At a regular meeting of the Federal Reserve Board held in the office of the Governor on Wednesday, May 13, at eleven a. m.,

PRESENT:

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

The minutes of the meeting of the Board held on June 12 were read and, on motion, approved.

A letter from Secretary Curtis of the Federal Reserve Bank of New York relating to the acceptance of drafts based on merchandise, and the acceptance of those intended to create dollar exchange, was read and, on motion, referred to the Committee on Law.

A letter from Governor Fancher of Cleveland with reference to the rediscounting of non member banks' notes accompanied by an affidavit that the proceeds are to be used for the purchase of Liberty Bonds, was read and noted.

Governor Harding explained to the Board the facts with reference to a telegram, dated June 9, sent by him during his absence to Mr. Warburg in response to inquiry

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as to his position and that of the Secretary of the Treasury regarding rediscounts of the notes of non member banks. Neither he nor the Secretary of the Treasury had, at the time of sending the telegram, fully understood what the issue at stake was, but had thought that when the endorsement of a member bank was placed upon the note of a non member bank, the use of an affidavit or some other certificate of the kind to indicate that the proceeds were to be applied to the purchase of Government bonds, was sufficient. He was, therefore, generally in accord with the attitude of the Board on the subject, as developed during his absence.

General informal discussion ensued with reference to methods of issuing and financing bonds for the support of the Treasury, and the policy properly to be followed by Federal Reserve Banks with reference to the matter.

A letter from Federal Reserve Agent Perrin with reference to the use of gold in army payrolls was read, and the Secretary of the Board was directed to answer, informing him of the arrangements already made to cease this practice.

Correspondence with reference to the imposition of a stamp tax on bank checks, previously referred to Mr. Hamlin, was discussed and referred to Mr. Harding with the

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understanding that the Governor would inform the proper committees of Congress that in the opinion of the Board if a stamp tax is to be applied at all, it should be made applicable to all checks, irrespective of their face value.

A letter from Governor Wold with reference to the work of the Society of Equity in opposition to the sale of Government Bonds, and a newspaper clipping relating to the same subject, were presented to the Board. It was agreed that the Governor bring the matter to the attention of the Secretary of the Treasury.

A letter from the Matthew Addy Company of Cincinnati with reference to trade acceptances, was presented to the Board and, on motion, referred to the Vice Governor, who directed that it be duly acknowledged.

After discussion it was agreed that the Secretary of the Board make a careful inquiry into the general situation as to trade acceptances, ascertaining the attitude of manufacturers and of banks at the present time, and as soon as possible making a report of the findings to the Board.

A letter from Federal Reserve Agent Perrin with

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reference to the finding of quarters for the Federal Reserve Bank of San Francisco was read, and, on motion, referred to Mr. Miller with the understanding that he would inform Mr. Perrin that it is the view of the Board that it would be better to rent such quarters for the present and to defer the idea of constructing a new building until after the war is over.

Governor Harding stated the facts with reference to the vacancy existing in the directorate of the Federal Reserve Bank of Atlanta and of its Branch at New Orleans, stating that Mr. Edgar Stern of New Orleans had been selected as a member of the directorate of the Federal Reserve Bank of Atlanta, and presenting on behalf of the Committee on Operation of the Atlanta Bank the recommendation that Mr. Stern be designated as Class C director of the New Orleans Branch, and that Mr. J. E. Zunts be named as chairman of the board of directors of the branch, both to fill out the unexpired terms of their predecessors ending December 31, 1917, the Secretary of the Board to notify them accordingly.

Mr. Warburg stated that during the absence of Governor Harding Chairman Norris of the Farm Loan Board, had presented an inquiry as to whether the Board would be willing

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to make the coupons of bonds issued by Farm Loan Banks payable at Federal Reserve Banks. The matter was discussed, the opinion being expressed that the Federal Reserve Banks could hardly accept this additional duty without compensation, but that if the law could be amended to permit the funds of Farm Loan Banks to be deposited with Federal Reserve Banks, the coupons could then be paid out of such funds. No action was taken, but the matter was referred to the Executive Committee with power to act.

On motion at 12.30 p.m. the Board adjourned to meet on Friday, June 15, at eleven a.m.

APPROVED:

Chairman.

Secretary.

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