

At a regular meeting of the Federal Reserve Board held in the office of the Board at 11:00 a. m., on Monday, February 28,

PRESENT:

Mr. Hamlin, presiding Mr. Warburg

Mr. Williams Mr. Harding

Mr. Miller

Mr. Willis, Secretary.

The minutes of the meeting of February 25, and morning and afternoon meetings of February 26, were read and approved with corrections.

On motion the letter of Federal Reserve Agent Martin and the letter of Mr. Festus J. Wade in behalf of the Mercantile Trust Company of St. Louis, relative to the reserve requirements for trust companies, were referred to the Committee on Law with the aid of Counsel.

Mr. Harding reported as to the form of payment of Government deposits at St. Louis stating that he had had a conversation with As-

sistant Secretary of the Treasury Malburn who intended to draw upon the Federal Reserve Bank of St. Louis for \$1,000,000 through New York leaving it to the bank in question to settle the matter as seemed most expedient.

The question was laid on the table, and the letter of Mr. Martin relative to the matter was ordered circulated.

Mr. Hamlin reported that Senator Owen had transmitted to him a copy of the Kern amendment to the Clayton Act, and had asked for a report of the Board thereon.

Mr. Harding reported favorably to the proposed amendment to the Owen Bill (S. 4256), whereby the word "fifty" would be substituted for "ten" in specifying the distance at which bank directors might live when residents of other states.

A letter from the Secretary of State transmitting a letter from the Consul General

at Valparaiso, was referred to Mr. Warburg.

// A letter from Federal Reserve Agent Jay relative to the development of the trade acceptance, was ordered circulated. //

Upon the request of Mr. Williams, due to the failure of the resolution adopted on Saturday, February 26, to specify the memoranda prepared by the members of the Board as to which approval was voted, the said resolution was taken up for reconsideration and was further amended. On motion the resolution was thereupon adopted in the following form:

WHEREAS, Section 18 of the Federal Reserve Act lays upon the Federal Reserve Board the duty to recommend to the Secretary of the Treasury approval or disapproval of applications made by Federal reserve banks for the conversion of two per cent bonds into three per cent bonds, and -

WHEREAS, Federal reserve banks have already purchased about (\$30,000,000) thirty millions of bonds bearing the circulating privilege, and -

WHEREAS, From time to time dif-

ferent members of the Board (Messrs. Harding, Warburg and Delano) have, upon request of the Secretary of the Treasury, prepared informal memoranda expressing their views on this whole subject, and -

WHEREAS, The Board has approved the general policy expressed in said memoranda as filed from time to time, without, however, taking action thereon in any formal way, and -

WHEREAS, Opinions have recently been rendered by the Solicitor of the Treasury Department and by Counsel of the Federal Reserve Board, that the limit of compulsory purchase under section 18 shall not be regarded as the limit to be fixed for the conversion of two per cent into three per cent bonds, and -

WHEREAS, It is desirable that a formal expression of opinion be made a matter of record,

THEREFORE, BE IT RESOLVED, That the following be stated as the sense of the Board:

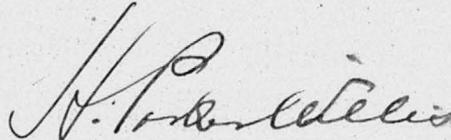
1. That it is important to give full effect to the provisions of the law relating to the reduction of bond-secured currency and the conversion of two per cent into three per cent bonds and to give opportunity for the transfer to the public of such bonds converted into three's in so far as not needed for purposes of circulation.

2. That such policy will help to create a field for the circulation of Federal reserve bank issues and also enlarge the operations of Federal reserve banks by the gradual substitution of commercial paper for bonds as the basis of the country's note circulation.

AND FINALLY BE IT RESOLVED, That it is the sense of the Federal Reserve Board that the Secretary of the Treasury should not limit the sum he is willing to convert from two per cent into three per cent securities during the year 1916 to said limit of compulsory purchase inasmuch as such action might create a harmful precedent and might likewise hamper the operations of the Federal reserve banks, preventing them from proceeding freely in the purchase of Government bonds.

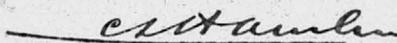
Mr. Williams reserved the right to enter objection to the resolution at the later date if he desired.

On motion at 12:30 p. m., the Board adjourned to meet on Tuesday, February 29, at 3:00 p. m.



Secretary.

APPROVED:



Chairman.