

At a meeting of the Executive Committee of the Federal Reserve Board, held in the office of the Board on Saturday, April 6, at 10:50 A. M.,

PRESENT:

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

The following memorandum with respect to the repurchase and sale agreements at Federal Reserve banks, prepared by Chief of Division Jacobson, was presented to the Board.

MEMORANDUM FOR THE SECRETARY.

Under the new Finance Corporation Act member banks' collateral notes are tax or stamp-free when secured by U. S. Liberty bonds and certificates of indebtedness. Member banks collateral notes secured by commercial paper apparently must pay the 2¢ per \$100 tax.

Under date of December 1, the Federal Reserve banks were instructed to make short-time advances on eligible commercial paper of longer maturities under so-called repurchase agreements. The banks have availed themselves of this privilege and have been taking such paper in some volume at the 15-day rate, thus avoiding the payment of the stamp tax.

It is evident that it is the intention of Congress to tax member banks' collateral notes when not secured by Government War obligations, and that a continuation of the practice authorized in circular letter of Dec-

ember 1 may be found in conflict with the Act just passed.

May I ask that this matter be brought to the attention of the Board so I may be advised of its stand in the matter, since we must inform the Banks at once as to the proper mode of reporting on short-time advances secured by War obligations on the one hand and by customers' paper on the other.

Respectfully submitted,

(Signed) M. JACOBSON

Statistician.

April 5, 1918.

There was also submitted a copy of a letter of instructions to Federal Reserve banks with reference to the method of reporting their loans protected by Government obligations.

Discussion ensued.

It was voted to approve and send out the office letter referred to, with the understanding that the question of the Board's policy as regards repurchase and sale agreements relating to commercial paper be brought before the Board at its next full Board meeting, for discussion.

A form of stereotyped statement for use each week in preparing the weekly statement of con-

dition, was considered, approved, and adopted, it being understood that the introductory paragraph would each week be written and submitted to the Governor or the Executive Committee.

A letter from the New York Credit Mens Association, with respect to the question of paying internal revenue taxes on June 15, was read but no action taken.

A telegram From Federal Reserve Agent Perrin, with reference to the efforts on the part of the Emergency Fleet Corporation to obtain high interest on deposits from a bank in Tacoma, Washington, was read and the matter referred to Mr. Harding.

A letter from Governor Morss of Boston, with respect to the registration of bonds at Reserve banks, was read and referred to Mr. Harding for action.

An application of the Bank of Pittsburgh for permission to invest \$136,000.00 in stock of the American Foreign Banking Corporation, was read and, on motion, the permission was granted.

The question of the appointment of directors

for the Salt Lake City branch was taken up, and certain telegrams relating to the subject were read. On motion, the matter was made the "Special Order" for Monday, April 8.

On motion, at 11:40 A. M., the Committee adjourned.

APPROVED:

Chairman

*A. P. ...*  
Secretary