

BOARD OF GOVERNORS

INDEX TO PROCEEDINGS

APRIL 17 - 22, 1916

Page

- I Index
- II Programme
- III Secretary's Minutes
- IV Report to Federal Reserve Board
- V Report of Committee appointed by the Conference of Governors to consider the method of computing dividends and other matters relating thereto.
- VI Report of Committee appointed by the Conference of Governors to recommend a basis for the apportionment of investments made by one Federal reserve bank for the other Federal reserve banks.
- VII Mr. Kenzel's memorandum regarding U. S. Conversion 3% Bonds and open market operations by Federal reserve banks in U. S. Government Bonds.
- VIII Memorandum regarding method of handling cipher-code messages.
- IX Letter to Federal Reserve Board of Assistant Secretary of the Treasury regarding perforation of Federal reserve notes unfit for redemption, dated April 17, 1916.
- X Letter of Federal Reserve Board to Federal Reserve Bank of New York, dated April 20, 1916, regarding perforation of Federal reserve notes unfit for redemption.
- XI Suggested amendments to Federal Reserve Act, Sections 13-14, to meet usance of London bill market.
- XII Letter to Federal Reserve Board regarding weekly statements of Federal reserve banks.
- XIII Proceedings of Seventh Conference of Governors.

ACCEPTANCES AND WARRANTS, ALLOTMENT OF

Report of Committee on

68 - 69
83 - 118
122 - 144
239 - 239

ACR, F R

Amendments to Federal reserve note issue against gold
Resolution re issue of Federal reserve notes against gold

215 - 222
409 - 423
429 - 430

BOND INVESTMENT

		Page
AGENTS AND BANKS GOLD	Separation of in Gold Settlement Fund	(19 - 23 (45 - 46
AGENTS	Note issue referred to	204 - 205
ALLOTMENT OF WARRANTS AND ACCEPTANCES	Report of Committee on	(68 - 69 (83 - 112 (122 - 144 (238 - 239
AMENDMENTS TO FEDERAL RESERVE ACT	Section 16	216 - 220
	Federal Reserve Notes, issue against gold	409 - 423
	Resolution re issue of Federal Reserve Notes against gold	429 - 430
AMERICAN BANKERS' ASSOCIATION	Invitation to Conference in May	155 - 157
	Invitation to join National Bank Section	157 - 164
AUDIT OF GOLD SETTLEMENT FUND		150 - 155
AUDITORS	Conference of	35 - 42
BANKS' AND AGENTS' GOLD	Separation of in Gold Settlement Fund	(19 - 23 (45 - 46
BOARD, FEDERAL RESERVE	Conferences with members of re collection and clearance	112 - 125
	Memorandum January 19, 1914	601
	Inquiry re Reserve and Central Reserve Cities	71 - 80
	Committee to wait upon	(14 - 18 (42 - 44
CALCULATION OF DIVIDENDS	Report of Committee on	47 - 54
CENTRAL RESERVE AND RESERVE CITIES	Board inquiry re	71 - 80
CHARGEABLE ITEMS IN GOVERNMENT DEPOSITS		29 - 35
CIPHER OR CODE TELEGRAMS	Method of handling	231 - 232

FRASER
 ST. LOUIS FED.
 RESERVE BANK
 LIBRARY

		Pages
CODE-CIPHER TELEGRAMS	Method of handling	231 - 232
COLLECTIONS AND CLEARANCE	Discussion with members of Board	112 - 122
	Discussion	(374 - 375) (395 - 402) (407 - 408) (423 - 423)
	Discussion of plan, procedure for	5 - 12
COLLECTIONS AND CLEARANCE	Report of Committee	(241 - 264) (425 - 457)
	Subtreasury relations	354 - 370
COMMITTEE TO WAIT UPON BOARD		(14 - 15) (42 - 44)
COMMITTEES, REPORTS OF, OR	Allotment of warrants and acceptances	(68 - 69) (83 - 112) (122 - 144) (256 - 279)
	Calculation of dividends	47 - 54
	Collection and clearance, See Collection and clearance	
	Foreign operations	69 - 70
CONFERENCES OF AUDITORS		35 - 42
CONFERENCES OF GOVERNORS	Distribution of expenses of	253 - 257
CONFERENCES WITH MEMBERS OF BOARD RE COLLECTION AND CLEARANCE		112 - 122
CONVERSION AND DISPOSITION OF U. S. BONDS AND NOTES		192 - 204
DEPOSITS, GOVERNMENT	See Government deposits	
DISPOSITION AND CONVERSION OF U. S. BONDS AND NOTES		192 - 204
DIVIDENDS, CALCULATION OF	Report of Committee on	47 - 54
DIVIDENDS	Payment of	53 - 57
EARNINGS	Statement of member banks	230 - 231
EXPENSE OF GOLD SETTLEMENT FUND	Liability for	18
EXPENSES OF GOVERNOR STRONG'S EUROPEAN TRIP	Distribution of	189 - 192

BOND
 M
 H

		Pages
EXPENSES OF GOVERNORS' CONFERENCES	Distribution of	233 - 237
EXPENSES OF MOVING GOLD	Distribution of--Gold Settlement Fund	16 - 19
FEDERAL RESERVE ACT	See Act	
FEDERAL RESERVE AGENTS	See agent	
FEDERAL RESERVE BANKS	Five per cent. Redemption Fund, through	221 - 230
FEDERAL RESERVE BOARD	See Board	
FEDERAL RESERVE NOTE ISSUE	Referred to F. R. Agents	204 - 205
FEDERAL RESERVE NOTES	Perforation of those unfit for redemption	402 - 406
FIVE PER CENT. REDEMPTION FUND	Through F. R. Banks	221 - 230
FOREIGN ARRANGEMENTS		(70 - 71 185 - 189
FOREIGN ARRANGEMENTS	Governor Strong's trip to Europe, expense distribution	189 - 192
FOREIGN OPERATIONS	Report of Committee on	69 - 70
GOLD SETTLEMENT FUND	Audit	159 - 165
GOLD SETTLEMENT FUND	Distribution of expense of moving gold	16 - 18
GOLD SETTLEMENT FUND	Liability for expense of	18
GOLD SETTLEMENT FUND	Separation of Banks' and Agents' gold in	(19 - 23 (45 - 46
GOVERNMENT BONDS AND NOTES	Conversion and disposition of	192 - 204
GOVERNMENT DEPOSITS	Chargeable items in	29 - 35
GOVERNORS' CONFERENCES	Distribution of expenses of	233 - 237
GOVERNORS' REPRESENTATIVES AT CONFERENCE		(2 - 5 (10 (12 - 13
INVITATION OF AMERICAN BANKERS' ASSOCIATION TO CONFERENCE IN MAY		155 - 157
INVITATION OF AMERICAN BANKERS' ASSOCIATION TO JOIN NATIONAL BANK SECTION		157 - 164

FRASER

FRASER

BOND

		Pages
INVITATION TO W. S. ROWE ET AL. TO CONFERENCE NO. 2		240
ITEMS	Chargeable in Government deposits	29 - 35
LIABILITY FOR EXPENSES OF GOLD SETTLEMENT FUND		18
MEETING OF GOVERNORS	Minutes of previous	13 - 14
MEETING OF GOVERNORS	Time of next	237
MEMBER BANKS	Statement of earnings	230 - 231
MEMBER BANKS	Supervision of	420 - 434
MINUTES OF PREVIOUS MEETING		13 - 14
"NO PROTEST" ITEMS		144 - 150
NOTE ISSUE REFERRED TO F. R. AGENTS		204 - 205
PAYMENT OF DIVIDENDS		55 - 57
PRESS STATEMENT		257
REGULATIONS	Revision of	205 - 216
REPORTS OF COMMITTEES	Allotment of warrants and acceptances	(69 - 69 (93 - 112 (122 - 144 (233 - 239 Calculation of dividends Collection and clearance--See Collection and clearance. Foreign operations
REPRESENTATIVES OF GOVERNORS AT CONFERENCE		(2 - 5 (10 (12 - 13
RESERVE AND CENTRAL RESERVE CITIES	Board inquiry re	71 - 80
REVISION OF REGULATIONS		205 - 216
ROWE, W. S., ET AL	Invitation to Conference re Clearance and Collection	240
SEPARATION OF BANKS' AND AGENTS' GOLD IN GOLD SETTLEMENT FUND		(19 - 28 (45 - 45
STATEMENTS, EARNINGS'	Of member banks	230 - 231
STRONG, GOVERNOR	Distribution of expenses of European trip	189 - 192

BOARD
 OF DIRECTORS
 FEDERAL RESERVE BANK
 OF ST. LOUIS

SUPERVISION OF MEMBER BANKS		430 - 434
UNFIT FEDERAL RESERVE NOTES	Perforation of	402 - 405
WARRANTS AND ACCEP- TANCES, ALLOT- MENT OF	Report of Committee on	(53 - 59 (83 - 112 (122 - 144 (238 - 239
UNITED STATES BONDS AND NOTES	Conversion and disposition of	192 - 204

HAWKINS
 BOND
 MERVILL

SEVENTH CONFERENCE OF GOVERNORS

of

FEDERAL RESERVE BANKS

—00000—

The Seventh Conference of Governors of Federal Reserve Banks was held at the Shoreham Hotel, Washington, D. C., on April 17, 18, 19, 20, 21 and 22, 1916.

PRESENT:

Mr. Strong, Chairman of the Conference,
Messrs. Aiken, Rhoads, Fancher, Seay,
McCord, Wold, Miller and Van Zandt;
also
Mr. John U. Calkins, Acting Deputy Governor,
Federal Reserve Bank of San Francisco,
Mr. T. C. Tupper, Deputy Federal Reserve Agent,
Federal Reserve Bank of St. Louis,
Messrs. C. R. McKay, L. H. Hendricks, Lynn Talley,
O. H. Attebery, and J. F. Curtis, Secretary.

The meeting was called to order at ten o'clock A. M. on April 17th by Mr. Strong, who took the chair.

The Chairman presented a letter from Mr. Rolla Wells, Governor of the Federal Reserve Bank of St. Louis, requesting that Mr. T. C. Tupper, Deputy Federal Reserve Agent and head of the Credit Department of that bank, be authorized to represent him at the Conference. On motion it was

VOTED that Mr. Tupper be invited to join the Conference to represent Mr. Rolla Wells.

The Chairman stated that transit managers from several of the Federal reserve banks were present by previous arrangement, and suggested that they be appointed a committee to prepare a programme on method of discussion to treat the eleven collection plans that had been submitted for consideration. On motion it was

VOTED that the collection plans submitted to the Conference be referred to a committee consisting of Messrs. McKay, Hendricks, Talley and Attebery, such committee to consider the plans and outline a programme for procedure with reference thereto.

It was understood that Mr. McKay would act as Chairman of the com-

mittee.

The Chairman stated that Governor Kains of the Federal Reserve Bank of San Francisco was out of the country, and that Mr. John U. Calkins, Acting Deputy Governor of that bank, was present representing Governor Kains. On motion it was

VOTED that Mr. John U. Calkins, Acting Deputy Governor of the Federal Reserve Bank of San Francisco, be invited to join the Conference representing Governor Kains.

At this point Messrs. Tipper, Talley and Attebery entered the room and a statement of the proceedings theretofore had was made by the secretary.

TOPIC NO. 1. - MINUTES OF THE SIXTH CONFERENCE OF GOVERNORS. - On motion it was

VOTED to approve the minutes of the Sixth Conference of Governors without reading.

TOPIC NO. 2. - COMMITTEE TO WAIT UPON FEDERAL RESERVE BOARD. - On motion, it was

VOTED that the Chairman appoint the usual committee to wait upon the Federal Reserve Board.

Whereupon the Chairman appointed Messrs. Wold and McDougal as members of the above committee. On motion it was

VOTED that this committee be requested to inquire of the Federal Reserve Board as to the prospects of getting an opinion from the Attorney General upon the powers of the Board with respect to the collection of checks.

The committee thereupon left the room to wait upon the Federal Reserve Board.

TOPIC NO. 3 - UNFINISHED BUSINESS.

(a) Distribution of expenses of moving gold for Gold Fund. - This topic was continued on the programme without action, by consent.

(b) Retroactive liability for expense of operating Gold Fund. - This topic was continued on the programme without action, by consent.

(c) Separation of Gold Fund held by Board for Federal reserve agents and Federal reserve banks. After considerable discussion, it was

VOTED that those of the governors who had not taken action on this subject in accordance with the vote passed at the Sixth Conference, should obtain opinions of their Federal reserve agents and counsel as therein suggested and forward the same to the Federal Reserve Board.

(d) Receipt from Collectors of Customs and Internal Revenue of checks carrying exchange charges. -

VOTED that the attention of the Federal Reserve Board be invited to the resolution adopted at the Sixth Conference of Governors requesting that this subject be taken up with the proper officials of the Treasury Department, and that the Board be further requested to endeavor to obtain a ruling from the Treasury Department, or cooperation of the Treasury Department to have the Collectors of Customs and Internal Revenue instructed not to receive checks in payment of income tax or other collections of the Government that are subject to exchange charges; such action being particularly urged at this time in view of the large income tax collections to be received in June.

AND IT WAS FURTHER VOTED that the Federal Reserve Board be requested to furnish each of the Federal reserve banks complete set of instructions given to the Collectors of Customs and Internal Revenue with respect to the receipt, handling and depositing of currency and checks.

During the course of the discussion of this topic, Mr. Seay stated that he had had considerable correspondence with the Treasury Department concerning certain checks deposited by Collectors of Internal Revenue which had been lost in transit. Whereupon it was unanimously

VOTED that Mr. Seay be requested to send copies of the said correspondence to the governors of all the Federal reserve banks.

(e) Conference of Auditors. - Mr. Curtis made a statement to the effect that this subject was being handled satisfactorily by Mr. Jefferson, Mr. Cadwallader and Mr. Jacobson, as well as Mr. Broderick, and that no action was now necessary. He also read two memoranda prepared by Mr. Jefferson upon this topic, and also upon the question of the handling of statistics and organization expenses. Whereupon, it was

VOTED that this topic be set forth in greater detail and reserved for consideration at the next Conference, and that the Conference of Federal Reserve Agents be advised that so far as the Conference of Governors is concerned, no action on this subject is considered necessary at this time.

At this point the committee to wait upon the Federal Reserve Board rejoined the Conference, and Mr. Wold for the committee reported that they had conferred with Governor Hamlin and Vice Governor Delano, and were advised that no formal opinion had yet been rendered by the Attorney General with respect to the powers of the Board in the collection matter, and stated that a memorandum would shortly be forwarded to the Conference by the Federal Reserve Board. The report of the committee was received and made a part of the record by unanimous consent.

TOPIC NO. 3 (c) - DISPOSITION OF MATTERS REPORTED TO FEDERAL RESERVE

BOARD - It was

VOTED that in view of the fact that these matters are in course of disposition, no action be taken on this topic at the present time.

TOPIC NO. 4. - COLLECTIONS AND CLEARANCES - This topic was passed temporarily by consent.

TOPIC No. 5. - REPORT OF COMMITTEE ON METHOD OF CALCULATING DIVIDENDS

Mr. Seay, for the committee, submitted a report in writing in which was incorporated by reference Memorandum No. 601 of the Federal Reserve Board relating to dividend payments. Whereupon it was

VOTED that the report of the committee be accepted so far as it relates to the mathematical calculation of dividends and that the subject of Memorandum No. 601 be taken up for further consideration.

(Note: The text of the report may be found on pages 47 and 48 of the stenographic minutes.)

After further consideration of Memorandum No. 601, it was

VOTED that the Conference concur with the Federal Reserve Board in the method suggested of dealing with the question of interest on payments made to the Federal reserve banks on subscriptions for additional capital stock and on subscriptions to new capital stock.

After further discussion with respect to provisions of Memorandum No. 601, it was

VOTED that the committee on method of calculating dividends be continued and that it be requested to give the questions raised in Memorandum No. 601 further attention, and report at the next Conference.

TOPIC NO. 6. - Report of committee on allotment of warrants and acceptances. This topic was postponed temporarily by consent.

TOPIC NO. 7. - REPORT OF COMMITTEE TO PREPARE REPLY TO QUESTIONS SUBMITTED BY FEDERAL RESERVE BOARD TOUCHING FOREIGN OPERATIONS. - On motion it was

VOTED that the Federal Reserve Board be advised that the reason for the delay in making reply to their inquiry is that the questions submitted by them were referred to a committee of which Governor Kains of San Francisco, was Chairman, and that prior to his sailing for South America he had begun a report which would be completed shortly after his return and submitted to the rest of the committee, and that a reply will be submitted as soon as practicable after the return of Mr. Kains.

TOPIC No. 8. - FOREIGN ARRANGEMENTS. - Mr. Strong made a statement of his activities in this connection on his recent trip to Europe, and stated that owing to the confidential nature of his information he would prefer to have a small committee appointed to join him in taking the matter up with the Federal Reserve Board. Whereupon, it was

VOTED that Mr. Strong be requested to select a committee, and that he and the committee be authorized to take up with the Federal Reserve Board the matter of foreign arrangements according to their discretion.

TOPIC NO. 3 (2) - DISPOSITION OF MATTERS REPORTED TO FEDERAL RESERVE

BOARD - It was

VOTED that in view of the fact that these matters are in course of disposition, no action be taken on this topic at the present time.

TOPIC NO. 4. - COLLECTIONS AND CLEARANCES - This topic was passed temporarily by consent.

TOPIC No. 5. - REPORT OF COMMITTEE ON METHOD OF CALCULATING DIVIDENDS

Mr. Esey, for the committee, submitted a report in writing in which was incorporated by reference Memorandum No. 601 of the Federal Reserve Board relating to dividend payments. Whereupon it was

VOTED that the report of the committee be accepted so far as it relates to the mathematical calculation of dividends and that the subject of Memorandum No. 601 be taken up for further consideration.

(Note: The text of the report may be found on pages 47 and 48 of the stenographic minutes.)

After further consideration of Memorandum No. 601, it was

VOTED that the Conference concur with the Federal Reserve Board in the method suggested of dealing with the question of interest on payments made to the Federal reserve banks on subscriptions for additional capital stock and on subscriptions to new capital stock.

After further discussion with respect to provisions of Memorandum No. 601, it was

VOTED that the committee on method of calculating dividends be continued and that it be requested to give the questions raised in Memorandum No. 601 further attention, and report at the next Conference.

TOPIC NO. 6. - Report of committee on allotment of warrants and acceptances. - This topic was postponed temporarily by consent.

TOPIC NO. 7. - REPORT OF COMMITTEE TO PREPARE REPLY TO QUESTIONS SUBMITTED BY FEDERAL RESERVE BOARD TOUCHING FOREIGN OPERATIONS. - On motion it was

VOTED that the Federal Reserve Board be advised that the reason for the delay in making reply to their inquiry is that the questions submitted by them were referred to a committee of which Governor Kains of San Francisco was Chairman, and that prior to his sailing for South America he had begun a report which would be completed shortly after his return and submitted to the rest of the committee, and that a reply will be submitted as soon as practicable after the return of Mr. Kains.

TOPIC NO. 8. - FOREIGN ARRANGEMENTS. - This topic was passed temporarily by consent.

TOPIC NO. 9 - INQUIRIES FROM FEDERAL RESERVE BOARD RELATIVE TO RESERVE AND CENTRAL RESERVE CITIES. - During the discussion of this topic a recess was taken for lunch at 12:45 p. m.

The Conference reassembled at 3 p. m. All present.

TOPIC NO. 9 - was further considered. On motion it was

VOTED that a committee be appointed by the Chairman to consider the data prepared by the Federal Reserve Board; this committee to report to the next Conference on the advisability of recommending action in the premises.

The Chairman stated that Governor Hanlin had forwarded a memorandum of the general principles to be followed in the preparation of check clearing and collection plans, dated April 17, 1916, for the consideration of the Conference, and had advised him that a committee consisting of Messrs. Delano and Harding would be pleased to join in the discussion of this subject. Whereupon on motion it was

VOTED that in view of the fact that Mr. Delano was to be away on Tuesday, a preliminary informal conference be held with Mr. Harding on that day and that both Mr. Delano and Mr. Harding be invited to join in the discussions on Wednesday and succeeding days for the rest of the meeting.

(Note: The memorandum submitted by the Federal Reserve Board may be found on pages 81 to 83 of the stenographic minutes.)

TOPIC NO. 5. - REPORT OF COMMITTEE ON ALLOTMENT OF WARRANTS AND ACCEPTANCES. - Mr. Seay, in behalf of the committee, submitted a report in writing which was read to the Conference by the secretary.

(Note: The report of the committee may be found on pages 84 to 87 of the stenographic minutes.)

Considerable discussion of the report followed, during the course of which Mr. Aiken left the Conference room. At this point Vice Governor Delano and Mr. Harding entered the room, and the committee of transit managers appointed to consider the collection plans were also called into the Conference. Messrs. Delano and Harding made brief statements with respect to the attitude of their committee on the plans for collections and clearances. At the close of these statements Messrs. Delano and Harding withdrew with the members of the transit committee to confer together with regard to the collection plans. At this point Mr. Aiken returned to the Conference room.

A discussion of the report of the committee on allotment of warrants and acceptances was continued. Whereupon on motion it was

VOTED that the report be accepted and the plan outlined therein tried for three months, and that warrants and acceptances originating in any district be purchased only through the bank of that district under conditions agreeable to that bank.

At this point the Chairmen left the Conference room and Mr. Dixon took the chair.

TOPIC NO. 13 - "NO PROTEST" ITEMS. - After considerable debate it was developed that ten of the Federal reserve banks have recommended for adoption by their member banks the practice of stamping "no protest" items with a stamp containing the letters "N. P." together with transit number of the bank using the stamp, in accordance with suggestion of the American Bankers Association. At the close of the discussion the topic was disposed of without action.

TOPIC #18 - AUDIT OF GOLD SETTLEMENT FUND. - After a brief discussion and on motion it was

VOTED that after an auditor has been appointed from the staff of any Federal reserve bank to assist in auditing the Gold Settlement Fund, such Federal reserve bank may have the right to appoint a substitute auditor to represent it from the staff of any other Federal reserve bank, subject to the approval of the Chairman of the Conference of Governors and the Chairman of the Federal Reserve Agents' Conference.

TOPIC NO. 20. - AMERICAN BANKERS ASSOCIATION.

(a) Invitation to conference in May. - The secretary read communications from Mr. Farnsworth, of the American Bankers Association, extending invitations to the governors of the Federal reserve banks to be present at the meeting of the Executive Council of the A. B. A. on May 8, 9 and 10, 1916. The secretary stated that in reply he had advised Mr. Farnsworth that there was considerable doubt whether the governors would wish to meet together with any other body in a joint conference, but that he felt sure that individual governors would be very glad to accept the invitation unofficially. Whereupon on motion it was

VOTED that the action of the secretary in this regard be approved.

(b) Invitation to join National Bank Section. - The secretary read a letter from the secretary of the National Bank Section of the A. B. A. inviting the Federal Reserve Bank of New York to join that Section, and stated that the matter had been held open pending the Conference of Governors. After a brief

discussion, it appearing that most of the Federal reserve banks had received similar invitations, it was

VOTED that it is the sense of the Conference that it is not advisable for Federal reserve banks to be enrolled as members of the National Bank Section of the American Bankers Association at this time.

The Conference adjourned at 6:20 p. m.

The Conference reassembled on Tuesday, April 16th, at 9:45 a. m.

All present; Mr. Strong in the chair.

TOPIC NO. 8. - FOREIGN ARRANGEMENTS. - This topic was brought up for discussion and the Chairman made a statement of his activities on his recent trip to Europe.

At this point Mr. Rhoads left the Conference room.

After a brief discussion it was

VOTED that the Chairman be requested to select a committee to assist him and that he be authorized to handle the matter according to his discretion without restriction of any kind.

(Note: The Chairman appointed Messrs. Wold and Aiken as a committee to assist him in this matter.)

After a further brief debate on the subject of expenses, it was

VOTED that the Chairman be requested to submit a statement of his expenses incurred in connection with his trip to Europe, and that the amount thereof be divided and paid by the twelve Federal reserve banks in proportion to the respective resources of the banks.

TOPIC NO. 10. - CONVERSION AND DISPOSITION OF UNITED STATES BONDS

AND NOTES. - After considerable discussion it was

VOTED that it is the sense of the Conference that a fair minimum price for the 30-year 3% Government Bonds would be for the present, 103 1/2.

Further discussion was had with respect to appointing a committee to take charge of the sale of such bonds on behalf of all the banks, but no action was had thereon. The secretary was requested to send a copy of Mr. Kenzel's memorandum on this subject to each of the governors.

TOPIC NO. 11. - NOTE ISSUES. - On motion it was

VOTED that Topic No. 11, sub-topics (a), (b), (c) and (d) be referred to the Conference of Federal Reserve Agents for discussion and disposition, in accordance with the understanding reached at the joint conference of the Executive Committees.

TOPIC NO. 12 - REVISION OF REGULATIONS. - During the course of the discussion of this topic the question arose as to the addressing of mail matter by the Federal Reserve Board to the Federal reserve banks. Whereupon on motion it was

VOTED that the Conference respectfully renew to the Federal Reserve Board the recommendations made at the Conferences held in Chicago and Minneapolis last year on this subject.

Further discussion with respect to the revision of regulations then took place, and the topic was considered disposed of without action.

TOPIC NO. 14 - AMENDMENTS TO FEDERAL RESERVE ACT. - The secretary stated that it would be advisable to postpone consideration of this matter until after a conference which Governor Hamlin had requested him to have in the near future. The Chairman suggested that it would be advisable to recommend an amendment excluding days of grace from the ninety day or three months' limitations provided in the existing law. Whereupon on motion it was

VOTED that it is the sense of the Conference that the Federal Reserve Act should be amended so as to exclude days of grace in computing the maturity of bills or notes eligible for purchase or rediscount.

TOPIC NO. 15. - REPLENISHING MEMBER BANKS' FIVE PER CENT FUNDS THROUGH FEDERAL RESERVE BANKS. - The secretary presented a letter from the Federal Reserve Board under date of April 11th, with respect to this subject, and also read a memorandum prepared by the cashier and assistant cashier of the Federal Reserve Bank of New York in reply to Mr. Delano's letter.

(Note: The letter and memorandum may be found on pages 221 to 224 of the stenographic minutes.)

After a brief discussion, it was

VOTED that a reply be forwarded to Mr. Delano advising him that the governors see two objections to the proposed plan; first, that the Gold Settlement Fund providing as it does for settlements only in units of \$10,000. will not apply to the average run of small transactions in replenishing the 5% Redemption Fund; and second, that unless the arrangement is so operated that the Federal reserve banks can pay into the Redemption Fund the same kind of money that they receive, such banks will be subject to the possibility of a very serious depletion of their gold reserves by being obliged to pay out gold and receive national bank notes, U. S. notes, silver certificates and checks.

TOPIC NO. 16. - MEMBER BANK EARNINGS STATEMENTS. - After a brief discussion, it was

VOTED that the Federal Reserve Board be requested to secure for each of the Federal reserve banks, copies of the semi-annual reports of dividends and earnings as furnished by the national banks to the Comptroller from time to time.

TOPIC NO. 17. - METHOD OF HANDLING CIPHER CODE TELEGRAMS. - After a brief discussion it was

VOTED that the Federal Reserve Bank of New York be requested to send copies of memoranda prepared by Mr. Jefferson with respect to the method of handling cipher code telegrams, to each of the other Federal reserve banks.

TOPIC #19. - DISTRIBUTION OF CONFERENCE EXPENSES. - After a brief discussion it was

VOTED that the items of expense in former conferences of Governors covering liquors and cigars, be pro rated and paid personally by the twelve governors, and that the same course be followed with such items in future, so that no such items shall have been charged to the account of or paid by any of the Federal reserve banks.

Mr. Seay, for the committee on allotment of warrants, reported that at the last Conference the committee had had referred to it the question of providing for the compensation of the secretary and legal advisor of the Conferences, and stated that they recommended continuing the compensation at the same rate as hitherto arranged; the compensation, however, to be for legal services in passing upon warrants and acceptances purchased for other Federal reserve banks, and as advisor to the governors and committees at their various conferences, and for clerical services in calling conferences, preparing programmes and minutes, and conducting correspondence in behalf of all the banks. Whereupon, on motion it was

VOTED that the report of the committee be approved and the recommendation adopted.

TOPIC NO. 21. - PRESS STATEMENT. - On motion, it was

VOTED that the preparation of a statement for the press be referred to the secretary.

TOPIC NO. 22. - NEXT MEETING. - On motion of Mr. Van Zandt, put by him, it was unanimously

VOTED that the present Chairman be requested to preside at the next Conference of Governors that may be called;

AND IT WAS FURTHER VOTED that the next meeting be subject to arrangement.

The Conference adjourned at 12:45 p. m.

Wednesday, April 19, 1916.

The Conference reassembled at 10:15 a. m. All present.

TOPIC NO. 6. - REPORT OF COMMITTEE ON ALLOTMENT OF WARRANTS AND ACCEPTANCES - was brought up for further consideration. After a brief discussion, it was

VOTED (six members voting aye and two voting nay) that the vote heretofore adopted on the report of the said committee be reconsidered.

After further discussion it was

VOTED (six members voting aye and two voting nay) that the report of the committee on allotment of warrants and acceptances be approved and adopted with the exception of the last two paragraphs.

TOPIC NO. 4. - COLLECTIONS AND CLEARANCES. - The Chairman then stated that prior to the arrangement for this meeting the secretary received a communication from Vice Governor Delano stating that the Board thought it would be desirable to invite Mr. W. S. Rowe of Cincinnati, a director of the Federal Reserve Bank of Cleveland and member of the Federal Advisory Council, to attend the Conference and to submit his views in regard to a plan for collecting and clearing of checks. He further stated that an invitation had been extended to Mr. Rowe by the secretary, but that the former had replied to the effect that he did not consider it within his province to be present at the Governors' meeting, although appreciating the invitation.

At this point the committee of transit managers entered the Conference room, and Mr. McKay for the committee submitted a report.

At this point the secretary was requested to notify Messrs. Delano and Harding that the transit managers' report was completed, and that the governors would be pleased to confer with them at their convenience. The secretary thereupon left the Conference room to go to the Treasury Department. Mr. Hendricks acted as secretary during the rest of the morning session. A discussion of the report followed.

At this point Vice Governor Delano and Mr. Harding entered the Conference room and Mr. McKay, in behalf of the committee, submitted its formal report. Discussion of the report and of the eleven plans considered by the committee followed.

A recess was taken for lunch at 1:40 p. m.

The Conference reassembled at 2:30 p. m.

All present; also Vice Governor Delano and the members of the transit managers' committee. After considerable discussion it was

VOTED to proceed to the consideration of the declaration of principles submitted by the committee of transit managers.

Thereupon consideration of the declaration of principles was had and the following proceedings took place:

PRINCIPLE NO. 1.

VOTED that Principle No. 1 be amended to read as follows:

"The float should not, and in the opinion of this Conference cannot, be carried by the Federal reserve banks."

and as so amended be concurred in.

Further discussion of Principle No. 1 was had and the foregoing was thereupon superseded by the following:

VOTED that it is the sense of this Conference that the float on any clearing and collecting system cannot, and should not, be carried by the use of the member banks' required reserves.

PRINCIPLE NO. 2.

After considerable debate, it was

VOTED that Principle No. 2 be amended so as to read as follows:

"Member banks shall cover at par at their Federal reserve banks, checks drawn on them received from or for account of Federal reserve banks, provided that when it becomes necessary for a member bank to ship currency from its vaults to cover collection, the Federal reserve bank may pay the cost of such shipment."

and as so amended be concurred in.

The vote resulted in ayes 9, nays 2; Messrs. McCord and Miller voting in the negative. Mr. Calkins desired to be recorded as voting in the affirmative with the distinct understanding that the system is purely a voluntary one and cannot be imposed on the member banks. The Chairman desired to be recorded as not voting, but that if he had voted, he would have voted in the negative.

PRINCIPLE NO. 3.

VOTED that Principle No. 3 be amended so as to read as follows:

"Any intra-district clearing or collection system which may be inaugurated by a Federal reserve bank should not conflict with the above principles, and should not include the payment of exchange charges on checks drawn on its member banks."

and as so amended be concurred in.

This vote was carried ayes 10, nays 1, Mr. McCord voting in the negative.

COMMITTEE APPOINTED.

At this point the advisability of having a further committee was considered. Whereupon, it was

VOTED that the Chairman be authorized to appoint a committee to consider the declaration of principles submitted by the committee of transit managers, together with the suggestions of the Federal Reserve Board, and report their conclusions to the Conference on the following day.

At this point Mr. McCord left the Conference room and Mr. Harding joined the Conference.

PRINCIPLE NO. 4.

VOTED that Principle No. 4 be amended so as to read:

"Items received from other Federal reserve banks shall be credited on the same basis as to time as items received from member banks."

and as so amended be concurred in.

Mr. Miller desired to be recorded as voting in the affirmative, with the understanding that it does not take in express charges.

PRINCIPLE NO. 5.

VOTED that Principle No. 5 be amended to read as follows:

"The Federal reserve banks will likewise accept from member banks and other Federal reserve banks, checks on all non-member banks which can be collected by Federal reserve banks, without paying exchange to the drawee bank."

and as so amended be concurred in.

After further discussion, the Chairman stated that further consideration of Principle No. 2 would be left to the smaller committee, the appointment of which had already been authorized.

After further discussion, the Conference adjourned at 7 o'clock p. m.

Thursday, April 20, 1916.

The Conference reassembled at 9:45 a. m. All present.

The Chairman appointed the following committee to confer with the Federal Reserve Board in regard to the principles to be adopted in preparing the collection plan, and requested Mr. Curtis to accompany the committee, viz., Messrs. Aiken, Seay, and the Chairman. Whereupon the above named committee and Mr. Curtis left the room to call upon Messrs. Delano and Harding at the Federal Reserve Board.

Mr. Hendricks acted as Secretary pro tem during the absence of Mr. Curtis. On motion, Mr. McDougal was elected Chairman pro tem to act during the absence of Mr. Strong. After a brief discussion, it was

VOTED that the written argument presented by Mr. Calkins in support of the so-called "Bordwell Plan" be copied, and that each governor be furnished with a copy.

AMENDMENTS TO FEDERAL RESERVE ACT.

There followed a discussion of the proposed amendment to Section 16 of the Federal Reserve Act covering the issuing of Federal reserve notes against gold and gold certificates, but no action was had thereon.

At 11:30 o'clock a. m. a recess was taken until 2 o'clock p. m.

The Conference reassembled at 3 p. m. All present except Mr. McCord.

Mr. Strong, for the committee to wait upon Messrs. Delano and Harding, reported the substance of the Conference, and a brief discussion followed. At this point Mr. McCord joined the meeting. After a further discussion, on motion, it was

VOTED that the principles involved in the collection plan be re-submitted to the committee of transit managers and the committee appointed to wait upon the Federal Reserve Board, for the purpose of drafting a plan agreeable to the wishes of Messrs. Delano and Harding.

It was understood that Messrs. Strong and Aiken would be unable to serve on the joint committee during the afternoon.

Messrs. Seay, Hendricks, McKay, Talley and Attebery withdrew in compliance with the above vote, and a committee consisting of Messrs. Strong, Aiken and Wold withdrew to confer with the Federal Reserve Board on the subject of foreign arrangements.

Mr. McDougal resumed the chair in the absence of Mr. Strong.

The temporary Chairman presented a letter from Governor Hamlin under date of April 20, 1916, with reference to perforating unfit Federal reserve notes, and also presented correspondence between the Treasury Department and certain manufacturers of cancelling machines. After a brief discussion it was

VOTED that the Federal Reserve Board be requested to ask the companies making bids to forward copies of their bids and description of their dies to each Federal reserve bank, and that copies of the correspondence received from the Federal Reserve Board be furnished to each bank by the secretary. After receipt of such correspondence and memorandum, each Federal reserve bank shall advise the Federal Reserve Board of its opinion or wishes in the matter.

AND IT WAS FURTHER VOTED that Governor Hamlin be advised of the action taken as above set forth.

The Conference adjourned at 4:15 o'clock p. m.

Friday, April 21, 1916.

The Conference reassembled at 9:45 a. m. All present.

After a brief discussion of the progress made by the joint committee on the collection plan, the proposed amendment to Section 16 of the Federal Reserve Act was again brought up for discussion. The secretary made a statement of his conferences with Governor Hamlin and Mr. Harrison, Assistant Counsel of the Federal Reserve Board.

At this point Mr. McDougal stated that he was obliged to return to Chicago and suggested that Mr. McKay take his place in the Conference. Mr. Van Zandt also stated that he was obliged to leave during the afternoon, and asked the unanimous consent that Mr. Talley act in his place. There being no objection, it was understood that Messrs. McKay and Talley should represent Messrs. McDougal and Van Zandt during their absence. Mr. McDougal then left the Conference room.

There followed a brief discussion of the proposed amendment, after which on motion the following resolution was passed:

RESOLVED that in the opinion of this meeting it is important for the best interests of the Federal Reserve System that Section 16 of the Federal Reserve Act be amended so as to permit Federal reserve banks to issue Federal

reserve notes upon the security of gold, as well as upon the security of commercial paper, such gold to be counted as part of the note reserve of the banks, and such paper to be either that which has been rediscounted under the provisions of Section 13 of the Act, or bills or acceptances accepted or indorsed by member banks and purchased under the provisions of Section 14 of the Act.

Thereupon a brief recess was taken for the purpose of having the secretary prepare a letter addressed to Governor Hamlin, transmitting a copy of this resolution as expressing the sentiments of the meeting.

A further discussion of the effects of the proposed collection plan then ensued. The secretary read the letter which had been prepared addressed to Governor Hamlin, containing the substance of the resolution with respect to amendment to Section 16 of the Act, which was approved by the Conference.

(Note: The text of this letter may be found on pages 429/430 of the stenographic minutes.)

WEEKLY STATEMENTS BY MEMBER BANKS. - The Chairman stated that there was before the Conference a question raised by Mr. Delano with regard to the form of weekly statements made by member banks, and a letter from Mr. Delano on this subject was read to the Conference by the secretary. After a brief discussion of this topic, the Conference took a recess at 11 o'clock a. m.

The Conference reassembled at 12:45 p. m. to hear the report of the committee on collection plans. In the absence of the Chairman, Mr. Aiken was appointed temporary chairman. The committee on collections reported that they would be ready to submit their final report at 3 o'clock p. m.

The Conference took a recess at 1:20 p. m. to meet at 3 p. m.

The Conference reassembled at 3 p. m. All present except Messrs. McDougal and Miller.

The committee on collection plans submitted its report in writing. By unanimous consent, the report was read to the Conference and considered paragraph by paragraph, and the following actions were taken:

VOTED to amend the first paragraph on page 8 under the heading "Service Charge" so as to read as follows:

"Each Federal reserve bank will make a service charge of 1 1/2¢ per item, which will be paid by the member bank or Federal reserve bank depositing the items."

AND IT WAS FURTHER VOTED to strike out the second sentence in the second paragraph under the sub-heading "Service Charge."

VOTED to amend line 9 by inserting after the word "will" the words "for the present" so that the phrase will read as follows:

"Federal reserve banks will for the present make no service charge for handling items drawn on member banks located in their own cities."

VOTED to amend line 13 by adding at the end of the line the word "Bank" and to amend line 14 by adding after the word "should" the words "for the present", so as to read as follows:

"Checks on Federal reserve banks, except when drawn as bank transfers of funds, should, for the present, be received by all Federal reserve banks for immediate credit at par."

(This vote was carried ayes 6, nays 4.)

VOTED that the last six words of the next paragraph be omitted, so that the paragraph will read as follows:

"Reserves of Federal reserve banks should be computed against net deposits, - that is to say, the net amount due from banks shown in transit and deferred debit accounts should be deducted from the gross deposits of member banks."

VOTED in the second paragraph under the sub-heading "Penalty for deficiency in reserves" to strike out the words "at a rate of interest" so that the paragraph will read as follows:

"The penalty for violation of reserve requirements should be fixed sufficiently high to prevent a member bank using its reserve instead of rediscounting."

VOTED to strike out the whole of paragraph 3 on page 1 of the plan and substitute therefore the following:

"The following plan it is believed embodies the views expressed by the committee of the Federal Reserve Board.

"To the extent that it avoids definite declaration and operation as a deferred debit and credit plan the Governors feel that it will prove to be cumbersome and expensive, in operation, and not satisfactory to either member of Federal reserve banks. The Governors therefore feel obliged to recommend the adoption of a complete deferred debit and credit plan but submit the following as their understanding of the wishes of the committee."

VOTED that the report as amended be submitted to the Federal Reserve Board. (NOTE: the Committee's report may be found on pp. 439/448 of the stenographic minutes.)

The Conference thereupon adjourned at 4:25 p. m. to confer with Messrs.

DeLoane and Harding.

The Conference reassembled in the Board room of the Federal Reserve Board at 4:30 p. m. All present, except Messrs. McDougal and Van Zandt. There were also present Messrs. Delano and Harding.

The plan prepared by the joint committee as amended by the Conference was submitted for consideration and considerable discussion followed. The views of each of the governors and representatives of the banks present were submitted to Messrs. Delano and Harding. At the suggestion of these gentlemen it was agreed to appoint a committee to remain and cooperate with the Federal Reserve Board in preparing the details of the plan. The Chairman appointed a committee as follows:

Messrs. Seay, Rhoads, McKay, Hendricks, Talley and Attebery.

The meeting adjourned at 7:20 p. m.

Saturday, April 22, 1916.

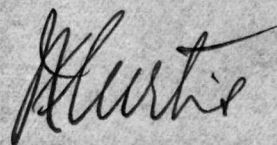
The Conference reassembled at 9:45 a. m. All present except Messrs. Aiken, McCord, McDougal and Van Zandt. The meeting adjourned at 9:55 a. m. to meet with Messrs. Delano and Harding at the Federal Reserve Board.

The Conference reassembled at 10 a. m. in the Federal Reserve Board room. All present except as above noted. There were also present Messrs. Delano and Harding. The meeting came to order at 10:45 a. m.

Memorandum No. 626 under date of April 22, 1916, prepared by the Federal Reserve Board, was read by the secretary and discussed paragraph by paragraph.

A statement for the press prepared by the secretary was handed to Mr. Sherman Allen, Assistant Secretary of the Federal Reserve Board, for distribution to representatives of the press.

The Conference adjourned at 12:40 p. m. sine die.


Secretary.

