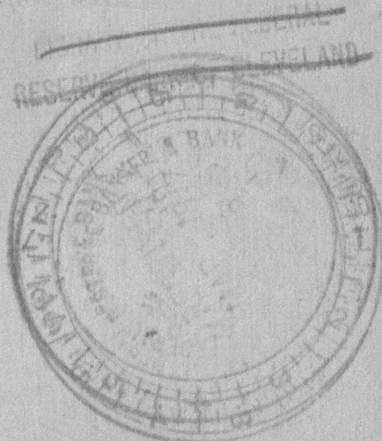


Archives 9/14/65



NINTH CONFERENCE OF GOVERNORS

OF

FEDERAL RESERVE BANKS

DECEMBER 11, 12, 13, 14, 1916

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Franklin

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Uniform Statements
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NINTH CONFERENCE OF GOVERNORS

of

FEDERAL RESERVE BANKS

---oo0oo---

The Ninth Conference of Governors of Federal Reserve Banks was held at the Shoreham Hotel, Washington, D. C., on December 11, 12, 13 and 14, 1916.

PRESENT:

Mr. Aiken, Chairman of the Conference,
Messrs. Treman, Rhoads, Fancher, Seay, McCord,
McDougal, Wells, Wold, Miller and Van Zandt;
also
Mr. Marcus Walker, Manager of the New Orleans
Branch of the Federal Reserve Bank of
Atlanta, and
Mr. J. F. Curtis, Secretary of the Conference.

The meeting was called to order informally at the Shoreham Hotel at 10:30 a. m. on December 11, 1916, and immediately adjourned to meet with the Federal Reserve Board at the Board's room in the Treasury Department in accordance with a request received from Governor Harding.

The conference reassembled in the Federal Reserve Board room at 10:40 a. m.

PRESENT:

Governor Harding, Messrs. Warburg, Delano,
Haulin and Miller of the Federal Reserve Board;
also
Messrs. Willis and Allen, and Messrs. Aiken,
Treman, Rhoads, Fancher, Seay, McCord, McDougal,
Miller, Van Zandt and Curtis.

Governor Harding gave a brief outline of the policy adopted by the Federal Reserve Board with respect to certain subjects under consideration and requested the governors to give special consideration to the following topics on their programme:

- 5 (a) Report of committee on reserve and central reserve cities.
- 6 (h) Subdivision (1) Immediate availability of drafts on Federal reserve banks.
- 8 Gold Settlement Fund.
- 9 Currency and reserves.
- 21 Change branch Federal reserve banks to offices or agencies.

He also outlined in a tentative manner the plans which the Federal Reserve Board had under consideration with respect to recommending legislation

at the current session of Congress.

(Note: A summary of the suggested legislation appears on pages 352-355, 372, 376, 379, 380, 382-384, of the stenographic minutes.)

Governor Harding also gave a brief account of the action of the board with respect to the proposed issue of British and French Treasury bills, and Mr. Warburg outlined in general terms the policy which the board thought wise to have pursued in the purchase of acceptances, and in regard to the inflow of gold.

During the course of this joint conference Messrs. Treman, McDougal, Wold and Miller joined the meeting.

The meeting duly adjourned at 12 o'clock noon.

The conference reassembled at the Shoreham Hotel at 12:15 p. m.

All present except Messrs. Wells, Miller and Van Sant.

TOPIC NO. 1. - APPOINTMENT OF CHAIRMAN. - On motion duly made and seconded, put by the secretary, it was

VOTED that Mr. Aiken be elected chairman of the conference.

Whereupon Mr. Aiken took the chair.

TOPIC NO. 2. - ADOPTION OF PROGRAMME. - On motion, it was

VOTED that the programme prepared by the secretary be adopted as the order of business of the conference.

TOPIC NO. 3. - MINUTES OF THE EIGHTH CONFERENCE OF GOVERNORS. - On motion, it was

VOTED that the minutes of the Eighth Conference of Governors as submitted by the secretary be approved without reading.

On motion, it was

VOTED that the secretary be requested to prepare telegrams to be sent to Messrs. Strong and Kains expressing the regret of the conference at their absence, and their affectionate interest in their progress.

Mr. McCord stated that he was requested by Governor Harding of the Federal Reserve Board to communicate with the governors of the other banks suggesting that Mr. Walker, Manager of the New Orleans Branch of the Federal Reserve Bank of Atlanta, be invited to attend the conference, to have the benefit of listening to the discussion but not to have any vote in the proceedings.

Whereupon, on motion, it was

VOTED that Mr. Marcus Walker, Manager of the New Orleans Branch of the Federal Reserve Bank of Atlanta be invited to attend as a guest of the conference at this session.

AND IT WAS FURTHER VOTED that the chairman appoint a committee, of which the secretary should be one, to draft a resolution to govern the practice of future conferences in the matter of inviting guests to attend the conferences.

The chairman thereupon appointed the following committee: Mr. Wold, chairman, Messrs. McCord and Curtis.

TOPIC NO. 4. - UNFINISHED BUSINESS.

- (a) Distribution of expenses of moving gold for Gold Fund, and
- (b) Retroactive liability for expense of operating Gold Fund.

On motion, it was

VOTED that these topics be dropped from the programme.

- (c) Disposition of matters reported to Federal Reserve Board. -

The secretary reported that he had forwarded a report of the Eighth Conference of Governors to the Federal Reserve Board under date of September 12, 1916, a copy of such report having been forwarded to each of the governors. He also stated that he had received no acknowledgment from the Federal Reserve Board of the receipt of this report. He further stated that on or about December 1, 1916, he had written to the Federal Reserve Board inviting their attention to the resolution of the Eighth Conference of Governors respecting communications between the Federal Reserve Board, Federal reserve banks and Federal reserve agents, and stated that he had received no acknowledgment of the receipt of this letter from the Federal Reserve Board.

- (d) Collections and clearances. - This topic was passed by consent until consideration of topic No. 6.

TOPIC NO. 5. - COMMITTEE REPORTS.

(a) Committee on reserve and central reserve cities. - Mr. Seay, chairman of the committee, submitted a report which, he stated, represented his own views only as he had not had time to submit the same to the other members of the committee.

(Note: The contents of this report appear on pages 12 to 17 inclusive of the stenographic minutes.)

Whereupon, on motion, it was

VOTED that consideration of this report be deferred until amendment No. 2 suggested by the Federal Reserve Board is taken up for discussion.

At this point, at the request of Mr. McDougal, the secretary gave a brief summary of the substance of the conference with the Federal Reserve Board held earlier in the morning, at the close of which recess was taken for lunch at 1:30 p. m.

The conference reassembled at 2:50 p. m. All present.

TOPIC NO. 5. - COMMITTEE REPORTS (Continued).

(b) Committee on allotment of investments. - Mr. Seay, for the committee, submitted a report. After considerable discussion and on motion, it was

VOTED that the report of the committee be accepted and the committee authorized to readjust the basis of distribution of investments to include the total deficit of each bank from the beginning of the organization of the banks up to December 31, 1916, with discretion to make uniform for this purpose the method of calculating such deficit.

Messrs. McDougal and Miller desired to be recorded as voting in the negative.

(c) Committee on disposition of government bonds. - Mr. Rhoads, for the committee, submitted a report. Whereupon, on motion, it was

VOTED that the report be received and the committee continued.

(Note: Copy of the report appears on pages 47 to 54 inclusive of the stenographic minutes.)

Mr. Treman submitted a proposed plan for the purchase of United States 2% bonds by a committee acting in behalf of all the Federal reserve banks. After considerable discussion and on motion, it was

VOTED that the plan for purchasing government bonds submitted by Mr. Treman be approved as amended, and that the conduct of such purchases under the plan be referred to the existing committee on disposition of government bonds.

(d) Committee on reserve banks' acting as fiscal agents of the Government. - Mr. Aiken, for the committee, reported progress. Whereupon, on motion, it was

VOTED that the committee be continued until the next Conference of Governors.

(e) Committee on use of postmasters for collecting nonmember bank items. - Mr. Rhoads, for the committee, submitted a report. Whereupon, on motion, it was

VOTED that the report be received and placed on file, and the committee be continued.

(Note: The report of the committee appears on pages 82 to 83 of the stenographic minutes.)

(f) Committee on uniform reports of reserves, and enforcement of reserve penalties. - Mr. McDougal, for the committee, submitted a report.

At this point Mr. Wells left the meeting.

After considerable discussion and on motion, it was

VOTED that the report be adopted, together with the forms attached thereto.

(Note: The report appears on pages 84 to 89 inclusive of the stenographic minutes.)

The chairman stated that the next matters for consideration were the recommendations of Mr. Broderick with respect to the reports of reserves, together with the comments of the Federal Reserve Board thereon. Whereupon, after consideration and on motion, it was

VOTED that, in view of the possibility of an early change in the reserve requirements of member banks and in view of the disinclination of member banks to make further reports than are at present required, it is considered inadvisable to require any additional information upon the weekly or bi-weekly reports of reserves from the member banks.

AND IT WAS FURTHER VOTED that the committee on uniform reports of reserves, and enforcement of reserve penalties be made a special committee to appear before the Federal Reserve Board to discuss this subject with them and to report back to the conference.

AND IT WAS FURTHER VOTED that the said committee be requested to advise the Federal Reserve Board that it is the sense of the conference that optional reserves of member banks should consist only of cash in their own vaults or collected funds in the Federal reserve banks.

The chairman requested to be recorded as voting "aye."

(g) Committee on form of statement for service charges. - In the absence of Mr. Hendricks, this topic was passed temporarily by consent.

TOPIC NO. 11. - PURCHASE BY ONE FEDERAL RESERVE BANK OF INVESTMENTS OR ACCEPTANCES ORIGINATING IN ANOTHER DISTRICT. - After a thorough discussion and on motion, it was

VOTED that whenever acceptances of a member or a non-member bank in any Federal reserve district are offered to a Federal reserve bank of another district, unless indorsed by a bank outside of the district of the accepting bank, the purchase of such acceptances should be deferred until after communication is had with the reserve bank of the originating district.

TOPIC NO. 15. - INQUIRIES MADE OF A RESERVE BANK BY MEMBER OR OTHER BANKS IN OTHER DISTRICTS. - After a brief discussion and on motion, it was

VOTED that whenever a member or nonmember bank of one district writes to the Federal reserve bank of another district upon matters relating to the operation of the Federal Reserve System, the bank making the inquiry should be referred to the Federal reserve bank of its own district.

On motion, the meeting duly adjourned at 6 o'clock p. m. to meet at 9:30 a. m. on December 12, 1916.

December 12, 1916.

The conference reassembled at 9:45 a. m. All present. Also Messrs. L. H. Hendricks, C. C. Bullen and A. H. Hail of the Federal Reserve Banks of New York, Boston and St. Louis respectively.

Mr. Wold was appointed by the chairman a committee to communicate with the Governor of the Federal Reserve Board to advise him that Topic No. 6, Collections and Clearances, would be taken up for discussion at the morning session and to invite such members of the board as might be interested in the subject to attend the meeting.

Mr. Wold thereupon left the meeting to communicate this invitation to the Governor of the Federal Reserve Board.

TOPIC NO. 5. - COMMITTEE REPORTS (Continued).

(g) Committee on form of statement for service charges. - Mr. Hendricks, for the committee, submitted a report. Whereupon, on motion, it was

VOTED that the report be adopted.

(Note: The report appears on page 134 of the stenographic minutes.)

At this point Mr. Walker joined the meeting.

TOPIC NO. 13. - CONVERSION OF ONE-YEAR 3% TREASURY NOTES INTO THIRTY-YEAR 3% BONDS. - After a brief discussion and on motion, it was

VOTED that it is the sense of the conference that it is desirable for the Federal reserve banks to be permitted to exchange their one-year 3% Treasury notes for thirty-year 3% Conversion bonds, and that the Federal Reserve Board be requested to take the matter up with the Treasury Department with a view of obtaining the consent of the Secretary of the Treasury to such conversion.

At this point Messrs. Seay, Wells and Hail joined the meeting.

TOPIC NO. 17. - AMENDMENT TO SECTION 5200 PERMITTING NATIONAL BANKS TO
LOAN UP TO 100% OF CAPITAL AND SURPLUS WHEN PROPERLY SECURED. - After consider-
able discussion, the following motion was duly made and seconded:

RESOLVED that the Federal Reserve Board be requested
to endeavor to obtain an amendment to Section 5200 of the
Revised Statutes in such form as to authorize member banks
to loan up to 50% of their capital, or 33 1/3% of their
deposits, upon commercial paper secured by readily market-
able staples placed in warehouse insured, with a reasonable
margin.

Whereupon, the motion being put to a vote, the chairman declared the
motion lost.

TOPIC NO. 18. - REGULATIONS GOVERNING LOANS ON FARM LANDS AND OTHER
REAL ESTATE. - After a brief discussion and on motion, it was

VOTED that the chairman be authorized to appoint a
committee of three to confer with the Federal Reserve
Board and make recommendations that the board consolidate
their rulings and regulations governing loans on farm lands
and other real estate.

The chairman thereupon appointed the following committee: Mr. Fancher,
chairman, Messrs. Wold and Miller.

TOPIC NO. 19. - NATIONAL BANKS AS INSURANCE AGENCIES. RULINGS OF
STATE AUTHORITIES. - After a brief discussion, this topic was disposed of with-
out action.

TOPIC NO. 20. - ACCUMULATION OF GOLD. - After a brief discussion,
this topic was disposed of without action.

At this point, 10:55 a. m., the conference adjourned to reassemble
with certain members of the Federal Reserve Board in the board-room.

The meeting reassembled at the board-room of the Federal Reserve
Board at 11:15 a. m. All present except Mr. Wells. There were also present
Governor Harding and Mr. Delano of the Federal Reserve Board, and Messrs. Hen-
dricks and Gidney. Also Mr. Willis part of the time.

TOPIC NO. 6. - COLLECTIONS AND CLEARANCES.

(h) Immediate availability of (1) drafts on Federal reserve banks. -
After a very full discussion and on motion, it was

VOTED that the chairman be authorized to appoint a
committee of five to confer with the Federal Reserve Board
and assist in preparing a plan in connection with the im-
mediate availability of drafts on Federal reserve banks.

Thereupon the chairman appointed the following committee: Mr. Treman,
Chairman, Messrs. Seay, Fancher, Rhoads and McDougal.

(h) Immediate availability of (2) checks drawn on member banks located outside Federal reserve cities and (3) bank drafts on member banks located outside Federal reserve cities. -

At this point Governor Harding stated that a copy of a report and forms prepared by the Conference of Federal Reserve Agents on the subject of uniform credit statements would be forwarded to the Conference of Governors for their consideration.

Governor Harding also suggested that a committee of governors be appointed to make an inspection of the method of handling the Gold Settlement Fund by the Federal Reserve Board in the vaults of the Treasury Department.

After making these suggestions, Governor Harding withdrew from the conference.

After a brief discussion and on motion, it was

VOTED that topic 6 (h), subdivisions (2) and (3), be dropped from the programme.

(a) Report of transit Manager's conference. - Mr. Hendricks, in behalf of the Conference of Transit Managers, submitted ~~the~~ report, which was taken up for consideration topic by topic with the following results:

TOPIC NO. 1. - PAR LISTS.

(a) Method of issuing. - The resolution of the transit managers was as follows:

"VOTED that we recommend publication by the Federal Reserve Board of a complete par list as of January 1, 1917, and that monthly supplements be published for the ensuing six months."

After a brief discussion and on motion, it was

VOTED that this recommendation of the transit managers be concurred in, and that the Federal Reserve Board be further requested to have the list published as near as practicable to the first day of each month, and that each Federal reserve bank be instructed to have its changes in such lists in the hands of the Federal Reserve Board by the 23rd of each month.

(b) Extension of par facilities. Clearing House rules governing exchange charges. - The Conference of Transit Managers voted as follows:

"We recommend the adoption by all of the Federal reserve banks of the policy that has been successful in the Boston district, which policy necessarily involves the persuading of the clearing house associations in the respective Federal reserve districts, to place on their discretionary lists all banks checks on which can be collected through the Federal Reserve System."

after a brief discussion, on motion it was

VOTED to concur in the above recommendations.

At this point the conference took a recess for lunch at 1:10 p. m.

The conference reassembled at 2:45 p. m. All present except Mr.

Wells.

TOPIC NO. 6 (a) - REPORT OF TRANSIT MEN'S CONFERENCE (Continued).

TOPIC NO. 1. - PAR LISTS (Continued).

(c) Policy to be followed in the return of checks on nonmember banks whose names have been withdrawn from the par list between publications of supplements by the Federal Reserve Board. -

The Conference of Transit Managers

"VOTED that all Federal reserve banks continue to receive at par from other Federal reserve banks checks on nonmember banks which have withdrawn from the collection system, until the publication and distribution of the next supplement containing changes in the par lists."

Whereupon, on motion, it was

VOTED to concur in the above recommendation.

TOPIC NO. 2. - RETURNED ITEMS.

(a) Routing of returned items and (b) Uniform forms for returning items. - The Conference of Transit Managers

"VOTED that the chair appoint a committee of three to prescribe forms for use in returning items between Federal reserve banks and for returning items direct to member banks of other districts with advices to the Federal reserve banks interested."

Whereupon, on motion, it was

VOTED to concur in the action as above set forth.

TOPIC NO. 3. - SERVICE CHARGES.

(a) Abolish as between Federal reserve banks and
(c) Necessity for uniformity. - The Conference of Transit Managers

"VOTED that no action should be taken at present with a view to the abolishment of service charges between Federal reserve banks."

and also

"VOTED that the service charge between Federal reserve banks be, for the present, 1 1/2 cents per item on out-of-town items."

Whereupon, on motion, it was

VOTED to concur in the above recommendations.

TOPIC NO. 4. - DIRECT ROUTING.

- (a) Between member banks in different districts.
- (b) Between member banks in the same district.
- (c) Uniform stationary.

The Conference of Transit Managers

"VOTED that this conference recommends the adoption of the policy of direct routing in all cases where the volume of business warrants, and where time can be saved; provided permission of the Federal reserve banks interested be obtained.

"Also that the committee on returned items forms, already appointed, prescribe forms to be used in all direct routing."

Whereupon, on motion, it was

VOTED to concur in the above recommendation.

(d) Method of handling missorts. - The Conference of Transit Managers

"VOTED it is the sense of this meeting that no Federal reserve bank should decline to handle items which are inadvertently misrouted to it by other Federal reserve banks, but that in all cases advices of such misrouting should be sent to the bank making the error."

Whereupon, on motion, it was

VOTED to concur in the above recommendation.

TOPIC NO. 5. - TRANSFERS.

- (a) Wire and mail transfers.
- (b) Charges on telegraphic transfers.
- (c) Can charges on telegraphic transfers be eliminated with safety? -

Discussion of these topics was postponed temporarily by consent.

- (d) Prime exchange.
- (e) Governor Seay's plan for making drafts on Federal reserve banks immediately available at all other Federal reserve banks. -

These topics were considered disposed of by the action heretofore taken referring this general subject to a committee to confer with the Federal Reserve Board.

TOPIC NO. 12 - INDORSEMENTS.

- (a) Should banks on the par list be permitted to charge exchange on items bearing the indorsement of banks not on the par list?
- (b) Adoption of some method whereby State banks not on the par list of the Federal reserve banks will be prevented from receiving the full benefits of the Federal reserve banks' collection system. -

The Conference of Transit Managers

"VOTED that no discrimination be attempted against indorsements of nonmember banks."

Whereupon, on motion, it was

VOTED that no action be taken with respect to this subject at the present time.

(c) Indirect routing. - The Conference of Transit Managers

"VOTED that the action of the last previous transit managers' conference with reference to restrictions on indorsement be reaffirmed."

(The action referred to at the Transit Managers' Conference of May 8 - 11, 1916, was as follows:

"VOTED that the following should be included in the circular to member banks outlining the plan for the proposed collection system; 'A Federal reserve bank shall not receive from its member banks checks on other districts bearing indorsements of banks situated in other districts.'")

Whereupon, on motion, it was

VOTED that the principle set forth in the above resolution be approved, and that it be enforced wherever practicable.

TOPIC NO. 13. - REMITTANCES IN PAYMENT OF ITEMS.
(b) Compensation to member banks for collecting items on nonmember banks. -

The Conference of Transit Managers

"VOTED that it is inadvisable to pay a member bank a fee for collecting checks on nonmember banks."

Whereupon, on motion, it was

VOTED to concur in the above recommendation.

TOPIC NO. 5. - TRANSFERS.
(a) Wire and mail transfers.
(b) Charges on telegraphic transfers.
(c) Can charges on telegraphic transfers be eliminated with safety? -

The Conference of Transit Managers

"VOTED that it is the sense of this meeting that charges for transfers be discretionary with and fixed by the Federal reserve bank with which the transaction actually originates, and that the Federal reserve bank originating a wire transfer should telegraph the other Federal reserve bank interested."

Whereupon, on motion, it was

VOTED to concur in this recommendation.

Messrs. Wold and McDougal desired to be recorded as voting in the negative.

TOPIC NO. 14. - COLLECTION DEPARTMENT. -

It was agreed that this topic should be considered under topic No. 6 (z) of the governors' programme.

At this point the chairman obtained unanimous consent to suspend discussion of topic No. 6 (a).

TOPIC NO. 7. - REPORT FROM AUDITORS' CONFERENCE. -

Mr. Bullen, in behalf of the Conference of Auditors, submitted a typewritten report.

(Note: Owing to the fact that the report of the Conference of Auditors has been revised since presentation to the Conference of Governors and a copy of such revised report sent to each governor, no mention is made in these minutes of the exact text of the report.)

The first recommendation reported from the Conference of Auditors was in substance as follows:

Each Federal reserve bank is to keep one account with every other Federal reserve bank.

After considerable discussion, the following motion was duly made and seconded:

RESOLVED that no action be taken on the above recommendation of the Conference of Auditors.

Whereupon, the motion being put to a vote, was declared lost by the chairman. Thereupon, on motion, it was

VOTED that the report of the auditors with respect to accounts between Federal reserve banks be approved and their recommendations in this regard be adopted.

Mr. McDougal desired to be recorded as voting in the negative.

ACCOUNTS WITH MEMBER BANKS, & REPORTS TO FEDERAL RESERVE BOARD. - The Conference of Auditors recommended that the principle of showing reserve balances of member banks rather than gross balances should be adopted by the Federal reserve banks.

They also recommended that in the daily statement of

condition on form 34 the following accounts be shown:

- Due to member banks - reserve account.
- Due to member banks - deferred credits.
- Due to Federal reserve banks - collected funds.
- Due to Federal reserve banks - deferred credits.

and that each Federal reserve bank work out its own method of obtaining these figures at the earliest possible date.

Whereupon, on motion, it was

VOTED to concur in these recommendations.

CALCULATION OF TRANSIT COST, TRANSIT COST AND SERVICE CHARGE, & TRANSIT DEPARTMENT EXPENSE. - The Conference of Auditors made several recommendations with respect to these topics.

Whereupon, on motion, it was

VOTED to concur in these recommendations.

NEW STATEMENT OF CONDITION. - The Conference of Auditors made several recommendations with respect to new statement of condition.

Whereupon, on motion, it was

VOTED that the recommendations be approved subject to such amendments as may be suggested by Mr. Miller of the Federal Reserve Board.

TOPIC NO. 7. - FEDERAL RESERVE NOTES.

(a) Amortization of cost of Federal reserve notes. -

The Conference of Auditors recommended, in effect, that the cost of Federal reserve notes issued during a year be apportioned over the entire year, and that a charge be made each month to Current Expense of one-twelfth of the estimated cost for the entire year.

Whereupon, on motion, it was

VOTED not to concur in this recommendation.

(b) Uniformity in charging cost of shipments of Federal reserve notes. -

The Conference of Auditors recommended that the charges for registered mail and insurance be charged and advised at the same time shipments of Federal reserve notes are made to other Federal reserve banks.

Whereupon, on motion, it was

VOTED to concur in this recommendation.

TOPIC NO. 9. - REPORTS TO FEDERAL RESERVE BOARD. - The

Conference of Auditors recommended several changes in the method of making the weekly report on Friday night to the Federal Reserve Board.

Whereupon, on motion, it was

VOTED that the chairman be authorized to appoint a committee of two to confer with the Federal Reserve Board with respect to modifying the method of making weekly reports.

Thereupon, the chairman appointed Mr. Fancher, chairman, and Mr. Seay

to serve as such committee.

UNIFORM ACKNOWLEDGMENTS OF REMITTANCES BETWEEN

FEDERAL RESERVE BANKS. - The Conference of Auditors recommend-

ed that acknowledgments of letters received for deferred credit

of another Federal reserve bank should be shown on one form

such form to give date of letter, date of availability, number

of items, from whom received, for whose account received, and

the amount.

Whereupon, on motion, it was

VOTED to concur in this recommendation.

Mr. Bullen stated that he had completed all the direct recommend-

ations made by the Conference of Auditors. Whereupon, on motion, it was

VOTED that the report of the Conference of Auditors as submitted be received and placed on file.

At this point Mr. Delano of the Federal Reserve Board and Messrs.

Bullen and Hail left the meeting.

TOPIC NO. 6. - COLLECTIONS AND CLEARANCES (Resumed).

(b) Cost of operating collection department. Items to be included. Distribution of expenses. Postage on mixed mail. -

On motion, it was

VOTED that, inasmuch as the auditors have reported that practically no difference exists in the methods adopted by the various Federal reserve banks for calculating the costs of operating the transit departments, this topic be dropped from the programme.

(c) Statements for member banks showing available balances. Daily, weekly or monthly? and (d) Statements showing balances between Federal reserve banks. Daily, weekly or monthly? - On motion, it was

VOTED that these topics be dropped from the programme.

(g) Method of dealing with member banks that deduct exchange. Should a differential be allowed country banks? - On motion, it was

VOTED that this topic be dropped from the programme.

(k) Should two accounts be maintained between Federal reserve banks? This topic was considered disposed of by action on the report of the Conference of Auditors.

(m) Compensation to member banks for collecting items on nonmember banks. - This topic was considered disposed of by action on the report of the Conference of Transit Managers.

(r) Returned items. Should practice be changed? - This topic was considered disposed of by action on the report of the Conference of Transit Managers.

(u) Delays in the mails. - After a brief discussion and on motion, it was

VOTED that each Federal reserve bank instruct its transit department to make out a bill of particulars covering deficiencies in the operation of the post office, delays in the mails and any other troubles of the mailing department, with a view to collecting such data for presentation to the next Conference of Governors.

(v) Transfers between Federal reserve banks and (w) Telegraphic transfers. - These topics were considered disposed of by action on the report of the Conference of Transit Managers.

(e) Remittance basis for member banks. - After considerable discussion and a statement of the practice of each of the Federal reserve banks represented at the conference with respect to the use of a remittance basis by member banks, this topic was disposed of without action.

(f) Direct interdistrict routing. - This topic was passed without action and left upon the programme in view of the absence of Mr. Kains, who suggested it.

(i) District numbers on checks. - After a brief discussion, on

motion, it was

VOTED that a committee be appointed to confer with the officers of the American Bankers Association with regard to placing Federal reserve district numbers on checks.

Thereupon, the chairman appointed Mr. Fancher, chairman, and Mr. Tremen to serve as such committee.

(j) Currency shipments. - This topic was dropped from the programme by consent.

(l) Charges to be collected by member banks from their patrons, and charges to be imposed for collecting or clearing by Federal reserve banks. - In this connection, on motion, it was

VOTED that the chairman read to the conference memorandum No. 901 of the Federal Reserve Board.

Whereupon, memorandum No. 901 was read to the conference and will be found on pages 286 to 288 inclusive of the stenographic minutes. After a brief discussion, action upon this topic was postponed temporarily.

(o) Uniformity of service charges. -

During the course of the discussion of this topic the chairman left the meeting and Mr. Fancher took the chair.

At the end of the discussion, this topic was continued on the programme without action.

At this point Mr. Aiken returned to the meeting but did not resume the chair.

(n) Elimination of service charge on collections handled for member banks. - This topic was considered disposed of by action on the report of the Conference of Transit Managers and was dropped from the programme.

(p) Service charge for items forwarded direct by member banks for Federal reserve banks. - This topic was dropped from the programme by consent.

(q) Service charge on government checks deposited with Federal reserve banks. - This topic was dropped from the programme by consent.

(s) Correction of time schedules of reserve banks. - After considerable discussion and on motion, it was

VOTED that a committee, consisting of Mr. Fancher as chairman and Messrs. Tremen and McDougal, be appointed for the purpose of investigating the subject of domestic exchanges and the time schedules of all the

Federal reserve banks within each district and between the Federal reserve districts, and to report back to the next Conference of Governors.

On motion, the meeting duly adjourned at 5:30 p. m. to meet at 9:30 a. m. on December 13, 1916.

December 13, 1916.

The conference reassembled at 9:30 a. m. All present except Mr. Wells.

After a brief informal discussion the conference adjourned to meet with certain members of the Federal Reserve Board at the board-room.

The conference reassembled at the Federal reserve Board room at 10:30 a. m. All present except Mr. Wells. There were also present Messrs. Warburg and Delano of the Federal Reserve Board.

There followed a discussion by Mr. Warburg of the technique and policy to be followed in purchasing acceptances. He made a suggestion that bankers' acceptances having a maturity of less than 45 days be purchased only at the appropriate rate for rediscounting commercial paper of similar maturities. There followed a general discussion of the policy to be followed in purchasing both bankers' and trade acceptances.

The meeting adjourned at 12 o'clock noon.

The conference reassembled at the Shoreham Hotel at 12:20 p. m. All present except Messrs. Wells and Walker.

Mr. McDougal, for the committee appointed to confer with the Federal Reserve Board, made a report to the effect that the committee had requested Mr. Delano to assist in obtaining a reversal by the Comptroller of his policy or ruling which at present apparently authorizes member banks to count transit items as part of their optional reserves. In substance the report was to the effect that Mr. Delano had replied that nothing could be done in this regard for the present as the matter was a case of divided authority and one of some embarrassment to the Federal Reserve Board.

The chairman then stated that he had received from Mr. Jacobson of the Federal Reserve Board a number of forms No. 34 providing for the daily statements which Mr. Jacobson had requested might be considered by the govern-

ore and any suggestions with reference to changing the form be made to him as promptly as possible.

TOPIC NO. 6. - COLLECTIONS AND CLEARANCES (Continued).

(t) Use of words "Collectible at par through Federal reserve banks." - After a brief discussion and on motion, it was

VOTED that the practice of the reserve banks with respect to authorizing their member banks to use the words "Collectible at par through Federal reserve banks" should not be changed.

AND IT WAS FURTHER VOTED that the secretary be instructed to communicate to Mr. Jerome Thralls the action of the conference in this regard.

(x) Action of A. B. A. committee. - The secretary reported to the conference the substance of the replies received by Mr. Thralls to the questionnaire recently sent out by him in behalf of the committee of 25 of the A. B. A., such data having been given to the secretary by Mr. Thralls for use only in a confidential manner. After a brief discussion, this topic was passed without action.

(y) State banks remitting at par. - This topic was dropped from the programme.

(z) Handling of time items. - After considerable discussion and on motion, it was

VOTED that the conference concur in the action of the Conference of Transit Managers recommending the establishment of a department for the handling of collection items, and that a plan for the establishment and operation of such departments be prepared by a committee of three to be appointed by the chairman, such committee to report to the next Conference of Governors.

The conference thereupon took a recess for lunch at 1:15 p. m.

The conference reassembled at 2:45 p. m. All present except Messrs. Wells and Walker.

The chairman appointed as a committee to prepare a plan for the establishment and operation of collection departments Mr. Faucher, chairman, Messrs. Rhoads and Hendricks.

TOPIC NO. 14. - UNIFORMITY IN TREATMENT OF ORGANIZATION EXPENSES. -

After a brief discussion, at which it developed that all of the banks represented had either entirely disposed of their organization expenses or proposed to do so before the close of the current calendar year, this topic was dropped

from the programme without action.

TOPIC NO. 16. - REDUCTION OF PAID-IN CAPITAL OF FEDERAL RESERVE BANKS.

After a brief discussion and on motion, it was

VOTED that it is the sense of this conference that the Federal Reserve Act should be so amended as to permit any Federal reserve bank, with the consent of the Federal Reserve Board, to reduce the amount of its paid-in capital stock to 1 1/2% of the capital and surplus of its member banks.

The chairman and Messrs. Treman and Van Zandt desired to be recorded as voting in the negative.

TOPIC NO. 10. - ACCEPTANCES, DOMESTIC AND FOREIGN, DIFFERENTIALS,

DOLLAR EXCHANGE. - This topic was considered disposed of by the discussion with Mr. Warburg earlier in the day.

TOPIC NO. 21. - CHANGE BRANCH FEDERAL RESERVE BANKS TO OFFICES OR

AGENCIES. - After considerable discussion and on motion, it was

VOTED that it is the sense of the conference that when conditions in a Federal reserve district appear to necessitate the establishment of additional facilities in cities other than those in which the Federal reserve bank is located such facilities should be provided through the means of agencies rather than through branches as now contemplated by the Federal Reserve Act.

TOPIC NO. 8. - GOLD SETTLEMENT FUND.

(a) Daily settlements. - After a brief discussion and on motion, it

was

VOTED that it is the sense of the conference that daily settlements between Federal reserve banks is the correct principle to be adopted, and that the conference recommends that a plan for such daily settlements be prepared by the statistical department of the Federal Reserve Board in conjunction with a committee of governors to be appointed by the chairman, to the end that the principle of daily settlements may be put into effect whenever the volume of business between Federal reserve banks shall make such action expedient.

(b) Silver and legals; Mr. Gidney's plan. - After a brief discussion and on motion, it was

VOTED that this subject be referred to the committee appointed to consider the matter of immediate availability of drafts on Federal reserve banks.

(c) Branches in non-Subtreasury Federal reserve cities. - This topic was dropped from the programme as the subject matter is included within the matters to be considered under topic No. 8 (b).

(d) Division between banks and reserve agents. - This topic was dropped from the programme in view of the statement of Mr. Gidney that the physical division between the two funds had already been made.

SPECIAL TOPIC. - INSPECTION OF VAULT FACILITIES. - On motion, it was

VOTED that the chairman appoint a committee in compliance with the request of the Federal Reserve Board to inspect the vault facilities provided for the custody of the Gold Settlement Fund.

The chairman thereupon appointed such committee, consisting of Messrs. Fancher and McCord.

(e) Audit of Gold Fund. - This topic was dropped from the programme as no report of the audit had been received.

TOPIC NO. 9. - CURRENCY AND RESERVES.

- (a) Retirement of greenbacks.
- (b) Accelerating retirement of national bank notes.
- (c) Federal reserve notes as reserves.
- (g) Should Federal reserve notes issued against gold count as liabilities and the gold as an asset of the reserve banks?
- (h) Should a government official or board be given discretion to readjust from time to time the denominations of silver and gold certificates in order to force silver certificates into circulation and gold into bank reserves? -

The chairman presented a resolution prepared by the secretary with reference to these topics. Whereupon, on motion, it was

VOTED that the resolution be adopted.

The resolution is as follows:

"RESOLVED that it is the sense of the conference that legislation should be obtained at the earliest practicable moment looking towards the improvement of the currency laws of the country, with the special view of lessening the number of different issues of currency now in circulation and substituting for such issues Federal reserve notes. Such legislation should include, among other things, the following:

"1. Retirement of the whole of the present issue of United States notes (greenbacks) and the substitution therefor of Federal reserve notes upon an equitable basis to be worked out between the Government and the Federal reserve banks.

"2. The acceleration of the retirement of national bank note currency.

"3. The authorization of the use of Federal reserve notes as vault reserves for member banks.

"4. A provision requiring all Federal reserve notes issued to Federal reserve banks and not redeemed to be counted as liabilities of the bank, and all gold and lawful money deposited with a Federal reserve agent to be

duce liability on such notes to be included among the assets of the bank.

"5. A provision authorizing the Federal Reserve Board or the Secretary of the Treasury to readjust, in their or his discretion, from time to time the denominations of silver and gold certificates to be placed in circulation, to the end that the silver certificates should be placed in the hands of the public and gold certificates should find their way into bank reserves in the hands of the banks."

(d) Promissory notes of member banks as collateral for Federal reserve notes. - This topic was dropped from the programme in view of the fact that the same subject will be considered among the proposed amendments of the Federal Reserve Board.

(e) Issue of demand certificates of deposit payable in gold to member banks depositing gold. - In view of the absence of Messrs. Kains and Calkins, this topic was left upon the programme without action.

(f) Vault reserves. Transfer of. Amendment to law. - This topic was dropped from the programme as it will be discussed under the first amendment proposed by the Federal Reserve Board.

TOPIC NO. 24. - AMENDMENTS TO THE FEDERAL RESERVE ACT PROPOSED BY THE FEDERAL RESERVE BOARD. - The chairman read to the conference a memorandum of possible amendments to the Federal Reserve Act which were under consideration by the Federal Reserve Board, and the suggestions were taken up seriatim, as follows:

Proposed amendment No. 1. Advancing the date when reserves, except those in Federal reserve banks and in vaults of other banks, will no longer count as reserves. - After a brief discussion and on motion, it was

VOTED that this conference concur in recommending this amendment.

Proposed amendment No. 2. Reducing reserves and adopting simplified plan suggested by Federal reserve agents. - After considerable discussion, it was understood that this proposal would be taken up for final action at a later time.

During the course of the discussion Mr. Miller left the meeting.

Proposed amendment No. 3. Reducing paid-in capital of Federal reserve banks to 1 1/2%. - This subject was considered disposed of by action taken earlier in the conference.

Proposed amendment No. 4. Supertax on national bank note circulation. - After a brief discussion, it was

VOTED that the conference recommend to the Federal Reserve Board consideration of the advisability of restricting the circulation of national banks organized in the future, and also of national banks whose charters may be renewed in the future.

AND IT WAS FURTHER VOTED that it is the sense of the conference that it is highly desirable that national bank notes shall be retired as rapidly as possible, but that the conference is opposed to the principle of substituting any form of bond-secured currency for the present national bank note currency.

During the course of the discussion on this subject Mr. Tremain left the meeting.

Proposed amendment No. 5. Renewing the Federal Reserve Board's commendations of last summer for branch banks in cities. - On motion, it was

VOTED that the conference concur in recommending this amendment.

Proposed amendment No. 6. Provision for associate or clearing membership in the Federal Reserve System. - After a brief discussion and on motion,

it was

VOTED that it is the sense of the conference that to permit associate State members into the system would have the tendency to prevent State banks, particularly the better class of State banks, from entering the system, and that all concessions that should be made to State banks to induce them to enter the system have been made by the regulations of the Federal Reserve Board.

Proposed amendment No. 7. Reinstate power to accept up to 100% of capital and surplus. - On motion, it was

VOTED that the conference concur in recommending this amendment.

Proposed amendment No. 8. Fifteen-day notes to be made eligible as collateral for Federal reserve note issues. - On motion, it was

VOTED that the conference concur in recommending this amendment.

Proposed amendment No. 9. Section 22 of the Federal Reserve Act to be clarified. - This proposal was passed without action.

Proposed amendment No. 10. Amend Section 5202 R. S. by adding a sixth exception to provide for the bank's liability as an indorser upon acceptances. - On motion, it was

VOTED to concur in recommending this amendment.

Proposed amendment No. 11. Issue of gold certificates in denominations of \$100,000. - On motion, it was

VOTED that the conference concur in recommending an amendment to authorize the issue of gold certificates in the denomination of \$100,000 for the use of the Federal Reserve Board, Federal reserve banks and for general use.

Proposed amendment No. 12. Issue of Federal reserve notes against gold. - After considerable discussion covering the possibility of counting the gold held by the Federal reserve agent as part of the assets of the bank under existing laws, and on motion, it was

VOTED that the conference concur in recommending the proposed amendment, provided the Federal reserve banks are not authorized by existing law to carry all outstanding Federal reserve notes as liabilities and all gold deposited with the Federal reserve agent to reduce liability upon outstanding Federal reserve notes as assets of the bank.

At this point the secretary left the meeting and Mr. Van Zandt acted as secretary pro tem.

TOPIC NO. 5. - COMMITTEE REPORTS.

(a) Committee on reserve and central reserve cities. - Mr. Seay, for the committee, re-read the report which he had submitted earlier in the conference. Whereupon, on motion, it was

VOTED that the report be received and placed on file, and that the thanks of the conference be extended to the committee for their arduous labor.

TOPIC NO. 24. - AMENDMENTS TO THE FEDERAL RESERVE ACT PROPOSED BY THE FEDERAL RESERVE BOARD (Continued).

Proposed amendment No. 2. Reducing reserves and adopting simplified plan suggested by Federal reserve agents. - This subject was brought up for further discussion and, after considerable debate and on motion, it was

VOTED that, from statistics and information at hand at this time, it is the opinion of the conference that the amendment suggested by the Federal reserve agents to revise the reserves required of member banks would result in increasing the total reserve required to be maintained by a member bank in order adequately to handle its business; and that it is doubtful, if such an amendment were adopted, whether it would accomplish the purpose intended; and we, therefore, urge that, in lieu thereof, the Federal Reserve Board press the amendment that member banks be permitted to count Federal reserve notes as part of their lawful reserves.

TOPIC NO. 22. - PRESS STATEMENT. - On motion, it was

VOTED that the secretary be requested to prepare a statement for the press and provide each of the governors with a copy thereof.

The chairman stated that, in view of the fact that the uniform credit statements mentioned by Governor Harding at the conference yesterday had not been presented to the governors, the conference would be unable to take that matter up for consideration.

There followed a discussion of the policy pursued by the various Federal reserve banks with respect to paying increased salaries or bonuses, but no action was had thereon.

At the end of this discussion the conference adjourned at 6:40 p. m. until December 14, at 9:30 a. m.

December 14, 1916.

The conference reassembled at 9:40 a. m. All present except Messrs. Wells and Walker.

TOPIC NO. 24. - AMENDMENTS TO THE FEDERAL RESERVE ACT PROPOSED BY THE FEDERAL RESERVE BOARD (Continued).

Proposed Amendment No. 2. Reducing reserves and adopting simplified plan suggested by Federal reserve agents. - This subject was again taken up for reconsideration. Whereupon, after considerable discussion and on motion, it was

VOTED that there be substituted for the resolution heretofore passed with respect to this proposed amendment the following:

RESOLVED that the conference approves the principles embodied in the plan submitted by the Federal reserve agents, but is of opinion that in deciding upon the percentages of reserves to be held no additional burden should be placed upon the country banks; and also that in deciding upon further changes in reserve requirements the status of banks which are depositaries for country banks, although not located in either reserve or central reserve cities, should be taken into consideration.

TOPIC NO. 12. - FOREIGN ARRANGEMENTS. - The chairman stated that, as this subject included matters of great delicacy, the conference would go into executive session, at which the secretary reported progress with respect to this subject. At the close of the session the conference was resumed.

The chairman stated that he had appointed as a committee to consider the matter of the attendance of persons other than governors of Federal reserve banks at the governors' conferences Mr. Wold, chairman, and Messrs. McCord and Curtis, and that the committee would be asked to report at the next Conference of Governors.

TOPIC NO. 18. - REGULATIONS GOVERNING LOANS ON SAFE DEPOSIT BOXES AND OTHER REAL ESTATE. - Mr. Fancher, for the committee appointed to confer with the Federal Reserve Board in this regard, reported that the committee had held a conference with Mr. Warburg and Mr. Elliott, Counsel for the Federal Reserve Board. It was understood, without formal action, that Mr. Fancher would forward copies of the replies received from the Federal Reserve Board on this subject to each of the governors.

TOPIC NO. 6. - COLLECTIONS AND CLEARANCES (Continued).

(1) Charges to be collected by member banks from their patrons, and charges to be imposed for collection or clearing by Federal reserve banks. - The chairman stated that he understood this subject was covered by memorandum No. 901 of the Federal Reserve Board, and he reported briefly the conversation which he had had with Messrs. Warburg and Delano of the Federal Reserve Board. After discussion, it was understood, without formal action, that the chairman would report to the Federal Reserve Board the general consensus of the governors that the promulgation of any regulation in this regard should be delayed until after the activities of the American Bankers Association before Congress had subsided, and, further, that the charges as outlined in memorandum No. 901 seem to the governors to be too high.

TOPIC NO. 23. - NEXT MEETING. - On motion, it was

VOTED that the next meeting be held subject to the call of the secretary on the request of two or more governors or of the Federal Reserve Board.

On motion, the meeting duly adjourned sine die at 11 o'clock a. m. to meet with the Federal Reserve Board.

The conference reassembled at the Federal Reserve Board room at 11:10 a. m. All present except Messrs. Wells and Walker. There were also present Messrs. Warburg, Delano, Hamlin, Miller and Williams of the Federal Reserve Board and Messrs. Willis and Allen.

The chairman reported to the Federal Reserve Board the various actions and resolutions adopted by the conference. It was understood, without formal action that a brief is to be prepared on each side of the question of the proposal to permit reduction of capital stock of Federal reserve banks; and it was also understood, without formal action, that a committee of governors is to

be appointed by the chairman to consider the questions involved in the establishment of branches or agencies of Federal reserve banks and to report their conclusions to the Federal Reserve Board.

The joint meeting adjourned at 1:30 p. m., at which time a statement for the press was handed to Mr. Willis, Secretary of the Federal Reserve Board to be distributed to the newspaper correspondents and a copy given to each governor.

W. C. Willis
Secretary

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