

At a regular meeting of the Federal Reserve Board held in the office of the Board at 3.15 p. m., Thursday, September 16th,

PRESENT:

Mr. McAdoo, presiding	Mr. Warburg
Mr. Hamlin	Mr. Harding
Mr. Williams	Mr. Willis, Secretary.

The minutes of the meetings of the Board of Friday, September 10 and Wednesday, September 15, were read and approved.

The minutes of the Executive Committee meetings of Saturday, September 11 and Monday, September 13 were read and approved and the actions therein set forth were ratified.

The minutes of the meetings of September 2 and 3 were laid on the table for approval until Friday, September 17.

By invitation Hon. Carter Glass, Chairman of the House Committee on Banking and Currency conferred informally with the Board, Governor J. B. McDougal of the Federal Reserve Bank of Chicago, and Governor E. R. Fancher of the Federal Reserve Bank of Cleveland being likewise present

by invitation.

Mr. Glass spoke at length on the interpretation to be given the clearing provision of the Federal Reserve Act and Mr. McAdoo after discussion requested Mr. McDougal and Mr. Fancher to submit their ideas relative to the question of a compulsory system of clearance to the Board in writing, with the understanding that they might add in general any further ideas that might occur to them relating to this subject. Mr. McDougal suggested that the matter be deferred until after the meeting of Governors on October 20th. He said that he had submitted his views informally at a conversation with some members of the Board during the morning. The matter was left with the understanding that the views of the Governors be made in writing as soon as convenient.

Mr. McAdoo, at the suggestion of Mr. Harding, asked Messrs. McDougal and Fancher their views on the question of "Commodity Paper". Mr. McDougal thought the establishment of a commodity rate would be unwise in Chicago because of the demoralization of rates and the fact that member banks felt that something should be done, if possible, to have the local rates stiffened in order that they might succeed in making expenses and dividends.

Mr. Fancher said that when the commodity rate was originally discussed in Cleveland it was not thought necessary to establish it because there was little demand for such loans in Cleveland. The banks were generally against it. He thought it would tend to influence other rates and so drive them to a lower level without helping the business of the Federal Reserve Bank. Mr. McAdoo inquired whether the conditions now existing showed any real need for a Federal Reserve Bank at Cleveland. Mr. Fancher, in reply, said, that the Bank was not yet earning expenses, the district being a generally self-contained one but he nevertheless thought if normal conditions should be restored the district would be well able to sustain its bank.

Mr. Fancher said, that the member banks of the Cleveland district were not complaining of the lack of earnings at the Federal Reserve Bank of Cleveland. They had accepted the situation. Governor McDougall indicated that the same conditions existed at Chicago. Mr. Fancher said in answer to question, that member banks would not like an assessment and Mr. McDougall said the small banks of his district would feel the same way.

Mr. Hamlin asked Mr. Fancher whether in his judgment the granting of open market powers would help and Mr. Fancher said that the Bank of Cleveland would appreciate having such powers very much. Mr. McDougal said he did not favor it at the present time although he thought it wise that open market regulations should be framed and the exercise of the power given to the banks to use or not as they thought best.

A discussion of the clearance question was resumed and Mr. McAdoo inquired of Mr. Glass whether, if the Board established a compulsory system, it would probably have to transfer the charge for collection to the payer instead of to the payee as is the present custom.

Mr. Glass in answer said that he had originally supposed there would not be any charge for the cashing of checks under the new system. He thought, however, the Board had full power to place the charge at any point.

Mr. Hamlin called attention to the fact that the question of open market regulations had been set for this day and it was informally agreed that the matter be tabled until Mr. Delano's arrival and that it be then taken up for consideration.

A letter from Federal Reserve Agent Jay, relating to certain applications for trustee powers in his district and alleging delay in getting information thereon, was referred to Mr. Williams for report on Friday, September 17.

Discount rates proposed by the Federal Reserve Bank of Boston were laid before the Board as follows:

Commodity paper	$3\frac{1}{2}\%$
Trade acceptances	$3\frac{1}{2}\%$

On motion it was agreed to suspend action with reference to the proposed rate on commodity paper pending the receipt of more information concerning conditions in other districts generally and further that the proposed rate on trade acceptances be approved and the Federal Reserve Bank of Boston so notified.

Discount rates proposed by the Federal reserve Bank of Philadelphia were laid before the Board as follows;

Paper in maturities over 10 days and not over 90,	4%
Commodity paper	3%
Trade acceptances	3%

On motion the rates proposed by the Federal Reserve Bank of Philadelphia were approved.

The Secretary of the Board having presented a letter

from Federal Reserve Agent Jay, relative to the status of the Hudson Trust Company was referred to Chief of Division Broderick for report.

The Secretary of the Board having read a re-draft of the proposed gold settlement resolution relating to the opening of accounts for Federal reserve agents in the Gold Settlement Fund, the matter was referred to Mr. Warburg and Mr. Harding for report.

A letter from Federal Reserve Agent Jay, proposing a conference between the Federal Reserve Bank of New York and representatives of the Board, relating to commodity paper was read and the Secretary instructed to acknowledge with the statement that as yet the Board was not in possession of all information relating to the subject, and that as soon as complete data had been received, it would doubtless be glad to make the proposed appointment.

A letter from Governor McDougal of Chicago, transmitting resolution of the Board of Directors of the Federal Reserve Bank of Chicago, suggesting rediscounts between Federal reserve banks instead of government deposits, and asking the Board to exert its influence toward the adoption of that policy, was referred to the Secretary of the Treasury.

Sundry opinions of Counsel placed on the calendar

for this meeting were ordered circulated among the members of the Board and made a special order for Wednesday, September 22.

The Secretary to the Board was instructed to say to Federal Reserve Agent Martin who had inquired whether there were any special instructions for the meeting of the reserve agents clearing committee, that the Board had no particular recommendations to make at this time.

A letter from the Federal Reserve Bank of Philadelphia, asking for an increase in their power to purchase warrants, so that the aggregate limit would be \$4,000,000 instead of \$3,000,000, was referred to Mr. Warburg for report.

Certain correspondence relating to advertising put out by the Badger State Bank of Milwaukee, Wisconsin, to which objection had been taken by other member banks, was referred to Mr. Harding and Mr. Williams for report.

A letter from Mr. N. M. Motsinger, relating to the foreign loan policy of the United States, was called to the attention of the Board, and ordered filed.

A letter from Heinrich Charles, secretary of the German-American Chamber of Commerce on the same topic

was ordered acknowledged by the Secretary, and filed.

A proposed letter addressed to Sol Wexler of New Orleans relating to foreign agencies of national banks to be signed by Mr. Warburg, was read, no objection was expressed to its transmission with the understanding that the opinion expressed was not binding upon the Board.

Papers relating to the opening of the New Orleans Branch Bank including the payroll and the minutes of the first meeting of the Board of Directors were reported by Mr. Harding with his approval. On motion, the report was accepted, including approval of the appointment of Mr. Walter Wellborn as custodian and Secretary to so inform him. Mr. M. B. Wellborn to be personally responsible for the performance of his duties.

A letter from Governor Strong of New York, with reference to the forthcoming conference of Governors, and inviting the Board to participate therein, was read and placed on table until the return of Mr. Delano.

Applications for additional stock in Federal Reserve Banks, duly recommended by Mr. Harding, were approved, as follows:

DISTRICT No. 3.

First National Bank

Bedford, Pa.

12

<u>DISTRICT No. 4.</u>		Shares.
Citizens National Bank	Mt. Sterling, O.	1
First National Bank	Geneva, O.	1
Peoples National Bank	Mt. Pleasant, O.	1
Hamilton County National Bank	Cleves, O.	1

DISTRICT No. 9.

First National Bank	Osakis, Minn.	2
First National Bank	Verndale, Minn.	1
First National Bank	Luverne, Minn.	3
Union National Bank	Minot, N. Dak.	1

Application for the surrender of stock in the Federal Reserve Bank of Philadelphia and the allotment of stock in the Federal Reserve Bank of New York, duly recommended by Mr. Harding, was approved as follows:

First National Bank	Ramsey, N. J.	27
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Applications for surrender of stock in Federal Reserve Banks duly recommended by Mr. Harding were approved as follows:

First National Bank	Madison, N. J.	51
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DISTRICT No. 1.

New Haven County Nat'l. Bank	New Haven, Conn.	420
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DISTRICT No. 10.

First National Bank	Granada, Colo.	16
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Reports of the committee on State Banks, recommending admission of the Federal Trust Company of Boston; and the placing on the suspended list for the present of the First

State Bank of De Kalb, Texas, were referred back to
Mr. Warburg for further investigation and report.

On motion, at 5.50 p. m. the Board adjourned,
to meet at 10.00 a. m., Friday, September 17th.

H. Parker Willis

Secretary.

APPROVED:

Chairman.