or hereafter defined, it shall hold and maintain with the Federal reserve bank of its district an actual net balance equal to not less than seven per centum of the aggregate amount of its demand deposits and three per centum of its time deposits.

"(b) If in a reserve city, as now or hereafter defined, it shall hold and maintain with the Fed-

eral reserve bank of its district an actual net balance equal to not less than ten per centum of the aggregate amount of its demand deposits and three per centum of its time deposits.

"(c) If in a central reserve city, as now or hereafter defined, it shall hold and maintain with the Federal reserve bank of its district an actual net balance equal to not less than thirteen per centum of the aggregate amount of its demand deposits and three per centum of its time deposits.

"No member bank shall keep on deposit with any State bank or trust company which is not a member bank a sum in excess of ten per centum of its own paid-up capital and surplus. No member bank shall act as a medium or agent of a nonmember bank in applying for or receiving discounts from a Federal reserve bank under the provisions of this act, except by permission of the Federal Reserve Board.

"The required balance carried by a member bank with a Federal reserve bank may, under the regulations and subject to such penalties as may be prescribed by the Federal Reserve Board, be checked against and withdrawn by such member bank for the purpose of meeting existing liabilities: *Provided, however,* That no bank shall at any time make new loans or shall pay any dividends unless and until the total balance required by law is fully restored.

"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.

"National banks, or banks organized under local laws, located in Alaska or in a dependency or insular possession or any part of the United States outside the continental United States may remain nonmember banks, and shall in that event maintain reserves and comply with all the conditions now provided by law regulating them; or said banks may, with the consent of the Reserve Board, become member banks of any one of the reserve districts, and shall in that event take stock, maintain reserves, and be subject to all the other provisions of this act."

SEC. 11. That that part of section twenty-two which reads as follows: "Other than the usual salary or director's fees paid to any officer, director, or employee of a member bank and other than a reasonable fee paid by said bank to such officer, director, or employee for service rendered to such bank, no officer, director, employee, or attorney of a member bank shall be

a beneficiary of or receive, directly or indirectly, any fee, commission, gift, or other consideration for or in connection with any transaction or business of the bank," be amended and re-enacted so as to read as follows:

"Other than the usual salary or director's fee paid to any officer, director, employee, or attorney of a member bank, and other than a reasonable fee paid by said bank to such officer, director, employee, or attorney for services rendered to such bank, no officer, director, employee, or attorney of a member bank shall be a beneficiary of or receive, directly or indirectly, any fee, commission, gift, or other consideration for or in connection with any transaction or business of the bank: *Provided, however,* That nothing in this act contained shall be construed to prohibit a director, officer, employee, or attorney from receiving the same rate of interest paid to other depositors for similar deposits made with such bank: *And provided further,* That notes, drafts, bills of exchange, or other evidences of debt executed or indorsed by directors or attorneys of a member bank may be discounted with such member bank on the same terms and condition as other notes, drafts, bills of exchange, or evidences of debt upon the affirmative vote or written assent of at least a majority of the members of the board of directors of such member bank."

Approved, June 21, 1917.

Our Financial Duty.¹

As a nation we are agreed that our only present concern is to win the war quickly and completely. For this purpose we still, after nearly three years of enormous strain, have ample resources available if we make full use of them. Our soldiers in the field have done and are doing deeds which ought to stir every one of us at home to do everything that is in our power to back their efforts. The richest and mightiest nation on earth is now arming rapidly to join the fight for liberty and justice as our comrade in arms; while, after making all allowances for possible bias by which information concerning Germany is likely to be warped, it is safe to infer that the difficulty with which our chief enemy maintains the contest grows daily, and will grow still faster in the future. And yet,

¹ From the London Economist, June 2, 1917.

with victory thus assured and almost within our grasp, we are not doing our financial duty, because there are still thousands of people among us who are wasting their money as if they had never heard of a war. As we feared at the time of the war loan's success, that success has deluded us into thinking that "finance is all right," and this delusion has been fostered by the chancellor's paltry addition of six millions to permanent taxation in a budget which shows a deficit of 1,650 millions, and by Mr. McKenna's unfortunate remark that exchange is no longer a problem of predominant importance. Finance is all right, but only on condition that we all save every possible penny for the war, and we are still a long ways from doing that. The Manchester Guardian observed very truly, in a leading article last Thursday, "In a country where every man lived in the spirit of these tragic years there could be no talk of a lottery loan;" but in this country, where every man by no means lives in this spirit, there is, and has to be, talk, not of a lottery loan, but of a premium bond issue, as a possible means of getting money out of the pockets of the thoughtless and checking their untimely extravagance. Our contemporary also observes that if people "will not voluntarily give their money to the State when the State is taking the lives of the best of the nation, then the State should, by taxes, take their money from them." We entirely agree, but the chancellor has just brought in a budget which has lamentably failed in this obvious and elementary duty. Since the current financial year began the Government has sold exchequer bonds and savings certificates amounting to less than 36 millions in 56 days, and has in the same period got in nearly 117 millions on account of the war loan issued in January. If we credit the whole of these amounts to the savings of the investing classes, they are providing money at the rate of less than 20 millions a week, and will not, at this rate, provide 1,000 millions in the course of the year, in which 1,650 have to be found by borrowing. The investor is not doing nearly enough, and so the chancellor goes to the bank-

ers and dealers in credit and sells them Treasury bills for money which they manufacture for him, and so produces inflation with all its attendant evils, present and future.

We ventured to point out, in a recent issue of the Economist, that a remedy for inflation would be found if all the money required for the war were taken from the citizens in taxes and loans produced by saving, and we were thereupon told by the Scotchman that "this may be true in theory, but it is far too Utopian to be of practical value. We are spending from 6 to 7 millions a day, and are the savings of the people sufficient to find that money"? With all deference to our contemporary we contend that, apart from borrowing abroad and realizing assets abroad, the savings of the people are the only source out of which the war can and must be financed. If the people do not save enough voluntarily to supply all that the Government needs in taxes and loans out of savings, then the Government forces them to save more by getting money from banks, which the banks manufacture for it; by this process money is multiplied, prices rise, and compulsory saving is enforced on the people (especially those least able to bear it) because their money, being depreciated, gives them less goods, and so they have to go without goods and reduce consumption. The idea that war can be paid for by financial legerdemain, involving no privation to anyone, is a delusion. To get the goods needed for the war the Government has to make the civilians go without goods. If we all cut down consumption, as we ought to, to the bare necessities needed for health and efficiency, and handed over all surplus spending power to the Government, then the whole of the nation's productive power, apart from what is required for necessities, would be available for the war, and this is the only source, apart from foreign financial help, out of which war's needs can be met. As we do not do this and the Government does not force us to do so directly by taxation and compulsion, it does so, in an increasing degree as the war's cost rises, by the roundabout means of financing, through banks,

multiplying money, and so making us reduce consumption.

The process is simple. The banks buy Treasury bills from the Government and pay for it by a draft on their balance at the Bank of England; the Government pays the cash out to contractors, who pay it back into the bank, which thus have their cash returned to them and their deposits increased by the sum that they put into Treasury bills. Apparently the wealth of the country has been increased. Actually, banking deposits, which are potential currency, have been increased by a creation of credit; and with every increase in the volume of currency there is a tendency for prices to rise.

The reverse process is equally simple. The Government gets money from bank depositors in taxes or savings, and uses it to pay off the Treasury bills or other securities held by the banks. It pays the banks off with cash, taken from them and handed over to it by their depositors. The banks get their cash back and its amount is unaltered, but their deposits are reduced by the sum handed over by depositors and used by the Government for redeeming Treasury bills. By this reduction of potential currency, if it goes far enough, we can effect a fall in prices or at least a check in their advance. The war would be cheapened, the banks would be less locked up in Government securities, the very natural and very dangerous suspicion of the working classes would be allayed, and we moldy civilians left at home could at least feel that we were doing our best by the real men who are fighting for us, if only we did our simple duty of saving every possible shilling for the war, instead of having the process of self-denial enforced on us by inflation.

Press Statement.

The Comptroller of the Currency issued, on June 9, the following statement to the press:

This office has received inquiries as to whether the provisions of section 5200 of the Revised Statutes, limiting the liabilities to a national bank of any person, firm, or corpo-

ration for money borrowed, to a sum not exceeding 10 per cent of the bank's capital and surplus, would prevent a national bank from selling United States bonds owned and acquired in good faith by it to a customer and accepting the purchase price from such customer partly in cash and partly in the notes of the customer secured by the bonds purchased, if the notes so given should aggregate more than the 10 per cent limitation above referred to.

Such a transaction would not be construed by this office as involving the borrowing of money from the national bank. The notes here accepted as part of the purchase price are evidence of the agreement on the part of the purchaser to pay at a future date the balance of the purchase money of the bonds in accordance with the agreement of sale and are not, therefore, subject to the limitation imposed by section 5200.

In order, however, that the national-bank examiners finding such notes in a bank may be fully advised of the nature of the transaction, it is desirable that the notes should show on their face that they represent part of the purchase price of the bonds, or there should be some form of collateral agreement filed with the bank showing the true nature of the transaction.

New National Bank Charters.

The Comptroller of the Currency reports the following increases and reductions in the number of national banks and the capital of national banks during the period from May 26, 1917, to June 22, 1917, inclusive:

	Banks.	
New charters issued to.....	12	
With capital of.....		\$800,000
Increase of capital approved for.....	10	
With new capital of.....		1,295,000
Aggregate number of new charters and banks increasing capital.....	22	
With aggregate of new capital authorized.....		2,095,000
Number of banks liquidating (other than those consolidating with other national banks).....	7	
Capital of same banks.....		360,000
Number of banks reducing capital.....	1	
Reduction of capital.....		100,000

Total number of banks going into liquidation or reducing capital (other than those consolidating with other national banks). 8	
Aggregate capital reduction.....	\$460,000
The foregoing statement shows the aggregate of increased capital for the period of the banks embraced in statement was.....	2,095,000
Against this there was a reduction of capital owing to liquidations (other than for consolidation with other national banks) and reductions of capital of.....	460,000
Net increase.....	1,635,000

Failures, by Federal Reserve Districts.

Although the country's business mortality at this time last year was relatively moderate, present returns are even more favorable, 815 commercial failures being reported to R. G. Dun & Co., for three weeks of June, as against 874 in the same period of 1916. The record for May—the latest month for which complete figures are available—discloses 1,296 defaults for \$11,771,891, exclusive of a large life insurance receivership in Pennsylvania, and compares with 1,482 insolvencies for \$19,466,436 in May, 1916. Apart from the ninth and twelfth districts, where increases of 15 and 18 failures, respectively, occurred, and the fourth and sixth districts, where there was no change at all, defaults were less numerous than last year in every Federal Reserve district, and in most instances the improvement was substantial. Similarly, increases in liabilities were the exception, appearing only in the first, fourth, and fifth districts, and in several cases the reduction was pronounced, notably so in the second, sixth, eighth, and tenth districts.

Failures during May.

Districts.	Number.		Liabilities.	
	1917	1916	1917	1916
First.....	152	157	\$1,556,618	\$1,239,043
Second.....	237	312	2,780,307	6,914,971
Third.....	59	73	578,653	716,787
Fourth.....	98	98	1,048,049	736,195
Fifth.....	76	79	915,739	783,480
Sixth.....	115	115	1,438,019	3,947,950
Seventh.....	167	220	1,250,196	1,882,586
Eighth.....	69	98	273,598	763,712
Ninth.....	53	38	237,761	258,350
Tenth.....	51	68	283,087	519,774
Eleventh.....	58	81	503,691	707,572
Twelfth.....	161	143	910,673	995,516
Total.....	1,296	1,482	11,771,891	19,466,436

GOLD SETTLEMENT FUND.**CHANGE IN OPERATION OF FUND.**

Important changes in the operation of the gold settlement fund were made possible by the approval on June 21, 1917, of the amendments to the Federal Reserve Act. Section 16 of the amendments was recommended to Congress for the purpose of simplifying the operation of the fund, which has grown to such proportions as to make the handling of the gold certificates evidencing the deposits of Federal Reserve Banks and Federal Reserve Agents a heavy responsibility. The fund has grown from about \$20,000,000, when its operation began in May, 1915, to \$523,410,000.

Some idea of the magnitude of the fund may be formed from the fact that a truck load of gold certificates was transferred from the Federal Reserve Board to the Treasury of the United States. It took three men over two days to place a stamped indorsement upon the certificates. Had the amount represented been in the form of gold coin it would have weighed 963 short tons.

Under the old system of handling the gold settlement fund, if a deposit of \$5,000,000 was made by the Federal Reserve Bank of Chicago with the assistant treasurer at Chicago, a telegram would have been sent from the sub-treasury at Chicago to the Treasurer of the United States at Washington, who would issue gold certificates of the series of 1900 in the \$10,000 denomination, payable to the order of the Federal Reserve Board. Custody of these certificates was assumed by the Board with credit upon the books of the fund. Payments from the fund were made by reversing the operation, the certificates being taken from the vault, indorsed, and presented to the Treasurer of the United States, with the request that he cause payment to be made through the assistant treasurer in the city where the payment

was desired. Transfers between banks and between banks and agents were, and still will be, made upon the books of the fund.

Under the new plan the Treasurer of the United States has opened an account with the Federal Reserve Board, giving credit to the Board for the sum of the deposits of the Federal Reserve Banks and Federal Reserve Agents. Individual accounts are, as heretofore, kept by the Federal Reserve Board. When a bank or a Federal Reserve Agent desires to make a deposit for credit in the gold-settlement fund, the gold is delivered at the nearest subtreasury. The Assistant Treasurer gives a receipt, form of which is prescribed, and advises the Treasurer of the United States by wire. The Treasurer then issues a duplicate receipt to the Federal Reserve Board and credit is given upon the books of the gold-settlement fund. Payment out of the fund will be directed by the Federal Reserve Board with a form of check drawn upon the Treasurer of the United States.

The Treasurer of the United States, who has heretofore received the gold and issued gold certificates against it, will receive and retain the gold as heretofore, but instead of issuing certificates in large numbers, will give one receipt for the lump sum. Balances of Federal Reserve Banks and agents will be separately kept upon the books of the gold-settlement fund, and book transfers made as before.

In making the transfer the office of the Treasurer of the United States was represented by George Fort, Assistant Treasurer, and C. S. Pearce, cashier, of the United States. The Federal Reserve Board was represented by Sherman Allen, Assistant Secretary and fiscal agent, who had charge of the gold-settlement fund since it was opened in May, 1915. Below is given the circular issued by the Treasury Department, which also contains section 16, under which the account with the Treasurer of the United States was opened:

[1917. Department Circular No. 86. Treasurer's Office.]

Instructions Relative to Deposits of Gold Coin and Gold Certificates for Credit in Gold Settlement Fund Account and Payments Therefrom Under Act of June 21, 1917.

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, D. C., June 26, 1917.

To the Treasurer and Assistant Treasurers of the United States:

(1) The act approved June 21, 1917, amending the Federal Reserve Act, contains the following provisions:

That the Secretary of the Treasury is hereby authorized and directed to receive deposits of gold coin or of gold certificates with the Treasurer or any assistant treasurer of the United States when tendered by any Federal Reserve Bank or Federal Reserve Agent for credit to its or his account with the Federal Reserve Board. The Secretary shall prescribe by regulation the form of receipt to be issued by the Treasurer or Assistant Treasurer to the Federal Reserve Bank or Federal Reserve Agent making the deposit, and a duplicate of such receipt shall be delivered to the Federal Reserve Board by the Treasurer at Washington upon proper advices from any Assistant Treasurer that such deposit has been made. Deposits so made shall be held subject to the orders of the Federal Reserve Board and shall be payable in gold coin or gold certificates on the order of the Federal Reserve Board to any Federal Reserve Bank or Federal Reserve Agent at the Treasury or at the Subtreasury of the United States nearest the place of business of such Federal Reserve Bank or such Federal Reserve Agent: *Provided, however,* That any expense incurred in shipping gold to or from the Treasury or Subtreasuries in order to make such payments, or as a result of making such payments, shall be paid by the Federal Reserve Board and assessed against the Federal Reserve Banks. The order used by the Federal Reserve Board in making such payments shall be signed by the governor or vice governor, or such other officers or members as the Board may by regulation prescribe. The form of such order shall be approved by the Secretary of the Treasury.

The expenses necessarily incurred in carrying out these provisions, including the cost of the certificates or receipts issued for deposits received, and all expenses incident to the handling of such deposits shall be paid by the Federal Reserve Board and included in its assessments against the several Federal Reserve Banks.

(2) The following form of receipt has been prescribed to be issued by the Treasurer and Assistant Treasurers when deposits are made by the Federal Reserve Banks or Federal Reserve Agents with the Treasurer or Assistant Treasurers for credit to the account of such bank or agent with the Federal Reserve Board:

TREASURY OF THE UNITED STATES,
....., 1917.

Received from the Federal Reserve Bank of.....
the sum of \$..... in gold coin or gold certificates,

for credit to "gold settlement fund" account with the Federal Reserve Board.

This receipt is issued under authority of section 8 of the act approved June 21, 1917, amending the Federal Reserve act, and the deposit made is held subject to the order of the Federal Reserve Board in accordance with the provisions of said act.

.....
Assistant Treasurer of the United States.

(3) The following form of order for use by the Federal Reserve Board in transmitting funds to Federal Reserve Banks of Federal Reserve Agents has been approved:

TREASURER OF THE UNITED STATES,
Washington,, 191....

Pay to.....
dollars (\$.....), in gold coin or gold certificates, out of deposits made with the Treasurer of the United States under authority of the act approved June 21, 1917.

FEDERAL RESERVE BOARD,

By.....
Assistant Secretary.

Countersigned,

.....
Governor (or other duly authorized officer or member.)

(4) The Federal Reserve Board should file with the Treasurer of the United States a copy of any by-laws or regulations prescribed by it authorizing any of its officers or members other than the governor or vice governor of the board to execute such orders, and facsimile signatures should be filed with the Treasurer or any officers or members who are to sign such orders.

(5) The Treasurer should open and maintain a separate account of all expenses incurred in shipping gold to or from the Treasury or Subtreasuries in order to make payments or as a result of making payments under authority of this section and of any other expenses incident thereto. An account should be rendered at the end of each quarterly period to the Federal Reserve Board for reimbursement of such expenses.

OSCAR T. CROSBY,
Acting Secretary of the Treasury.

TRANSACTIONS DURING MONTH.

Transactions through the gold settlement fund continue to increase in volume, the settlement of June 21 showing total clearings of well over half a billion dollars. On the date named the obli-

gations settled, covering transactions between the banks during the preceding week, amounted to \$613,620,000. The transfers with in the fund ordered by banks during the same week were very large, amounting to \$219,983,000.

Thus far in 1917, from January 1 through the settlement of June 21, not quite one-half the year, the total of obligations liquidated through the fund, including both weekly settlements and transfers, is \$8,975,910,500, exceeding by \$2,289,295,500 the total of like transactions during the years 1915 and 1916 combined. The total for these two years was \$6,686,615,000.

Below are shown the figures covering the transactions which took place in the fund from May 18 through June 21. Changes in ownership in the fund amounted to 4.19 per cent of the obligations settled. Boston, Philadelphia,

Cleveland, and San Francisco were the largest gainers in the fund.

Amount of clearings and transfers, Federal Reserve Banks, from May 18, 1917, to June 21, 1917, inclusive.

[000 omitted.]

	Total clearings.	Balances adjusted.	Transfers.
Settlement of—			
May 24, 1917.....	\$371,961	\$23,756	\$5,730
May 31, 1917.....	388,512	53,391	103,943
June 7, 1917.....	367,499	39,360	7,885
June 14, 1917.....	478,310	43,435	74,100
June 21, 1917.....	613,620	70,525	219,983
Total.....	2,219,902	235,467	411,641
Previously reported for 1917.....	5,963,754	408,865	380,618.5
Total since Jan. 1, 1917.....	8,183,656	644,332	792,254.5
Total transfers Jan. 1, 1917, to date.....	792,254.5		
Total for 1916, including transfers.....	5,633,966		
Total for 1915, including transfers.....	1,052,649		
Total clearings and transfers May 20, 1915 to June 21, 1917.....	15,662,525.5		

Changes in ownership of gold.

[000 omitted.]

Federal Reserve Bank of—	Total to May 17, 1917.		From May 18, 1917, to June 21, 1917, inclusive. ¹				Total changes from May 20, 1915, to June 21, 1917. ²	
	Decrease.	Increase.	Balance to credit May 17, 1917, plus net deposits of gold since that date.	Balance June 21, 1917.	Decrease.	Increase.	Decrease.	Increase.
Boston.....		\$47,144	\$16,316	\$39,593		\$23,277		\$70,421
New York.....	\$387,169		136,559	36,498	\$100,061		\$487,230	
Philadelphia.....		68,063	2,204	23,433		21,229		89,292
Cleveland.....		36,461	12,146	33,035		20,889		57,350
Richmond.....		14,507	16,275	20,431		4,158		18,663
Atlanta.....		22,009	6,073	2,447	3,626			19,283
Chicago.....		35,130	21,048	32,777		11,729		46,859
St. Louis.....		6,386	13,052	16,583		3,531		9,917
Minneapolis.....		10,096	5,143	11,211		6,068		16,164
Kansas City.....		52,850.5	28,733	22,235	6,498			46,352.5
Dallas.....		29,526.5	7,715	14,077		6,362		35,888.5
San Francisco.....		64,096	4,416	17,360		12,944		77,040
Total.....	387,169	387,169	269,680	269,680	110,185	110,185	487,230	487,230

¹ Changes in ownership of gold during period May 18, 1917, to June 21, 1917, equal 4.19 per cent of obligations settled.

² Total changes in ownership of gold since May 20, 1915, equal 3.11 per cent of obligations settled.

Assessment by Federal Reserve Board.

Acting under the provisions of the Federal Reserve Act, the Federal Reserve Board on June 19 voted an assessment of \$0.0011 upon the capitalization of Federal Reserve Banks to cover the estimated general expense of the Board from July 1 to December 31, 1917. The assessment is based upon a capital of \$114,342,000, as of June 15, 1917. The rate of assessment will yield \$125,776.20. The resolution of the Board and the figures on which the assessment is based follow:

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 semiannually 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 the estimates submitted and considered that it is necessary that a fund equal to eleven hundredths of 1 per cent (0.0011) of the capital stock of the Federal Reserve Banks be created for the purposes 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 eleven hundredths of 1 per cent (0.0011) of the total capital stock 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 this Board, a receipt for payment made. Such assessment will be collected in two installments of one half each, the first installment to be paid on July 1, 1917, and the second half on September 1, 1917.

Estimate for July, 1917, assessment.

Average monthly encumbrance for period Jan. 1, 1917, to June 30, 1917.....	\$19, 782. 67
Estimated monthly requirements, July to December, inclusive, 1917.....	21, 005. 97
Estimated monthly increase.....	1, 223. 30
Estimated requirements, June to December, inclusive, 1917.....	126, 035. 82
Estimated unencumbered balance July 1, 1917.....	8, 315. 19
	117, 720. 63
Total capitalization of Federal Reserve Banks June 15, 1917.....	114, 342, 000. 00
Rate of assessment to produce \$117, 772. 26.....	0. 00103
Rate of assessment to produce \$125, 776. 20.....	. 0011

In view of all conditions I have the honor to recommend that an assessment of eleven-hundredths of 1 per cent be levied.

SHERMAN ALLEN,
Fiscal Agent.

Approved for 0. 0011:
F. A. DELANO,
A. C. MILLER,
C. S. HAMLIN,

Committee on Organization, Expenditures, and Staff.

Detailed statement of expenditures and commitments as a basis of estimate.

	Jan. 1 to May 31, 1917.	Estimate for June.	Total for 6 months.	Average for 6 months.	Estimated monthly requirements, July 1 to Dec. 31, 1917.
PERSONAL SERVICES.					
Board and its clerks.....	\$36,756.29	\$7,383.31	\$44,139.60	\$7,356.60	\$7,383.31
Secretary's office.....	12,685.55	2,481.67	15,167.22	2,527.87	2,531.67
Counsel's office.....	10,341.66	2,018.32	12,359.98	2,060.00	2,018.32
Division of Audit and Examination.....	7,951.66	1,458.32	9,409.98	1,568.33	1,883.34
Division of Reports and Statistics.....	5,580.00	1,130.00	6,710.00	1,118.33	1,230.00
Division of Issues.....	3,579.16	768.33	4,347.49	724.58	768.33
Messengers.....	1,075.00	395.00	2,370.00	395.00	395.00
Charwomen.....	204.00	60.00	354.00	59.00	60.00
Total.....	79,163.32	15,694.95	94,858.27	15,809.71	16,289.97
NONPERSONAL SERVICES.					
Transportation and subsistence:					
Board and its clerks.....	1,128.62	124.87	1,253.49	208.92	250.00
Secretary's office.....	219.64	100.00	319.64	53.27	50.00
Division of Audit and Examination.....	2,141.76	100.00	2,241.76	373.63	600.00
Division of Reports and Statistics.....	20.30		20.30	3.38	
Counsel's office.....					10.00
Messengers (carfare).....	15.00		15.00	2.50	3.00
Communication service:					
Telephone.....	493.91	235.00	728.91	121.49	225.00
Telegraph.....	1,627.48	320.00	1,947.48	324.58	333.00
Postage.....	25.00	20.00	45.00	7.50	5.00
Printing and binding, etc.....	10,328.10	1,776.13	12,104.23	2,017.37	2,000.00
Contract repairs.....	64.92		64.92	10.82	20.00
Electricity (light and power).....	150.00	30.00	180.00	30.00	30.00
Steam (heat).....	75.00		75.00	12.50	15.00
Other nonpersonal services.....	137.48	110.00	247.48	41.25	50.00
Supplies:					
Stationery.....	650.73	100.00	750.73	125.12	150.00
Periodicals.....	120.33	14.50	134.83	22.47	20.00
Other.....	73.52	5.00	78.52	13.09	25.00
Equipment:					
Furniture and office supplies.....	573.50	264.55	838.05	139.68	150.00
Books.....	451.29		451.29	75.22	50.00
Gold settlement fund.....	957.28	250.00	1,207.28	201.21	250.00
Expert assistance transit matters.....	1,133.80		1,133.80	188.97	
Contingencies.....					500.00
Total.....	20,387.66	3,450.05	23,837.71	3,972.95	4,736.00
Grand total.....	99,550.98	19,145.00	118,695.98	19,782.66	21,005.97

INFORMAL RULINGS OF THE BOARD.

Below are reproduced letters sent out from time to time over the signatures of the officers or members of the Federal Reserve Board which contain information believed to be of general interest to Federal Reserve Banks and member banks of the system:

Demand Notes.

(To a Federal Reserve Bank.)

I have received your letter of June 13, and in reply wish to say that the Board has been advised by its counsel that a note made payable "on demand, and if no demand is made, then on _____," is eligible for rediscount by a Federal Reserve Bank, provided the date to be filled in is not more than 90 days from the date of discount, and provided further it conforms to the other provisions of law and the regulations of the Board.

Section 13 of the Federal Reserve Act requires that notes, drafts, and bills rediscounted under its provisions "must have a maturity at the time of discount of not more than 90 days, exclusive of days of grace." The form, which is suggested in your letter, conforms to that requirement, inasmuch as it is equivalent to making the note payable on or before a certain date, which in no event is more than 90 days from the date of discount.

JUNE 15, 1917.

Morris Plan Bank.

(To a Federal Reserve Bank.)

In reply to your letter of June 2, I wish to say that the Board has ruled that a Morris plan bank is a "bank" within the meaning of section 8 of the Clayton Antitrust Act and that word as used in that part of section 4 of the Federal Reserve Act which reads as follows:

"No director of class C shall be an officer, director, or employee, or stockholder of any bank" must be construed to include a Morris plan bank.

The Board could not consistently make any other ruling.

JUNE 13, 1917.

Paper of a Waterworks Company.

(To a Federal Reserve Bank.)

I wish to acknowledge receipt of your letter of June 8 relating to the eligibility of 90-day paper of a certain waterworks company, the proceeds of which have been or are to be used to provide funds for pay roll, purchases of coal, etc.

If the proceeds of the paper under consideration have been or are to be used for the purposes mentioned in your letter, and if the paper is otherwise in conformity with the law and the provisions of the Board's regulations, it is eligible for rediscount by the Federal Reserve Bank.

If there is any doubt whether the proceeds of certain paper are to be used for a commercial or industrial purpose, or whether they are to be used for permanent or fixed investments, then, under the provisions of regulation A, series of 1916, you may properly accept a statement of the borrower showing a reasonable excess of quick assets over current liabilities as evidence that it is not drawn for the purpose of making a fixed or permanent investment.

JUNE 11, 1917.

Acceptances Drawn to Finance the Future Importation of Goods.

(To an individual.)

I have received your letter of June 7, asking whether or not the _____ National Bank may accept drafts drawn for the purpose of financing transactions involving the importation of goods.

Regulation No. 6, dated November 10, 1914, to which you refer in your letter, has been superseded by subsequent rulings of the Board which clearly authorize the acceptance of a draft drawn for the purposes which you describe. The Board is of the opinion that a national bank may properly accept a draft drawn for the purpose of importing goods whether or not the sale of the goods under consideration has actually been consummated at the time of the acceptance of the draft. If the accepting bank is assured that the proceeds of the draft will ultimately be used solely for the purpose of financing a transaction involving the importation of goods, it is immaterial whether or not the goods have actually been sold at the time of acceptance. In fact, it is not even necessary that the goods to be sold be identified at the time of acceptance. The accepting bank, however, must be reasonably sure that the draft is drawn for the purpose of financing a transaction involving the importation or exportation of goods, and that its proceeds will be used for that purpose.

Under the circumstances cited in your letter there would not seem to be any doubt of your authority to accept the bills of exchange which you describe.

JUNE 14, 1917.

LAW DEPARTMENT.

The following opinion of counsel has been authorized for publication by the Board since the last edition of the Bulletin:

Limitations on Member Bank Acceptances.

The 50 per cent limit imposed upon the amount of drafts which a member bank may accept for the purpose of furnishing dollar exchange is separate and distinct from and not included in the limits imposed by section 13 upon the amount of drafts or bills of exchange drawn against the shipment of goods or against warehouse receipts covering readily marketable staples, which a member bank may accept.

JUNE 15, 1917.

SIR: The attached letter raises the question whether or not a member bank may, under the provisions of section 13 of the Federal Reserve Act, as amended by the Act of September 7, 1916, lawfully accept bills of exchange drawn against the shipment of goods, or secured by warehouse receipts covering readily marketable staples, up to an amount not exceeding 50 per cent of its capital and surplus, and in addition accept bills of exchange drawn for the purpose of creating dollar exchange up to an amount not exceeding 50 per cent of its capital and surplus.

Section 13, as amended, authorizes national banks to engage in two separate and distinct kinds of acceptance business, first, the acceptance of drafts growing out of transactions involving the shipment of goods or secured by warehouse receipts covering readily marketable staples; and, second, the acceptance of drafts drawn merely for the purpose of furnishing dollar exchange.

In the paragraph authorizing the acceptance of drafts and bills drawn against the shipment of goods, etc., the law specifically limits the aggregate of such acceptances to 50 per cent of the paid-up and unimpaired capital and surplus of the accepting bank.¹ This limitation expressly refers to acceptances growing out of transactions involving the shipment of goods, etc.

¹ Since this memorandum was prepared section 13 has been amended so as to authorize the Federal Reserve Board to permit member bank to accept such drafts and bills up to an amount not exceeding 100 per cent of the capital and surplus of the accepting bank.

The other paragraph relating to the acceptance of drafts drawn for the purpose of furnishing dollar exchange is in a later and separate part of section 13, and the proviso to that paragraph refers specifically to the drafts which it authorizes any member bank to accept; that is, drafts drawn for the purpose of furnishing dollar exchange and limits the acceptance of that kind of drafts to 50 per cent of the paid-up and unimpaired capital and surplus of the accepting bank.

In the opinion of this office, therefore, the 50 per cent limit imposed upon the amount of drafts which a member bank may accept for the purpose of furnishing dollar exchange is separate and distinct from and not included in the limits imposed by section 13 upon the amount of drafts or bills of exchange drawn against the shipment of goods or against warehouse receipts covering readily marketable staples, which a member bank may accept.

Respectfully,

M. C. ELLIOTT, *Counsel.*

To Hon. W. P. G. HARDING,
Governor Federal Reserve Board.

Authority of National Banks Located in Delaware to Act as Trustee, Executor, Administrator, and Registrar of Stocks and Bonds.

On April 18, 1917, the governor of the State of Delaware approved a bill passed by the legislature of that State authorizing national banks to act as trustee, executor, administrator, and registrar of stocks and bonds.

The law reads as follows:

SECTION 1. It shall be lawful for any national bank, located in this State, when authorized by the laws of the United States, to act by any and every method of appointment, and in any capacity whatever, as trustee, and as executor, administrator, or registrar of stocks and bonds.

SEC. 2. In case any such national bank shall be appointed trustee, executor, or administrator, as aforesaid, it may not be required, in the discretion of the appointing person, corporation, court, judge, officer, or authority, to give security on any bond which it may by law be compelled to give by reason of such appointment.

Acceptances by State Banks and Trust Companies.

The following abstract of State laws relating to the right of banks created and organized under the laws of the several States to accept drafts and bills of exchange has been prepared by the counsel's office

of the Federal Reserve Board for the information of Federal Reserve Banks and member banks.

There will appear in this department of the Bulletin from time to time abstracts of other laws of the several States relating to the regulation of the banking business.

State laws affecting bank acceptances.

NOTE.—Unless otherwise stated, the percentages in the "Maximum amount" column are based upon the institution's capital. The word "capital" as used in this digest signifies combined capital stock and surplus. The small figures refer to the authorities cited in the last column.

State.	District No.	Institutions affected.	Powers.	Sources of power.	Time to run.	Maximum amount.		Securities.	Miscellaneous restrictions.	Remarks.	Authorities.
						Total.	To one customer.				
Alabama.....	6		No specific power to accept.								
Arizona.....	11, 12		do.								
Arkansas.....	8		do.								
California.....	12	Commercial banks.(1)	To accept drafts.(1)	Express statute. (1)	6 months.....	50 per cent (1)...	10 per cent (1)...		Subject to regulations and restrictions by superintendent of banks. (1) Must be drawn by parties engaged in agricultural, industrial, or commercial business directly connected with the production, manufacture, purchase, sale, or consignment of the goods involved in the transaction in which the acceptance originated.(1)	The bank must first obtain in writing the consent of the superintendent of banks.(1)	(1) Bank Act of California, art. 3, sec. 80, subdivision 4.
Colorado.....	10		No specific power to accept.								
Connecticut.....	1, 2	All State banks and trust companies.	To accept drafts or bills of exchange drawn against existing values, or commercial paper owned by the person negotiating same and indorsed by them without limitations.(1) (4)	Special express statutes. (1) (2) (3) (4)	6 months(1)....	50 per cent (1)...	10 per cent (2)...	Drafts must have bills of lading or warehouse receipts attached or stocks or bonds of known value and worth at least 20 per cent in excess of draft.(4)		Record of acceptances must be kept. (3)	(1) Connecticut Public Acts, 1915, ch. 81, sec. 1. (2) Id., sec. 2. (3) Id., sec. 3. (4) Id., sec. 4.
Delaware.....	3, 4		No specific power to accept.								
District of Columbia	5		do.								
Florida.....	6		do.								

State laws affecting bank acceptances—Continued.

State.	District No.	Institutions affected.	Powers.	Sources of power.	Time to run.	Maximum amount.		Securities.	Miscellaneous restrictions.	Remarks.	Authorities.
						Total.	To one customer.				
Georgia.....	6	All banks and trust companies incorporated in State. (1)	To accept drafts drawn on marketable collateral. (1)	Express specific statute. (1)	6 months' sight. (1)			See "Miscellaneous restrictions."	Must be drawn against marketable collateral to be specified on the face of the instrument. (1)	All acceptances and letters of credit must be entered on books of company and appear in all reports and statements. (2)	(1) Georgia Acts 1916, No. 475, sec. 1. (2) Id., sec. 2.
Idaho.....	12		No specific power to accept.							State banks allowed to become members of Federal Reserve System and comply with regulations of Federal Reserve Board, but not expressly granted powers of Federal Reserve Banks. (1)	(1) Idaho Session Laws, 1915, ch. 81, sec. 41a.
Illinois.....	7, 8		do.								
Indiana.....	7, 8		do.								
Iowa.....	7		do.								
Kansas.....	10		do.								
Kentucky.....	4, 8		do.							A statute permits its banks and trust companies incorporated in Kentucky to become members of Federal Reserve System; but does not expressly give them privileges of member banks. (1)	(1) Kentucky Statutes (Carroll), 1915, sec. 584a.
Louisiana.....	6, 11	Banks of deposit, discount, exchange, and circulation. (1)	To accept drafts. (1)	Express statute. (1)							(1) Louisiana Acts, 1916, 184, sec. 3.
Maine.....	1	Trust companies. (1)	All powers and privileges of member banks under Federal Reserve Act. (1)	General enabling statute. (1)	See Federal Reserve Act.	See Federal Reserve Act.		See Federal Reserve Act.	See Federal Reserve Act.	Trust companies permitted to become stockholders in Federal Reserve System and given all privileges and powers of member banks upon doing so. Acceptances not specifically mentioned. (1)	(1) Maine Acts 1915, ch. 262, sec. 80.

Maryland.....	5		No specific power to accept.								
Massachusetts.....	1	Trust companies incorporated under laws of Massachusetts. (1) (2)	To accept drafts against actual values (1); also all powers and privileges under Federal Reserve Act. (2)	Special express statute (1); also general enabling act. (2)		50 per cent without bank commissioner's permission; 100 per cent with his permission. (1)			Subject to such restrictions as bank commissioner may impose. (1)	Trust companies becoming stockholders in Federal Reserve Bank may have all powers and privileges of member banks. (2)	(1) Massachusetts General Acts, 1916, ch. 129, sec. 1. (2) Massachusetts Acts, 1914, ch. 537, sec. 1.
Michigan.....	7, 9		No specific power to accept.								
Minnesota.....	9		do.								
Mississippi.....	6, 8		do.								
Missouri.....	8, 10	State banks and trust companies. (1) (2)	To accept drafts. (See also Federal Reserve Act. (1) (2)	Specific express statutes and reference to Federal Reserve Act. (1) (2)		Not more than paid-up and unimpaired capital stock and surplus, except with approval of bank commissioner. (1) (2)				Banks and trust companies becoming members of Federal Reserve Bank are authorized to exercise all powers not in conflict with State laws, which are conferred on member banks by the Federal Reserve Act. (1) (2)	(1) Session Laws Missouri, 1915, sec. 66. (2) Id., sec. 127.
Montana.....	9, 12	All banks becoming members of "National Reserve Association of United States." (1)	Probably all powers of members of Federal Reserve Banks. (1)	General enabling statute. (1)	See Federal Reserve Act.	See Federal Reserve Act.	See Federal Reserve Act.			Act permits State banks to become members of "National Reserve Association of United States," and provides that any bank doing so "shall be permitted to conform to and transact its business in accordance with the terms and provisions of the Act of Congress creating the same and the rules and regulations of such association or branch thereof." (1)	(1) Montana Civil Code 1915, sec. 3930.
Nebraska.....	10	State banks and trust companies. (1)	All privileges and powers of member banks under Federal Reserve Act. (1)	do. (1)	do.	do.	do.	See Federal Reserve Act.	See Federal Reserve Act.	State banks and trust companies permitted to become members of Federal Reserve Bank and have all powers and privileges of member banks under Federal Reserve Act. (1)	(1) Laws, 1915, ch. 175, sec. 1.

State laws affecting bank acceptances—Continued.

State.	District No.	Institutions affected.	Powers.	Sources of power.	Time to run.	Maximum amount.		Securities.	Miscellaneous restrictions.	Remarks.	Authorities.
						Total.	To one customer.				
Nevada.....	12		No specific power to accept.							State banks allowed to become members of Federal Reserve System, but not expressly granted privileges of member banks. ⁽¹⁾	⁽¹⁾ Laws Nevada, 1915, ch. 31.
New Hampshire....	1	Trust companies. ⁽¹⁾	All powers and privileges of member banks under Federal Reserve Act. ⁽¹⁾	General enabling statute. ⁽¹⁾	See Federal Reserve Act.	See Federal Reserve Act.		See Federal Reserve Act.	See Federal Reserve Act.	Trust companies becoming stockholders in Federal Reserve Bank may have all powers and privileges of member banks. ⁽¹⁾	⁽¹⁾ New Hampshire Acts, 1915, ch. 109, sec. 28.
New Jersey.....	2,3	Banks and trust companies incorporated under laws of New Jersey. ^{(1) (2)}	To accept drafts. ^{(1) (2)}	Express specific statute. ^{(1) (2)}	Not exceeding 1 year. ^{(1) (2)}		10 per cent.				⁽¹⁾ Acts, 1915, ch. 306, sec. 1. ⁽²⁾ Acts, 1915, ch. 307, sec. 1.
New Mexico.....	10,11	Incorporated State banks. ⁽¹⁾	All privileges and powers of member banks under Federal Reserve Act. ⁽¹⁾	General enabling statute. ⁽¹⁾	See Federal Reserve Act.		See Federal Reserve Act.	See Federal Reserve Act.	See Federal Reserve Act.	State banks permitted to become members of Federal Reserve Bank and given all powers and privileges of member banks. ⁽¹⁾	⁽¹⁾ Laws, 1915, ch. 67, sec. 96.
New York.....	2	All banks ⁽¹⁾ and trust companies. ⁽²⁾	To accept drafts. ^{(1) (3)}	Express specific statutes. ^{(1) (3)}	Not exceeding one year. ^{(1) (3)}		10 per cent; except institutions in boroughs having 2,000,000 population, 25 per cent, and other institutions, 40 per cent, if in both cases the credit is given to a State other than New York, a foreign nation, or a municipal, railroad, or public-service corporation, or if upon drafts drawn against actually existing values or upon paper actually	For amounts over 10 per cent of capital and surplus, collateral having an ascertained market value of at least 15 per cent more than the amount of the liabilities so secured. In the case of banks located in boroughs having a population of 2,000,000 or over, such secured indebtedness shall not exceed 15 per cent of capital and	Subject to very elaborate restrictions applicable to all extensions of credit by banks and trust companies. ^{(2) (4)}	All acceptances are subject to general restrictions and regulations governing banks and trust companies.	⁽¹⁾ New York Consolidated Laws, ch. 2, sec. 106. ⁽²⁾ Id., sec. 108. ⁽³⁾ Id., sec. 185. ⁽⁴⁾ Id., sec. 190.

						owned by the person negotiating the same and indorsed without limitation. These limitations do not apply to loans to the United States, State of New York, or any city, county, or village in such State. (2) (4) (5)	surplus. In the case of institutions located elsewhere it shall not exceed 30 per cent. (2) (4) (5).			
North Carolina	5		No specific power to accept.							
North Dakota	9		do.							
Ohio	4		do.							
Oklahoma	10, 11		do.							
Oregon	12	Banks (1)	Powers under Federal Reserve Act. (1)	General enabling statute. (1)	See Federal Reserve Act.	20 per cent, except on drafts against actually existing values and commercial paper actually owned by the person negotiating it. (2)	See Federal Reserve Act.	See Federal Reserve Act.	Granted power to become members of Federal Reserve Bank, and "to have and exercise all powers not in conflict with the laws of this State, which are conferred upon any such member bank by the Federal Reserve Act." (1) (2)	(1) Lord's Oregon Laws 1915, sec. 4564, subsection 9. (2) Id., sec. 4576.
Pennsylvania	3, 4	State banks and trust companies. (1)	To accept drafts. (1)		Not exceeding 1 year. (1)					(1) Act June 7, 1917.
Rhode Island	1		No specific power to accept.							
South Carolina	5		do.							
South Dakota	9	State banks (1)	Probably all powers of member banks under Federal Reserve Act. (1)	General enabling statute. (1)	See Federal Reserve Act.	See Federal Reserve Act.	See Federal Reserve Act.	See Federal Reserve Act.	State banks permitted to become members of Federal Reserve Bank and to comply with and be subject to the Federal Reserve Act. (1)	(1) Laws, 1915 ch. 102 art. 2, sec. 36.
Tennessee	6, 8		No specific power to accept.							
Texas	11		do.							
Utah	12		do.							
Vermont	1		do.							
Virginia	5	All banks and trust companies. (1)	To accept drafts. (1)			10 per cent (1)				(1) Acts, 1916, ch. 298, sec. 1, p. 512.
Washington	12		No specific power to accept.							
West Virginia	4, 5		do.							
Wisconsin	7, 9		do.							
Wyoming	10		do.							

Fiduciary Powers of National Banks.

A decision in the case brought to test the constitutionality of section 11 (k) of the Federal Reserve Act was handed down by the Supreme Court of the United States on June 11. The text of the decision follows:

SUPREME COURT OF THE UNITED STATES.

No. 764.—OCTOBER TERM, 1916.

FIRST NATIONAL BANK OF
Bay City, Plaintiff in
Error,

vs.

GRANT FELLOWS, ATTORNEY
General of the State of
Michigan, on the Relation
of Union Trust Company
et al.

In Error to the
Supreme Court
of the State of
Michigan.

[June 11, 1917.]

Mr. Chief Justice WHITE delivered the opinion of the court.

We are of opinion that the procedure resorted to was appropriate and that the State court was competent to administer relief, but we postpone stating our reasons on the subject until the merits have been passed upon.

The court below held that an act of Congress conferring on national banks additional powers was in excess of the authority of Congress and was hence repugnant to the Constitution.—Michigan—. The correctness of this conclusion is in substance the sole question for decision on the merits.

Although the powers given were new, the principles involved in the right to confer them were long since considered and defined in adjudged cases. We shall first consider the leading of such cases and then, after stating this case, determine whether they are controlling, causing the subject not to be open for original consideration.

In *McCulloch v. Maryland*, 4 Wheaton 316, the bank had been incorporated by Congress with powers to transact business of both a governmental and of a private character. The question which was decided was the authority of Congress to grant such charter. Without undertaking to restate the opinion of Mr. Chief Justice Marshall, it suffices for the purpose of the matter now before us to say that it was held

that although Congress was not expressly given the power to confer the charter, authority to do so was to be implied as appropriate to carry out the powers expressly given. In reaching this conclusion it was further decided that to recognize the existence of the implied power was not at all in conflict with Article I, section 8, clause 18 of the Constitution, providing that Congress should have power "To make all laws which shall be necessary and proper for carrying into execution the foregoing powers," since that provision did not confine the implied authority to things which were indispensably necessary, but on the contrary gave legislative power to adopt every appropriate means to give effect to the powers expressly given. In terms it was pointed out that this broad authority was not stereotyped as of any particular time but endured, thus furnishing a perpetual and living sanction to the legislative authority within the limits of a just discretion enabling it to take into consideration the changing wants and demands of society and to adopt provisions appropriate to meet every situation which it was deemed required to be provided for. In fact the rulings which we have stated were all summed up in the following passage which ever since has been one of the principal tests by which to determine the scope of the implied power of Congress over subjects committed to its legislative authority:

We admit, as all must admit, that the powers of the Government are limited, and that its limits are not to be transcended. But we think the sound construction of the Constitution must allow to the National Legislature that discretion, with respect to the means by which the powers it confers are to be carried into execution, which will enable that body to perform the high duties assigned to it, in the manner most beneficial to the people. Let the end be legitimate, let it be within the scope of the Constitution, and all means which are appropriate, which are plainly adapted to that end, which are not prohibited, but consistent with the letter and spirit of the Constitution, are constitutional. P. 421.

In *Osborn v. Bank*, 9 Wheaton, 738, where substantially the subject was presented in the same form in which it had been passed upon in *McCulloch v. Maryland*, yielding to the request of counsel, the whole subject was re-examined and the previous doctrines restated and upheld. Considering more fully, however, the question of the possession by the corporation of private powers associated with its public authority and meeting the contention that the two were separable and the one, the public power, should be treated as within and the other, the private, as without the implied power of Congress, it was expressly held that the authority of Congress was to be ascer-

tained by considering the bank as an entity possessing the rights and powers conferred upon it and that the lawful power to create the bank and give it the attributes which were deemed essential could not be rendered unavailing by detaching particular powers and considering them isolatedly and thus destroy the efficacy of the bank as a national instrument. The ruling in effect was that although a particular character of business might not be when isolatedly considered within the implied power of Congress, if such business was appropriate or relevant to the banking business the implied power was to be tested by the right to create the bank and the authority to attach to it that which was relevant in the judgment of Congress to make the business of the bank successful. It was said: "Congress was of opinion that these faculties were necessary, to enable the bank to perform the services which are exacted from it, and for which it was created. This was certainly a question proper for the consideration of the National Legislature." P. 864.

As the doctrines thus announced have been reiterated in a multitude of judicial decisions and have been undeviatingly applied in legislative, and enforced in administrative action, we come at once to state the case before us to see whether such doctrines dispose without more as a mere question of authority of the subject under consideration.

Section 11(k) of the act of Congress approved December 23, 1913, establishing the Federal Reserve Board (38 Stat. 251, 252, c. 6), gives to that board authority "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, or registrar of stocks and bonds under such rules and regulations as the said board may prescribe."

The First National Bank of Bay City having obtained the certificate required began the exercise of the powers stated. Thereupon certain trust companies which under the laws of Michigan had the authority to do the same character of business petitioned the attorney general of the State to test the right of the national bank to use the functions on the ground that its doing so was contrary to the laws of the State of Michigan and that the action of the Federal Reserve Board purporting to give authority was in contravention of the Constitution of the United States. The attorney general then, on the relation of the trust companies, commenced in the supreme

court of the State a proceeding in the nature of quo warranto to test the right of the corporation to exercise the functions. The bank in defense fully stated its Federal charter, the rights given by the act of Congress and the action of the Federal Reserve Board taken thereunder. The attorney general demurred to this defense, first, because Congress had no power to confer the authority which was called in question; second, because if it had the power, it was without right to delegate to the Reserve Board the determination of when it should be used; and third, because the exercise of the powers was in contravention of the laws and authority of the State and the Reserve Board therefore under the act had no power to grant the certificate.

The case was heard by the full court. In an opinion of one judge which, it would seem, was written before the opinion of the court was prepared, it was elaborately reasoned that the exercise by a national bank of the functions enumerated in the section of the Act of Congress under consideration would be contrary to the laws of the State and therefore the Reserve Board under the terms of the Act of Congress had no power to authorize their exertion. The opinion of the court, however, fully examining the grounds thus stated and disagreeing with them, expressly decided that corporations were authorized by the State law to perform the functions in question and that the mere fact that national banks were Federal corporations did not render them unfit to assume and perform such duties under the State law because the mere difference existing between the general administrative rules governing national banks and State corporations afforded no ground for saying that it would be contrary to State law for national banks to exert the powers under consideration. The authority conferred by the act of Congress and the rights arising from the certificate from such point of view were therefore upheld. Looking at the subject, however, from a consideration of the legislative power of Congress in the light of the decisions in *McCulloch v. Maryland* and *Osborn v. Bank* and recognizing that it had been settled beyond dispute that Congress had power to organize banks and endow them with functions both of a public and private character, and in the assumed further light of the rule that every reasonable intendment must be indulged in in favor of the constitutionality of a legislative power exercised, it was yet decided that Congress had no authority to confer the powers embraced in the section of the act under con-

sideration and hence that the section was void. The court, following its reference to *McCulloch v. Maryland* and *Osborn v. Bank* and to passages in the opinions in those cases upholding the rightful possession by the bank of both public functions and private banking attributes, stated the grounds which led it to conclude that the rulings in the decided cases were distinguishable and therefore not controlling. It said:

But in the reasoning of the judges, in the opinions to which I have referred, I find, I think, a conclusive argument supporting the proposition that Congress has exceeded its constitutional powers in granting to banks the right to act as trustees, executors, and administrators. If for mere profit it can clothe this agency with the powers enumerated, it can give it the rights of a trading corporation, or a transportation company, or both. There is, as Judge Marshall points out, a natural connection between the business of banking and the carrying on of Federal fiscal operations. There is none, apparently, between such operations and the business of settling estates, or acting as the trustee of bondholders. This being so, there is in the legislation a direct invasion of the sovereignty of the State which controls not only the devolution of estates of deceased persons and the conducting of private business within the State, but as well the creation of corporations and the qualifications and duties of such as may engage in the business of acting as trustees, executors, and administrators. Such an invasion I think the court may declare and may prevent by its order operating upon the offending agency.

But we are of opinion that the doctrine thus announced not only was wholly inadequate to distinguish the case before us from the rulings in *McCulloch v. Maryland* and *Osborn v. Bank*, but on the contrary directly conflicted with what was decided in those cases—that is to say, disregarded their authority so as to cause it to be our duty to reverse for the following reasons:

1. Because the opinion of the court instead of testing the existence of the implied power to grant the particular functions in question by considering the bank as created by Congress as an entity with all the functions and attributes conferred upon it, rested the determination as to such power upon a separation of the particular functions from the other attributes and functions of the bank and ascertained the existence of the implied authority to confer them by considering them as segregated—that is, by disregarding their relation to the bank as component parts of its operations—a doctrine which, as we have seen, was in the most express terms held to be unsound in both of the cases.

2. Because while in the premise to the reasoning the right of Congress was fully recognized to exercise its legislative judgment as to the necessity for creating the bank including the scope and character of the public

and private powers which should be given to it, in application the discretion of Congress was disregarded or set aside by exercising judicial discretion for the purpose of determining whether it was relevant or appropriate to give the bank the particular functions in question.

3. Because even under this mistaken view the conclusion that there was no ground for implying the power in Congress was erroneous because it was based on a mistaken standard, since for the purpose of testing how far the functions in question which were conferred by the act of Congress to the bank were relevant to its business or had any relation to discrimination by State legislation against banks created by Congress it considered not the actual situation, that is, the condition of the State legislation, but an imaginary or non-existing condition, that is, the assumption that so far as the State power was concerned the particular functions were in the State enjoyed only by individuals or corporations not coming at all, actually or potentially, in competition with national banks. And the far-reaching effect of this error becomes manifest when it is borne in mind that plainly the particular functions enumerated in the statute were conferred upon national banks because of the fact that they were enjoyed as the result of State legislation by State corporations, rivals in a greater or less degree of national banks.

4. In view of the express ruling that the enjoyment of the powers in question by the national bank would not be in contravention of the State law, it follows that the reference of the court below to the State authority over the particular subjects which the statute deals with must have proceeded upon the erroneous assumption that because a particular function was subject to be regulated by the State law, therefore Congress was without power to give a national bank the right to carry on such functions. But if this be what the statement signifies, the conflict between it and the rule settled in *McCulloch v. Maryland* and *Osborn v. Bank* is manifest. What those cases established was that although a business was of a private nature and subject to State regulation, if it was of such a character as to cause it to be incidental to the successful discharge by a bank chartered by Congress of its public functions, it was competent for Congress to give the bank the power to exercise such private business in cooperation with or as part of its public authority. Manifestly this excluded the power of the State in such case, although it might

possess in a general sense authority to regulate such business, to use that authority to prohibit such business from being united by Congress with the banking function, since to do so would be but the exertion of State authority to prohibit Congress from exerting a power which under the Constitution it had a right to exercise. From this it must also follow that even although a business be of such a character that it is not inherently considered susceptible of being included by Congress in the powers conferred on national banks, that rule would cease to apply if by State law State banking corporations, trust companies, or others which by reason of their business are rivals or quasi rivals of national banks are permitted to carry on such business. This must be since the State may not by legislation create a condition as to a particular business which would bring about actual or potential competition with the business of national banks and at the same time deny the power of Congress to meet such created condition by legislation appropriate to avoid the injury which otherwise would be suffered by the national agency. Of course, as the general subject of regulating the character of business just referred to is peculiarly within State administrative control, State regulations for the conduct of such business, if not discriminatory or so unreasonable as to justify the conclusion that they necessarily would so operate, would be controlling upon banks chartered by Congress when they came in virtue of authority conferred upon them by Congress to exert such particular powers. And these considerations clearly were in the legislative mind when it enacted the statute in question. This result would seem to be plain when it is observed (a) that the statute authorizes the exertion of the particular functions by national banks when not in contravention of the State law; that is, where the right to perform them is expressly given by the State law or what is equivalent is deducible from the State law because that law has given the functions to State banks or corporations whose business in a greater or less degree rivals that of national banks, thus engendering from the State law itself an implication of authority in Congress to do as to national banks that which the State law has done as to other corporations, and (b) that the statute subjects the right to exert the particular functions which it confers on national banks to the administrative authority of the Reserve Board, giving besides to that board power to adopt rules regulating the exercise of the functions conferred, thus afford-

ing the means of coordinating the functions when permitted to be discharged by national banks with the reasonable and nondiscriminating provisions of State law regulating their exercise as to State corporations—the whole to the end that harmony and the concordant exercise of the national and State power might result.

Before passing to the question of procedure we think it necessary to do no more than say that a contention which was pressed in argument and which it may be was indirectly referred to in the opinion of the court below that the authority given by the section to the Reserve Board was void because conferring legislative power on that board, is so plainly adversely disposed of by many previous adjudications as to cause it to be necessary only to refer to them. *Field v. Clark*, 143 U. S. 649; *Buttfield v. Stranahan*, 192 U. S. 470; *United States v. Grimaud*, 220 U. S. 506; *Monongahela Bridge Company v. United States*, 216 U. S. 177; *Intermountain Rate Cases*, 234 U. S. 476.

The question of the competency of the procedure and the right to administer the remedy sought, then remains. It involves a challenge of the right of the State attorney general to resort in a State court to proceedings in the nature of quo warranto to test the power of the corporation to exert the particular functions given by the act of Congress because they were inherently Federal in character, enjoyed by a Federal corporation and susceptible only of being directly tested in a Federal court. Support for the challenge in argument is rested upon *Ableman v. Booth*, 21 Howard 506; *Tarble's Case*, 13 Wallace 397; *Van Reed v. People's National Bank*, 198 U. S. 554, 557; *State ex rel. Wilcox v. Curtis*, 32 Connecticut 374. But without inquiring into the merits of the doctrine upon which the proposition rests we think when the contention is tested by a consideration of the subject matter of this particular controversy it can not be sustained. In other words, we are of opinion that as the particular functions in question by the express terms of the act of Congress were given only "when not in contravention of State or local law," the State court was, if not expressly, at least impliedly authorized by Congress to consider and pass upon the question whether the particular power was or was not in contravention of the State law, and we place our conclusion on that ground. We find no ambiguity in the text, but if it be that ambiguity is latent in the provision, a consid-

eration of its purpose would dispel doubt especially in view of the interpretation which we have given the statute and the contrast between the clause governing the subject by the State law and the provision conferring administrative power on the Reserve Board. The nature of the subject dealt with adds cogency to this view since that subject involves the action of State courts of probate in a universal sense, implying from its very nature the duty of such courts to pass upon the question and the power of the court below within the limits of State jurisdiction to settle so far as the State was concerned the question for all such courts by one suit, thus avoiding the confusion which might arise in the entire system of State probate proceedings and the

very serious injury to many classes of society which also might be occasioned. And our conclusion on this subject is fortified by the terms of section 57, chapter 106, 13 Statutes 116, making controversies concerning national banks cognizable in State courts because of their intimate relation to many State laws and regulations, although without the grant of the act of Congress such controversies would have been Federal in character.

As it follows from what we have said that the court below erred in declaring the section of the act of Congress to be unconstitutional, the judgment must be reversed and the case remanded for further proceedings not inconsistent with this opinion.

REGULATIONS OF THE FEDERAL RESERVE BOARD.

WASHINGTON, June 22, 1917.

The Federal Reserve Board transmits herewith a new issue of all of its regulations of 1916 applicable to member banks. This revision was necessitated by the enactment of the recent amendments to the Federal Reserve Act.

Regulations C, H, and J have been materially altered because of those amendments. Regulation D has been amended so as to include postal savings deposits in the definition of a "time deposit" as required by the recent amendment to section 19. Regulation G has been amended by adding a paragraph relating to the renewal of loans upon the security of real estate. Regulations A, B, E, F, and I are identically the same as last year.

Instructions which concern only Federal Reserve Agents or Federal Reserve Banks will be covered in separate letters or regulations, as in the past.

W. P. G. HARDING, *Governor.*

H. PARKER WILLIS, *Secretary.*

REGULATION A, SERIES OF 1917.

(Superseding Regulation A of 1916.)

REDISCOUNTS UNDER SECTION 13.

A. NOTES, DRAFTS, AND BILLS OF EXCHANGE.

I. *General statutory provisions.*

Any Federal Reserve Bank may discount for any of its member banks any note, draft, or bill of exchange provided—

(a) It has a maturity at the time of discount of not more than 90 days, exclusive of days of grace; but if drawn or issued for agricultural purposes or based on live stock, it may have a maturity at the time of discount of not more than six months, exclusive of days of grace.

(b) It arose out of actual commercial transactions; that is, it must be a note, draft, or bill of exchange which has been issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used or are to be used for such purposes.

(c) It was not issued for carrying or trading in stocks, bonds, or other investment securities, except bonds and notes of the Government of the United States.

(d) The aggregate of notes, drafts, and bills bearing the signature or indorsement of any one borrower, whether a person, company, firm, or corporation rediscounted for any one member bank shall at no time exceed 10 per cent of the unimpaired capital and surplus of such bank; but this restriction shall not apply to the discount of bills of exchange drawn in good faith against actually existing values.

(e) It is indorsed by a member bank.

(f) It conforms to all applicable provisions of this regulation.

II. *General character of notes, drafts, and bills of exchange eligible.*

The Federal Reserve Board, exercising its statutory right to define the character of a note, draft, or bill of exchange eligible for rediscount at a Federal Reserve Bank, has determined that—

(a) It must be a note, draft, or bill of exchange the proceeds of which have been used or are to be used in producing, purchasing, carrying, or marketing goods¹ in one or more of the steps of the process of production, manufacture, or distribution.

(b) It must not be a note, draft, or bill of exchange the proceeds of which have been used or are to be used for permanent or fixed investments of any kind, such as land, buildings, or machinery.

(c) It must not be a note, draft, or bill of exchange the proceeds of which have been used or are to be used for investments of a purely speculative character.

(d) It may be secured by the pledge of goods or collateral provided it is otherwise eligible.

III. *Applications for rediscount.*

All applications for the rediscount of notes, drafts, or bills of exchange must contain a certificate of the member bank, in form to be prescribed by the Federal Reserve Bank, that, to the best of its knowledge and belief, such notes, drafts, or bills of exchange have been issued for one or more of the purposes mentioned in II (a).

IV. *Promissory notes.*

(a) *Definition.*—A promissory note, within the meaning of this regulation, is defined as 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.

(b) *Evidence of eligibility and requirement of statements.*—A Federal Reserve Bank must be satisfied by reference to the note or otherwise that it is eligible for rediscount. Compliance of a note with II (b) may be evidenced by a statement of the borrower showing a reasonable excess of quick assets over current liabilities. The member bank shall certify in its application whether the note offered for rediscount has been discounted for a depositor or another member bank or whether it has been purchased from a nondepositor. It must also certify whether a financial statement of the borrower is on file.

Such financial statements must be on file with respect to all notes offered for rediscount which have been purchased from sources other than a depositor or a member bank. With respect to any other note offered for rediscount, if no statement is on file, a Federal Reserve Bank

¹ When used in this regulation the word "goods" shall be construed to include goods, wares, merchandise, or agricultural products, including live stock.

shall use its discretion in taking the steps necessary to satisfy itself as to eligibility. It is authorized to waive the requirement of a statement with respect to any note discounted by a member bank for a depositor or another member bank:

(1) If it is secured by a warehouse, terminal, or other similar receipt covering goods in storage;

(2) If the aggregate of obligations of the borrower rediscounted and offered for rediscount at the Federal Reserve Bank is less than a sum equal to 10 per cent of the paid-in capital of the member bank and does not exceed \$5,000.

V. Drafts, bills of exchange, and trade acceptances.

(a) *Definition.*—A draft or bill of exchange, within the meaning of this regulation, is defined as an unconditional order in writing, addressed by one person to another other than a banker as defined under B (b), signed by the person giving it, requiring the person to whom it is addressed to pay, in the United States, at a fixed or determinable future time, a sum certain in dollars to the order of a specified person; and a trade acceptance is defined as a draft or bill of exchange drawn by the seller on the purchaser of goods sold and accepted by such purchaser.

(b) *Evidence of eligibility.*—A Federal Reserve Bank shall take such steps as it deems necessary to satisfy itself as to the eligibility of the draft or bill offered for rediscount, unless it presents prima facie evidence thereof or bears a stamp or certificate affixed by the acceptor or drawer showing that it is a trade acceptance.

VI. Six months' agricultural paper.

(a) *Definition.*—Six months' agricultural paper, within the meaning of this regulation, is defined as a note, draft, bill of exchange, or trade acceptance drawn or issued for agricultural purposes, or based on live stock; that is, a note, draft, bill of exchange, or trade acceptance the proceeds of which have been used, or are to be used, for agricultural purposes, including the breeding, raising, fattening, or marketing of live stock, and which has a maturity at the time of discount of not more than six months, exclusive of days of grace.

(b) *Eligibility.*—To be eligible for rediscount, six months' agricultural paper, whether a note, draft, bill of exchange, or trade acceptance, must comply with the respective sections of this regulation which would apply to it if its maturity were 90 days or less.

VII. Commodity paper.

(a) *Definition.*—Commodity paper within the meaning of this regulation is defined as 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.

(b) *Eligibility.*—To be eligible for rediscount at the special rates authorized to be established for commodity paper; such a note, draft, bill of exchange, or trade acceptance must also comply with the respective sections of this regulation applicable to it, must conform to the requirements of the Federal Reserve Bank relating to shipping documents, receipts, insurance, etc., and must be a note, draft, bill of exchange, or trade acceptance on which the rate of interest or discount—including commission—charged the maker does not exceed 6 per cent per annum.

(c) *Suspension of commodity rate.*—As the special rate on commodity paper is intended to assist actual producers during crop-moving periods and is not designed to benefit speculators, the Board reserves the right to suspend the special rates herein provided whenever it is apparent that the movement of crops, which this rate is intended to facilitate, has been practically completed.

B. BANKERS' ACCEPTANCES.

(a) *General statutory provisions.*—Any Federal Reserve Bank may discount for any of its member banks bankers' acceptances which have a maturity at the time of discount of not more than three months' sight, exclusive of days of grace, which are indorsed by at least one member bank and which grow out of transactions involving the importation or exportation of goods; or, which grow out of transactions involving the domestic shipment of goods, provided shipping documents 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. Any Federal Reserve Bank may also acquire drafts or bills of exchange drawn on member banks by banks or bankers in foreign countries or dependencies or insular possessions of the United States for the purpose of furnishing dollar exchange.

(b) *Definition.*—A banker's acceptance within the meaning of this regulation is defined as 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.

(c) *Eligibility.*—To be eligible for rediscount the bill must have been drawn under a credit opened for the purpose of conducting, or settling accounts resulting from, a transaction or transactions involving (1) the shipment of goods between the United States and any foreign country, or between the United States and any of its dependencies or insular possessions, or between foreign countries, or (2) the domestic shipment of goods, provided shipping documents are attached at the time of acceptance; or it must be a bill which is secured at the time of acceptance by a warehouse receipt or other such document conveying or securing title covering readily marketable staples. Any Federal Reserve Bank may also acquire drafts or bills drawn by a bank or banker in a foreign country or de-

pendency or insular possession of the United States for the purpose of furnishing dollar exchange and accepted by a member bank in accordance with the provisions of Regulation C. Such drafts or bills may be acquired prior to acceptance provided they have the indorsement of a member bank.

(d) *Evidence of eligibility.*—A Federal Reserve Bank must be satisfied, either by reference to the acceptance itself or otherwise, that it is eligible for rediscount. Satisfactory evidence of eligibility may consist of a stamp or certificate affixed by the acceptor in form satisfactory to the Federal Reserve Bank.

REGULATION B, SERIES OF 1917.

(Superseding Regulation B of 1916.)

OPEN-MARKET PURCHASES OF BILLS OF EXCHANGE, TRADE ACCEPTANCES, AND BANKERS' ACCEPTANCES UNDER SECTION 14.

I. *General statutory provisions.*

Section 14 of the Federal Reserve Act permits Federal Reserve Banks under rules and regulations to be prescribed by the Federal Reserve Board to purchase and sell in the open market from banks, firms, corporations, or individuals, bankers' acceptances and bills of exchange of the kinds and maturities made eligible by the Act for rediscount, with or without the indorsement of a member bank.

II. *General character of bills and acceptances eligible.*

The Federal Reserve Board, exercising its statutory right to regulate the purchase of bills of exchange and acceptances, has determined that a bill of exchange or acceptance, to be eligible for purchase by Federal Reserve Banks under section 14—

(a) Must not have been issued for carrying or trading in stocks, bonds, or other investment securities, except bonds and notes of the Government of the United States.

(b) Must not be a bill the proceeds of which have been used or are to be used for permanent or fixed investments of any kind, such as land, buildings, or machinery, or for investments of a merely speculative character.

(c) Must have been accepted by the drawee prior to purchase by a Federal Reserve Bank unless it is accompanied and secured by shipping documents or by a warehouse, terminal, or other similar receipt conveying security title.

(d) May be secured by the pledge of goods¹ or collateral, provided it is otherwise eligible.

In addition to the above general requirements, each bill of exchange and trade acceptance purchased under the terms of this regulation must also conform to the more

¹ When used in this regulation the word "goods" shall be construed to include goods, wares, merchandise, or agricultural products, including live stock.

specific requirements set forth under III, and each banker's acceptance must also conform to the more specific requirements set forth under IV.

III. *Bills of exchange and trade acceptances.*

(a) *Definition.*—A bill of exchange, within the meaning of this regulation, is defined as an unconditional order in writing, addressed by one person to another, other than a banker as defined under IV (a), signed by the person giving it, requiring the person to whom it is addressed, to pay, in the United States, at a fixed or determinable future time, a sum certain in dollars to the order of a specified person; and a trade acceptance is defined as a bill of exchange drawn by the seller on the purchaser of goods sold, and accepted by such purchaser.

(b) *Eligibility.*—To be eligible for purchase the bill must have arisen out of an actual commercial transaction, domestic or foreign; that is, it must be a bill which has been issued or drawn for agricultural, industrial, or commercial purposes or the proceeds of which have been used or are to be used for the purpose of producing, purchasing, carrying or marketing goods in one or more of the steps of the process of production, manufacture, or distribution. It must have a maturity at time of purchase of not more than 90 days, exclusive of days of grace.

(c) *Evidence of eligibility.*—A Federal Reserve Bank shall take such steps as it deems necessary to satisfy itself as to the eligibility of the bill offered for purchase, unless it presents prima facie evidence thereof or bears a stamp or certificate affixed by the acceptor or drawer showing that it is a trade acceptance.

(d) *Statements.*—Unless indorsed by a member bank, a bill is not eligible for purchase until a satisfactory statement has been furnished of the financial condition of one or more of the parties thereto.

IV. *Bankers' acceptances.*

(a) *Definition.*—A banker's acceptance, within the meaning of this regulation, is a 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.

(b) *Eligibility.*—To be eligible for purchase, the bill which must have a maturity at time of purchase of not more than three months, exclusive of days of grace, must have been drawn under a credit opened for the purpose of conducting, or settling accounts resulting from, a transaction or transactions involving—

(1) The shipment of goods between the United States and any foreign country, or between the United States and any of its dependencies or insular possessions, or between foreign countries, or

(2) The shipment of goods within the United States, provided the bill at the time of its acceptance is accompanied by shipping documents, or

(3) The storage within the United States of readily marketable goods, provided the acceptor of the bill is secured by warehouse, terminal, or other similar receipt, or

(4) The storage within the United States of goods which have been actually sold, provided the acceptor of the bill is secured by the pledge of such goods; or it must be a bill drawn by a bank or banker in a foreign country or dependency or insular possession of the United States for the purpose of furnishing dollar exchange. In this latter case the bank or banker drawing the bill must be in a country, dependency, or possession whose usages of trade have been determined by the Federal Reserve Board to require the drawing of bills of this character.

(c) *Evidence of eligibility.*—A Federal Reserve Bank must be satisfied either by reference to the acceptance itself, or otherwise, that it is eligible for purchase. Satisfactory evidence of eligibility may consist of a stamp or certificate affixed by the acceptor, in form satisfactory to the Federal Reserve Bank. No evidence of eligibility is required with respect to a bill accepted by a national bank.

(d) *Statements.*—Bankers' acceptances, other than those accepted or indorsed by member banks, shall be eligible for purchase only after the acceptor has furnished a satisfactory statement of financial condition in form to be approved by the Federal Reserve Board and has agreed in writing with a Federal Reserve Bank to inform it upon request concerning the transactions underlying such acceptances.

REGULATION C, SERIES OF 1917.

(Superseding Regulation C of 1916.)

ACCEPTANCE BY MEMBER BANKS OF DRAFTS AND BILLS OF EXCHANGE.

A. ACCEPTANCE OF DRAFTS OR BILLS OF EXCHANGE DRAWN AGAINST DOMESTIC OR FOREIGN SHIPMENTS OF GOODS OR SECURED BY WAREHOUSE RECEIPTS COVERING READILY MARKETABLE STAPLES.

I. *Statutory provisions.*

Under the provisions of the fifth paragraph of section 13 of the Federal Reserve Act, as amended by the acts of September 7, 1916, and June 21, 1917, any member bank may accept drafts or bills of exchange drawn upon it, having not more than six months' sight to run, exclusive of days of grace, which grow out of transactions involving the importation or exportation of goods; or 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. This paragraph limits the amount which any bank shall accept for any one person, company, firm, or corporation, whether in a foreign or domestic transaction, to an amount not exceeding at any

time, in the aggregate, more than 10 per cent of its paid-up and unimpaired capital stock and surplus. This limit, however, does not apply in any case where the accepting bank is secured either by attached documents or by some other actual security growing out of the same transaction as the acceptance. The law also provides that any bank may accept such bills up to an amount not exceeding at any time, in the aggregate, more than one-half of its paid-up and unimpaired capital stock and surplus; or, with the approval of the Federal Reserve Board, up to an amount not exceeding at any time, in the aggregate, more than 100 per cent of its paid-up and unimpaired capital stock and surplus. In no event, however, shall the aggregate amount of acceptances growing out of domestic transactions exceed 50 per cent of such capital stock and surplus.

II. *Regulations.*

1. Under the provisions of the law referred to above the Federal Reserve Board has determined that any member bank, having an unimpaired surplus equal to at least 20 per cent of its paid-up capital, which desires to accept drafts or bills of exchange drawn for the purposes described above, up to an amount not exceeding at any time, in the aggregate, 100 per cent of its paid-up and unimpaired capital stock and surplus, may file an application for that purpose with the Federal Reserve Board. Such application must be forwarded through the Federal Reserve Bank of the district in which the applying bank is located.

2. The Federal Reserve Bank shall report to the Federal Reserve Board upon the standing of the applying bank, stating whether the business and banking conditions prevailing in its district warrant the granting of such applications.

3. The approval of any such application may be rescinded upon 90 days' notice to the bank affected.

B. ACCEPTANCE OF DRAFTS OR BILLS OF EXCHANGE DRAWN FOR THE PURPOSE OF CREATING DOLLAR EXCHANGE.

I. *Statutory Provisions.*

Section 13 of the Federal Reserve Act also provides that any member bank may accept drafts or bills of exchange drawn upon it having not more than three months' sight to run, exclusive of days of grace, drawn, under regulations to be prescribed by the Federal Reserve Board, by banks or bankers in foreign countries or dependencies or insular possessions of the United States for the purpose of furnishing dollar exchange as required by the usages of trade in the respective countries, dependencies, or insular possessions.

No member bank shall accept such drafts or bills of exchange for any one bank to an amount exceeding in the aggregate 10 per centum of the paid-up and unimpaired capital and surplus of the accepting bank unless the draft or bill of exchange is accompanied by documents con-

veying or securing title or by some other adequate security. No member bank shall accept such drafts or bills in an amount exceeding at any time in the aggregate one-half of its paid-up and unimpaired capital and surplus. This 50 per cent limit is separate and distinct from and not included in the limits placed upon the acceptance of drafts and bills of exchange as described under section A of this regulation.

II. Regulations.

Any member bank desiring to accept drafts drawn by banks or bankers in foreign countries or dependencies or insular possessions of the United States for the purpose of furnishing dollar exchange shall first make an application to the Federal Reserve Board setting forth the usages of trade in the respective countries, dependencies, or insular possessions in which such banks or bankers are located.

If the Federal Reserve Board should determine that the usages of trade in such countries, dependencies, or possessions require the granting of the acceptance facilities applied for, it will notify the applying bank of its approval and will also publish in the Federal Reserve Bulletin the name or names of those countries, dependencies, or possessions in which banks or bankers are authorized to draw on member banks whose applications have been approved for the purpose of furnishing dollar exchange.

The Federal Reserve Board reserves the right to modify or on 90 days' notice to revoke its approval either as to any particular member bank or as to any foreign country or dependency or insular possession of the United States in which it has authorized banks or bankers to draw on member banks for the purpose of furnishing dollar exchange.

REGULATION D, SERIES OF 1917.

(Superseding Regulation D of 1916.)

TIME DEPOSITS AND SAVINGS ACCOUNTS.

Section 19 of the Federal Reserve Act provides, in part, as follows:

Demand deposits, within the meaning of this act, shall comprise all deposits payable within 30 days, and time deposits shall comprise all deposits payable after 30 days, and all savings accounts and certificates of deposit which are subject to not less than 30 days' notice before payment, and all postal savings deposits.

Time deposits, open accounts.

The term "time deposits, open accounts" shall be held to include all accounts, not evidenced by certificates of deposit or savings pass books, in respect to which a written contract is entered into with the depositor at the time the deposit is made that neither the whole nor any part of such deposit may be withdrawn by check or otherwise, except on a given date or on written notice given by the depositor a certain specified number of days in advance, in no case less than 30 days.

Savings accounts.

The term "savings accounts" shall be held to include those accounts of the bank in respect to which, by its printed regulations, accepted by the depositor at the time the account is opened—

(a) The pass book, certificate, or other similar form of receipt, must be presented to the bank whenever a deposit or withdrawal is made, and

(b) The depositor may at any time be required by the bank to give notice of an intended withdrawal not less than 30 days before a withdrawal is made.

Time certificates of deposit.

A "time certificate of deposit" is defined as an instrument evidencing the deposit with a bank, either with or without interest, of a certain sum specified on the face of the certificate payable in whole or in part to the depositor or on his order—

(a) On a certain date, specified on the certificate, not less than 30 days after the date of the deposit, or

(b) After the lapse of a certain specified time subsequent to the date of the certificate, in no case less than 30 days, or

(c) Upon written notice given a certain specified number of days, not less than 30 days before the date of repayment, and

(d) In all cases only upon presentation of the certificate at each withdrawal for proper indorsement or surrender.

REGULATION E, SERIES OF 1917.

(Superseding Regulation E of 1916.)

PURCHASE OF WARRANTS.

Statutory requirements.

Section 14 of the Federal Reserve Act reads in part as follows:

Every Federal Reserve Bank shall have power—

(b) To buy and sell, at home or abroad, bonds and notes of the United States, and bills, notes, revenue bonds, and warrants with a maturity from date of purchase of not exceeding six months, issued in anticipation of the collection of taxes or in anticipation of the receipt of assured revenues by any State, county, district, political subdivision, or municipality in the continental United States, including irrigation, drainage, and reclamation districts, such purchases to be made in accordance with rules and regulations prescribed by the Federal Reserve Board.

For brevity's sake, the term "warrant" when used in this regulation shall be construed to mean "bills, notes, revenue bonds, and warrants with a maturity from date of purchase of not exceeding six months," and the term "municipality" shall be construed to mean "State, county, district, political subdivision, or municipality in the continental United States, including irrigation, drainage, and reclamation districts."

Regulation.

I. Any Federal Reserve Bank may purchase warrants issued by a municipality in anticipation of the collection of taxes or in anticipation of the receipt of assured revenues, provided—

(a) They are the general obligations of the entire municipality; it being intended to exclude as ineligible for purchase all such obligations as are payable from "local benefit" and "special assessment" taxes when the municipality at large is not directly or ultimately liable;

(b) They are issued in anticipation of taxes or revenues which are due and payable on or before the date of maturity of such warrants; but the Federal Reserve Board may waive this condition in specific cases. For the purposes of this regulation, taxes shall be considered as due and payable on the last day on which they may be paid without penalty;

(c) They are issued by a municipality—

(1) Which has been in existence¹ for a period of 10 years;

(2) Which for a period of 10 years previous to the purchase has not defaulted¹ for longer than 15 days in the payment of any part of either principal or interest of any funded debt authorized to be contracted by it;

(3) Whose net funded indebtedness¹ does not exceed 10 per centum of the valuation of its taxable property, to be ascertained by the last preceding valuation of property or the assessment of taxes.

II. Except with the approval of the Federal Reserve Board, no Federal Reserve Bank shall purchase and hold an amount in excess of 25 per centum of the total amount of warrants outstanding at any time and issued in conformity with provisions of section 14 (b) above quoted, and actually sold by a municipality.

III. Except with the approval of the Federal Reserve Board, the aggregate amount invested by any Federal Reserve Bank in warrants of all kinds shall not exceed at the time of purchase a sum equal to 10 per centum of the deposits kept by its member banks with such Federal Reserve Bank.

IV. Except with the approval of the Federal Reserve Board, the maximum amount which may be invested at the time of purchase by any Federal Reserve Bank in warrants of any single municipality shall be limited to the following percentages of the deposits kept in such Federal Reserve Bank by its member banks:

Five per centum of such deposits in warrants of a municipality of 50,000 population or over;

Three per centum of such deposits in warrants of a municipality of over 30,000 population, but less than 50,000;

One per centum of such deposits in warrants of a municipality of over 10,000 population, but less than 30,000.

V. Warrants of a municipality of 10,000 population or less shall be purchased only with the special approval of the Board.

¹ See Appendix to this regulation.

The population of a municipality shall be determined by the last Federal or State census. Where it can not be exactly determined the Board will make special rulings.

VI. Opinion of recognized counsel on municipal issues or of the regularly appointed counsel of the municipality as to the legality of the issue shall be secured and approved in each case by counsel for the Federal Reserve Bank.

VII. Any Federal Reserve Bank may purchase from any of its member banks warrants of any municipality, indorsed by such member bank, with waiver of demand, notice, and protest, up to an amount not to exceed 10 per centum of the aggregate capital and surplus of such member bank: *Provided, however,* That such warrants comply with provisions I and III of these regulations, except that where a period of 10 years is mentioned in I (c) hereof a period of 5 years shall be substituted for the purposes of this clause.

APPENDIX TO REGULATION E.

"NET FUNDED INDEBTEDNESS."

The term "net funded indebtedness" is hereby defined to mean the legal gross indebtedness of the municipality (including the amount of any school district or other bonds which depend for their redemption upon taxes levied upon property within the municipality) less the aggregate of the following items:

(1) The amount of outstanding bonds or other debt-obligations made payable from current revenues;

(2) The amount of outstanding bonds issued for the purpose of providing the inhabitants of a municipality with public utilities, such as waterworks, docks, electric plants, transportation facilities, etc.: *Provided,* That evidence is submitted showing that the income from such utilities is sufficient for maintenance, for payment of interest on such bonds, and for the accumulation of a sinking fund for their redemption;

(3) The amount of outstanding improvement bonds, issued under laws which provide for the levying of special assessments against abutting property in amounts sufficient to insure the payment of interest on the bonds and the redemption thereof: *Provided,* That such bonds are direct obligations of the municipality and included in the gross indebtedness of the municipality;

(4) The total of all sinking funds accumulated for the redemption of the gross indebtedness of the municipality, except sinking funds applicable to bonds just described in (1), (2), and (3) above.

"EXISTENCE" AND "NONDEFAULT."

Warrants will be construed to comply with that part of I (c) of Regulation E relative to term of existence and non-default, under the following conditions:

(1) Warrants issued by or in behalf of any municipality which was, subsequent to the issuance of such warrants, consolidated with or merged into an existing political division which meets the requirements of these regulations,

will be deemed to be the warrants of such political division: *Provided*, That such warrants were assumed by such political division under statutes and appropriate proceedings the effect of which is to make such warrants general obligations of such assuming political division and payable, either directly or ultimately, without limitation to a special fund from the proceeds of taxes levied upon all the taxable real and personal property within its territorial limits.

(2) Warrants issued by or in behalf of any municipality which was, subsequent to the issuance of such warrants, wholly succeeded by a newly organized political division whose term of existence, added to that of such original political division or of any other political division so succeeded, is equal to a period of 10 years will be deemed to be warrants of such succeeding political division: *Provided*, That during such period none of such political divisions shall have defaulted for a period exceeding 15 days in the payment of any part of either principal or interest of any funded debt authorized to be contracted by it: *And provided further*, That such warrants were assumed by such new political division under statutes and appropriate proceedings the effect of which is to make such warrants general obligations of such assuming political division and payable, either directly or ultimately, without limitation to a special fund from the proceeds of taxes levied upon all the taxable real and personal property within its territorial limits.

(3) Warrants issued by or in behalf of any municipality which, prior to such issuance, became the successor of one or more, or was formed by the consolidation or merger of two or more, preexisting political divisions, the term of existence of one or more of which, added to that of such succeeding or consolidated political division, is equal to a period of 10 years, will be deemed to be warrants of a political division which has been in existence for a period of 10 years: *Provided*, That during such period none of such original, succeeding, or consolidated political divisions shall have defaulted for a period exceeding 15 days in the payment of any part of either principal or interest of any funded debt authorized to be contracted by it.

REGULATION F, SERIES OF 1917.

(Superseding Regulation F of 1916.)

TRUST POWERS OF NATIONAL BANKS.

I. *Statutory provisions.*

The Federal Reserve Act provides:

SEC. 11. The Federal Reserve Board shall be authorized and empowered:

(k) 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, or registrar of stocks and bonds, under such rules and regulations as the said board may prescribe.

II. *Applications.*

A national bank desiring to exercise any or all of the privileges authorized by section 11, subsection (k), of the Federal Reserve Act shall make application to the Federal Reserve Board on a form approved by said Board (Form No. 61). Such application shall be forwarded by the applying bank to the Chairman of the board of directors of the Federal Reserve Bank of its district, and shall thereupon be transmitted to the Federal Reserve Board with his recommendations.

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. *Provision for keeping trust funds.*

The funds, securities, and investments held in each trust shall be held separate and distinct from the general funds and securities of the bank, and separate and distinct one from another. The ledgers and other books kept for the trust department shall be entirely separate and apart from the other books and records of the bank.

V. *Examinations.*

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

VI. *Conformity with State laws.*

Nothing in these regulations shall be construed to give to a national bank doing business as trustee, executor, administrator, or registrar of stocks and bonds under section 11 (k) of the Federal Reserve Act any rights or privileges in contravention of the laws of the State in which the bank is located.

VII. *Revocation of permits.*

The Federal Reserve Board reserves the right to revoke permits granted under these regulations in any case where in the opinion of the Board a bank has willfully violated the provisions of these regulations or the laws of any State relating to the operations of such bank when acting as trustee, executor, administrator, or registrar of stocks and bonds.

VIII. *Changes in rules.*

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

REGULATION G, SERIES OF 1917.

(Superseding Regulation G of 1916.)

LOANS ON FARM LAND AND OTHER REAL ESTATE.

Section 24 of the Federal Reserve Act provides in part that—

Any national banking association not situated in a central reserve city may make loans secured by improved and unencumbered farm land situated within its Federal reserve district or within a radius of one hundred miles of the place in which such bank is located, irrespective of district lines, and may also make loans secured by improved and unencumbered real estate located within one hundred miles of the place in which such bank is located, irrespective of district lines; but no loan made upon the security of such farm land shall be made for a longer time than five years, and no loan made upon the security of such real estate as distinguished from farm land shall be made for a longer time than one year nor shall the amount of any such loan, whether upon such farm land or upon such real estate, exceed fifty per centum of the actual value of the property offered as security. Any such bank may make such loans, whether secured by such farm land or such real estate, in an aggregate sum equal to twenty-five per centum of its capital and surplus or to one-third of its time deposits and such banks may continue hereafter as heretofore to receive time deposits and to pay interest on the same.

National banks not located in central reserve cities may, therefore, legally make loans secured by improved and unencumbered farm land or other real estate as provided by this section.

Certain conditions and restrictions must, however, be observed—

(a) There must be no prior lien on the land; that is, the lending bank must hold an absolute first mortgage or deed of trust.

(b) The amount of the loan must not exceed 50 per cent of the actual value of the land by which it is secured.

(c) The maximum amount of loans which a national bank may make on real estate, whether on farm land or on other real estate as distinguished from farm land, is limited under the terms of the act to an amount not in excess of one-third of its time deposits at the time of the making of the loan, and not in excess of one-third of its average time deposits during the preceding calendar year: *Provided, however,* That if one-third of such time deposits as of the date of making the loan or one-third of the average time deposits for the preceding calendar year, is less than one-fourth of the capital and surplus of the bank as of the date of making the loan, the bank in such event shall have authority to make loans upon real estate under the terms of the act to the extent of one-fourth of the bank's capital and surplus as of that date.

(d) Farm land to be eligible as security for a loan by a national bank must be situated within the Federal Reserve District in which such bank is located or within a radius of 100 miles of such bank irrespective of district lines.

(e) Real estate as distinguished from farm land to be eligible as security for a loan by a national bank must be

located within a radius of 100 miles of such bank irrespective of district lines.

(f) The right of a national bank to "make loans" under section 24 includes the right to purchase or discount loans already made as well as the right to make such loans in the first instance: *Provided, however,* That no loan secured by farm land shall have a maturity of more than five years from the date on which it was purchased or made by the national bank and that no loan secured by other real estate shall have a maturity of more than one year from such date.

(g) Though no national bank is authorized under the provisions of section 24 to make a loan on the security of real estate, other than farm land, for a period exceeding one year, nevertheless, at the end of the year it may properly make a new loan upon the same security for a period not exceeding one year. The maturing note must be canceled and a new note taken in its place, but in order to obviate the necessity of making a new mortgage or deed of trust for each renewal the original mortgage or deed of trust may be so drawn in the first instance as to cover possible future renewals of the original note. Under no circumstances, however, must the bank obligate itself in advance to make such a renewal. It must in all cases preserve the right to require payment at the end of the year and to foreclose the mortgage should that action become necessary. The same principles apply to loans of longer maturities secured by farm lands.

(h) In order that real estate loans held by a bank may be readily classified, a statement signed by the officers making the loan and having knowledge of the facts upon which it is based must be attached to each note secured by a first mortgage on the land by which the loan is secured, certifying in detail as of the date of the loan that all of the requirements of law have been duly observed.

REGULATION H, SERIES OF 1917.

(Superseding Regulation H of 1916.)

MEMBERSHIP OF STATE BANKS AND TRUST COMPANIES.

I. *Statutory requirements.*

Section 9 of the Federal Reserve Act, as amended by the act approved June 21, 1917, which authorizes State banks and trust companies to become members of the Federal Reserve System, is quoted in the appendix to this regulation.

II. *Banks eligible for membership.*

A State bank or a trust company to be eligible for membership in a Federal Reserve Bank must comply with the following conditions:

1. It must have been incorporated under a special or general law of the State or district in which it is located.
2. It must have a minimum paid-up unimpaired capital stock as follows:

In cities or towns not exceeding 3,000 inhabitants, \$25,000.

In cities or towns exceeding 3,000 but not exceeding 6,000 inhabitants, \$50,000.

In cities or towns exceeding 6,000 but not exceeding 50,000 inhabitants, \$100,000.

In cities exceeding 50,000 inhabitants, \$200,000.

III. *Application for membership.*

Any eligible State bank or trust company may make application on F. R. B. Form 83a, made a part of this regulation, to the Federal Reserve Board for an amount of capital stock in the Federal Reserve Bank of its district equal to 6 per cent of the paid-up capital stock and surplus of such State bank or trust company. This application must be forwarded direct to the Federal Reserve Agent of the district in which the applying bank or trust company is located and must be accompanied by Exhibits I, II, and III; referred to on page 1 of the application blank.

IV. *Approval of application.*

In passing upon an application the Federal Reserve Board will consider especially—

1. The financial condition of the applying bank or trust company and the general character of its management.

2. Whether the corporate powers exercised by the applying bank or trust company are consistent with the purposes of the Federal Reserve Act.

3. Whether the laws of the State or district in which the applying bank or trust company is located contain provisions likely to prevent proper compliance with the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board made in conformity therewith.

If, in the judgment of the Federal Reserve Board, an applying bank or trust company conforms to all the requirements of the Federal Reserve Act and these regulations, and is otherwise qualified for membership, the Board will issue a certificate of approval subject to such conditions as it may deem necessary to insure compliance with the act and these regulations. When the conditions imposed by the Board have been accepted by the applying bank or trust company the Board will issue a certificate of approval, whereupon the applying bank or trust company shall make a payment to the Federal Reserve Bank of its district of one-half of the amount of its subscription, i. e., 3 per cent of the amount of its paid-up capital and surplus, and upon receipt of this payment the appropriate certificate of stock will be issued by the Federal Reserve Bank. The remaining half of the subscription of the applying bank or trust company shall be subject to call when deemed necessary by the Federal Reserve Board.

V. *Powers and restrictions.*

Every State bank or trust company while a member of the Federal Reserve System—

1. Shall retain its full charter and statutory rights as a State bank or trust company, subject to the provisions of

the Federal Reserve Act and to the regulations of the Federal Reserve Board, including any conditions embodied in the certificate of approval.

2. Shall maintain such improvements and changes in its banking practice as may have been specifically required of it by the Federal Reserve Board as a condition of its admission and shall not lower the standard of banking then required of it; and

3. Shall enjoy all the privileges and observe all those requirements of the Federal Reserve Act and of the regulations of the Federal Reserve Board made in conformity therewith which are applicable to State banks and trust companies which have become member banks.

VI. *Examinations and reports.*

Every State bank or trust company, while a member of the Federal Reserve System, shall be subject to examinations made by direction of the Federal Reserve Board or of the Federal Reserve Bank by examiners selected or approved by the Federal Reserve Board.

In order to avoid duplication, examinations of State banks and trust companies made by State authorities will be accepted in lieu of examinations by examiners selected or approved by the Board wherever these are satisfactory to the directors of the Federal Reserve Bank and where, in addition, satisfactory arrangements for cooperation in the matter of examination between the designated examiners of the Board and those of the States already exist or can be effected with State authorities. Examiners from the staff of the Board or of the Federal Reserve Banks will, whenever desirable, be designated by the Board to act with the examination staff of the State in order that uniformity in the standard of examination may be assured.

Every State bank or trust company, while a member of the Federal Reserve System, shall be required to make in each year not less than three reports of condition and of the payment of dividends. Such reports shall be made to the Federal Reserve Bank of its district on call of such bank on dates to be fixed by the Federal Reserve Board.

APPENDIX TO REGULATION H.

Section 9 of the Federal Reserve Act as amended by the act approved June 21, 1917, provides that:

Any bank incorporated by special law of any State, or organized under the general laws 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, under such rules and regulations as it may prescribe for the right to subscribe to the stock of the Federal reserve bank organized within the district in which the applying bank is located. Such application shall be for the same amount of stock that the applying bank would be required to subscribe to as a national bank. The Federal Reserve Board, subject to such conditions as it may prescribe, may permit the applying bank to become a stockholder of such Federal reserve bank.

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.

Whenever the Federal Reserve Board shall permit the applying bank to become a stockholder in the Federal reserve bank of the district its stock subscription shall be payable on call of the Federal Reserve Board and stock issued to it shall be held subject to the provisions of this act.

All banks admitted to membership under authority of this section shall be required to comply with the reserve and capital requirements of this act and to conform to those provisions of law imposed on national banks which prohibit such banks from lending on or purchasing their own stock, which relate to the withdrawal or impairment of their capital stock, and which relate to the payment of unearned dividends. Such banks and the officers, agents and employees thereof shall also be subject to the provisions of and to the penalties prescribed by section fifty-two hundred and nine of the Revised Statutes, and shall be required to make reports of condition and of the payment of dividends to the Federal reserve bank of which they become a member. Not less than three of such reports shall be made annually on call of the Federal reserve bank on dates to be fixed by the Federal Reserve Board. Failure to make such reports within ten days after the date they are called for shall subject the offending bank to a penalty of \$100 a day for each day that it fails to transmit such report; such penalty to be collected by the Federal reserve bank by suit or otherwise.

As a condition of membership such banks shall likewise be subject to examinations made by direction of the Federal Reserve Board or of the Federal reserve bank by examiners selected or approved by the Federal Reserve Board.

Whenever the directors of the Federal reserve bank shall approve the examinations made by the State authorities, such examinations and the reports thereof may be accepted in lieu of examinations made by examiners selected or approved by the Federal Reserve Board: *Provided, however,* That when it deems it necessary the board may order special examinations by examiners of its own selection and shall in all cases approve the form of report. The expenses of all examinations, other than those made by State authorities, shall be assessed against and paid by the banks examined.

If at any time it shall appear to the Federal Reserve Board that a member bank has failed to comply with the provisions of this section or the regulations of the Federal Reserve Board made pursuant thereto, it shall be within the power of the board after hearing to require such bank to surrender its stock in the Federal reserve bank and to forfeit all rights and privileges of membership. The Federal Reserve Board may restore membership upon due proof of compliance with the conditions imposed by this section.

Any State bank or trust company desiring to withdraw from membership in a Federal reserve bank may do so, after six months' written notice shall have been filed with the Federal Reserve Board, upon the surrender and cancellation of all of its holdings of capital stock in the Federal reserve bank: *Provided, however,* That no Federal reserve bank shall, except under express authority of the Federal Reserve Board, cancel within the same calendar year more than 25 per centum of its capital stock for the purpose of effecting voluntary withdrawals during that year. All such applications shall be dealt with in the order in which they are filed with the board.

Whenever a member bank shall surrender its stock holdings in a Federal Reserve Bank, or shall be ordered to do so by the Federal Reserve Board, under authority of law, all of its rights and privileges as a member bank shall thereupon cease and determine, and after due pro-

vision has been made for any indebtedness due or to become due to the Federal Reserve Bank it shall be entitled to a refund of its cash paid subscription with interest at the rate of one-half of one per centum per month from date of last dividend, if earned, the amount refunded in no event to exceed the book value of the stock at that time, and shall likewise be entitled to repayment of deposits and of any other balance due from the Federal Reserve Bank.

No applying bank shall be admitted to membership in a Federal Reserve Bank unless it possesses a paid-up unimpaired capital sufficient to entitle it to become a national banking association in the place where it is situated under the provisions of the national bank act.

Banks becoming members of the Federal Reserve System under authority of this section shall be subject to the provisions of this section and to those of this act which relate specifically to member banks, but shall not be subject to examination under the provisions of the first two paragraphs of section fifty-two hundred and forty of the Revised Statutes as amended by section twenty-one of this act. Subject to the provisions of this act and to the regulations of the Board made pursuant thereto, any bank becoming a member of the Federal Reserve System shall retain its full charter and statutory rights as a State bank or trust company, and may continue to exercise all corporate powers granted it by the State in which it was created, and shall be entitled to all privileges of member banks: *Provided, however,* That no Federal Reserve Bank shall be permitted to discount for any State bank or trust company notes, drafts, or bills of exchange of any one borrower who is liable for borrowed money to such State bank or trust company in an amount greater than ten per centum of the capital and surplus of such State bank or trust company, but the discount of bills of exchange drawn against actually existing value and the discount of commercial or business paper actually owned by the person negotiating the same shall not be considered as borrowed money within the meaning of this section. The Federal Reserve Bank, as a condition of the discount of notes, drafts, and bills of exchange for such State bank or trust company, shall require a certificate or guaranty to the effect that the borrower is not liable to such bank in excess of the amount provided by this section, and will not be permitted to become liable in excess of this amount while such notes, drafts, or bills of exchange are under discount with the Federal Reserve Bank.

It shall be unlawful for any officer, clerk, or agent of any bank admitted to membership under authority of this section to certify any check drawn upon such bank unless the person or company drawing the check has on deposit therewith at the time such check is certified an amount of money equal to the amount specified in such check. Any check so certified by duly authorized officers shall be a good and valid obligation against such bank, but the act of any such officer, clerk, or agent in violation of this section may subject such bank to a forfeiture of its membership in the Federal Reserve System upon hearing by the Federal Reserve Board.

REGULATION I, SERIES OF 1917.
(Superseding Regulation I of 1916.)

INCREASE OR DECREASE OF CAPITAL STOCK OF FEDERAL RESERVE BANKS.

Increase of capital stock.

Whenever the capital stock of any Federal Reserve Bank shall be increased by new banks becoming members, or by the increase of capital or surplus of any member

bank and the allotment of additional capital stock to such bank, the board of directors of such Federal Reserve Bank shall certify such [increase to the Comptroller of the Currency on Form 58, which is made a part of this regulation.

Decrease of capital stock.

I. Whenever a member bank reduces its capital stock or surplus, and, in the case of reduction of its capital, such reduction has been approved by the Comptroller of the Currency and by the Federal Reserve Board in accordance with the provisions of section 28 of the Federal Reserve Act, it shall file with the Federal Reserve Bank of which it is a member an application on Form 60, which is made a part of this regulation. When this application has been approved, the Federal Reserve Bank shall take up and cancel the receipt issued to such bank for cash payments made on its subscription and shall issue in lieu thereof a new receipt after refunding to the member bank the proportionate amount due such bank on account of the subscription canceled. The receipt so issued shall show the date of original issue, so that dividends may be calculated thereon.

II. Whenever a member bank shall be declared insolvent and a receiver appointed by the proper authorities such receiver shall file with the Federal Reserve Bank of which the insolvent bank is a member an application on Form 87, which is made a part of this regulation, for the surrender and cancellation of the stock held by, and for the refund of all balances due to such insolvent member bank. Upon approval of this application by the Federal Reserve Agent the Federal Reserve Bank shall accept and cancel the stock surrendered, and shall adjust accounts between the member bank and the Federal Reserve Bank by applying to the indebtedness of the insolvent member bank to such Federal Reserve Bank all cash-paid subscriptions made by it on the stock canceled with one-half of 1 per centum per month from the period of last dividend, if earned, not to exceed the book value thereof, and the balance, if any, shall be paid to the duly authorized receiver of such insolvent member bank.

III. Whenever a member bank goes into voluntary liquidation and a liquidating agent is appointed, such agent shall file with the Federal Reserve Bank of which it is a member an application on Form 86, which is made a part of this regulation, for the surrender and cancellation of the stock held by and for the refund of all balances due to such liquidating member bank. Upon approval of this application by the Federal Reserve Agent the Federal Reserve Bank shall accept and cancel the stock surrendered, and shall adjust accounts between the liquidating member bank and the Federal Reserve Bank by applying to the indebtedness of the liquidating member bank to such Federal Reserve Bank all cash-paid subscriptions made by it on the stock canceled with one-half of 1 per centum per month from the period of last dividend, if earned, not to exceed the book value thereof, and the balance, if any, shall be paid to the duly authorized liquidating agent of such liquidating member bank.

IV. Whenever the stock of a Federal Reserve Bank shall be reduced in the manner provided in Paragraphs I, II, or III of this regulation the board of directors of such Federal Reserve Bank shall, in accordance with the provisions of section 6, file with the Comptroller of the Currency a certificate of such reduction on Form 59, which is made a part of this regulation.

REGULATION J, SERIES OF 1917.

(Superseding Regulation J of 1916.)

CHECK CLEARING AND COLLECTION.

Section 16 of the Federal Reserve Act authorizes the Federal Reserve Board to require each Federal Reserve Bank to exercise the function of a clearing house for its member banks, and section 13 of the Federal Reserve Act as amended by the act approved June 21, 1917, authorizes each Federal Reserve Bank to receive from any non-member bank or trust company, solely for the purposes of exchange or of collection, deposits of current funds in lawful money, national bank notes, Federal Reserve notes, checks, and drafts payable upon presentation, or maturing notes and bills, provided such nonmember bank or trust company maintains with its Federal Reserve Bank a balance sufficient to offset the items in transit held for its account by the Federal Reserve Bank.

In pursuance of the authority vested in it under these provisions of law, the Federal Reserve Board, desiring to afford both to the public and to the various banks of the country a direct, expeditious, and economical system of check collection and settlement of balances, has arranged to have each Federal Reserve Bank exercise the functions of a clearing house for such of its member banks as desire to avail themselves of its privileges and for such State banks and trust companies as may maintain with the Federal Reserve Bank a balance sufficient to qualify it as a clearing member under the provisions of section 13.

Each Federal Reserve Bank shall exercise the functions of a clearing house under the following general terms and conditions:

(1) Each Federal Reserve Bank will receive at par from its member banks, and from nonmember banks in its district which have become clearing members, checks¹ drawn on all member and clearing member banks and on all other nonmember banks which agree to remit at par through the Federal Reserve Bank of their district.

(2) Each Federal Reserve Bank will receive at par from other Federal Reserve Banks and will receive at par from all member and clearing member banks, regardless of their location, for the credit of their accounts with their respective Federal Reserve Banks, checks drawn upon all member and clearing member banks of its district and

¹ A check is generally defined as a draft or order upon a bank or order upon a bank or banking house, purporting to be drawn upon a deposit of funds, for the payment at all events of a certain sum of money to a certain person therein named, or to him or his order, or to bearer, and payable instantly on demand.

upon all other nonmember banks of its district whose checks can be collected at par by the Federal Reserve Bank. The Federal Reserve Banks will prepare a par list of all nonmember banks, to be revised from time to time, which will be furnished to member and clearing member banks.

(3) Immediate credit entry upon receipt subject to final payment will be made for all such items upon the books of the Federal Reserve Bank at full face value, but the proceeds will not be counted as part of the minimum reserve nor become available to meet checks drawn until actually collected, in accordance with the best practice now prevailing.

(4) Checks received by a Federal Reserve Bank on its member or clearing member banks will be forwarded direct to such banks and will not be charged to their accounts until sufficient time has elapsed within which to receive advice of payment.

(5) In the selection of collecting agents for handling checks on nonmember banks, which have not become clearing members, member banks will be given the preference.

(6) Under this plan each Federal Reserve Bank will receive at par from its member and clearing member banks checks on all member and clearing member banks and on all other nonmember banks whose checks can be collected at par by any Federal Reserve Bank. Member and clearing member banks will be required by the Federal Reserve Board to provide funds to cover at par all checks received from or for the account of their Federal Reserve Banks: *Provided, however,* That a member or clearing member bank may ship currency or specie from its own vaults at the expense of its Federal Reserve Bank to cover any deficiency which may arise because of and only in the case of inability to provide items to offset checks received from or for the account of its Federal Reserve Bank.¹

(7) Section 19 of the Federal Reserve Act provides that—

The required balance carried by a member bank with a Federal Reserve Bank may, under the regulations, and subject to such penalties as may be prescribed by the Federal Reserve Board, be checked against and withdrawn by such member bank for the purpose of meeting existing liabilities: *Provided, however,* That no bank shall at any time make new loans or shall pay any dividends unless and until the total balance required by law is fully restored.

It is manifest that items in process of collection can not lawfully be counted as part of the minimum reserve balance to be carried by a member bank with its Federal Reserve Bank. Therefore, should a member bank draw

¹ In accordance with instructions issued by the Federal Reserve Board on Apr. 24, 1917, the various Federal Reserve Banks have issued circulars setting forth the conditions under which their respective member banks may draw drafts on their reserve bank accounts payable with or through any other Federal Reserve Bank.

against such items the draft would be charged against its reserve balance if such balance were sufficient in amount to pay it; but any resulting impairment of reserve balances would be subject to all the penalties provided by the act.

Inasmuch as it is essential that the law in respect to the maintenance by member banks of the required minimum reserve balance shall be strictly complied with the Federal Reserve Board, under authority vested in it by section 19 of the act, hereby prescribes as the penalty for any deficiency in reserves a sum equivalent to an interest charge on the amount of the deficiency of 2 per cent per annum above the 90-day discount rate of the Federal Reserve Bank of the district in which the member bank is located. The Board reserves the right to increase this penalty whenever conditions require it.

For the purpose of keeping their reserve balances intact member banks may at all times have recourse to the rediscount facilities offered by their respective Federal Reserve Banks.

(8) Each Federal Reserve Bank will determine by analysis the amounts of uncollected funds appearing on its books to the credit of each member bank. Such analysis will show the true status of the reserve held by the Federal Reserve Bank for each member bank and will enable it to apply the penalty for impairment of reserve.

A schedule of the time required within which to collect checks will be furnished to each bank to enable it to determine the time at which any item sent to its Federal Reserve Bank will be counted as reserve and become available to meet any checks drawn.

(9) In handling items for member and clearing member banks, a Federal Reserve Bank will act as agent only. The Board will require that each member and clearing member bank authorize its Federal Reserve Bank to send checks for collection to banks on which checks are drawn and, except for negligence, such Federal Reserve Bank will assume no liability. Any further requirements that the Board may deem necessary will be set forth by the Federal Reserve Banks in their letters of instruction to their member and clearing member banks. Each Federal Reserve Bank will also promulgate rules and regulations governing the details of its operations as a clearing house, such rules and regulations to be binding upon all member and nonmember banks which are clearing through the Federal Reserve Bank.

(10) The cost of collecting and clearing checks must necessarily be borne by the banks receiving the benefit and in proportion to the service rendered. An accurate account will be kept by each reserve bank of the cost of performing this service and the Federal Reserve Board will, by rule, fix the charge, at so much per item, which may be imposed for the service of clearing or collection rendered by the reserve banks, as provided in section 16 of the Federal Reserve Act.

SUMMARY OF BUSINESS CONDITIONS JUNE 23, 1917.

	District No. 1— Boston.	District No. 2— New York.	District No. 3— Philadelphia.	District No. 4— Cleveland.	District No. 5— Richmond.	District No. 6— Atlanta.
General business...	Somewhat con- fused.	Active.....	Good.....	Generally good...	Active and generally satisfactory.	Good.
Crops:						
Condition.....	Season backward..	Good.....	Fair.....	Improved.....	General improve- ment.	Fair.
Outlook.....	do.....	do.....	do.....	Favorable.....	Optimistic.....	Do.
Industries of the district.	In most cases very busy.	Operating close to maximum ca- pacity.	Busy.....	Very active.....	Active; labor in de- mand. Some com- plaint of embar- goes.	Operating at maxi- mum.
Construction, building, and engineering.	Good.....	Building construc- tion lagging.	Decreasing.....	Inactive.....	Restricted owing to high cost of sup- plies and labor.	Slow.
Foreign trade.....	Large.....	Imports and ex- ports less than last month.	Increasing in value.		Increase.....	Improving.
Bank clearings...	Increase.....	Increase.....	Increasing.....	Increased.....	10 per cent increase..	Increasing.
Money rates.....	Increasing.....	Firm and higher than last month.	do.....	Firmer and rising...	Increasing demand..	Do.
Railroad, post- office, and other receipts.	Some increases and some de- creases.	Heavy.....	Receipts more than last year, but net earnings smaller.	Increased.....	Indicate good vol- ume of business.	Slight increase.
Labor conditions..	Well employed....	Fair.....	Scarcity of labor prevalent throughout district.	Fair.....	Well employed.....	Fair.
Outlook.....	Good.....	Good.....	Good.....	Satisfactory.....	Very satisfactory....	Good.
Remarks.....	Business attempt- ing to get ad- justed to new conditions.				Reports are gener- ally optimistic.	With more season- able weather, crop conditions will vastly im- prove.
	District No. 7— Chicago.	District No. 8— St. Louis.	District No. 9— Minneapolis.	District No. 10— Kansas City.	District No. 11— Dallas.	District No. 12— San Francisco.
General business...	Fair.....	Less active, but satisfactory.	Good.....	Satisfactory volume.	Good.....	Active.
Crops:						
Condition.....	do.....	Improved.....	Excellent.....	Improved.....	Grain crop being har- vested and yield better than ex- pected.	Good.
Outlook.....	Satisfactory.....	Wheat fair; others good.		Excellent for corn...	Rain needed for corn	Do.
Industries of the district.	Active.....	Busy.....	Active.....	Generally in full op- eration.	Continue active.....	Active.
Construction, building, and en- gineering.	Slack.....	Decrease.....	Not in as large vol- ume as year ago.	Some slackening no- ticeable.	Construction work normal; building operations not un- usually heavy.	Increase.
Foreign trade.....	Increase over last year.	Increase.....	Increase.....	Increase.....	Increase.....	Do.
Bank clearings...	Strong.....	No change.....	Steady.....	Hardening.....	No material change..	No perceptible change.
Money rates.....	Decrease over last year.	Post-office station- ary.	Increase.....	Increase.....	Post-office receipts increase.	Increase.
Railroad, post-of- fice, and other receipts.	Decrease over last year.	Post-office station- ary.	Increase.....	Increase.....	Post-office receipts increase.	Increase.
Labor conditions..	Demand strong...	Well employed....	Good.....	Shortage.....	Demand for farm hands in excess of supply; skilled men well em- ployed, satisfac- tory wages.	Fully employed.
Outlook.....	Satisfactory.....	Satisfactory.....	Very good.....	Favorable.....	Business conditions favorable; outlook for immediate fu- ture is promising in most sections.	For great activity.
Remarks.....				Prospect for fall busi- ness generally en- couraging.		

GENERAL BUSINESS CONDITIONS.

There is given on the preceding page a summary of business conditions in the United States by Federal Reserve districts. The reports are furnished by the Federal Reserve Agents, who are the chairmen of the boards of directors for the Reserve Banks of the several districts. Below are the detailed reports as of approximately June 23:

DISTRICT NO. 1—BOSTON.

Bankers and business men in every line are endeavoring to readjust their business to the new conditions brought about by our entrance into the war. This has caused a somewhat confused condition of general business. Those lines that are receiving Government orders are very busy and are maintaining production at the maximum. Other dealers and manufacturers are finding their business adversely affected to a large extent by current factors. Raw material prices and wages paid employees are high and require increased working capital to do business. With money rates as they have been for the past year or two this has been no hardship and borrowing has been easy. With the placing of the Liberty Loan and the prospect of other large loans to follow, money has tightened and rates have hardened. Banks are scanning credits carefully and in most cases are restricting business entirely to their own customers. Merchants, feeling the effect of this, are curtailing business perceptibly.

Retailers, feeling that a great deal of money in their own locality is going out for Liberty bonds, in many cases in installments covering a year, do not want to extend their business until they see what the effect is to be and how much of that money will come back into their own community.

The wool business is very good. There seems to be less trading among dealers, but mills are buying to cover orders and prices are high, with the trend upward.

In the boot and shoe industry new business is not coming up to expectations.

Money has tightened to a large extent since last month and rates are from $\frac{1}{2}$ to $1\frac{1}{2}$ per cent higher for all dates. Call money, 6 per cent; time money, $5\frac{1}{2}$ to 6 per cent with the bulk of business being done at the former rate. Town notes, 5 per cent for fall maturities. Bankers acceptances, 90 days, $3\frac{1}{2}$ per cent upward.

Loans and discounts of the Boston Clearing House banks on June 16, 1917, amounted to \$455,330,000 as compared with \$457,051,000 last month and \$428,322,000 on June 17, 1916. Deposits on June 16, 1917, totaled \$352,879,000 as compared with \$351,006,000 on May 19, 1917, and \$341,969,000 on June 17, 1916. The amount "Due to banks" on June 16 was \$135,056,000 as compared with \$137,273,000 on May 19. The excess reserve of these banks increased from \$22,662,000 on May 19 to \$32,635,000 on June 16.

Exchanges of the Boston Clearing House for the week ending June 16, 1917, were \$266,557,142 compared with \$180,740,253 for the corresponding week (five days) last year and \$228,733,906 for the week ending May 19, 1917.

Building and engineering operations in New England from January 1 to June 20, 1917, amounted to \$90,626,000 as compared with \$97,260,000 for the corresponding period of 1916, the highest previous year recorded.

Imports to the port of Boston for May, 1917, amounted to \$20,306,603 as compared with \$25,810,610 for April, 1917, and \$19,555,149 for May, 1916.

Exports from the port of Boston for May, 1917, amounted to \$18,034,567 as compared with \$20,509,558 for April, 1917, and \$11,255,012 for May, 1916.

The receipts of the Boston post office for May, 1917, show an increase of \$30,411.48, or about 4 per cent more than May, 1916. For the first 15 days of June, 1917, receipts were about 6 per cent, or \$27,233.08 less than for the corresponding period last year.

Boston & Maine Railroad reports net operating income, after taxes, for April, 1917, as \$1,041,235 as compared with \$1,458,632 for the corresponding month of 1916. New York, New Haven & Hartford Railroad reports net operating income, after taxes, for April, 1917, as \$2,046,686 as compared with \$1,904,920 for the same month last year.

DISTRICT NO. 2—NEW YORK.

The general condition of business in the district is excellent and the volume of trade undiminished. Activity in retail lines which declined following the declaration of war, is reviving. Industries whose products are directly or indirectly essential to preparations for our part in the war are working to the limit of capacity.

Encouraging reports as to the crop situation come from correspondents throughout the district. There have been heavy increases in the planting of corn, grain, beans, cabbage, potatoes, various canning factory crops, and vegetables.

The metal industries, especially steel, are working under high pressure and the difficulty of securing steel products is hampering other industries seriously. The unfilled orders of the United States Steel Corporation amounted on June 1 to 11,886,591 tons, as compared with 12,183,083 tons on May 1.

The fuel situation is improved but lack of adequate transportation facilities are preventing the delivery of the large quantities of coal needed. Anthracite production for April and May was 24 per cent over the same months last year and arrangements for pooling bituminous coal shipments are expected to make possible very much heavier deliveries. An improvement in the transportation situation is indicated by the reduction of 30 per cent in freight-car shortage during May.

Activity in the textile industries is maintained at high level by Government buying, though retailers have shown a tendency to cancel orders booked for later delivery. Cotton at 26 cents a pound has broken all price

records for this staple and the Liverpool cotton exchange on June 20 was obliged to close temporarily. The wool supply is still scanty, though the announced decision of the British Government to release 16,000,000 pounds of Australian wool for shipment here is expected to help in coming months. Retail clothing lines are only slowly regaining their normal business. Prices of drugs and chemicals are firm and business active. Jewelry and watches are again selling in good volume. Boot and shoe sales are slow.

Collections are not quite as good as in preceding months, though reported satisfactory in a majority of lines.

Imports at the port of New York for May were \$118,850,759, as compared with \$126,801,160 in April and \$147,901,883 in March. Exports amounted to \$245,968,346, a decrease of \$16,642,292 from the April figures.

New corporate financing for the month of May amounted only to \$48,320,500, as compared with \$191,814,400 in May, 1916. New corporations have been organized in the Eastern States, with capital of \$1,000,000 or over, to a total capitalization of \$388,481,000, a figure much higher than May, 1916, when the total was \$209,735,000, and May, 1915, when it was \$78,950,000. An important part of the capitalization is for shipbuilding, iron and steel, drug and chemical, and copper companies, and the unusual activity is said to be due to the Government's demand for war supplies.

The work of placing the Liberty Loan has overshadowed everything among the banking and financial houses of the district. During June there have been extremely heavy withdrawals of funds from New York by interior banks in anticipation of Liberty Loan payments. Excess reserve of the New York Clearing House banks which on May 19 stood at \$146,754,000 had declined on June 15 to \$54,050,750 in spite of an increase of \$178,000,000 in investments of the Federal Reserve Bank during the same period. Deposits of the clearing house banks decreased about \$82,000,000.

Call money has been very firm and for several days renewed at 6 per cent. Time money rates have ranged from 5 to 6 per cent, with relatively small amounts being loaned. Commercial paper rates have shown continued firmness at 5 to 5½ per cent.

DISTRICT NO. 3—PHILADELPHIA.

There has been a noticeable improvement in business conditions in those lines which are especially dependent upon weather conditions, higher temperatures having stimulated demand for many summer specialties, and business in seasonable merchandise is now well up to normal in volume. The Philadelphia department stores report considerable improvement, and expect business to continue good.

Automobiles.—A large manufacturer of trucks reports that the volume of business has very materially increased and the outlook is favorable, but that the margin of profit is considerably less, because of continued increases in the cost of labor and materials. The pleasure-car business is reported as not very good.

Cotton.—The cotton market is in a highly speculative condition. Government orders have kept certain classes of mills working overtime, but carpet mills and others which are making goods not in much demand are not so busy. The high price of cotton has caused somewhat of a halt in the placing of future orders.

Leather.—The supply of leather on hand is fair, and prices are firm. Shoe manufacturing is dull, some manufacturers saying that they have not experienced such a dull period since the panic of 1907. The retailer has very large stocks on hand.

Wool.—Prices are very high, and the market is unsettled. There is a large demand for wool for orders taken by mills running on Government work, and also an increasing demand for wool from manufacturers who are working on general stock and civilian goods. There is a greater demand for wool than there is supply. Dealers are unable to have any wool shipped from Australia.

Textiles.—Conditions in the hosiery and underwear lines are excellent, and the mills are working to capacity. Carpet and tapestry mills, however, are dull.

Money.—The decrease in the surplus reserves of the Philadelphia banks to the lowest point since early last December has forced up call money to 5 per cent. Commercial paper now rules at 5½ per cent. The rediscount feature of the Federal Reserve Bank has been availed of to a very considerable extent.

DISTRICT NO. 4—CLEVELAND.

In the Fourth Federal Reserve District business conditions have not changed radically over last month, except that banks are not so full of money, and loaning rates are considerably firmer.

Agriculture.—While damage is reported to prospective crops by rain and cool weather, the actual damage, from the best information obtainable, is overestimated. A big crop of corn is under way. Hay is very heavy, but the acreage is smaller because of the fact that quite an amount of grass was plowed under to make way for grain. Oats look especially good, with large acreage. There is an unusually large acreage of potatoes, beans, and general garden produce. Reports show an increase of from 25 per cent to 100 per cent in acreage over last year in some parts of the district. Although the season is late, one-half of the Burley tobacco has been transplanted, and indications are for an acreage about the same as last year.

Industries.—Manufacturing continues at full capacity, with little slowing up in prospect. It is the general opinion that mills and factories will be busy all year, and it is expected that the Government buying for war purposes will bring about a further expansion in all lines of industry.

The fuel situation continues a difficult one. Several of the largest natural-gas companies in the country serving this district have sent formal notices to their customers advising them to lay in a supply of coal to supplement a prob-

able shortage in natural gas next winter. The high price of fuel for industrial and domestic use has resulted in some increase in the output of coal and coke, which is up to the maximum of the year.

Prices of raw material are advancing, and it is growing more and more difficult to control the selling prices. From all estimates obtained, it appears that there will be a serious pig-iron shortage before the year is out. This also applies to coal and coke unless the car situation improves.

It is reported that there is about a 15 per cent slump in the expected demand for automobiles as of June 8. The glass and pottery business continues good, with reported shortage of common labor and insufficient railroad service. Clay-products companies report exceptionally good business from farmers. Textile manufacturers report business good, Federal orders offsetting a falling off in the higher-priced products.

A satisfactory volume of business continues among the manufacturers of electrical goods, and the rubber industry has not been affected in proportion to the falling off in the expected sales of pleasure automobiles, for the reason that there is an increased activity in the manufacture of trucks.

Business in face brick and paving brick has fallen off, while the demand for fire brick is booming.

Building operations.—Building operations show a substantial increase in values for May, 1917, over May, 1916. A number of industrial cities report an acute shortage in workmen's homes. In several of the larger cities large building operations seem to have come to a standstill.

Labor.—Labor conditions are more acute than a year ago. The quality of the labor applying is lower than a month ago. There is considerable unrest among employees on account of conscription, but this condition will probably be improved after the first draft.

Mercantile lines.—The trend from nonessentials to essentials as noted last month continues.

Collections as a rule are reported good, but instances of slower payments are becoming more frequent.

Money and investments.—The demand for money as compared with last month is considerably stiffer, and rates have advanced appreciably. The demand money rate is from 5 to 6 per cent, and 6 per cent is being quoted for four and six months' commercial paper.

Notwithstanding rather large prepayments on account of the Liberty Loan to the Federal Reserve Bank of this district, deposits show very little shrinkage.

Investment conditions are recovering somewhat from the lull created by the Liberty Loan campaign, although there is little life yet to the market. There are indications on every side that bankers are making the necessary preparations to meet Liberty Bond payments so that very little disturbance of conditions will occur.

Bank clearings show heavy increases over last year.

DISTRICT NO. 5—RICHMOND.

The Liberty Loan has been the all-absorbing topic during the past 30 days. It has called for and received the most assiduous attention from every point of view, every resource—individual, official, and corporate—having been concentrated in one supreme effort to make it a success. The maximum amount of the loan sought to be placed in this district was named at the high figure of \$100,000,000, and while it was regarded as almost beyond its available resources in this direction, the result which has carried the figures up to \$109,000,000 or above is satisfying evidence that the people of the district have met their responsibilities freely and generously.

While the district has grown vastly in material wealth in the last few years, its possibilities and insistent demands for development have been so great that its accumulations have been absorbed in permanent improvements for agriculture, manufacturing, and a great variety of other lines, still leaving a vast demand for working capital. This demand has offered profitable employment for bank funds, both

within and beyond the district, and therefore the volume of liquid investments accumulated in the district has been limited as compared with its aggregate wealth. Hence, its response to the Liberty Loan is striking evidence of its desire to assume its share of our new national burden.

Business and trade reports, while conservative, are optimistic. Every line of production and distribution, with scarcely a discordant note, reports an active demand for goods, generally at high prices, and while higher costs are also reported, a satisfactory margin of profit remains.

The season has been backward from an agricultural standpoint, but a material improvement in crop prospects is universally reported from the district, with satisfactory prices apparently assured for everything that is being produced. The truck crops already sent to market have brought prosperous returns. The Irish potato crop along the seaboard has been below normal in quantity and has brought \$8 to \$10 per barrel, a veritable golden harvest. Cotton and tobacco are at high-water prices, with an assured demand for all that can be raised. Peanuts are also bringing high prices and their extensive planting is being particularly urged, there being a growing demand for them from the oil mills. The planting of soya beans also promises to be profitable for crushing purposes.

Payments for the large volume of liberty bonds subscribed for now confront the banks of the district. While the completion of these payments may be reflected in some decrease of deposits, and demands for rediscounts, no material difficulty is anticipated. Our Federal Reserve Bank is amply prepared, particularly strengthened as it will be by the amendments to the Federal Reserve Act, to do its part of this financing and to take care of the agricultural, commercial, and banking interests of the district. Bank clearings, railroad returns, post-office receipts, and exports reflect the strong tide of business within our borders.

DISTRICT NO. 6—ATLANTA.

The campaign for Liberty Loan bond subscriptions proved the most absorbing activity during June. Subscriptions closed on June 15, with a total of \$57,856,600, in the Sixth Federal Reserve District.

The finance committee of the Steel Corporation, which visited Birmingham during the month, created added optimism in business circles by the announcement that it had voted to make an initial expenditure of \$11,000,000 in the Birmingham district for a plant to make steel plates and other materials needed by the Government.

The labor situation continues uncertain. Industries are experiencing difficulty in keeping sufficient labor, and a movement is on foot to reorganize the coal miners' unions in these fields. Mass meetings are being held and organizers are among the men.

Savannah shipbuilders report contracts for 20 steel ships, to cost \$200,000,000, with capacity of 3,500 tons each.

Practically speaking, the car shortage has not improved. Roads report perhaps a little better situation in box cars than 30 days ago, but flat and coal cars a greater shortage, and with less cars of their own ownership on their lines than at any period during the past 12 months.

The packing-house industry in Georgia and Alabama continues to grow. The establishment of modern stockyards at Montgomery, Ala., will furnish the foremost cattle market between Louisville and New Orleans, available to shippers in Georgia, Mississippi, Florida, and Alabama.

Money is firmer, with rates stiffening, and banks report better demands for loans. The banks were liberal in expenditure of time and money to make the Liberty Loan a success. Post-office receipts show an increase over previous month. Generally speaking, there is but little building and engineering work under way in the southern section. The Federal Reserve Bank of Atlanta has let con-

tract for a new bank building, to cost approximately \$175,000, including vaults.

Crop conditions in general are anything but good. Temperatures are ranging low and the continued unfavorable weather is the cause of much uneasiness. There is a lessening of fear from the boll-weevil in the cotton belt. Since cotton was planted dry weather has prevailed and cultivation during the dry spell has helped to reduce the weevil. The crop is considerably behind and is badly in need of rain and hot weather.

High prices have brought increased acreage in the sugar-cane fields of Louisiana, and many fields formerly in rice are planted in cane. It is estimated the increase will be 12 per cent above the 1916 average.

The early vegetable season was very profitable in Florida. Cans were scarce and obtainable only at outside prices and the products conserved considerably reduced. Florida watermelon crop was successful from the standpoint of amount shipped, but the drought cut down the total output of larger melons. So far 2,438 cars of melons have been shipped; 4,300 cars of potatoes and 4,630 cars of tomatoes.

The Georgia peach crop is estimated at about 3,800 cars. It is estimated 1,600 cars of different varieties will have been shipped by July 1 and that 2,200 cars of Elbertas will move during the period July 1 to 25. The crop so far has brought good prices; some as high as \$4 per six-basket carriers, the average ranging in the neighborhood of \$3. The Georgia cantaloupe crop will be about 1,500 cars. The watermelon crop is reported very heavy, with apple crops short.

DISTRICT NO. 7—CHICAGO.

Business in this district is still feeling the effects of the entry of the United States into the war, but the volume is holding up satisfactorily and it is believed that the readjustment period is causing but moderate disturbance to commercial activity. The Liberty Loan has been a matter of general interest, both in the cities and in the country, with

banks and bond houses cooperating toward making it a success. The money market is firm, with a good supply of funds for all legitimate enterprises. It is believed that these conditions will continue and that the more or less uncertain feeling which exists at present will disappear after the Liberty Loan campaign has been closed.

Crop conditions in the seventh district are fair. Winter wheat in Illinois is estimated as half a crop. The supply of oats promises to be one of the largest in years, and corn is in good condition. In Iowa the weather conditions have retarded the growth, but small grains and grasses are in good condition. An increased acreage of corn and oats is reported. Crops in southern Wisconsin and Michigan promise a fairly good yield. Cool, rainy weather has delayed the corn planting in Indiana, but there has been an increased acreage of potatoes and other garden truck.

The automobile industry has shown a decrease in volume, together with other lines which are classed as luxuries. Sales of dry goods are decreasing and the high value of merchandise is making it more and more difficult for concerns in this line to finance themselves. Grocery and hardware men are reporting an active demand.

Clearings in Chicago for the first 21 days of June were \$1,563,000,000, being \$348,000,000 more than for the corresponding 21 days in June, 1916. Clearings reported by 23 cities in the district outside of Chicago amounted to \$301,000,000 for the first 15 days of June, 1917, as compared with \$215,000,000 for the first 15 days of June, 1916. Deposits in the 8 Central Reserve City member banks in Chicago were \$701,000,000 at the close of business June 21, 1917, and loans were \$487,000,000. Deposits show a decrease of approximately \$27,000,000 over last month and loans a decrease of approximately \$9,000,000.

DISTRICT NO. 8—ST. LOUIS.

Business in this district, with the exception of those lines supplying the Government with munitions and such supplies as clothing, ho-

siery, blankets, boots, shoes, etc., is not as active as it has been for the past few months. Its general condition, however, is satisfactory, and the fundamental situation seems to be sound.

Weather, unfavorable to summer merchandise, has retarded buying, and this has resulted in an accumulation of stock in the hands of retail distributors. The increased cost of many articles has curtailed the consumption of luxuries, and a tendency to do away with entertaining is also reported to be having a slight effect.

In the past 30 days, climatic conditions have been more favorable to crops than at any time this spring, and they have developed accordingly. The wheat crop is now being harvested in the southern portion of the district. While letters from different sections indicate that the yield will be shorter than the final estimate for 1916 and for the 5-year average, yet the quality is good and the harvest will probably be above former estimates.

Late reports from the cotton producing sections of the district are also encouraging. The plant has developed under the seasonable weather of the last ten days. Fields have dried out and are now in a position to be worked, and there is, so far, little or no report of insect damage. Considerable replanting, however, has been necessary, and the season is still from two to three weeks late. The present prices of cotton will have a tendency to stimulate replanting, but this tendency will be to a certain extent offset by the increased cost of provisions and labor.

The outlook for the oats crop in this district is particularly bright.

It is reported that splendid progress has been made in the cultivation of the corn crop during the last 10 days.

The first cutting of alfalfa was satisfactory both as to quantity and quality. Meadows, in general, are reported to be in good condition, and there is an abundance of grass for stock. The strawberry movement is nearing its end in this district, and, while the crop is not large

as in previous years, reports indicate that the present prices made a satisfactory return to farmers. Other small fruits are developing fairly well.

Truck gardens in the central portions of the district have developed very rapidly in the past two weeks. There has been an abundance of fresh provisions in the market, and prices have declined accordingly. All reports indicate that the potato acreage is largely in excess of former years, and the crop to date has progressed in a very satisfactory manner.

Shortage of freight cars in this district is still serious, the cotton movement in the southern part being especially hampered. On June 16, Memphis reported a stock of cotton on hand amounting to 247,000 bales, against 91,000 bales on the same date in 1916.

Building permits, for May, in Little Rock, Louisville, and Memphis show a substantial decrease as compared with last year, while St. Louis shows a slight gain for the same period.

Postal receipts show little change this May as compared with May of 1916, small, immaterial gains or losses being reported from the principal cities.

Bond dealers and bankers, generally, have devoted a very large part of their time to the Liberty Loan, and consequently the other bond business has been quiet. There has been no change in commercial paper rates since last reported. The supply of paper is, however, much larger than a month ago, and it is reported that there has been an active demand from country banks, even though they were also subscribing for the Liberty Loan bonds. City banks, with a few exceptions, have not been in the market. Bank rates to customers remain unchanged.

DISTRICT NO. 9—MINNEAPOLIS.

Timely rains during the first week of the month were of the greatest value to the grain growing sections of the Ninth District, in parts of which the month of May was very dry. Late sown wheat, which until that time had not had moisture enough to germinate, was in great

danger. These opportune rains covered the sections most in need of moisture and removed the only unfavorable factors in the crop outlook. Weather conditions during the first three weeks of the month were very favorable to a strong and healthy plant growth, and all of the smaller grains benefited greatly. Warmer weather is needed to advance the corn crop, which this year represents a largely increased acreage.

The lack of moisture in North Dakota during May caused considerable damage to the rye crop. This crop is not, however, of great importance as compared with other small grains.

The present outlook is extremely favorable, and unless the Northwest is overtaken during July with hot winds or rust, the district will probably harvest one of the largest crops it has ever known.

Business and banking conditions are satisfactory. Trade is in good volume. Money for current business operations is in good demand. The amount of construction in progress is not as great as a year ago, but is still substantial.

Clearings during the month are up at all of the principal cities. Railway and postal receipts show very favorable figures. Labor is fully employed, and the district is free from strikes and similar disturbances. Industrial concerns are running full time with unfilled orders ahead. The outlook for the summer is favorable in all lines of business.

DISTRICT NO. 10—KANSAS CITY.

Total subscriptions to the Liberty Loan in this district amounted to \$101,240,650.

Growing crops need warmth and sunshine. The corn acreage is doubtless the largest ever devoted to a single crop in the district. A large acreage of forage crops is being seeded. Harvest is progressing satisfactorily. Wheat has generally improved, but estimates have not changed materially.

The movement of cattle and calves to the markets in May was unexpectedly heavy. Record high prices ruled for all classes, especially beef grades.

In Colorado shortage of labor and unusually heavy snowfall in May permitted but few mines to maintain normal output. In the Missouri-Kansas-Oklahoma field prices for zinc and lead ores showed advances in May. Heavy rains interfered with production from shallow mines.

Field summaries for May show an increase over April in completed oil wells in both Oklahoma and Kansas. Prices of crude oil remain stationary in the face of repeated predictions of increases.

Lumber dealers, generally, make the statement that business is better and prices satisfactory, but complain of the car situation. Prospects for fall trade are good. The twelve most important cities in the district show an average net gain in the valuation of building permits issued for the month of May, as compared with the same month last year, of approximately 63 per cent, although five of them show decreases.

Cooperation among the farmers has placed the question of harvest labor well in hand.

Flour mills are operating about two-thirds capacity.

Many automobiles being sold in the country districts, strongly indicative of prosperity.

Implement dealers have had considerable delay in securing their orders. Fall orders being placed in good volume.

There is an upward tendency in coal prices, the general demand on the part of the consumers reported at 90 per cent above normal.

Retail dry goods business handicapped by unseasonable weather. Retail business in shoes, clothing, and men's furnishings is good.

Wholesale distribution, especially in groceries and food products, has decreased to some extent.

All collections are prompt and the general commercial outlook is favorable.

May statistics indicate an increase both in purchase and payment activities over the previous month and also over last year.

The demand for loans has increased materially with a noticeable hardening of interest

rates, generally attributed to the shifting of reserves and adjustments in connection with the Liberty Loan.

Fourteen leading cities report an average gain in May bank clearings over the same month last year of 42.38 per cent.

DISTRICT NO. 11—DALLAS.

There is a gradual adjustment to new conditions brought about by the war, and while its effect in the practice of economy by our people, noted in restricted purchasing of luxuries, is unquestionably felt in many channels of trade, the business outlook is promising and conditions throughout the district are for the most part intrinsically sound.

Harvesting of the grain crops has progressed satisfactorily in the past month, due to favorable weather, and the yield is expected to be up to the average for several years past. With present prices for the output, good returns are insured producers. While the cost of all materials and labor essential to the harvest is much heavier than formerly, the active demand and top prices more than offset the increase.

Weather conditions the past 30 days, while extremely favorable for the gathering of wheat and oats, have not been good for corn and forage crops, and the condition of those crops at this time is poor in most sections of the district, according to our reports. In fact, authorities state that unless the present drought is soon broken the yield of corn, hay, and other feed stuffs will be reduced by 50 per cent. The dry weather and high winds have also affected truck gardens, and the vegetation is dying for lack of moisture.

The peach crop is just beginning to move from east Texas, and while it will not average over 25 per cent of normal, the peaches are of good quality and prices unusually high, with a good demand. Carloads of tomatoes are also moving from the Jacksonville district, and the crop promises to be a normal one, yielding some 2,000 cars.

With the exception of west and southwest Texas, cotton is in fair condition and is not yet

greatly suffering from lack of moisture. Continued dry weather in the south and west, however, has affected the plant and our information is that it is in poor condition and not growing.

More seasonable weather has helped retail trade and the volume is satisfactory.

Range conditions are not good, due to the continued dry weather and stockmen are confronted with the question of providing water and grass, and unless conditions are soon relieved by adequate rains in the cattle country live stock must be shipped to other territory, or marketed before finished. There is considerable trading in wool which is selling at high prices. The returns will be practically double those of last year.

The sale of Liberty Bonds has been of first importance in finance in the past month. The very generous response by the banks and individuals of this district in oversubscribing the issue merely indicates the generally sound financial conditions. The fact is more significant when it is remembered that the bonds were placed on sale at a time when funds are actively employed in other channels, and in a period of the year when banks of this district have their heaviest demands from their customers and returns from the grain crop not yet received. It was indeed gratifying to observe the cooperation of all interests in this patriotic movement.

The member banks of the district are having a good demand for funds. Notwithstanding this activity, however, rates show no evidence of stiffening, and outside assistance is not being sought.

Clearings for May show a 45 per cent increase over the same month 1916, and continue at record totals, being, for May, 1917, \$219,094,822; 1916, \$150,215,423. The cities reporting were Austin, Beaumont, Dallas, El Paso, Fort Worth, Galveston, Houston, and Shreveport.

Wholesale trade is normal in most sections for this season, with collections only fair. Returns from the grain crop are being felt in increased collections from country merchants.

DISTRICT NO. 12—SAN FRANCISCO.

Maximum production and minimum necessary consumption of foodstuffs is a sound war principle. At least, in production, this district is putting forth a splendid effort. The fall and winter were unfavorable for grain, and the spring was cold and backward, but in spite of this, and because of the spurs both of patriotism and of promise of high prices, there has been a large increase in the acreage of spring planting, amounting to 32 per cent more than last year in Washington, Oregon, and Idaho. The Government report, June 1, indicates a yield in this district of wheat, barley, and oats in excess of that of last year.

In California the deficiency in precipitation has been offset by cool weather during early summer, which has been ideal for many crops. Hay, which was generally short last year, will show a greater tonnage this year. Alfalfa will exceed 6,000,000 tons, against 5,000,000 last year.

Growers of deciduous fruits have been greatly relieved by the announcement that such fruits will be classed as necessary food, and not as a luxury, assuring greater demand, better prices, and more cars for moving the crops. A generally larger yield is indicated.

The crop of navel oranges, during the season just closed, has been one of the best in years, aggregating 27,153 cars, as compared with 22,235 cars last year. Shipments of Valencia

oranges are just beginning, and likewise promise to be larger.

Shipbuilding is probably the most active industry on this coast. Seattle shipyards have \$80,000,000 of contracts, while those of Portland and Tacoma have as much more. The contracts of the Puget Sound district are believed to exceed those of the San Francisco district. In California during May petroleum production averaged 261,004 barrels per day, and shipments 305,300 barrels, resulting in a reduction of stored stocks of 1,255,318 barrels. The increasing shortage of crude oil is rapidly creating a critical fuel situation. It is reported that the Southern Pacific Railroad, using crude oil as fuel for its locomotives, is unable to supply its requirements, and fear is expressed that by September 20 per cent of its motive power will be out of commission unless new supplies of crude oil become available.

Not in 10 years has the Pacific Northwest lumber market been so active and remunerative as at the present time. Demand has been such that many large producers are now out of the market. Lumber production is near the maximum possible.

Food production in this district promises to be unexpectedly large and materially greater than seemed probable a month ago, although not of record volume.

Trade is active. Bank deposits, clearings, and building permits all show increases.

MONEY IN CIRCULATION, 1914 TO 1917.

Considerable changes in the volume and composition of the circulating medium of this country since June, 1914, are indicated in the following table and attached diagrams. The main factors accounting for these changes are the heavy net imports of gold, especially during the calendar years 1915 and 1916, and the issue of large amounts of Federal Reserve notes, until recently almost entirely against gold. This gold, formerly held in trust by the Federal Reserve agents, under the amended act constitutes a trust fund held in common by both the Federal Reserve Banks and agents and is, therefore, not counted as part of the circulation of the country. Lack of reliable data regarding the amounts of the several classes of money held by banks other than Federal Reserve Banks and national banks makes it impossible to segregate the several classes of money held in the banks of the country and the figures shown represent, therefore, the estimated amounts both outside the Treasury and outside the con-

trol of the Federal Reserve Agents. As distinct from the Treasury circulation statement, the figures of gold circulation include the 40 per cent gold reserve held by the Federal Reserve Banks against paper-secured Federal Reserve notes.

Under the caption "bank notes" are shown the amounts of national and Federal Reserve bank notes issued by the Comptroller's office to the respective banks, the circulation figures including therefore the amounts of these notes held by the banks themselves, as well as amounts in the hands of the public. Figures for September, 1914, to June, 1915, include the amounts of emergency currency issued by the National Currency Associations under the Aldrich-Vreeland Act. Decreases under the same head shown for the more recent period, are due chiefly to the retirement of National bank notes following extensive purchases of United States bonds with circulation privilege by the Federal Reserve Banks and the conversion of a large portion of these newly purchased bonds into 3 per cent bonds and notes without the circulation privilege.

Money in circulation, June 1, 1914, to June 1, 1917.

[From monthly circulation statements of the United States Treasury. In millions of dollars.]

Date.	1 Gold coin.	2 Gold certifi- cates.	3 1+2	4 Silver dollars.	5 3+4	6 Silver certifi- cates.	7 5+6	8 Subsidi- ary silver.	9 7+8	10 United States cur- rency.	11 9+10	12 Bank notes.	13 11+12	14 Federal Reserve notes.	15 Total circulation.
1914.															
June 1.....	615	1,106	1,721	71	1,792	466	2,258	160	2,418	342	2,760	720	3,480	.....	3,480
July 1.....	614	1,096	1,650	70	1,720	479	2,199	160	2,359	342	2,701	718	3,419	.....	3,419
Aug. 1.....	632	974	1,606	70	1,676	475	2,151	160	2,311	339	2,650	717	3,367	.....	3,367
Sept. 1.....	627	945	1,572	71	1,643	481	2,124	161	2,285	342	2,627	852	3,479	.....	3,479
Oct. 1.....	658	931	1,589	71	1,660	483	2,143	162	2,305	339	2,644	1,051	3,695	.....	3,695
Nov. 1.....	686	913	1,579	70	1,649	483	2,132	162	2,294	337	2,631	1,084	3,715	.....	3,715
Dec. 1.....	638	928	1,566	70	1,636	465	2,101	163	2,264	321	2,585	1,042	3,627	3	3,630
1915.															
Jan. 1.....	632	909	1,541	69	1,610	455	2,065	164	2,229	313	2,542	974	3,516	17	3,533
Feb. 1.....	623	943	1,566	68	1,634	452	2,086	160	2,246	322	2,568	880	3,448	19	3,467
Mar. 1.....	609	945	1,554	67	1,621	463	2,084	159	2,243	327	2,570	866	3,436	27	3,463
Apr. 1.....	618	951	1,569	66	1,635	480	2,115	158	2,274	331	2,605	843	3,448	41	3,489
May 1.....	603	987	1,590	65	1,655	480	2,135	158	2,293	335	2,628	815	3,443	54	3,497
June 1.....	596	1,027	1,623	65	1,688	483	2,171	159	2,330	334	2,664	802	3,466	65	3,531
July 1.....	605	1,077	1,682	65	1,747	483	2,230	159	2,389	334	2,723	787	3,510	80	3,590
Aug. 1.....	602	1,066	1,668	64	1,732	476	2,208	159	2,367	336	2,703	772	3,475	93	3,568
Sept. 1.....	582	1,142	1,724	64	1,788	475	2,263	160	2,423	339	2,762	766	3,528	104	3,632
Oct. 1.....	621	1,172	1,793	65	1,858	482	2,340	162	2,502	340	2,842	761	3,603	133	3,736
Nov. 1.....	602	1,226	1,828	66	1,894	487	2,381	164	2,545	343	2,888	756	3,644	160	3,804
Dec. 1.....	608	1,259	1,867	66	1,933	489	2,422	168	2,590	343	2,933	753	3,686	177	3,863
1916.															
Jan. 1.....	617	1,281	1,898	67	1,965	486	2,451	170	2,621	343	2,964	746	3,710	204	3,914
Feb. 1.....	622	1,316	1,938	66	2,004	481	2,485	167	2,652	341	2,993	737	3,730	205	3,935
Mar. 1.....	617	1,325	1,942	66	2,008	482	2,490	166	2,656	348	2,999	741	3,740	190	3,930
Apr. 1.....	616	1,317	1,932	65	1,997	487	2,484	166	2,650	343	2,993	740	3,733	188	3,921
May 1.....	630	1,301	1,931	66	1,997	487	2,484	167	2,651	343	2,994	738	3,732	182	3,914
June 1.....	631	1,313	1,944	66	2,010	490	2,500	169	2,669	342	3,011	733	3,744	182	3,926
July 1.....	634	1,414	2,048	66	2,114	491	2,605	170	2,775	344	3,119	729	3,848	174	4,022
Aug. 1.....	637	1,408	2,046	67	2,113	484	2,597	171	2,768	343	3,111	724	3,835	170	4,005
Sept. 1.....	636	1,460	2,102	68	2,170	482	2,652	172	2,824	344	3,168	723	3,891	182	4,073
Oct. 1.....	651	1,521	2,172	70	2,242	483	2,725	178	2,903	344	3,247	725	3,972	213	4,185
Nov. 1.....	666	1,562	2,218	70	2,288	479	2,767	181	2,948	344	3,292	719	4,011	236	4,247
Dec. 1.....	677	1,573	2,250	71	2,321	478	2,799	186	2,985	342	3,327	719	4,046	265	4,311
1917.															
Jan. 1.....	685	1,660	2,345	72	2,417	477	2,874	190	3,064	343	3,427	721	4,148	298	4,446
Feb. 1.....	657	1,798	2,450	71	2,521	466	2,987	188	3,175	340	3,515	702	4,217	287	4,504
Mar. 1.....	661	1,810	2,471	71	2,542	475	3,017	189	3,206	336	3,542	712	4,254	337	4,591
Apr. 1.....	675	1,866	2,541	71	2,612	476	3,088	192	3,280	337	3,617	712	4,329	381	4,710
May 1.....	686	1,813	2,499	71	2,570	481	3,051	192	3,243	340	3,583	713	4,296	449	4,745
June 1.....	712	1,736	2,448	71	2,519	483	3,002	193	3,195	342	3,537	711	4,248	494	4,742

DISCOUNT OPERATIONS OF THE FEDERAL RESERVE BANKS.

Discount operations of the Federal Reserve Banks during May totaled \$91,413,473, compared with a monthly average of \$29,374,239 for the first four months of the present year and \$11,195,500 discounted during May 1916. Of the total discounts for the month, \$50,850,080 was in the form of member banks' collateral notes, compared with an average of \$12,790,375 for the first four months in 1917. Nearly 90 per cent of the collateral notes discounted during May was secured by commercial paper and the remainder by United States certificates of indebtedness. Over three-quarters of the paper discounted by all the banks during the month was 15-day paper. Larger percentages are shown for the eastern banks, 15-day paper constituting 90 per cent of the Philadelphia bank's and 95 per cent of the New York bank's discounts for the month, the greater part of the short-term paper being in the shape of collateral notes discounted for the large member banks in the Federal Reserve cities.

Aggregate discounts for the month include \$1,767,702 of trade acceptances (two-name paper) discounted by 11 Federal Reserve Banks and \$864,121 of commodity paper, largely based on cotton, and discounted by 4 Federal Reserve Banks. Comparatively large amounts of trade acceptances were discounted by the Boston and St. Louis banks, the two banks accounting for over one-half of this class of discounts. Richmond, Atlanta, and Kansas City report practically the entire amount of commodity paper.

The aggregate number of bills discounted during May, exclusive of 253 collateral notes, was 10,314, averaging in size \$3,933, compared with \$4,865 in April, 1917, and about \$1,350 in May, 1916. About one-half of the paper rediscounted (i. e., exclusive of collateral notes discounted by members with the Federal Reserve Banks) during May was paper in denominations of over \$10,000, tendered by the large city banks in connection with Government loan operations. Medium-size bills (i. e., in denominations of \$1,000 to \$5,000) constituted about 27 per cent of the paper rediscounted during the month, compared with 53 per cent in May, 1916. Small bills (in amounts up to \$250) constituted about 23 per cent of the

number, though less than 1 per cent of the total amount of paper rediscounted during the month, the Philadelphia bank continuing to report the largest number of small bills, largely trade acceptances. The average size of the collateral notes discounted during the month was slightly above \$200,000, as against an average of \$143,000 for the first four months of the present year.

Over 76 per cent of all the paper, including collateral notes, discounted during May was 15-day paper (i. e., maturing within 15 days from the date of discount with the Federal Reserve Banks); over 5 per cent was 30-day paper; over 8 per cent 60-day paper; and over 7 per cent 90-day paper. Agricultural and live-stock paper maturing after 90 days but within six months from date of rediscount with the Federal Reserve Banks (so-called six-months paper) figures to the extent of \$2,473,780, or 2.7 per cent, in the total discounts for the month. During the five months of the year the Federal Reserve Banks discounted about \$5,066,000 of this class of paper, as against \$7,882,700 and \$6,702,700 discounted during the same period in 1916 and 1915.

On the last Friday of the month the banks held a total of \$47,588,087 of discounted paper, compared with \$35,042,056 about the end of April and \$20,364,000 on the corresponding date in 1916. Of the total held at the close of the month under discussion, \$3,542,350 was agricultural paper, \$3,154,213 live-stock paper, \$24,547,149 commercial and industrial paper, and \$16,344,375 member banks' collateral notes. Over one-half of the agricultural paper of all maturities was held by the Richmond, Chicago, and Dallas banks and about 84 per cent of the live-stock paper by the Dallas, Kansas City, and Minneapolis banks.

During the month the number of member banks increased from 7,634 to 7,651, while the number of member banks accommodated through discounts with the Federal Reserve Banks increased from 384 in April to 590 in the month under review. As compared with May, 1916, the largest increases in number of discounting members are reported by the three eastern and the St. Louis Reserve Banks.

Bills discounted by each Federal Reserve Bank during May, 1917, distributed by sizes.

NUMBER OF PIECES AND AMOUNTS.

Banks.	To \$100.		Over \$100 to \$250.		Over \$250 to \$500.		Over \$500 to \$1,000.		Over \$1,000 to \$2,500.		Over \$2,500 to \$5,000.		Over \$5,000 to \$10,000.		Over \$10,000.		Total.		Per cent.
	Number of pieces.	Amount.	Number of pieces.	Amount.	Number of pieces.	Amount.	Number of pieces.	Amount.	Number of pieces.	Amount.	Number of pieces.	Amount.	Number of pieces.	Amount.	Number of pieces.	Amount.	Number of pieces.	Amount.	
Boston.....	1	\$100	24	\$4,461	64	\$25,849	82	\$65,204	95	\$174,001	205	\$976,667	139	\$1,338,109	134	\$5,688,038	744	\$8,272,429	20.4
New York.....	3	300	37	6,786	69	28,656	41	34,914	61	97,227	59	586,071	36	879,923	60	2,834,396	366	4,468,273	11.0
Philadelphia.....	429	21,652	165	28,187	113	41,347	96	76,510	205	416,801	282	1,293,342	107	951,437	56	2,386,764	1,453	5,216,040	12.8
Cleveland.....			2	454	5	2,064	7	6,772	38	78,873	53	245,239	35	318,859	44	1,551,686	184	2,208,937	5.4
Richmond.....	134	10,016	264	48,668	430	173,936	496	402,404	477	843,563	398	1,695,398	130	1,066,218	73	1,497,042	2,402	5,737,245	14.1
Atlanta.....	99	7,182	293	49,789	167	61,622	165	127,757	175	291,973	162	647,048	73	526,878	27	566,676	1,161	2,278,925	5.6
Chicago.....	13	1,242	30	5,443	61	23,337	42	31,728	73	147,569	83	360,141	28	228,550	25	774,059	355	1,572,069	4.0
St. Louis.....	7	683	76	13,239	90	40,718	49	35,504	79	155,507	208	1,006,006	100	942,192	82	2,235,223	691	4,429,072	10.9
Minneapolis.....	6	404	53	9,195	86	31,996	134	96,731	191	293,322	154	677,330	59	546,554	46	1,261,539	729	2,917,071	7.2
Kansas City.....	26	1,835	214	37,210	250	91,336	173	114,669	93	140,002	49	163,551	22	170,944	27	846,301	854	1,565,848	3.9
Dallas.....	73	5,428	403	65,157	290	108,313	211	149,625	158	256,214	89	319,678	33	196,574	26	350,895	1,233	1,451,884	3.6
San Francisco.....			5	914	10	3,880	14	10,011	12	23,069	24	101,740	18	133,281	9	177,675	92	450,600	1.1
Total.....	791	48,842	1,566	269,503	1,635	633,044	1,510	1,151,829	1,657	2,918,151	1,766	8,072,211	780	7,299,519	609	20,170,294	10,314	40,563,393	100.0
Per cent.....		0.1		0.7		1.6		2.8		7.2		19.9		18.0		49.7		100.0	
Member banks' collateral notes.....											8	131,000	91	531,000	226	50,138,080	253	50,850,080	

Bills discounted during the month of May, 1917, and 1916, and the five months ending May, 1917, and 1916, distributed by classes.

Banks.	Collateral notes secured by U. S. certificates.	Collateral notes secured by commercial paper.	Trade acceptances.	Commodity paper.	All other discounts.	Total.
Boston.....	\$40,000	\$2,990,000	\$525,388	.....	\$7,746,041	\$11,302,429
New York.....	40,000	2,037,000	117,000	.....	4,351,273	6,545,273
Philadelphia.....	880,000	14,349,000	25,758	.....	5,190,282	20,445,040
Cleveland.....	550,000	2,170,000	28,564	.....	2,175,373	4,923,937
Richmond.....	50,000	19,289,550	305,146	\$468,420	4,963,679	25,076,795
Atlanta.....	10,000	914,000	195,334	249,034	1,834,557	3,202,925
Chicago.....	413,000	1,230,000	43,387	.....	1,528,682	3,215,069
St. Louis.....	.....	1,523,000	414,448	15,000	3,999,624	5,949,072
Minneapolis.....	575,000	300,325	.....	.....	2,917,071	3,792,396
Kansas City.....	2,401,000	270,000	86,126	131,667	1,348,055	4,236,848
Dallas.....	225,000	596,205	9,417	.....	1,442,467	2,273,089
San Francisco.....	.....	.....	16,134	.....	434,466	450,600
Total May, 1917.....	5,184,000	45,666,080	1,767,702	864,121	37,931,570	91,413,473
Total May, 1916.....	.....	.....	298,300	899,400	9,997,700	11,195,400
Total January-May, 1917.....	.....	.....	4,615,612	4,979,438	97,303,801	208,910,430
Total January-May, 1916.....	.....	.....	1,527,500	7,647,400	41,708,900	50,883,900

Amounts of discounted paper, including member banks' collateral notes, held by each Federal reserve bank on the last Friday in May, 1917, distributed by classes.

Banks.	Agricultural paper.	Live-stock paper.	Commercial and industrial paper.	Member banks' collateral notes.	Total.	Banks.	Agricultural paper.	Live-stock paper.	Commercial and industrial paper.	Member banks' collateral notes.	Total.
Boston.....	.....	.....	\$2,797,699	\$665,000	\$3,462,699	Minneapolis.....	\$477,363	\$635,392	\$4,118,999	\$385,325	\$5,617,079
New York.....	\$69,089	.....	355,181	227,000	651,270	Kansas City.....	224,452	673,091	574,337	1,495,000	2,966,880
Philadelphia.....	134,259	.....	2,038,625	6,123,000	8,295,884	Dallas.....	703,358	1,341,570	1,085,050	435,000	3,564,978
Cleveland.....	29,140	\$25,346	624,274	2,370,000	3,048,760	San Francisco.....	131,027	45,746	662,503	.....	839,276
Richmond.....	654,664	3,330	5,806,671	2,307,050	8,771,715	Total.....	3,542,350	3,154,213	24,547,149	16,344,375	47,588,087
Atlanta.....	384,964	221,970	2,157,450	584,000	3,328,384	Per cent.....	7.4	6.6	51.6	34.4	100.0
Chicago.....	587,827	12,590	1,901,609	733,000	3,235,026						
St. Louis.....	166,207	195,178	2,424,751	1,020,000	3,806,136						

Distribution, by sizes, of bills bought in open market by all Federal Reserve Banks during May, 1917, and the five months ending May, 1917 and 1916.

Acceptances bought in open market.	To \$5,000.		To \$10,000.		To \$25,000.		To \$50,000.		To \$100,000.		Over \$100,000.		Total.		Per cent.
	Pieces.	Amount.	Pieces.	Amount.	Pieces.	Amount.	Pieces.	Amount.	Pieces.	Amount.	Pieces.	Amount.	Pieces.	Amount.	
Bankers' acceptances.....	1,274	\$3,480,477	852	\$6,728,251	1,544	\$27,264,419	428	\$18,193,862	172	\$15,127,079	42	\$8,605,517	4,317	\$79,399,605	96.1
Trade acceptances.....	31	90,007	38	296,502	36	570,606	14	487,884	4	250,424	4	1,492,568	127	3,188,891	3.9
Total, May, 1917.....	1,305	3,571,384	890	7,024,753	1,580	27,835,025	442	18,681,746	181	15,377,503	46	10,098,085	4,444	82,588,496	.....
Per cent.....	4.3	.....	8.5	.....	33.8	.....	22.7	.....	18.4	.....	12.3	.....	.....	100.0	.....
April, 1917.....	748	1,589,086	270	2,147,380	647	13,231,092	257	11,003,120	87	7,155,097	38	6,186,816	2,047	41,312,591	.....
March, 1917.....	389	876,506	175	1,381,029	363	6,976,406	171	7,185,125	86	6,801,912	25	4,930,660	1,209	28,151,638	.....
February, 1917.....	819	2,175,639	777	6,324,018	1,248	22,367,932	401	16,483,974	180	15,273,481	49	8,012,105	3,474	70,637,179	.....
January, 1917.....	390	1,023,210	483	1,706,099	300	5,238,206	152	6,898,412	48	3,891,515	11	1,859,768	1,384	20,617,180	.....
Total, 5 months ending May, 1917.....	3,651	9,235,825	2,595	18,583,249	4,138	75,648,691	1,423	60,252,377	582	48,499,508	169	31,087,434	12,558	243,307,084	.....
Total, 5 months ending May, 1916.....	1,353	4,138,784	1,113	9,072,806	1,394	25,621,025	407	15,387,063	194	16,468,221	71	14,660,078	4,532	85,347,977	.....

¹ Of the above amount, bankers' acceptances totaling \$71,858,468 were based on imports and exports and \$7,541,137 on domestic trade transactions.

² All of the above trade acceptances were drawn abroad on importers in the United States and indorsed by foreign banks.

Acceptances bought in open market and held by Federal Reserve Banks as per schedules on file with the Federal Reserve Board on dates specified, distributed by classes of accepting institutions.

Date.	Banker's acceptances.						Trade acceptances bought in open market.	Total acceptances.
	Member banks.	Nonmember trust companies.	Nonmember State banks.	Private banks.	Foreign bank branches and agencies.	Total.		
1915.								
Feb. 22.....	\$93,000					\$93,000		\$93,000
Apr. 5.....	3,653,000	\$7,820,000	\$10,000	\$110,000		11,593,000		11,593,000
May 3.....	5,038,000	8,189,000	10,000	110,000		13,347,000		13,347,000
June 7.....	5,242,000	4,516,000	10,000	192,000		9,960,000		9,960,000
July 3.....	4,342,000	5,267,000		161,000		9,770,000		9,770,000
Aug. 2.....	5,350,000	5,407,000	20,000	352,000		11,129,000		11,129,000
Sept. 6.....	6,087,000	6,305,000	20,000	472,000		12,884,000		12,884,000
Oct. 4.....	9,000,000	4,898,000	132,000	343,000		14,373,000		14,373,000
Nov. 1.....	8,477,000	4,331,000	253,000	204,000		13,265,000		13,265,000
Dec. 6.....	12,311,000	5,172,000	275,000	396,000		18,154,000		18,154,000
1916.								
Jan. 3.....	15,494,000	7,160,000	362,000	822,000		23,838,000		23,838,000
Feb. 7.....	15,681,000	7,876,000	336,000	1,456,000		25,349,000	\$489,000	25,838,000
Mar. 6.....	17,182,000	8,670,000	408,000	1,781,000		28,041,000	462,000	28,503,000
Apr. 3.....	21,000,000	13,573,000	473,000	3,262,000		38,308,000	722,000	39,030,000
May 1.....	24,875,000	15,400,000	585,000	3,430,000		44,290,000	1,477,000	45,767,000
June 5.....	24,680,000	17,029,000	644,000	7,007,000		49,360,000	2,208,000	51,568,000
July 3.....	32,989,000	18,921,000	471,000	11,830,000		64,211,000	3,422,000	67,633,000
Aug. 7.....	39,695,000	19,060,000	738,000	13,940,000		73,433,000	4,225,000	77,658,000
Sept. 4.....	41,413,000	20,356,000	726,000	12,491,000		74,986,000	3,673,000	78,659,000
Oct. 2.....	37,798,000	21,782,000	712,000	9,944,000		70,236,000	2,306,000	72,542,000
Nov. 6.....	37,770,000	29,474,000	1,014,000	12,147,000		80,405,000	2,378,000	82,783,000
Dec. 4.....	47,748,000	33,232,000	1,630,000	16,069,000		98,679,000	4,487,000	103,166,000
1917.								
Jan. 1.....	66,803,000	34,625,000	1,502,000	18,224,000		121,154,000	4,585,000	125,739,000
Feb. 5.....	50,361,000	23,511,000	972,000	13,775,000	\$140,000	88,759,000	4,041,000	92,800,000
Mar. 5.....	53,288,000	32,518,000	1,090,000	20,581,000	354,000	107,837,000	2,535,000	110,366,000
Apr. 2.....	43,979,000	20,328,000	689,000	16,830,000	200,000	82,026,000	1,144,000	83,170,000
May 7.....	49,192,000	19,650,000	236,000	19,177,000	94,000	88,349,000	1,679,000	90,028,000
May 14.....	56,294,000	24,383,000	385,000	13,917,000	117,000	100,096,000	1,986,000	102,082,000
May 21.....	59,105,000	23,316,000	320,000	19,822,000	136,000	102,699,000	3,027,000	105,726,000
May 28.....	62,986,000	23,441,000	525,000	19,912,000	235,000	107,099,000	2,727,000	109,826,000
June 4.....	69,262,000	27,611,000	584,000	21,077,000	239,000	118,773,000	3,022,000	121,795,000
June 11.....	81,196,000	32,043,000	946,000	22,604,000	239,000	137,028,000	3,723,000	140,751,000
June 18.....	108,314,000	38,776,000	1,296,000	23,860,000	1,301,000	168,547,000	3,611,000	172,158,000

Amounts of bills discounted and acceptances and warrants bought by each Federal Reserve Bank during May, 1917, distributed by maturities.

Banks.	15-day maturities.				30-day maturities.			
	Discounts.	Acceptances.	Warrants.	Total.	Discounts.	Acceptances.	Warrants.	Total.
Boston.....	\$9,493,345	\$1,087,784		\$10,581,129	\$428,929	\$1,131,498		\$1,560,427
New York.....	6,201,947	766,340		6,968,287	40,873	3,491,961		3,532,834
Philadelphia.....	18,545,006			18,545,006	1,283,516	1,501,582		2,785,098
Cleveland.....	4,416,331			4,416,331	175,775	235,922		411,697
Richmond.....	20,353,342	73,603		20,426,945	935,616	2,086,000		3,021,616
Atlanta.....	1,392,858	55,000		1,447,858	421,469	321,500	\$25,500	768,469
Chicago.....	2,477,450	500,000		2,977,450	253,174	255,546		513,720
St. Louis.....	2,243,945	86,205		2,330,150	691,898	219,000		910,898
Minneapolis.....	1,011,110			1,011,110	220,678	235,000		455,678
Kansas City.....	2,931,827			2,931,827	344,136			344,136
Dallas.....	841,205			841,205	64,580	30,000		94,580
San Francisco.....	50,254	136,252		236,506	114,823	77,114		191,937
Total.....	69,958,620	2,755,184		72,713,804	4,980,467	9,585,123	25,500	14,591,090
Per cent.....				41.8				8.4

Banks.	60-day maturities.				90-day maturities.			
	Discounts.	Acceptances.	Warrants.	Total.	Discounts.	Acceptances.	Warrants.	Total.
Boston.....	\$445,623	\$1,126,837		\$1,572,460	\$934,332	\$6,026,236		\$6,960,618
New York.....	164,070	1,248,268		1,412,338	138,383	16,584,187		16,722,570
Philadelphia.....	338,565	1,142,411		1,480,976	268,424	2,507,687		2,776,111
Cleveland.....	161,618	1,152,003		1,313,621	170,213	5,660,101	2,040	5,832,444
Richmond.....	1,621,738	1,241,362		2,863,100	1,741,247	462,646		2,203,893
Atlanta.....	753,648	563,862	\$1,500	1,324,010	366,884	238,828		605,712
Chicago.....	199,024	5,003,182		5,202,206	149,513	5,304,037		5,453,550
St. Louis.....	1,423,881	1,224,405		2,648,286	1,551,606	2,570,403		4,122,009
Minneapolis.....	1,555,648	145,043		1,700,691	466,491	571,006		1,037,497
Kansas City.....	352,915	1,337,146		1,740,061	200,778	2,121,033		2,321,811
Dallas.....	427,308	156,174		583,482	310,322	350,116		660,438
San Francisco.....	132,380	2,875,278		3,007,658	125,995	1,542,439		1,668,434
Total.....	7,576,418	17,270,971	1,500	24,848,889	6,424,188	43,938,859	2,040	50,365,087
Per cent.....				14.3				28.8

Banks.	Over 90-day maturities.				Total.				Per cent.			
	Discounts.	Acceptances.	Warrants.	Total.	Discounts.	Acceptances.	Warrants.	Total.	Discounts.	Acceptances.	Warrants.	Total.
Boston.....	\$200	\$845,408		\$845,608	\$11,302,429	\$10,217,813		\$21,520,242	52.6	47.4		100.0
New York.....		6,748,849	\$50,437	6,799,286	6,545,273	28,839,605	\$50,437	35,435,315	18.5	81.3	0.2	100.0
Philadelphia.....	9,529	252,879	29,219	291,627	20,445,040	5,404,559	29,219	25,878,818	79.0	20.9	0.1	100.0
Cleveland.....		380,013	10,225	390,238	4,923,937	7,428,129	12,265	12,364,331	39.8	60.1	0.1	100.0
Richmond.....	424,852	10,270		435,122	25,076,795	3,873,881		28,950,676	86.6	13.4		100.0
Atlanta.....	268,066	33,850		301,916	3,303,925	1,218,040	27,000	4,447,965	72.0	27.3	0.7	100.0
Chicago.....	130,908			130,908	3,215,069	11,062,765		14,277,834	22.5	77.5		100.0
St. Louis.....	37,742	424,437		462,179	5,919,072	4,524,450		10,473,522	56.8	43.2		100.0
Minneapolis.....	538,469			538,469	3,792,396	951,049		4,743,445	79.0	20.1		100.0
Kansas City.....	407,192	305,853		712,045	4,236,848	3,814,032		8,050,880	53.9	46.1		100.0
Dallas.....	629,674	36,800		666,474	2,273,089	573,090		2,846,179	70.8	20.2		100.0
San Francisco.....	27,148			27,148	450,600	4,681,083		5,131,683	8.8	91.2		100.0
Total.....	2,473,730	9,038,359	89,881	11,602,020	91,413,473	82,538,496	118,921	174,120,890	52.5	47.0	0.5	100.0
Per cent.....				6.7				100.0				

Total investment operations, exclusive of purchases of United States certificates of indebtedness, of each Federal Reserve Bank during the months of May, 1917 and 1916, and the five months ending May, 1917 and 1916.

Federal Reserve Banks.	Bills discounted for member banks.	Bills bought in open market.			Municipal warrants bought.			
		Bankers' acceptances.	Trade acceptances.	Total.	City.	State.	All other.	Total.
Boston	\$11,302,429	\$10,217,813		\$10,217,813				
New York	6,545,273	28,441,759	\$397,846	28,839,605	\$50,437			\$50,437
Philadelphia	20,445,040	5,355,561	48,998	5,404,559	25,219		84,000	29,219
Cleveland	4,923,987	7,233,979	194,150	7,428,129			12,265	12,265
Richmond	25,076,795	3,873,881		3,873,881				
Atlanta (including New Orleans branch)	3,202,925	1,218,040		1,218,040			27,000	27,000
Chicago	3,215,069	10,949,443	113,322	11,062,765				
St. Louis	5,949,072	4,524,450		4,524,450				
Minneapolis	3,792,396	951,049		951,049				
Kansas City	4,236,848	3,814,032		3,814,032				
Dallas	2,273,089	2,573,090		2,573,090				
San Francisco	450,600	2,246,508	2,434,575	4,681,083				
Total May, 1917	91,413,473	79,399,605	3,138,891	82,538,496	75,656		43,265	118,921
Total May, 1916	11,195,500	20,990,900	920,600	21,911,500	6,774,800	2,187,300	17,100	8,979,200
Total 5 months ending May, 1917	208,910,430	237,260,408	6,046,676	243,307,084	14,364,057	2,040	647,295	15,013,392
Total 5 months ending May, 1916	50,883,900	82,219,300	3,049,700	85,348,000	46,197,000	2,650,200	150,100	50,023,300

Federal Reserve Banks.	United States bonds and Treasury notes.					Total investment operations.		Per cent.	
	2 per cent.	3 per cent.	4 per cent.	1 year notes.	Total.	May, 1917.	May, 1916.	May, 1917.	May, 1916.
Boston						\$21,520,242	\$6,242,100	12.3	12.9
New York						35,435,315	8,131,300	20.3	16.8
Philadelphia						25,878,818	6,562,000	14.8	13.6
Cleveland						12,364,331	4,702,600	7.1	9.8
Richmond						28,950,676	3,798,200	16.6	7.9
Atlanta (including New Orleans branch)						4,447,965	2,262,000	2.5	4.6
Chicago						14,277,834	4,588,300	8.2	9.5
St. Louis						10,473,522	2,534,600	6.0	5.3
Minneapolis		\$2,000			\$2,000	4,745,445	2,508,700	2.7	5.2
Kansas City	\$50,000				50,000	8,100,880	2,193,200	4.5	4.6
Dallas						2,846,179	1,813,000	1.6	3.8
San Francisco	50,000	2,000			52,000	5,183,683	2,868,700	3.4	6.0
Total May, 1917	100,000	4,000			104,000	174,224,890		100.0	100.0
Total May, 1916	5,608,100	225,500	\$280,000		6,113,600		48,199,700		
Total 5 months ending May, 1917	14,047,200	118,440	25,250	\$3,558,000	17,748,890	494,979,196			
Total 5 months ending May, 1916	33,621,100	3,187,880	4,108,000	50,000	40,966,980		227,222,180		

United States bonds, notes, and certificates of indebtedness held by each Federal Reserve Bank on May 31, 1917, distributed by maturities.

Bank.	United States bonds with circulation privilege.				United States securities without circulation privilege.					Total.
	2 per cent consols of 1930.	2 per cent Panamas of 1936-38.	3 per cent loan of 1918.	4 per cent loan of 1925.	Certificates of indebtedness.		3 per cent conversion bonds of 1946-47.	3 per cent 1-year notes.	3 per cent loan of 1961.	
					2 per cent.	3 and 3½ per cent.				
Boston	\$750				\$3,000,000		\$529,000	\$2,194,000		\$5,723,750
New York	50		\$50,000		20,000,000	\$378,000	1,255,500	2,758,000		24,471,550
Philadelphia		\$100			3,500,000		549,200	2,548,000		6,597,300
Cleveland	6,400	467,200	2,586,560	\$2,369,200	3,500,000		414,800	1,865,000		11,209,160
Richmond	915,100	237,000			2,000,000			1,969,000		5,121,100
Atlanta	640,600	21,000			1,500,000	1,093,000	10,300	1,491,000		4,755,900
Chicago	1,862,500	367,300	2,581,000	1,768,000	5,000,000	554,000	427,400	2,985,000	\$400	15,545,600
St. Louis	100		1,080,000		2,500,000		1,153,300	1,444,000		6,177,400
Minneapolis	323,050	16,260	1,196,130	206,250	2,000,000		114,800	1,340,000	500	5,197,040
Kansas City	7,155,850	22,240		825,000	2,500,000	5,000	833,500	1,784,000		13,130,590
Dallas	2,450,900	281,500			2,000,000	905,000	1,235,600	1,450,000		8,301,900
San Francisco	2,428,750				2,500,000	1,544,000		1,500,000		7,972,750
Total	15,784,050	1,412,300	7,493,740	5,168,450	50,000,000	4,479,000	6,526,400	23,338,000	900	114,203,140

Total United States bonds with circulation privilege, \$29,358,840. Total United States securities without circulation privilege, \$84,344,300.

RESOURCES AND LIABILITIES.

Resources and liabilities of each Federal Reserve Bank and of the Federal Reserve System at close of business on Fridays, June 1 to June 22, 1917.

[In thousands of dollars; i. e., 000 omitted.]

RESOURCES.

	Boston.	New York.	Phila- delphia.	Cleve- land.	Rich- mond.	A- lanta.	Chi- cago.	St. Louis.	Minn- apolis.	Kansas City.	Dallas.	San Francisco.	Total.
Gold coin and certificates in vault:													
June 1.....	13,563	142,192	22,470	19,730	6,851	6,298	35,239	11,791	12,286	8,029	8,270	12,506	299,225
June 8.....	14,359	173,235	25,377	19,638	6,980	6,115	33,917	8,055	12,499	8,036	8,387	13,408	330,001
June 15.....	14,054	202,014	27,208	20,961	6,979	6,553	34,354	8,298	12,471	8,059	8,535	14,934	365,020
June 22.....	14,766	330,989	26,982	19,571	6,599	6,299	36,380	8,066	12,514	8,262	8,655	13,659	492,742
Gold settlement fund:													
June 1.....	19,753	37,971	10,656	28,306	13,396	3,522	25,116	6,843	7,960	22,728	5,506	5,799	187,556
June 8.....	22,661	17,920	24,000	29,377	14,677	6,536	32,673	14,334	8,848	21,098	6,069	7,649	205,886
June 15.....	21,049	41,153	10,128	34,513	15,933	7,839	28,113	14,394	10,885	22,088	9,747	11,075	221,970
June 22.....	39,593	38,748	23,433	32,835	18,611	2,447	29,077	16,583	11,211	24,735	14,077	16,560	267,910
Gold with foreign agencies:													
June 22.....	3,675	18,738	3,675	4,725	1,837	1,500	7,350	2,100	2,000	2,500	1,750	2,750	52,600
Gold with Federal Reserve Agent:													
June 22.....	26,744	123,680	32,355	34,482	7,419	16,432	62,028	9,568	21,578	14,918	17,153	24,408	390,765
Gold redemption fund:													
June 1.....	50	250	250	25	649	715	214	241	353	144	122	40	3,053
June 8.....	50	250	350	20	653	216	216	322	352	142	139	20	2,736
June 15.....	47	1,453	350	6	637	242	208	291	210	339	142	33	3,958
June 22.....	48	5,202	450	51	663	254	212	267	208	486	141	19	8,001
Legal tender notes, silver, etc.:													
June 1.....	382	30,034	380	182	198	1,000	1,525	1,251	292	7	1,256	117	36,624
June 8.....	381	31,892	396	182	99	782	1,217	1,150	210	7	1,262	115	37,693
June 15.....	368	18,634	439	167	201	806	1,230	1,122	221	8	1,162	124	24,518
June 22.....	545	28,397	639	198	203	813	2,527	933	132	12	1,106	125	35,686
Total reserve:													
June 1.....	33,748	210,447	33,756	48,243	21,094	11,535	62,094	20,126	20,891	30,908	15,154	18,462	526,458
June 8.....	37,451	223,297	50,123	49,217	22,409	13,693	68,023	23,861	21,909	29,283	15,867	21,187	576,310
June 15.....	36,118	263,254	38,125	55,647	23,800	15,440	58,935	24,105	23,790	30,494	19,592	26,166	615,466
June 22.....	85,371	545,754	87,534	91,862	35,332	27,745	137,574	37,567	47,643	50,913	42,882	57,521	1,247,698
5 per cent redemption fund against Federal Reserve Bank notes:													
June 1.....										300	100		400
June 8.....										300	100		400
June 15.....										300	100		400
June 22.....										400	100		500
Bills discounted, members:													
June 1.....	6,823	1,161	7,099	2,916	9,209	3,424	2,506	4,453	5,223	3,941	3,357	742	50,854
June 8.....	6,156	45,057	7,705	3,349	9,197	3,545	3,053	3,913	5,188	6,538	3,412	908	98,021
June 15.....	12,593	136,991	10,473	3,524	9,738	3,271	4,968	2,854	4,819	6,186	4,543	2,864	202,824
June 22.....	26,495	123,114	18,406	9,024	11,279	3,344	14,699	5,195	8,743	7,588	4,468	8,629	240,984
Bills bought in open market:													
June 1.....	11,656	36,141	11,428	10,331	5,237	2,139	15,890	5,779	1,758	4,540	880	10,321	116,100
June 8.....	11,311	52,395	10,664	9,867	5,475	1,956	18,938	6,424	1,630	5,694	784	10,132	135,270
June 15.....	13,291	73,248	11,196	11,552	5,367	1,952	22,291	6,199	1,490	3,069	718	9,152	164,525
June 22.....	15,300	96,918	9,180	11,475	5,640	1,883	27,234	6,072	1,843	10,443	633	7,632	194,303
United States bonds:													
June 1.....	530	1,306	549	5,844	1,152	672	7,007	2,233	1,857	8,842	3,966	2,429	36,387
June 8.....	530	1,306	549	5,844	1,152	672	7,007	2,233	1,857	8,842	3,966	2,429	36,387
June 15.....	530	1,306	549	5,853	1,152	672	7,007	2,233	1,857	8,842	3,970	2,429	36,400
June 22.....	530	1,306	549	5,853	1,152	699	7,007	2,233	1,857	8,842	3,970	2,429	36,427
One-year United States Treasury notes:													
June 1.....	2,194	2,788	2,548	1,865	1,969	1,491	2,985	1,444	1,340	1,784	1,430	1,500	23,338
June 8.....	2,194	2,788	2,548	1,865	1,969	1,491	2,985	1,444	1,340	1,784	1,430	1,500	23,338
June 15.....	2,194	2,788	2,548	1,871	1,969	1,491	2,985	1,444	1,340	1,784	1,430	1,500	23,344
June 22.....	2,194	2,788	2,548	1,871	1,969	1,491	2,985	1,444	1,340	1,784	1,430	1,500	23,344
United States certificates of indebtedness:													
June 1.....	3,000	20,361	3,500	3,500	2,000	2,593	5,249	2,500	2,000	2,505	2,905	4,044	54,157
June 8.....	3,000	23,864	3,500	3,505	2,000	2,645	7,331	2,500	2,119	2,548	2,905	4,043	59,960
June 15.....	3,000	22,014	3,500	3,520	2,000	2,600	5,091	2,500	2,072	2,500	2,000	3,587	54,384
June 22.....	3,000	22,008	3,500	3,520	2,000	2,800	5,000	2,500	2,072	2,500	2,000	4,247	55,147
Municipal warrants:													
June 1.....	127	4,523	1,424	2,893	15	31	2,131	993	152	406	431	786	13,912
June 8.....		1,382	413	1,621	15	31	915	466		102	71	508	5,524
June 15.....		366	158	1,265	15	27	153	212		51	20	203	2,470
June 22.....		366	158	1,265	15	1	162	212		51	20	204	2,444
Federal Reserve notes—Net:													
June 1.....	2,774	16,936		1,592			5,917					2,659	29,878
June 8.....	1,373	15,942		1,552			5,398					2,943	26,208
June 15.....	1,464			2,332			5,088					2,467	11,351

Resources and liabilities of each Federal Reserve Bank and of the Federal Reserve System at close of business on Fridays, June 1 to June 22, 1917—Continued.

[Thousands of dollars; i. e., 000 omitted.]

RESOURCES—Continued.

	Boston.	New York.	Philadelphia.	Cleveland.	Richmond.	Atlanta.	Chicago.	St. Louis.	Minneapolis.	Kansas City.	Dallas.	San Francisco.	Total.
Due from other Federal Reserve Banks—Net:													
June 1.....	2,596		4,997	1,177	899	2,123	7,432	.....	901	1,524	.....	1,848	13,677
June 8.....	3,390		1,309	16,229	11,833	1,123	3,680	3,345	.....	2,221	46	6,939	14,811
June 15.....	10,056		5,556	9,171	1,593	1,862	1,485	4,739	.....	4,672	193	2,651	15,642
June 22.....	2,492		7,011	14,683	1,464	2,549	855	1,834	4,038	5,425	639	3,568	12,561
Uncollected items:													
June 1.....	16,318	44,492	25,660	13,698	10,647	6,395	23,885	5,598	5,713	7,145	6,670	10,871	177,092
June 8.....	34,445	126,949	29,344	12,921	11,510	10,047	36,897	5,706	10,309	10,726	8,477	7,399	304,730
June 15.....	32,428	81,903	32,695	22,199	11,205	9,689	43,489	8,588	12,060	9,844	10,265	15,935	290,320
June 22.....	15,125	41,798	21,055	17,168	10,787	9,526	29,161	11,870	6,121	13,134	8,318	11,763	195,826
All other resources:													
June 1.....	16	1,664	629	468	40	781	1,030	472	118	139	440	264	6,056
June 8.....	20	1,468	312	298	64	464	1,691	130	105	174	590	277	5,588
June 15.....	70	1,159	337	104	56	768	1,660	292	79	146	454	98	5,217
June 22.....						67	120	36		58	127		408
Total resources:													
June 1.....	79,782	339,819	91,590	92,522	52,262	31,184	136,126	43,598	39,953	62,034	35,333	53,926	1,038,309
June 8.....	99,870	494,443	106,467	105,268	65,324	34,667	155,918	50,022	44,457	68,212	37,638	58,265	1,276,547
June 15.....	111,744	583,029	105,137	117,038	56,889	37,272	153,152	53,166	47,507	72,888	43,305	67,052	1,412,343
June 22.....	150,507	834,052	149,941	156,721	69,638	50,105	224,787	68,963	73,657	101,138	64,637	97,493	1,999,642

LIABILITIES.

Capital paid in:													
June 1.....	\$5,029	\$12,060	\$5,264	\$6,248	\$3,436	\$2,388	\$7,057	\$3,168	\$2,467	\$3,165	\$2,754	\$3,949	\$56,985
June 8.....	5,022	12,063	5,272	6,247	3,436	2,389	7,057	3,166	2,468	3,166	2,754	3,960	57,000
June 15.....	5,112	12,063	5,272	6,247	3,436	2,387	7,062	3,243	2,468	3,166	2,755	3,960	57,171
June 22.....	5,112	12,063	5,270	6,247	3,436	2,388	7,062	3,243	2,468	3,166	2,755	3,961	57,171
Government deposits:													
June 1.....	13,123	24,989	9,995	5,975	3,411	5,330	14,930	2,522	3,229	2,949	2,699	7,326	96,478
June 8.....	30,637	39,632	23,629	27,314	17,429	6,527	34,935	10,240	9,166	10,022	6,763	11,831	228,125
June 15.....	11,264	126,559	17,204	21,538	7,537	18,822	23,713	7,659	7,776	6,770	10,363	14,880	262,581
June 22.....	58,846	227,882	32,765	38,356	14,323	4,577	34,328	9,102	16,453	13,852	15,241	27,082	495,807
Due to members—reserve account:													
June 1.....	48,880	248,409	49,284	66,885	25,132	18,280	97,786	27,967	28,077	48,450	23,620	38,376	721,146
June 8.....	46,609	320,949	48,921	59,692	23,938	18,520	95,714	26,149	27,348	46,697	22,788	38,446	775,771
June 15.....	56,226	364,992	48,686	75,602	25,078	18,822	100,627	31,657	31,494	50,325	23,471	43,754	870,734
June 22.....	50,311	313,418	54,337	66,153	25,891	19,098	106,356	31,197	28,321	50,759	21,566	38,802	806,209
Collection items:													
June 1.....	12,572	34,779	23,814	13,414	9,725	3,333	16,287	3,516	3,243	6,313	2,952	4,143	134,091
June 8.....	17,428	76,776	23,172	12,015	8,506	5,206	18,212	3,929	2,620	6,539	2,999	3,919	181,321
June 15.....	38,996	36,196	27,649	13,651	9,584	6,342	21,750	3,613	3,393	6,436	4,471	4,343	176,424
June 22.....	11,398	33,671	18,997	14,144	9,280	5,186	17,756	8,546	2,761	6,941	2,962	5,989	137,581
Federal Reserve notes—net:													
June 1.....			3,046		10,523	1,853		6,132	2,917	1,157	2,148		27,776
June 8.....			5,303		11,957	2,025		6,538	2,531	1,788	2,334		32,476
June 15.....		6,163	6,145		11,211	2,403		6,994	2,034	5,829	2,245		43,024
Federal Reserve notes in actual circulation:	24,627	203,373	38,339	31,777	16,692	18,856	59,285	16,875	23,610	25,644	19,113	21,530	499,721
Due to other Federal Reserve Banks—net:													
June 1.....		18,267						293			1,160		
June 8.....		43,715							289				
June 15.....		35,536							300				
June 22.....		41,997											
Federal Reserve Bank note circulation, net liability:													
June 15.....										362			362
June 22.....										776			776
All other liabilities, including foreign Government credits:													
June 1.....	178	1,215	187		35		66		20			132	1,833
June 8.....	174	1,308	170		58				35			109	1,854
June 15.....	146	1,520	181		43				42			115	2,047
June 22.....	213	1,648	233	44	66				44			129	2,377
Total liabilities:													
June 1.....	79,782	339,819	91,590	92,522	52,262	31,184	136,126	43,598	39,953	62,034	35,333	53,926	1,038,309
June 8.....	99,870	494,443	106,467	105,268	65,324	34,667	155,918	50,022	44,457	68,212	37,638	58,265	1,276,547
June 15.....	111,744	583,029	105,137	117,038	56,889	37,272	153,152	53,166	47,507	72,888	43,305	67,052	1,412,343
June 22.....	150,507	834,052	149,941	156,721	69,638	50,105	224,787	68,963	73,657	101,138	64,637	97,493	1,999,642

1 Difference between net amounts due from and net amounts due to other Federal Reserve Banks.

FEDERAL RESERVE NOTES.

Federal Reserve note account of each Federal Reserve bank at close of business on Fridays June 1 to June 22, 1917.

[In thousands of dollars; i. e., 000's omitted.]

	Boston.	New York.	Phila- delphia.	Cleve- land.	Rich- mond.	At- lanta.	Chi- cago.	St. Louis.	Minne- apolis.	Kansas City.	Dallas.	San Franc- isco.	Total.
Federal Reserve notes received from agent—net:													
June 1	24,121	212,763	34,303	28,293	16,864	18,879	55,547	17,368	23,350	25,760	19,753	22,843	499,844
June 8	24,091	214,994	36,604	30,354	16,733	19,119	59,375	17,330	23,833	26,503	19,958	23,663	512,527
June 15	25,760	219,851	39,624	32,506	17,411	19,548	62,044	17,234	24,209	26,349	19,746	23,639	527,971
June 22	26,744	223,680	40,655	34,482	17,310	19,503	64,508	17,875	24,799	26,285	19,727	24,408	539,976
Federal Reserve notes held by bank:													
June 1	2,774	16,936	864	1,592	750	418	5,917	1,495	893	552	127	2,661	34,979
June 8	1,373	15,942	967	552	257	546	5,398	1,089	1,022	713	256	2,943	31,058
June 15	1,464	18,837	2,152	2,332	730	668	5,088	633	1,097	561	327	2,467	36,356
June 22	2,117	20,307	2,316	2,705	618	647	5,223	1,000	1,189	641	614	2,878	40,255
Federal Reserve notes in actual circulation:													
June 1	21,347	195,827	33,439	26,701	16,114	18,461	49,630	15,873	22,457	25,208	19,626	20,182	464,865
June 8	22,718	199,052	35,637	29,802	16,476	18,573	53,977	16,241	22,311	25,790	19,672	20,720	481,469
June 15	24,296	201,014	37,472	30,174	16,681	18,890	56,956	16,651	23,112	25,788	19,419	21,172	491,615
June 22	24,627	203,373	38,339	31,777	16,692	18,866	59,285	16,875	23,610	25,644	19,113	21,530	499,721
Gold and lawful money deposited with or to credit of Federal Reserve Agent:													
June 1	24,121	212,763	30,393	28,293	5,591	16,608	55,547	9,741	19,540	24,051	17,478	22,843	466,969
June 8	24,091	214,994	30,334	30,354	4,519	16,548	59,375	9,703	20,280	24,002	17,338	23,663	475,201
June 15	25,760	194,851	31,327	32,506	5,470	16,477	62,044	9,657	21,078	19,959	17,174	23,639	459,942
June 22	26,744	123,680	32,355	34,482	7,419	16,432	62,028	9,568	21,578	14,918	17,153	24,408	390,765
Commercial paper delivered to Federal Reserve Agent:													
June 1			3,913		12,086	2,276		7,635	3,810	1,892	2,824		34,441
June 8			6,278		12,655	2,576		7,628	3,553	2,519	2,721		37,930
June 15		25,007	8,304		12,411	3,071		7,630	3,131	6,812	2,779		69,145
June 22		100,058	8,306		13,498	3,078	2,486	8,312	3,221	11,429	2,748		153,136

Federal reserve account of each Federal Reserve Agent at close of business on Fridays, June 1 to June 22, 1917.

[In thousands of dollars, i. e., 000's omitted.]

	Boston.	New York.	Phila- delphia.	Cleve- land.	Rich- mond.	At- lanta.	Chi- cago.	St. Louis.	Minne- apolis.	Kansas City.	Dallas.	San Fran- cisco.	Total.
FEDERAL RESERVE NOTES.													
Received from Comptroller:													
June 1.....	39,680	383,440	57,340	41,000	30,100	36,380	67,500	25,740	34,640	40,720	36,920	26,060	819,520
June 8.....	47,480	390,040	61,340	42,000	30,100	36,380	76,140	27,340	34,640	42,720	36,920	27,060	852,160
June 15.....	47,480	409,640	61,340	48,000	30,100	36,380	81,060	27,340	36,640	42,720	36,920	27,060	884,680
June 22.....	47,480	422,440	61,340	48,000	31,720	36,380	84,860	27,340	36,640	42,720	36,920	27,860	903,700
Returned to Comptroller:													
June 1.....	10,309	73,077	8,697	5,667	10,556	6,296	2,253	5,112	5,600	6,620	8,681	3,217	146,085
June 8.....	10,339	77,246	8,756	5,806	10,687	6,356	2,265	5,150	5,617	6,677	8,731	3,397	151,027
June 15.....	10,670	77,489	8,756	5,854	10,749	6,427	2,276	5,196	5,741	6,831	8,913	3,421	152,323
June 22.....	10,686	77,860	9,225	5,878	10,850	6,472	2,292	5,605	5,951	6,895	8,932	3,452	154,098
Chargeable to Federal Reserve Agent:													
June 1.....	29,371	310,363	48,643	35,333	19,544	30,084	65,247	20,628	29,040	34,100	28,239	22,843	673,435
June 8.....	37,141	312,794	52,584	36,194	19,413	30,024	73,875	22,190	29,023	36,043	28,189	23,663	733,173
June 15.....	36,810	332,151	52,584	42,146	19,351	29,953	78,784	22,144	30,899	35,889	28,007	23,639	732,357
June 22.....	36,794	344,580	52,115	42,122	20,870	29,908	82,568	21,735	30,689	35,825	27,988	24,408	749,602
In hands of Federal Reserve Agent:													
June 1.....	5,250	97,600	14,340	7,040	2,680	11,205	9,700	3,260	5,690	8,340	8,486	.....	173,591
June 8.....	13,050	97,800	15,980	5,840	2,686	10,905	14,500	4,860	5,190	9,540	8,261	.....	188,606
June 15.....	11,050	112,300	12,960	9,640	1,940	10,405	16,740	4,860	6,690	9,540	8,261	.....	204,386
June 22.....	10,050	120,900	11,460	7,640	3,560	10,405	18,060	3,860	5,890	9,540	8,261	.....	208,626
Issued to Federal Reserve Bank less amount returned to Federal Reserve Agent for redemption:													
June 1.....	24,121	212,763	34,303	28,293	16,864	18,879	55,547	17,368	23,350	25,760	19,753	22,843	499,844
June 8.....	24,091	214,994	36,604	30,354	16,733	19,119	59,375	17,330	23,833	26,503	19,928	23,663	512,527
June 15.....	25,760	219,851	39,624	32,506	17,411	19,548	62,044	17,284	24,209	26,349	19,746	23,639	527,971
June 22.....	26,744	223,680	40,655	34,482	17,310	19,503	64,508	17,875	24,799	26,285	19,727	24,408	539,976
Gold and commercial paper held against outstanding notes:													
Gold coin and certificates on hand—													
June 1.....	20,810	202,338	3,730	10,828	.....	2,896	.....	3,365	13,918	2,370	11,110	.....	271,365
June 8.....	20,810	208,818	3,730	11,628	.....	2,896	.....	3,365	13,955	2,370	11,110	.....	279,862
June 15.....	21,910	188,914	4,223	11,808	.....	2,897	.....	3,365	14,077	2,370	11,110	.....	265,674
June 22.....	22,910	113,114	4,220	13,605	.....	2,896	.....	3,365	14,077	2,370	11,110	.....	187,667
Credit balances—													
In gold redemption fund—													
June 1.....	1,311	10,425	1,853	1,465	591	1,632	597	626	1,102	1,621	1,008	1,083	23,314
June 8.....	1,261	11,176	2,094	1,726	519	1,572	585	588	1,085	1,572	1,068	1,073	24,339
June 15.....	1,850	10,837	2,094	1,698	470	1,500	574	542	1,261	1,529	1,034	1,049	24,538
June 22.....	1,834	10,566	2,275	1,877	419	1,456	558	513	1,251	1,488	1,013	1,018	24,268
With Federal Reserve Board—													
June 1.....	2,000	.....	24,810	16,000	5,000	12,080	54,950	5,750	4,520	20,030	5,360	21,760	172,290
June 8.....	2,000	.....	24,510	17,000	4,000	12,080	58,790	5,750	5,240	20,030	5,160	22,590	177,180
June 15.....	2,000	.....	25,010	19,000	5,000	12,080	61,470	5,750	5,740	16,060	5,030	22,590	179,730
June 22.....	2,000	.....	25,860	19,000	7,000	12,080	61,470	5,690	6,250	11,060	5,030	23,390	178,830
Commercial paper, required minimum 1—													
June 1.....	.....	.....	3,910	.....	11,273	2,271	.....	7,627	3,810	1,709	2,275	.....	32,875
June 8.....	.....	.....	6,270	.....	12,214	2,571	.....	7,627	3,553	2,501	2,590	.....	37,326
June 15.....	.....	25,000	8,297	.....	11,941	3,071	.....	7,627	3,131	6,390	2,572	.....	68,029
June 22.....	.....	100,000	8,300	.....	9,891	3,071	2,480	8,307	3,221	11,867	2,574	.....	149,211
Total—													
June 1.....	24,121	212,763	34,303	28,293	16,864	18,879	55,547	17,368	23,350	25,760	19,753	22,843	499,844
June 8.....	24,091	214,994	36,604	30,354	16,733	19,119	59,375	17,330	23,833	26,503	19,928	23,663	512,527
June 15.....	25,760	219,851	39,624	32,506	17,411	19,548	62,044	17,284	24,209	26,349	19,746	23,639	527,971
June 22.....	26,744	223,680	40,655	34,482	17,310	19,503	64,508	17,875	24,799	26,285	19,727	24,408	539,976

¹ For actual amounts see item "Commercial paper delivered to Federal Reserve Agent" on p. 572.

EARNINGS ON INVESTMENTS OF FEDERAL RESERVE BANKS.

Average amounts of earning assets held by each Federal Reserve Bank during May, 1917, earnings from each class of earning assets, and annual rates of earnings on the basis of May, 1917, returns.

Banks.	Average balances for the month of the several classes of earning assets.				
	Bills discounted, members.	Bills bought in open market.	United States securities.	Municipal warrants.	Total.
Boston.....	\$3,777,062	\$10,254,345	\$5,723,750	\$127,168	\$19,882,325
New York.....	2,235,395	28,693,172	27,447,743	5,041,887	63,416,197
Philadelphia.....	6,285,865	12,491,970	6,597,800	1,421,462	26,796,697
Cleveland.....	1,966,808	8,944,948	12,100,676	2,891,251	25,903,683
Richmond.....	8,577,570	6,049,249	5,121,100	15,000	19,762,919
Atlanta.....	2,769,246	2,500,270	4,848,258	14,239	10,132,013
Chicago.....	3,007,142	8,977,587	15,561,890	2,182,497	29,729,082
St. Louis.....	3,225,169	4,637,794	6,423,497	1,039,267	15,325,727
Minneapolis.....	5,092,500	4,149,900	5,206,200	175,900	14,624,500
Kansas City.....	1,731,808	2,962,425	13,188,290	429,329	18,311,852
Dallas.....	3,225,223	979,262	7,390,000	548,254	12,146,739
San Francisco.....	817,604	8,876,512	8,778,385	808,974	19,281,475
Total.....	42,710,392	99,517,434	118,387,089	14,695,194	\$275,310,109

Banks.	Earnings from—					Calculated annual rates of earnings from—				
	Bills discounted, members.	Bills bought in open market.	United States securities.	Municipal warrants.	Total.	Bills discounted, members.	Bills bought in open market.	United States securities.	Municipal warrants.	Total.
Boston.....	\$11,693	\$27,915	\$12,623	\$310	\$52,541	<i>Per cent.</i> 3.64	<i>Per cent.</i> 3.21	<i>Per cent.</i> 2.60	<i>Per cent.</i> 2.87	<i>Per cent.</i> 3.08
New York.....	6,090	78,600	53,224	12,777	150,691	3.22	3.22	2.30	2.99	2.79
Philadelphia.....	17,561	32,848	13,941	3,544	67,894	3.28	3.96	2.48	2.93	2.98
Cleveland.....	6,146	23,655	26,510	7,867	64,184	3.68	3.11	2.58	3.20	2.92
Richmond.....	27,708	15,834	10,433	45	54,020	3.80	3.08	2.40	3.55	3.22
Atlanta.....	9,586	6,353	10,721	53	27,213	4.08	3.23	2.60	4.33	3.16
Chicago.....	10,286	22,826	30,494	5,664	69,270	4.03	2.99	2.35	3.06	2.77
St. Louis.....	10,471	12,560	13,259	2,671	38,961	3.82	3.18	2.43	3.02	3.04
Minneapolis.....	17,984	11,934	10,182	400	40,500	4.16	3.39	2.30	2.68	3.26
Kansas City.....	6,037	7,831	25,652	1,082	40,602	4.10	3.11	2.29	2.97	2.62
Dallas.....	12,223	2,819	17,645	1,403	34,090	4.55	3.45	2.86	3.07	3.36
San Francisco.....	2,890	22,834	17,888	2,025	45,637	4.16	3.03	2.40	2.95	2.79
Total.....	138,675	266,509	242,578	37,841	685,608	3.82	3.15	2.41	3.03	2.83

DISCOUNT RATES.

Discount rates of each Federal Reserve Bank in effect June 28, 1917.

	Maturities.							Commodity paper maturing within 90 days.
	Discounts.					Trade acceptances.		
	Within 15 days, including member banks' collateral notes.	16 to 60 days, inclusive.	61 to 90 days, inclusive.	Secured by U. S. certificates of indebtedness or Liberty Loan Bonds. Within 90 days.	Agricultural and live-stock paper over 90 days.	To 60 days, inclusive.	61 to 90 days, inclusive.	
Boston.....	3½	4	4	3½	5	4	4	4
New York.....	3	4	4	3½	5	3½	3½	3½
Philadelphia.....	3½	4	4	3½	4½	3½	3½	3½
Cleveland.....	3½	4	4½	3½	5	3½	4	4
Richmond.....	3½	4	4	3½	4½	3½	3½	3½
Atlanta.....	3½	4	4½	3½	5	3½	3½	3½
Chicago.....	3½	4	4½	3½	5	3½	3½	3½
St. Louis.....	3½	4	4	3½	5	3½	3½	3½
Minneapolis.....	3½	4	4½	3½	5	3½	4	4
Kansas City.....	3½	4½	4½	3½	5	4	4	4
Dallas.....	3½	4	4½	3½	5	3½	3½	3½
San Francisco.....	3½	4	4½	3½	5½	3½	3½	3½

NOTE.—Rate for bankers' acceptances, 2½ to 4 per cent.

¹ Rate of 2 to 4 per cent on member banks' 1-day collateral notes in connection with the loan operations of the Government.

² 3 per cent for member banks' collateral notes if secured by United States certificates of indebtedness.

³ 3 per cent for member banks' collateral notes if secured by United States bonds, notes, or certificates of indebtedness.

GOLD IMPORTS AND EXPORTS.

Gold imports and exports into and from the United States.

[In thousands of dollars; i. e., 000's omitted.]

	Week ending—				Total since Jan. 1, 1917.	Total for corresponding period during 1916.
	May 25, 1917.	June 1, 1917.	June 8, 1917.	June 15, 1917.		
IMPORTS.						
Ore and base bullion.....	615	353	116	259	7,097	5,826
United States mint or assay office bars.....		5	2	3	19	1,358
Bullion, refined.....	280	332	687	242	252,145	67,744
United States coin.....	1	125	150	3	52,358	1,985
Foreign coin.....	17	245	49	1	77,222	41,553
Total.....	913	1,110	1,004	508	388,839	118,966
EXPORTS.						
Domestic:						
Ore and base bullion.....				7	106	166
United States mint or assay office bars.....	580		3,009	756	18,441	8,897
Bullion, refined.....	7	1,814		25	2,895	4,272
Coin.....	5,123	20,115	5,404	9,906	127,160	80,642
Total.....	5,710	21,429	8,413	10,694	148,602	41,977
Foreign:						
Bullion, refined.....					31	1,443
Coin.....	19	68		250	5,177	18,270
Total.....	19	68		250	5,208	19,713
Total exports.....	5,729	21,497	8,413	10,944	153,810	61,690

Excess of gold imports over exports since Jan. 1, 1917, \$235,029.

Excess of gold imports over exports since Aug. 1, 1914, \$1,103,791.

FOREIGN EXCHANGE RATES.

Monthly ranges of exchange rates on leading foreign money centers, quoted in New York City during the 6 months ending June, 1917.

[In continuation of figures published in the April, 1917, Bulletin.]

	January.		February.		March.	
	Low.	High.	Low.	High.	Low.	High.
London:						
60-day bankers' bills.....dollars for 1 £..	4.71 $\frac{1}{2}$	4.71 $\frac{7}{8}$	4.715	4.72 $\frac{1}{2}$	4.7125	4.7175
Sight drafts.....do.....	4.75 $\frac{1}{16}$	4.7585	4.7525	4.7580	4.7490	4.7555
Paris.....francs for 100 dollars..	584 $\frac{3}{4}$	584.25	585.50	584 $\frac{3}{4}$	585.50	584 $\frac{1}{2}$
Berlin.....dollars for 400 marks..	65 $\frac{3}{4}$	71 $\frac{1}{4}$	66 $\frac{3}{4}$	70 $\frac{1}{4}$	68.00	71.50
Petrograd.....dollars for 100 rubles..	28.05	29.90	28.00	29.10	27.60	28.60
Vienna.....dollars for 100 kronen..	10.50	11.79	10.60	11.10	11.05	11.50
Milan.....lire for 100 dollars..	731.00	688.50	764.00	708.00	787.00	763.00
Amsterdam.....dollars for 100 florins..	40.75	40 $\frac{1}{2}$	40 $\frac{3}{4}$	40.75	40 $\frac{3}{4}$	40.50
Copenhagen.....dollars for 100 kroner..	27.20	27.70	27.30	27.55	27.45	29.60
Zurich.....francs for 100 dollars..	508.00	500.00	502.00	500.00	504.00	501.50
Buenos Aires.....dollars for 100 paper pesos..	43.21	44.34	43.40	44.46	42.25	44.03
Rio de Janeiro.....dollars for 100 paper milreis..	23.21	23.57	22.97	23.46	22.90	23.18
Hongkong.....dollars for 100 \$ Mex..	55.00	58.00	55.75	58.00	55.25	56.50
Shanghai.....dollars for 100 Shangh. taels..	84.00	89.00	85.00	89.50	81.00	86.50
Yokohama.....dollars for 100 yen..	50 $\frac{1}{4}$	50 $\frac{3}{4}$	50 $\frac{3}{4}$	51.00	51.00	51.00
	April.		May.		June. ¹	
	Low.	High.	Low.	High.	Low.	High.
London:						
60 day bankers' bills.....dollars for 1 £..	4.7175	4.7250	4.7175	4.7275	4.7150	4.7175
Sight drafts.....do.....	4.7555	4.7585	4.7545	4.75 $\frac{3}{8}$	4.75 $\frac{3}{8}$	4.7555
Paris.....francs for 100 dollars..	583.75	568.00	573.50	570 $\frac{1}{2}$	579	572.25
Berlin.....dollars for 400 marks..	72.00	72.00				
Petrograd.....dollars for 100 rubles..	28.00	28.85	26.40	28.10	22.70	26.10
Vienna.....dollars for 100 kronen..	11.50	11.60				
Milan.....lire for 100 dollars..	769.00	689.00	707.00	700.50	741	703.50
Amsterdam.....dollars for 100 florins..	40 $\frac{1}{4}$	41.75	40 $\frac{1}{4}$	41.25	41 $\frac{1}{4}$	41 $\frac{1}{4}$
Copenhagen.....dollars for 100 kroner..	28.10	28.90	28.10	28.70	28.60	28.25
Zurich.....francs for 100 dollars..	514.00	504.00	516.00	504.50	505	483
Buenos Aires.....dollars for 100 paper pesos..	42.37	42.89	42.69	44.26	43.42	44.26
Rio de Janeiro.....dollars for 100 paper milreis..	23.00	24.35	24.90	26.75	25.61	26.90
Hongkong.....dollars for 100 \$ Mex..	56.35	57.60	57.25	58.00	57.25	60.50
Shanghai.....dollars for 100 Shangh. taels..	84.00	86.50	86.50	86.50	86.50	92.375
Yokohama.....dollars for 100 yen..	51.00	51 $\frac{1}{2}$	51 $\frac{1}{2}$	51 $\frac{1}{2}$	51 $\frac{1}{2}$	51.25

¹ To June 29, inclusive.

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