

At a meeting of the Federal Reserve Board held in the office of the Board on February 3, 1919, at 11:20 A.M.,

PRESENT: The Governor
Mr. Miller
Mr. Hamlin
Mr. Williams
Mr. Broderick, Secretary.

By unanimous consent the reading of the minutes of the meetings of the Board held on January 29th and 30th, of the Executive Committee held on January 31st, and of the Gold Export Committee held on January 30th and 31st, and February 1st and 3d, was postponed.

Morning business was presented and disposed of as follows:

The Governor submitted final proof of the text of the Annual Report of the Board for the year 1918, and asked authority to have 600 copies thereof printed for release for publication at twelve o'clock noon, February 8th.

Approved. Ordered that a copy be delivered to each member of the Banking and Currency Committee of the Senate and House of Representatives.

The Governor reported the purchase on January 31st, of special 2% certificates of indebtedness of the United States for \$500,000 for the Federal Reserve Bank of Atlanta for deposit with the Comptroller of the Currency as collateral for Federal Reserve bank notes.

Approved.

Letter dated January 31st, from the Federal Reserve Agent at New York, requesting formal approval of the purchase by the Federal Reserve Bank of New York of the Penfield and Ely properties, at a cost of \$663,000 and \$200,000 respectively, general approval having heretofore been expressed by the Board.

Approved.

Memorandum dated February 1st, from Fiscal Agent Imlay, submitting list of State banks whose applications for membership in the Federal Reserve System were conditionally approved by the Board prior to November 30, 1918, but which banks have not completed membership by accepting conditions and making payments on capital stock.

Voted that any application for membership in the Federal Reserve System received from a State banking institution and approved by the Board prior to September 30, 1918, the conditions of approval of which have not up to this date been completed, shall be regarded as abandoned.

The Governor reported the reserve positions of the several Federal Reserve banks.

REPORTS OF COMMITTEE NO. 1:

Dated February 3d, recommending admission of State institutions as set forth in the auxiliary minute book as of this date, subject to the conditions stated in the individual reports attached to each application.

Approved.

-3-

Dated February 3d, (2 reports) recommending changes in stock at Federal Reserve banks as set forth in the auxiliary minute book as of this date.
Approved.

Letter dated February 1st, submitting the resignation of W. E. Walter as Federal Reserve Examiner, effective February 6th.

Approved.

Other business was presented and disposed of as follows:

Letter dated January 31st, from Director of the Bureau of Engraving and Printing, requesting approval of plan to plate print Federal Reserve notes without the name and symbol of each bank and afterwards surface print such identification marks in proper position.

Approved.

The Governor stated that the situation with respect to cotton in the South had become an acute one and that he had been invited to address the Legislature of the State of South Carolina on the subject on Thursday, February 13th, and asked authority to visit Columbia, South Carolina, for this purpose at the expense of the Board.

Approved.

The Board then proceeded to the consideration of the proposed creation of a fifty million dollar Belgian ac-

-4-

ceptance syndicate. The following gentlemen appeared before the meeting upon invitation of the Board: Mr. Pierre Jay, Federal Reserve Agent at New York; Mr. E. R. Kenzel, Manager of Investments, Federal Reserve Bank of New York; Mr. Albert Breton and Mr. Harold Stanley, Vice Presidents of the Guaranty Trust Company of New York; and Mr. J. E. Rovensky, Vice President of the National Bank of Commerce in New York; the three gentlemen last named representing the American syndicate managers. Mr. Jay stated that the gentlemen named had a conference on the subject today with the Secretary of the Treasury, who had informed them that, while he felt that contracts calling for renewal of credits were not entirely in accord with the spirit of the Federal Reserve Act as enacted, he recognized that present circumstances altered the situation. He stated that the Secretary had expressed the view that he hoped the wish of the Belgians could be met, that the guaranty of discounts would be made at a commission of one-half of one per cent instead of one per cent above the Federal Reserve Bank 90 day discount rate for bankers' acceptances, but that he was not opposed to the credit and would not insist upon a reduction of the rate. In response to the Board's inquiry, the representatives of the American Syndicate managers stated that it

-5-

would not be possible to reduce the rate because of the fact that the drafts against the credit would be drawn by the Societe Generale Belgique and the limitation of 10% of capital and surplus for any one corporation would restrict to \$19,500,000 acceptance by the New York bankers, and it would be necessary to market same all over the country where discount rates were higher than in New York. The meeting then proceeded to a detailed discussion of the plan of operation and terms of the agreement under which the credit would be extended.

(During the course of the discussion the Governor withdrew from the meeting to consult with the Secretary of the Treasury on the subject, but finding him engaged requested his private secretary to inform him that the Board was in session on the subject and would like the benefit of an expression of his views. The Secretary of the Treasury informed the Board through his private secretary, Mr. Kyle, that he did not care to express any further views on the subject and was perfectly willing to leave the solution of the matter entirely in the hands of the Board).

The officers of the Federal Reserve Bank of New York and the representatives of the American Syndicate were then requested to withdraw from the meeting, and further discussion

-6-

was had by the members of the Board.

Voted that the Executive Committee be authorized to prepare and transmit to Mr. Jay, in response to Mr. Kenzel's letter of January 28th, a letter to the effect that, without indicating approval by the Board of the tenor of the agreement creating the syndicate nor of the charges mentioned therein, the Board admits the eligibility for discount by Federal Reserve banks of acceptances drawn pursuant to the plan as submitted to it.

At one o'clock P.M., the Board took a recess pending the preparation of the letter. After recess, the Executive Committee submitted for approval the following:

"February 3, 1919.

"Dear Sir:

"The Board has considered your bank's letter dated January 28th, signed by Mr. E. R. Kenzel, Manager of Investments, which relates to a proposed credit of \$50,000,000 for Belgium to be granted by a syndicate of Belgian banks.

"It is understood that drafts drawn against this credit are to be drawn by the Societe Generale Belgique, representing the consortium of participating Belgian banks, at ninety days' sight and three renewals, and it is also understood that one year's time is estimated by the Belgian banks as the minimum time required for the purchase of raw materials in the United States, their transportation and manufacture, and the sale and realization on the manufactured goods sold. It is further understood that the security for this credit is the joint and several guarantee of the Belgian Bank Syndicate, consisting of seventy-seven leading banks, secured by the obligations of Belgian manufacturers to these banks in the form of acceptances or notes, and that the National Bank of Belgium, which is one of the banks included in the group guaranteeing the credit, will see that the

-7-

proceeds are used only to provide funds in America to purchase American supplies for the reestablishment of industrial operations, and that no part of this credit will be used for other than industrial and commercial purposes.

"The Board deems it unnecessary to approve or disapprove of the proposed terms to participants in the syndicate and to syndicate managers, and cannot, of course, make any engagement that the Federal Reserve Banks will discount or purchase the bills drawn and accepted under the proposed credit arrangement, but it will admit the eligibility of the bills so accepted and drawn in case the Federal Reserve Banks should desire to discount or purchase them.

Very truly yours,

W.P.G.HARDING,

Governor.

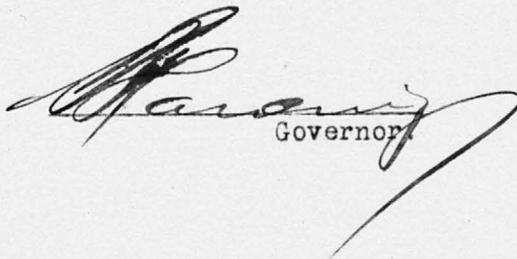
"Mr. Pierre Jay, Chairman,
Federal Reserve Bank,
New York."

Approved.

At 3:30 P.M., the meeting adjourned.


Secretary.

Approved:


Governor.