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FIFTH CONFERENCE OF GOVERNORS  
OF THE  
FEDERAL RESERVE BANKS

The Fifth Conference of Governors of the Federal reserve banks was held at the Hotel Radisson, Minneapolis, Minn., on October 20, 21, 22, and 23, 1915.

PRESENT:

Mr. Strong, Chairman of the Conference,  
Messrs. Aiken, Rhoads, Fancher, Seay,  
McDougal, Wold, Sawyer, Van Zandt and Kains.  
Mr. W. W. Hoxton, Deputy Governor of the  
Federal Reserve Bank of St. Louis,  
Mr. F. W. Foote, director of the  
Federal Reserve Bank of Atlanta,  
Messrs. McKay and Hendricks, and  
Mr. J. F. Curtis, Secretary of the Conference.

The meeting was called to order at 10:30 a. m. on October 20th.

The Chairman announced that Mr. Wells of St. Louis was unable to attend, and had selected Mr. W. W. Hoxton to attend in his stead. Whereupon, on motion duly made and seconded, it was

VOTED that Mr. Hoxton be invited to attend the Conference as a representative of Governor Wells of the Federal Reserve Bank of St. Louis.

The Chairman stated that he had had some correspondence by telegraph with Messrs. McCord and McDougal in relation to the attendance at this Conference of a representative of the Federal Reserve Bank of Atlanta, and that this correspondence had been submitted to a meeting of the Executive Committee held on October 19th. Mr. McDougal, for the Executive Committee, submitted a report in writing of the meeting held October 19, 1915; whereupon, on motion, it was

VOTED that the report be accepted and that the first resolution recommended therein be adopted by the Conference.

The said resolution was as follows:

RESOLVED that this Committee recommend to the Conference the adoption of a resolution limiting the attendance to the active and salaried executive officers of the reserve banks, to be selected when necessary, by such Governors as cannot attend in person.

At this point, Mr. F. W. Foote, of the Federal Reserve Bank of Atlanta, entered the Conference room and the Chairman explained to him the proceedings already taken with respect to the general principles governing the attendance of

delegates to the conferences and stated that the conference was about to act upon a resolution inviting Mr. Foote to attend the meeting. Whereupon, it was

VOTED that the second resolution adopted by the Executive Committee be adopted by the Conference.

The said resolution was as follows:

RESOLVED FURTHER that in view of the fact that Mr. F. W. Foote of the Federal Reserve Bank of Atlanta has come to Minneapolis for the purpose of attending this Conference, he be invited to attend the Conference as a matter of courtesy to Mr. McCord.

Thereupon, Mr. Foote took his place at the Conference table.

The Chairman then stated that he had carried out the instructions given at the last Conference and extended an invitation to the Federal Reserve Board to designate a committee to attend this Conference, and that he had been advised that the committee, consisting of Messrs. Warburg and Harding, would attend the session on Friday.

He further announced that he had extended an invitation to Representative Carter Glass to attend some portion of the Conference, but had been advised that he was unwell and would be unable to attend.

The Chairman then stated that the committee of the Federal Reserve Board had requested that items 7, 8, 9, 10, 11, 23 and 24 be reserved for discussion during their presence.

TOPIC NO. 1 - MINUTES OF THE FOURTH CONFERENCE OF GOVERNORS.

VOTED that the minutes of the Fourth Conference of Governors be approved without being read.

TOPIC NO. 2 - UNFINISHED BUSINESS.

Item (a) - Directors' Profits in dealing with Member Banks. - After a brief discussion of the provisions of Section 22 of the Federal Reserve Act and various provisions of the Clayton Act, it was

VOTED that this topic be transferred to Topic No. 11 - Amendments to the Federal Reserve Act.

Item (b) - Appointment of Representatives to Examine Federal Reserve Notes sent to Washington for Destruction. - During the discussion of this topic, Mr. J. W. Hoxton of St. Louis joined the conference. After considerable discussion it was

VOTED that counsel for the Federal Reserve Bank of New York be requested to submit the legal questions involved in this matter to the Federal Reserve Board for a ruling.

Item (c) - Weekly reports of reserves by member banks, and  
Item (d) - Bi-monthly statements from member banks showing required reserve after second reserve payment has been made. - After considerable discussion, it was

VOTED that these topics be passed for the present, with the understanding that the subject matter would be reached again for discussion under Topic No. 19.

Item (e) - Digest of action of Governors' Conferences. - This topic was disposed of by the statement of the Chairman that an index of each Conference would continue to be made at the Federal Reserve Bank of New York and distributed to the other banks, which would take the place of the proposed digest.

TOPIC NO. 3 - REPORT OF ACTION OF FEDERAL RESERVE BOARD ON RECOMMENDATIONS OF LAST CONFERENCE. - The Secretary reported the action taken by him in this matter and the replies received from the Federal Reserve Board. After consideration of these matters, and especially of the recommendation concerning the receipt of the form of the abstract from the statement made by member banks to the Comptroller, it was

VOTED that the Conference desires to inquire of the Federal Reserve Board whether any progress has been made with the negotiations with the Comptroller and to renew its recommendation that in the interests of the reserve banks they should be informed of the liability of directors and officers to the member banks, and further, that such information should be contained, if it is possible to make suitable arrangements with the Comptroller, in the copies of the regular reports sent to the Comptroller which come to the Federal reserve agents.

With reference to the recommendation for a digest of the rulings, informal and otherwise, of the Federal Reserve Board, it was

VOTED that the Conference request the Federal Reserve Bank of New York to put its digest in suitable form and forward a copy of the same to each of the other reserve banks, which are to furnish such additional data as they may possess; the whole then to be reassembled and edited at New York and furnished to each of the banks.

CHANGES IN DESIGN OF FEDERAL RESERVE NOTES. - It was stated that the recommendation of the Fourth Conference of Governors had been referred to a committee on note issue and redemption of the Federal Reserve Board. Whereupon, it was

VOTED that inquiry be made of the committee as to what action, if any, had been taken on the recommendation, and urging upon the Board the advisability of taking some action, especially with respect to improving the paper and the workmanship of the notes and the reduction in the cost of issuing them, this Conference looking upon the matter as a grave one from the point of view of both safety and expense.

After further discussion of topics covered by the previous conference  
it was

VOTED that each of the recommendations of the last Conference which has not been acted upon by the Federal Reserve Board be renewed, and especially the recommendation with respect to the deduction of national bank notes in reserve calculations of member banks.

TOPIC NO. 4 - REPORTS OF THE EXECUTIVE COMMITTEE. - Mr. McDougal, for the committee, submitted a report. Whereupon, it was

VOTED that the report be received and incorporated in the record.

(Note: Report will be found on pages 59 to 64 inclusive of the stenographer's minutes.)

TOPIC NO. 5 - REPORT OF COMMITTEE TO CONFER WITH FEDERAL RESERVE BOARD AND TREASURY DEPARTMENT ON FEDERAL RESERVE BANKS AS FISCAL AGENTS OF THE UNITED STATES. - Mr. Strong, for the committee, submitted an oral report. Whereupon, it was

VOTED that the said committee be continued with the addition of one other member to be selected by the chair, and that the committee be requested to continue its work in conference at Washington, looking towards the development of a programme in the matter of fiscal agency relations.

(Note: Report of the committee may be found on pages 65 to 68 inclusive of the stenographer's minutes.)

TOPIC NO. 6 - REPORT OF COMMITTEE ON METHOD OF COMPUTING DIVIDENDS. - Mr. Seay, for the committee, submitted a brief oral report. Whereupon, it was

VOTED that the committee be asked to prepare a memorandum embodying their recommendations and forward a copy thereof to each of the twelve banks, with the understanding that the committee will be governed in general by the report made at this Conference and will accept for guidance as to legal questions involved the opinion rendered by counsel of the Federal Reserve Board.

(Note: Report will be found on pages 70 to 74 of the stenographer's minutes.)

At this time, 1:25 p. m., the Conference took a recess and reassembled at 3 o'clock p. m.

TOPIC NO. 13 - COST OF RETURNING FEDERAL RESERVE NOTES TO BANK OF ISSUE. After considerable discussion, Governor Van Zandt made a motion, which was duly seconded,

That it is the sense of the Conference that the expense of redeeming Federal reserve notes should be borne by the sending bank.



Whereupon a motion to lay Governor Van Zandt's motion upon the table was duly made and seconded and carried. Thereafter it was immediately

VOTED that this topic be passed on the programme.

TOPIC NO. 14 - SHOULD FEDERAL RESERVE BANKS PAY EXPRESS CHARGES ON CURRENCY FOR RESERVE PAYMENT ON AND AFTER NOVEMBER 16th. - This matter was considered disposed of by ruling of the Federal Reserve Board made after the programme for the Conference had been prepared.

TOPIC NO. 15 - POLICY OF RESERVE BANKS IN RECEIVING NATIONAL BANK NOTES.- After a brief discussion of the policy adopted by each of the reserve banks, this topic was disposed of without action.

TOPIC NO. 16 - RETIREMENT OF NATIONAL BANK NOTES AND PURCHASE OF GOVERNMENT BONDS. - A draft of a proposed circular on this subject prepared by Mr. Curtis of the Federal Reserve Bank of New York, was submitted to the Conference, but the topic passed by consent for the present.

(Note: The draft of circular appears on pages 123 to 125 inclusive of the stenographer's minutes.)

TOPIC NO. 17 - COMMITTEE TO AUDIT GOLD SETTLEMENT FUND. - After a brief discussion it was

VOTED that this Conference recommend to the Federal Reserve Board that the regulation governing the audit of the Gold Settlement Fund be amended so that it will provide for two representatives from the Federal reserve banks instead of one.

AND IT WAS FURTHER VOTED that the Chairman be authorized to appoint such committee of one or two as the case may be, with the understanding that the membership of the committee should rotate through the banks.

TOPIC NO. 18 - ADVISABILITY OF ASSESSMENT ON MEMBER BANKS TO COVER CAPITAL STOCK IMPAIRMENT, IF SHOWN BY ANY OF THE FEDERAL RESERVE BANKS AT CLOSE OF OPERATIONS FOR THE CURRENT YEAR. - After considerable discussion, it was

VOTED that it is the sense of the Conference that it would be most inexpedient to levy an assessment upon member banks to cover the deficiency, if any, in the earnings for the current year, and that this Conference recommends that each Federal reserve bank set up an account in its balance sheet which will clearly state its condition as to earnings at the close of the year.

TOPIC NO. 19 - RESERVES OF MEMBER BANKS. - After considerable discussion, item (a), Treatment of the Float, was disposed of without action.

Item (b) - Penalty for impairment of Balance.- After considerable debate it was

VOTED (Mr. Aiken voting in the negative) that the Conference suggest to the Federal Reserve Board the advisability of proceeding with the promulgation of regulations governing the imposition of penalties for impairment of reserve balances, in accordance with the provisions of Section 19 of the Federal Reserve Act.

TOPIC NO. 20 - COOPERATION WITH NATIONAL BANK EXAMINERS.- After considerable discussion it was

VOTED that the Conference renew the recommendation made to the Federal Reserve Board at the last Conference and ask the Federal Reserve Board to endeavor to facilitate a conclusion in the matter as promptly as possible.

A recess was taken at 6:30 p. m.

The Conference reassembled at 8:45 p. m. All present.

TOPIC NO. 21 - ADDING COMMISSIONS TO COST OF INVESTMENTS.- This subject was placed upon the programme at the request of the Federal Reserve Board. After considerable discussion, it was

VOTED that it is the sense of the Conference that the commissions charged for handling investments by one Federal reserve bank for other Federal reserve banks should be considered service charges, and should not be considered a deduction from the income derived from the investment.

COMPENSATION TO BE CHARGED BY RESERVE BANKS PURCHASING INVESTMENTS FOR OTHER BANKS. - (See Topic No. 4 (c) - Fixing of Service Charge.) The Chairman stated that there had been some requests for a change in the present service charge, and that the whole subject was therefore open for discussion. After considerable debate, the Chairman stated that he preferred not to act as Chairman during the consideration of any motions with respect to this topic. Whereupon, Mr. McDougal took the chair for the purpose of putting the following motion, which was duly made and carried:

VOTED that the basis for the service charge recommended by the Executive Committee be discontinued upon November 1st next, and that thereafter the charge for this service be one-eighth of one per centum per annum of the face value of the warrants and acceptances purchased for the length of time the investments have to run.

Subsequent to the vote Mr. Rhoads stated that he voted aye with the understanding that the New York and Boston banks can reopen the question if it is found not to be satisfactory.

TOPIC NO. 24 - ADVISABILITY OF LIMITED OPEN MARKET OPERATIONS. - After considerable debate on this topic, which included the subjects of purchasing domestic acceptances and of purchasing acceptances of private bankers, it was

VOTED that each of these matters be left to the discretion of the individual Federal reserve banks.

TOPIC NO. 22 - STANDARD FORM OF TRADE ACCEPTANCE. -

VOTED that each reserve bank should take under advisement the question of adopting a form of trade acceptance to be recommended for use within its own district.

TOPIC NO. 25 - STATEMENTS OF PRIVATE BANKERS WHO ACCEPT BILLS OF EXCHANGE.

The Chairman stated that this topic was apparently disposed of by vote on topic No. 24, and he made a brief statement of the course that would probably be pursued in handling this matter.

TOPIC NO. 26 - GOLD DRAIN UPON NEW YORK BANK. - The Chairman made a statement as to the gold drain, which at times became very severe upon the Federal Reserve Bank of New York through the operation of the Gold Settlement Fund, and advised the Conference that the New York bank, if it saw the exchange accounts piling up too heavily, might have to telegraph the other banks to withhold balances. Whereupon, the topic was considered as disposed of without action.

TOPIC NO. 27 - INVITATIONS TO FEDERAL RESERVE BOARD AND HONORABLE CARTER GLASS - has already been disposed of by report of the Chairman.

TOPIC NO. 28 - MAILING CIRCULARS BY THE FEDERAL RESERVE BOARD. - This topic was placed upon the programme by the Federal Reserve Board. After a brief discussion it was

VOTED that it is the sense of the Conference that the present practice of the Federal Reserve Board in mailing circulars to the member banks through the Federal reserve banks should be continued.

At 11:15 o'clock p. m. the Conference adjourned, to meet on October 21st at 9:30 o'clock a. m.

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

METHOD ADOPTED BY FEDERAL RESERVE BOARD IN COMMUNICATING WITH FEDERAL RESERVE BANKS. - The Chairman stated that the substance of the resolution adopted at the Fourth Conference had been communicated orally to Dr. Miller of the Federal Reserve Board, but it appeared that no change in the practice of the Board had resulted. Whereupon, after a brief debate, it was

VOTED that copy of the resolution adopted at the Fourth Conference of Governors be delivered to Messrs. Warburg and Harding as representing the sense of this meeting.

TOPIC NO. 23 - RATES FOR COMMODITY PAPER. - After considerable discussion it was decided that Mr. McDougal and Mr. Curtis would draft a resolution on this topic to be submitted for action at a later time. The resolution submitted and adopted was as follows:

VOTED That it is the sense of the Conference that the function of initiating discount rates of all sorts should be exercised by the Federal reserve banks without pressure from the Federal Reserve Board; and that in the opinion of the Conference the various rates heretofore established have been and are at least as low as is compatible with sound banking principles for the reserve banks, in view of the unusual domestic and foreign conditions.

TOPIC NO. 24 - ADVISABILITY OF OPEN MARKET TRANSACTIONS. - This topic was withdrawn from discussion as having been already dealt with by special letter from the Federal Reserve Board.

TOPIC NO. 10 - INFORMATION GIVEN TO MEMBER BANKS -  
(a) Within own district  
(b) Outside of own district

After a brief discussion, it was

VOTED that it is the sense of the Conference that requests for information concerning member banks desired from banks in any district should be addressed to the Federal reserve bank of that district.

TOPIC NO. 9 - FUNCTIONS TO BE EXERCISED IN BEHALF OF MEMBER BANKS. -  
(a) Collection of notes and drafts  
(b) Collection of items not covered by present system

The Chairman stated that since this topic had been put upon the programme he had received a letter from the Federal Reserve Board answering certain inquiries made by the Federal Reserve Bank of New York in this connection, and the various pertinent paragraphs of the letter of the Board were read to the Conference. Whereupon, it was

VOTED that it is the belief of the Conference that the reserve banks should undertake to effect collection of notes, drafts, coupons and other items for their member banks.

TOPIC NO. 9 (c) - COLLECTION OF ITEMS DRAWN ON BANKS NOT MEMBERS OF THE FEDERAL RESERVE SYSTEM. - This topic was transferred to be discussed under Topics No. 7 (b) and (c).

TOPIC NO. 9 (d) - Execution of orders for securities. - After reading an extract of the letter from the Federal Reserve Board on this topic, it was

VOTED that it is the sense of the Conference that the Federal reserve banks should not, for the present, execute orders for securities from member banks.

TOPIC NO. 9 (e) - ANSWERING INQUIRIES AS TO CREDITS, AND 9 (f)

PURCHASE OF COMMERCIAL PAPER. - After reading an extract of the letter from the Federal Reserve Board on these topics, it was

VOTED that it is the sense of the Conference that the Federal reserve banks should not furnish member banks with information as to the credit of borrowers and should not purchase commercial paper for member banks.

TOPIC NO. 11 (c) - TRANSFER OF SUBTREASURY FUNCTIONS. - After considerable debate it was

VOTED that it is the sense of this Conference that the Federal Reserve Act should be amended to provide for the transfer of the general funds of the Treasury and the fiscal agency functions of the independent Treasury to the Federal reserve banks within a period of two years from the passage of the amendment.

(Note: The language of this resolution was subsequently altered and will be referred to later.)

TOPIC NO. 11 - (o) - SAVINGS BANK MEMBERSHIP. -

VOTED that this subject be referred to the Executive Committee with the request that they endeavor to prepare a definite suggestion for an amendment to the Act.

At this point, the meeting adjourned at 12:50 o'clock p. m. until 8:30 o'clock p. m.

The Conference reassembled at 8:30 p. m.

TOPIC NO. 11 (g) - ISSUANCE OF RESERVE NOTES AGAINST GOLD. -

VOTED that it is the sense of the Conference that Section 16 of the Federal Reserve Act, relating to the issue of Federal reserve notes, should be so amended as to enable the Federal reserve banks to issue notes directly against gold.

TOPIC NO. 11 (h) - "REVERSING THE PUMP" - After a brief discussion, it was

VOTED that the Federal Reserve Board be requested to give an expression of their views either formally or informally as to the meaning of the statute with respect to the operation known as "Reversing the Pump, and further, that if there is any doubt in the minds of the members of the Board as to the banks' ability to conduct this operation, this Conference recommends such amendments to the Federal Reserve Act as would enable the banks to substitute commercial paper for the gold held by the Federal reserve agents.

TOPIC NO. 11 (m) - LOANS ON REAL ESTATE. - Mr. Rhoads stated that he understood that the Federal Reserve Board contemplated opening the doors

wider to real estate loans. Whereupon, after a brief discussion, it was

VOTED that it is the sense of the Conference that it would be inadvisable to amend the Federal Reserve Act in any way which might extend the power of national banks to make loans on real estate.

RURAL CREDITS BILL. - At this point, the so-called "Hollis" Bill, being Senate Bill No. 5542, with reference to rural credits, was brought up for discussion. Whereupon, it was

VOTED that this Conference is unalterably opposed to making the farm loan bonds described in the Hollis Bill available as security for loans from Federal reserve banks;

AND IT WAS FURTHER VOTED that the Conference is also opposed to the enactment of any law extending the power of national banks to make acceptances based upon such farm loan bonds, if such bonds are to be the sole form of collateral upon which such acceptances may be based; and if the acceptance of finance bills by national banks is to be authorized, the law should permit more forms of collateral than such farm loan bonds and should provide suitable safeguards against the abuse of the privilege by limiting such acceptances to those of bills the proceeds of which have been or are to be used for commercial, agricultural, industrial or exchange purposes.

TOPIC NO. 11 (1) - DOMESTIC ACCEPTANCES. - After considerable discussion of this subject, it was

VOTED that it is the sense of the Conference that national banks should be authorized by law to make domestic acceptances under proper safeguards and restrictions.

TOPIC NO. 11 (e) - DIRECT AUTHORIZATION OF DOMESTIC BRANCHES FOR NATIONAL BANKS. - After considerable debate, it was

VOTED that it is the sense of this Conference that the National Bank Act should be amended so as to permit the establishment of branches of national banks having an unimpaired capital and surplus of not less than One Million Dollars, provided that no branches are placed outside of the city where the head office of the parent bank is located.

TOPIC NO. 11 (d) - ELIMINATION OF DESIGNATION OF CAPITAL FOR FOREIGN BRANCHES OF NATIONAL BANKS. - After considerable debate it was

VOTED that it is the sense of the Conference that the National Bank Act and Section 25 of the Federal Reserve Act should be amended so that it will not be necessary for a national bank to segregate any portion of its capital for the benefit of any branch that it may establish in a foreign country or any domestic branch it may be authorized to establish by amendment to the Federal Reserve Act.

At this point, 10:50 o'clock p. m., the Conference adjourned.

October 22, 1915.

The Conference reassembled at 9:45 a. m. All present, also Messrs. Warburg and Harding of the Federal Reserve Board,

TOPICS NO. 11 (a) - IMMEDIATE TRANSFER OF RESERVES,  
No. 19 - RESERVES OF MEMBER BANKS  
(a) - TREATMENT OF THE FLOAT  
(b) - PENALTY FOR IMPAIRMENT OF THE BALANCE

After considerable discussion, the following motion was made by Mr. Seay and duly seconded:

RESOLVED that it is the sense of the Conference that the present time is propitious for completing transfer of reserves to Federal reserve banks, and that it would be in the interest of the development of the Federal Reserve System that such transfers should be made and that this Conference recommends that an amendment to the Act for this purpose be asked for.

Whereupon, the motion was put by the Chairman and declared lost.

The above action disposed of Topic No. 11 (a).

Topic No. 19 (a) was transferred by consent for discussion under Topic No. 7, and Topic No. 19 (b) was considered disposed of by previous discussion.

TOPIC NO. 11 (b) - REDUCTION OF COUNTRY BANK RESERVES CARRIED BY FEDERAL RESERVE BANKS. - This topic was withdrawn in view of the action already taken on Topic No. 11 (a).

TOPICS Nos. 11 (c) TRANSFER OF SUBTREASURY FUNCTIONS, and (d) ELIMINATION OF DESIGNATION OF CAPITAL FOR FOREIGN BRANCHES OF NATIONAL BANKS; (g) ISSUANCE OF RESERVE NOTES AGAINST GOLD; and (h) "REVERSING THE PUMP". - The votes already passed by the Conference were explained by the Chairman to Messrs. Harding and Warburg.

With respect to the vote under Topic No. 11 (h), Mr. Warburg stated that the Board had already given an opinion upon that subject to the effect that the procedure described as "Reversing the Pump" might lawfully be carried on.

The Chairman also recounted the gist of the resolutions passed with reference to powers of national banks to accept drafts arising out of domestic transactions, the powers of member banks to make loans upon real estate, and the views of the Conference with respect to the Rural Credits Bill known as the "Hollis" bill,

and that the matter of preparing an amendment for savings bank membership had been referred to the Executive Committee.

TOPIC NO. 11 (f) - CONSOLIDATION OF COMPTROLLER'S FUNCTIONS . - After an expression of views on this subject by all the Governors present, it was

VOTED that the Chairman and Secretary prepare a resolution covering the views of the Conference with respect to this subject.

(Note: The drafting of this resolution was postponed by vote of the Executive Committee at the meeting held on November 18, 1915, at the Shoreham Hotel, Washington. See page 21 of the stenographer's minutes of last meeting.)

TOPIC NO. 11 (j) - READJUSTMENT OF CAPITAL OF RESERVE BANKS. - After consideration of this topic, it was

VOTED that it is the sense of the Conference that the subscribed capital of the Federal reserve banks should remain as now provided in the Federal Reserve Act, but that the paid in capital should be reduced from one-half of such subscribed capital to one-sixth thereof, provided that the various sections of the Act prescribing limitations based upon the amount of capital stock shall be also appropriately amended.

TOPIC NO. 11 (i) - RESERVE NOTES AS LEGAL RESERVES. - After having heard expressions from all the Governors present, as well as the individual opinions of Messrs. Harding and Warburg, it was

VOTED that it is the sense of the conference that Federal reserve notes should be and may safely be counted as legal reserves for member banks.

TOPIC NO. 11 (k) - PAR COLLECTIONS. - This topic was transferred for discussion under Topic No. 7 by consent.

TOPIC NO. 11 (n) - REMOVAL OF RESTRICTIONS ON QUALIFICATIONS OF DIRECTORS. - This topic was carried over to the programme for the Sixth Conference, by consent.

AMENDMENT TO THE CLAYTON ACT. - After a brief statement as to the position taken by the Federal Advisory Council with reference to amending the Clayton Act, it was

VOTED that this Conference recommend that the Clayton Act be amended in such a way as to permit an officer or director of a national bank to be eligible as a director in one state bank or trust company, and to permit a private banker to be



eligible as a director in one national bank and one state bank or trust company; and that the Act be further amended to make clear its application or non-application to directors of Federal reserve banks.

TOPIC NO. 11 (p) - CLARIFYING SECTIONS 13, 14, 16, 18 and 22 OF THE FEDERAL RESERVE ACT. - After a brief discussion it was

VOTED that this topic be referred to the Executive Committee for consideration and report back to the next Conference.

(Note: Section 22 was added to the vote above mentioned by subsequent vote.)

TOPIC NO. 16 - RETIREMENT OF NATIONAL BANK NOTES AND PURCHASE OF GOVERNMENT BONDS. - After a brief discussion it was decided to carry this topic over to the programme for the Sixth Conference.

The Conference took a recess at 1:10 p. m.

The Conference reassembled at 2:45 o'clock p. m.

TOPIC NO. 16 was again brought up for discussion. The Secretary read a letter from the Federal Reserve Board dated October 19, 1915, with reference to certain questions raised as to the purchase of Government Bonds under Section 18 of the Act, and also submitted a draft of proposed circular prepared by the Federal Reserve Bank of New York. After a brief discussion, it was

VOTED that the draft of circular shall be submitted to the Federal Reserve Board for their comment and criticism, with the request that the changes suggested by the Board be reported back to the reserve banks for the purpose of having the circular uniform in character and terms.

ADVISABILITY OF PURCHASING ACCEPTANCES OF STATE BANKS AND TRUST COMPANIES BASED UPON DOMESTIC TRANSACTIONS. - After the views of those present had been obtained on this subject, it was

VOTED that it is the sense of the Conference that domestic acceptances of state banks or trust companies should not be purchased by the Federal reserve banks unless and until the national banks have been granted the power to make similar acceptances.

TELEGRAPHIC TRANSFERS. - The Chairman presented the question raised between the Federal Reserve Banks of Atlanta and New York as to the proper understanding of what is included in the term "telegraphic transfers." Also,

as to the proper bank to pay the cost of such transfers through the Gold Settlement Fund or otherwise. After considerable debate, it was

VOTED that the matter of determining who shall be liable for charges or expenses incurred in connection with the operation of the Gold Settlement Fund be referred to the Executive Committee for investigation and report, and that the committee request the Federal Reserve Board to ascertain informally, if they are able to do so, what, if any, liability has been created by reason of the operation of the fund to date.

ESTABLISHMENT OF SOUTH AMERICAN AGENCIES. - Mr. Warburg made a statement of the views of the Board with respect to the establishment of foreign agencies and branches, and especially in South America. After considerable discussion, it was

VOTED that this Conference heartily indorse the public statement made by the Federal Reserve Board on the subject of the establishment of branches or agencies in foreign countries;

AND IT WAS FURTHER VOTED that it is the sense of the Conference that each Federal reserve bank should ascertain from its member banks to what extent they may desire to establish connections, branches or joint branches in South America, and to what extent it would be possible for the Federal reserve banks to promote their interests in so doing by sending representatives to South America or by other means to be suggested.

TOPIC NO. 7 - COLLECTIONS AND CLEARANCES. - The Chairman stated that in addition to the subjects included in the programme under this topic, a number of other allied subjects had been transferred for discussion at the same time, so that the present debate would include the treatment of the float, proposed amendments of the Federal Reserve Act relating to the par collection of checks, report of the Transit Committee, the subject of intra-district clearings, matter of items bearing indorsements of non-member banks, inter-district clearings, including items drawn on banks which are not members of the Federal reserve system, Mr. Talley's plan, the possible necessity of changing the reserves required of country banks and the collection of items drawn on banks which are not members of the Federal reserve system. After a brief preliminary discussion, it was

VOTED that the report of the Transit Committee be first taken up for consideration, and that the votes adopted by that committee be considered in the order shown in their report.

Thereafter, the following proceedings were had with respect to the votes appearing in the report of the Transit Committee:

VOTE No. 1 - Concurred in.

During the discussion of Vote No. 2 of the Transit Committee it was

VOTED that the paper prepared by Mr. Foote be submitted to the Conference and made a part of the record.

The paper, however, was not submitted until too late to be incorporated in the stenographer's minutes.

At this point, the Conference adjourned at 5:20 o'clock p. m. until Saturday, October 23rd, at 9 a. m.

October 23, 1915.

The Conference reassembled at 9:15 o'clock a. m. All present.

TOPIC NO. 11 (c) - TRANSFER OF SUBTREASURY FUNCTIONS. - After a brief discussion of this matter it was

VOTED that the resolution adopted with reference to this topic be elaborated and reframed by the Secretary.

Thereupon the report of the Transit Committee was again taken up for consideration and the following proceedings were had:

VOTE NO. 2 - Voted to substitute the word "assumption" for the word "theory."

VOTED that Vote No. 2 be amended by stating that it does not imply that an immediate debit and credit is required.

VOTED that Vote No. 2 of the Transit Committee as amended be concurred in. The vote in question as amended reads as follows:

"2. Voted - The deliberations of this body are based on the assumption that every member bank is required by law to cover at par all checks and drafts drawn upon it received from the Federal Reserve Bank of which said bank is a member; immediate debit and credit not required."

Mr. Sawyer desired it recorded that the Federal Reserve Bank of Kansas City is operating on the assumption that immediate debit and credit is required.

VOTE NO. 3 - Concurred in. Ayes 8; nays 3; Mr. Wold voting in the negative.

VOTE NO. 4 - Concurred in.

VOTE NO. 5 - VOTED that this vote be amended by inserting the words "by the Federal reserve banks" after the word "charge" and that as amended it be concurred in. - The vote as finally adopted reads as follows:

"5. Voted - That consideration of a service charge by the Federal reserve banks for <sup>the</sup> collection of checks on member banks deposited with the Federal reserve banks be deferred at this time."

VOTE NO. 6 - Concurred in; Mr. Foote voting in the negative.

Mr. Sawyer desired to be recorded as stating that the Federal Reserve Bank of Kansas City has a "platform of its own."

VOTE NO. 7 - Concurred in; Mr. Foote voting "no," for the reason that he believes the question of float ought to be treated more definitely and be more definitely understood.

VOTE NO. 8 - VOTED to substitute therefor the following:

"That any plan for the interchange of checks between the districts should apply only to those banks which do not impose restrictions as to indorsements."

At this point Messrs. Warburg and Harding joined the Conference.

VOTE NO. 9 - VOTED that this resolution be amended by inserting the words "for member banks" after the word "funds" and that as so amended it be concurred in. (Mr. Foote not voting).

As amended, the resolution reads as follows:

"9. - VOTED that we recommend that the matter of transfers of funds for member banks between the several Federal reserve banks be handled on the basis outlined by the Governors of the Federal reserve banks at their recent conference, until such time as the intra-district clearing facilities are developed to an extent which will justify a reconsideration of this question."

VOTE NO. 10 - Concurred in.

VOTE NO. 11 - Concurred in.

Prior to the consideration of Vote No. 12 Mr. Foote offered the following resolution, which was duly seconded:

RESOLVED that it is the sense of this meeting that the Federal reserve banks should not undertake the collection of checks drawn on member banks by the customers of member banks, except checks and drafts member banks may draw on each other, and that section 16 should be reframed accordingly."

Whereupon, the motion being put, the vote resulted as follows: ayes 1, nays 10, and the motion was declared lost.

VOTE NO. 12 - After considerable debate and discussion, it was VOTED that the Conference take a recess for the purpose of permitting the members to re-read the plan submitted by the Transit Committee in detail.

After a brief recess, discussion of this vote continued. Whereupon,

it was

VOTED, (Mr. Foote not voting) that this Conference adopt as its recommendation the substance of Vote #12 adopted by the Transit Committee, as representing substantially the views entertained by this Conference of the method that should be used in handling the collections and that the development of the details of the plan and the submission of it to the Federal Reserve Board, be left to the Executive Committee of this Conference with power to invite such of the transit men of the different banks as they may see fit, to attend meetings with the Federal Reserve Board.

The Chairman then stated that he desired to bring up the question of communications from the Federal Reserve Board as a subject that had not been completely dealt with at the Fourth Conference of Governors, and with the consent of

the Conference handed to Messrs. Warburg and Harding a copy of the resolution on this subject adopted by the Fifth Conference, which was to be dealt with informally by Dr. Miller of the Federal Reserve Board.

The Conference took a recess at 1:10 p. m.

The Conference reassembled at 4 p. m. All present (except Mr. Foote) also Messrs. Warburg and Harding of the Federal Reserve Board.

TOPIC NO. 8 - GOLD SETTLEMENT FUND - DAILY SETTLEMENTS. - After a brief discussion it was

VOTED that it is the sense of the Conference that under the present clearing plan no change in method of settlement is necessary;

AND IT WAS FURTHER VOTED that this subject be carried over to the programme for the Sixth Conference with the recommendation that the Statistical Department of each bank study the plan in the meantime.

TOPICS NO. 2 (c) and (d) - WEEKLY REPORTS OF RESERVES BY MEMBER BANKS, and BI-MONTHLY STATEMENTS FROM MEMBER BANKS SHOWING REQUIRED RESERVE AFTER SECOND RESERVE PAYMENT HAS BEEN MADE. - After considerable debate, a motion was made and duly seconded that it is the sense of the Conference that the Federal Reserve Board should begin, without delay, asking member banks to furnish each month to the Federal reserve banks a simple form of statement of their average monthly reserves. This motion being put resulted as follows: ayes 4; nays, 6. Whereupon, the motion was declared lost.

After further debate it was moved and duly seconded that this Conference recommend that the Federal Reserve Board take steps to secure statements from member banks twice a month, showing the actual reserve condition of such banks. Whereupon, the motion being put resulted as follows: ayes 4, nays 5. Whereupon, the motion was declared lost.

Whereupon, after further debate, it was unanimously

VOTED that it is the sense of the Conference that the Federal reserve banks would like to obtain the reserve information from member banks at more frequent intervals, but that it is undesirable to request such information at the present time in view of the extensive demands for statistical information that are now made upon the member banks, and further, that the Conference feels unwilling to impose this additional burden upon the member banks unless they can be relieved of some part of the statistical requirements.

TOPIC NO. 13 - COST OF RETURNING FEDERAL RESERVE NOTES TO BANK OF ISSUE. - At this point Mr. Foote rejoined the meeting. After a brief discussion it was

VOTED that the Federal Reserve Board be requested to advise the Conference of the views held by them with reference to the liability for the cost of returning Federal reserve notes to the bank of issue.

TIME AND PLACE OF NEXT CONFERENCE. - After a brief discussion, it was

VOTED that the next Conference be held in the city of Washington on December 13th next.

The Chairman reported that the Secretary had prepared a brief statement for the press, and also a statement to be published in the Federal Reserve Bulletin.

REFRAMING RESOLUTIONS. -

VOTED that the Chairman and Secretary are authorized to revise the language of the resolutions adopted by the Conference where necessary.

DOMESTIC ACCEPTANCES. - After a brief discussion it was

VOTED that it is the sense of the Conference that domestic acceptances should not be made in excess of 10% of the capital of the bank upon one risk, unless such risk be a "covered" one.

TWIN CITY BANKERS' BANQUET. - On motion duly made and seconded, it was

VOTED that the appreciation of the Conference be extended to the Twin City Bankers' Association for the entertainment provided to the Governors present;

AND IT WAS FURTHER VOTED that Mr. Wold be requested to convey this message to the Bankers' Association.

TOPIC NO. 11 (c) - TRANSFER OF SUBTREASURY FUNCTIONS. - The language of the resolution as reframed, in accordance with the note on pages 9 and 15 of these minutes, was subsequently reported by the Secretary as follows:

WHEREAS, the Federal Reserve Act now provides that the Secretary of the Treasury may deposit the whole or any part of the general fund of the government with the Federal reserve banks, and

WHEREAS, it appears to have been the intent of Congress that such funds should ultimately be transferred to the Federal reserve banks, and

WHEREAS, the Federal Reserve Act provides that the Federal reserve banks may act as fiscal agents of the Government of the United States, and

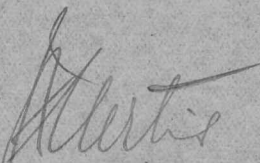
WHEREAS, the Act does not provide any specific period within which the transfers of such funds and agency functions, shall take place, and

WHEREAS, in the opinion of this Conference, it would be of great advantage to the development of the Federal Reserve System that such transfers should be made within a reasonable time and before a specified date, be it

RESOLVED, that it is the sense of this Conference that the Federal Reserve Act should be so amended as to provide a definite method for the transfer of the general fund of the Government and the fiscal agency functions of the Treasury to the Federal reserve banks within a period of two years from the passage of the amendment.

This language was submitted to the meeting of the Executive Committee held on November 18 to 20, 1915, and was approved by the Committee. (See pages 4 and 5 of the Secretary's minutes of the Executive Committee meeting).

The Conference adjourned at 5:30 o'clock p. m., to meet in Washington, D. C., on Monday, December 13, 1915.

  
Secretary.





