

At a special meeting of the Federal Reserve Board held in the office of the Governor at 11.05 a. m. on Thursday, April 26,

PRESENT:

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

The reading of the minutes of the preceding meeting was, on motion, dispensed with.

Governor Harding stated that the object of the meeting was to consider the question of deposit relations between Federal reserve banks and member banks. He had had a conversation with the Secretary of the Treasury, who desired that the Federal reserve banks should arrange some plan for redepositing such proceeds of Government loans as were not immediately withdrawn, with member banks. Governor Harding had expressed the opinion that this was not possible, and had suggested that a rediscount plan be adopted whereby the member banks would be given a special rate and would continue to hold the funds as the proceeds of redis-

counts obtained from their Federal reserve banks. The Secretary of the Treasury had indicated that in the event of the adoption of such a plan it might be necessary to charge a rate of interest upon public moneys in the hands of Federal reserve banks. Governor Harding thought this would be undesirable, and the outcome of the conversation was a request from the Secretary of the Treasury that some plan be worked out for making the deposits, in order to keep the funds in the banks which had subscribed them.

Mr. Warburg suggested at the proper time the use of member bank collateral notes protected by the new Government securities, and with a special low rate of interest. By discounting these notes, the reserve banks could enable the member banks to keep control of the funds they had contributed. Non-member banks could obtain accommodation by passing their notes through a member bank.

Mr. Williams suggested that Federal reserve banks, acting in their capacity as fiscal agents for the Government, might make deposits with member banks, thus eliminating the rediscount plan.

Mr. Miller believed a plan substantially similar to that suggested by Mr. Williams could be made effective.

General discussion ensued, and, on motion, it was voted

that the Executive Committee be requested to prepare for

use at the proper time a regulation covering a special

temporary type of advance on paper bearing the endorsement

of member banks and protected by Government bonds, such

paper to be subject to a low rate of discount to be known

as the "Federal loan rate," the regulation when prepared

to be reported back to the Board.

On motion at 12.50 p.m. the Board adjourned.

APPROVED:

Secretary

Chairman.