

At a special meeting of the Federal Reserve Board held in the office of the Board at 3:10 P. M. on Friday, October 27, 1916,

PRESENT:

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

There were also present, Messrs Cotton and

- Elliott, of Counsel for the Federal Reserve Board;
- Messrs. Jay and Curtis, of the Federal Reserve Bank of New York; Mr. Hemphill, of the Guaranty Trust Company; and Mr. Kent, of the Bankers' Trust Company.

The meeting was devoted to a discussion of statements contained in a circular relating to certain proposed acceptance credits to be opened in favor of

French industrial concerns, sent out by the Guaranty Trust and Bankers Trust Company to some 7000 individual banks, etc.

Mr. Harding reviewed the steps taken by the Board during the week with reference to the French industrial credit, and indicated that the Board considered it desirable that there should be an additional announcement in order to make clear to member banks the position

of the Board as to purchase or discount. He presented to Messrs. Hemphill and Kent a statement agreed upon by the Board as a suggestion from him to be adopted by the syndicate in charge of the French industrial credit, and transmitted by them to the same persons to whom their original announcement relative to the proposed credit, had been transmitted.

The statement in question was as follows:-

"Our circular of was issued, of course, without consultation with the Federal Reserve Board. Since its issue we have consulted with the Board. We understand that, as a matter of policy, and quite apart from any question of 'eligibility', the Board holds the view that acceptances drawn under so-called 'renewal credits' of this character cannot be considered as possessed of that intrinsically liquid or self-liquidating character which would justify the Federal Reserve banks in materially extending their present investments in such paper. We deem it our duty, therefore, to advise you of this before definitely accepting your application for a participation."

Mr. Hemphill replied briefly to the Governor's statement, and Mr. Kent outlined the history of the acceptance credits of the past year which had been negotiated upon a basis similar to that proposed for the new credit. He further discussed the practice of foreign, and particularly of English banks with reference to the buying and selling of bankers' acceptances.

Mr. Delano, who was obliged to withdraw from the meeting, stated briefly that he was in accord with the position of the Board as announced by the Governor, and while not desirous of interfering with or crippling foreign trade in any way, he did desire to have all operations and paper growing out of them sound and well understood in their nature. Mr. Miller expressed his views as being in harmony with those laid down by the Governor. Mr. Warburg outlined the character of the acceptance as viewed by the Board, and warned against the unduly sudden development of a so-called acceptance business, which really amounted to long-term credits. Messrs. Hemphill and Kent having stated that the circular issued by the syndicate managers had contained the absolutely true statement in connection with the assertion that the acceptances provided for were eligible at Federal Reserve banks, Mr. Williams called their attention to the fact that thus far the Board has made no expression or commitment of any kind as to whether it considered these acceptances eligible or not. Mr. Hemphill offered a plea for the leaving of matters in statu quo without the issuance of any statement either by the Board or by the syndicate managers. He urged that enough has already been done to

to accomplish the Board's purpose in calling attention to the fact, that thus far subscriptions to the credit have amounted to only about \$18,000,000 and undertaking that if the Board would agree to leave matters as they stood, he would see to it that no subscriptions in excess of \$20,000,000 were accepted save from the Guaranty Trust Company and the Bankers Trust Company, affiliated firms and institutions, which might undertake to bring the total subscriptions up to \$50,000,000, stopping at that point.

At 5:15 P. M. Messrs. Hemphill and Kent withdrew, it being understood that the matter should be left in abeyance until Monday morning at 10:30.

The Board engaged in a general discussion of policy with respect to the acceptance situation, but at 5:45 P. M. no conclusion having been reached, adjournment was, on motion voted.

H. Porter Walker
Secretary.

APPROVED:

Chairman
Chairman.