

FIRST
CONFERENCE OF GOVERNORS
OF
FEDERAL RESERVE BANKS

BOARD OF GOVERNORS

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DECEMBER 1914

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Washington, D. C.,
December 10, 1914.

MINUTES
OF THE FIRST CONFERENCE OF GOVERNORS OF
THE FEDERAL RESERVE BANKS.

Present:

Alfred L. Aiken, Governor,
Federal Reserve Bank, Boston, Mass.
Benjamin Strong, Jr., Governor,
Federal Reserve Bank, New York, N. Y.
Charles J. Rhoads, Governor,
Federal Reserve Bank, Philadelphia, Pa.
E. R. Fischer, Governor,
Federal Reserve Bank, Cleveland, O.
George J. Sney, Governor,
Federal Reserve Bank, Richmond, Va.
Joseph A. McCord, Governor,
Federal Reserve Bank, Atlanta, Ga.
J. B. McDougal, Governor,
Federal Reserve Bank, Chicago, Ill.
Halla Wells, Governor,
Federal Reserve Bank, St. Louis, Mo.
Theodore Vold, Governor,
Federal Reserve Bank, Minneapolis, Minn.
Chas. M. Sawyer, Governor,
Federal Reserve Bank, Kansas City, Mo.
Oscar Wells, Governor,
Federal Reserve Bank, Dallas, Texas.
George C. Bordwell, representing the Governor
of the Federal Reserve Bank of San Francisco.
C. R. McKay, Deputy Governor,
Federal Reserve Bank, Chicago, Ill.
J. F. Curtis, Secretary and Counsel,
Federal Reserve Bank, New York, N. Y.

The meeting was called to order at 11 A.M. in the Interstate Commerce Commission hearing room at the New Willard Hotel, Washington, D. C.

The meeting thereupon proceeded to organize by electing Mr. Benjamin Strong, Jr., Chairman, and Mr. J. F. Curtis, Secretary of the Conference.

On motion duly made and seconded, it was

RESOLVED that the Chairman be authorized and directed to appoint a committee of three to wait upon the Governor of the Federal Reserve Board and acquaint him with the organization of the present Conference and to inquire as to the wishes of the Federal Reserve Board in regard thereto.

The Governor thereupon appointed Messrs. Wells of Dallas, McDougal of Chicago, and Sawyer of Kansas City, as members of the above described committee, and these gentlemen left the room forthwith.

During their absence, an informal outline of a suggested program was made by the Chairman, whereupon it was tentatively agreed that the following principal matters would be considered in their order on the program of the Conference, after the return of the Committee.

FIRST: The question of clearings between Federal Reserve Banks.

SECOND: Collections.

THIRD: Commercial paper eligible for discount.

While the committee were absent, it was decided to discuss other less important matters, the first being the question of joining the American Bankers Association and other similar associations, which was then taken up for discussion.

Upon motion of Mr. Aiken, duly seconded, it was

VOTED that an informal inquiry be made of the Federal Reserve Board in regard to the matter of joining the American Bankers Association as well as the matter of joining the State Bankers Association, for a statement of the policy of the Board with a recommendation that uniform policy be adopted and that such affiliations be encouraged.

At this point the committee appointed to wait upon the Governor of the Federal Reserve Board returned and reported that the Board would be pleased to receive the Conference of Governors at 3 P.M. to-day at their Board room in the Treasury Department.

Mr. McCord, Governor of the Federal Reserve Bank of Atlanta, joined the Conference at this time.

The question of the method of computing discount was brought up for discussion.

Whereupon motion was duly made and seconded that it is the sense of the meeting that no action should be taken by the Conference with reference to the method of computing discount. The motion was carried.

The matter of agreeing upon the proper value to be placed upon interest bearing commercial paper when placed with the Federal Reserve Agents as collateral security was brought up for discussion.

Whereupon on motion duly made and seconded, it was

VOYED that the value at which commercial paper be offered to Federal Reserve Agents should be the face value of such paper at the time of maturity; that is, including the interest thereon.

The matter of rebating was then brought up for discussion.

Whereupon on motion duly made and seconded, it was

VOYED that the question of permitting member banks to take up discounted notes in advance of maturity, and rebating the interest thereon, be left to the discretion of each bank, with the understanding that each bank shall take such steps as it deems necessary to prevent abuse of this practice.

On motion, the Conference took a recess for luncheon at 12:30 P.M., which was followed by informal discussions.

At 3 P.M. the Conference called upon the Federal Reserve Board in the Treasury Department. After a brief conference with the Board, it was understood that the Conference of Governors would submit various memoranda to the Board at ten o'clock on Saturday morning, December 12th, and that the Board would be pleased to have other conferences with the Conference of Governors prior to that time. The Comptroller of the Currency requested expressions of opinion as to the issuance of additional emergency currency.

The Conference came to order again at 3:50 P.M.

The question of clearing between the Federal Reserve Banks was taken up for discussion.

On motion duly made and seconded, it was

VOYED (one vote being cast in the negative) that it is the sense of the meeting that it is advisable that a check drawn upon a Federal Reserve Bank be received at par at every other Federal Reserve Bank, provided a satisfactory method of adjusting the means and cost of settlement between the several Federal Reserve Banks can be agreed upon.

The Chairman submitted various tables relating to the time and cost of shipments of currency between the various Federal Reserve Banks. Mr. Hokey of Chicago suggested a plan which he had prepared for effecting clearings between the various Federal Reserve Banks.

On motion, the meeting took a recess for dinner at 7:15 P.M.

The Conference re-assembled at 9:15 P.M.

There ensued a protracted discussion of the question of clearings between the several Federal Reserve Banks, and various motions were made, which, not having been seconded, are not recorded in these minutes.

Upon motion of Mr. Long, seconded by Mr. McCord, a vote was taken upon the following resolution:

RESOLVED: that the Reserve Banks accept for immediate credit at par, checks upon each other, and that any creditor bank shall have the right to call for settlement of balances due at any time, but that it is the sense of the meeting that this experiment be tried for one month before agreeing upon any definite method of settlement between the several banks.

This resolution having been voted upon, was lost, the vote standing four ayes and seven nays.

It was moved and seconded that Mr. McKay's plan as read to the Conference be adopted.

An amendment to the above motion was moved and seconded that the plan be adopted subject to the approval of the Directors of the several banks.

The above amendment was submitted to a vote which resulted in a vote of three ayes and six nays, and the amendment was declared lost.

The original motion was then submitted to a vote which resulted in four ayes and seven nays. The motion was declared lost.

Mr. Fancher moved, seconded by Mr. Rhoads, that a committee of three be appointed to give consideration to Mr. McKay's plan; to put it into more workable shape and to report to the Conference tomorrow morning. An amendment was proposed and seconded to the above motion to the effect that such committee might consider any other plan. The amendment was carried. The original motion by Mr. Fancher was then put to vote as amended, and was carried.

On motion of Mr. Aiken, who was one of the persons voting in the affirmative on Mr. Fancher's motion, duly seconded, it was

VOTED that the last vote recorded be re-considered.

Thereupon the original motion of Mr. Fancher was taken up for reconsideration and vote. The vote resulted in four ayes and six nays, whereupon the motion was declared lost.

On motion duly made and seconded, it was unanimously

VOTED that a committee of three be appointed to consider the question of settlements between Federal Reserve Banks, and to make a report thereon, to be presented to the next meeting of the Conference of Governors.

On motion, the meeting duly adjourned to 9:30 A.M. December 11th, at the same place. Adjourned at 11:35 P. M.

New Willard Hotel,
Washington, D. C.,
December 11, 1914.

Conference of the Governors was called to order at 10:15 a. m.

All present.

The accountants from eight of the Federal Reserve Banks were in attendance.

Whereupon, on motion duly made and seconded, it was

VOTED, that the accountants meet among themselves for an interchange of experience and ideas and to make a report of their deliberations to this Conference.

The question of the holding of another conference of Governors was then taken up for discussion. Whereupon, on motion duly made and seconded, it was

VOTED, that the next meeting of the Conference of Governors be held on January 23rd and 24th, 1915.

On motion duly made and seconded, it was

VOTED, that the place of each conference be Washington, D. C.

There followed a discussion of the nature of the organization of the Conference of Governors. Whereupon, on motion duly made and seconded, it was

VOTED, that Mr. Curtis be appointed Secretary to the Conference of Governors to serve until his successor is appointed.

On motion duly made and seconded, and put by Mr. Howden, it was

VOTED, that Mr. Strong be elected Chairman of the Conference of Governors to serve until the end of the year 1915.

On motion of Mr. McCord, seconded by Mr. Howden, it was

VOTED, that the committee appointed under the vote of yesterday to report upon the matter of clearing between the Federal Reserve Banks, be enlarged from a committee of three to a committee of five, the Chairman of the Conference to be a member thereof.

The Chairman thereupon appointed as the other members of the committee, Messrs. McDougal, Aiken, Fancher and Gray; Mr. McDougal to be Chairman. It was understood that the members of the Committee might send alternates to the meetings, such alternates to be chosen only from Federal Reserve Banks or member banks.

There ensued a protracted discussion as to the methods to be followed by the Federal Reserve Banks in relation to the clearings between them,

pending the report of the committee to be made at the next conference,

On motion of Mr. Seay, duly seconded, it was voted (with one vote in the negative) that it is

RESOLVED that Federal Reserve Banks from this date accept at par checks on each other.

That any creditor bank shall have the right to call for a settlement from a debtor bank at any time in funds satisfactory to it, and that the expense of such settlement be borne half by the debtor bank and half by the creditor bank.

That any definite plan of clearance and settlement at stated periods or otherwise be deferred until the next meeting of this body, after the report of the special committee on this subject, in order that we may have for guidance the benefit of experience in the practical working of the system.

That the creditor bank treat as Reserve Cash its net credit balance with all other Reserve Banks, and that the debtor bank deduct from its Reserve Cash its debtor balance.

And resolved further that the definition of the word "par" be referred to the Federal Reserve Board forthwith.

On motion duly made and seconded, it was

VOTED that the consideration of the question of collections be postponed until after the conference of the Governors with the Federal Reserve Board.

The matter of circular No. 13 issued by the Federal Reserve Board was taken up for discussion. The Chairman read a letter from the Federal Reserve Board dated December 8, with reference to this matter, and also two memoranda prepared by the Federal Reserve Bank of New York relative to this circular.

Upon motion duly made and seconded it was

VOTED that the Chairman appoint a committee of three to add certain necessary paragraphs to the memoranda on circular No. 13 submitted by the Federal Reserve Bank of New York.

Thereupon the Chairman appointed Messrs. McCord, Seay and Aiken as such committee.

On motion, the Conference took a recess for luncheon at 12:45 P.M.

The Conference re-assembled at 2:50 P.M.

Mr. Wells of Dallas reported that the Federal Reserve Board would be pleased to have the Conference of Governors join them that evening at 8:30 P.M.

The committee appointed by the Chairman to add the necessary paragraphs to the memoranda concerning circular No. 13, submitted its report.

Thereupon, on motion duly made and seconded, it was

VOICED that the amended report of the sub-committee be embodied in the record and then incorporated in the memorandum of suggestions.

(NOTE: the sub-committee report has been withheld but its substance will be found in the above mentioned memoranda, a mimeograph copy of which was delivered to each Governor.)

On motion duly made and seconded, it was

VOICED that we submit for the consideration of the Federal Reserve Board the action taken by this meeting, and recommending that the Federal Reserve Banks take membership or honorary membership in State Banking Associations and in the American Bankers Association.

On motion duly made and seconded, it was

VOICED that the matter dictated to the stenographer by the Chairman be submitted to the Federal Reserve Board in the form dictated. The matter was as follows:

"Gentlemen, I will state what seems to be the subject for submission to the Federal Reserve Board: the appointment of a committee to consider the subject of checks drawn on Federal Reserve Banks in the settlement of balances; the decision of the conference as to the action to be pursued by the Federal Reserve Banks pending the report of that committee and action on it, and the decision of the conference to submit to the Federal Reserve Board the whole subject of the definition of the word "pay" as applied to checks drawn on Federal Reserve Banks, without recommendation. In connection with the submission of this subject and the action of the meeting, to the Federal Reserve Board, it was understood by the members present that no member was in any way bound or restricted in expressing his personal views as to any feature of this subject concerning which, however, the meeting had taken definite action."

On motion duly made and seconded, it was

VOICED that a committee to consist of the Chairman of the Conference and the committee of three members who have already acted on the Federal Reserve Board, convey to the Board the action agreed to be submitted to them by this conference up to this point.

Thereupon, the said committee left the room forthwith. An in-

formal session followed with Mr. Allen in the chair, during which the proposed regulations by the Federal Reserve Board governing investment in municipal warrants were considered, and also the proposed regulations relative to the admission into the Federal Reserve System of State Banks and Trust Companies.

The Committee returned from the Federal Reserve Board at 4:35 p. m., and the Chairman resumed the chair and called the meeting to order.

The Chairman reported that the committee had submitted to the Board all of the matters entrusted to them, and that the Board suggested

that the conference meet with them at 8:30 P.M. that night.

The proposed regulations of the Board relative to the admission of State Banks and Trust Companies (appearing in draft numbered 76) were taken up for discussion.

Thereupon, on motion duly made and seconded, the following votes were passed:

On page 2, "Applications for admission" - paragraph 4, Section A, it was voted to suggest the following amendment, so that the paragraph should read:

"Under authorization of an affirmative vote of shareholders representing a majority of its shares, to make application to the Federal Reserve Board, through the Chairman of the Federal Reserve Bank in the district, to subscribe for an amount of stock in such Federal Reserve Bank equal at par to six per cent of its capital and surplus."

and that Section B be amended to read as follows:

"To make a statement of its condition on a form prepared by the Federal Reserve Board, accompanied by a certificate of the majority, but in no case less than five of its directors, that in their opinion the assets were actually worth at least the values at which they appear in such statement."

and that the words after the word "exercising" in Section 2 of paragraph C be stricken out; that the language following that in Section 3 be stricken out, and that the word "now" be inserted just before the word "exercising."

and that at the end of the second paragraph on page 3 should be inserted the following:

"Such State Bank or Trust Company admitted to membership shall not be permitted to exercise functions, other than those which were being exercised at the time of its admission, without obtaining the prior approval of the Federal Reserve Board."

and that paragraph 5, having to do with examinations, be accepted in its present form without amendment.

That pages three and four be reduced to a brief tabulated form by topics, numbered and lettered, instead of the form in which they now appear in Circular #76, and that the Governors generally recommend to the Federal Reserve Board that the regulations of the Board be reduced to that form of headings and divisions of topics covered by the regulations, in such a way that it is mechanically simple to arrive at an understanding of the regulations.

At the request of Mr. Wells of St. Louis, a letter received by him from the President and Council of the Mississippi Valley Trust Company located in his district, bearing on the admission of State Banks as members, was read into the record at this point. After further consideration of this matter, and on motion duly made and seconded, it was

VOTED that the Federal Reserve Board be requested to postpone the final publication of its regulation marked #78 relative to State Banks and Trust Companies, subscribing for stock of Federal Reserve Banks, until the Governors of The Federal Reserve Banks have individually had opportunity to make a further examination of the proposed regulations submitted at the meeting, and that each of the Governors report directly to the Federal Reserve Board as promptly as possible on the proposed regulation.

On motion duly made and seconded, the Secretary was requested to furnish to each of the Governors a copy of the plan which had been submitted by the Chairman of the Conference, to be considered in connection with regulation #78. (NOTE: The plan referred to was incorporated in the record, and appears on page 20 of same.)

A letter addressed to Mr. J. H. McDougal relative to State Bank membership was read into the record at this point.

On motion a recess for dinner was taken at 6:20 P. M.

After the recess the Conference re-assembled with the Federal Reserve Board in the latter's room at the Treasury Department at 8:30 P.M., where an informal discussion of various matters took place, principally concerning the matter of clearing between the Federal Reserve Banks, and the meaning of the word "par" in the statute.

After this meeting the Conference re-assembled in its room at the Hotel Willard at 11 P.M.

The matter of handling the clearances between Federal Reserve Banks until the next meeting of the Conference was again taken up and discussed.

Whereupon, on motion of Mr. Seay, seconded by Mr. McCord, it was

VOTED that we accept checks upon other Federal Reserve Banks for immediate credit at par until further notice.

The vote on this motion standing ayes seven, nays three. The motion was declared carried.

Upon motion of Mr. Aiken, seconded by Mr. Rhoads, it was

VOTED that any further discussion of the method of handling checks drawn on banks within their own districts be deferred to the next general meeting of the Conference.

Upon motion duly made and seconded, it was

VOTED that it is the sense of the meeting that the transit operations which we may undertake in our respective districts be generally in accordance with the report of the Committee having that in charge at the Conference of Governors held here in October; and that transit operations should be confined to the districts of the respective Federal Reserve Banks, except with respect to checks on Federal Reserve Banks.

At this time, a report from the sub-conference of accountants was submitted and read. Thereupon, on consideration thereof, and on motion duly made and seconded, it was

VOTED that the report of the sub-conference be accepted and a copy be forwarded to each Governor. The report was as follows:

Dec. 11, 1914.

Gentlemen:- The undersigned, representing the auditing and accounting departments of the Federal Reserve Banks, beg leave to submit, in compliance with your suggestion, the following recommendations:

(1) That each Federal Reserve Bank establish and maintain a system of records suitable to its requirements which will enable it to make such reports and furnish such data as may be required by the Federal Reserve Board.

(2) That an effort be made to secure uniformity in all forms used in transactions between Federal Reserve Banks.

(3) That each Federal Reserve Bank strongly urge its member banks to have its A.B.A. number (in small type) and its district number (in large skeleton type) imprinted on all checks payable in its district.

(4) That in all other respects each Federal Reserve Bank adopt (for the present at least) such accounting systems as may be approved by its officers.

Respectfully submitted,

Wm. H. Schullander, Richmond
Geo. C. Bordwell, San Francisco
Adolph Kopp, Kansas City
E. J. Fleming, Cleveland
Thomas Gamon, Jr., Philadelphia
Edwin R. Kessel, New York
Ernest H. Lovitt, Boston
Olin H. Atterbury, St. Louis

The matter of waiver of demand notice and protest was taken up and discussed. On motion duly made and seconded it was

VOTED that the Governors of the Reserve Banks submit the question of waiver of demand notice and protest to their counsel for opinions, and that the Governors report upon the same at the next meeting of the Conference.

It was informally voted that the matter of discount rates be passed for the present.

On motion duly made and seconded, it was

VOTED that the announcement of discount rates be made to member banks by the Governors by mail.

The matter of the use of telegraphic codes was taken up for consideration. On motion duly made and seconded, it was

VOTED that the banks continue to use the A.B.A. code for the present, and that the Chairman appoint a committee of one to consult with the New York expert in this matter and report to the next meeting of the Conference.

The matter of the directors' fees was brought up for discussion, but no action was taken thereon.

On motion duly made and seconded, it was

VOTED that the Chairman and Secretary are authorized to prepare the necessary communications for conveying the recommendations authorized to be presented to the Federal Reserve Board.

The Chairman expressed his sincere thanks to the members of the Conference for their courtesy in electing him, and also for the courtesy extended to him in the meetings.

On motion of Mr. Jacy, put by him, a unanimous vote of thanks was tendered to Mr. Strong for his services as Chairman of the Conference.

It was understood that the expense of the proceedings shall be divided into twelve equal parts, and borne by the districts represented.

The meeting duly adjourned at 1:45 A.M. until Saturday, December 18th at 9 A. M.

New Willard Hotel,
Washington, D. C.
December 12, 1914.

The Conference of Governors met pursuant to adjournment today
at 9:15 A.M.

All present except Mr. Felle of St. Louis.

The Chairman read a telegram from Mr. H. C. Burnett to Mr. McKay
of Chicago, suggesting that transit letters be charged the day following
their transmittal, and deposits be credited the day following their receipt.

The Chairman also read the last part of a telegram addressed to
Mr. Bordwell from Governor Keane of San Francisco, urging that a conclusion
be reached whereby bank acceptances might be bought and sold.

Expressions were also made by the Governors of the Federal Reserve
Banks of New York, Minneapolis, Chicago and Philadelphia to the effect that
they would like to see a policy or rule adopted that would permit at once of
the purchase of bank acceptances by the Federal Reserve Banks. After a fur-
ther discussion of the matter of bank acceptances and of the necessity for
endorsement of Federal Reserve Banks on commercial paper pledged with Federal
Reserve Agents, the meeting adjourned to 10 o'clock A.M. for the purpose of
holding a conference with the Federal Reserve Board at the Treasury Depart-
ment.

At 10:10 the Conference of Governors re-assembled at the Treasury
Department with the Federal Reserve Board and discussed various matters, in-
cluding the discount rate and the proposed regulations governing the purchase
of warrants. This conference with the Federal Reserve Board lasted until
1:30 P.M., at which time it was adjourned.

There was no further meeting of the Conference of Governors after
the adjournment of the Board meeting.

A statement for the press was given out by the Secretary of the
Conference, in accordance with the directions of the Chairman.


Secretary.

Revised

CONFERENCE OF THE GOVERNORS OF THE
FEDERAL RESERVE BANKS.

New Willard Hotel, Washington, D. C.,
Thursday, December 10, 1914.

Present:

Alfred L. Aiken, Governor,
Federal Reserve Bank, Boston, Mass.
Benjamin Strong, Jr., Governor,
Federal Reserve Bank, New York, N. Y.
Charles J. Rhoads, Governor,
Federal Reserve Bank, Philadelphia, Pa.,
E. R. Fancher, Governor,
Federal Reserve Bank, Cleveland, O.
George J. Seay, Governor,
Federal Reserve Bank, Richmond, Va.
Joseph A. McCord, Governor,
Federal Reserve Bank, Atlanta, Ga.
J. B. McDougal, Governor,
Federal Reserve Bank, Chicago, Ill.
Rolla Wells, Governor,
Federal Reserve Bank, St. Louis, Mo.
Theodore Wold, Governor,
Federal Reserve Bank, Minneapolis, Minn.
Chas. M. Sawyer, Governor,
Federal Reserve Bank, Kansas City, Mo.
Oscar Wells, Governor,
Federal Reserve Bank, Dallas, Texas.
George C. Bordwell, representing the Governor
of the Federal Reserve Bank of San Francisco.
C. R. McKay, Deputy Governor,
Federal Reserve Bank, Chicago, Ill.
J. F. Curtis, Secretary and Counsel,
Federal Reserve Bank, New York, N. Y.

The meeting was called to order at 11 a. m. in the Interstate
Commerce Commission hearing room at the New Willard Hotel, Washington, D. C.

The meeting thereupon proceeded to organize by electing Mr. Ben-
jamin Strong, Jr., Chairman, and Mr. J. F. Curtis, Secretary of the con-
ference.

(Note: By direction of the Secretary, the conference was re-
ported as a general informal discussion to a point later indicated.)

The Chairman stated that up to the time of the arrival of certain
members of the committee who had waited upon the Federal Reserve Board,
and the arrival of the reporter, the conference had adopted first, the or-

der of the program, and were now about to continue the discussion of various suggestions then under consideration.

The inquiry was here made as to whether the reserve banks had been invited individually to come in as honorary members of the American Bankers Association, so that they could have some weight with the Association itself; It was stated that as honorary members they would have no voting power, and that certain objections might be removed from the minds of the Federal Reserve Board in case membership was so restricted, as otherwise it might not be advisable for the members to accept the invitation.

The Chairman stated that he thought that one of the advantages to be gained would be a closer relationship and kindlier feeling between all the banks, state and national, and, though he did not know exactly how many banks were identified with these associations, certainly there were a large percentage of all the banks in the country. It seemed to him that it would be policy to outline their plan to the Board. This was also the impression of the rest of the members.

It was then suggested to the Chairman that it might be well for the reserve banks not to initiate this matter, but let the associations give the invitations.

The Chairman stated that he understood an invitation had been sent to every member bank by the A. B. A. Governor McCord suggested that he could report for the six states in his district and for the Georgia State Association, that both had invited them to become members, and that the State Association had invited them to become an honorary member. That in view of the letter which they had received from the Secretary, they considered they could not be a full affiliated member. Governor McDougal stated that he thought that if they were to be admitted, then the question might naturally arise as to whether or not some of the rules and regulations might involve them in some embarrassment.

Governor Fancher inquired as to whether any member had been embarrassed by association with the A. B. A., whether they found it restricting in any sense. Governor Fancher stated that he had reference to the member's institution as a national banking institution -- was it restrictive or irksome? He stated that he did not think the member would find

it so, so far as the Federal Reserve Board went, and he stated that he thought the proposition should rather come from us than from them. And he suggested that before determining anything further in the matter, they should determine that. No objection was expressed by several members present, and one of the members suggested to the Chairman that they had a precedent in relations with the clearing house, that they were to become members of clearing houses of their cities without the regular obligations attaching to them as attached to clearing houses, and that that would be the prevailing rule as to joining the association.

The Chairman stated that it had been moved that the matter be referred to the Federal Reserve Board, as well as the matter of joining the State Banking Association, for a statement of policy with a recommendation that a uniform policy be adopted in this regard, and that it was the sense of the meeting that such associations should be made.

The inquiry was then made as to whether they should refer it to the Federal Reserve Board, as it was thought they should first find out whether or not it would be objectionable to them. Some one suggested that the word "informal" might be inserted in the resolution.

The Chairman stated that there was no objection to that amendment, in the language of the resolution, and that in the absence of objection the meeting might consider it as adopted. (No objection).

The Chairman then stated that the meeting was engaged in discussing a question of rather minor importance and that possibly they had better now conclude that topic, which was the method of computing discounts. In order to bring the question before the meeting, he stated what the situation was in New York, where his district comprised but one state. On inquiry of counsel, they were advised that the law in New York required the discount to be computed by a certain method, not however, generally observed in that district; the method prescribed by the statute would require them to compute the discount for the number of days from the date of discount to the date of maturity of the note, with interest on the basis of one day's interest being one 365ths of a year's interest at the prescribed rate. By custom in New York, however, interest has been col-

lected by the banks on the basis of 360 days to the year. The advice of counsel as to the law in New York requiring the basis of 365 days to a year, they had therefore adopted that policy.

In reply to a question by Governor McDougal as to whether it was the Chairman's opinion that they should give information to the various banks on that point, the Chairman stated that he really did not feel confident enough to express an opinion as to a question which had to do with the laws of different states, and particularly when practically all of the other banks outside of New York covered more than one state, where the law in those different states might be different. So far as he had any opinion on the subject as to the other districts, it was that it would be impossible for the Federal Reserve Board to make a uniform regulation which would fairly cover all districts. Some one inquired as to whether or not the members had received a notice about computing interest, to which the Chairman replied that he had and that personally as to his district he would be very reluctant to observe it. The inquiry was here made as to whether that was not a recommendation, to which the Chairman replied that it was, but that they could not observe it simply because it was contrary to the law. Some one inquired whether the New York law said discount or interest. The Chairman replied that he believed it said both interest and discount. It was stated that it was very important whether the law did say that or not, as otherwise, in the absence of regulation, one might be able to discount paper by whatever method one desired to figure interest. The general opinion was then expressed that the law seemed to require interest to be computed for the 365 days, that is for the actually elapsed time, but that that policy as stated by Governor McErd, would not apply in his district, where the word "discount" is omitted from the statute. Some one then suggested that they could therefore comply with the request of the Board to make it 360.

It was then moved that it was the sense of the meeting that they should not take any action on that matter at this time, as it would raise a problem which they did not yet confront.

The Chairman stated that it had been moved and seconded that no action be taken as he understood it, by way of reference to the Federal Reserve Board or by way of adopting a uniform policy at this time with

reference to the method of computing discount. He asked whether there was any further question to that motion. It was suggested by one of the members that in his district they imposed a minimum charge, and that to do so made the matter very complicated, to run a piece of paper through their intricate accounting machinery.

The inquiry was also made as to what was the minimum charge throughout that district, to which the answer was made that it was fifty cents. It was stated that of course it was the desire of the meeting not to do anything that would interfere with the practices, and to substitute a different charge or principle might be the means of doing it. That the members believed it to be the desire to disturb existing practices as little as possible.

The Chairman then inquired whether the members were ready for a vote on the motion, which had been seconded, and called for a yea and nay vote. The motion was passed.

The Chairman then stated that in connection with this discussion they should also consider the question of the value of notes bearing interest at which they should be offered as collateral for Federal reserve notes to Federal Reserve Agents: whether a note should be taken at its face value or discount value. He stated that the policy of his institutions where the note was drawing interest, was to add the amount of interest to maturity to the face of the note, thus avoiding confusion and unnecessary work to the discount department.

