

At a meeting of the Executive Committee of the Federal Reserve Board held in the office of the Board on Thursday, December 11, 1919, at 11 A.M.,

PRESENT: The Governor
Mr. Miller
Mr. Williams
Mr. Chapman, Secretary.

Business was presented and disposed of as follows:

Letter dated December 10th from Frank R. Killingsworth, Messenger on the Board's staff, submitting his resignation to become effective at the pleasure of the Board.

Voted to accept, effective at close of business December 11, 1919.

The Governor read a letter addressed to him under date of December 10, 1919, by Assistant Secretary of the Treasury Leffingwell, containing a statement as to the status of the Treasury's financial operations, and advising that he did not wish the views expressed in his letter of November 29th addressed to the Board to stand in the way of any action which the Federal Reserve Board might now desire to take. The Governor stated that he had addressed to all Federal Reserve banks under date of December 10th, telegrams as follows:

Strong - New York.

Board believes that in order to discourage speculation and check loan expansion, it is necessary to use discriminating judgment in making discounts and advancements as provided in Section Four, and to have member banks understand that resources of system are

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not unlimited. Board realizes, however, that advances in rates constitute an important element in making member banks and their customers understand need of such discrimination and limitation. Treasury position at present is sufficiently favorable as to warrant abolition of preferential rates in favor of paper secured by Liberty bonds and Victory notes. Maintenance of four and one-half percent rate on Treasury certificates seems necessary to insure success of future certificate issues, but maintenance of this rate involves no great danger of expansion as that rate affords no profit to banks carrying certificates but on the contrary offers inducement to distribute certificates among taxpayers and other private investors. Treasury does not ask continuance of four and one-quarter percent rate on four and one-quarter percent certificates. In bringing these facts to your attention Board desires to say that if conditions in your district are such as to render desirable four and one-half percent rate on all certificates and abolition of the one-quarter percent differential in favor of rediscounts and advances secured by Liberty bonds and Victory notes, Board is prepared to approve such changes.

Morss - Boston.
Passmore - Philadelphia.
Wellborn - Atlanta.
Miller - Kansas City.
McDougal - Chicago.

Board believes that in order to discourage speculation and check loan expansion it is necessary to use discriminating judgment in making discounts and advances as provided in Section Four, and to have member banks understand that resources of system are not unlimited. Board realizes, however, that advances in rates constitute an important element in making member banks and their customers understand need of such discrimination and limitation. Treasury position at present is sufficiently favorable as to warrant abolition of preferential rates in favor of paper secured by Liberty bonds and Victory notes. Maintenance of four and one-half percent rate on Treasury certificates seems necessary to insure success of future certificate issues, but

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maintenance of this rate involves no great danger of expansion as that rate affords no profit to banks carrying certificates but on the contrary offers inducement to distribute certificates among taxpayers and other investors. Treasury does not ask continuance of four and one-quarter percent rate on four and one-quarter percent certificates. In bringing these facts to your attention Board desires to say that if conditions in your district are such as to render desirable four and one-half percent rate on all certificates, and abolition of the one-quarter percent differential in favor of rediscounts and advances secured by Liberty bonds and Victory notes, Board is prepared to approve such changes.

Fancher - Cleveland.

Board believes that in order to discourage speculation and check loan expansion it is necessary to use discriminating judgment in making discounts and advances as provided in Section 4, and to have member banks understand that resources of system are not unlimited. Board realizes, however, that advances in rates constitute an important element in making member banks and their customers understand need of such discrimination and limitation. Treasury position at present is sufficiently favorable as to warrant abolition of preferential rates in favor of paper secured by Liberty bonds and Victory notes. Maintenance of four and one-half percent rate on Treasury certificates seems necessary to insure success of future certificate issues, but maintenance of this rate involves no great danger of expansion as that rate affords no profit to banks carrying certificates but on the contrary offers inducements to distribute certificates among taxpayers and other private investors. Treasury does not ask continuance of four and one-quarter percent rate on four and one-quarter percent certificates. In bringing these facts to your attention Board desires to say that if conditions in your district are such as to render desirable four and one-half percent rate on all certificate paper, Board is prepared to approve such change. In making your recommendation you should consider effect of any proposed changes on market price of Liberty bonds and Victory notes.

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Seay - Richmond.

Board believes that in order to discourage speculation and check loan expansion it is necessary to use discriminating judgment in making discounts and advancements as provided in Section Four, and to have member banks understand that resources of system are not unlimited. Board realizes, however, that advances in rates constitute an important element in making member banks and their customers understand need of such discrimination and limitation. Treasury position at present is sufficiently favorable as to warrant abolition of preferential rates in favor of paper secured by Liberty bonds and Victory notes. Maintenance of four and one-half percent rate on Treasury certificates seems necessary to insure success of future certificate issues, but maintenance of this rate involves no great danger of expansion as that rate affords no profit to banks carrying certificates, but on the contrary offers inducement to distribute certificates among taxpayers and other private investors. Treasury does not ask continuance of four and one-quarter percent rate on four and one-quarter percent certificates. In bringing these facts to your attention Board desires to say that if conditions in your district are such as to render desirable four and one-half percent rate on all certificates and abolition of the one-quarter percent differential in favor of rediscounts and advances secured by Liberty bonds and Victory notes, Board is prepared to approve such changes. Board calls attention to the fact that you have still maintained four and one-half percent rate on member banks fifteen day collateral notes secured by eligible commercial paper as against four and three quarters percent rate for all other maturities. This difference in favor of fifteen day paper has led to abuses in other districts and should you recommend discontinuance Board would approve.

Biggs - St. Louis.

Board believes that in order to discourage speculation and check loan expansion it is necessary to use discriminating judgment in making discounts and advancements as provided in Section Four, and to have member banks understand that resources of system are not unlimited. Board realizes, however, that advances in rates constitute an important element in making member banks and their customers understand need of such

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discrimination and limitation. Treasury position at present is sufficiently favorable as to warrant abolition of preferential rates in favor of paper secured by Liberty bonds and Victory notes. Maintenance of four and one-half percent rate on Treasury certificates seems necessary to insure success of future certificate issues, but maintenance of this rate involves no great danger of expansion as that rate affords not profit to banks carrying certificates but on the contrary offers inducement to distribute certificates among taxpayers and other private investors. Treasury does not ask continuance of four and one-quarter percent rate on four and one-quarter percent certificates. In bringing these facts to your attention, Board desires to say that if conditions in your district are such as to render desirable four and one-half percent rate on all certificates and abolition of the one-quarter percent differential in favor of rediscounts and advances secured by Liberty bonds and Victory notes, Board is prepared to approve such changes. Board calls attention to the fact that you still maintain four and one-half percent rate on fifteen day member bank collateral notes and on fifteen day rediscounts of eligible commercial paper against four and three quarters percent rate for all other maturities. This difference in favor of fifteen day paper has led to abuses in other districts, and should you recommend discontinuance Board would approve.

Young - Minneapolis.

Board believes that in order to discourage speculation and check loan expansion it is necessary to use discriminating judgment in making discounts and advancements as provided in Section Four, and to have member banks understand that resources of system are not unlimited. Board realizes, however, that advances in rates constitute an important element in making member banks and their customers understand need of such discrimination and limitation. Treasury position at present is sufficiently favorable as to warrant abolition of preferential rates in favor of paper secured by Liberty bonds and Victory notes. Maintenance of four and one-half percent rate on Treasury certificates seems necessary to insure success of future certificate issues, but maintenance of this rate involves no great danger of expansion as that rate affords no profit to banks carrying certificates but on the contrary offers inducement to distribute certificates

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among taxpayers and other private investors. Treasury does not ask continuance of four and one-quarter percent rate on four and one-quarter percent certificates. In bringing these facts to your attention Board desires to say that if conditions in your district are such as to render desirable four and one-half percent rate on all certificates and abolition of the one-quarter percent differential in favor of rediscounts and advances secured by Liberty bonds and Victory notes, Board is prepared to approve such changes. Board calls attention to fact that you still maintain four and one-half percent rate on member banks fifteen day notes and fifteen day rediscounts secured by eligible commercial paper as against four and three quarters and five percent rate for all other maturities. This difference in favor of fifteen day paper has led to abuses in other districts and should you see fit to recommend discontinuance Board would approve.

VanZandt - Dallas.

Board believes that in order to discourage speculation and check loan expansion it is necessary to use discriminating judgment in making discounts and advancements as provided in Section Four, and to have member banks understand that resources of system are not unlimited. Board realizes, however, that advances in rates constitute an important element in making member banks and their customers understand need of such discrimination and limitation. Treasury position at present is sufficiently favorable as to warrant abolition of preferential rates in favor of paper secured by Liberty bonds and Victory notes. Maintenance of four and one-half percent rate on Treasury certificates seems necessary to insure success of future certificate issues, but maintenance of this rate involves no great danger of expansion as that rate affords no profit to banks carrying certificates but on the contrary offers inducement to distribute certificates among taxpayers and other private investors. Treasury does not ask continuance of four and one-quarter percent rate on four and one quarter percent certificates. In bringing these facts to your attention Board desires to say that if conditions in your district are such as to render desirable four and one-half percent rate on all certificates and abolition of the one-half percent differential in favor of rediscounts and advances secured by Liberty bonds and Victory notes, Board is prepared to approve such changes.

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Calkins - San Francisco.

Board believes that in order to discourage speculation and check loan expansion it is necessary to use discriminating judgment in making discounts and advances as provided in Section Four, and to have member banks understand that resources of system are not unlimited. Board realizes, however, that advances in rates constitute an important element in making member banks and their customers understand need of such discrimination and limitation. Treasury position at present is sufficiently favorable as to warrant abolition of preferential rates in favor of paper secured by Liberty bonds and Victory notes. Maintenance of four and one-half percent rate on Treasury certificates seems necessary to insure success of future certificate issues, but maintenance of this rate involves no great danger of expansion as that rate affords no profit to banks carrying certificates but on the contrary offers inducement to distribute certificates among taxpayers and other private investors. Treasury does not ask continuance of four and one-quarter percent rate on four and one-quarter percent certificates. Board brings these facts to your attention and if condition in your district render desirable four and one-half percent rate on all certificates and discontinuance of the one-quarter percent differential in favor of rediscounts and advances secured by Liberty bonds and Victory notes, Board is prepared to approve changes. Board calls attention to fact that you still maintain four and one-half percent rate on fifteen day member banks collateral notes and fifteen-day rediscounts secured by eligible commercial paper as against five percent rate for all other maturities. This difference in favor of fifteen day paper has led to abuses in other districts, and should you see fit to recommend discontinuance, Board would approve. In making your recommendation you should consider effect of any proposed changes on market price of Liberty bonds and Victory notes.

Telegram dated December 11th from the Federal Reserve Bank of New York in response to the Board's telegram of December 10th, recommending approval of the following rates, effective at the pleasure of the Bank:

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Advances not exceeding 15 days to member banks on their promissory notes secured by certificates of indebtedness..... 4-1/2%

Same, secured by Liberty bonds, Victory notes and customers notes secured by either Liberty bonds or Victory notes..... 4-3/4%

Same, secured by eligible commercial paper. 4-3/4%

Notes, drafts and bills of exchange having maturity at time of rediscount of not more than 90 days including rediscounts, for periods not exceeding 15 days, of eligible paper having maturity at time of rediscount of more than 15 days 4-3/4%

Notes, drafts and bills of exchange having maturity not in excess of 90 days secured by Liberty bonds or Victory notes..... 4-3/4%

Trade acceptances and bankers' acceptances having maturity at time of rediscount of not more than 90 days..... 4-1/2%

Agricultural paper having maturity at time of rediscount of more than 90 days but not more than six months..... 5%

Approved.

Telegram dated December 11th from the Federal Reserve Bank of Richmond in response to the Board's telegram of December 10th, recommending approval of the following rates, effective December 15th:

Member banks collateral notes and customers notes secured only by U.S. Treasury certificates, one to 90 days..... 4-1/2%

Member banks collateral notes and customers notes secured by Liberty bonds or Victory notes, one to 90 days..... 4-3/4%

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Member banks collateral notes and customers notes secured by War Finance Corporation bonds, one to 90 days..... 5-3/4%

Member banks collateral notes secured by eligible paper, one to 15 days..... 4-3/4%

Trade acceptances, one to 90 days..... 4-1/2%

Commercial paper one to 90 days..... 4-3/4%

Agricultural or livestock paper, one to 90 days..... 4-3/4%

91 days to six months..... 5%

Approved.

(At this point Mr. Harrison joined the meeting)

Mr. Harrison read to the Board, draft of letter prepared by him under date of December 11th for signature by the Governor, addressed to the Scandinavian-American Bank of Seattle, Washington, cancelling the membership of that institution in the Federal Reserve Bank of San Francisco.

Voted to approve the letter as submitted.

Voted further, that the Governor telegraph Mr. Perrin, advising of the forwarding of the letter to be delivered to the member bank, unless new facts or circumstances develop at the conference to be held with representatives of the member bank on December 14th which should appear to Mr. Perrin to justify an extension of the period for cancellation of membership.

(At this point Mr. Harrison withdrew from the meeting).

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Letter dated December 8th from the Governor, Federal Reserve Bank of San Francisco, requesting that the Assistant Treasurer at San Francisco be instructed to cease paying out \$5 and \$10 gold pieces wherever it is possible to pay out \$20 gold pieces in lieu thereof.

Referred to the Governor for transmission to proper authorities of the Treasury Department.

On motion duly seconded, it was voted that the Governor be authorized to make public a statement of the Board's policy in withholding at this time, authority to Federal Reserve banks to engage in the erection of new bank buildings.

Letter dated December 9th from Assistant Federal Reserve Agent Nevin at Cleveland, in response to the Board's letter of November 19th (X-1728) advising that the Guardian Savings & Trust Company and the Cleveland Trust Company, both of Cleveland, Ohio, due to a change in their policy in soliciting commercial business, may now be considered as being in substantial competition with national banks.

Referred to General Counsel for report on permissions granted under the terms of the Clayton Act affecting directors of the institutions named.

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Letter dated December 8th from the Governor, Federal Reserve Bank of New York, submitting for approval, schedule of recommendations of salaries of officers and employees of that Bank, effective January 1, 1920.

Referred to Mr. Paddock for report.

Letter dated December 8th from Consulting Architect Trowbridge, submitting expense accounts of himself and Mr. Ten Eyck, incident to conference on vault testing.

Referred to the Secretary for report.

Report of discount rates at the various Federal Reserve banks; no changes recommended.

Noted.

The Governor reported rediscount transactions, pursuant to authority heretofore vested in him; member bank promissory notes secured by Government obligations, rate 4-1/2%, as follows:

<u>Date</u>	<u>Bank Redis-</u> <u>counting</u>	<u>With</u>	<u>Amount</u>	<u>Maturities</u>
Dec. 8th	Philadelphia	Chicago	\$3,000,000	11-15 days
"	Philadelphia	Dallas	5,000,000	"

Noted.

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Letter dated December 8th from the Federal Reserve Agent at Philadelphia, requesting approval of the payment of additional compensation to the employees of his department for the current period upon the same basis as paid to the employees of the Federal Reserve Bank of Philadelphia.

Approved.

Letter dated December 6th from the Federal Reserve Agent at Boston, submitting for approval the following schedule of extra compensation to be paid to employees of that Bank, for the six month period ending December 31, 1919:

40% on compensation under \$500.
 30% on compensation of \$500 and under \$1,000.
 20% on compensation of \$1,000 and under
 \$2,500.

Approved.

Memorandum by Mr. Paddock dated December 9th, recommending approval of organization chart of the Federal Reserve Bank of Philadelphia.

Tabled for meeting of the Board to be held on Friday, December 12th.

REPORTS OF COMMITTEE NO. 1:

Dated Dec. 10th, recommending changes in stock at Federal Reserve banks as set forth in auxiliary minute book as of this date.

Approved.

Dated Dec. 10th, recommending action on applications for fiduciary powers, as set forth in auxiliary minute book as of this date.

Approved.

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On motion duly seconded it was voted that at the meeting of the Board to be held at 11 A.M., on Wednesday, December 17th, special order business be made of the questions of election of Class C directors of Federal Reserve banks and directors of branches of Federal Reserve banks appointed by the Federal Reserve Board, whose terms expire on December 31, 1919, and increases of salaries of officers and employees of the Federal Reserve Board and Federal Reserve banks.

Letter dated December 9th from the Chairman, Federal Reserve Bank of St. Louis, advising that the County of Humphreys, Mississippi, has been created by assigning to such county, territory heretofore lying within Hume, Sunflower and Washington Counties (now assigned to the Eighth Federal Reserve District), and Sharkey and Yazoo Counties (now assigned to the Sixth Federal Reserve District), and requesting advice as to what steps should be taken with respect to the assignment of the newly created county.

Referred to the Secretary for report.

Memorandum by Mr. Paddock dated December 10th, in re application of the First National Bank, Emporium, Pennsylvania, for fiduciary powers.

Referred to the committee for report.

At 12-30 P.M., the meeting adjourned.


Secretary.

Approved:


Governor.