

FOURTH CONFERENCE OF GOVERNORS

CHICAGO, JUNE 14, 1915.

P R O G R A M M E

1. Minutes of the last meeting.

2. Report of Clearance Committee.

- (a) Establishment of Intra-district Collection System.
- (b) Establishment of Gold Fund.

3. Business held over from last conference.

- See 22 (a) Directors' profits in dealing with member banks with which such director is connected.
- (b) Discount Departments:
 - Number of forms
 - Rebating interest
 - Method of collection
 - Collection outside of district
- (c) Remittances to Treasurer or Assistant Treasurer for account of member banks 5% fund.
- 8 - (d) Handling of items received from member banks on the state banks.

4. Examinations.

- (a) Of member banks. F. R. Board
- (b) Cooperation between chief examiner and local examiners. " " "
- (c) Uniform method of securing information from the Comptroller concerning member banks. Mr. Rhoads
- (d) Appointment of representative to examine Federal reserve notes sent to Washington for destruction. Mr. Aiken
- (e) Appointment of representative to audit Gold Fund accounts. Mr. Strong
- (f) Recent order of Comptroller. Mr. Wold

5. Records, Reports and Accounting.

- * (a) Discussion of daily transactions, records and reports. F. R. Board
- (b) Amortization of organization expense and cost of printing notes. " " "
- (c) Analysis of operating expenses. " " "
- 2. (d) Standard form for analysis of expenses and income. " " "
- (e) Establishment of unit cost or standard of comparison. " " "
- (f) Distribution of expenses in connection with return of Federal reserve notes of other banks for redemption. Mr. Aiken
- (g) Standard form of financial statements. Mr. Rhoads
- (h) Accounts between Federal reserve banks, entries of drafts drawn on one by another. Mr. Wold
- (i) Settlement of old exchange accounts. Mr. Strong
- (j) Method of settlement for investments made by one Federal reserve bank for the account of other Federal reserve banks. Mr. Aiken
- (k) Compensation for making investments and for carrying on other transactions for other Federal reserve banks. Mr. Strong

- (l) Gold held by Federal reserve agents as security for notes - inclusion in balance sheet. Mr. Seay
 - (m) Weekly report of reserve by member banks. " "
 - (n) Proper indorsement of commercial paper or gold order certificates deposited with Federal reserve agent to secure notes or reduce liability. - Should it be in blank or to order of Federal reserve agent? Mr. Rhoads
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- (a) Communications with F. R. Board - practice with respect to matters pertaining only to banking transactions. Mr. Wold
 - (b) Codification or digest of informal rulings of F. R. Board. Mr. McDougal
 - (c) Codification or digest of action by Governors' Conferences. Mr. Strong
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- (a) Form of application for rediscounts to be used after July 15. Suggested forms to be submitted by Governors. Mr. Aiken
 - (b) Circular No. 3 - Regulation B. Mr. McDougal
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- (a) Cipher code and test word. Mr. Seay & Mr. Strong
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 - (b) Collection of warrants payable outside the district and in a city where there is no Federal reserve bank. " "
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 - (d) Indorsements on acceptances under Negotiable Instruments Law and common law. " "
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 - (f) Purchase of domestic bills of exchange not based upon imports or exports. " "
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 - (h) Purchase of trade acceptances by F. R. Banks F. R. Board

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 - (b) Receipt of items drawn on member banks in other Federal reserve cities. Mr. Wold
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FOURTH CONFERENCE OF GOVERNORS

CHICAGO, JUNE 14, 1915.

PROGRAMME

- ✓ 1. Minutes of the last meeting.
- ✓ 2. Report of Clearance Committee.
By Com. J. J. ...
 - (a) Establishment of Intra-district Collection System.
 - (b) Establishment of Gold Fund.
3. Business held over from last conference.
 - (a) Directors' profits in dealing with member banks with which such director is connected.
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 - (b) Cooperation between chief examiner and local examiners. " " " & Mr. Fancher
 - (c) Uniform method of securing information from the Comptroller concerning member banks. Mr. Rhoads
 - X(d) Appointment of representative to examine Federal reserve notes sent to Washington for destruction. Mr. Aiken
 - ✓ (e) Appointment of representative to audit Gold Fund accounts. Mr. Strong
 - (f) Recent order of Comptroller. — Omission of items. Mr. Wold & Mr. Fancher
5. Records, Reports and Accounting.
 - ✓ (a) Discussion of daily transactions, records and reports. F. R. Board
 - 4 Com* ✓ (b) Amortization of organization expense and cost of printing notes. " " "
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*auditor ✓
came down
No indorsement be
required on cover before
going to Reserve Dept -*

- ✓(l) Gold held by Federal reserve agents as security for notes - inclusion in balance sheet. Mr. Seay
- (m) Weekly report of reserve by member banks. " "
- (n) Proper indorsement of commercial paper or gold order certificates deposited with Federal reserve agent to secure notes or reduce liability. - Should it be in blank or to order of Federal reserve agent? Mr. Rhoads.

6. Relations with Federal Reserve Board.

- ✓(a) Communications with F. R. Board - practice with respect to matters pertaining only to banking transactions. Mr. Wold.
- ✓(b) Codification or digest of informal rulings of F. R. Board. Mr. McDougal.
- ✗(c) Codification or digest of action by Governors' Conferences. Mr. Strong.

7. Commercial Paper.

- ✓(a) Form of application for rediscounts to be used after July 15. Suggested forms to be submitted by Governors. Mr. Aiken.
- ✓(b) Circular No. 3 - Regulation B. Mr. McDougal.
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8. Relations between Federal Reserve Banks.

- ✓(a) Cipher code and test word. Mr. Seay & Mr. Strong
- (b) Transfers:
Charges
Extension of facilities to non-joining banks. Mr. McKay
F. R. Board
- ✓(c) Credits between F.R.Bks/- Treatment as reserves. Mr. Kains

9. Collections.

- ✓(a) Standard method of collecting notes, warrants and acceptances. Mr. Rhoads
- (b) Collection of warrants payable outside the district and in a city where there is no Federal reserve bank. " "

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- ✓(a) Short time rates. Mr. Aiken & F. R. Board
- ✓(b) Discussion of rates and report of views to F. R. Bd. Mr. Strong

✓11. Gold Fund.

- ✓(a) Attitude of New York bank in matter of settlement funds. " "
- (b) Method of settling overdrafts. " "

12. Open Market Operations.

- ✓(a) Extent of reserve banks' activities. Mr. McDougal
- ✓(b) Regulations in regard to warrants under which banks may purchase entire loan of a municipality up to a limited amount. Mr. Aiken
- ✓(c) Purchase of Government Bonds. Mr. Strong
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- (g) Purchases in New York market. " "
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- (b) Principles of admission. (& Mr. Seay

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- (a) Collection of checks drawn on all banks within district with nominal compensation for collecting checks on non-members in member banks' own town. Mr. McCord
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15. Inter-district Collections and Clearings.

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4th Conference

BOARD OF GOVERNORS

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FOURTH CONFERENCE OF GOVERNORS
OF THE
FEDERAL RESERVE BANKS

The Fourth Conference of Governors of the Federal reserve banks was held at the Hotel Blackstone, at Chicago, Ill., on Monday, Tuesday and Wednesday, June 14, 15 and 16, 1915.

PRESENT:

Mr. Strong, Chairman of the Conference,
Messrs. Aiken, Rhoads, Fancher, Seay,
McCord, McDougal, Wold, Sawyer, Van Zandt,
Lowry, C. R. McKay and J. F. Curtis,
Secretary of the Conference.

*Wells name
omitted from cover*

The meeting was called to order by the chairman at 10:40 a. m. on June 14th.

TOPIC NO. 1. - MINUTES. - On motion duly made and seconded, it was

VOTED that the minutes of the Third Conference of Governors be approved without reading.

The chairman called attention to the new form of programme submitted for the use of the conference. Whereupon, on motion duly made and seconded, it was

VOTED that as each topic is called, the proposer will state the points involved for discussion, and if necessary, submit in form of resolution.

TOPIC #2 - REPORT OF CLEARANCE COMMITTEE. - Mr. McDougal, for the Clearance Committee, made a brief statement of its activities and suggested that a permanent committee of the conference be established. Whereupon, on motion duly made and seconded, it was

VOTED that the Clearance Committee be discharged and that a standing executive committee of six be appointed; such committee to consist, for the present, of the members of the Clearance Committee and Mr. Rhoads; Mr. McDougal to be chairman thereof and three members to constitute a quorum.

BECKHIRE PAPER

TOPIC #3 - UNFINISHED BUSINESS. - The chairman then stated that the next matter for discussion was the business held over from the Third Conference, and that unless individual topics were brought up by some member present, they would be considered as passed.

TOPIC #3 (b) - FORMS. - The question of the number of forms having been brought up for discussion, on motion duly made and seconded, it was

VOTED that the executive committee be authorized to call a meeting of officers, or clerks, of a number of the Federal reserve banks, to discuss the question of forms and to make recommendations in connection therewith.

The next subject brought up for consideration was the question of rebating interest. Whereupon, on motion duly made and seconded, it was

VOTED that the Conference recommend to the Federal Reserve Board the establishment of rates for short term paper not exceeding fifteen days in maturity, and that the Board authorize the Federal reserve banks, at their discretion, to discount other commercial paper for a time less than the actual maturity of the paper at the appropriate rate for the length of time for which the discount is agreed upon.

TOPIC #3 (c) - REMITTANCES TO THE TREASURER OR ASSISTANT TREASURER OF THE UNITED STATES FOR ACCOUNT OF MEMBER BANKS' 5% REDEMPTION FUND. On motion duly made and seconded, it was

VOTED that each of the Federal reserve banks should urge upon member banks the desirability of making payment for account of their 5% Redemption Fund by transfers directly through the Federal reserve banks, and not by drawing checks on them.

TOPIC #4 (b) - COOPERATION BETWEEN CHIEF EXAMINERS AND LOCAL EXAMINERS. - After a prolonged debate and consideration the following preamble and resolution was unanimously adopted:

WHEREAS the Federal reserve banks are authorized by law to examine member banks in their districts, and

WHEREAS it might be a cause of comment upon a member bank in its community if such an examination should be made in addition to the examinations of the national bank examiner, until such examinations are regularly made, and

WHEREAS it is considered preferable at present to have the necessary examinations made by the national bank examiners except in unusual cases; and

WHEREAS it is considered by this Conference that it is of vital importance to the safety and welfare of the Federal reserve banks to have unhampered access to national bank examiners' reports and complete information with respect to all member banks,

BE IT RESOLVED that the Federal Reserve Board be requested to make arrangements with the Comptroller of the Currency whereby complete copies of all reports made by national bank examiners with respect to member banks shall be given to the Federal reserve banks to be open to the confidential inspection of the Governor, the Federal reserve agent, and such other officers of the bank as may be approved by the Federal Reserve Board;

PROVIDED that nothing herein contained shall be deemed to limit in any way the right of examination conferred by law upon the Federal reserve banks.

At this point a recess was taken at 1:15 p. m.

---ooOoo---

The Conference reassembled at 2:30 p. m., Mr. A. C. Miller, of the Federal Reserve Board, joining the Conference at the close of the recess.

There followed a discussion of the following topics suggested by Mr. Miller:

Standardized procedure in the examination of state banks.
Regulations governing trade acceptances.
Special rates for short maturities of ten and fifteen days.
Establishment of a unit of cost for accounting purposes.

TOPIC #4 (e) - At the close of these discussions the chairman stated that the next business was the question of appointing a representative of the banks to audit the Gold Settlement Fund. Whereupon, on motion duly made and seconded, it was

VOTED that the Chairman be authorized to appoint a representative of the twelve Federal reserve banks to audit the Gold Settlement Fund, in accordance with the regulations of the Federal Reserve Board.

TOPIC #4 (d) - The question of appointing a representative to witness the destruction of Federal reserve notes was discussed, but no action was taken thereon.

TOPIC #4 (f) - RECENT ORDER OF THE COMPTROLLER OF THE CURRENCY AUTHORIZING OMISSION OF ITEMS FROM REPORTS - was then taken up for discussion. Whereupon, on motion duly made and seconded, it was

VOTED that the Conference recommend to the Federal Reserve Board that of the items that have been omitted in the statements as rendered to the Federal reserve banks, the following should be restored:

1. Details of the borrowings of the officers and directors.
2. Details of bills payable.
3. Names of the correspondent banks.

At this point Mr. Miller withdrew from the Conference.

Mr. Broderick, chief of the Division of Audits and Accounts of the Federal Reserve Board, joined the meeting at the request of the chairman.

TOPIC #13 (a) - PRINCIPLES OF REGULAR PERIODIC EXAMINATIONS: Mr. Broderick stated that in general the plan being considered by the Federal Reserve Board was to make arrangements to authorize the acceptance of state examinations, either alone, or such examinations made in conjunction with examinations of the Federal Reserve System. Whereupon, on motion duly made and seconded, it was

VOTED that the views announced by Mr. Broderick be indorsed by the Conference and the operation of the plan outlined by him recommended.

TOPIC #13 (b) - EXAMINATIONS FOR ADMISSION: Mr. Broderick stated that he suggested three possible courses:

1. The admission to be based upon the last previous state examination, where the officers of the Federal reserve bank consider that such examination is an efficient one.
2. A provision for a special joint examination to be made by the state authorities and a Federal reserve bank representative.
3. A special examination made wholly by the state authorities.

Such one of the above three plans to be selected as the committee of the Federal reserve banks may think most expedient, under the circumstances. Upon consideration thereof, and on motion duly made and seconded, it was

VOTED that the suggestions made by Mr. Broderick be indorsed by the Conference and the plan submitted by him be recommended for operation.

And it was further

VOTED that immediately after this Conference each Federal reserve bank shall designate and advise the Federal Reserve Board of the names of the officers or employees of each bank who will have assigned to them the work of making examinations of state institutions.

REGULAR REPORTS TO STATE AUTHORITIES: Mr. Broderick made a brief statement of his views in this regard, and a general discussion followed. Whereupon, on motion duly made and seconded, it was

VOTED to recommend that in those states where full and complete reports are made by the state banks to the state authorities, and where the calls for such reports of condition are concurrent with the calls from the Comptroller of the Currency, such reports be accepted in lieu of reports made in the special form provided by the Comptroller,

EXAMINATION OF FEDERAL RESERVE BANKS: Mr. Broderick made a brief statement of the wishes and needs of the Federal Reserve Board in conducting examinations of the Federal reserve banks. Whereupon, on motion duly made and seconded, it was

VOTED that the Conference recommend to the several Federal reserve banks that they loan officers and employees to assist the Federal Reserve Board in conducting examinations of other Federal reserve banks, and that the Conference place upon record its desire to cooperate in every way with the Federal Reserve Board in conducting such examinations.

There followed a brief discussion of the proper method of carrying municipal warrants upon the books of the Federal reserve banks at the close of which Mr. Broderick asked that the suggestion be made to all of the Federal reserve banks that such investments be carried on the books of the bank at their face value, plus interest.

COST OF EXAMINATION OF STATE INSTITUTIONS: After considerable discussion of this topic, and on motion duly made and seconded, it was

VOTED that the Conference recommend to the Federal Reserve Board that for the calendar year 1915 or until otherwise directed, the Board should adopt as a policy the examination of state institutions applying for admission by employees of the Federal reserve banks wherever possible, no charge being made for their services except the actual out-of-pocket expenses.

TOPIC #6 - COMMUNICATIONS WITH FEDERAL RESERVE BOARD - PRACTICE WITH RESPECT TO MATTERS PERTAINING ONLY TO BANKING TRANSACTIONS. After considerable discussion, the following preamble and resolution were adopted:

WHEREAS it is reported at this Conference that considerable inconvenience has been caused by the failure of mail addressed to the Federal reserve agents to be promptly acted upon in the absence of the Federal reserve agents, and for other reasons;

BE IT RESOLVED that it is the sense of this Conference that all communications addressed by the Federal Reserve Board to the Federal reserve banks should be addressed to the bank or to the chief executive officer of the bank, and only those communications which pertain particularly to the duties of the Federal reserve agent should be addressed to him personally.

AND IT WAS FURTHER RESOLVED that the foregoing preamble and resolution be recorded in the minutes of the Conference, but that they be transmitted to the Federal Reserve Board orally by the chairman, with such explanation as he may deem judicious in order that the matter may be fully explained and particularly that the desire of this Conference is to promote the prompt and efficient transaction of all matters relating to the bank, and that the resolution is not prompted by any other motive.

TOPIC #6 (b) - CODIFICATION OR DIGEST OF INFORMAL RULINGS OF THE FEDERAL RESERVE BOARD. - On motion duly made and seconded, it was

VOTED that the Conference of Governors having considered and discussed the matter of informal rulings of the Federal Reserve Board, are of opinion that in view of the large number of such rulings and the variety of subjects covered, and the fact that they are not made simultaneously to all twelve banks, a comprehensive compilation or digest of them from the beginning down to the present time should be made by the Secretary of the Board, and that six or eight copies of such digest should be distributed to each bank.

TOPIC #6 (c) - CODIFICATION OR DIGEST OF ACTION BY GOVERNORS' CONFERENCES. - On motion duly made and seconded, it was

VOTED that this subject be carried over without action.

TOPIC #11 - GOLD FUND. (a) ATTITUDE OF NEW YORK BANK. - The chairman made a brief statement with respect to the attitude of the New York bank at the time of the establishment of the Gold Settlement Fund at Washington.

TOPIC #11 (b) - METHOD OF SETTLING OVERDRAFTS. - This matter came up for a brief discussion, but no action was had thereon.

At this point a recess was taken at 7 o'clock p. m.

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The Conference reassembled at 8:45 o'clock p. m.

It was agreed that the chairman should be authorized to select the subjects for discussion during the evening.

TOPIC #10 (b) - DISCUSSION OF RATES OF DISCOUNT AND REPORT OF VIEWS TO FEDERAL RESERVE BOARD. - After considerable exchange of views on this subject, and on motion duly made and seconded, it was

VOTED that the Federal Reserve Board be advised that the question of rates of discount was discussed at the Conference and that the consensus of opinion was that in view of the large excess reserves now held throughout the country, it did not seem to the governors expedient generally to reduce rates of the Federal reserve banks at the present time.

TOPIC #9 (a) and (b) - COLLECTION OF NOTES, WARRANTS AND ACCEPTANCES.
After considerable discussion, and on motion duly made and seconded, it was

VOTED that it is the sense of the Conference that the Federal reserve banks will be respectively expected to extend their collection facilities to other Federal reserve banks in collecting items payable within their districts.

TOPIC #12 - (d) - INDORSEMENTS ON ACCEPTANCES UNDER NEGOTIABLE INSTRUMENTS LAW AND COMMON LAW. - The secretary made a brief statement on this subject, it being understood that Mr. Aiken is to submit the question of indorsement on acceptances to his counsel and send copies of the reply received to all the other Federal reserve banks.

TOPIC #16 - FOREIGN EXCHANGE. - A brief discussion was had on this subject, but no action was taken thereon.

On motion, the meeting duly adjourned at 10:50 o'clock p. m.

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The Conference reassembled at 10 o'clock a. m.

All present except Mr. Fancher.

Topic #7 (a) - FORM OF APPLICATION FOR REDISCOUNT OF COMMERCIAL PAPER TO BE USED AFTER JULY 15TH. - After a brief discussion, and on motion duly made and seconded, it was

VOTED that each governor be requested to send to the governors of every other bank the form of application for rediscounts which he contemplates using after July 15th, together with statement blanks for use by member banks with their customers.

TOPIC #7 (b) - was covered by the vote above set forth.

TOPIC #7 (c) - UNIFORM CREDIT STATEMENTS. - After considerable discussion and on motion duly made and seconded, it was

VOTED that the American Bankers Association forms of credit statements be used as a basis and that each bank adapt them to its own use as far as possible, with the understanding that such form is a preliminary one recommended by the Bankers Association.

TOPIC #7 (d) - CHECKING COMMERCIAL PAPER. - This matter was then brought up for discussion but no action was had thereon.

TOPIC #8 (a) - CIPHER CODE AND TEST WORD. - After considerable discussion and explanation of two suggested systems for a test word, and on motion duly made and seconded, it was

VOTED that Mr. Strong make up the more elaborate of the two systems for a test word and send copies by mail under seal to each of the banks.

TOPIC #8 (c) - CREDITS BETWEEN FEDERAL RESERVE BANKS - TREATMENT AS RESERVES, - was then taken up for a brief discussion, its disposition, however, being postponed to a later time.

TOPIC #12 (a) - OPEN MARKET OPERATIONS.- EXTENT OF RESERVE BANKS' ACTIVITIES.- A brief discussion was had but no action taken thereon.

TOPIC #12 (b) - PURCHASE OF ENTIRE ISSUES OF MUNICIPAL WARRANTS UP TO LIMITED AMOUNTS.- After a brief discussion and on motion duly made and seconded, it was

VOTED that the Federal Reserve Board be requested to make a special ruling in regard to paragraph 2, Regulation F, Series of 1915, authorizing the Federal Reserve Bank of Boston to purchase the total amount of warrants outstanding of a municipality within its district to an amount not exceeding \$50,000, for the purpose of enabling the Federal Reserve Bank of Boston to hold such warrants for its own account or for the account of other Federal reserve banks.

(NOTE:) It was understood that this matter would be submitted to the Federal Reserve Board by Mr. Aiken, and not by the Secretary of the Conference.

Mr. Fancher joined the Conference at this point.

TOPIC #12 (e) - BILLS OF EXCHANGE ACCEPTED PAYABLE IN ANOTHER PLACE. was then brought up for discussion, but no action was taken thereon. The same is true of TOPIC #12 (g) - PURCHASES IN THE NEW YORK MARKET.

TOPIC #12 (j) - BASIS OF ALLOTMENT OF ACCEPTANCES AND WARRANTS BETWEEN FEDERAL RESERVE BANKS. - After considerable discussion, and on motion duly made and seconded, it was

VOTED that each of the eight reserve banks for which the Federal Reserve Bank of New York is making investments, shall submit as of June 30th to Governor Strong, a memorandum of earnings and expenses to be used in connection with the amount of capital and deposits of the respective banks in figuring suggestion for reapportionment of the investment account, and that Governor Strong is requested to submit the suggested reapportionment to the other eight reserve banks when the calculation is made.

Mr. Broderick joined the meeting at this point.

TOPIC #5 (k) - COMPENSATION FOR MAKING INVESTMENTS AND FOR CARRYING ON OTHER TRANSACTIONS FOR OTHER FEDERAL RESERVE BANKS. On motion duly made and seconded, it was

VOTED that this subject be referred to the executive committee with power to act and make recommendations as to fixing the compensation.

At this point, Mr. Miller of the Federal Reserve Board joined the Conference.

TOPIC #5 (a) - DISCUSSION OF DAILY TRANSACTIONS, RECORDS AND REPORTS.

On motion duly made and seconded, it was

VOTED that this subject be referred to the executive committee with power to arrange for the appointment of representatives from the Federal reserve banks to act as a committee to meet in Washington or elsewhere, together with representatives of the Federal Reserve Board, to discuss and report upon the topics of daily transactions, records and reports.

TOPIC #5 (b) - AMORTIZATION OF ORGANIZATION EXPENSES AND COST OF

PRINTING NOTES.- After considerable discussion of this topic with Mr. Broderick, the following resolution was adopted:

RESOLVED that it is the sense of this Conference that each Federal reserve bank submit to the Federal Reserve Board a complete detail of the items which have been included in the organization expenses, as set up by the respective banks, and that this data be analysed by the accountants of the Federal Reserve Board, and that if it is found necessary, a suggested adjustment be made to the banks where certain items have not been included that they should be properly included in the organization expenses, so that that item may be uniform as nearly as possible with all banks, and that effective July 1, 1915, a general form of carrying the expense accounts of the banks be recommended by the Board.

CHANGING DESIGNS OF FEDERAL RESERVE NOTES. - On motion duly made and seconded, it was

VOTED that this Conference suggest to the Federal Reserve Board the advisability of making the following changes in the design of Federal reserve notes:

1. Printing the distinctive letter or figure designating the Federal reserve bank of issue in larger and clearer type, and placing the same directly below and as near as practicable to the counter figure in the upper right hand corner of the note. (This recommendation is for the purpose of assisting in the sorting of notes.)
2. Placing in the border a distinctive letter or figure. (This recommendation is for the purpose of identifying portions of mutilated notes where the present identifying marks cannot be seen.)
3. Changing the ink or other material used in affixing the red seal in such a way as to make the notes fit for laundering.
4. Omitting the name of the Federal reserve bank through which the note is issued, the text of the Federal Reserve Act indicating that the means of distinguishing the issuing bank would be limited to figures and letters.

At this point a recess was taken at 1:15 p. m.

The Conference reassembled at 2:30 p. m., at which time Mr. Miller rejoined the meeting.

The chairman stated to Mr. Miller the substance of the discussion and resolution with reference to communications from the Federal Reserve Board.

TOPIC #5 (h) and (j) and #12 (i) - ACCOUNTS BETWEEN FEDERAL RESERVE BANKS, ETC.- After considerable debate and discussion, and on motion duly made and seconded, it was

VOTED that the Conference recommend to the Federal Reserve Board that the Federal reserve banks be permitted to withhold for certain exchange purposes, balances from the Gold Settlement Fund, and that whenever such balances are withheld, both banks are to advise the Federal Reserve Board of the amount to be withheld.

TOPIC #12 (c) - PURCHASES OF GOVERNMENT BONDS. - The Secretary presented portions of two opinions rendered by counsel for the Federal Reserve Board under dates of April 26th and 22nd respectively, and after considerable discussion and on motion duly made and seconded, it was

VOTED that in case of a ruling being rendered by the Federal Reserve Board that United States bonds available for circulation bought prior to December 23, 1915, shall count as part of the allotment of bonds to be made under the terms of Section 18 of the Federal Reserve Act, the executive committee shall, immediately thereafter, request one Federal reserve bank to act as agent for the other Federal reserve banks in purchasing such bonds prior to December 23, 1915, under a plan to be formulated by the said committee.

TOPIC #12 (f) and (h) - PURCHASE OF TRADE ACCEPTANCES, ETC. - After considerable discussion, and on motion duly made and seconded, it was

VOTED that it is recommended that the Federal reserve banks enlist the aid of Clearing Houses, Chambers of Commerce and credit bodies in their respective districts to bring about a change in commercial practices, which will cause the creation of trade acceptances in all commercial transactions where practicable, to the end that sounder credit practices may be promoted and a part of that vast fund of open accounts be turned into trade paper eligible for rediscount with Federal reserve banks, and that the resources of those banks may be to the fullest extent and upon the soundest basis available for the convenience of the country.

It is further recommended that the Federal Reserve Board be requested to consider the advisability of allowing the Federal reserve banks to establish a preferential rate for such acceptances, bearing the indorsement of member banks.

TOPIC #11 (b) - METHOD OF SETTLING OVERDRAFTS. - After a brief discussion, this subject was passed on the statement of Mr. Broderick that he will have the matter straightened out in the next week or two.

TOPIC #5 (c) - ANALYSIS OF OPERATING EXPENSES, - TOPIC #5 (d) STANDARD FORM FOR ANALYSIS OF EXPENSES AND INCOME, and TOPIC #5 (e) - ESTABLISHMENT OF UNIT COST OR STANDARD OF COMPARISON, - were all referred to the committee to be appointed by the executive committee for consideration in connection with other matters of accounting.

TOPIC #5 (f) - DISTRIBUTION OF EXPENSE IN CONNECTION WITH THE RETURN OF FEDERAL RESERVE NOTES OF OTHER BANKS FOR REDEMPTION .. was passed by consent.

TOPIC #5 (g) - STANDARD FORM OF FINANCIAL STATEMENTS - has already been dealt with under another heading.

TOPIC #5 (1) - GOLD HELD BY FEDERAL RESERVE AGENTS AS SECURITY FOR NOTES, ETC. - After considerable discussion, and on motion duly made and seconded, it was

VOTED that it is the sense of the Conference that it is desirable that the full amount of Federal reserve notes of any bank should be shown as a liability in its balance sheet, and that the gold deposited with the Federal reserve agent for the redemption of such notes should likewise be shown as a fund available for the redemption of the notes on the balance sheet; and it is further recommended that the Federal Reserve Board consider whether this change in bookkeeping methods can properly be made by the Federal reserve banks.

The question of authorizing transfers from the Gold Settlement Fund to the Treasury of the United States or to the Federal Reserve Board for the account of Federal Reserve Agents, was brought up for discussion. Mr. McCord stated that he had already taken this matter up with the Federal Reserve Board. Whereupon, on motion duly made and seconded, it was

VOTED that the Federal Reserve Board be requested to communicate to all of the Federal reserve banks the result of its investigation of the application made by Governor McCord for consideration of this matter.

TOPIC #19 - FEDERAL RESERVE BANKS AS FISCAL AGENTS OF THE UNITED STATES GOVERNMENT. - The chairman stated that the matter of subtreasury relations had been presented to the Federal Reserve Board in accordance with the vote passed at the Third Conference of Governors held on March 12, 1915. Whereupon, on motion duly made and seconded, it was

VOTED that the Conference take up with the Federal Reserve Board the whole subject of Treasury and Subtreasury relations of the Federal reserve banks by means of a committee to be appointed by the Federal Reserve Board, the Treasury Department and the chairman of the Conference of Governors of the Federal reserve banks, with a view of developing the banking business of the Federal reserve banks now conducted by the Treasury Department.

TOPIC #5 (m) - WEEKLY REPORT OF RESERVE BY MEMBER BANKS - was passed by consent.

TOPIC #5 (n) - PROPER INDORSEMENT OF COMMERCIAL PAPER AND GOLD ORDER CERTIFICATES DEPOSITED WITH FEDERAL RESERVE AGENTS. - After a brief discussion and on motion duly made and seconded, it was

VOTED that the Conference recommend to the Federal Reserve Board that no indorsement be required on commercial paper pledged with Federal reserve agents.

And it was further

VOTED that the Conference recommend to the Board that gold order certificates deposited with Federal Reserve Agents be made payable or indorsed to the order of "the Federal reserve bank or the Federal Reserve Agent."

At this point Mr. Broderick joined the Conference.

TOPIC #8 (c) - CREDITS BETWEEN FEDERAL RESERVE BANKS. - This topic was passed by consent on the statement by Mr. Broderick that he believed it perfectly proper now to consider that excess due from one Federal reserve bank to another was a proper deduction from deposits on the ground that it represents uncollected items.

TOPIC #12 (k) - ACCEPTANCES, AUTHORIZED SIGNATURES, ETC. - This topic was passed on the understanding that the officers of the Federal reserve banks for whom acceptances are being purchased, will send to the Federal Reserve Bank of New York the necessary specimen signature cards, which will be filled out in New York with the signatures of the officers of the accepting institutions and returned to the banks.

TOPIC #12 (m) - STANDARD FORMS OF MUNICIPAL WARRANTS - was passed by consent on the understanding that the Secretary would obtain copies of some standard forms in New York, if possible, and send them to each Federal reserve bank.

TOPIC #20 - METHOD OF COMPUTING DIVIDEND. - On motion duly made and seconded, it was

VOTED that this matter be referred for investigation and report to a committee consisting of Messrs. McCord, Seay and Van Zandt.

TOPIC #21 - DECREASES IN MEMBER BANKS' SURPLUS. - On motion duly made and seconded, it was

VOTED to let this matter take its natural course.

The chairman stated that he desired to ask for instructions as to the best method of presenting the results of these Conferences to the Federal Reserve Board. Whereupon, on motion duly made and seconded, it was

VOTED to prepare a sufficient number of copies of the report of the proceedings to be sent to the Federal Reserve Board, so that each of the active members may receive a separate copy and that the Board be requested to consider the subjects and have them referred to committees or otherwise dealt with in such a manner that the Conference may continue their work as a permanent and continuous record, - the results to be distributed to all the banks.

At this point a recess was taken at 7:15 p. m.

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The Conference reassembled at 9 p. m.

All present except Mr. Aiken.

TOPIC #8 (b) - TRANSFER CHARGES AND EXTENSION OF FACILITIES TO NON-JOINING BANKS. - The matter of transfer charges was discussed but no action was had thereon. After a discussion of the question of the extension of facilities and on motion duly made and seconded, it was

VOTED that the privilege of transferring funds be extended by the Federal reserve banks to all member banks on the same terms.

The meeting adjourned at 10 o'clock p. m.

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June 16, 1915.

The Conference reassembled at 9:45 a. m.

All present.

The chairman suggested the advisability of inviting a member of the Federal Reserve Board to attend future conferences. Whereupon, on motion duly made and seconded, it was

VOTED that the chairman be authorized to extend an invitation to the Federal Reserve Board to have one of its members present at future conferences of the governors, for the purpose of discussing particularly such topics as the Board may suggest for consideration.

TOPIC #22 - NATIONAL BANKS - LETTERS OF CREDIT - RECENT INSTRUCTIONS OF THE COMPTROLLER. - Mr. Aiken called the attention of the Conference to a letter of instructions recently written by the Comptroller of the Currency to a national bank examiner with reference to national banks guaranteeing letters

of credit. Whereupon, on motion duly made and seconded, the following preamble and resolution were adopted:

WHEREAS the attention of the Conference of Governors has been drawn to a letter from the Comptroller of the Currency, dated June 2, 1915, addressed to national bank examiners, in regard to the guaranteeing of commercial and other credits by national banks,

BE IT RESOLVED that the Federal Reserve Board be requested to obtain, if possible, a withdrawal of these instructions, it being the conviction of the Conference that such instructions, if literally enforced, would seriously interfere with an important business now being conducted by member banks, and further interfere with the future development of the acceptance business, which should be encouraged.

TOPIC #23 - RETIREMENT OF FEDERAL RESERVE NOTES, - was passed by consent as having been covered by an earlier discussion.

TOPIC #14 (a) - COLLECTION OF CHECKS, ETC. - This matter was briefly discussed but no action was had thereon.

TOPIC #14 (b) - RECEIPT OF ITEMS DRAWN ON MEMBER BANKS IN OTHER FEDERAL RESERVE CITIES. - After an informal discussion of this subject, and on motion duly made and seconded, it was

VOTED that before any Federal reserve bank undertakes to receive on deposit items drawn on member banks in another district, it should first effect satisfactory arrangements with the Federal reserve bank of that district.

TOPIC #14 (c) - COLLECTION OF TIME ITEMS - was briefly discussed but no action was had thereon.

At this point Mr. Wells left the meeting.

The Chairman presented a statement for the press prepared by the secretary. Whereupon, on motion duly made and seconded, it was

VOTED that the statement as prepared be approved and its publication authorized.

TOPIC #17 - ESTABLISHMENT OF BRANCHES OF FEDERAL RESERVE BANKS.- After a brief discussion, and on motion duly made and seconded, it was

VOTED that it is the sense of the Conference that it is inexpedient to undertake to establish branch Federal reserve banks at this time.

The Secretary then presented a letter from Mr. Willis, Secretary of the Federal Reserve Board, requesting an account of the Conference for publication in the Federal Reserve Bulletin. Whereupon on motion duly made and seconded, it was

VOTED that the secretary be requested to furnish the secretary of the Federal Reserve Board with an outline of the work accomplished by the Conference, for publication in the Bulletin.

PLACE OF NEXT CONFERENCE: - The chairman stated that it was in order to discuss the time and place of holding the next Conference. Mr. Lowry extended an invitation to all members to have the Conference held at San Francisco in September, in conjunction with the American Bankers Association Convention in Seattle. Whereupon, on motion duly made and seconded, it was

VOTED that the question of attending a conference at San Francisco be taken up with the directors of each of the Federal reserve banks forthwith, and also taken up informally with the Federal Reserve Board for its suggestions, and that the conference duly appreciates the invitation extended by Mr. Lowry.

At this point Messrs. Rhoads and McCord left the meeting.

TOPIC #18 (a) - FEDERAL RESERVE NOTES AS RESERVES FOR NATIONAL BANKS - was briefly discussed but no action was had thereon.

TOPIC #18 (b) - RULING OF COMPTROLLER WITHHOLDING PRIVILEGE OF DEDUCTING NATIONAL BANK NOTES IN RESERVE CALCULATION. - After considerable discussion, and on motion duly made and seconded, it was

VOTED that the action taken by the Second Conference of Governors in January on this subject, be submitted to the Federal Reserve Board in writing, and that they be requested in behalf of the member banks to consider the matter further with the Comptroller of the Currency.

The action taken at the Second Conference of Governors was as follows:

"TOPIC #7 - concerning the Comptroller's recent ruling with respect to national bank notes, 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 national bank notes of any national bank bear the same relation to a national bank as a credit and should be allowed as an offset in counting the reserves of such banks."


TOPIC #18 (c) - EXCESS RESERVES OF MEMBER BANKS - was taken up for discussion, but no action was had thereon.

The chairman suggested that the Secretary be authorized to make appropriate changes in the language of the resolutions appearing in the record. Whereupon, on motion duly made and seconded, it was

VOTED that the secretary be authorized to reframe resolutions adopted by the Conference and to correct inaccuracies of expression or of grammar at his discretion.

TOPIC #15 - INTER-DISTRICT COLLECTIONS AND CLEARINGS - was referred to the executive committee by consent.

Upon motion, the meeting duly adjourned sine die at 12:30 p. m., subject to the call of the chairman.


Secretary.

