

At a meeting of the Executive Committee of the Federal Reserve Board, held in the office of the Board on Wednesday, December 31, 1919, at 3 P.M.,

PRESENT: The Governor
Mr. Strauss
Mr. Hamlin
Mr. Chapman, Secretary.

Business was presented and disposed of as follows:

Memorandum by General Counsel dated December 31st, recommending that the Board defer until the middle of February the institution of the new method of calculating reserves prescribed in its letter (X-1766). After consideration, the Board took cognizance of the accounting difficulties incident to the inauguration of the new method, and, on motion duly seconded, it was

Voted that the Governor be authorized to send the following telegram to all Federal Reserve banks:

"In further reference to Board's letter of December 20, 1919 (X-1766), you are advised that adoption of new method of determining reserves is deferred until February 12th unless otherwise indicated by the Board prior to that time".

Telegram dated December 31st from the Chairman, Federal Reserve Bank of Philadelphia, requesting approval of discount rate of 4-3/4% for member bank collateral notes secured by certificates of indebtedness and rediscounts of bills secured by certificates of indebtedness for all maturities, effective January 2, 1920.

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Approved.

Telegram dated December 31st from the Chairman, Federal Reserve Bank of Richmond, requesting approval of discount rate of 4-3/4% on paper of all maturities secured by Treasury certificates of indebtedness, regardless of rate borne by certificates, and also on all classes of paper including trade and bankers acceptances up to ninety days, effective January 5, 1920.

Approved.

Telegram dated December 31st from the Chairman, Federal Reserve Bank of Boston, requesting approval of additional rate of 4-3/4% on member bank collateral notes and rediscounted notes secured by 4-3/4% certificates of indebtedness, effective January 2, 1920.

The Governor was authorized to send the following telegram in reply:

"Board is opposed in principle to further continuance of preferential rates and suggests that you fix flat rate 4-3/4% on paper all maturities secured by certificates of indebtedness without reference to rate borne by certificates."

Telegram dated December 31st from the Chairman, Federal Reserve Bank of Dallas, requesting permission to defer action on the question of discount rates until the next meeting of the directors of that Bank on January 6, 1920.

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The Governor was authorized to send the following telegram in reply:

"Board will not insist upon rate action by your directors but would suggest that you watch situation closely and have executive committee take action if it should become necessary. Board wishes to impress upon you the necessity of keeping tight control over discount situation in approaching period of easy money which is essentially strategic time for getting Federal Reserve rates up to or higher than market rates."

Telegram dated December 31st from the Governor, Federal Reserve Bank of Minneapolis, requesting approval of the following discount rates, effective January 2, 1920:

Member bank collateral notes secured by
Treasury certificates of indebtedness,
15 days maturity..... 4-3/4%

Customers notes rediscounted, secured by
Treasury certificates of indebtedness,
one to sixty days..... 4-3/4%
Sixty one to ninety days..... 5%

The Governor was authorized to send the following telegram in reply:

"Rates suggested your telegram are approved. Board hopes you will make rate on trade acceptances 4-3/4% all maturities so that rates on this class of paper may not be out of line".

Telegram dated December 31st from the Governor, Federal Reserve Bank of Kansas City, requesting approval of the following discount rates:

Paper secured by certificates of indebtedness
regardless of rate borne by certificates 4-3/4%

Commercial and agricultural paper of all ma-
turities up to 90 days..... 5-1/2%

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Agricultural paper, 90 days to six months. 6%

The Governor was authorized to send the following telegram in reply:

"Board feels that as a matter of principle preferentials should be abolished as far as possible. It does not feel justified in approving at present rate of 5-1/2% on paper secured by Government obligations but would have no objection to approving rate of 5% on paper secured by certificates of indebtedness, thus putting such paper on parity with paper secured by bonds and with commercial paper. Can you not with this schedule of rates control credit conditions in your district during the immediate future without further changes?"

Letter dated December 22d from the Vice President of the National Union Bank, Jackson, Michigan, inquiring whether or not a national bank authorized by the Board to exercise fiduciary powers may take a mortgage on city real estate running more than one year, the bank to act as trustee under the mortgage, and to resell to the public, bonds secured by such mortgage.

The Governor submitted for approval, draft of reply by him dated December 31st.

Approved as amended.

Letter dated December 19th from the Secretary, Federal Reserve Bank of Chicago, submitting for approval suggested by-laws to govern the operations of the Detroit Branch of that Bank, together with memorandum by General Counsel

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dated December 31st, recommending approval upon amendment by inserting after the words "Nonmember clearing banks" in sub-paragraph (b) of section 3 the following words: "Located in the southern peninsula of Michigan", and that at the end of the paragraph the following words be added: "Except as otherwise herein provided".

Approved.

Letter dated December 24th from the Chairman, Federal Reserve bank of San Francisco, submitting for approval schedule of salary of officers and employees of that Bank and its branches, effective January 1, 1920.

Approved.

The Governor reported the reserve positions of the several Federal Reserve banks as at close of business December 29th, and the status of rediscounts between Federal Reserve banks as of the same date.

Applications of the following banks for permission to accept drafts and bills of exchange up to 100% of their capital and surplus under the provisions of Section 13 of the Federal Reserve Act:

Bank of America, New York, N. Y.
National Bank of Commerce, Providence, R.I.

Approved.

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REPORTS OF COMMITTEE NO. 1:

Dated Dec. 31st, recommending that application of Williams County State Bank, Williston, N.D., for membership in the Federal Reserve System be suspended pending receipt of the report of another examination of that bank.

Approved.

Dated Dec. 31st, 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.

Dated Dec. 30th, recommending action on application of J. Henry Drury to serve at the same time as a director of the Merchants National Bank of Worcester, Mass., and the Millers River National Bank, Athol, Mass.

Approved.

Dated Dec. 30th, recommending action on application of Frank W. Hubbard to serve at the same time as a director of the Citizens National Bank, and the Jamaica Plain Trust Company, both of Boston, Mass.

Approved.

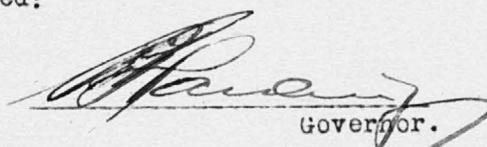
Dated Dec. 31st, recommending approval of salary of \$10,000 per annum for Mr. S. G. Sargent, Chief Examiner and Assistant Federal Reserve Agent, Federal Reserve Bank of San Francisco, effective January 1, 1920.

Approved.

At 4-15 P.M., the meeting adjourned.


Secretary.

Approved:


Governor.