

SECOND  
CONFERENCE OF GOVERNORS  
OF  
FEDERAL RESERVE BANKS

INDEX - JANUARY 1915 - BOARD OF GOVERNORS

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SECOND CONFERENCE OF THE GOVERNORS OF THE  
FEDERAL RESERVE BANKS.

Washington, D. C.,  
Wednesday, January 20, 1915.

The Second Conference of the Governors of the Federal Reserve Banks was held in the Cabinet Room of the New Willard Hotel at Washington, D. C., on Wednesday, Thursday, Friday and Saturday, January 20, 21, 22 and 23, 1915.

Present:

Alfred L. Aiken, Governor,  
Federal Reserve Bank, Boston, Mass.  
Benj. Strong, Jr., Governor,  
Federal Reserve Bank, New York City, N.Y.  
Chas. J. Rhoads, Governor,  
Federal Reserve Bank, Philadelphia, Pa.  
E. R. Fancher, Governor,  
Federal Reserve Bank, Cleveland, Ohio.  
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.  
Oscar Wells, Governor,  
Federal Reserve Bank, Dallas, Texas.  
Archibald Kains, Governor,  
Federal Reserve Bank, San Francisco, Cal.  
C. R. McKay, Deputy Governor,  
Federal Reserve Bank, Chicago, Ill.  
L. H. Hendricks,  
Federal Reserve Bank, New York City, N. Y.  
James F. Curtis, Secretary of the Conference.

The meeting was called to order at 10:30 a.m. on January 20th, and immediately entered into a joint conference with the members of the Federal Advisory Council, of whom the following were present:

Messrs. Forgan, Wing, Morgan, Jaffray, Rowe, Lyerly and Ardrey, as well as Governors Seay, Wells of St. Louis, and Kains, who are members of both bodies.

Mr. Forgan, President of the Federal Advisory Council, acted as chairman of the joint conference.

There followed a discussion of the proposed new circular and regulations of the Federal Reserve Board covering commercial paper, and also a discussion of various phases of the matters of inter-district settlements and intra-district collections and clearances, and also the feasibility of making use of the distribution of the Gold Pool Fund in settling the accounts between the various Federal reserve banks and the Federal Reserve Bank of New York. No definite action or recommendation was made by the joint conference, it being understood, however, that the recommendations of the Federal Advisory Council concerning commercial paper were to be considered more at length by the Conference of Governors before the latter made their recommendations to the Federal Reserve Board.

The joint conference came to a close at 1:15 o'clock p. m.

#### AFTERNOON SESSION.

The Conference of Governors reassembled at the same place at 2:50 o'clock p. m., all members present except Governor Sawyer.

Mr. Strong took the chair and announced that Governor Sawyer would be unable to attend the Conference owing to the death of a relative.

The Chairman then stated that the first business was the matter of notifying the Federal Reserve Board of the opening of the Conference.

On motion duly made and seconded it was

VOTED that the Chairman exercise his discretion in regard to notifying the Federal Reserve Board of the opening of this Conference.

Whereupon the Chairman stated that in his judgment a committee should notify the Board that the Conference was in session and ask for an indication of their pleasure in the matter. He thereupon appointed a committee consisting of Messrs. O. Wells, McDougal and Wold, who left the Conference to wait upon the Governor of the Federal Reserve Board.



In the absence of the committee it was agreed to take up for disposition items on the program of a routine character, and the following topics were thereupon discussed.

#3 - MEMBERSHIP IN BANKERS ASSOCIATIONS: The Chairman read a letter from the Federal Reserve Board to the effect that the Board saw no objection to the Federal reserve banks joining such associations in an honorary or special membership, provided that the representatives of the reserve banks should not actively participate in the management of the bankers associations. No further action was taken in this regard.

Topic #5 - with reference to the method of distributing the organization expenses of the Federal reserve banks-was then taken up for consideration. Whereupon on motion duly made and seconded, it was

VOTED that the matter of charging off any of the organization expenses be deferred for one year from November 16, 1914.

Topic #15 - with reference to reserve banks giving out credit information to member banks - was then taken up for discussion. Whereupon on motion duly made and seconded, it was

VOTED that it is the sense of the meeting that the Federal reserve banks should adopt the policy of asking for information from their member banks, but not giving information to the member banks in regard to credits, and that they should exchange information freely between the Federal reserve banks in regard to such credits.

The committee appointed to wait upon the Governor of the Federal Reserve Board returned to the Conference at this point, and the Chairman outlined to them the action taken by the Conference in their absence.

The Chairman then stated that the first business to come before the meeting was the reading of the minutes of the previous Conference. Whereupon on motion duly made and seconded, it was

VOTED that in view of the fact that each of the Governors has been furnished with a copy of the minutes, the reading thereof be dispensed with, and the Chairman announced that the minutes would stand approved as submitted in writing to each of the Governors.

Mr. O. Wells, for the committee appointed to wait upon the Governor of the Federal Reserve Board, reported that they had waited upon the Federal Reserve Board as instructed, and that Governor Harlin had stated that he would

go over the program outlined for the Conference and communicate with the Conference as to any suggestions which the Board might have to make.

The Chairman then made a statement with reference to topic #18, - the article which appeared in the Journal of Commerce of New York. After the Chairman had completed his statement, and after an informal discussion, it was

VOTED that the author of the article, Mr. Iden, and the other newspaper representatives in Washington, be invited to attend a meeting of the Conference on January 21st, at the morning session.

The Chairman then stated that the first item on the regular program was the report of the special committee appointed at the last Conference. Whereupon, Mr. McDougal as Chairman of the committee appointed to consider the matter of settlement of balances between the Federal reserve banks, submitted the report of the committee, which report will be found upon pages 86 to 90 of the stenographers' minutes. After full consideration of the report, and on motion duly made and seconded, it was

VOTED that paragraph 5 thereof be amended by adding the words "or gold certificates" after the word "gold", so as to read as follows:

"(5) For the purpose of replenishing the fund of any Federal reserve bank, exchange may be purchased and forwarded to any of the Federal reserve banks in sufficient quantity to turn the debtor bank into a creditor bank at the next settlement day, or gold or gold certificates may be deposited in any Sub Treasury for the credit of the settling fund of any Federal reserve bank."

Thereupon on motion duly made and seconded, it was

VOTED that the report be adopted as amended.

At this point Mr. Strong left the Conference and Mr. Aiken was duly elected temporary Chairman and took the chair.

On motion duly made and seconded, it was

VOTED that Mr. McDougal as Chairman of the committee, present a copy of the report of the committee as amended to the Federal Reserve Board, with the statement that it had been adopted by the Conference of Governors subject to the approval of their Board.



At this point the Secretary reported that he had received word from the Secretary of the Board stating that the Board would be pleased to have the Conference consider, if agreeable, the following topics <sup>the</sup> on/program in their order given below:

- #12 Commercial paper
- #13 Revenue warrants
- #14 Acceptances
- #15 Credit information for members
- #16 Reports by member banks
- #24 Clearing House relations

He also reported that the Board would be pleased to know when it would be agreeable to the Governors to have a joint meeting with them. After some discussion it was informally understood that the hour of 2:30 o'clock p.m. on the following day would be suggested to the Secretary of the Board for the joint conference.

Topic #22 - GENERAL SUB-TREASURY RELATIONS - was then taken up for discussion. Whereupon on motion duly made and seconded, it was

VOTED that a recommendation be made to the Federal Reserve Board and the Secretary of the Treasury that arrangements be made by which transfers of gold can be accomplished between the Sub-Treasuries of the United States for the accounts of the Federal reserve banks, and without expense to such banks.

And it was also

VOTED that the matter of the redemption of national bank notes at Sub-Treasuries be taken up for arrangement with the Secretary of the Treasury.

Topic #2 - the report of Mr. Rhoads as the committee on cipher code - was then brought up for discussion.

During the discussion of this topic, Mr. McDougal for the committee, reported that he had submitted the report and recommendation of the Conference with reference to the settlement of balances between the Federal reserve banks to the Federal Reserve Board.

At this time, 6:25 p.m., the Conference took a recess.

EVENING SESSION

The Conference reassembled at 8:55 p. m., and proceeded to the further consideration of topic #2, Cipher Code. On motion duly made and seconded, it was

VOTED that no supplementary code be used for the present, but that the A.B.A. code be used with a key word or number to be provided.

In accordance with the wishes of the Federal Reserve Board, topic #12 - Commercial Paper - was then taken up for discussion. The draft of the new regulation "B" series of 1915, and a letter from Governor Hamlin to Mr. McCord, were read. After full consideration and discussion, and on motion duly made and seconded, it was

VOTED that the Secretary be requested to draft a recommendation to the effect that in the case of a purchased bill the member bank shall certify in its application that it has in its files either an original or a certified copy of a statement from the borrower.

And it was also

VOTED that the evidence of eligibility of customers' paper be included in the application and not upon the note itself.

And it was also

VOTED that Section III (a) (1) be changed to read as follows:

"Such bill bears the signatures of the purchaser and the seller of the goods, for the purchase price of which the bill was given."

And it was further

VOTED that the reserve banks be required to obtain evidence from the member banks that they maintain a credit file of customers' paper when the bill offered for rediscount exceeds \$5000. in amount or 10% of the capital stock of the member bank.

And it was further

VOTED that credit files be required with respect to all customers' paper except where such paper is in amount less than \$5000. or 10% of the capital of the member bank, and that with respect to such paper the Federal reserve bank may require information from the member bank in its discretion.



And it was further

VOTED that paragraphs (d) and (e) of the appendix be eliminated, and that the word "suggested" be inserted after the word "information" in the title of the appendix.

And it was further

VOTED that the last paragraph of the draft of circular #3 be eliminated.

Topic #13 - REVENUE WARRANT REGULATIONS - was then taken up for discussion. On motion duly made and seconded, it was

VOTED that the Conference recommend to the Federal Reserve Board that the draft of regulations contained in regulation F, series of 1915, be broadened so as to include as eligible for purchase by reserve banks, serial bonds payable out of tax levies.

On motion, the meeting duly adjourned at 11:55 p. m.

January 21, 1915.

The Conference reassembled at 10:30 a. m. this day.

All present except Mr. Fancher.

Topic #13 - REVENUE WARRANT REGULATIONS - was again taken up for consideration. Mr. Rhoads submitted a letter from Mr. Warburg on this subject, dated January 11, 1915, which will be found on page 232 of the stenographers' minutes. On motion duly made and seconded it was

VOTED to recommend to the Federal Reserve Board that the Federal reserve banks be authorized to purchase obligations of municipalities if endorsed by member banks, free from the limitations contained in the present tentative regulations.

And it was further

VOTED to recommend to the Board that the tentative regulations on this subject, with the amendments suggested above, should be finally adopted by the Board as the permanent regulations.

At this point Mr. Iden of the Journal of Commerce sent in his card, and the Chairman stated that a tentative draft of a statement for the press had been prepared. Whereupon on motion duly made and seconded, it was

VOTED that the Chairman should feel at perfect liberty to state that the statement which he may present comes from this Conference of Governors and not from himself, and that it is the result of the deliberations of this Conference to be presented through him.

Thereupon Mr. V. G. Iden entered the conference room, and was interrogated by the Chairman and other Governors with respect to the article which appeared in the Journal of Commerce on December 21, 1914.

After this conference with Mr. Iden, various representatives of the newspapers entered the conference room, about eight in number, and the Chairman made a statement to them, after which they withdrew. (Note: at this point Mr. Curtis left the Conference and Governor O. Wells acted as Secretary pro tem.)

Topic #14 - ACCEPTANCES - was brought up for discussion, but was postponed for later consideration in view of the fact that the draft of the proposed regulations (#84) was found to be somewhat out-of-date.

Topic #16 - REPORTS BY MEMBER BANKS - was brought up for discussion. Whereupon on motion duly made and seconded, it was

VOTED that the Conference recommend to the Federal Reserve Board that the form of report to be rendered by member banks located elsewhere than in reserve cities, be made no longer or more complicated than that required by member banks in reserve cities, and that the form of report by member banks in reserve cities is, in the opinion of the Conference, concise, brief, embodies the necessary information, and has the approval of the Conference.

And it was further

VOTED that the Conference recommend to the Federal Reserve Board that all information furnished on such statements should be in actual figures instead of average figures, with the exception of the matter of reserves.

And it was further

VOTED that it is recommended that a statement of the reserve percentage only should be required on the return, and that the calculation thereof should not be required.

At this time, 1 o'clock p. m., recess was taken.

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At 2:45 o'clock p. m. the Conference held a joint meeting with the Federal Reserve Board at the latter's room in the Treasury Department.

PRESENT: Governor Hamlin and Messrs. Delano, Warburg, Miller, Harding, and Secretary Willis of the Federal Reserve Board, and all the Governors except Mr. Wells of St. Louis. Governor Strong made an informal report of the actions of the Conference with respect to the following topics:

- Cipher Code
- Deferring distribution of organization expenses
- Commercial paper
- Revenue warrants
- Credit information for member banks
- Settlements between Federal reserve banks

The matter of collections was also briefly discussed.

The joint meeting adjourned at 5:50 o'clock p. m.

The Conference resumed its session at the New Willard Hotel at six o'clock p. m., and after an informal discussion with respect to press matters various representatives of the press were invited into the conference room, and were informed by Governor Seay that at the request of Governor Hamlin no statement to the press would be given out by the Conference of Governors at the present time, and they were referred to Governor Hamlin for such statement as might be given out later.

The Conference took a recess at 7:05 o'clock p. m.

#### EVENING SESSION.

The Conference resumed its session at 9:30 o'clock p. m.

Topic #16 - REPORTS BY MEMBER BANKS - was again taken up for discussion. On motion duly made and seconded, it was

VOTED to recommend to the Federal Reserve Board that the report required of all member banks be made monthly.

Topic #9 - WAIVER OF DEMAND, NOTICE & PROTEST - was then taken up for discussion, and various opinions of counsel were read and discussed. Whereupon on motion duly made and seconded, it was

VOTED that the Conference recommend to the Federal Reserve Board that efforts be made to have the statute amended by omitting the requirement of a waiver of demand, notice and protest on rediscounted commercial paper.

Messrs. McDougal and O. Wells voted in the negative.

The matter of suggesting an amendment to the law authorizing Federal reserve banks to make loans to member banks on such banks' notes secured by eligible paper as collateral, was then taken up for discussion but no action was taken thereon.

Topic #28 - INSURANCE ON CURRENCY SHIPMENTS - was taken up for discussion. A statement with respect to this matter was made by the Chairman but no action was had thereon.

Topic #24 - CLEARING HOUSE RELATIONS - was then taken up for discussion. Whereupon on motion duly made and seconded, it was

VOTED that it is the sense of the meeting that it is not advisable at this time to consider the matter of Clearing House functions other than the settling of the balances that may arise between the member banks.

Topic #30 - with reference to the issuance of Federal reserve notes, was then brought up for discussion. Whereupon on motion duly made and seconded, it was

VOTED that the Conference recommend to the Federal Reserve Board that either the Federal Reserve Act be amended to authorize the issuance of Federal reserve notes against gold or gold certificates, or that the Board authorize Federal reserve agents to receive gold, gold certificates or lawful money deposited by Federal reserve bank to reduce its liability for outstanding Federal reserve notes, and to release to the bank the commercial paper theretofore held as security for such notes and to re-issue more notes when such commercial paper is re-offered to them by the bank.

The meeting duly adjourned at 12:15 a. m.

January 22, 1915.

The Conference reassembled at 10:15 a. m. All present except Governors McDougal and R. Wells.

The Journal of Commerce matter was taken up for discussion. Whereupon on motion duly made and seconded, it was

VOTED that the letter addressed to Governor Hamlin and read to the meeting, be approved and forwarded to Governor Hamlin at once.



On motion duly made and seconded it was

VOTED that the Conference proceed to take up the unfinished topics in their order as shown on the program.

Topic #4, with reference to the handling of national bank notes, was thereupon brought up for discussion. On motion duly made and seconded, it was

VOTED that deposits of national bank notes by member banks should only be permitted for the purpose of making good depleted reserve deposits, and should not be received merely for purposes of redemption or for the convenience of member banks who desire to make redemption at the expense of the reserve banks, nor to permit such banks to create exchange at the expense of the reserve banks, and that it is the judgment of the Conference that full discretion should be left with the executives of the reserve banks in their several districts to govern the situation in this regard.

Topics appearing as sub-divisions under #1 were then taken up as follows: (a) (b) (c) (d) and (e); also Topic #22 - GENERAL SUB-TREASURY RELATIONS. On motion duly made and seconded it was

VOTED that all of the foregoing topics be referred to the committee on Federal reserve bank settlements (Governor McDougal's committee) with power to take such action in respect thereto as the committee may deem necessary.

Topic #8 - TIME DEPOSITS - was taken up for discussion, and on motion duly made and seconded, it was

VOTED that the draft of circular #6, series of 1915, of The Federal Reserve Board, be approved.

Topic #11 - COMPENSATION OF MEMBERS OF THE FEDERAL ADVISORY COUNCIL - was then taken up for discussion, but no action was taken thereon, it being informally understood that this matter would be left with the directors of each Federal reserve bank without recommendation from the Conference.

Topic #6 - BONDING OF EMPLOYEES - was taken up for discussion. Whereupon on motion duly made and seconded, it was

VOTED that this matter be referred to each bank for its individual decision and that no general policy be considered at the present time by the Conference.

Topic #7 - concerning the Comptroller's recent ruling with respect to national bank notes, - was then taken up for discussion. On motion duly made and seconded, it was

VOTED that it was the sense of the meeting that a national bank note of another bank bears the same relation to a national bank as a credit and should be allowed as an offset in computing the reserves of such banks.

After an informal discussion it was agreed to suggest to the Federal Reserve Board that the Conference meet with them at 5 p. m. to-day, and also during the morning to-morrow.

Topic #14- ACCEPTANCES - was then taken up for discussion. On motion duly made and seconded, it was

VOTED that it is the sense of the Conference that Sections 13 and 14 of the Federal Reserve Act should not be considered together in making regulations governing acceptances, for the reason that one section governs rediscount operations and the other open market operations, and in the opinion of the Conference these sections were intended to be considered separately.

And it was further

VOTED that it is the sense of the Conference that in order to promote the foreign commercial relations of the United States Federal reserve banks should not be restricted in purchasing acceptances of non-member banks, member banks and private banking institutions, when the condition of the acceptors is satisfactory.

And it was further

VOTED that it is the sense of the Conference that inasmuch as Section 13 of the Act specifically imposes a limitation upon the amount which may be discounted for member banks, and as Section 14 contains no such limitation, the purchase of acceptances under the provisions of Section 14 should be left to the discretion of the Federal reserve banks without limitation.

Topic #19 - GENERAL NEWSPAPER ARTICLES - was brought up for discussion but was passed with the informal understanding that no action was necessary at this time.

Topic #17 - FOREIGN EXCHANGE - was brought up for consideration and after a brief discussion, and on motion duly made and seconded, it was

VOTED that this topic be passed for the present.



Governor McCord gave notice that he desired to have this topic placed on the program for the next Conference of Governors.

The Conference took a recess at this time, 1:30 o'clock p. m.

AFTERNOCN SESSION.

The Conference reassembled at 3:25 p. m. All present except Mr. Wells of St. Louis.

In behalf of the committee to consider settlements between Federal reserve banks, Mr. McDougal reported that the committee had given further consideration to the sub-topics under Topic #1, and reported the following resolutions adopted by the committee:

VOTED that pending the adoption of the plan recommended by the committee, the present method of settling balances between Federal reserve banks be employed, and that Mr. McDougal be requested to perfect a plan for settling the existing balances at the time the new plan goes into effect, and further, that the distribution of the gold fund be used in this regard if possible. It was also

VOTED that the Chairman of the Committee be requested to apply to the Secretary of the Treasury for the deposit of, first, such sums as will approximately adjust the balances existing at the time the new plan takes effect, and after the transfer of the gold fund, and second, another deposit of such an amount so that the total amount of both deposits shall be not less than ten per cent of the aggregate deposits of the Federal reserve banks.

At this time drafts of revised regulations were received from the Federal Reserve Board on the subjects of bankers acceptances and commercial paper; these regulations were immediately taken up for discussion. On motion duly made and seconded, it was

VOTED that the Chairman be requested to state to the Federal Reserve Board that prior to the receipt of the revised draft of regulations concerning acceptances, the Conference had considered the subject and had passed the resolutions hereinbefore set forth, and that from a very brief examination of the new draft, the Conference was of the opinion that it seems to conform generally to the recommendations already adopted.

The Conference took a recess at 4:20 p. m. to attend a meeting with the Federal Reserve Board at the Treasury Department.

The joint meeting with the Federal Reserve Board began at 4:40 o'clock p. m. All the Governors were present except Mr. Wells of St. Louis. The following members of the Board were present:

Governor Hamlin, Messrs. Delano, Warburg, Williams, and Secretary Willis.

Mr. Strong reported on the plan for distributing "the gold fund" through the Federal reserve banks, and for arranging deposits of a gold fund by the Secretary of the Treasury in the hands of a central committee.

Mr. Strong also reported the action of the Conference with reference to the following matters:

- The :USO of Federal reserve banks as redemption agencies for national bank notes.
- The bonding of employees.
- The recent ruling of the Comptroller with respect to national bank notes.
- The definition of "time deposits."
- Waiver of demand, notice and protest.
- Loans to member banks secured by commercial paper as collateral.
- Collection of notes by one Federal reserve bank for another.
- Acceptances.
- Reports of member banks.
- Clearing House relations.
- Meaning of "lawful money."
- Issuance of Federal reserve notes.
- Borrowed securities.
- Newspaper articles.
- Initiation of changes in the rates of discount, and
- Commercial paper regulations.

The joint meeting adjourned at 6:15 p. m.

#### EVENING SESSION.

The Conference reassembled at 8:50 p. m.

The Chairman announced that it had been decided at dinner to hold the next meeting in Washington on March 11th, if that date should prove convenient for the Federal Reserve Board.

At this point the Secretary was excused from attendance for the purpose of preparing a statement to be given to the press, and Mr. C. Wells acted as Secretary pro tem.



Topic #23 - APPOINTMENT OF BANK EXAMINERS AS DEPUTY FEDERAL RESERVE AGENTS - was passed without discussion.

Topic #20 - DISCOUNT RATES - was then taken up for discussion. This discussion covered not only the question of the initiation and establishment of discount rates by the Federal reserve banks for member banks, but also the proper method to be pursued in case it should be desired to establish rates of discount between the Federal reserve banks themselves. On motion duly made and seconded, it was

VOTED that the Chairman be requested to present to the Federal Reserve Board a fair consensus which would represent the views of those in attendance at the meeting who had discussed the matter thoroughly with their respective Boards of Directors as well as at this Conference.

Topic #26 - COLLECTIONS - was then taken up for discussion, and a prolonged discussion thereof followed. Messrs. McKay and Hendricks were appointed an informal committee to prepare a memorandum of headings on this topic for discussion.

The meeting duly adjourned on motion at 12 o'clock midnight.

---ooQoo---

January 23, 1915.

The Conference reassembled at 10:15 a. m. All present except Governors R. Wells and McCord.

The Chairman presented the memorandum prepared by Messrs. McKay and Hendricks. The discussion of the subject of collections was resumed. It was moved by Governor McDougal and duly seconded, that the matter of collections be left to each individual bank. The motion was put to a vote and was declared lost; two votes being in the affirmative and five in the negative.

On motion duly made and seconded, it was

VOTED that it is the sense of the Conference that it is incumbent upon the Governors to make an effort to proceed with the enlargement of the transit operations of the several Federal reserve banks.

It was moved by Mr. Kains and duly seconded, that if any plan is adopted, it should contain the principal of deferred credit and deferred charge. The motion being put, resulted as follows: ayes 3, nays 3. The Chairman then put the motion again, with the following result: ayes 3, nays 4; so the motion was declared lost.

Mr. Wells of Dallas made a motion which was duly seconded, that any plan adopted should contemplate that credit should be made after the lapse of sufficient time for the item to reach the place of payment, and that the charge should be made after the lapse of a similar length of time and that the arrangement should be based upon an agreement with each bank to accede to this plan; such resolution not to be deemed a declaration in favor of any particular method of accounting. The motion was put to a vote and lost.

On motion duly made and seconded, it was

VOTED that items be accepted on member banks within each district for immediate credit, and that they be immediately charged to member bank account, with the requirement that the member banks maintain sufficient funds as shown by the books of the Federal reserve banks in excess of their legal reserves to protect all such charges, provided that this plan either does not conflict with the Federal Reserve Act, or if it does conflict with the Act, that it shall be based upon an agreement with each member bank.

This motion, being put to a vote, resulted as follows: ayes 6, nays 3; so the motion was carried.

It was moved by Mr. Seay and duly seconded, that no action be taken by the Conference with reference to the matter of imposing charges for services in the collection of checks. The motion being put to a vote, resulted as follows: ayes 5, nays 4; so the motion was declared carried.

It was moved by Mr. Seay and duly seconded that the Conference recommend to the Federal Reserve Board that they take under consideration the question of fines to be imposed upon member banks for not maintaining their reserve balances. The motion being put resulted as follows: ayes 3, nays 4; so the motion was declared lost.



On motion duly made and seconded, it was

VOTED that the Conference recommend to the Federal Reserve Board that the operations to be undertaken by the Federal reserve banks for the present be confined within their respective districts, with the exception that the reserve banks be permitted to receive items of purchase ~~and~~ exchange solely for the purpose of adjusting balances between Federal reserve banks.

On motion duly made and seconded, it was unanimously

VOTED that the Chairman be requested to send a telegram to Governor Sawyer of Kansas City, expressing the sympathy of the Governors and their regret at his absence.

At this point the Secretary retired from the Conference, and the matter of compensation for the Secretary was taken up for discussion. On motion duly made and seconded, it was

VOTED that the Secretary receive compensation for his services at the rate of \$200 per month, beginning on December 10, 1914, to be included in the general expense account to be divided equally between the several Federal reserve banks.

On motion duly made and seconded, the Conference duly adjourned at 12:10 p. m.

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At 12:15 p. m. the Conference reassembled in a joint meeting with the Federal Reserve Board at the Treasury Department.

All the Governors were present except Mr. Wells of St. Louis. Of the Board the following were present:

Governor Hamlin, Messrs. Delano, Harding, Warburg, and Secretary Willis.

The plan for settlements between the Federal reserve banks was discussed and Mr. Strong reported the recommendation of the Conference with respect to intra-district clearings and collections. Mr. Strong also made a statement expressing the views of the Governors and Directors of the reserve banks with reference to the initiation and establishment of rates of discount.

The original letter from Mr. Iden to Secretary Willis, dated December 26, 1914, was returned to Governor Harlin together with a copy of the stenographers' minutes containing the interview between Mr. Iden and the Conference of Governors, with the request that these minutes be returned to Mr. Curtis after the Board has finished using them.

The joint conference adjourned at 1:25 p. m.

#### NOTES

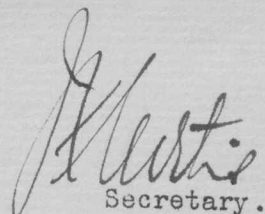
The statement for the press prepared by the Secretary and approved by the Conference, was given out at the office of the Secretary of the Treasury at 1:30 o'clock p. m., a copy of such statement having been delivered to each of the Governors present.

The following documents will be found at the end of Volume 5 of the stenographers' minutes:

1. Draft of a letter prepared by Mr. Curtis for the Directors of the Federal Reserve Bank of New York with reference to the meaning of the words "lawful money" as used in the Federal Reserve Act.
2. Draft of regulation on bankers acceptances revised by the Federal Reserve Board to January 15, 1915.
3. Revised draft of Section 3 of the regulations governing Commercial Paper, prepared by the Federal Reserve Board.

At the end of Volume 7 will be found the following:

Copy of a letter dated December 26, 1914, from V. Gilmore Iden to H. P. Willis, Secretary of the Federal Reserve Board.

  
Secretary.





