

Upon call of the Governor a special meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Monday, April 7, 1924, at 11:05 a.m.

PRESENT: Governor Crissinger

Mr. Platt

Mr. Hamlin

Mr. Miller

Mr. James

Mr. Cunningham

Mr. Dawes

Mr. Eddy, Secretary

PRESENT ALSO: Mr. Paul M. Warburg, Chairman of the International Acceptance Bank, Inc. of New York City.

Mr. Jay, Federal Reserve Agent at New York.

Mr. Wyatt, General Counsel.

Mr. Warburg discussed with the members of the Board the subject of the letter dated April 5th presented to the Board by Mr. Jay, namely, the eligibility for purchase by the Federal Reserve Banks of German trade bills, payable in dollars in the United States, endorsed by the German Gold Rediscount Bank, and offered with the endorsement of members of a syndicate of American banks and bankers. Following the discussion it was suggested that the Board should postpone action until the matter could be brought to the attention of the Secretary of the Treasury and possibly the State Department. This suggestion was made in view of the fact that the purchase of such bills would represent in the final analysis an extension of credit by the American banks direct to German merchants, the Board feeling therefore that the administration should be advised. At this point, Mr. Warburg left the meeting to consult with the Secretary of the Treasury.

Mr. Hamlin, on behalf of the Law Committee, reported on the matter referred to it at the meeting on April 1st, and presented a letter dated

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April 4th from the Chairman of the Federal Reserve Bank of New York stating that in his opinion W. R. Grace and Company's Bank and the Corn Exchange Bank, both of New York City, are not now in substantial competition.

After discussion Mr. Hamlin moved that the Comptroller of the Currency be advised that in the Board's opinion W. R. Grace and Company's Bank and the Corn Exchange Bank are not in substantial competition and that if Grace and Company's Bank should nationalize, the Board will permit Mr. J. L. Schaefer to continue as a director of both institutions.

Carried, Messrs. James and Cunningham voting "no".

At this point, Mr. Warburg reentered the room and stated that he had seen the Secretary of the Treasury with regard to the Treasury's attitude toward the discount by American banks and purchase by Federal Reserve banks of German trade bills under the proposed plan previously discussed by him with the Board, and that the Secretary of the Treasury had stated he saw no reason, assuming that the bills are eligible, why the Board should object to the Federal Reserve Bank's purchasing such bills, and that he, the Secretary, had also stated that he saw no necessity for taking the matter up with the State Department formally and that he would discuss the matter informally with the Secretary of State at the first opportunity.

After further discussion the meeting recessed at 12:50 p.m. to meet again at 2:30 p.m.

At 2:30 p.m. the Board reconvened with the same members present who attended the morning session. Mr. Jay and Mr. Wyatt were also present.

The Board continued its discussion of the matter of the eligibility of German trade bills for purchase by the Federal Reserve banks under the plan

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outlined by Mr. Jay in his letter of April 5th and presented verbally by Mr. Warburg at the morning session. Mr. Platt moved that the Board reply to Mr. Jay's letter along the following lines:

"The Federal Reserve Board notes what you have in contemplation and assumes that the bills referred to in the plan will be negotiable commercial trade bills and that satisfactory arrangements will be entered into for their payment in the United States at maturity. These bills are eligible for purchase by your bank and the Board offers no objection".

Mr. Platt's motion being put by the Chair was carried, Mr. James voting "no".

It was then voted that a copy of Mr. Jay's letter and the Board's reply be sent to the Secretary of the Treasury with the advice that it would not be forwarded until he has had an opportunity to discuss the matter with the Secretary of State.

In accordance with action taken at the meeting on April 4th, Mr. Jay then presented to the Board a revised draft of Regulation "H", amended in accordance with the suggestions of the Federal Reserve Agents' Committee on Member Bank Relations. Mr. Jay stated that he had also incorporated certain changes suggested by Governor Norris of the Federal Reserve Bank of Philadelphia and Chairman Curtiss of the Federal Reserve Bank of Boston.

After discussion of the various changes, Mr. Hamlin moved that regulation "H" be amended in accordance with the suggestions of the Federal Reserve Agents' Committee.

Carried, Mr. Cunningham voting "no".

Mr. Cunningham stated that he had voted against the amendments because he did not agree with the revision of Paragraph 5 of Section 6, which previously had required the Federal Reserve Agent of the District to report whether the establishment of an additional branch "would endanger the existence of existing local unit banks".

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Mr. James then moved that regulation "H", as amended, be mimeographed and sent out to all Federal Reserve Agents with instructions to promulgate the regulation in the usual way.

Carried.

Mr. Jay advised the Board that the meeting of the Open Market Committee which was to have been held in Chicago on Friday, April 18th, had been postponed until Friday, April 25th.

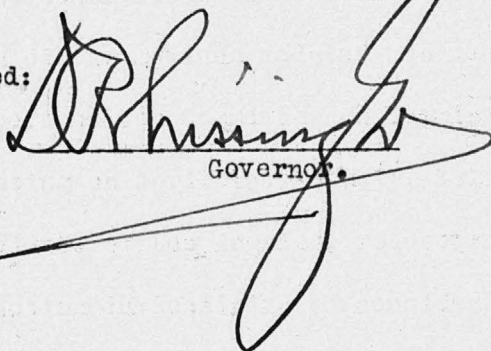
REPORTS OF STANDING COMMITTEES:

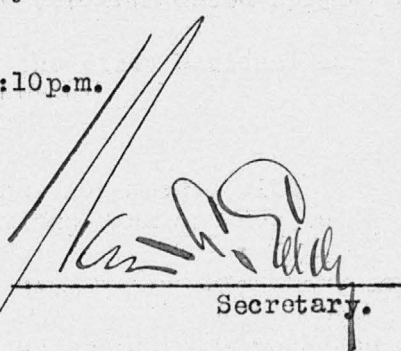
Dated, April 5th, Recommending changes in stock at Federal Reserve Banks, as set forth in the Auxiliary Minute Book of this date.

Approved.

The meeting adjourned at 4:10p.m.

Approved:


Governor.


Secretary.