

Topics submitted by the Federal Reserve Board for discussion by the Federal Advisory Council at its next meeting to be held Monday, February 21, 1921:

(1) Should the Board exercise the authority given it in Section 16 of the Federal Reserve Act and impose an interest charge against Federal reserve banks on the amount of their Federal reserve notes outstanding, less the amount of gold or gold certificates held by the Federal Reserve Agent as collateral security, and if so, what should the rate of interest be?

(2) Should the Board establish for the year 1921 a tentative limit for each Federal reserve bank on the amount which it may rediscount with other Federal reserve banks?

(3) Should existing preferential rates on notes secured by Liberty Bonds and Victory Notes be continued?

(a) With respect to customers paper rediscounted?

(b) With respect to member banks' 15 day collateral notes?

(4) Section 14 permits any Federal reserve bank under rules and regulations to be prescribed by the Federal Reserve Board "to purchase and sell in the open market *** cable transfers and bankers acceptances and bills of exchange of the kinds and maturities by this Act made eligible for rediscount, with or without the endorsement of a member bank". Section 13 provides that "any Federal reserve bank may discount acceptances of the kinds hereinafter described, which may have a maturity at the time of discount of not more than six months, exclusive of days of grace, which are endorsed by at least one member bank". Counsel is of the opinion that the words "of the kinds and maturities by this Act made eligible for rediscount" apply only to bills of exchange which therefore cannot be bought where they have a maturity of more than three months, but that they do not apply to bankers' acceptances and that consequently the Federal Reserve Board might legally issue regulations permitting the purchase by Federal reserve banks of bankers' acceptances of six months maturity. As a matter of sound banking policy does the Council advise the Board to issue such a regulation?

(5) Under authority given in Section 13 of the Federal Reserve Act the Board has authorized member banks to accept drafts or bills of exchange having not more than three months sight to run, drawn by banks or bankers in Central American and South American Countries for the purpose of furnishing dollar exchange as required by the "usages of trade" in those countries. Within the past few days the Board has authorized member banks to accept drafts in the same manner for banks or bankers in

Australia, New Zealand and other Australasian dependencies, having received assurances that there is now a "usage of trade" in these dependencies which requires dollar exchange. Will the "usages of trade" in European countries likely lead to requests for the extension of this privilege to those countries, and if so, what should the policy of the Board be regarding such applications?