

At a joint meeting of the Federal Reserve Board held with the Federal Advisory Council on Monday, February 19, at 10.30 a.m.,

PRESENT:

Mr. Harding, presiding,	Mr. Hamlin,
Mr. Warburg,	Mr. Willis, Secretary.
Mr. Miller,	

Present also: Mr. Forgan, Mr. Morgan, Mr. Record, Mr. Watts, Mr. Fleishhacker, Mr. Swinney, Mr. Rowe, Mr. Rue, Mr. Wing, Mr. Mitchell, Mr. Iyerly, Mr. Norwood..

President Forgan offered brief introductory remarks, and was followed by Governor Harding who sketched the various topics on which the Board desired the advice of the Council. He referred particularly to the question of dividing the membership of the Council into three classes, each class to retire at different dates, in order to prevent the membership from changing too suddenly. He then considered the pending House and Senate bills providing for amendment to the Federal Reserve Act, and indicated the chief points of difference between them. In answer to questions from members of the Council with reference to the

Board's foreign agency policy, he stated what had actually been done by the Board thus far; referred briefly to the difficulties in the Spanish exchange situation, and outlined the probable scope of agency relations. Governor Harding then referred to the Subtreasury question and the policy that should be pursued in the operation of Subtreasuries in their relation to the reserve banks, as a matter on which the advice of the Council was desired.

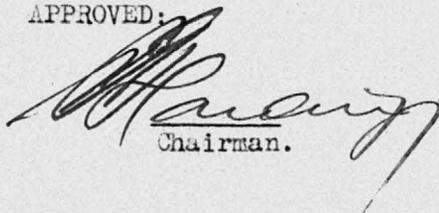
He then referred particularly to the question of the discount policy of the reserve banks, and the future plan to be worked out in that connection, asking for the Council's suggestion. Governor Harding further requested the views of the Council on the best policy to be pursued in connection with the issue of Government bonds. He next referred to the domestic exchange question, and told of the Board's decision to engage a clearing expert with the view of establishing of a special exchange bureau in the Board. This matter was also brought before the Council for such suggestion as it might choose to offer.

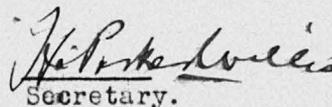
General discussion ensued with reference to the Board's policy on the foreign agency and branch question, Mr. Rue of

Philadelphia particularly asking the Board's probable plans in connection with the development of purchases of bills of exchange abroad. He feared that such operations might be engaged in too largely, and called attention to the fact that the whole market for acceptances was practically in the hands of the Federal reserve banks, and that funds should not be withdrawn too suddenly or too largely therefrom. He called attention to the fact that thus far no market for acceptances has been developed among country banks, existing acceptances being too large. Mr. Warburg noted that this was largely the fault of member banks themselves, which ought to put the paper into satisfactory denominations, and ought also to abandon the practice of discounting their own acceptances. By building up the country bank market for acceptances, a greater stability and breadth will be given to the market.

At 11.10 a.m. the joint session adjourned.

APPROVED:


Chairman.


Secretary.