

At a regular meeting of the Federal Reserve Board held in the office of the Board on Wednesday, November 14, at 3:00 P. M.,

PRESENT:

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

Governor Harding stated that he had had a conversation with Mr. Thomas L. Cochran of the firm of J. P. Morgan & Company, who had visited him this morning, and who had presented a proposition relative to the financing of certain bills, on which he desired to have the Board's attitude defined. Counsel of the Board was called into conference, and stated that Mr. Cochran had stated to him that the Secretary of the Treasury had some time ago asked the British Government not to offer demand bills of that Government during the time the Liberty Loan was being placed on the market. They had, therefore, been held back, and the Morgan firm had carried them instead of using the proceeds to take up the outstanding obligations of the British Government. Mr. Cochran had further stated that if his firm could get the money they need by re-discounting these bills, this would then release other

money for use in the refunding operations referred to. The Secretary of the Treasury said he would accede to their floating 90-day acceptances in an amount not over \$150,000,000, in order to carry through this financial operation.

Discussion ensued. Mr. Hamlin said two problems were presented, the first whether the Federal Reserve Bank is actually rediscounting the acceptances referred to, or whether, on the other hand, the Federal Reserve Bank is buying them in the open market. Mr. Warburg and Mr. Williams took the view that the proposed transactions were merely the marketing of finance bills, and hence not permitted by the Federal Reserve Act. Counsel took the view that the transaction was one growing out of importations and exportations. It was concluded that the proposed bills were probably eligible for discount at reserve banks, but the matter was referred to the Executive Committee to confer more fully with Mr. Cochran and write the result to the firm of Morgan & Company.

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

In connection with the interview with Mr. Curtis of New York, described in the minutes of the meeting of November 12, Governor Harding stated that he had sent

Federal Reserve Agent Jay a letter as follows:

"The Board, this afternoon, considered at some length the syndicate agreement of the American Tobacco Company which provides for a loan of \$25,000,000 on ninety-day notes with an agreement for renewals up to two years.

The Board stands by its statement which appeared in the press on Saturday morning that notes of this kind, as investments for Federal Reserve Banks, are undesirable, and in view of this statement it would not expect a Federal Reserve bank to rediscount them."

Subsequent to the transmission of this letter he had had, on the afternoon of November 13 a conversation with Federal Reserve Agent Jay over the telephone, in which Mr. Jay had said that he regretted receiving the letter, as he had been informed by Mr. Curtis that the Board was willing the Federal Reserve Bank should rediscount a few items of the paper of the Goodrich Rubber Company, should they think such action expedient. Governor Harding said he had told Mr. Jay that what the Board meant was that they should not discount them under any circumstances. Mr. Jay finally agreed not to discount any such paper for the present, stating that he

would soon come to Washington for further discussion of the matter.

Governor Harding submitted to the Board a letter addressed to Federal Reserve Agent Perrin relative to the policy and technique of recent purchases of acceptances by the several Reserve banks from the Federal Reserve Bank of New York. The letter was approved and ordered mimeographed for transmission to all other Federal Reserve banks.

Mr. Warburg presented a letter from Governor Rhoads of Philadelphia, suggesting that the Board withhold action on the proposed changes in rates at his Bank until after November 21. It was agreed that the Board should regard the whole subject as laid on the table accordingly until after November 21.

The Secretary of the Board read a telegram from Chief Examiner Broderick with reference to the advertising of clearing membership on the part of State banks, raising the question whether they should be allowed so to advertise. The matter was discussed, and it was agreed that while the Board could not prevent them from advertising that they had the relation of a correspondent to the Federal Reserve Bank, it could not sanction their

advertising themselves as members.

The resignation of Mr. John T. Schram from the Board's staff was presented and approved.

A report of Committee No. 2 relative to the maturity of eligible trade acceptances was read, and a reply in accordance was ordered transmitted.

A telegram from Deputy Federal Reserve Agent McLallen of Chicago as to the nominations for the Chicago directorate, was read and noted.

A letter prepared for the signature of the Governor of the Board with reference to the cancellation of stock in the Federal Reserve Bank of Atlanta, formerly owned by the Hibernia National Bank of New Orleans, now in liquidation, was read and approved, and its transmission ordered.

A report from Committee No. 3 approving the application of Mr. George M. Woodruff to serve as director of the First National Bank of Litchfield, Connecticut, and the Colonial Trust Company of Waterbury, Connecticut, was presented and, on motion, approved.

A report of Committee No. 3 stating, in answer to an inquiry from Federal Reserve Agent Perrin whether a State bank may apply for membership after organization

but before beginning business, that it may so apply, was presented and approved, and it was agreed that the Governor transmit a favorable response.

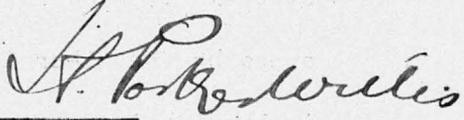
Upon recommendation of Committee No. 2, the following institutions were admitted to membership in the Federal Reserve system upon conditions specified in each case by the Committee:

Scandinavian Trust Company	New York City
Citizens & Southern Bank	Savannah, Ga.
Ohio Banking & Trust Company	Massillon, O.

On motion at 4:20 P. M. the Board adjourned.

APPROVED:

Chairman.



Secretary.