Upon call of the Governor, a special meeting of the Federal Reserve Board was held in the office of the Board on Wednesday, November 25, 1925, at 3:10 p.m.

PRESENT: The Chairman,
Governor Crissinger
Mr. Platt
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Cunningham
Mr. McIntosh
Mr. Noell, Assistant Secretary

PRESENT ALSO: Governor Strong
Mr. Winston, Undersecretary of the Treasury
Mr. Harrison, Deputy Governor, Federal Reserve Bank of New York
Mr. Stewart, Director of the Board's Division of Research and Statistics

Governor Strong reviewed at length the financial and political situation in Belgium, stressing particularly the condition of the National Bank of Belgium, which is the bank of issue of the country. He stated that since the funding of that country's debt to the United States, efforts have been made to put through a general reorganization of its monetary system, concern over which is felt because of the present French situation. It is feared, he stated, that a collapse of the French franc would bring about a collapse of the Belgian currency. He stated that the program, which included a reduction in the gold value of the Belgian franc to about one-fourth of its present value, had been worked out to a point where the final step was the floating of a long term bond issue of $150,000,000, of which it had been expected $100,000,000 would be sold in the United States. Because of the failure of the Belgians to completely balance their budgets, he explained, their financial agents in this country were unwilling to promise a successful

flotation of the issue in the United States and after thorough consideration decision had been reached that the bonds could not be sold at the present time. Before attempting their sale, he stated, the financial agents would desire to send a committee of experts to Belgium to study the country's budget problems. In an effort to bridge the gap until these bonds can be marketed, he said, arrangements have been made for a credit of $55,000,000, to run for six months, with one six months' renewal, to the Government of Belgium by bankers in the gold standard countries - the United States, Great Britain, Holland, Switzerland and Sweden, on the security of dollar, sterling guilder, etc. treasury bills to 120 per cent of the amount of the credit. It is also planned that the central banks of Great Britain, Holland, and Switzerland should each purchase from the National Bank of Belgium the equivalent of $5,000,000 of three months Belgian trade bills, for which they would give cash. He proposed that $5,000,000 of these bills should be taken by the Federal Reserve banks, with exchange guaranteed, and stated that he would like to have an understanding with the Board and some of the other Federal Reserve banks that if the situation warrants they will take another $5,000,000 of the bills.

Mr. Miller then stated that as he understood the proposal, it is that the Federal Reserve banks shall buy prime Belgian bills under guarantees that will insure their payment at maturity.

Governor Strong stated that while they would take three months' bills, most of them accepted by Belgian banks, he did not expect the National Bank of Belgium to pay them off in three months unless they were more successful than he expected they would be in working out their budget problems and

arranging for the sale of bonds. He said he thought the Federal Reserve banks would have to employ $5,000,000 or $10,000,000 in assisting the National Bank of Belgium for possibly a year. He stated that to require payment in gold at the end of three months would not help the situation, but in reply to an inquiry by Mr. Hamlin stated that there would be no difficulty about the ultimate shipment of gold, if necessary.

Mr. Hamlin then moved that the Board interpose no objection to the plan outlined by Governor Strong, up to an amount of $5,000,000 or $10,000,000.

Mr. Miller raised a question as to the nature of the guarantee of the credit and Governor Strong replied that what the Federal Reserve banks would do would be to ask the National Bank of Belgium to guarantee to repay the Federal Reserve banks the same amount in dollars as they loan the National Bank and also to ask the Finance Minister of Belgium to write a letter stating that the Government of Belgium would interpose no objection to the export of gold, if necessary. He stated that the account would be definitely terminated within a year.

Mr. Cunningham then suggested that action by the Board on the proposal be deferred until its next meeting, stating that while the matter undoubtedly was clear in the mind of Governor Strong, he believed it was of very great importance, especially to the members of the Board who had heard only the oral presentation, and that it should not be voted upon without the members giving full consideration to the responsibilities and precedents that might be established. During the discussion which followed, Governor Strong stated that he expected cables calling for definite action on Friday and that he did not believe there could be further delay.

Mr. Miller stated that while he was inclined to favor the proposal, before voting more than approval of the negotiations in principle he desired to see the exact form the guarantees were going to take. He was advised that nothing more definite than had already been stated could be secured.

Mr. McIntosh then seconded Mr. Hamlin's motion, and it was put by the Chair and unanimously carried.

The meeting adjourned at 4:20 p.m.

Assistant Secretary.

Approved:

A. W. Mellon

Chairman.