

At a regular meeting of the Federal Reserve Board held in the office of the Board on Monday, May 21, at 11 a.m.,

PRESENT: Mr. Warburg, presiding, Mr. Miller, Mr. Delano, Mr. Willis, Secretary, Mr. Hamlin,

The minutes of the meeting of the Board held on May 19 were read and, on motion, approved.

The minutes of the meeting of the Executive Committee held on May 19 were read and, on motion, approved.

The question of the conditions under which gold imported into the United States by bankers who deposit it with the Federal Reserve Bank of New York should be received by the latter institution, subject to verification, etc., was considered, and a proposed letter of Mr. Warburg addressed to Federal Reserve Agent Jay setting forth the Board's views on the subject, was read. Discussion ensued and, on motion, the transmission of the letter proposed by Mr. Warburg, was approved.

Mr. Warburg reported relative to certain transactions of the Dearborn National Bank, of Chicago, Illinois, which

had been called to the attention of the Board some days ago, and informed the Board of the substance of an answer received from Governor McDougal of the Federal Reserve Bank of Chicago, submitting also the form of a letter which he proposed to send to Solicitor Frank Polk of the State Department. After discussion the draft of the letter thus submitted was approved.

The application of the Winchester Trust Company of Wichester, Mass., for admission to the Federal Reserve System, previously given conditional approval by the Board, was, on motion, definitely accepted, the Board being informed by Chief Examiner Broderick that the Trust Company had agreed to the conditions imposed, and the Secretary of the Board was authorized to approve the application of the Trust Company for stock in the Federal Reserve Bank of Boston.

The Secretary of the Board presented the report of the examination of the Federal Reserve Bank of Cleveland, submitted by Mr. Broderick, and called special attention to certain comments made by the Examiner with reference to a shortage which had occurred in the institution, and with reference to the question of writing off

the depreciation on United States bonds held. The report was referred to the Committee on Operation of the Cleveland Bank.

Mr. Warburg presented to the Board a letter recently received from Governor Strong, for circulation among the members.

At this point by previous appointment, Mr. E. L. Robinson of the Lutaw Savings Bank, Baltimore, and Mr. George E. Edwards of the Savings Bank Section of the American Bankers Association, were admitted to the Board Room for the purpose of stating their views with respect to the relations of the savings banks of the country to the forthcoming "Liberty Loan." Mr. Edwards stated that it had been feared that the present mode of handling the loan might possibly cause incidental embarrassment to the savings banks.

At this point Mr. Warburg suggested that Assistant Secretary Crosby be invited to attend, and he having been brought to the Board Room by Mr. Hamlin, the discussion proceeded.

Mr. Edwards said that it was the desire of the savings banks men to know whether the Federal Reserve System would give relief to the savings banks in the event of heavy withdrawals of funds. Both Mr. Robinson and Mr. Edwards called attention to newspaper advertisements and articles urging depositors in a somewhat dangerous manner to withdraw their funds and invest

them in bonds. They emphasized the necessity of having commercial banks lend to savings banks, not only in order to help the latter to sell and carry new bonds on the installment plan, but also to protect the savings banks against loss resulting from the necessity of hastily throwing on the market bonds already held by them as investments. They explained that they hoped to encourage investments by their depositors on the installment plan, the savings banks buying the bonds and carrying the same for some time for which they desired the assistance of the Federal reserve banks if necessary. The Board expressed itself in sympathy with this plan.

Discussion having been completed, the savings bank representatives withdrew, and the Board engaged in informal discussion of its attitude with reference to the Hardwick Amendment to the Federal Reserve Act or affecting the possible scope of action of the Federal Reserve Banks regarding the status of savings banks.

In conclusion Mr. Warburg stated that he understood it to be the sense of the meeting that the outcome of the hearing was substantially as follows: The Board rules that if a member bank presents to a Federal reserve

bank the note of a savings bank secured by Liberty bonds,
 the member bank may feel assured of having a bill eligible
 for rediscount with its own endorsement at such Federal re-
 serve bank, the Board undertaking to regard such transac-
 tions sympathetically. It was to be understood, however,
 that what the Board would do in this connection would neces-
 sarily be limited and controlled by its general power to take
 care of the situation at large.

On motion at 12.23 p.m. the Board adjourned to meet
 on Tuesday, May 23, at 11 a.m.

APPROVED:

A. Parker Willis
 Secretary.

Chairman.