

At a special meeting of the Federal Reserve Board held in the office of the Board at 2:30 p. m., on Thursday, October 15, 1914

PRESENT:

Mr. McAdoo	Mr. Williams
Mr. Hamlin	Mr. Warburg
Mr. Delano	Mr. Harding

Mr. Miller.

The Secretary of the Treasury presided, and Mr. H. P. Willis acted as secretary to the meeting.

The Secretary of the Treasury reported the status of the proposed cotton loan fund.

The question of choosing a date for the opening of the Federal Reserve Banks, was taken up, and the Secretary of the Treasury submitted a letter addressed to the Federal Reserve Board containing his suggestions with reference to the course of action to be followed, and urged the selection of an early date for the opening of the banks, the letter reading as follows:

TREASURY DEPARTMENT.

Washington

October 15, 1914.

Federal Reserve Board,  
Washington, D. C.

Gentlemen:

At our last meeting I suggested to you the importance of opening at the earliest possible date the Federal Reserve Banks in the several Federal Reserve dis-

tricts of the country. So impressed am I with the supreme importance of doing this that I want to urge immediate action. I do not believe that it will be necessary to wait until all details are fully worked out. Many of these will, of necessity, have to be completed after the actual opening of the banks themselves. I believe that the banks can begin business and perfect many of these details more satisfactorily than if we attempt to perfect them before the banks are established. As you of course know, the act provides that the first installment of the capital stock shall be paid on a specified date "on call of the Organization Committee or of the Federal Reserve Board."

As Chairman of the Organization Committee, I have deferred calling the final meeting of that Committee for the purpose of winding up its affairs, but the time has now arrived when I feel that this should be done. The Organization Committee can very properly conclude its labors by making this call, which is the final step so far as it is concerned in the organization of the banks, or it may simply conclude its work and request the Federal Reserve Board to issue the call for payment on a suggested date.

As you are also aware, the duty devolves upon the Secretary of the Treasury, under the act, of announcing "in such manner as he may elect the establishment of the Federal Reserve Bank in any district." I am now prepared to make this announcement, but I think that it should take the form at the moment of being a preliminary one, and to the effect that on a date certain the Secretary of the Treasury will declare that the Federal Reserve Banks have been established and that the reserve requirements in the act shall take effect upon that date. This will have value in giving member banks ample notice of the time when the new reserve requirements will become operative.

I would suggest that Monday, November 2d, be fixed as the date when the Federal Reserve Banks shall be declared established for business.

It will not be necessary for the banks to have permanent quarters by that time. Temporary quarters may be obtained and vault space may readily be secured temporarily from some of the banks or trust companies in the cities where the

Federal Reserve Banks are located. In those cities where subtreasuries exist, such, for instance, as Boston, New York, Philadelphia, Chicago, St. Louis and San Francisco, I will authorize the Assistant Treasurers of the United States to grant to the Federal Reserve Banks the use of a part of their vaults for the time being.

As to the accounting, the system already approved by the Federal Reserve Board is available to the banks and their books can be opened accordingly; even if they be temporary in character they will serve the necessary purpose. The Secretary of the Federal Reserve Board might be directed to have the necessary sets of books made up for the banks immediately. The books might be ready by the 2d of November.

By-laws for the internal organization could be passed upon by the directors of the several banks when they meet in Washington on the 20th instant. They could be approved by this Board subject to change or modification hereafter.

In the meantime the Federal Reserve agents can be notified that Federal Reserve notes can be supplied beginning, say, November 10th. The Bureau of Engraving and Printing can begin the furnishing of smaller denominations by that time and can rapidly increase the supply so that by November 20th from two million to two and a half million per day can be supplied, and by November 25th five million to six million dollars per day can be furnished.

In the meantime the Board may proceed as rapidly as possible with the work of framing and announcing its regulations to the various banks, substantially along the lines suggested in the very complete report which has been submitted by Messrs. Harding and Warburg.

The Board ought to be able before the 2d of November to give a definition of commercial paper. It should be stated in this definition that it is subject to change or modification by the Board.

In the present conditions confronting the country it will, I believe, be of immense benefit to have these banks established, even though they are not able to do a great volume of business at the very outset. Necessarily their organization and their business must gradually evolve and be perfected with time and experience. We must make a beginning. The mere announcement of the opening of these banks will have a most desirable effect upon business sentiment, especially in the South, where, as you know, the cotton problem is very serious and is now approaching the acute stage. Confidence will be strengthened and a new impulse will be given to business if these banks are promptly established.

Assuring you, gentlemen, of my cordial cooperation in the interesting and inspiring work in which we are engaged, I am,

Faithfully yours,

W. G. McADOO

Secretary.

Mr. Delano suggested that the list of questions already sent out as a basis for discussion at the forthcoming convention included one regarding the possible date of opening the banks. He further suggested that this practically committed the Board to awaiting an expression of the opinion of the Directors on the question thus put to them.

Governor Hamlin said he thought that all necessary questions could be settled at the meeting of the 20th, and that all the remaining work could be closed within two weeks thereafter.

Mr. Warburg urged that sufficient time be granted for the doing of the necessary preliminary work.

The Comptroller of the Currency gave it as his opinion that the selection of November 2d would allow sufficient time for the completion of details of organization. After further discussion it was voted that the second of November be designated as the date upon which the first installment of one-sixth of the capital subscriptions of the banks should be made payable. On motion it was voted that an announcement to this effect be made public.

The question of selecting a date for announcing the readjustment of reserve requirements and for actually opening the banks was then taken up, and November 2d, November 9th, and November 16th, were suggested as possible dates for beginning business. After general discussion, Mr. Benjamin Strong, Governor of the Federal Reserve Bank of New York, was invited to appear before the Board. Mr. Strong expressed the opinion that it would be an error to attempt to begin business without having in readiness the machinery for doing the work. He thought that to open the banks within two to four weeks would be impossible.

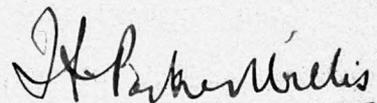
It was determined to postpone action regarding the date for the establishment of the banks, and it was informally

agreed that an unofficial announcement be made that the subject would be discussed with the Directors and that the date for establishing the banks would be announced as soon after the convention of the 20th as possible, and would be set at as early a date as possible, such date to fall during the early part of November.

On motion it was voted to invite the members of the Preliminary Committee on Organization to attend the meeting of the Federal Reserve Bank Directors called for October 20th.

On motion the Counsel of the Board was authorized to employ assistant counsel to aid him temporarily during the period of organization.

On motion at 6:10 p. m., the Board adjourned.



Secretary.

APPROVED:

---

Chairman.