At a meeting of the Federal Reserve Board held in the office of the Board on Thursday, March 11, 1920, at 12:35 P.M.,

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

Business was presented and disposed of as follows:

The Governor stated that the United States Grain Corporation was anxious to secure a settlement of its account with the Federal Reserve Bank of New York for the German gold purchased by that bank from the Grain Corporation.

Referred to the Governor with power.

The Governor reported rediscount transaction, pursuant to authority heretofore vested in him; member bank promissory notes secured by Government obligations, rate 5½% on paper secured by Liberty bonds and Victory notes, as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Bank Rediscounting</th>
<th>With Bank</th>
<th>Amount</th>
<th>Maturities</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 5th</td>
<td>New York</td>
<td>Boston</td>
<td>$20,000,000</td>
<td>15 days</td>
</tr>
</tbody>
</table>

Noted.

The Governor reported the reserve positions of the several Federal Reserve Banks as at close of business March 9th, and the status of rediscounts between Federal Reserve Banks as of the same date.
The Governor suggested that, in the interest of economy, the Federal Reserve Bulletin be made a bi-monthly instead of a monthly publication.

Referred to the Bulletin Committee for report and recommendation.

REPORTS OF COMMITTEE NO. I:

Dated March 11th, submitting the resignation of Mr. Markley Bethea, effective at 12 M., March 11, 1920.

Accepted.

Dated March 11th, recommending the appointment of Mr. E. M. McClelland as stenographer, at a salary of $1,800 per annum, effective March 15, 1920.

Approved.

Dated March 10th, recommending the appointment of Miss Florence E. Smith as key-punch operator in the Division of Reports and Statistics, at a salary of $960 per annum plus bonus of $240, effective at such date as Miss Smith assumes duty.

Approved.

Other business was presented and disposed of as follows:

Memorandum by Mr. Emerson dated March 11th, recommending that the six telegraph operators in the Board's telegraph office be placed on an eight-hour basis and their salaries increased $15 a month each, from $150 to $165, effective March 15, 1920.

Approved.

Memorandum by Mr. Emerson dated March 11th, recommending
authorization for cutting the present New York-Chicago
duplex wire and relaying all business in the Washington
office; and further recommending authorization for the
employment of two additional telegraph operators in the
Washington office, at salaries of $150 per month each.

Approved.

At this point (1 o’clock P.M.) the Board went into
executive session.

Executive Session.

The Chairman joined the meeting at the beginning of
the Executive Session.

Mr. Strauss stated that he was advised that, in recom-
mending an increase in its discount rates on bankers ac-
ceptances and paper secured by United States certificates
of indebtedness, the Federal Reserve Bank of New York did
so upon the assumption that the pending issue of United
States certificates of indebtedness would bear interest at
the rate of 5%, instead of the 4-3/4% rate that such certi-
ficates bear. He presented an extract from the minutes of
the meeting of the Board of Directors of the Federal Re-
serve Bank of New York held on March 3d, as transmitted to
his secretary by Mr. Jay over the telephone.

Ordered that the extract from the minutes of
the meeting of the Board of Directors of the Federal
Reserve Bank of New York be spread upon the minutes of this meeting.

"Mr. Case stated that he had communicated to Governor Harding the views of the Board as expressed at the last regular meeting with respect to the desirability of establishing a 5-1/4% discount rate for certificates of indebtedness in view of the desirability of a 5% rate on the forthcoming issue of certificates, and for bankers acceptances, and that Governor Harding had subsequently stated to him that the Board was disposed to consider favorably the establishment by this Bank of such a rate.

"Whereupon, after consideration, and on motion duly made and seconded it was -

"Voted: subject to the review and determination of the Federal Reserve Board, to establish the following rates of discount:

"For advances not exceeding 15 days secured by bankers acceptances, and for rediscounts of same, not exceeding 90 days, 5-1/4%;

"For advances not exceeding 15 days secured by United States Treasury certificates of indebtedness, and for rediscounts of customers' notes so secured, not exceeding 90 days, 5-1/4%;

"And that no other changes be made in the existing rates of discount."

The Governor stated that Mr. Case had informed him that an increase in the rate on paper secured by certificates during the process of placing such certificates would have a detrimental effect upon their placement.

Mr. Strauss moved that the Board take from the table the motion made by the Governor at the meeting of the Board on March 9th, relating to the recommendations of increases in discount rates received from the Federal Reserve Banks of Boston, New York and Cleveland. Motion carried.
Mr. Strauss thereupon moved that the pending motion by the Governor be amended by substituting therefor the following:

"Moved that the schedule of rates submitted by the Federal Reserve Bank of New York, providing for an increase from 5% to 5-1/4% in the discount rates on certificates of indebtedness and acceptances, be not approved."

Motion to amend carried. Mr. Miller not voting. In explanation of his not voting, Mr. Miller stated that he refrained from voting in view of the statement made to the Governor by the Acting Governor of the Federal Reserve Bank of New York, to the effect that any advance in the discount rate on paper secured by United States certificates of indebtedness while such certificates were in the process of placement would, in his judgment, have a detrimental effect upon the placement.

Mr. Strauss moved that the rates of 5-1/4% on paper secured by certificates of indebtedness and 5-3/4% on paper secured by Liberty Bonds and Victory Notes, recommended by the Federal Reserve Bank of Cleveland, be not approved.

Motion carried.

Mr. Strauss moved that the rate of 5-1/2% on bankers acceptances, recommended by the Federal Bank of Boston, be not approved.

Motion carried.

Mr. Hamlin moved that the Governor be requested to consult with the Federal Reserve Banks of Boston and New York with respect to the acceptance situation, and to secure from them new recommendations, in view of the now known rate borne by United States certificates of indebtedness.

Motion carried.
The Governor stated that it was quite likely that the Federal Reserve Bank of New York would be short in its reserves today, and requested advice as to whether or not it was the desire of the Board to arrange the necessary rediscounts to keep the reserves of that bank up to the minima required by law, or to permit such reserves to fall below such minima and to impose a penalty upon deficiencies.

On motion duly seconded, it was voted that the Board permit or require for the Federal Reserve Bank of New York whatever rediscounts may be necessary during the course of the present week to keep the reserves of that bank at or above the minima prescribed by law.

On motion duly seconded, it was voted that the Governor report to the Board what penalty should be imposed upon Federal Reserve Banks deficient in their reserves against deposit liabilities.

On motion duly seconded, it was voted that General Counsel be instructed to advise the Board whether, in calculating penalties on deficiencies in reserves, such penalties should be calculated on the basis of the reserves held before or after rediscounting.

On motion duly seconded, it was voted that General Counsel be instructed to give the Board an opinion as to whether, in imposing penalties on deficiencies in reserves, such penalties should be calculated upon a daily basis or upon an average basis.

At 1:45 P.M. the meeting adjourned.

Approved:

Secretary.

Governor.