

Form 40

332-21

\$ 5,000,000

#9

TELEGRAM
FEDERAL RESERVE BOARD
WASHINGTON, D.C.

RESERVE BOARD FILE
FILE NO.
333
December 4, 1917.

333.4(9)

Federal Reserve Bank,
Minneapolis, Minn.

Boston's reserves having fallen below fifty it seems desirable to strengthen its position. Your reserves last night showed above eighty percent and Board suggests that you take five million of bankers acceptances from Boston. Please wire your views at once stating whether you will require endorsement and wire Boston in addition if you will take them at three and five eighths rate.

three quarters

Harding.

OFFICIAL BUSINESS

GOVERNMENT RATES

FEDERAL RESERVE BOARD

Form 1201

CLASS OF SERVICE	SYMBOL
Day Message	
Day Letter	Blue
Night Message	Nite
Night Letter	N L

If none of these three symbols appears after the check (number of words) this is a day message. Otherwise its character is indicated by the symbol appearing after the check.

WESTERN UNION TELEGRAM



NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

CLASS OF SERVICE	SYMBOL
Day Message	
Day Letter	Blue
Night Message	Nite
Night Letter	N L

If none of these three symbols appears after the check (number of words) this is a day message. Otherwise its character is indicated by the symbol appearing after the check.

RECEIVED AT WYATT BUILDING, COR. 14TH AND F STS., WASHINGTON, D. C. ALWAYS OPEN

MSCH CF 53COLLECT GR

SU MINNEAPOLIS MINN 413P DEC 4TH 17

HARDING FED RESERVE BOARD

01250 1830
WASHINGTON

RECEIVED
DEC 4 - 1917
GOVERNOR'S OFFICE

WE WILL BE GLAD TO TAKE FIVE MILLION OF ACCEPTANCE FROM BOSTON WITHOUT THEIR ENDORSEMENT AT RATE NAMED IN YOUR MESSAGE OF EVEN DATE THE ACCEPTANCES TO BE OF SUCH CHARACTER AS WE ^{HAVE} HERETOFORE AUTHORIZED THEM: TO PURCHASE FOR OUR ACCOUNT ARE WIRING THEM

WOLF GOVERNORS

540PM

#9

FEDERAL RESERVE BANK OF MINNEAPOLIS
NINTH DISTRICT

OFFICERS

THEODORE WOLD, GOVERNOR S. S. COOK, CASHIER

DIRECTORS

JOHN H. RICH, CHAIRMAN AND FEDERAL RESERVE AGENT	P. M. KERST, VICE CHAIRMAN AND DEPUTY FEDERAL RESERVE AGENT
J. C. BASSETT, ABERDEEN, S. DAK.	E. W. DECKER, MINNEAPOLIS, MINN.
F. R. BIGELOW, ST. PAUL, MINNESOTA	L. B. HANNA, FAROO, N. DAKOTA
JOHN W. BLACK, HOUGHTON, MICH.	F. P. HIXON, LA CROSSE, WISCONSIN
N. B. HOLTER, HELENA, MONT.	

FEDERAL RESERVE BANK OF MINNEAPOLIS

333.4

333.4(9)

December 21, 1915.

Mr. Paul M. Warburg,
C/o Federal Reserve Board,
Washington, D.C.

Dear Mr. Warburg:

Your favor of the 17th in response to
my letter of the 15th relative to bills of exchange
covering shipments of commodities, commonly known as
bill of lading drafts, is at hand.

I will be prepared to show you, when I
attend the next conference in January, a bill as we get
them, and go over the matter with you at that time.

Sincerely yours,

Theodore Wold
Governor

TW-C

Produced from the Unclassified Declassified Holdings of the Federal Reserve Bank of St. Louis
BY OFF OF
DEPT OF AGRIC
NOV 19 1915
REAG PPER
DEPT OF AGRIC

FEDERAL RESERVE BOARD FILE
332.2

333.40

December 17, 1915.

Dear Governor Wold:

I have your letter of December fifteenth, in which you inquire about bills of exchange payable on arrival, secured by bills of lading.

Your question is: "Will not the agreement from the member bank, if an indorser, or from drawer, if purchased in the open market, to pay the bill if remaining outstanding longer than 60 days, give the bill a definite maturity, as required by the regulation?"

I am certain I am voicing the sentiments of my colleagues when I say that we want to do all we can to find ways and means enabling you to purchase this kind of paper, which appears to be a very desirable investment for the Federal Reserve Banks.

May I inquire, before answering your question, on what basis a bill of this kind would be purchased? Could you send me a pro forma statement?

The matter would be perfectly easy if the bill were discounted or purchased from the indorser or drawer as a 60 day paper, or a shorter maturity if that were preferred, with the understanding that if paid earlier the discount for the unexpired term would be refunded, and if paid later that the number of days would be added to the discount charge. That would give you a definite date. But that under all and any circumstances

(2)

the bill must be paid within sixty days.

I believe that you can work out some practical plan much more readily than I, because you are more familiar with the habits of your customers. In some way, we should be able to work out this problem.

When you write me again giving me fuller details and suggestions, I shall be glad to take the matter before the Board.

Very truly yours,

(Signed) FRED M. WASHINGTON

Theodore Weld, Esq.,
Governor, Federal Reserve Bank,
Minneapolis, Minnesota.

FEDERAL RESERVE BANK OF MINNEAPOLIS

NINTH DISTRICT

OFFICERS

THEODORE WOLD, GOVERNOR S. S. COOK, CASHIER

DIRECTORS

JOHN H. RICH, CHAIRMAN AND FEDERAL RESERVE AGENT	P. M. KERST, VICE CHAIRMAN AND DEPUTY FEDERAL RESERVE AGENT
J. C. BASSETT, ABERDEEN, S. DAK.	E. W. DECKER, MINNEAPOLIS, MINN.
F. R. BIGELOW, ST. PAUL, MINNESOTA	L. B. HANNA, FARGO, N. DAKOTA
JOHN W. BLACK, HOUGHTON, MICH.	F. P. HIXON, LA CROSSE, WISCONSIN
N. B. HOLTER, HELENA, MONT.	

333.4 (9)

December 15, 1915.

Mr. Paul M. Warburg,
Treasury Building,
Washington, D.C.

Dear Mr. Warburg:

Since receiving Regulation T, Series of 1915, governing general open market operations, I have been wondering whether it could be made to apply to the handling of what is generally known as Bill of Lading drafts. Such Bills of Lading represent very largely shipments of flour, although at times, shipments of other non-perishable commodities.

These bills of exchange are generally drawn payable upon arrival of the commodity, for as you know, it is quite impossible to determine just how long it takes a shipment of, say flour, from Minneapolis to reach Philadelphia or New York or some interior New England points. These, as you know, are a high class of self-liquidating instruments representing actual sale of an absolute necessary of life, and if conditions should change so as to make it necessary for our friends to rediscount, that is practically the first thing they would dispose of, as Eastern banks are always willing to accept such items and give immediate credit at the lowest going rates.

We have handled a few of such drafts for some interior banks, but have been requiring them to make the drafts payable ten days after date or on arrival, something that the millers, the drawers of the draft have objected to. At the same time we have required from the member bank an order in writing to charge their account with any drafts of this character rediscounted with us, that are outstanding for a period longer than sixty days. Some of these drafts are paid in seven or eight days, many in ten days, and when there is a congestion in railway service and the distance great, they have remained outstanding as long as sixty days.

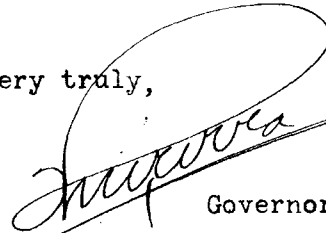
I believe that these bills so drawn will meet fully with the provisions of Regulation T. What I would like to have you consider would be the advisability of authorizing us to purchase such drafts where they are payable upon arrival, with an agreement from the drawer or endorser, when coming from a bank, if not paid within 60 days, that drafts be taken up by them.

PMW---2

Although we do not anticipate any immediate call for funds on this character of bills, I thought it well to take the matter up with you in ample time, so we could act quickly if there was a change in conditions, and either procure these drafts in the open market, or when offered to us by member banks.

The point in question and on which we ask you to pass is - Will not the agreement from the member bank, if an indorser, or from drawer, if purchased in the open market, to pay the bill if remaining outstanding longer than 60 days, give the bill a definite maturity, as required by the regulation?

Yours very truly,

A handwritten signature in cursive script, appearing to read "M. P. ...", written over a horizontal line.

Governor

TW-C

ENC

#9

FEDERAL RESERVE BOARD FILE
~~333-4~~
~~262~~

October 30, 1915 ³³³ (9)

S I R :

Gene

This is to advise you that the Board's letter of October ¹⁸⁷⁶ relating to open market operations has been slightly modified by the insertion of the words "with respect to bills of exchange" on the last page of the letter after the words "free to exercise the authority granted under Section 14." This addition does not alter the sense of the letter but has been introduced for the sake of clearness. The letter as thus modified will be officially published in the Federal Reserve Bulletin for November.

Respectfully,

Secretary.

Mr. John H. Rich, Jr.,
Chairman, Board of Directors,
Federal Reserve Bank of Minneapolis.