

Form No. 131.

Office Correspondence

FEDERAL RESERVE BOARD

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33212

Date June 11, 1924.

To Mr. Eddy

Subject:

~~333~~

From Mr. Smead

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333.4 (1)

You and the Board may be interested to know that schedules received this morning show that on June 6 the Federal Reserve Bank of Boston purchased acceptances of the Kidder Peabody Acceptance Corporation aggregating \$33,158.71 and of the State Street Trust Company aggregating \$29,205.20, on which the Reserve bank charged a rate of 2-7/8%.

This is the first schedule received since the war on which a rate of less than 3% was charged.



Fraser

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FEDERAL RESERVE BANK
OF BOSTON

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333
333.4 (1)

November 5, 1923.

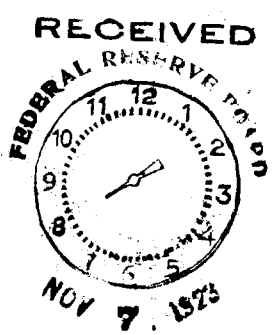
Sirs:

Please be advised that we have today
purchased from the Federal Reserve Bank of
New York, approximately \$10,000,000 of
bankers' acceptances with maturities from
60 to 90 days.

Very truly yours,

W.P.G. Harding
W.P.G. Harding,
Governor.

Federal Reserve Board,
Washington,
D. C.





CONTROLLER OF THE CURRENCY

#1
TREASURY DEPARTMENT

WASHINGTON

332.21
FEDERAL RESERVE BOARD FILE
333.

July 11, 1918.

333.4(1)

RECEIVED
JUL 11 1918
GOVERNOR'S OFFICE

Hon. W. G. P. Harding,
Governor, Federal Reserve Board,

Dear Mr. Harding:-

Receipt is acknowledged of your letter of July 5 transmitting a communication from the Deputy Governor of the Federal Reserve Bank of Boston, together with copies of correspondence in regard to purchasing acceptances from the Bay State National Bank of Lawrence, Massachusetts.

In compliance with your request the enclosures forwarded with your letter are returned herewith.

Respectfully,

Deputy Comptroller.

Encs.

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FEDERAL RESERVE BOARD FILE

333.4(1)

July 5, 1918.

Dear Mr. Kane:-

Referring to your letter of the 28th ultimo,
I hand you herewith letter received by me today
from the Deputy Governor of the Federal Reserve
Bank of Boston, together with enclosures referred
to therein, all of which are self-explanatory.

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Kindly return the enclosures for my files
after they have served your purpose.

Very truly yours,

Governor.

Hon. G. P. Kane,
Deputy Comptroller of the Currency.

FEDERAL RESERVE BANK OF BOSTON
53 STATE STREET

333.4(1)

1918

GOVERNOR'S OFFICE

IN REPLY
PLEASE QUOTE

July 3, 1918.

Hon. W. P. G. Harding,
Governor, Federal Reserve Board,
Washington, D. C.

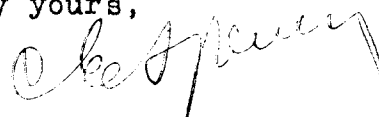
Dear Sir:

Beg to acknowledge receipt of your letter of July 1st regarding the purchase by the Federal Reserve Bank of Boston of Bay State National Bank of Lawrence bankers' acceptances. We did purchase from the Lawrence Bank acceptances made by three different manufacturing concerns in that town, aggregating high point, \$185,000.

On May 8th we sent to a number of acceptors the enclosed letter, and on May 21st, after some previous explanation, Mr. Varney sent us the enclosed letter, from which time we have refused all his acceptances. The account now stands - we hold \$75,000, \$50,000 of which expires on the 5th of July.

In talking with Mr. Varney, he informed me that he was going to give up the acceptance business.

Very truly yours,



Deputy Governor.

CES/H



C O P Y

THE BAY STATE NATIONAL BANK OF LAWRENCE, MASSACHUSETTS.

May 21, 1918.

C. C. Bullen, Esq., Cashier,
Federal Reserve Bank of Boston,
Boston, Massachusetts.

Dear Sir:

Replying to your inquiry of May 8th in relation to
the Archibald Wheel Company.

We have not held and do not now hold any documents in
the form of Bill of Lading or any other security against this
paper. We have statements of the condition of the company on
file and we think them entirely trustworthy. This company is
doing a very large amount of war work. They must cut their
timber, have it transported to Lawrence, worked into wheels
and ship the finished product but it would be very difficult for
them to give bills of lading which would cover ninety day paper.
The acceptance is based, as we say, by our stamp on the paper,
on the domestic shipment of goods. They are manufacturing
and shipping continually. We take this kind of an acceptance
as we do of others to help our manufacturers here complete their
large war orders and if we should take a bill of sale of their
stock on hand, I think you will readily understand that it
would injure rather than improve their credit. I think this
is the kind of information which you seek. If I can answer
your question more satisfactorily, I will endeavor to do so,
if you will inform me.

Very truly yours,

(Signed) Justin E. Varney,
Cashier.

C O P Y

A. D.

Dear Sirs:

This bank is holding the following bill accepted by you:

<u>No.</u>	<u>Date</u>	<u>Drawer</u>	<u>Accepted</u>	<u>Amount</u>
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Will you kindly advise us as to what documents you held at the time of acceptance, and if such documents have since been exchanged or delivered, please give us information as to what documents you now hold against this acceptance.

Thanking you in advance for the courtesy of a prompt reply, we are

Very truly yours,

(Signed) C. C. Bullen,

Cashier.

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FEDERAL RESERVE BANK
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July 1, 1918. 333.4(1)

Dear Sir:

6/28/18

The Federal Reserve Board is advised by
the Deputy Comptroller of the Currency as follows:

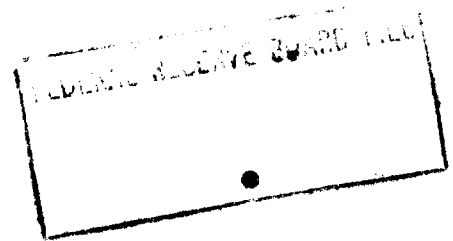
"The report of an examination of the
Bay State National Bank, Lawrence, Massa-
chusetts, completed May 14th shows that the
Federal Reserve Bank of Boston has purchased
\$110,000 unsecured acceptances from this bank
in violation of law, as the combined capital
and surplus of the Bay State National Bank
is only \$500,000."

You are requested to ascertain the facts
in the case, and report same to the Board.

Very truly yours,

Governor.

Mr. Charles A. Morse,
Governor Federal Reserve Bank,
Boston, Mass.



3-3-4 (1)

July 1, 1918.

Dear Sir:

I acknowledge receipt of your letter of June 28th calling attention to the fact that the Bay State National Bank of Lawrence, Massachusetts, has apparently violated the law in purchasing unsecured acceptances in excess of the statutory limit. I have sent a copy of your letter to the Federal Reserve Bank of Boston, with request for immediate investigation and report.

Very truly yours,

Governor.

Hon. T. P. Kane,
Deputy Comptroller of the Currency.



TREASURY DEPARTMENT

WASHINGTON

333.4(1)

COMPTROLLER OF THE CURRENCY

June 28, 1918.

RECEIVED
JUL 1 1918
GOVERNOR'S OFFICE

Governor,

Federal Reserve Board,

Sir:-

The report of an examination of the Bay State National Bank, Lawrence, Massachusetts, completed May 14 shows that the Federal Reserve Bank of Boston has purchased \$110,000 unsecured acceptances from this bank in violation of law, as the combined capital and surplus of the Bay State National Bank is only \$500,000.

Respectfully,

J. K. Kane
Deputy Comptroller.

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RECEIVED
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ALFRED L. AIKEN
GOVERNOR
FLORRIMON M. HOWE
CASHIER
ERNEST M. LEAVITT
ASSISTANT CASHIER
CHESTER C. BULLEN
ASSISTANT CASHIER
WILLIAM WILLET
ASSISTANT CASHIER
HARRY A. SAUNDERS
ASSISTANT CASHIER

FEDERAL RESERVE BANK
OF BOSTON

DIRECTORS
FREDERIC CURTIS, CHAIRMAN
AND FEDERAL RESERVE AGENT
ANDREW J. BEVERS, VICE-CHAIRMAN
AND DEPUTY FEDERAL RESERVE AGENT
THOMAS P. BEAL, BOSTON, MASS.
THOMAS W. FARNAM, NEW HAVEN, CONN.
ARTHUR M. HEARD, MANCHESTER, N. H.
CHARLES A. MORSS, BOSTON, MASS.
EDMUND R. MORSE, PROCTOR, VT.
CHARLES G. WASHBURN, WORCESTER, MASS.
ALLEN HOLLIS, CONCORD, N. H.

RECEIVED
DEC 6 - 1917
GOVERNOR'S OFFICE

December 6, 1917.

Hon. W. P. G. Harding,
Governor, Federal Reserve Board,
Washington, D. C.

333,4(4)

My dear Governor Harding,-

I meant to write to you
yesterday to thank you for the co-operation of the Board
in the matter of our sale of acceptances to Federal
Reserve Banks of Cleveland, Minneapolis, and San Francisco,
to the amount of about \$5,000,000. each.

These banks acquiesced promptly in the matter,
and the proceeds were placed to our credit in the Gold
Settlement Fund yesterday.

I found that some of our shorter maturities
having approximately 30 days to run had been bought by
us at 3 $\frac{1}{2}$ %, but that about 75% of the bills sold to other
banks were at 3 $\frac{1}{2}$ %. All three banks were agreeable to
taking the bills at the price at which we bought them,
namely 3 $\frac{1}{2}$ % for the shorter maturities, and at 3 $\frac{1}{2}$ % for
the longer.

My feeling is that the situation is going to
be somewhat easier here for the next ten days, with
perhaps a slight increase in loans over the 15th. A
large part of our recent rediscounts are from 60 to 90
days, consequently our loan will not liquidate very

See 2 12/4/17

Hon. W. P. Harding, #2.

rapidly.

My personal feeling is that in view of the fact that there is a considerable difference in the reserves of the different banks in different sections of the country, it would be well if the Board would consider the equalization of reserves throughout the whole system by rediscounts. I am not looking at this from our individual point of view, but from the point of view of the system as a whole, for I feel that as the strain increases, the unification and close inter-relations of the banks should be strengthened, and that it is going to be necessary to operate the Reserve Banks as units *of one* system, rather than as individual banks, to a greater extent than ever before.

I shall be glad to keep you advised as to the situation here.

Thanking you once more for your kindness, and with warm personal regards, I am,

Very truly yours,


Governor.

ALA/M

FEDERAL RESERVE BOARD FILE

333.

December 4, 1917.

333. 4(1)

Mr. Alfred L. Aiken,
Governor Federal Reserve Bank,
Boston, Mass.

Dear Governor Aiken:

Mr. Warburg has told me of your conversation with him over the telephone, and I understand that he has arranged with the Federal Reserve Bank of Cleveland to take some acceptances from you. I have wired the Federal Reserve Bank of Minneapolis and the Federal Reserve Bank of San Francisco, suggesting to each that they take \$5,000,000 of bankers' acceptances from you, asking in each case that the Board be advised and that a telegram be sent direct to you in addition. They will indicate whether they wish the endorsement of your bank. I understand that the rate is $3\frac{1}{2}\%$.

Very truly yours,

Governor.

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FEDERAL RESERVE BOARD FILE

DIRECTORS

~~FREDERIC H. CURTISS, CHAIRMAN~~
~~ANDREW J. HETTINGER, FEDERAL RESERVE AGENT~~
~~AND DEPUTY FEDERAL RESERVE AGENT~~

THOMAS P. BEAL, BOSTON, MASS.
 THOMAS W. FARNAM, NEW HAVEN, CONN.
 ARTHUR M. HEARD, MANCHESTER, N. H.
 CHARLES A. MORSS, BOSTON, MASS.
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 ALLEN HOLLIS, CONCORD, N. H.

ALFRED L. AIKEN
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CHESTER C. BULLEN
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WILLIAM WILLETT
ASSISTANT CASHIER

HARRY A. SAUNDERS
ASSISTANT CASHIER

FEDERAL RESERVE BANK
OF BOSTON

333.4 (1)
December 4, 1917.

Paul M. Warburg, Esq.,
Vice-Governor, Federal Reserve Board,
Washington, D. C.

My dear Mr. Warburg:

12/4/17 For your information, I enclose herewith copy of letter I am sending to Governor Harding tonight.

I have telegraphed, in accordance with your suggestions, to the Minneapolis and San Francisco Banks, and if our sale to them is agreeable to them, I shall ask them to make payment through the Gold Settlement Fund tomorrow. I can quite plainly see ahead of us here some very tight money in the course of the next few months, and when I see you next week, will be glad to talk over plans to take care of it.

Very truly yours,



Governor.

ALA/D

Enc.

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ALFRED L. AIKEN
GOVERNOR
FLORRIMON M. HOWE
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OF BOSTON

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ALLEN HOLLIS, CONCORD, N. H.

RECEIVED
DEC 4 - 1917

GOVERNOR'S OFFICE

333.4(1)

December 4, 1917.

Honorable W.P.G. Harding,
Governor, Federal Reserve Board,
Washington, D. C.

Dear Mr. Harding:

The prospective increase in our discount rates tomorrow has precipitated upon us today a very heavy rediscount of customers' notes, secured by Liberty Loan bonds. The total amount of all rediscounts, of one sort and another, today amounts to just over \$36,000,000. This, added to our loan at the close of business last night (\$73,000,000), brings our total loan up to about \$110,000,000.

I shall not be able to get final reserve figures as at the close of business tonight until too late to report to you by mail, but I shall be glad to advise you by telephone tomorrow as to the situation.

I have sold to the Federal Reserve Bank of Cleveland \$5,000,000 of Bankers' Acceptances, and presume that I have sold a like amount, acting upon a suggestion from Mr. Warburg by telephone, to the Federal Reserve Bank of San Francisco and the Federal Reserve Bank of Minneapolis, making \$15,000,000 in all. Cleveland is paying us today through the Gold Settlement Fund, and if the other two banks are willing to purchase our bills, we shall ask them to make payment through the Gold Settlement Fund tomorrow, so that we shall make a respectable showing the last of the week. I can see ahead of us a still further demand for accommodation from our member banks in connection with the withdrawal of government deposits on the 6th and 11th insts. and the withdrawal and the Liberty Loan payment on the 15th. Our sale of \$15,000,000 of acceptances to the other Federal Reserve Banks has reduced our holdings of such bills to about \$7,000,000, and if we have a heavy demand upon us in the near future, it will, undoubtedly be necessary for us to ask the approval of a rediscount with some of the other Federal Reserve Banks.

I shall be glad to hear from you as to the Board's feeling in this matter, and also to be advised as to the basis on which such rediscounts can be made, as to the matter of rate. I will call you up tomorrow by telephone, and advise you as to our reserve position and the general situation here. With the very heavy movement of wool, cotton and other commodities, of which we are very large

Hon. W.P.G. Harding-2-

buyers, ahead of us, I can see a prospect of some fairly tight money in the First District, and I have little doubt that we shall have to avail ourselves of the opportunity to rediscount with other Federal Reserve Banks in the course of the comparative near future.

I am looking forward to seeing you on Thursday, the 13th inst. when we can have an opportunity to talk the whole local situation over.

Very truly yours,



Governor.

ALA/D

*Reselling
acceptances to my
Bank.*

332 21

FEDERAL RESERVE BOARD FILE
~~333~~

For Governor Harding

November 28, 1917.

MEMORANDUM

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Governor Aiken telephoned this morning that their reserves being very low - (It is below 50) they wish to resell to New York the five millions of acceptances that they took from New York the other day; and they had telephoned to New York and New York was willing to take them up.

He wanted to inform the Board so as to be sure that he was not doing anything which was not in accord with our policy.

I said to him that I thought there would be no objection at all to their doing so. As a matter of fact, it would be probably more advisable to direct these five million dollars from Boston to Philadelphia instead of to New York, because Philadelphia's reserve position is so much stronger, but in view of New York's hesitation in acting to increase their rates, it might be just as well to let ^{N.Y.} ~~the~~ feel some pressure rather than to keep them on "easy street".

I told Aiken that I wrote him last night about discount rates and he said he would probably call an executive meeting on Friday and put up their rates.

Paul M. Warburg.

332-21

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FEDERAL RESERVE BANK
OF BOSTON

FEDERAL RESERVE BOARD FILE
DIRECTORS
 FREDERIC H. CURTISS, CHAIRMAN
 AND FEDERAL RESERVE AGENT
 AND VICE-CHAIRMAN
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 HARRY A. SAUNDERS
ASSISTANT CASHIER

RECEIVED
 NOV 7 1917
 OFFICE OF
 MR. HAMLIN

333.4 (1)

November 5, 1917

Hon. Charles S. Hamlin,
 c/o Federal Reserve Board,
 Washington, D. C.

Dear Mr. Hamlin:

I am enclosing herewith a memorandum
 on the policy of purchasing bankers acceptances
 in the open market as practiced by the differ-
 ent Federal Reserve banks.

Yours very truly,

Francis D. Rowland

FEDERAL RESERVE AGENT.

FHC/MHB

Enc

EXISTING PRACTICE OF PURCHASE BY FEDERAL
RESERVE BANKS OF BANKERS ACCEPTANCES
IN THE OPEN MARKET

Federal Reserve banks at the present time are purchasing bankers acceptances under open market operations almost exclusively from member banks in their own district and endorsed by such banks at rates varying from 3 1/8% to 3 3/4%.

To-day, the party obtaining the credit, takes his bill to the accepting bank (I refer more particularly to bills originating in this country and not those drawn and sold in foreign countries) and the accepting bank has in turn found a market for these acceptances, largely with its own Federal Reserve bank.

Inasmuch as the Federal Reserve banks have adopted the policy of not purchasing acceptances from the drawer or holder of such bills, this has led the merchant to rely upon the accepting bank to find a market for such acceptances and the accepting bank, in turn, has relied for the most part on its own Federal Reserve bank as a customer.

The member bank, in selling these acceptances under open market operations to its Federal Reserve Bank, does not think that it has used up any of its rediscounting right with its Federal Reserve bank inasmuch as these acceptances were purchased by the Federal Reserve bank under open market operations, Section 14, rather than rediscount operations under Section 13.

Out of a total investment of \$39,000,000 by the Federal Reserve Bank of Boston on November 3, 1917 about

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A broad market should be developed for bankers acceptances and these bills ought to become the prime investment for banks throughout the country. They will not become so until they are selling at a rate nearer in accord with the going market rate for money. Demand money in Boston and New York rules at 4%. Bankers acceptances, sold to banks to net 4% would probably be bought by banks with surplus funds, as demand loans are now carried.

However, a broad market can only be made by brokers of some sort and as the note brokers today come in contact with the banks throughout the country they are the ones, it seems to me, who could properly handle bankers acceptances. The rate on bankers acceptances must be high enough to meet the going market rate and to afford a small commission to the broker.

Federal Reserve banks should only buy bankers acceptances in the open market through brokers taking them from member banks only as a rediscount operation. The volume of business which the brokers would receive from Federal Reserve banks alone would insure a fair amount of business to brokers, irrespective of what the banks of the country would buy through them.

The effect of adopting such a policy would not only be to steady the now artificial market that has been created for bankers acceptances, but would broaden it throughout the entire country. It would also tend to bring about a differentiation on rates of bills based on the strength and character of the accepting bank and would likewise enable a Federal Reserve bank to broaden the character of its investments through its ability to buy acceptances of other districts and diversifying the amount of acceptances carried of each accepting bank.

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FEDERAL RESERVE BOARD FILE

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~~262.~~

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KVI

October 30, 1915.

Sir:

X 376

Gent.

This is to advise you that the Board's letter of October 9 relating to open market operations, has been slightly modified by the insertion of the words "with respect to bills of exchange" on the last page of the letter after the words "free to exercise the authority granted under Section 14". This addition does not alter the sense of the letter, but has been introduced for the sake of clearness. The letter as thus modified will be officially published in the Federal Reserve Bulletin for November.

Respectfully,

Secretary.

Mr. Frederic H. Curtiss,
Chairman, Board of Directors,
Federal Reserve Bank of Boston.

gcu