At a special meeting of the Federal Reserve Board held in the office of the Board on Tuesday, May 22, at 11 a.m.,

PRESENT:

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

The minutes of the meeting of the Board held on May 21 were read and, on motion, approved.

Mr. H. A. Wheeler of Chicago was, by previous appointment, given a hearing before the Board, and on being admitted, stated that he had come for the purpose of considering with the Board the case of Mr. Hale Holden, now a director of the Union Trust Company and the Merchants Loan & Trust Company of Chicago. It was the desire of Mr. Wheeler that Mr. be permitted to continue as a director of both companies irrespective of the question whether one of them might become a member of the Federal reserve system. Mr. Wheeler stated briefly to the Board that the facts in the case were already fully before it and that he considered the decision to be a matter resting largely upon broad general considerations of policy.

After finishing the discussion of Mr. Holden's case, Mr. Wheeler inquired whether the decision which had previously been rendered by the Board with reference to a director of the Union Trust Company who was also a director of the Mercantile Trust & Savings Bank of Chicago, would hold good in the case of directors similarly situated. Mr. Warburg expressed the opinion that what held good for one would likewise hold good for others, the question at issue being that of the relations of the institutions.

Mr. Wheeler then expressed to the Board his opposition to the proposed tax on bank checks.

Having concluded his argument, Mr. Wheeler thereupon withdrew from the room.

The question of a 90 day rate on member bank customers.' notes secured by Liberty bonds, was then presented to the Board, and telegrams from the Federal Reserve Bank of Dallas and San Francisco, and a letter from the Federal Reserve Bank of New York were read.

Thereupon Mr. Warburg presented to the Board a draft of a general letter addressed to all Federal reserve banks, and expressing the Board's policy on the whole question. The letter was discussed and minor modifications introduced into it.

Mr. Hamlin then moved to send out the letter in substance as representing the sentiment of the Board on the whole question of special rates of rediscount.

Mr. Miller thereupon moved to amend Mr. Hamlin's motion by striking out from the proposed draft the last paragraph in which reference was made to the rediscounting of paper of non-member banks, member banks acting as their agents. On being put to a vote the amendment was lost.

Mr. Miller moved to amend Mr. Hamlin's motion by changing the second paragraph on the second page of the proposed draft in such a way as to state that rates of discount to be established by Federal reserve banks for notes secured by bonds should be as low as, but no lower than, the rates established on paper of similar maturity otherwise protected.

After discussion Mr. Miller withdrew his amendment.

Mr. Miller then moved to amend Mr. Hamlin's motion by revising the third page of the draft in such a way as to eliminate all reference to a special or preferential rate on paper collateraled by Government obligation. On being put to a vote the amendment was defeated.

Mr. Hamlin's original motion then recurring, was declared carried, Mr. Miller being recorded in the negative.

The question of the actual establishment of rates at Federal reserve banks was then taken up, and it was, on motion, voted to establish a rate of $3\frac{1}{2}\%$ on customer's paper secured by Treasury certificates or bonds, such paper having a maturity of not over 90 days.

On motion, it was voted to telegraph to all Federal reserve banks that this general rate had been established for their use if desired, and that a letter outlining the Board's general policy would be transmitted today.

The question of a special rate at the Federal Reserve Bank of New York of 2% for periods of one day, such rate to be used at the discretion of the officers, was presented but not acted upon, the matter being referred to the Executive Committee.

A memorandum prepared by Mr. Delano and Mr. Warburg with reference to the question of publishing the reports of the Comptroller of the Currency giving the combined statements of the clearing houses of the country, was presented. After discussion, the Comptroller stated that he thought it would be best to refrain from publishing any such statements under existing conditions, but that he would supply them to the Board for its information.

A report of the Committee on Staff recommending an increase in the salary of Examiner Charles R. Burrell from $3300 to $3600 per annum, effective June 1, was, on motion, approved.

The Secretary of the Board read a letter from Federal Reserve Agent Heath requesting that printing orders for notes be placed in sufficient amount to bring the supply held for the Chicago Bank up to $150,000,000 or thereabouts, the denominations to be substantially as at present. On motion, it was voted that such an order be placed.

The Secretary read a memorandum from Chief Examiner Broderick with reference to a change in the wording of the Board's Regulation O (paragraph 10) with reference to reserve deficiencies. The matter was referred to the Executive Committee for report.

Mr. Hamlin asked for a special report from the Board's

Chief Examiner with reference to the shortage recently discovered in the Federal Reserve Bank of Cleveland. It was agreed that Mr. Hamlin, as chairman of the Committee on Operation of the Cleveland Bank, should make the request.

On motion at 12.50 p.m. the Board adjourned to meet on Thursday, May 24, at eleven a.m.

H Parker Willis
Secretary.

APPROVED:

Chairman.