

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

X-1788

For release to morning papers,
Wednesday, January 7th.

The conference of representatives of the clearing houses from various parts of the Country assembled at Washington yesterday for the purpose of discussing the relation of the rates of interest paid on deposits to the Federal Reserve bank discount rates, concluded its session with the adoption of the following resolution:

WHEREAS the Federal Reserve Board has invited the representatives of the clearing houses from various parts of the country, here assembled, to attend a conference in regard to the interest rates paid on deposits throughout the country, and Governor Harding of the Federal Reserve Board, has outlined very clearly the present financial situation and the probability of advances in rates by the Federal Reserve Banks, and

WHEREAS it is the opinion of the conference that the present method in several of the larger centers of the country of regulating interest on bank balances, by a sliding scale, based upon the ninety day Federal Reserve Bank discount rate, is not wholly satisfactory, and

WHEREAS until more satisfactory regulations are adopted governing the rates of interest to be paid on balances it is most important that existing regulations should not be abrogated, and

WHEREAS it is the opinion of this conference that the Federal Reserve Banks should always be free to establish their rates of discount without reference to any clearing house regulations as to the payment of interest, and

WHEREAS it is the opinion of this conference that the payment of high rates of interest on bank or commercial balances is unsound and is bad banking, and that every effort should be made to avoid such a practice,

NOW THEREFORE in order to make progress along safe and conservative lines, it is requested that the Federal Reserve Board invite the Clearing houses in each Federal Reserve City to select three (3) representatives from its Federal Reserve district to attend a meeting to be held on or about the 23rd day of January, 1920, at Chicago, Illinois, to consider this whole question of interest on balances in order that some basis may be agreed upon that will be mutually satisfactory, conducive to conservative banking and benefit the entire business and banking community.

The Federal Reserve Board announces that pursuant to the request contained in the foregoing resolution it has instructed the Chairmen of the several Federal Reserve banks to invite the clearing house in each Federal Reserve city to select three representatives from its Federal Reserve district to attend such a meeting to be held in Chicago on January 23rd next.

January 6, 1920.