

A meeting of the Federal Reserve Board was held in the office of the Board on Wednesday, February 2, 1921, at 11:20 a.m.

PRESENT: Governor Harding
 Mr. Platt
 Mr. Hamlin
 Mr. Miller
 Mr. Wills
 Mr. Williams
 Mr. Hoxton, Secretary.

Minutes of the meeting of the Board held February 1st were read, and on motion, approved, as amended.

The Governor reported the reserve positions of the several Federal Reserve banks as at close of business January 30th, and the status of rediscounts between the Federal Reserve banks as of the same date.

The Governor reported rediscount transactions, member bank promissory notes secured by Government obligations, rate 7% as follows:

<u>Date</u>	<u>Bank redis-</u> <u>counting</u>	<u>With</u>	<u>Amount</u>	<u>Maturities</u>
Jan. 31	Minneapolis	Boston	\$1,000,000	11-15 days
Jan. 31	Atlanta	Cleveland	700,000	do

Letter dated January 29th, from the Chairman of the Federal Reserve Bank of Kansas City, transmitting action of the Board of Directors of that bank, involving a change in the application of the progressive rate of discount, whereby the Federal Reserve Bank will discontinue the rate progression when the rate applying against a member bank shall reach 12%, and providing

that when such a point is reached the Federal Reserve Bank of Kansas City will only in exceptional cases make further advances to such member bank. Mr. Williams moved that the maximum rate of progression in the Kansas City District be limited to 10%, which motion was lost, Mr. Williams voting "aye" and Messrs. Harding, Platt, Hamlin, Miller and Wills voting "no". Mr. Wills moved that the action taken by the Board of Directors of the Federal Reserve Bank of Kansas City, as advised in Mr. Ramsay's letter of January 29th, be allowed to stand.

Carried, Mr. Platt voting "no".

Mr. Wills suggested that Governor Harding secure an expression of opinion from the Federal Reserve Bank of Kansas City as to the advisability of entirely abolishing the progressive discount rate.

Governor Harding stated that the next thing in order would be consideration of the motion submitted by Mr. Williams at the meeting of yesterday, as follows:

BE IT RESOLVED, that it is the sense of this Board that the application of progressive rates in all districts where they are now in effect should be suspended until further action by this Board, so far as said plan permits the charge of any rate in excess of 10% per annum on any loans or discounts made by reserve banks to member banks.

The motion being put was lost, Mr. Williams voting "aye" and Messrs. Harding, Platt, Hamlin, Miller and Wills voting "no".

Memoranda dated February 1st and 2d, from Mr. Smead and Mr. Hoxton, reporting upon the matter of penalties for reserve deficiencies, with special reference to the telegram of February 1st from the Chairman of the Federal Reserve Bank of Atlanta, transmitting the recommendation of that bank that the progressive penalty assessed against member banks for reserve deficiencies be so modified that the penalty rate will not progress beyond 11% above the discount rate for commercial paper. Mr. Williams moved to modify so that no penalty shall be allowed to exceed 10%. Motion lost: Mr. Williams voting "aye", and Messrs. Harding, Platt, Hamlin, Miller and Wills voting "no".

Upon motion, the recommendation of the Federal Reserve Bank of Atlanta, as made in the telegram of February 1st, was approved.

Governor Harding was requested to notify all Federal Reserve banks to send to the Comptroller of the Currency and to the Chief Examiner of the respective districts, periodical lists of National banks penalized for deficient reserves, including the amount of deficiency and the amount of penalty, and upon motion of Mr. Miller, duly seconded and carried, the Governor was also requested to write a letter to the Comptroller of the Currency, formally calling his attention to this action by the Board, so that the Comptroller may be in a position to enforce the section of the law forbidding National banks, when their reserves are impaired, to make new loans or declare dividends.

During the discussion of the matter of deficient reserves of National banks, Mr. Williams read to the Board a letter upon this subject, recently addressed by him to the Board of Directors of the National Bank of Cleveland, Cleveland, Texas.

Letter dated January 29th, from the Director of the Division of Analysis & Research, requesting permission of the Board to give out preliminary statements of certain data received by that Division.

Approved.

Letter dated January 31st, from the Director of the Division of Analysis & Research, recommending that the proposed conference upon monthly business reports be held in Washington on February 21st and 22d, and making suggestions as to the details of such conference.

Referred to Messrs. Platt, Miller and Wills, with power.

Letter dated January 31st, from Mr. J. A. Broderick, Vice President of the National Bank of Commerce in New York, stating that it will be impossible for him to accept the nomination of the Federal Reserve Board to serve as the American member of the Cuban Commission on Insolvent Banks.

Upon motion of Mr. Platt, duly seconded, Governor Harding was requested to invite Mr. Oscar Wells, of Birmingham, Alabama, to accept the appointment.

Draft of letter dated February 1st, addressed to the Chairman of the Committee on Banking & Currency of the House of

Representatives, with reference to Senate Bill #4666, providing for the discount of cotton factors paper.

Approved, with the understanding that the letter will be amended by inserting the word "present" before the words "harmful effect".

Governor Harding stated that the next thing in order would be the first motion offered by Mr. Williams at the meeting of the Board on January 25th, with reference to the discount plan proposed by the Federal Reserve Bank of Atlanta in the resolution of its Board of Directors dated July 9, 1920.

Upon motion of Mr. Miller, the motion referred to was ordered laid upon the table.

Telegram dated February 2d, from the Chairman of the Federal Reserve Bank of Philadelphia, stating that the Board of Directors of that bank, subject to the review and determination of the Federal Reserve Board, had established a new maximum rate of $5\frac{1}{2}\%$ for loans and rediscounted bills secured by United States Treasury Certificates of Indebtedness, except when secured by certificates bearing a rate of interest in excess of $5\frac{1}{2}\%$, when the rate of discount is to be the same as the rate borne by the certificates.

Approved.

Letter dated February 1st, from the Chairman of the Federal Reserve Bank of Richmond, advising of the appointment in the Examination Department of that bank of Mr. J. M. Strong, at a

salary of \$2,760 per annum, and Mr. H. M. Gordon, at a salary of \$2,640 per annum.

Approved.

Memorandum dated January 31st, from Mr. Herson, advising that in the course of the examination of the Federal Reserve Bank of Kansas City, it developed that while advances to member banks secured by Liberty Bonds and Victory Notes borrowed are included in the general credit structure, the application of the progressive rates is waived in such instances.

Noted.

Telegram dated February 2d, to the Manager of the Helena Branch of the Federal Reserve Bank of Minneapolis, officially designating Helena, Montana a reserve city, in accordance with the established policy of the Federal Reserve Board of classifying as reserve cities all cities in which branches of Federal Reserve banks may be located.

Approved.

REPORTS OF COMMITTEE NO. 1:

Dated February 1st, Recommending changes in stock at Federal Reserve banks, as set forth in the auxiliary minute book as of this date.

Approved.

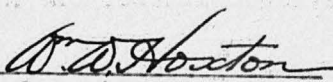
Dated February 2d, Recommending that authority be given to certain National banks to purchase stock in corporations organized under the so-called Edge Act, as set forth in the auxiliary minute book as of this date.

Approved.

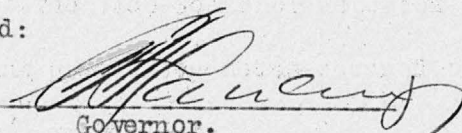
Dated February 1st, Recommending increase in the salary of Genevieve C. Meacham, Junior Technical Clerk in the office of Statistician, of \$120. to \$1,680; also increase in the salary of Elizabeth Hendley, Card Puncher in the Division of Reports & Statistics, of \$120. to \$1,320.

Approved.

At 1:15 p.m. the meeting adjourned.


Secretary.

Approved:


Governor.