

At a meeting of the Executive Committee of the Federal Reserve Board held in the office of the Board on Wednesday, August 25, 1920, at 11-15 A.M.,

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

Minutes of meeting of the Board held August 24th were read, and on motion approved.

Business was presented and disposed of as follows:

The Governor reported the reserve positions of the several Federal Reserve Banks as at close of business August 23d, and the status of rediscounts between Federal Reserve Banks as of the same date.

The Governor reported rediscount transaction, pursuant to authority heretofore vested in him; member bank promissory notes secured by Government obligations: rate 6% on commercial paper, as follows:

| <u>Date</u> | <u>Bank Redis-</u><br><u>counting</u> | <u>With</u> | <u>Amount</u> | <u>Maturities</u> |
|-------------|---------------------------------------|-------------|---------------|-------------------|
| Aug. 24th   | Atlanta                               | Cleveland   | \$762,500     | 11-15 days        |

Noted.

The Governor reported rediscount transaction, pursuant to authority heretofore vested in him; member bank promissory notes secured by Government obligations: rate 5 $\frac{1}{2}$ %

-2-

on paper secured by certificates of indebtedness, and 6% on paper secured by Liberty bonds and Victory notes, as follows:

| <u>Date</u> | <u>Bank Redis-</u><br><u>counting</u> | <u>With</u> | <u>Amount</u> | <u>Maturities</u> |
|-------------|---------------------------------------|-------------|---------------|-------------------|
| Aug. 23d    | St. Louis                             | Boston      | \$3,000,000   | Within 15 days    |

Noted.

The Governor read a letter addressed to him under date of August 24th by the Acting Governor of the Federal Reserve Bank of New York, commenting favorably upon the effect in the Second Federal Reserve District of increased Federal Reserve Bank discount rates.

Noted.

Letter dated August 23d from the Chairman, Federal Reserve Bank of Richmond, requesting approval of the appointment of Mr. James W. McElroy as one of the field representatives of the Baltimore Branch of that Bank at a salary of \$2,400 per annum, effective August 16, 1920.

Approved.

Memorandum dated August 24th by Mr. Emerson requesting instructions as to subscription prices to be charged for the Federal Reserve Bulletin published in two editions as at present.

On motion duly seconded, it was voted that the subscription price of the first

-3-

edition of the Bulletin be fixed at \$1.50 per annum, and the second edition (containing detailed analyses of business conditions, etc.) at \$4.00 per annum, regardless of the number of subscriptions filed by particular individuals or institutions.

REPORTS:

Dated Aug. 24th, recommending changes in stock at Federal Reserve Banks, as set forth in the auxiliary minute book as of this date.

Other business was presented and disposed of as follows:

The Governor referred to the condition of the Merchants National Bank of Raleigh, North Carolina, as reported to the Board orally by the Comptroller of the Currency, and read to the meeting a telegram addressed to him by the Chairman of the Federal Reserve Bank of Richmond stating that inasmuch as its only reason for refusing to rediscount for the member bank paper endorsed by non-member banks is a constructive anticipated refusal based upon its warning of a year or more ago that if a member bank, while heavily indebted to the Federal Reserve Bank, should discount paper for a non-member bank and subsequently offer the paper to the Federal Reserve Bank for rediscount, the Reserve Bank would be compelled to assume that the paper was taken by the member bank in anticipation of probable, if not certain, necessity of rediscounting it with

-4-

the Federal Reserve Bank; so that it would come within the provisions of Section 19 of the Federal Reserve Act, and the Federal Reserve Bank could not take such paper without the permission of the Federal Reserve Board. The Governor stated that he was informed by the officers and directors of the member bank that if the Federal Reserve Bank would take over paper held by the member bank endorsed by non-member banks, it would be put in position to meet its present situation. He stated further, that in view of the fact that the member bank was the depositary of a large number of small country bank correspondents, its failure would fall heavily upon such correspondents, and precipitate demands for loans on the Federal Reserve Bank very much larger in volume than the loans necessary to enable the member bank to work out its present emergency. He added that as the present is the eve of a liquidation period in the territory of the member bank, it was reasonable to expect that a prompt readjustment might be had of its affairs.

Thereupon, on motion duly seconded, it was resolved that, upon the assumption that the Governor has been correctly informed of the circumstances, the Federal Reserve Board hereby grants to the Federal Reserve Bank of Richmond for the purpose of working out the problem now confronting it with respect to its member bank, the Merchants National Bank of Raleigh, North

-5-

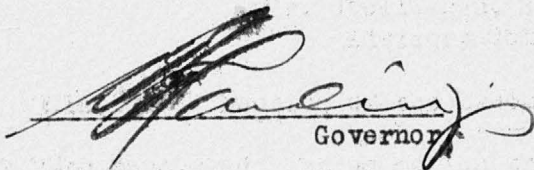
Carolina, permission to rediscount for such member bank, any paper by it deemed eligible and good, regardless of the fact that it was taken for, and bears the endorsement of, a non-member bank.

At 1 P.M., the meeting adjourned.



Secretary.

Approved:

  
Governor