

At a regular meeting of the Federal Reserve Board held in the office of the Board at 11 A. M. on Wednesday, October 25, 1916,

PRESENT:

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

The minutes of the meeting of the Executive Committee on October 23rd, and the meetings of the Board on October 23 and 24 were read and approved.

Mr. Williams presented to the Board a letter from the Park Bank of New York with reference to the question of counting uncollected items in the hands of Federal Reserve banks as reserve, and called attention to the fact that the present practice is not uniform, and it would be desirable to make it so. After brief discussion the matter was referred to Counsel for report.

The question of consideration of the annual report having been brought up, it was, on motion, voted to begin the formal consideration of it by the Board on November 15th.

The Secretary of the Board presented certain memoranda relating to a counterfeit note recently detected

at the Federal Reserve Bank of Minneapolis. Attention was called to the fact that a photographic enlargement of the bad note is to be sent to all Federal Reserve banks, and it was agreed that Governor Wold be asked to cooperate with secret service efforts to suppress the note.

The application of the Bank of Iota, Louisiana, for admission to the Federal Reserve system, duly recommended by the Committee on Member and State Banks, was on motion approved, and the bank ordered admitted.

The Governor of the Board presented a letter from the Federal Reserve Bank of Cleveland detailing fully the situation as to certain warrants of the City of Toledo, recently acquired by that Bank.

An opinion of Counsel with reference to various points relating to member banks' acceptances recently raised in letters from such banks, was presented, and on motion referred to the Committee on Law.

A letter from Mr. Percy S. Straus of New York, asking for a hearing with reference to his status as a private banker having been presented, it was on motion voted to grant the hearing at a date to be fixed by the Governor of the Board.

The Secretary of the Board having presented a letter from Federal Reserve Agent Perrin as to the question of acceptance of deposits from non-member banks, the matter was on motion referred to Counsel.

A report prepared by Mr. Warburg with reference to the status of certain Massachusetts warrants, the question at issue being the purchase of those maturing before the penalty date, was referred to the Executive Committee with power to instruct Mr. Broderick as to his treatment of the warrants.

The Secretary of the Board having presented a report of the Executive Committee which had been directed to consider the question of distributing to reserve banks the circular of the Comptroller of the Currency regarding amendments to the Federal Reserve Act, the report was on motion referred back to the Executive Committee.

The Executive Committee reported that the following telegram had been sent to all Federal Reserve agents

by way of meeting assertions in a circular sent out by certain New York Trust Companies, and filed with the Board,

(File No. 334.1)

"Board is advised that an acceptance credit approximating one hundred million dollars, drawn on American banks and trust companies, is about to be concluded, on ninety day drafts, subject to five renewals, the accepting banks, committing themselves to advance the money to the foreign borrowers at five and one-half per cent per annum, plus acceptance commission of one-fourth percent for each three months. In view of widely circulated press statements that these acceptances will be eligible for rediscount or purchase by Federal Reserve banks, Board deems it its duty to point out that banking prudence and obligations toward general commercial interests of the country, require that Federal Reserve banks should not acquire acceptances of this character beyond a conservative amount. This view is consistent with the Board's policy in the past, and while it wishes, through all legitimate means, to promote the development of the American acceptance market and to further the growth of our export trade, and while it wishes to avoid any attitude of interference with the powers of member banks in this respect, Board feels nevertheless, that it should be clearly understood that these acceptances which represent obligations for cash advances aggregating a very large amount, by the acceptors for eighteen months, cannot properly be regarded as paper self-liquidating within a period of ninety days. If offered in excessive amounts, Federal Reserve banks may be obliged to discriminate against or to exclude entirely acceptances of this character. Board feels that prospective acceptors should have a clear understanding of this.

(Signed) HARDING,
Governor."

On motion at 12 o'clock noon the Board adjourned until Friday, October 27th, subject to earlier call of the chair if necessary.

H. Parker Willis
Secretary.

APPROVED

Harding
Chairman.