

VOLUME

JOINT CONFERENCE
OF
EXECUTIVE COMMITTEE OF CONFERENCE OF
GOVERNORS
AND
EXECUTIVE COMMITTEE OF CONFERENCE OF
FEDERAL RESERVE AGENTS.
Washington, D. C., Nov. 17, 1915.

WALTER S. COX
SHORTHAND REPORTER
COLUMBIAN BUILDING—TEL. M. 8324
WASHINGTON, D. C.

Governor

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JOINT CONFERENCE
Of
EXECUTIVE COMMITTEE OF CONFERENCE OF GOVERNORS
AND
EXECUTIVE COMMITTEE OF CONFERENCE OF FEDERAL RESERVE AGENTS.

The Joint Conference of Executive Committees of the Conference of Governors and the Conference of Federal Reserve Agents convened at the Shoreham Hotel, Washington, D.C., Wednesday, November 17, 1915, at 10 o'clock a.m.

ATTENDANCE:

Executive committee of Governors' Conference:

Governor J.B. McDougal, Federal Reserve Bank of
Chicago, Chairman,

Governor Benjamin Strong, Jr., Federal Reserve Bank
of New York,

Governor Geo. J. Seay, Federal Reserve Bank of Rich-
mond,

Governor C. J. Rhoads, Federal Reserve Bank of
Philadelphia,

Governor E.R. Fancher, Federal Reserve Bank of
Cleveland.

Governor A.L. Aiken, Federal Reserve Bank of Boston.

Executive Committee of Conference of Federal Reserve Agents:

Mr. Pierre Jay, Federal Reserve Agent, New York,
Chairman,

Mr. John Perrin, Federal Reserve Agent, San Francisco,

Mr. D. C. Wills, Federal Reserve Agent, Cleveland,

Mr. Charles H. Bosworth, Federal Reserve Agent, Chicago,

Mr. W. McC. Martin, Federal Reserve Agent, St. Louis.

There were also present Governor A. C. Kains, of the Federal Reserve Bank of San Francisco and Mr. L.H.Hendricks Assistant Cashier of the Federal Reserve Bank of New York.

INFORMAL PROCEEDINGS.

Mr. Pierre Jay, Federal Reserve Agent, New York, was elected chairman of the Joint Conference of Executive Committees, and Mr. D. C. Wills, Federal Reserve Agent, Cleveland, was elected Secretary of the Joint Conference.

FORMAL PROCEEDINGS.

Mr. Jay, upon taking the chair, made an introductory statement of the purposes of the Executive Committee of the Federal Reserve Agents' Conference in requesting a joint meeting of the two executive committees.

(Considerable informal discussion took place as to the policy to be pursued by the Joint Conference of Executive Committees, and also of the programs to be considered by the Conference of Governors and the Conference of Agents.)

The Chairman: Mr. Strong, will you make a motion on the subject of programs?

Governor Strong: I will be a member of the committee, Mr. Chairman, and would rather that someone else made the motion.

Governor Fancher: I make a motion that a committee of four be appointed, with full power to prepare a program, said committee to consist of the Chairman of the Conference of Federal Reserve Agents, the Chairman of the Conference of Governors, the Chairman of the Executive Committee of the

Conference of Federal Reserve Agents and the Chairman of the Executive Committee of the Conference of Governors; said committee to prepare the topics to be submitted to the meetings of the Federal Reserve Agents and of the Governors of the Federal Reserve Banks.

The Chairman: Is there a second to that motion?

Mr. Martin: I second the motion.

(Informal discussion followed)

The Chairman: Are you ready for the question?

(There were calls for the question, and the motion, being duly seconded, was unanimously carried.)

(Informal discussion followed, with reference to the submission of topics for discussion.)

The Chairman: Having disposed of the method of preparing programs, would it be proper to receive from those present suggestions as to what topics may be referred to these conferences, or shall we proceed to discuss it from some other point of view?

(Informal discussion followed.)

Governor Strong: I will move that the Chairman of this meeting and the chairmen of subsequent meetings of joint conferences should be authorized and directed by the meeting to make reports to the Federal Reserve Board of the proceedings thereof.

Mr. Perrin: I will second that motion.

The Chairman: The motion is that the members of the joint conference of executive committees of the two bodies shall require the submission of a report by the Chairman

of the Joint Conference to the Federal Reserve Board of the actions taken at the conference.

(The motion, being duly seconded, was carried.)

(After informal discussion the following motion was made:)

Governor Strong: I move that the chairmanship of the Joint Conference of Executive Committees of Governors and Federal Reserve Agents alternate between the Chairman of these two committees.

Mr. Perrin: I second that motion.

The Chairman: Is there any further discussion?

(There was no further discussion and the motion was carried.)

The Chairman: What will be your pleasure about the next matter to be discussed?

Mr. Wills: Since this meeting was called by yourself, Mr. Chairman, you might submit to this Conference two or three of the matters that were acted upon at our meeting, and which might call for ratification by the Governors.

The Chairman: Mr. Wills, I will ask you to submit those matters, from the list of resolutions that you have .

Mr. Wills: I have in mind three matters. As a later matter for discussion we have Mr. Bosworth's objection to the tax on the deficiency in gold reserves, as he calculates it, as opposed to regulation "O" of the Federal Reserve Board.

The Chairman: That is a matter for discussion later, I understand?

Mr. Wills: Yes. There were three matters that we

took action on.

The first was the question of policy of appointing chief examiners as deputy Federal Reserve Agents and Vice-Chairmen. That was not looked upon with favor by our conference, and we passed a resolution to that effect. Mr. Rich, Mr. Miller and Mr. Perrin dissented.

Mr. Perrin: Mr. Rich and myself opposed the principle, but we voted in favor of the present incumbents.

The Chairman: This matter was submitted to us by the Federal Reserve Board, who asked for our views upon the policy of appointing the chief examiner of the district Deputy Federal Reserve Agent and Vice Chairman. They asked us to consider the matter in the light of the experience of each district.

Mr. Wills: The next point was a motion that, in the opinion of the Federal Reserve Agents, the bonds of surety required of them and of the Deputy Reserve Agents are unnecessarily high in amount and that a reduction in amount should be made by the Board, our contention being that only a nominal amount, say \$50,000 should be required.

Mr. Perrin: \$20,000 was Mr. Forgan's idea of the maximum amount that any bank officer should be made to give.

Mr. Wills: The third matter was an expression of our opinion that members of the Advisory Council should neither be officers nor directors of Federal Reserve Banks.

(Informal discussion followed.)

The Chairman: Would it be the pleasure of this Conference to discuss the actions of the Federal Reserve Agents' Conference on these three topics? The first one is a matter

that interests the banks as well as the Federal Reserve Agents, namely, the bonds of Federal Reserve Agents.

Governor Seay: I move that they be matters for discussion, Mr. Chairman.

Mr. Fancher: I will second that motion.

(The motion was duly carried.)

The Chairman: Mr. Wills, can you amplify in any way the presentation you made of the question of the amount of bonds?

(Informal discussion followed.)

Governor Seay: I move it is the sense of this joint conference that the Federal Reserve Board should prescribe the regulations governing the physical custody of the funds and securities in the hands of the Federal Reserve Agents, and those regulations should be such as prevail in standard banking practice; and that under such regulations the bonds of the Federal Reserve Agents and the Deputy Federal Reserve Agents should be reduced to the amount required of the chief executive officials of the reserve banks.

Governor Strong: I will second that motion.

(After the further informal discussion of the motion it was unanimously carried.)

The Chairman: The next topic upon which the Conference of Federal Reserve Agents took action was the one proposed by the Federal Reserve Board. They asked us to consider the policy of appointing chief examiners as deputy Federal Reserve Agents, and to consider it in the light of the experience of the different districts. Mr. Wills has

reported the vote upon that, which was unanimous, with one exception, with regard to the principle, although Mr. Rich and Mr. Perrin voted no when it came to the personal question.

Is this matter upon which the Joint Conference would like to take action?

(Informal discussion followed. During the discussion Mr. Jay read a paper inserted by him in the report of the Conference of Federal Reserve Agents held in Washington on November 4th, 5th and 6th, which paper is to be found at page 224, et seq., of said report.)

The Chairman: What will be your pleasure in regard to this matter, gentlemen? Is this a matter upon which this Conference would like to express itself or not?

Governor Strong: I move that this conference endorse the resolution adopted at the Conference of Agents held in Washington November 4th, 5th and 6th, 1915, which is as follows:

That it is the sense of the Conference that we do not view with approval the policy of appointing chief examiners of the district as Vice Chairmen and Deputy Reserve Agents.

(After further informal discussion there were calls for the question.)

The Chairman: The question has been called for, and if there is no further discussion, I will put the motion.

(The motion, having been duly seconded, was carried.)

The Chairman: The other matter which we took up, and which Mr. Wills has read, was with regard to the members

of the Advisory Council, and a motion was carried that it was the sense of our conference that the members of the Advisory Council should be neither active officers nor directors of the Federal Reserve Banks.

Is this a matter that this Conference desires to especially take up? It has been presented to you for your pleasure, and what will that be?

I think it is only proper to say that the discussion of that matter was purely on principle and entirely impersonal. In a number of cases those present had either their Governors or directors of their banks members of the Advisory Council, and our vote represented merely the view of our Conference that the purpose of the Advisory Council was to represent an element outside of the Federal reserve banks.

(Informal discussion followed.)

Governor McDougal: I move that this conference take no action on this matter.

Mr. Wills: I second that motion.

(Motion, being duly seconded, was carried.)

The Chairman: That covers the three points that Mr. Wills referred to as having constituted the action of the Reserve Agents' Conference and which might properly be reported to this Joint Conference.

Mr. Wills: I might say, as a matter of information, that we took practically the same action as taken by the Governors on the question of getting all the information possible from the examiners' reports and as to having access to them.

(Considerable informal discussion followed.)

The Chairman: We have discussed a number of the points brought out by the Conference of the Reserve Agents, and we have not yet done anything on the discussion of what points might well be taken up by the Reserve Agents' Conference and its Executive Committee.

Would it be your pleasure to have a discussion of that now or at some other time during this conference?

Mr. McDougal: I would move that we postpone further discussion of any and all subjects until after luncheon, and that we now adjourn until half past two o'clock.

(Whereupon, upon motion duly seconded, the Joint Conference took a recess at 12:50 o'clock p. m., until 2:30 o'clock p. m. of the same day.)

AFTER RECESS.

The Joint Conference resumed its session at 2:30 o'clock p. m.

The Chairman: We have no regular program for this afternoon. Would it be advisable for us to consider notifying the Federal Reserve Board that we are in session, in case they have any messages to send to us?

Governor Seay: I think that would be the proper thing to do.

I move that the Chairman of this Conference notify the Federal Reserve Board that this joint conference is taking place, and that if the Board desires to confer with us or if it desires to submit anything for discussion, we are at their disposal.

(The motion was duly carried and Mr. Wills was appointed by the Chair to convey the notification to the Board.)

(After informal discussion the suggestion was made that the Chairman might lay before the meeting the topics discussed by Governor McDougal and himself en route to the Conference.)

The Chairman: In response to that suggestion I will state that the following matters were discussed by Governor McDougal and myself last night while we were coming to Washington:

First. Matters connected with the issue of Federal Reserve notes;

Second. The work of the bank in connection with information and statistics;

Third. Relations with the member banks, relations with state institutions and relations with the public;

Fourth. The granting of fiduciary powers;

Fifth. Relations with the sub-treasury;

Sixth. Relations with the Comptroller.

These were matters of more or less interest which we thought might properly come under the Federal Reserve Agents' Conference, and upon which independent action might often be taken without more than a mere statement of that action to the Governors' Conference.

There are other matters that we might want to discuss jointly from time to time in addition to such phases of the foregoing topics as might seem desirable for joint discussion. Those topics would be, for instance, our policy in regard to discount rates; our policy in regard to

investments, and matters of the general policies of the banks

That was all we had to suggest, and if this conference desires to discuss the proposals, that would be in order.

Governor Seay: I suggest that we take the matters up in order.

The Chairman: The first subject was Federal reserve note issues. I understand that the Governors' Conference has proceeded to some extent in an investigation of that matter.

Mr. Perrin: Mr. Chairman, I second Mr. Seay's motion that we take these matters up in order.

The Chairman: The motion has been made and seconded that these topics be taken up and considered one by one. Is there any discussion of that motion?

(There was no discussion of the motion and the motion was carried.)

The Chairman: The matter of Federal reserve note issue has been taken up already by the Governors' Conference and considerable progress made on a thorough and complete study of it. It may be impracticable or undesirable for us to attempt to come in on the matter at this stage of its consideration.

(Informal discussion followed.)

The Chairman: It might possibly be well if the Governors would tell us what particular phases of the note issue they are working on now. After that, by agreement, they could continue to act upon those particular phases, and then, if it seemed desirable, any questions that arise in

connection with the note issue could be taken up by the Federal Reserve Agents.

(Informal discussion followed.)

The Chairman: Are we ready for a vote on the question of referring the general topic of Federal Reserve notes, outside of those particular phases of it which the Executive Committee of the Governors has in hand, to the Federal Reserve Agents' Conference?

(Informal discussion followed.)

Governor Seay: I move it is the sense of this Conference that the Executive Committee of the Federal Reserve Agents, or the Federal Reserve Agents' Conference, should consider the Federal Reserve note issue in all of its phases, that is, the issue and redemption, and that the Executive Committee of the Governors should pursue to a conclusion those phases of the issuing of Federal reserve notes which it has had under study and deliberation up to the present time.

When we reach our conclusions on that we could convey them to your committee and then I imagine a joint conference can settle the question. But it is a subject that might well receive all the consideration that the Federal reserve agents can give to it. At the same time, the Governors have started certain investigations which I think they will have to pursue through to a conclusion.

I therefore make a motion to that effect.

Governor Fancher: I second that motion.

The Chairman: Is there any further discussion of that

motion?

(There was further informal discussion of the motion, at the conclusion of which the motion was duly carried.)

The Chairman: The next topic that Governor McDougal and myself picked out for discussion was whether or not it might be well to refer to the Reserve Agents' Conference the question of statistics and information. That is, a department of the work of the Federal Reserve banks which as yet has been very little developed, largely owing to the pressure of more important matters, and also on account of the expense involved.

The Reserve Board expects to get its information and statistics from the Federal Reserve Agents. Those statistics and information are important also for the bank itself. The Governors, therefore, have a distinct interest in them. The question is whether they would like to free their program of topics relating to that general division of the work and refer them bodily to the Federal Reserve Agents.

Governor Aiken: I so move, Mr. Chairman, that it be referred to the Federal Reserve Agents.

Governor Fancher: I will second that motion.

(Informal discussion followed.)

The Chairman: There are calls for the question, and if there is no further discussion I will put the motion.

(The motion was duly carried.)

The Chairman: The next topic is "Relations with member banks."

(Informal discussion followed.)

The Chairman: If no one has a motion to make upon this I will take that as a disposition to let the topic pass, and we will proceed.

The next topic is a similar one, "Relations of the Federal reserve system to state banks." That refers to the question of their joining in a general way and more particularly to examinations of them before they join, and after they have joined, reports of condition, and so forth.

Is this topic sufficiently concrete to consider?

Governor Aiken: I move that the Federal Reserve Agents be requested to consider the matter of the terms of admission, particularly as to the methods of examination and subsequent supervision of state banks, and that the results should be referred to a subsequent joint conference of the Executive Committees of the Federal Reserve Agents and the Governors' Conference.

Governor Strong: I will second that motion.

(Discussion followed, at the expiration of which the motion was duly carried.)

The Chairman: Mr. Willis, before we take up the next topic, have you anything to report in response to our notification to the Federal Reserve Board that we are in session?

Mr. Willis: I communicated with Dr. Willis, and he said he would report the matter to the Board just as soon as they returned from luncheon, and phone us.

The Chairman: The next topic which Governor McDougal and I put down for discussion is "Relations of the Federal reserve banks and the Federal reserve system to the public."

That seems rather an indefinite topic but it might be that if it were referred definitely to the Federal reserve agents for study something concrete and of value might be suggested. We have no suggestion at the moment of the lines on which it might be developed.

(Informal discussion followed.)

Governor Strong: I will move that the subject of re- relations of Federal reserve banks to the public be referred to the Conference of Federal Reserve Agents for development.

Governor Fancher: I will second that motion.

(Informal discussion followed, at the expiration of which the motion was carried.)

The Chairman: The next topic selected by Governor McDougal and myself is "Fiduciary powers; inquiries concerning member banks that apply for authority to exercise trust powers." This is a matter in relation to which the Federal reserve agents are obliged to certify, if I remember correctly, and it therefore seemed to us to be one that might come under the consideration of the Federal Reserve Agents' Conference.

Governor Strong: I move that that general subject be referred to the Federal Reserve Agents' Conference.

(There were several seconds to this motion and the motion was duly carried.)

(Extended informal discussion took place with reference to sub-treasury relations, but no formal action was taken by the conference.)

The Chairman: The next topic that was suggested by

Governor McDougal and myself is "General relations with the Comptroller's office."

(Extended informal discussion followed.)

Governor McDougal: I move that that subject be left for each committee to handle individually as they see fit.

Mr. Martin: I will second that motion.

(Further informal discussion followed, after which the motion was duly carried.)

(Informal discussion took place at this point, with reference to the duties of Federal Reserve Agents, which the reporter was directed not to take.)

The Chairman: Mr. Willis have you anything further to report from the Federal Reserve Board?

Mr. Willis: No. They said they would report if they had anything to report upon, or if they had any questions that they wanted us to discuss. I assume that they have nothing to submit, although Mr. Willis says that they are in their offices as late as half past five or six o'clock.

The Chairman: Are there any other subjects which any of the members of the Conference would like to discuss?

Mr. Perrin: I have two subjects that I would like to bring up. The first is the question of the organization of national banks.

The Second question is on the matter of formulating principles that should go into the code of any state revisits bank laws, and it seems to me that joint action should be taken on that matter.

(Informal discussion followed.)

The Chairman: Mr. Perrin, do you desire to make a motion on that matter?

Mr. Perrin: I do not know exactly how to frame a motion on that, Mr. Chairman?

(Further informal discussion followed.)

Governor Seay: I move it is the sense of this Joint Conference that the Federal Reserve Board consider the advisability of agreeing upon and formulating certain general principles which should be embodied in any changes of state laws relating to banking.

Mr. Perrin: I will second that motion.

(After further informal discussion the motion was duly carried.)

The Chairman: (After informal discussion) Will some one make a motion on the subject of membership of savings banks in the Federal reserve system?

Governor Strong: I move that the subject of amending the Federal Reserve Act so as to permit membership of mutual savings banks in the Federal Reserve System be referred to the Conference of Federal Reserve Agents, and that that matter be added to their program.

Governor Aiken: I will second the motion.

(The motion was duly carried.)

The Chairman: Mr. Wills informs me that Dr. Willis has made his report and we would like to hear it.

Mr. Wills: Dr. Willis reported over the phone that our request, or rather our notification, had been submitted to the Board, and that they had only one matter which

they suggested for consideration and that is the matter of clearings. He also says that Mr. Warburg made the suggestion that we ought to consider the question of issuing gold certificates of large denominations. I presume he means larger than ten thousand dollars, which of course concerns the willingness of the reserve banks to freely issue reserve notes in small denominations.

(Informal discussion followed.)

The Chairman: What is your pleasure with regard to the matters submitted by the Board?

Governor Fancher: I move that this Conference concur in the action of the Federal Reserve Agents' Conference, which is as follows:)

That it would be a convenience if gold order certificates were issued in denominations of \$50,000 and \$100,000.

(The motion, being duly seconded, was carried.)

Mr. Perrin: I now move that it is the sense of this Joint Conference that it would be a convenience if Federal reserve notes in denominations of \$500, \$1,000, \$5,000 and \$10,000, should be issued.

Governor Strong: I second that motion.

(After informal discussion the motion was carried.)

(Informal discussion followed.)

The Chairman: We did not reduce to definite form the informal motion made to refer the clearing matter to the Conference of Governors.

Governor Strong: I offer a motion that the organization of Governors continue to deal with the question of clearings

and that it should not be taken up by this meeting.

(After informal discussion the motion was duly seconded and carried.)

Governor McDougal: I move that the procedure just outlined by Governor Strong be followed, and that this body make no direct report to the Federal Reserve Board unless some unusual condition arises or unless it is on some subject pertaining to which it would be perfectly proper to report, until we have first reported our findings back to our respective conferences of Governors and Federal Reserve Agents for consideration, the Board to get a final report from the Conference of Federal Reserve Agents or the Conference of Governors.

Governor Aiken: I second that motion.

(The motion was duly carried.)

The Chairman: Mr. Martin informs me that the subject of investments, buying Government bonds, and so forth, was deferred until Governor Strong and Governor McDougal had returned. Mr. Perrin brought the subject up. Governor Strong and Governor McDougal were absent from the room and Mr. Perrin suggested that it be deferred until they returned.

(Extended informal discussion followed.)

(No formal action was taken by the Conference on this subject.)

(Further informal discussion followed.)

Governor McDougal: I move that a copy of the minutes of this meeting be sent to each member of the Governors!

Conference and each member of the Federal Reserve Agents' Conference.

Governor Aiken: I second that motion.

(The motion was duly carried.)

The Chairman: If there are no further subjects to come up before this Conference, how shall we decide the question of future conferences?

Governor Fancher: I move that the Joint Conference be adjourned, and that future joint conferences be subject to the call of either the Chairman of the Executive Committee of the Federal Reserve Agents' Conference, or the Chairman of the Executive Committee of the Governors' Conference.

(The motion to adjourn, being duly seconded, was carried, and the Joint Conference of the Executive Committee of the Federal Reserve Agents' Conference and the Executive Committee of the Governors' Conference, thereupon, at 6:50 o'clock p. m., adjourned, subject to call.)
