FEDERAL RESERVE SYSTEM

OF THE UNITED STATES OF AMERICA.

Compiled by

A.B. Leach and Company

Investment Securities

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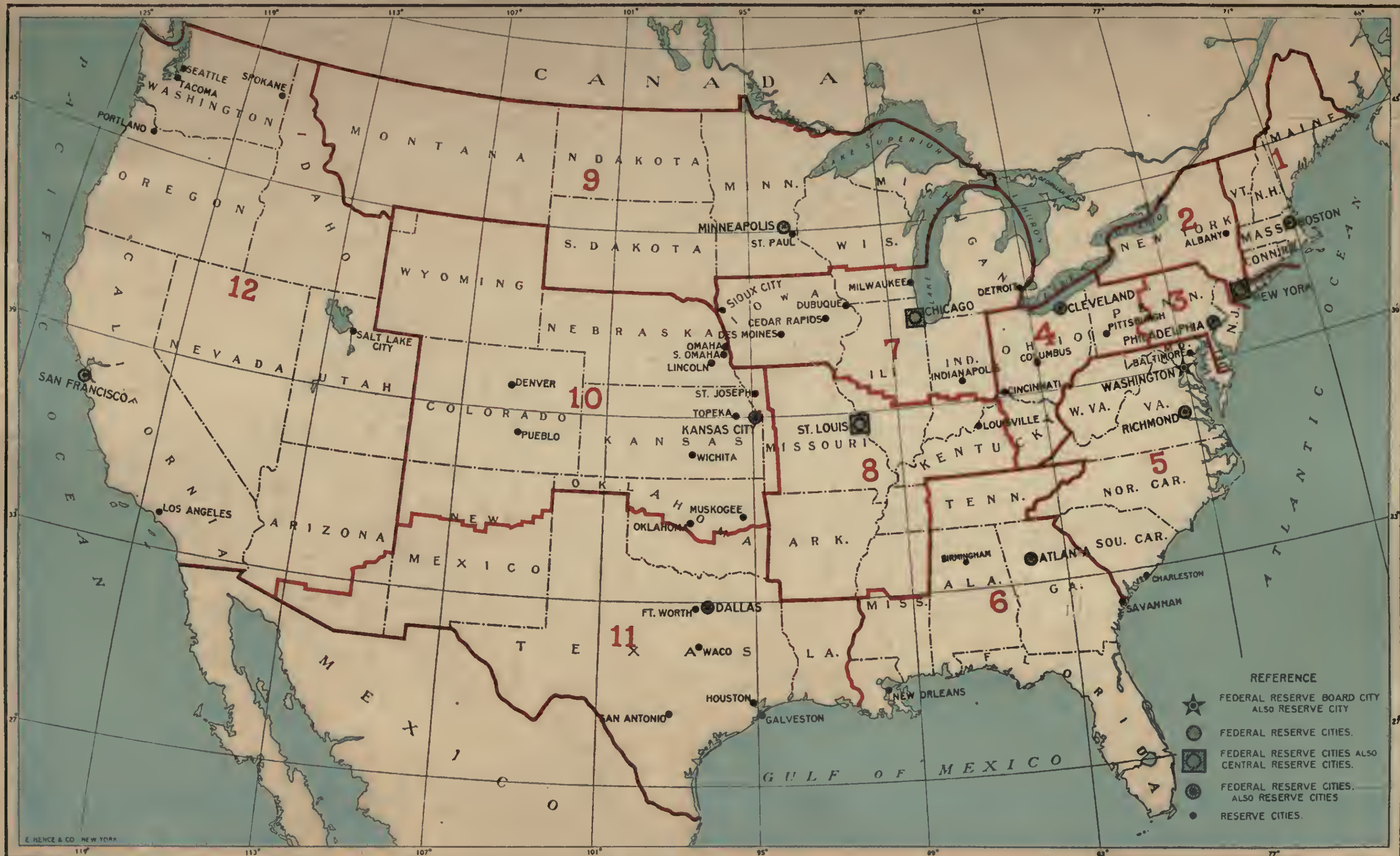
Federal Reserve System of the United States

of America.

Index to Subject Matter.

MAP OF THE

FEDERAL RESERVE DISTRICTS



FEDERAL RESERVE BANK SYSTEM.

Location and Capitalization.

The capitalization, location and territory of the twelve Federal Reserve Banks is as follows:

District	Seat	*Capital Stock	Area Sq. Mi.	Population	Member Banks	Territory Covered:
1	Boston	9,711,900	66,465	6,557,841	441	Me.; N. H.; Vt.; Mass.; R. I.; and Conn.
2	New York.....	19,931,700	49,170	9,113,279	480	N. Y. State.
3	Philadelphia ..	12,501,500	39,865	8,110,217	758	N. J.; Dela.; and eastern Pa.
4	Cleveland	12,101,700	183,995	7,961,022	764	Ohio; western Pa.; northwest W. Va.; eastern Ky.
5	Richmond	6,387,400	173,818	8,519,313	496	D. C.; Md.; Va.; N. C.; S. C.; remainder W. Va.
6	Atlanta	4,670,600	233,860	6,695,341	381	Ala.; Ga.; Fla.; eastern Tenn.; southern Miss.; southeast La.
7	Chicago	12,687,700	176,940	12,630,383	971	Ia.; southern Wis.; peninsula Mich.; north. Ill.; north. Ind.
8	St. Louis......	4,987,500	146,474	6,726,611	459	Ark.; all Mo. except extreme west; south. Ill.; south. Ind.; west. Ky.; west. Tenn.; north. Miss.
9	Minneapolis ...	4,811,000	437,930	5,724,895	709	Mont.; No. Dak.; So. Dak.; Minn.; northern Wis.; remainder Mich.
10	Kansas City...	5,530,300	509,649	6,306,850	837	Kan.; Neb.; Colo.; Wyo.; extreme West Mo.; northern Okla.; extreme north. N. Mex.
11	Dallas	5,698,900	404,826	5,310,561	754	Tex.; remainder N. Mex.; south. Okla.; remainder La.; southeast Ariz.
12	San Francisco.	7,775,400	693,658	5,389,303	521	Cal.; Wash.; Ore.; Idaho; Nev.; Utah; remainder Ariz.
	Total........	$106,795,600	3,016,650	89,045,616	7,571	

*As published in Washington when the System commenced operations (Nov. 16, 1914).

Participating Banking Institutions.

National Banks can subscribe for the capital stock of the Federal Reserve Banks (see paragraph Capitalization) and thus become member banks; those failing to do so shall cease to act as reserve agents, and after December 23rd, 1914, shall forfeit their charters under the National Bank Act. State Banks and Trust Companies—by a vote of their stockholders owning a majority of the stock—can take out a national bank charter, with the approval of the Comptroller of the Currency, and also become member banks by subscribing to the capital stock of the Federal Reserve Banks (with the approval of the Federal Reserve Board) provided they comply with the prescribed reserve and capital requirements, with the regulations and restrictions imposed on the national banks respecting the limitation of liability, which may be incurred by any person, firm or corporation to such banks, the prohibition against buying of or loaning on their stock, the withdrawal or impairment of capital, or the payment of unearned dividends and also provided that their paid-up unimpaired capital stock is sufficient to entitle them to become a national banking association under the provisions of the National Bank Act. They will be required to make periodical reports concerning their condition like the National Banks and will be subject to the same periodical examinations. National Banks located in Alaska or outside the Continental United States, are not required to become member banks, and in that event maintain their reserves and operations in accordance with all present requirements, but they may become member banks (with the exception of the national banks in the Philippine Islands) with the consent of the Federal Reserve Board.

Capitalization.

The national banks and other institutions participating in the Federal Reserve System must subscribe to the capital stock of the Federal Reserve Bank in their district up to 6% of the amount of their own paid-up capital and surplus. Of this subscription 50% (in 3 installments of 16 2/3%) must be paid within 6 months after the first payment, which was made on Nov. 2, 1914. The remainder is subject to call at the discretion of the Federal Reserve Board. Payments are to be made in gold or gold certificates. There is a double liability for stockholders of the Federal Reserve Banks. Par value of shares is $100 each. The stock participations of member banks must always be equal to 6% of their own capital stock and surplus. Shares of Federal Reserve Banks are not transferable nor may they be hypothecated. Additional shares are purchasable at par plus ½ of 1% a month from the period of the last dividend. Stock can be surrendered at the same prices.

Division of Earnings.

After deduction of all necessary expenses, there will be paid from the net profits of the Federal Reserve Banks, a cumulative dividend of 6% per annum on the amount of capital stock paid in. Of the remaining surplus earnings, 50% goes to the United States Government as a franchise tax and the remaining 50% will be paid into a surplus fund. As soon as this surplus equals 40% of the paid-in capital stock of the Federal Reserve Bank, the entire surplus earnings go to the United States Government. The Secretary of the Treasury may use these surplus earnings to add to the gold reserve held against United States notes or shall apply them to the reduction of the outstanding bonded debt of the United States. In case of liquidation of a Federal Reserve Bank, all proceeds over and above the par amounts of capital stock and accumulated dividends, accrue to the United States Government. Federal Reserve Banks (including their capital stock and surplus and the income derived therefrom) are free from taxation, except taxes upon real estate.

Working Capital of the Federal Reserve Banks.

Working capital of the Federal Reserve Banks will be provided through the capital subscriptions and deposits of the member banks, the issuance of Federal Reserve notes to the Federal Reserve Banks, the carrying of reserves of member banks with the Federal Reserve Banks and through other operations to which the Federal Reserve Banks are authorized, while the general fund of the Treasury (except the redemption funds for National Bank and Federal Reserve notes) and also the Government revenues, may be deposited in the Federal Reserve Banks; Government disbursements to be made by checks drawn against these deposits. The Secretary of the Treasury can continue to use member banks as depositories.

Branch Offices.

Each Federal Reserve Bank shall establish branch banks within the Federal Reserve District in which it is located, or in the district of any Federal Reserve Bank which may have been suspended. These branch offices will be operated by seven directors (four to be selected by the Federal Reserve Bank, one of whom will be designated as manager, and three by the Federal Reserve Board) under rules and regulations of the Federal Reserve Board.

Operations of the Federal Reserve Banks.

The Federal Reserve Banks may receive deposits from member banks, from the United States, and solely for exchange purposes from other Reserve Banks; they will discount notes, drafts and bills of exchange not having more than 90 days to run, endorsed by member banks, such bills growing out of commercial transactions and not prohibiting notes, drafts and bills of exchange secured by staple agricultural products, or other goods, wares, or merchandise but not including those covering merely investments or issued or drawn for the purpose of carrying or trading in securities, except those of the U. S. Government. Notes, drafts and bills issued or drawn for agricultural purposes or based on livestock, may have a maturity of not exceeding 6 months. (The member banks may accept drafts or bills of exchange based upon the importation and exportation of goods, not running more than 6 months and not exceeding 50% of their capital stock and surplus.) The Federal Reserve Banks will discount acceptances endorsed by at least one member bank based upon the importation and exportation of goods and not having more than three months to run. They will purchase and sell in the open market at home or abroad, cable transfers, bankers' acceptances and bills of exchange with or without endorsement of the member banks; they will deal in and make loans on gold coin and bullion at home and abroad, exchange Federal Reserve notes for gold or gold certificates, contract for loans of gold, buy and sell at home and abroad Government securities and bills, notes, etc., not running more than 6 months, issued (in anticipation of the receipt of assured revenue) by states, counties and municipalities in the continental United States, including irrigation and drainage districts. They will furthermore buy from member banks, and sell with or without their own endorsement, bills of exchange as before defined, and establish from time to time, rates of discount subject to review and determination by the Federal Reserve Board, which latter can permit or require (by an affirmative vote of at least 5 of its members) one Reserve Bank to rediscount for another Reserve Bank. The Federal Reserve Banks will also establish accounts with other Federal Reserve Banks for exchange purposes (see also Check Clearance System) and open and maintain banking accounts, appoint correspondents and establish agencies abroad for the purchase, sale and collection of bills of exchange, and to buy and sell, with or without their endorsement, bills of exchange with two or more names arising out of commercial transactions and not having more than 90 days to run. The Federal Reserve Banks, when required by the Secretary of the Treasury, shall act as Fiscal Agents of the United States.

Restrictions to the Operations of the Federal Reserve Banks.

Aside from certain limitations stated in the foregoing paragraph, the following restrictions may still be given. The amount of agricultural and livestock bills rediscounted, shall be limited to a percentage of the paid-in capital of each Reserve Bank to be ascertained and fixed by the Federal Reserve Board (the Board has fixed this percentage, until further notice, and subject to modification in all cases where deemed desirable, at 25%); the amount of acceptances discounted by each Federal Reserve Bank shall not exceed 50% of the capital stock and surplus of the bank for which the rediscounts are made; bills and notes of any one person, company, firm or corporation rediscounted for a member bank may not exceed 10% of the capital and surplus of the bank, but this does not apply to the discount of bills of exchange drawn in good faith against actually existing values. Certain open market dealings and transactions abroad of the Federal Reserve Banks as well as the rediscount business of the Federal Reserve Banks are subject to rules and regulations to be prescribed by the Federal Reserve Board, while all transactions of the Banks are under the supervision and control of this Board.

Check Clearance System.

Every Federal Reserve Bank shall receive on deposit at par from member banks or Federal Reserve Banks checks and drafts drawn on any of its depositors and, when remitted by a Federal Reserve Bank, checks and drafts drawn by any depositor in any other Federal Reserve Bank or member bank upon funds to the credit of this depositor in the Reserve Bank or the member bank. The Federal Reserve Board will fix the charges to be collected by the member banks from their patrons whose checks are so cleared, and the charge which may be made for clearings and collections by the Federal Reserve Banks. The Federal Reserve Board, may at its discretion, exercise the function of a Clearing House for the Federal Reserve Banks in the transfer of funds, charges, etc., or may designate for this function a Federal Reserve Bank, while the Federal Reserve Banks may also be required to act as a Clearing House for their member banks. Member banks are not prohibited from charging their actual expenses for collecting and remitting funds or for exchange sold to their patrons.

Federal Reserve Notes.

Federal Reserve notes to be issued at the discretion of the Federal Reserve Board, for the purpose of making advances to the Federal Reserve Banks, are an obligation of the United States and receivable for all taxes, customs and other public dues; they are furthermore a first and paramount lien on all the assets of the Federal Reserve Bank to which they are issued; they are redeemable in gold at the Treasury in Washington or in gold or lawful money at any Federal Reserve Bank; they bear distinctive numbers of the Federal Reserve Bank through which they are issued; they are secured by an equal amount of commercial paper accepted for rediscount under the provisions of the law, the Federal Reserve Board having the authority to ask for additional collateral to protect the notes, while the Federal Reserve Banks have the right to make changes in the collateral under regulations of the Federal Reserve Board. The notes are in denominations of \$5, \$10, \$20, \$50 and \$100 each. The Federal Reserve Banks shall pay upon the notes issued to them a rate of interest to be established by the Federal Reserve Board. Whenever a Federal Reserve Bank receives notes issued by another, it shall promptly return these notes for credit or redemption to the Federal Reserve Bank through which they were originally issued. No Federal Reserve Bank may pay out the notes of another under a penalty of 10%.

Powers of the Federal Reserve Board.

The Federal Reserve Board, whose seat is in the Treasury Department, Washington, D. C., will exercise general supervision over the Federal Reserve Banks, define character of bills eligible for discount and will permit, or, by an affirmative vote of at least 5 members, require (at rates of interest to be fixed by it) Federal Reserve Banks to rediscount the discounted paper of another Federal Reserve Bank. It will regulate and supervise the issue and retirement of Federal Reserve Notes. It may add to and reclassify reserve and central reserve cities (it is understood that in the future no cities with less than 100,000 inhabitants will be approved as reserve cities) readjust Federal Reserve Districts, suspend or remove officers or directors of Federal Reserve Banks, require the writing off of doubtful and worthless assets, suspend or take possession, liquidate or reorganize any Federal Reserve Bank which violates the law, require bonds of reserve agents, permit national banks to act as trustee, executor, administrator or registrar of stocks and bonds when not in contravention of State or local laws. It will employ experts, clerks, etc., without civil service requirements unless so ordered by the President. It may suspend the reserve requirements of the Federal Reserve Banks (as shown in foregoing paragraph), and it will examine at its discretion the Federal Reserve Banks and member banks and publish weekly a statement for each Federal Reserve Bank and a consolidated statement for the entire system showing in detail assets and liabilities and character of reserve monies and nature and maturity of paper and other investments held. It can levy semi-annually upon the Federal Reserve Banks in proportion to their capital stock and surplus assessments for defraying its expenses (including those of printing, issuing, etc., of Federal Reserve Notes) for the succeeding 6 months including any deficit carried forward. It will submit each year an annual report to Congress.

Reserves and Redemption Funds of Federal Reserve Banks.

Reserves of not less than 35% shall be held in gold or lawful money against the deposits of the Federal Reserve Banks and of not less than 40% in gold against the Federal Reserve notes in circulation; part of the latter (to an extent as fixed by the Secretary of the Treasury but never less than 5%) shall be kept with the Treasury as a redemption fund. The Federal Reserve Banks shall reimburse this fund for the Federal Reserve notes redeemed at the Treasury and returned to the Federal Reserve Banks through which they were originally issued. If Federal Reserve notes have been redeemed in gold or gold certificates, the funds must be reimbursed to an extent deemed necessary by the Secretary of the Treasury in gold or gold certificates. Federal Reserve notes received by the Treasury otherwise than for redemption may be returned to the issuing Federal Reserve Bank for the credit of the United States or may be exchanged for gold out of the redemption fund and returned to such bank. The Federal Reserve Board may suspend for not more than 30 days and from time to time renew such suspension, for periods not exceeding 15 days, any of the reserve requirements of the act, provided it establishes a graduated tax on the deficiencies. If the gold reserve held against the Federal Reserve notes falls from 40% to any percentage above 32½%, a tax of not more than 1% upon such deficiency shall be established; under 32½%, the tax rate increases by not less than 1½% upon each 2½% or fraction of the deficiency. The Federal Reserve Bank will have to add an amount equal to the tax to the rates of interest and discount fixed by the Federal Reserve Board.

Membership of the Federal Reserve Board.

The Board consists of seven members, viz: The Secretary of the Treasury, Ex-Officio Member and Chairman; The Comptroller of the Currency, Ex-Officio Member; and five members (not more than one from any one Federal Reserve District) appointed by the President, by and with the consent and advice of the Senate (one of whom shall act as governor and another as vice-governor), in due regard to a fair representation of the different commercial, industrial and geographical divisions of the country, two of whom to be experienced in banking or finance. After the first period of incumbency, which ranges from two to ten years, has elapsed, all appointive members shall serve for ten years, unless sooner removed for cause by the President. No member of the Board shall be a member of Congress nor an officer or director of any bank, banking institution, trust company or Federal Reserve Bank, nor hold stock in any bank. The members of the Board including the ex-officio members and the assistant secretaries of the Treasury are ineligible during the time they are in office and for two years thereafter to hold any office, position or employment in any member bank. The governor of the Board shall act as the active executive officer.

Management of Federal Reserve Banks.

The management of each Federal Reserve Bank rests with a Board of Directors, each consisting of three classes; Class "A" being three members chosen by and representative of the stockholding banks; Class "B", three members (also chosen by the stockholding banks) who at the time of their election are actively engaged in their district in commerce, agriculture or some other industrial pursuit; Class "C", three members (residents of the district at least 2 years) to be designated by the Federal Reserve Board, one of whom will act as Chairman of the Federal Reserve Bank, and another as Deputy Chairman. Both shall be persons of tested banking experience. The Chairman shall act as "Federal Reserve Agent" and the Deputy Chairman, as "Deputy Federal Reserve Agent." The Chairman will act as the official representative of the Federal Reserve Board, and the Deputy Chairman as such in case of absence or disability of his principal. Directors of class "B" may not be an officer, director or employee, and those of class "C" may not be an officer, director, employee, or a stockholder, in any bank. Senators and Representatives in Congress are not eligible. After the first term of incumbency, which ranges from one to three years, all directors shall serve three years.

Federal Advisory Council.

The Federal Advisory Council will be composed of as many members as there are Federal Reserve Districts (at the present time numbering twelve) one chosen annually by each Board of Directors of each Federal Reserve Bank. The Federal Advisory Council will act in an advisory capacity to the Federal Reserve Board. It will hold meetings in Washington, D. C., at least four times each year and oftener if called by the Federal Reserve Board. It may hold additional meetings in Washington, D. C., and elsewhere, if considered necessary, and it may select its own officers. A majority of its members will constitute a quorum. It will confer directly with the Federal Reserve Board on general business conditions. It will make oral or written representations concerning matters within the jurisdiction of the Federal Reserve Board and call for information and make recommendations in regard to discount rates, rediscount business, note issues, reserve conditions, purchase and sale of gold or securities, open market operations and the general affairs of the system.

Gold Standard.

Nothing in the Federal Reserve Act shall be construed to repeal the parity provisions contained in the act establishing the gold standard and the Secretary of the Treasury may, for the purpose of maintaining the gold parity and strengthening the gold reserve, borrow gold on the security of United States bonds or on one-year gold notes or sell the same, if necessary, to obtain gold.

Salaries and Compensations.

Appointive members of the Federal Reserve Board shall receive an annual salary of $12,000, plus necessary traveling expenses, and the Comptroller of the Currency in addition to his salary as such shall receive $7,000 for his services as a member of the board. Each Federal Reserve Bank shall fix the compensation and allowances of the members of the Federal Advisory Council. Directors of Federal Reserve Banks shall receive in addition to any compensation otherwise provided, a reasonable allowance for necessary expenses in attending board meetings. All of the above compensations as well as the salaries, etc., of officers and employees of the Federal Reserve Banks shall be subject to the approval of the Federal Reserve Board.

The Aldrich-Vreeland Act.

The Aldrich-Vreeland Act has been extended to June 30, 1915, and the tax rate on emergency circulation has been changed to 3% per annum for the first three months upon the average amount of emergency circulation outstanding and ½ of 1% per annum for each succeeding month until a tax of 6% per annum is reached, which latter rate will be in force thereafter. Emergency circulation can be taken out up to 125% of the capital stock and surplus of the applying bank.

Personnel of the Federal Reserve Board.

William G. McAdoo, Ex-officio member and Chairman (Secretary of the Treasury, Builder of the McAdoo Tubes under the Hudson River, New York); John Skelton Williams, Ex-officio member (Comptroller of the Currency, Exmember of the banking firm John L. Williams & Son, Richmond, Va.; Expresident and organizer of the Seaboard Air Line Railway System); Charles S. Hamlin, Governor (Ex-Asst. Secretary of the Treasury); Adolph Caspar Miller (Ex-Asst. Secretary of the Interior, Economist, Ex-professor University of California, Author of publications on monetary matters); William G. P. Harding (Ex-president of the First National Bank of Birmingham, Ala.); Paul M. Warburg (Ex-member of the banking firm Kuhn, Loeb & Company, New York City); and F. A. Delano (Ex-president of the Chicago, Indianapolis & Louisville Railway Company).

Directors and Governors of the Federal Reserve Banks.

District No. 1—Federal Reserve Bank of Boston, *Class A*, Group 1: Thomas P. Beal, Boston; Group 2: C. G. Sanford, Bridgeport, Conn.; Group 3: A. M. Heard, Manchester, N. H. *Class B*, Group 1: Charles A. Morse, Boston; Group 2: E. A. Morse, Proctor, Vt.; Group 3: Charles G. Washburn, Worcester, Mass. *Class C*, Frederic H. Curtiss, Boston, Chairman; Walter S. Hackney, Providence, Vice-Chairman; Allen Hollis, Concord, N. H. *Governor:* Alfred L. Aiken, Worcester, Mass.

District No. 2—Federal Reserve Bank of New York, *Class A*, Group 1: William Woodward, New York; Group 2: R. H. Treman, Ithaca, N. Y.; Group 3: Franklin D. Locke, Buffalo, N. Y. *Class B*, Group 1: H. R. Towne, New York; Group 2: William B. Thompson, Yonkers, N. Y.; Group 3: Leslie R. Palmer, Croton-on-Hudson, N. Y. *Class C:* Pierre Jay, New York, Chairman; Charles Starek, New York, Vice-Chairman; George F. Peabody, Lake George, N. Y. *Governor:* Benjamin Strong, Jr., New York.

District No. 3—Federal Reserve Bank of Philadelphia, *Class A*, Group 1: Charles J. Rhoads, Philadelphia; Group 2: W. H. Peck, Scranton; Group 3: M. J. Murphy, Scranton. *Class B*, Group 1: Alba B. Johnson, Philadelphia, Group 2: Edwin S. Stuart, Philadelphia; Group 3: George W. F. Gaunt, Mullica Hill, N. J. *Class C:* Richard L. Austin, Philadelphia, Chairman; George M. LaMonte, Bound Brook, N. J., Vice-Chairman; George W. Norris, Philadelphia. *Governor:* Chas. J. Rhoads, Philadelphia.

District No. 4—Federal Reserve Bank of Cleveland, *Class A*, Group 1: Robert Wardrop, Pittsburgh; Group 2: W. S. Rowe, Cincinnati; Group 3: S. B. Rankin, South Charleston, Ohio. *Class B:* Group 1: Thomas A. Combs, Lexington, Ky. Group 2: C. H. Bagley, Corry, Penn.; Group 3: A. B. Patrick, Salyersville, Ky. *Class C:* D. C. Wills, Bellevue, Pa., Chairman; Lyman H. Treadway, Cleveland, Vice-Chairman; H. P. Wolfe, Columbus, O. *Governor:* E. R. Fancher.

District No. 5—Federal Reserve Bank of Richmond, *Class A*, Group 1: Waldo Newcomer, Baltimore; Group 2: John F. Bruton, Wilson, N. C.; Group 3: Edwin Mann, Bluefield, W. Va. *Class B:* Group 1: George J. Seay, Richmond; Group 2: D. R. Coker, Hartsville, S. C.; Group 3: J. F. Oyster, Washington. *Class C:* William Ingle, Baltimore, Md., Chairman; James A. Moncure, Richmond, Vice-Chairman; M. F. H. Gouverneur, Wilmington, N. C. *Governor:* Geo. J. Seay, Richmond.

District No. 6—Federal Reserve Bank of Atlanta, *Class A*, Group 1: L. P. Hillyer, Macon, Ga.; Group 2: F. W. Foote, Hattiesburg, Miss.; Group 3: W. H. Toole, Winder, Ga. *Class B:* Group 1: P. H. Saunders, New Orleans; Group 2: J. A. McCrary, Decatur, Ga.; Group 3: W. H. Hartford, Nashville. *Class C:* M. B. Wellborn, Anniston, Ala., Chairman; Edward T. Brown, Atlanta, Ga., Vice-Chairman; W. H. Kettig, Birmingham, Ala. *Governor:* Joseph A. McCord, Atlanta.

District No. 7—Federal Reserve Bank of Chicago, *Class A*, Group 1: George M. Reynolds, Chicago; Group 2: J. B. Forgan, Chicago; Group 3: E. L. Johnson, Waterloo, Iowa. *Class B:* Group 1: Henry B. Joy, Detroit; Group 2: M. B. Hutchison, Ottumwa, Iowa; Group 3: A. H. Vogel, Milwaukee. *Class C:* C. H. Bosworth, Chicago, Chairman; W. L. McLallen, Columbia City, Ind., Vice-Chairman; Edwin T. Meredith, Des Moines, Ia. *Governor:* James B. McDougal, Chicago.

District No. 8—Federal Reserve Bank of St. Louis, *Class A*, Group 1; Walker Hill, St. Louis; Group 2: F. O. Watts, St. Louis; Group 3: Oscar Fenley, Louisville. *Class B*, Group 1: Murray Carleton, St. Louis; Group 2: W. B. Plunkett, Little Rock, Ark.; Group 3: Le Roy Percy, Greenville, Miss. *Class C*, Wm. McC. Martin, St. Louis, Chairman; Walter W. Smith, St. Louis, Vice-Chairman; John Boehne, Evansville, Ind. *Governor:* Rolla Wells, St. Louis.

District No. 9—Federal Reserve Bank of Minneapolis, *Class A*, Group 1: E. W. Decker, Minneapolis; Group 2: L. B. Hanna, Fargo, N. D.; Group 3: J. C. Bassett, Aberdeen, S. D. *Class B:* Group 1: F. R. Bigelow, St. Paul; Group 2: F. P. Hixon, La Crosse, Wis.; Group 3: Norman B. Holter, Helena, Mont. *Class C:* John F. Rich, Red Wing, Minn., Chairman; P. M. Kerst, St. Paul, Vice-Chairman; John W. Black, Houghton, Mich. *Governor:* Theodore Wold, Minneapolis.

District No. 10—Federal Reserve Bank of Kansas City, *Class A*, Group 1: Gordon Jones, Denver; Group 2: W. J. Bailey, Atchison, Kan.; Group 3: C. E. Burnham, Norfolk, Neb. *Class B*, Group 1: M. L. McClure, Kansas City, Mo.; Group 2: T. C. Byrne, Omaha; Group 3: L. A. Wilson, El Reno, Okla. *Class C:* J. Z. Miller, Kansas City, Mo., Chairman; A. E. Ramsey, Muskogee, Okla., Vice-Chairman; R. H. Malone, Denver, Colo. *Governor:* Charles M. Sawyer, Topeka Kan.

District No. 11—Federal Reserve Bank of Dallas, *Class A*, Group 1: Oscar Wells, Houston, Tex.; Group 2: E. K. Smith, Shreveport, La.; Group 3: B. A. McKinney, Durant, Okla. *Class B*, Group 1: Marion Sanson, Fort Worth, Tex.; Group 2: Frank Kell, Wichita Falls, Tex.; Group 3: J. J. Culbertson, Paris, Tex. *Class C:* E. O. Tenison, Dallas, Tex., Chairman; W. F. McCaleb, San. Antonio, Tex., Vice-Chairman; Felix Martinez, El Paso, Tex.; *Governor:* Oscar Wells, Houston, Tex.

District No. 12—Federal Reserve Bank of San Francisco, *Class A*, Group 1: C. K. McIntosh, San Francisco; Group 2: James K. Lynch, San Francisco; Group 3: Alden Anderson, Sacramento. *Class B*, Group 1: A. B. C. Dohrman, San Francisco; Group 2: J. A. McGregor, San Francisco; Group 3: Elmer H. Cox, Madera, Cal. *Class C:* John Perrin, Pasadena, Cal., Chairman; Claude Gatch, San Francisco, Vice-Chairman; Chas. E. Peabody, Seattle, Wash. *Governor:* Archibald Kains, San Francisco.

Secretaries of the Federal Reserve Board.

Secretary: Dr. Henry Parker Willis, monetary expert to the House Committee on Banking and Currency, at the time of the drafting of the Federal Reserve Act; Assistant Secretary: Sherman Allen, formerly Assistant Secretary of the Treasury.

Members Federal Advisory Council.

District	Names
1	Daniel G. Wing, Boston.
2	J. P. Morgan, New York.
3	Levi P. Rue, Philadelphia.
4	W. S. Rowe, Cleveland.
5	George J. Seay, Richmond.
6	Charles A. Lyerly, Atlanta.
7	J. B. Forgan, Chicago.
8	....
9	C. T. Jaffray, Minneapolis.
10	E. F. Swinney, Kansas City.
11	J. Howard Ardrey, Dallas.
12	....

RESERVE REQUIREMENTS OF MEMBER BANKS.

The reserve requirements of the member banks will be as follows:

	Country Banks	Res. City Banks	Cent. Res. City Bks.
Demand Deposits (all deposits payable within 30 days)........................	12%	15%	18%
Time Deposits (all deposits, saving accounts, etc., payable after 30 days)	5%	5%	5%

The above reserves will be held as follows from the time of the beginning of the system (November 16th, 1914):

(A-Country Banks) From:	Nov. 16, 1914		Nov. 16, 1915		May 16, 1916		Nov. 16, 1916		May 16, 1917		Nov. 16, 1917	
(B-Res. City Bks.) To:	Nov. 15, 1915		May 15, 1916		Nov. 15, 1916		May 15, 1917		Nov. 15, 1917		and after	
Compulsory:	A	B	A	B	A	B	A	B	A	B	A	B
In own Vaults.................	5-12	6-15	5-12	6-15	5-12	6-15	5-12	6-15	5-12	6-15	4-12	5-15
In Fed. Res. Banks...........	2-12	3-15	3-12	4-15	4-12	5-15	5-12	6-15	5-12	6-15	5-12	6-15
Not Compulsory:												
In own Vaults, Fed. Res. Banks, and Res. City or Cent. Res. City Banks	5-12	6-15	4-12	5-15	3-12	4-15	2-12	3-15	2-12	3-15	*3-12	*4-15

* To be held in own vaults, or in Federal Reserve Banks, or in both at the option of the member bank.

The reserves of the Central Reserve City member banks shall be held as follows: 6/18 in own vaults, 7/18 in Federal Reserve Banks and remainder in own vaults or Federal Reserve Banks, at option.

Note.—An amendment is pending allowing the member banks for the first three years after the beginning of the system, to carry in the Federal Reserve Banks any portion of their reserves required as above to be held in their own vaults. This amendment has been endorsed by the Federal Reserve Board "on the ground that it will greatly facilitate and amplify the relief which the Federal Reserve System is expected to afford the business interests of the country in the existing financial emergency."

Reserves carried by a member bank with a Federal Reserve Bank, may be checked against and withdrawn for the purpose of meeting existing liabilities, but no bank shall make new loans or pay dividends until the total reserve required by the law is fully restored. Federal Reserve Banks may receive from member banks as reserves, paper eligible and acceptable for rediscount and properly endorsed, to the extent of not exceeding one-half of each reserve installment. The 5% redemption fund of national banks held with the Treasury cannot be considered part of the reserves. No deposits of any kind or character, including Government deposits, etc., are exempt from reserve requirements.

State banks and trust companies required by the law of their state to keep reserves in their own vaults or in those of another state bank or trust company can continue to do so up to November 16, 1917; such reserve deposits so kept shall be construed as if they were reserve deposits in a national bank in a Reserve or Central Reserve City. Except as thus provided, no member bank shall keep on deposit with any non-member bank, more than 10% of its own capital and surplus.

Added Privileges, Etc., of National Banks.

Member banks not situated in a central reserve city, unless expressly excepted by the Federal Reserve Board, are authorized to make loans not running more than five years, on improved and unincumbered farm lands within their districts, which loans may not exceed 50% of the actual value of the property offered as security, the aggregate amount of such loans not to exceed 25% of capital and surplus of the banks and one-third of their time deposits. Member banks with $1,000,000 or more capital and surplus may, subject to the approval and under regulations of the Federal Reserve Board, establish branches in foreign countries or in dependencies of the United States. No member bank shall act as the medium or agent of a non-member bank in applying for or receiving discounts from a Federal Reserve Bank except by permission of the Federal Reserve Board. No public funds of the Philippine Islands or Postal Savings funds or any government funds shall be deposited in any bank in the Continental United States, not belonging to the System. (For acceptance privileges of the member banks see "Operations of the Federal Reserve Banks.") The provision in the national bank act is repealed which requires that before any national bank can commence business it shall transfer to the Treasurer of the United States a given amount of U. S. Government bonds.

Refunding of United States Government 2% Bonds.

At any time from December 23, 1915, to December 23, 1935, at the request of any member bank (filed with the Treasurer of the United States) desiring to retire the whole or part of its circulating notes, the Federal Reserve Board may require Federal Reserve Banks to purchase (in lawful money) at par, in quarterly installments, Government 2% bonds, now used to secure circulation and so offered for sale by the member banks the amount of these purchases (including the bonds purchased by the Federal Reserve Banks in the regular course of their business) not to exceed $25,000,000 in any one year. If a larger sum is offered for sale, the Federal Reserve Board will allot to each Federal Reserve Bank such proportion of the bonds as the capital and surplus of the bank shall bear to the aggregate capital and surplus of all the Federal Reserve Banks. The Treasurer of the United States shall pay to the member banks selling the bonds, any balance due after deducting a sum sufficient to redeem the outstanding notes (to be canceled when offered for redemption) secured by such bonds. The Federal Reserve Banks may issue on these bonds and on any bonds with the circulating privilege acquired by the banks, new circulating notes equal to the par value of the amount of bonds so deposited. These notes, which are a first and paramount lien on all the assets of the issuing bank, shall be issued and redeemed under the same terms and conditions as national bank notes, except that they shall not be limited to the amount of capital stock of the Federal Reserve Bank issuing them. Any Federal Reserve Bank may exchange (with the approval of the Federal Reserve Board) U. S. Government 2% bonds, against which no circulation is outstanding, to the amount of not more than one-half for one-year 3% U. S. Gold notes without any circulation privileges and for the remaining one-half, U. S. 3% 30-year bonds without circulation privileges, provided the bank agrees to purchase for gold, if so requested by the Secretary of the Treasury at the end of each year, for a period of not more than 30 succeeding years, an amount of notes fixed by the Secretary of the Treasury but not to exceed the amount of the notes so first received. The latter notes on the approval of the Federal Reserve Board may be exchanged for U. S. 3% 30-year bonds,

FEDERAL RESERVE BANKS.

"The New Elastic Financial Reservoir System of the United States."

SALIENT FEATURES as pointed out by the Advocates of the System.

New System.	*Old System.*
1. *Establishment of a normal discount market* in the United States (through the discounting of bills and acceptances and the rediscount business with the Federal Reserve Banks) for the enormous amount of commercial bills, etc., entering into our trade transactions, domestic as well as foreign. This will give us a market of liquid commercial paper. The maturities of bills discounted with the Federal Reserve Banks will be short and well distributed, enabling these Banks to have a firm hold on the general money market.	1. No such discount market exists at present. Most of the paper taken by the banks consists of single promissory notes, which are kept until maturity by the banks that discount them; this virtually immobilizes American bank capital so invested. The absence of a rediscount system and of a ready market for American bills, compels our merchants engaged in foreign trade, to pay yearly a large tribute in commissions on bills, etc., abroad.
2. *Expansion of American banking abroad,* together with greater banking facilities abroad for our manufacturers, the member banks being permitted to establish branches in foreign countries, with the approval of the Federal Reserve Board. This will serve the foreign interests of our merchants and will put American dealers on a footing of equality with foreign competitors.	2. American business men, doing business abroad, under the present system, have to depend on foreign banks for their accommodation or finance themselves practically unaided. This works as a drawback in establishing credit and trade connections abroad for the American industry, and gives the foreign competitor the advantage of his native banking representations there.
3. *Establishment (ultimately) of an elastic currency system,* the Federal Reserve notes being issued against *bona fide* commercial paper (of essentially a "self-liquidating" character) and coming back for redemption as soon as they have served their immediate purpose, because they cannot be counted as reserves, the collateral is constantly maturing, etc. This, together with provision, making practically impossible the carrying of Federal Reserve notes of one bank by another and with reasonable provisions to regulate reserve deficiencies against the outstanding notes, will create a currency capable of expanding when expansion is required by trade activity, the progression of goods from producer to consumer, etc., and contracting when these trade requirements are at an end.	3. Our present National Bank note circulation, which was conceived (aside from the aim of attaining more uniformity of the circulating medium) by the necessity for a market for our Government bonds is based upon the amount of such Government bonds outstanding and not upon the actual currency needs of the country. It therefore lacks all qualities of normal expansion and contraction. It is rigid, unwieldy, uneconomical and unscientific. The Federal Reserve Act contains provisions which may ultimately refund the present 2% Government debt with circulation privilege, into a 3% Government debt without this privilege.
4. *Establishment of a clearance check system on a par basis,* through the clearance of individual checks, and checks of one Federal Reserve Bank on another, through the Federal Reserve machinery. This will create a national clearing house system which will give a higher velocity to the credit system of the United States, establish parity of exchange between all places in a Federal Reserve District and between the Federal Reserve Districts themselves.	4. Checks on country banks are at present collected at great expense and with much unnecessary labor. Existing charges often cause the sending of checks by devious routes, making for considerable delay in redemption. The exchange charges at present aggregate an enormous sum annually
5. *Economy of our gold supply* and concentration and mobilization of our at present widely scattered gold reserves into a number of central reservoirs which through the rediscount provisions are piped together. This justifies a lowering of the bank reserves which enhances the lending power of our banks, and it meanwhile makes for quick and effective work when called for, while the gold reserves of all banks will back those of each and every bank in the system, creating a spirit of co-operation and accommodation.	5. We have been compelled to use much larger gold reserves than any other country in the world in proportion to the amount of business done. At present, each bank feels that it can hardly rely on its own reserve in time of distress; which is just the time when reserves are needed. This invites in such times to a dangerous struggle for reserves, causes hoarding and even this does not always prove adequate.
6. *More uniformity in reserve regulations* and in general supervision of a larger number of banking institutions, the law allowing under certain conditions the participation of trust companies and State banks in the stock of the Federal Reserve Banks. Uniformity in the relation of certain liabilities of the member banks to the amount of their capital stock and surplus. The (ultimate) establishment, through the filing of credit information, of a central credit bureau for the benefit of all the Federal Reserve Banks of the system.	6. At the present time our trust companies and State banks operate under State charters, and are subject to different requirements as to reserves, amounts of capital stock and periodical examinations and to other regulations than are in force for the national banks. All credit information gathered is now in the files of the Controller of the Currency, who cannot furnish any information therefrom without the permission of the President.
7. *Better accommodation by local banks* to aid legitimate local business and a more even and equitable distribution of our credit resources coupled with a normalization of interest rates, facilitating a free flow of capital and credit, throughout the country; all this made possible and facilitated, through the discount privileges of the member banks with the Federal Reserve Banks and through the rediscount business of one Reserve Bank with another, with the approval or at the direction of the Federal Reserve Board.	7. The rigidity of our present currency system often tends to undue stringency in some sections, which (through high interest rates) hampers legitimate business. It may also cause superabundance in other sections. The new system will relieve the extreme pressure on the money market in the active seasons of the year, and will abate violent interest rates. The absence of a discount market tends to the loaning of an undue large part of the resources of our banks on stock exchange call loans which together with sudden withdrawals in times of seasonal monetary stringency, makes for severe stock exchange fluctuations.

8. *The establishment of a discount market* which may, if desirable, attract foreign capital and will make commercial paper a more liquid asset than hitherto; the accumulation of a huge foreign exchange portfolio consisting of foreign bills and bankers' acceptances which will give our exterior gold movement a system of brakes; the regulation of interest rates to be effectively used when necessary, the dealing in gold and bullion; the added prestige of American commercial paper made possible through the backing of the new system and the standardization of commercial paper; the establishment of foreign branches and other activities abroad; all this will eliminate clumsy and devious commercial practices; will cut down the cost of banking—and consequently the relative charge thereof on the entire community—and will render the control of the country's gold stock more simple and easy. It will stabilize commerce and finance.

8. The lack of a concentrated and regulated supply of foreign bills militates against rational foreign exchange transactions. The absence of a discount market and uniform discount rates often deprives our markets from attracting gold when needed; it leaves our gold flow without regulators, and sometimes without direction. The backing by the entire banking resources of the United States of the American bills of exchange under the new law, will work for a direct American exchange market where the importance of our foreign trade permits it and will go far in having the prestige of the American bill of exchange installed as a gold document, which will free our country from a somewhat burdensome commercial isolation, so far experienced.

9. *At the helm of the system,* guiding the banking and credit machinery and gold reserves of the country, stands a body, representative of the public of the United States, viz.: the Federal Reserve Board aided by the Federal Advisory Council, surveying the entire commercial and credit relations within the United States and without; scanning the financial and commercial horizon and being in a position (equipped with economic barometers of every kind and character) to reasonably forecast the changes in financial and commercial conditions and act accordingly. The law will ultimately give the United States leadership and a conservative influence in finance, it will afford stability to business conditions and will give the country a system of greatest co-operation and co-ordination that will go a long way to establish the commercial supremacy of the United States in the world.

9. Our credit system lacks at present supervision and direction which sometimes makes for entirely unwarranted feelings of antagonism between several groups of banking, and several banking sections of the country, and oftentimes for unjustified criticism by the public. It also is a potent factor in causing unpreparedness when emergency calls for quick and decisive action. The excellent manner in which the Federal Reserve Board and the bankers of the country are handling the present situation, created by the European war, in face of the existing decentralized conditions, augurs well for the good that will result, when under the new system, the banking and credit resources of the country are well mobilized, guided and correlated.

November, 1914.

NOTE: The Statements contained in this Chart are based upon information which we consider trustworthy, but they are not guaranteed by us.

A. B. LEACH & Co.