

At a special meeting of the Federal Reserve Board held in the office of the Board on Saturday, May 19, at 11 a.m.,

PRESENT:

- Mr. Warburg, presiding, Mr. Miller,
- Mr. Hamlin, Mr. Willis, Secretary.
- Mr. Delano,

Present also, Honorable Carter Glass, Chairman of the House of Representatives Banking and Currency Committee.

Vice Governor Warburg stated that he wished to place before the Board on behalf of Mr. Glass the question whether, if the Conference Committee of the two Houses of Congress, now in charge of the amendments to the Federal Reserve Act, should recommend the adoption of the so-called "Hardwick Amendment" relating to exchange charges not exceeding 1/10 of 1%, accompanied by the proviso that such exchange charges should be subject to the determination and regulation of the Federal Reserve Board, the Board would feel warranted in issuing a regulation requiring the stamping of a legend on each check indicating that such check was or was not subject to exchange charges.

General discussion of the Hardwick Amendment ensued, and there was informal expression of opinion that the Board would undoubtedly be willing to adopt such a regulation. Counsel of the Board on enquiry expressed the opinion that the Board had legal power to make the proposed regulation definitely effective, though he could not predict the outcome of possible proceedings designed to prevent it from doing so.

Discussion of the Hardwick Amendment having been completed, Honorable Carter Glass withdrew from the meeting.

The minutes of the meeting of the Board held on May 18 were read, modified, and, on motion, approved.

A telegram from Federal Reserve Agent Heath stating the intention of the Standard Trust Company to enter the Federal Reserve System, was read and noted.

The report of the Committee on Bulletin favoring the transmission of a daily bulletin of information to Federal reserve banks covering important happenings in which they were interested, was presented and, on motion, approved.

Thereupon the Board suspended its formal session, and, sitting as the Committee on Member and State Banks,

considered the application of the Commerce Trust Company of Kansas City for membership in the Federal reserve system, calling into consultation the Chief Examiner and the Counsel of the Board. After discussion, it was, on motion, agreed to recommend favorably to the Board the application of the Commerce Trust Company, subject to specified requirements with reference to the business of the said concern.

A progress report with reference to the application of the Yellowstone Valley Bank and Trust Company was presented to the Committee, noted, and ordered filed.

Thereupon the Committee on Member and State Banks rose, and the formal session of the Board was resumed.

The committee reported to the Board for favorable action the application of the Commerce Trust Company of Kansas City, subject to the conditions already referred to. On motion, the said application was approved, and the Secretary of the Board was authorized to telegraph the action thus taken to the Commerce Trust Company, setting forth briefly the conditions specified.

A telegram from Secretary W. F. McLallen of the Federal Reserve Bank of Chicago, was read as follows:

"Subject to approval of your Board, our Board of Directors has named a rate of three per cent on member banks fifteen day promissory notes secured by Government bonds, and on customers' notes secured by Government bonds maturing within ninety days, when offered for rediscount. Please confirm immediately."

A telegram from Federal Reserve Agent Perrin inquiring the Board's views with reference to the establishment of a rediscount rate at Federal reserve banks not higher than the Liberty Bond rate, applicable to paper accepted by member banks from their customers, and secured by Liberty Bonds, was also read.

Discussion ensued with reference to the Board's policy on the question of rates, both for collateral notes of member banks secured by Liberty Bonds, and notes of member bank customers secured by Liberty Bonds and rediscounted with the endorsement of the member bank receiving them. The Secretary of the Board was directed to telegraph the Federal Reserve Bank of Chicago approving the rate of 3% on member bank 15 day promissory notes, but informing it that, for various reasons, the Board deemed it desirable to suspend action on the question of customers' paper; also to telegraph Federal Reserve Agent Perrin stating what had been done upon upon the application of

other banks with reference to 15-day notes, and the intention to defer action for the present on the longer term paper of customers.

Thereupon the Secretary drafted and submitted telegrams embodying this action, which, after discussion, were referred to the Executive Committee with power to act.

Mr. Miller made a statement of his views with reference to the whole question of policy involved in the rediscount applications, and while ready to authorize the lowest rate warranted by market conditions on member bank 15 day notes of all classes, however secured, was not willing to make a special or preferential rate for 15 day notes secured by Government bonds or notes, while he expressed himself as strongly opposed to the principle of establishing a special or preferential rate on customers 90 day paper secured by Government Bonds.

On motion at 1 p.m. the Board adjourned to meet on Monday, May 21, at 11 a.m.

APPROVED:

H. Parker Willis
Secretary.

Chairman.

The first of these is the fact that the
 government has a monopoly on the
 production of money. This is a
 power which is not shared by any
 other institution. The second is
 the fact that the government has
 the power to tax. This is a power
 which is also not shared by any
 other institution. The third is
 the fact that the government has
 the power to spend. This is a power
 which is also not shared by any
 other institution. The fourth is
 the fact that the government has
 the power to regulate. This is a
 power which is also not shared by
 any other institution. The fifth
 is the fact that the government has
 the power to enforce. This is a
 power which is also not shared by
 any other institution.



