

At a special meeting of the Federal Reserve Board
held in the office of the Board on Tuesday, January 6, 1920,
at 3-45 P.M.,

PRESIDENT: The Governor
Mr. Strauss
Mr. Miller
Mr. Hamlin
Mr. Moehlenpach
Mr. Williams
Mr. Chapman, Secretary.

Business was presented and disposed of as follows:

The Governor stated that subsequent to the session of the Board with the representatives of clearing house associations in the auditorium of the Department of the Interior this morning, he had been requested by the clearing house representatives to attend their afternoon session for the purpose of receiving the following resolutions adopted by that meeting:

"WHEREAS The Federal Reserve Board has invited the representatives of the clearing houses from various parts of the country, here assembled, to attend a conference in regard to the interest rates paid on deposits throughout the country, and Governor Harding of the Federal Reserve Board has outlined very clearly the present financial situation and the probability of advances in rates by the Federal Reserve Banks, and

"WHEREAS it is the opinion of the conference that the present method in several of the larger centers of the country of regulating interest on bank balances, by a sliding scale, based upon the ninety-day Federal Reserve Bank discount rate, is not wholly satisfactory, and

"WHEREAS until more satisfactory regulations are adopted governing the rates of interest to be paid on balances it is most important that existing regulations should not be abrogated, and

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"WHEREAS it is the opinion of this conference that the Federal Reserve Banks should always be free to establish their rates of discount without reference to any clearing house regulations as to the payment of interest, and

"WHEREAS it is the opinion of this conference that the payment of high rates of interest on bank or commercial balances is unsound and is bad banking, and that every effort should be made to avoid such a practice,

"NOW THEREFORE in order to make progress along safe and conservative lines, it is requested that the Federal Reserve Board invite the Clearing houses in each Federal Reserve City to select three (3) representatives from its Federal Reserve district to attend a meeting to be held on or about the 23d day of January, 1920, at Chicago, Illinois, to consider this whole question of interest on balances in order that some basis may be agreed upon that will be mutually satisfactory, conducive to conservative banking and benefit the entire business and banking community."

The Governor added that it had been suggested at the meeting by some of the clearing house representatives that if the Federal Reserve Board concurred in their request to call a conference in Chicago on January 23d, it would be desirable to postpone further changes in discount rates until there had been an opportunity following such conference for the various clearing houses affected to consider such plan as the conference might evolve. The Governor stated that he had advised the clearing house representatives, of course, that he was without authority to undertake to bind the Board in this respect, and did not believe that the Board would be willing to be so bound. The Governor added that the clearing house representatives had suggested to him that the Board request

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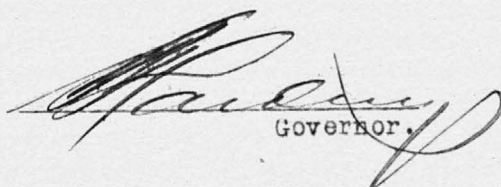
the clearing house associations of Boston, New York, Chicago, St. Louis and New Orleans to consider whether it would not be practicable to suspend their rules requiring changes in rates of interest allowed on bank balances to fluctuate automatically with changes in the Federal Reserve bank discount rate and permit same to remain stationary at the present level until, say, February 15th.

On motion duly seconded the Governor was authorized to take such steps as he might deem necessary to transmit the request of the clearing house representatives through the Federal Reserve banks to clearing houses located in Federal reserve cities, and to communicate to the clearing houses of Boston, New York, Chicago, St. Louis and New Orleans the suggestion of the Board that no changes in rates allowed on deposits be made pending a report of the result of the conference suggested to be held in Chicago on January 23d.

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


Secretary.

Approved:


Governor.