

At a regular meeting of the Federal Reserve Board held in the office of the Board at 10:30 A. M. on Monday, October 23, 1916,

PRESENT:

- Governor Harding, presiding,
- Mr. Warburg,
- Mr. Miller,
- Mr. Williams,
- Mr. Delano,
- Mr. Willis, Secretary.

The special order for the morning was taken up, and the question of a pending acceptance credit in favor of certain industrial concerns in France was discussed. Mr. Harding laid before the Board a communication from Federal Reserve Agent Jay with respect to the conditions under which the credit is to be offered, and also a letter from Vice President Kent of the Bankers Trust Company, and a copy of the circular which is being distributed to prospective investors. He expressed the opinion that there was danger that the reserve banks might become too heavily burdened with this type of security, which was in effect not acceptances in the proper sense of the term, but something closely analogous to the obligations of a foreign government, running at least eighteen months. He proposed that a conservative press statement be issued by way of caution to Federal Reserve banks, and

in this connection laid before the Board a telegram from the Secretary of the Treasury McAdoo who had been consulted by wire on the subject.

Mr. Williams, who was obliged to leave the meeting, stated that he was in favor of the issuance of such a statement as the Governor had proposed, and requested to be recorded as voting in its support.

Mr. Miller took the view that some check should be administered to the progress of the acceptance business in the form now proposed - that form being really a concealed type of Government loan, which, however safe, was not a liquid banking credit. He doubted the wisdom of a public statement, but believed that the Board should take definite steps to prevent the further expansion of such loans in the hands of the reserve and member banks save upon the definite understanding that they were not a basis for rediscounts.

Mr. Warburg concurred in these views, expressing the opinion that the so-called acceptances failed to give control over gold which would otherwise be obtained through the purchase of foreign bills because of the fixing of the rate of renewal on the acceptances in advance of the date of such renewal.

Mr. Delano, while agreeing in the main with the views expressed by other members, thought that the time ^{not} had/come for any public statement on the subject.

After further discussion it was voted to refer the matter to the Executive Committee with instructions to communicate with Federal Reserve agents as to the Board's policy and make such additional statement as might be deemed best.

A telegram from Mr. Swager Sherley, relative to the establishment of a branch bank at Louisville having been read, it was on motion, voted that before any action could be taken the Board must have the formal recommendation of the Federal Reserve Bank of St. Louis.

A letter from the editor of the Chicago Herald, asking for a statement relative to the prospects of the alleged demonetization of gold, was read and noted.

Letters from Mr. J. H. Pulicher and Mr. E. D. Hulbert as to the work of the Section of the American Bankers' Association organized to deal with State bank legislation, were read and it was agreed that the Governor reply thereto.

A letter from Mr. Walker Hill of St. Louis as to the status of his bank under the Clayton Act, was read and contents noted.

A draft of a proposed letter to the Mechanics and Metals National Bank of New York relative to the acceptance of certain finance drafts and declining to grant the application, was authorized in a modified form.

The Secretary of the Board read a letter from Mr. James E. Zunts of New Orleans as to the status of Mr. W. D. Wellborn.

A letter from Federal Reserve Agent Ramsey as to the definition of the term "assets" under Section 13, was referred to the Governor with the aid of Mr. Broderick for report.

A letter from Mr. S. H. Tolles of Cleveland with reference to a rehearing was ordered referred to Federal Reserve Agent Wills for report.

A memorandum from Assistant Secretary of the Treasury Malburn relative to the cost of redeeming notes, was referred back to the Committee on Issue and Redemption.

In answer to a telegram from Federal Reserve Agent Perrin as to the date on which Federal Reserve agents' reports should be in hand, the Secretary was directed to say that the Board hoped the reserve agents would bring with them their reports in draft form for the conference on

December 4th.

A memorandum from Mr. J. A. Broderick with reference to the eligibility of certain Massachusetts municipal warrants, was referred to the Committee on Discounts and Investments.

A report relating to certain changes in the management of the Gold Settlement Fund, was referred back to the Committee on Gold Settlement Fund.

The Secretary called the Board's attention to a memorandum of the Secret Service Division relative to a counterfeit note now in circulation.

The minutes of the Board meetings of October 20, morning and afternoon, were read and approved.

On motion at 12:20 P. M. the Board adjourned.

A. Parker
Secretary.

APPROVED:

[Signature]
Chairman.