

TENTH CONFERENCE OF GOVERNORS

OF

FEDERAL RESERVE BANKS

APRIL 4, 5, 1917.



BOARD OF GOVERNORS

INDEX TO PROCEEDINGS

APRIL 4, 5, 1917.

WASHINGTON, D. C.

- I Index.
- II Programme.
- III Report of Government bond committee March 3, 1917, and April 17, 1917.
- IV Report of committee on Reserve Bank Drafts.
- V Copy of letter sent to Federal Reserve Board.
- VI Secretary's minutes.
- VII Press statement.

BOND

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ACCEPTANCES	Restrictions in purchasing	308
ACCOUNTS WITH OTHER FEDERAL RESERVE BANKS		251 - 256
ACT, FEDERAL RESERVE	Amendments	(226 - 229 (243 - 245 (283 - b (296 - 301
ADJOURNMENT		322
ADVERTISING, BANK		79 - 82
AGENCIES AND BRANCH BANKS	Committee report on	(164 - 172 (204 - 206 (241 - 245
	Suggested Amendment to Act	245
AGENTS, FEDERAL RE- SERVE	Joint custody by banks of funds and securities held by	(278 - 282 (291 - 298
ALIENS, FUNDS AND PROPERTY OF	Subject to seizure in event of war	222 - 228
	Banks deposits of	222 - 226
ALLOTMENT OF INVEST- MENTS	Committee on	18 - 19
AMENDMENTS TO FEDERAL RESERVE ACT	See Act, Federal Reserve	
ATTENDANCE OF OTHERS THAN GOVERNORS AT GOVERNORS' CONFER- ENCES	Committee on	( 18 ( 23 - 24
AUDIT OF GOLD SETTLE- MENT FUND		8 - 11
BOARD, FEDERAL RE- SERVE	Committee to confer with re Reports to	32 - 36
	Committee to wait on	4 - 5
	Letter from re topics to be considered by conference	4 - 5
	Matters to be reported to	6 - 8



BOARD, FEDERAL RE- SERVE	Meeting with	( 11 (176 - 177 ( 227 ( 521
	Mr. DeLano's presentation of matters for. With discussion	70 - 118
BRANCH BANKS	See Agencies and branch banks	
BRODERICK, J. A.	Letter relative to accounts between Federal reserve banks	25
CALKINS, JOHN U.	Representation of Federal Re- serve Bank San Francisco	3
CENTRAL RESERVE CITIES	Report of Committee sent to Board	6 - 7
CERTIFICATES OF DEPOSIT PAYABLE IN GOLD	Issue of to member banks	12 - 13
CERTIFICATES (2%) OF INDEBTEDNESS OF THE GOVERNMENT		283 - 283b
CHAIRMAN	Governor Aiken elected.	2
CHECKS, CERTIFIED		287 - 289
CLEARING HOUSE FIGURES	Abstracts of	307 - 308
CODE, SEE TELEGRAPHIC CODE		
COLLECTION DEPARTMENT IN FEDERAL RESERVE BANKS		41 - 70
	Committee report on	( 41 - 44 ( 53
COLLECTION ITEMS	Routing of	59 - 70
COLLECTIONS AND CLEAR- ANCES		82
	Agencies	84
	Completion or contraction of system	(174 - 176 (206 - 207
	By express companies	25 - 28
	Kitchin Bill	245 - 249
	Problem of collection	206
	Reinstatement of Postmaster order	207
	Situation resulting from Seattle Bank failure	207



**COLLECTIONS AND CLEAR-  
ANCES**

**COMMITTEE**

Pages

Uniform system of reporting to be established by Board	73 - 77
Mr. Attebury's report on	74 - 75
On allotment of Investments	18 - 19
On attendance of others than Governors at Conferences	( 18 ( 23 - 24
On collection departments for time items in Federal re- serve banks	41 - 70
Report	( 41 - 44 ( 53
To confer with Federal Reserve Board regarding weekly state- ment to	32 - 36
On daily settlement of Gold Settlement Fund	162 - 164
On disposition of Government Bonds	19 - 23
On district numbers on checks, to confer with A. B. A.	36 - 40
On establishment of branches and agencies of Federal re- serve banks	(164 - 172 (204 - 206 (241 - 245
On Federal reserve bank drafts	(119 - 157 (187 - 192
On Federal reserve banks as Fiscal Agents of the Govern- ment	24
On penalties for deficient re- serves	28 - 31
On postmasters as collectors	24 - 25
On regulations governing loans on farm lands and other real estate	31 - 32
On reserve and central reserve cities	
Report - sent to Board	6 - 7
On telegraphic code for use between Federal Reserve Board and Banks and Member Banks	275



COMMITTEE	On time schedule corrections	( 164 (193 - 203
	On transit time schedules and domestic exchanges	193 - 203
	On uniform reports of reserves and deficient reserve penalties	28 - 33
	On vault facilities for Gold Settlement Fund	164
	To wait on the Federal Reserve Board	4 -
CONFERENCE DELIBERATIONS	Giving out information of Resolution	277 - 278 282
CUSTODY (JOINT) BY BANK OF FUNDS AND SECURITIES HELD BY FEDERAL RESERVE AGENT		278 - 291
DEFICIENT RESERVES	Committee on penalties for	28 - 33
DELANO, MR., OF THE FEDERAL RESERVE BOARD	Presenting matters for the Board, with discussion	70 - 118
DEPOSITS OF FEDERAL RESERVE BANKS		288
DIRECT ROUTING (INTER DISTRICT)		177 - 187
DISTRICT NUMBERS ON CHECKS	Committee to confer with A. B. A.	36 - 40
	Federal reserve banks to be circularized regarding	40 - 41
EMPLOYES OF FEDERAL RESERVE BANKS	Enlistment in armed forces of United States	303 - 306
ENLISTMENT	Of employes of Federal reserve banks in armed forces of United States	303 - 306
EXCHANGE NOT IMMEDIATELY AVAILABLE	Seattle Bank case	207 - 221
EXPRESS COMPANIES	Collection by	25 - 28

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		<u>Pages</u>
FEDERAL RESERVE ACT	See Act, Federal Reserve	
FEDERAL RESERVE BOARD	See Board, Federal Reserve	
FEDERAL RESERVE NOTES	See Notes, Federal Reserve	
FEDERAL RESERVE BANK DRAFTS, IMMEDIATE AVAILABILITY OF		(119 - 157 (187 - 192
FISCAL AGENTS OF THE GOVERNMENT, FEDERAL RESERVE BANKS AS	Committee	( 24 ( 315
FOREIGN ARRANGEMENTS		314 - 315
GOLD, ABRASION	Federal Reserve Banks to assume loss?	256 - 262
GOLD BARS		315
GOLD SETTLEMENT FUND	Audit	8 - 11
	Daily settlement	(159 - 143 (162 - 164
	Committee report	(162 - 164 ( 191
	Vault facilities, Committee report	164
GOLD SHIPMENT TO TREASURY	Expense of, Amendment - to Act re	295 - 296
GOVERNMENT BONDS		( 174 (229 - 240
	Committee on disposition of	19 - 25
	Investment in, by Federal reserve banks	310 - 312
	Issue of	316 - 321
	Taxation of	316 - 321
GOVERNMENT BONDS, 30 YEAR CONVERSION OF 3% TREASURY NOTES INTO		( 6 - 8 (157 - 161
GOVERNMENT FINANCING		(161 - 162 (229 - 240
INVESTMENTS	Committee on allotment of	18 - 19
	By Federal reserve banks in Government securities	310 - 312



		<u>Pages</u>
KALINS, GOVERNOR	Telegram to	2
	Telegram from, appointing Mr. Calkins representative at Conference	5
KITCHIN BILL		(245 - 249 276 - 277)
	Resolution to Federal Reserve Board concerning support of	301 - 302
LOANS ON FARM LANDS AND OTHER REAL ESTATE	Committee on regulations govern- ing	31 - 32
LOANS OF STATE BANKS AND TRUST COMPANIES		285 - 287
MAILS	Delays in	12 - 17
MILITARY SERVICE	Status of Federal reserve employees enlisting	70 - 71
MILLER, GOVERNOR	Telegram to	2
MINUTES OF PREVIOUS MEETING, ADOPTED		5
NATIONAL BANK ACT, SECTION 5200	Should not be abrogated for admission of state banks	285 - 287
NEXT MEETING		512
NOTES, FEDERAL RE- SERVE (UNFIT)	Forwarding direct to Treasury for redemption	(262 - 273 289 - 295 301)
PENALTIES FOR DEFICIENT RESERVES	Committee on	28 - 31
POSTMASTERS AS COLLECTORS	Committee on	24 - 25
PRESS STATEMENT		303
PROGRAMME	Adoption of that prepared by the Secretary	3 - 4
PROPERTY AND FUNDS OF ALIENS SUBJECT TO SEIZURE IN WAR		222 - 223
REDEMPTION OF UNFIT FEDERAL RESERVE NOTES	Forwarding direct to Treasury	262 - 273
	Referred to Federal Reserve Agents' Conference	272 - 273



RESERVE AND CENTRAL RESERVE CITIES	Report of Committee, sent to Board	6 - 7
RESERVES	Amendment to Federal Reserve Act re	( 283 296 - 301
RESERVES OF MEMBER BANKS		94 - 95
RESERVES	Penalties for deficiencies in	28 - 31
ROUTING	Of collection items	59 - 70
SEATTLE BANK FAILURE		207 - 221
SECRETARY	Compensation of	309 - 310
SECURITY BONDS		71 - 72
SERVICE CHARGES		41 - 70
	Uniformity in billing	193
SILVER AND LEGALS		121
SINGLE ACCOUNT SYSTEM BETWEEN FEDERAL RESERVE BANKS		251 - 256
STATE BANKS AND TRUST COMPANIES	Amendment to Federal Reserve Act	263b - 264
	Loans	295 - 297b
STATE BANKS	Membership in system	77 - 79 106 - 109
SUBTREASURY FUNCTIONS OF FEDERAL RE- SERVE BANK LOCATED OUTSIDE SUBTREASURY CITIES		249 - 251
STRONG, GOVERNOR	Telegram to	2
SURETY BONDS		305 - 307
TELEGRAPHIC ADVICE	To Federal Reserve Board covering Federal Reserve drafts	( 128 ( 134 ( 139 ( 143 (149 - 156
TELEGRAPHIC CODE	For use between Federal Re- serve Board, Banks and Member Banks	273 - 275
	Committee on	275

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TELEGRAMS	To Governor Strong, Governor Kains and Governor Miller	2
3% TREASURY NOTES, CONVERSION INTO 30 YEAR GOVERN- MENT BONDS		( 6 - 8 (157 - 161
TIME SCHEDULES (TRANSIT) AND DOMESTIC EX- CHANGES	Committee on	( 164 (193 - 203
TRADE ACCEPTANCES		312 - 313
2% GOVERNMENT CERTIFI- CATES OF INDEBTED- NESS		283 - 283b
VAULT CONTROL OF FEDERAL RESERVE AGENTS FUNDS AND SECURITIES		278 - 282
VAULT FACILITIES FOR GOLD SETTLEMENT FUND	Committee report on	164
WEEKLY STATEMENT TO BOARD SEE BOARD, FEDERAL RESERVE	Committee to confer with re Reports to	32 - 36

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TENTH CONFERENCE OF GOVERNORS

of

FEDERAL RESERVE BANKS

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The Tenth Conference of Governors of Federal Reserve Banks was held at the Shoreham Hotel, Washington, D. C., on April 4, 5 and 6, 1917.

PRESENT:

Mr. Aiken, Chairman of the Conference,  
Messrs. Treman, Rhoads, Fancher, Seay, McCord,  
McDougal, Wold, Van Zandt and Calkins, and  
Mr. J. P. Curtis, Secretary.

The meeting was called to order by the secretary at 10 o'clock a. m., April 4, 1917.

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

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

Mr. Aiken thereupon took the chair.

TELEGRAMS TO ABSENT MEMBERS. - On motion, it was

VOTED that the secretary be instructed to send telegrams to Governors Strong and Kains, expressing the regrets of the conference at their absence and best wishes for their continued improvement in health, and also that a telegram be sent to Governor Miller, who was suddenly called back to Kansas City.

INVITATION TO DEPUTY GOVERNOR CALKINS. - The chairman stated that he had received a letter from Governor Kains to the effect that Mr. Calkins would represent him at the conference. Whereupon, on motion, it was

VOTED that Mr. John U. Calkins, Deputy Governor of the Federal Reserve Bank of San Francisco, be invited to attend the conference as the representative of Governor Kains.

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. - COMMITTEE TO WAIT UPON FEDERAL RESERVE BOARD. -

The secretary presented a letter received from the Governor of the Federal Reserve Board, stating that the Board would be pleased to meet the governors of the Federal Reserve Banks at the Board-room in the Treasury Building at 10:30 o'clock on Wednesday morning, April 4th. Whereupon, on motion, it



was

VOTED that the appointment of the usual committee to wait upon the Federal Reserve Board be dispensed with.

TOPIC NO. 4. - MINUTES OF THE NINTH CONFERENCE OF GOVERNORS. -

On motion, it was

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

TOPIC NO. 5. - UNFINISHED BUSINESS.

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

The secretary reported that he had forwarded a report of the Ninth Conference of Governors to the Federal Reserve Board under date of January 11, 1917, a copy of such report having been forwarded to each of the governors; and that he had also forwarded to the Board a copy of Mr. Seay's report as chairman of the committee on reserve and central reserve cities. He further stated that about a week prior to this meeting he had written to Governor Harding, inviting his attention to the fact that the governors had not received any reply, except an acknowledgment, with respect to their recommendation that the Board take up with the Secretary of the Treasury the question of permitting the Federal reserve banks to change their one-year 3% notes into thirty-year bonds and that in replying to that letter Governor Harding did not advert to the portion in which advice was requested on this matter. Whereupon, on motion, it was

VOTED that the secretary be requested to take up this subject informally with the Governor of the Federal Reserve Board and advise the conference of the position of this matter before its adjournment.

(Note: While the action above described appears in the stenographic minutes of the meeting, the secretary's recollection is that no formal action was taken, upon his request to be excused from making further inquiries of Governor Harding.)

(e) Audit of Gold Settlement Fund. - The secretary submitted an oral report and read a recommendation from the report of the auditors appointed to make the last audit of the fund to the effect that a plan should be worked out to use a system of sealing certain packages containing gold certificates - such packages as are unbroken between audit periods to be accepted in total at subsequent audits. Acceptance of such seals could be left to the discretion of the auditors, the method, if adopted, being one that would greatly facilitate the periodical audits of the Gold Settlement Fund and which would economize time for both the auditors and the



Federal Reserve Board representatives. Whereupon, on motion, it was

VOTED that the recommendation be adopted and be forwarded to the Federal Reserve Board by the secretary.

At this point, 10:25 o'clock a. m., the conference adjourned to meet with the Federal Reserve Board.

The meeting reassembled in the Board-room at 10:45 o'clock a. m.

PRESENT:

The Secretary of the Treasury in the chair.  
Messrs. Harding, Warburg, Williams, Delano  
and Hamlin;

also  
Mr. Willis, and all the governors.

Mr. McCord joined the conference at this time.

The Secretary of the Treasury made a brief address, welcoming the conference of governors and outlining in a very general way the plans for new financing by the Government, and also made a statement in connection with the recent issue of 2% certificates of indebtedness of the Government. At the close of his remarks he asked for the views of the governors on what should be the terms of the proposed new bond issues, and also as to whether or not the Federal reserve banks would prefer to have any subsequent issue of short time certificates of indebtedness offered to them or to the public through them.

Before receiving replies, the Secretary of the Treasury left the meeting and Mr. Harding took the chair.

There followed a discussion of the bond issues and of the short term Treasury bill issues, it being the general consensus of opinion that if a new issue of Treasury bills was to be made, the Federal reserve banks would prefer to have them offered through the banks instead of to them.

There also followed a discussion of the amendments to the Federal Reserve Act proposed by the Federal Reserve Board.

The meeting adjourned at 12:45 o'clock p. m.

The conference reassembled at the Shoreham Hotel at 2:30 o'clock p. m. All present.

TOPIC NO. 5 (b). - REPORT FROM EACH BANK ON DELAYS IN THE MAILS AND OTHER DELINQUENCIES OF THE POSTAL SERVICE. - The secretary stated that this topic was placed on the programme in accordance with a resolution adopted at the Ninth Conference of Governors, under the terms of which each



bank was to present to this conference a summary of delinquencies in the postal service. After a brief discussion and on motion, it was

VOTED that each Federal reserve bank be requested to report to the secretary of the conference a list of grievances against the postal service arising during the month of April, and that the secretary be requested to take the matter up with the Federal Reserve Board in his discretion.

(f) Issue to member banks of demand certificates of deposit payable in gold. - On motion, it was

VOTED that this topic be dropped from the programme.

TOPIC NO. 6. - COMMITTEE REPORTS.

(a) Committee on resolutions to govern the attendance at conferences. - This topic was passed temporarily by consent.

(b) Committee on allotment of investments. - Mr. Seay, for the committee, submitted an oral report. Whereupon, on motion, it was

VOTED that the report be accepted and approved and that the percentages of allotment, when completed, be forwarded to each of the Federal reserve banks by the chairman of the committee.

(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 accepted and approved and the committee be continued with all powers heretofore vested in them.

(Note: The report of the committee appears on pages 19 and 20 of the stenographic minutes.)

There followed a brief discussion of the price at which the conversion three per cent.'s should be sold by the committee, it being the general view that the bonds should be sold at any price they would bring, not less than par.

(a) Committee on resolutions to govern attendance at conferences. - The secretary, for the committee, submitted a report recommending the adoption of the following resolution:

RESOLVED that the attendance at meetings of the governors be limited to the governors themselves and such other active and salaried executive officers of the Federal reserve banks as may be selected by any governor who cannot attend in person; and such other persons as may be invited to attend by an affirmative request on the part of three-quarters of the governors. Whenever a governor desires to have an invitation extended to any person other than a representative, as above described, he shall forward a request to that effect to the secretary of the conference a sufficient time in advance of the meeting for the secretary to obtain the views of the



other governors and communicate advice thereof before the meeting.

Whereupon, on motion, it was

VOTED that the report of the committee be received and the resolution prepared by the committee be adopted by the conference.

(d) Committee on reserve banks acting as fiscal agents of the Government. - At the request of the chairman the topic was temporarily deferred.

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

VOTED that the report be accepted and the committee be continued.

#### TOPIC NO. 7. - COLLECTIONS AND CLEARANCES.

(a) Reinstatement of the postmaster order. - There followed a brief discussion of this topic which was considered disposed of by the vote adopted with respect to Topic No. 6 (e). At the end of the discussion, it was, on motion,

VOTED that the Federal reserve banks that have used express companies for the collection of checks be requested to write a brief statement of their methods and experience and forward copies thereof to each of the other Federal reserve banks for their information.

#### TOPIC NO. 6. - COMMITTEE REPORTS.

(f) Committee on uniform reports of reserves and enforcement of reserve penalties. - Mr. McDougal, for the committee, submitted an oral report to the effect that the work of the committee had been completed at the time its report was made to the Ninth Conference. After a brief discussion and on motion, it was

VOTED that the committee be discharged.

(g) Committee on regulations governing real estate loans. - Mr. Fancher, for the committee, submitted an oral report to the effect that subsequent to the Ninth Conference he had forwarded to each governor copies of a memorandum prepared by Mr. Elliott, Counsel for the Federal Reserve Board, and of a letter from Mr. Warburg, which took the place of a formal report. Whereupon, on motion, it was

VOTED that the report be received and the committee discharged.



(1) Committee to confer with the Federal Reserve Board with respect to the weekly condensed statement of Federal reserve banks. - Mr. Fancher, for the committee, submitted an oral report to the effect that little or no progress had been made in this matter. After a brief discussion and on motion, it was

VOTED that the committee be continued and that in addition to their other activities, they also take under consideration the matter of the form of statement made to the press by the Federal reserve banks for the purpose of securing uniformity of practice.

(2) Committee to confer with officers of the A. B. A. with regard to placing district numbers on checks. - Mr. Fancher, for the committee, submitted a report. After a brief discussion and on motion, it was

VOTED that the report of the committee be received with thanks and the committee discharged, and that the secretary be requested to communicate with each Federal reserve bank, asking it to circularize its member banks requesting them to have the district number placed upon their checks, and that the Federal reserve banks take up the matter with the manufacturing stationers in their districts.

(Note: The report of the committee appears on pages 36 and 37 of the stenographic minutes.)

(3) Committee to consider establishment of collection departments by Federal reserve banks. - Mr. Fancher, for the committee, submitted a written report. After considerable discussion the following motion was made and seconded:

MOVED that the report of the committee be received and that the committee be continued and be requested to send a copy of its report with recommendations to be accompanied by forms to each of the twelve banks for consideration and report back to the committee at the earliest possible moment, after which the committee shall have another meeting and make further recommendations.

Thereupon, on motion, it was

VOTED that the motion above set forth be laid upon the table temporarily.

Whereupon, on motion, it was

VOTED that the report of the committee be received.

After further discussion and on motion, it was

VOTED that the conference advise the committee that a service charge at the per item cost be imposed, not to exceed a fixed maximum, in addition to whatever exchange charge may be payable in connection with each item.

After a further brief discussion, it was, on motion



VOTED that collection items should be routed direct to a member bank or a nonmember bank of another Federal Reserve District and not routed through a second Federal reserve bank.

After a further discussion and on motion, it was also

VOTED that the Federal reserve banks should not undertake to regulate or interfere with the charges to be made by member banks for handling collection items.

After a further discussion and on motion, it was also

VOTED that in recognition of the desirability of the Federal reserve banks establishing a collection department as soon as practicable, the committee be continued; that they be requested to send out copies of their report to each Federal reserve bank with the proposed forms to be used in connection therewith and that each Federal reserve bank be requested to report back to the committee, at the earliest possible moment, its views and suggestions concerning the same, after which the committee shall formulate a final report to be submitted to each Federal reserve bank for adoption.

(Note: The report of the committee appears on pages 41 to 44 inclusive of the stenographic minutes.)

At this point Mr. Delano, accompanied by Mr. Attebury, joined the meeting.

Mr. Delano stated that the Federal Reserve Board would be pleased to obtain the views of the governors on the following questions:

- (1) What should be the attitude of the Federal reserve banks towards officers or employes who enlist in the armed forces of the United States?
- (2) Surety and indemnity bonds held by the various Federal reserve banks.
- (3) Obtaining better abstracts of clearing house figures.

In this connection Mr. Delano presented a letter written by Governor Harding and a memorandum prepared by Mr. Attebury on this subject.

(Note: The text of the letter and memorandum will be found on pages 72 to 75 inclusive of the stenographic minutes.)

Mr. Delano also made a brief report of his recent trip to most of the Federal reserve banks, and there followed an informal discussion of the matter of the membership of state banks and the collection system.

(Note: The subjects suggested by Mr. Delano were added to the programme as topics Nos. 22, 23 and 24 respectively.)

At the close of the informal discussions the conference took a recess at 6:20 o'clock p. m.

The conference reassembled at 8:30 o'clock p. m. All present.



TOPIC NO. 6. - COMMITTEE REPORTS.

(h) Committee on Federal reserve bank drafts. - Mr. Treman, for the committee, submitted a report. Thereupon, the report of the committee was taken up for discussion, paragraph by paragraph, and the following resolutions were, on motion, duly adopted:

1. VOTED that paragraph No. 1 of the original plan be reaffirmed.

Messrs. McCord, Van Zandt and Galkins desired to be recorded as voting "Yes."

2. VOTED that no limitation be placed upon the amount of drafts to be drawn under this plan.

Mr. Wold desired to be recorded as voting "No." Messrs. McDougal, McCord and Van Zandt desired to be recorded as voting "Yes," with the understanding that their banks may have the right to charge the current rate for exchange in case they think it necessary.

3. VOTED that paragraph No. 3 be amended by adding after the word "par," the words "subject to final payment," and as so amended be approved.

The paragraph, as amended, reads as follows:

"That the drafts should be drawn by member banks upon their own Federal reserve bank and made receivable for immediate availability at par, subject to final payment, at any one Federal reserve bank specified in the draft."

4. VOTED that paragraph No. 4 be reaffirmed.

5. VOTED that paragraph No. 5 of the original plan, as amended by the committee at its meeting on March 19th, be approved.

6. VOTED that paragraph No. 6, prepared by the committee at its meeting on March 19th, be approved.

7. VOTED that the paragraph numbered 7 on the report of the committee of March 19th be approved.

8. VOTED that the report of the committee at its meeting on March 19th, reaffirming the last two paragraphs of the original report, be approved.

At this point Mr. Aiken left the chair and Mr. Treman acted as chair-

man pro tem.

After further discussion and on motion, it was

VOTED that the second sentence of the first paragraph of the report of the committee of March 19, 1917, reading: "This plan, while not acted upon formally, was unanimously approved in principle by the committee" - be eliminated from the report.

And it was further



VOTED that the report of this conference to the Federal Reserve Board on this subject begin with the paragraph on the first page, which reads: "The plan reported by the committee at its meeting on January 27, 1917, was taken up for discussion, etc." and that the conference approve the plan submitted by the committee as amended by this conference.

There followed a discussion of the desirability of converting the one-year notes held by the Federal reserve banks into thirty-year 3% bonds whereupon, on motion, it was

VOTED that in the discussion with the Federal Reserve Board regarding Government finance, there be included a discussion of the treatment of the one-year 3% notes.

(1) Committee to confer with Federal Reserve Board with respect to producing daily settlements of the Gold Settlement Fund. - Mr. Vold, for the committee, submitted an oral report to the effect that daily settlements are unnecessary at this time. Whereupon, by unanimous consent, it was

VOTED that the committee be continued.

(ii) Committee to inspect vault facilities provided for custody of Gold Settlement Fund. - Mr. Sawyer, for the committee, submitted a report.

Whereupon, on motion, it was

VOTED that the report be accepted and the committee discharged.

(iii) Committee to investigate and report upon discrepancies in transit time schedules and the subject of domestic exchanges. - On motion, it was

VOTED to pass this topic for the present.

(iv) Committee on the establishment of branches and agencies of Federal reserve banks. - Mr. Van Zandt, for the committee, stated that he had submitted his report to the Federal Reserve Board and furnished a copy thereof to each governor. There followed considerable discussion as to the definition of the word "agency."

At this point the conference adjourned at 11 o'clock p. m.

April 5, 1917.

The conference reassembled at 9:30 o'clock a. m. All present, except the chairman. Mr. Rhoads was voted chairman pro tem.



TOPIC NO. 7. - COLLECTIONS AND CLEARANCES.

(a) Completion or contraction of collection system. - After a brief discussion, it was

VOTED that it is the sense of this meeting that the governors of the Federal reserve banks should take immediate effective steps looking toward adding the names of all banks to their par lists.

At this point Mr. Aiken joined the meeting and took the chair.

TOPIC NO. 5. - UNFINISHED BUSINESS.

(c) Direct inter-district routing - After considerable discussion and on motion, it was

VOTED that this conference reaffirm the resolution adopted at the last conference on this subject.

(Note: The resolution referred to was adopted at the Ninth Conference of Governors and was in the form of a vote to concur in the following recommendation of 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.)

TOPIC NO. 6. - COMMITTEE REPORTS.

(h) Committee on Federal reserve bank drafts (continued). -

The secretary stated that he had prepared a draft of the report of this conference to be made to the Federal Reserve Board on this subject, which was read to the conference for the purpose of having its form approved and of giving an opportunity for such members of the conference as desired to be recorded in the negative on the various propositions to do so.

TOPIC NO. 5. - UNFINISHED BUSINESS.

(d) Uniformity of service charges. - After a brief discussion and on motion, it was

VOTED that it is the sense of the conference that until the collection system is further developed it will be impossible to establish uniform service charges.

TOPIC NO. 6. - COMMITTEE REPORTS.

(i) Committee to investigate and report upon discrepancies in transit time schedules and the subject of domestic exchanges (continued). -

On motion, it was



VOTED that the report be read by the chairman of the committee.

Whereupon, Mr. Fancher, for the committee, read a report. After considerable debate and on motion, it was

VOTED that the report be received and approved and that the conference express its admiration and appreciation thereof.

Mr. McCord desired to be recorded as agreeing with the report except for the last paragraph, to which he does not agree. Mr. Van Zandt desired to be recorded as not voting.

After a brief discussion, and on motion, it was further

VOTED that the dates for the observation and recording of the receipt of mail be changed to run from April 15th to April 25th inclusive, it being understood that Mr. Fancher, as chairman of the committee, will advise all of the banks of the change in this date and the period of time in which the mail is to be noted and ask them to advise him of the results of their experience, and that thereafter he will provide each bank with a copy of the report.

(a) Committee on the establishment of branches and agencies of Federal reserve banks (continued). - After further discussion and on motion, it was

VOTED that the committee, with the assistance of the secretary, be requested to formulate a statement of the functions of an agency and to report at the afternoon session.

TOPIC NO. 7. - COLLECTIONS AND CLEARANCES.

(b) Problem of collections. - This topic was dropped from the programme by consent.

(d) Situation resulting from Seattle bank failure. - After considerable discussion the secretary was requested to prepare a resolution which should govern the policy of Federal reserve banks in receiving remittances from state banks to which items are sent direct.

STATEMENT OF STATE DEPARTMENT THAT FUNDS AND PROPERTY OF ALIENS ARE NOT SUBJECT TO SEIZURE IN THE EVENT OF WAR. - After considerable discussion of this subject, and on motion, it was

VOTED that the Federal Reserve Board be requested either to announce the previously expressed decision of the State Department with respect to bank deposits of aliens or to procure the reannouncement of the decision by the State Department.

TOPIC NO. 25. - GOVERNMENT FINANCING. - The chairman read to the conference a plan which he had outlined for the benefit of the Secretary of the Treasury in this regard, and there followed considerable discussion of



the subject.

At the close of the discussion the conference took a recess at 1:15 o'clock p. m.

The conference reassembled at 2:45 o'clock p. m. at the Federal Reserve Board-room. All present.

Also  
Messrs. Harding, Warburg, Delano and Hazlin  
and  
Messrs. Willis, Allen and Attebury.

Governor Harding and Mr. Delano outlined their views with respect to the use of Federal reserve bank drafts. Mr. Aiken read the proposed plan recommended by the conference and each governor gave an outline of his views seriatim. General discussion followed but no action was taken.

There followed a further discussion of the proposed plans for Government financing, but no action was had thereon.

The meeting adjourned at 5:00 o'clock p. m.

The conference reassembled at 5:30 o'clock p. m. at the Shoreham Hotel. All present.

On motion, it was

VOTED that the session continue until seven o'clock, to be adjourned at that time until nine o'clock the following morning.

TOPIC NO. 6. - COMMITTEE REPORTS.

(c) Committee on the establishment of branches and agencies of Federal reserve banks (continued). - The secretary, for the committee, submitted a report in the form of a resolution. Whereupon, on motion, it was

VOTED that the resolution as amended be adopted and transmitted to the Federal Reserve Board as the recommendation of this conference.

The resolution, as amended, was as follows:

RESOLVED that it is the sense of this conference that domestic agencies of Federal reserve banks, rather than branches, should be established; and that if the provisions of existing law do not authorize the establishment of such domestic agencies, the Federal Reserve Act should be appropriately amended to grant such authority.

In our opinion an agency as distinguished from a branch is under the absolute direction of the reserve bank and the management of an agency shall be selected by the reserve bank.

The functions of an agency should be



- (a) To do all things necessary in connection with the clearing and collection of items.
- (b) To act as custodian for collaterals, etc., relating to the section served.
- (c) To pass on eligibility of items which are offered for rediscount, or as collateral for advances.
- (d) To make credit investigations in the section served.
- (e) To perform such other duties as may be prescribed by the management of the reserve bank not inconsistent with the laws governing agents and principals, except that in no event shall an agency be delegated the power to rediscount for or make loans to a member bank nor to make open market purchases of investments except on specific instructions from the reserve bank.

TOPIC NO. 9. - KITCHIN BILL. - After a brief discussion it was understood that Mr. Treman would prepare a resolution on this subject for submission to the conference at a later time.

TOPIC NO. 10. - LIMITED SUBTREASURY FUNCTIONS BY FEDERAL RESERVE BANKS NOT LOCATED IN SUBTREASURY CITIES. - Mr. Van Zandt made a brief statement with respect to this subject. Whereupon, on motion, the following resolution was duly adopted:

WHEREAS it appears that some of the Federal reserve banks located in nonsubtreasury cities are called upon by their member banks for supplies of currency of small denominations, silver and minor coins, the furnishing of which relieves the Treasury Department from these demands, and

WHEREAS the furnishing of these forms of money is a matter of public benefit, now, therefore, be it

RESOLVED that the Federal Reserve Board be requested to use its efforts toward making arrangements with the Treasury Department whereby a Federal reserve bank, in exchange for gold, may have deposited in its vaults, without expense to the Federal reserve bank, such amounts of currency of small denominations, silver and minor coins, as said Federal reserve bank may apply for in order to be able to meet the demands of its member banks for such moneys.

TOPIC NO. 11. - SINGLE ACCOUNT SYSTEM BETWEEN FEDERAL RESERVE BANKS. - After a brief discussion this topic was passed without action and left on the programme.

TOPIC NO. 12. - APPROPRIATION OF GOLD. SHOULD FEDERAL RESERVE BANKS



ASSUME LOSS? - After consideration discussion, and on motion, the following resolution was duly adopted:

WHEREAS considerable inconvenience and loss is now caused to the public and to the Federal reserve banks by reason of the continued circulation of United States gold coins abraded under the limit of tolerance,

RESOLVED that the Federal Reserve Board be requested to take this matter up with the Treasury Department and with the appropriate committee of Congress for the purpose of obtaining relief in this regard, if possible.

TOPIC NO. 13. - FORWARDING OF UNFIT FEDERAL RESERVE NOTES DIRECT TO THE TREASURER FOR REDEMPTION. - After considerable discussion, during the course of which it appeared that this subject was one of those committed to the care of the Federal reserve agents, and on motion, it was

VOTED that the matter of forwarding unfit Federal reserve notes direct to the Treasurer at Washington for redemption be referred to the Federal reserve agents with the request that they consider the matter and if possible arrange for the establishment of a uniform practice between the banks.

Thereafter, on reconsideration, it was

VOTED that this matter be referred to the conference of Federal reserve agents without any request for the establishment of a uniform practice.

TOPIC NO. 14. - CODE FOR USE BETWEEN FEDERAL RESERVE BANKS, FEDERAL RESERVE BOARD AND MEMBER BANKS. - After a brief discussion and on motion, it was

VOTED that the committee heretofore appointed to take charge of the preparation of a code be revived.

(Note: The committee consists of Mr. Rhoads.)

TOPIC NO. 9. - KITCHEN BILL (CONTINUED). - Mr. Trenan submitted a draft of resolution. After a brief discussion it was understood that the resolution would be reframed and submitted at a later time.

NEWSPAPER ARTICLE. - The attention of the conference was called to articles appearing in two of the afternoon papers, to the effect that the governors of the Federal reserve banks had discussed the contemplated Government bond issue and the interest rate and that a rate of  $3\frac{1}{2}\%$ , rather than  $3\%$ , was favored, and that the general opinion was that the first issue should bear the same interest rate as contemplated for subsequent issues. Whereupon, on motion, the following preamble and resolution was unanimously adopted:



WHEREAS there appears in two afternoon papers a statement of certain matters under discussion by the conference of governors from which it might appear that some one connected with the conference has been giving out information concerning its deliberations,

BE IT RESOLVED that the chairman of this conference be requested to assure the Secretary of the Treasury and the Federal Reserve Board that no one connected with this conference has given to any one any information on this or on any other subject on our programme or being discussed by the conference.

TOPIC NO. 16. - JOINT CUSTODY OF FUNDS AND SECURITIES HELD BY FEDERAL RESERVE BANKS. - After a brief discussion this topic was dropped from the programme by consent.

Thereupon, the chairman announced that the time of adjournment had arrived.

Whereupon, the conference duly adjourned at 7 o'clock p. m.

April 6, 1917.

The conference reassembled at 9:15 o'clock a. m. All present. Mr. Curtis, in behalf of the Federal Reserve Bank of New York, stated that in view of the comments of the Secretary of the Treasury made at the meeting held on the morning of April 4th, the bank desired to read to the conference the text of the resolution adopted by the directors of the Federal Reserve Bank of New York with respect to their subscription to the 2% certificates of indebtedness of the Government. By consent of the chairman, the resolution was read to the conference and appears on pages 283 - 283-b of the stenographic minutes.

The secretary also announced that there had been four topics added to the programme by the request of the Federal Reserve Board and one at the request of Mr. Treman, which would be numbered as follows:

22. Employes enlisting in the armed forces of the United States.
23. Surety bonds of Federal reserve banks.
24. Abstracts of clearing house figures.
25. Government financing.
26. Trade acceptances.

TOPIC NO. 8. - AMENDMENTS TO THE FEDERAL RESERVE ACT. - The chairman stated that an informal subcommittee, consisting of Messrs. Treman,



Rhoads and himself, had been over the draft of bill entitled "Amendments recommended by Federal Reserve Board," and suggested that this bill be taken up for discussion. Whereupon, it was

VOTED to make the following recommendations to the Federal Reserve Board:

1. That the words "per annum" be inserted on page 4, line 16, after the word "reports."
2. That the word "twelve" in the first line on page 6 remain unchanged.
3. That the limitations upon loans made by the provisions of section 5200 of the National Bank Act should not be abrogated in favor of state banks or trust companies admitted to the Federal Reserve System.
4. That the attention of the Board be invited to the ambiguity caused by the use of the word "maturing" on page 8, line 22, and page 9, line 2.
5. That the attention of the Board be invited to the ambiguity caused by the use of the words "so certified" on page 8, line 10.
6. That the attention of the Board be invited to the ambiguity on page 10, lines 9 to 18, as to whether or not the limitation included or excluded acceptances made to create dollar exchange.
7. That the attention of the Board be invited to the ambiguity caused by the use of the word "retired" on page 12, line 12.
8. That the word "if" on page 13, line 21, be omitted.
9. That the attention of the Board be invited to the possibility of injustice arising from the provisions concerning the expense incurred in shipping gold, as set forth on page 17, lines 7 to 12.
10. That on page 20, line 13, the word "net" be changed to "collected" or "available," and that the same change be made on page 21, line 12, and page 22, line 12.
11. Referring to the provision proposed for the bond custody and joint liability of the Federal reserve banks and the Federal reserve agents for the safe-keeping of Federal reserve notes, gold, gold certificates and lawful money, that it is the sense of the conference that custody of Federal reserve notes, gold, rediscounts, etc., should be held by the bank subject to the supervision of the Federal reserve agent and should be carried on the books of the bank; and that joint liability for such assets is not sound in principle.

The draft of bill marked "X-68" was then taken up for discussion. It was understood, without formal action, that among other suggestions in this regard a suggestion should be made to the Federal Reserve Board that the deposit made by state banks and trust companies for collection and clear-



ing purposes with the Federal reserve banks would not, under the laws of many states, count as legal reserves, and that in order to have the legislation workable, additional state legislation would be necessary.

TOPIC NO. 9. - KITCHIN BILL (CONTINUED). - Mr. Treman submitted a resolution which had been reframed. Whereupon, on motion, the preambles and resolution were adopted, as follows:

WHEREAS it is stated that there is to be reintroduced in the present Congress for enactment the so-called Kitchin Bill, the purpose of which is to so amend the Federal Reserve Act as to permit national banks to impose exchange charges contrary to the basic principles of the Federal Reserve Collection System, and

WHEREAS it is understood that under the direction of a committee of the American Bankers' Association, known as the "Committee of twenty-five," a vigorous and far-reaching campaign is being conducted to bring influence upon the Congress to secure the enactment of the Kitchin Bill, and

WHEREAS it is the belief of the governors of the several Federal reserve banks that should the Kitchin Bill become law it would not only serve to nullify the great benefits which would accrue to the business interests of the country under the operation of a scientific, direct and efficient collection system, but its enactment would seriously affect and seriously injure the best and broadest development of the Federal Reserve System, therefore be it

RESOLVED that the governors in conference earnestly urge the Federal Reserve Board to use every legitimate means possible to prevent the enactment of the Kitchin Bill when introduced into Congress, and to promptly develop and put into the fullest operation the Federal Reserve Collection System.

TOPIC NO. 22. - EMPLOYEES ENLISTING IN THE ARMED FORCES OF THE UNITED STATES. - After a brief discussion and on motion, it was

VOTED that it is the sense of the conference that in the case of employes of the Federal reserve banks enlisting in the armed forces of the United States, the banks should pay such employes the difference between their salaries at the time of enlistment and such compensation as they may receive from the Government while in the service, and that the banks should, as far as practicable, retain the places of such employes during their term of service.

TOPIC NO. 23. - SURETY BONDS OF FEDERAL RESERVE BANKS. - After a brief discussion and on motion, it was

VOTED that the Federal Reserve Board be requested to have a summary of its investigation into the matter of the surety and fidelity bonds held by the Federal reserve banks made and a copy forwarded to each bank for its consideration.

TOPIC NO. 24. - ABSTRACTS OF CLEARING HOUSE FIGURES. - On motion, it was



VOTED that Mr. Delano be requested to send to each Federal reserve bank a memorandum outlining the information and statistics which he would like to have obtained and that the matter be taken up further at the next conference.

TOPIC NO. 17. - RESTRICTIONS IN PURCHASING ACCEPTANCES. - On motion,

it was

VOTED that consideration of this topic be postponed until after the meeting with the Federal Reserve Board.

TOPIC NO. 20 - PRESS STATEMENT. - On motion, it was

VOTED that the secretary be instructed to issue the usual statement.

TOPIC NO. 19. - COMPENSATION OF SECRETARY. - The secretary stated that in January of this year the Federal Reserve Bank of New York had been advised by the Federal Reserve Board to the effect that the allowance formerly made to Mr. Curtis for acting as secretary to the meetings of governors should be terminated and that if any bank furnishes secretarial or clerical work for such meetings, it might properly request that it be reimbursed for services rendered, but that this reimbursement should not be made in the form of extra compensation to designated employees. In accordance with these instructions no compensation has been paid to the secretary since January 1, 1917. Whereupon, on motion, it was

VOTED that the chairman of the conference be requested by all the governors, except the governor of the Federal Reserve Bank of New York, to confer with the proper members of the Federal Reserve Board and explain to them the overtime work that the secretary has to do for the governors, and request that their decision be reversed in this matter, or modified, and that the banks be permitted to continue to pay compensation for such overtime.

Mr. Freeman wished to be recorded as not voting.

TOPIC NO. 18. - INVESTMENTS IN GOVERNMENT SECURITIES. - After a brief discussion this topic was dispensed with without action, by consent.

TOPIC NO. 21. - NEXT MEETING. - On motion, it was

VOTED that the next meeting be called at the request of two or more governors or of the Federal Reserve Board.

TOPIC NO. 26. - TRADE ACCEPTANCES. - On motion, it was

VOTED that it is the sense of the conference that the Federal reserve banks should take an active interest in developing the use of trade acceptances.

TOPIC NO. 15. - FOREIGN ARRANGEMENTS. - Mr. Freeman made a brief statement concerning the arrangements being negotiated between the Federal Reserve Bank of New York and the Bank of England, the Bank of France, and



the Banco de la Nacion Argentina, and copies of such proposed arrangements were handed to each governor present with the request that they be submitted to their respective boards of directors for the purpose of ascertaining whether they desire to join in the proposed arrangements, and if so, to what extent. It was understood that the contents of the memoranda were to be held strictly confidential by the officers and directors of the Federal reserve banks.

Mr. Treman read an abstract from a letter from Governor Strong with respect to the advisability of having the Federal reserve banks accumulate gold bars.

(Note: This abstract appears on page 315 of the stenographic minutes.)

TOPIC NO. 6. - COMMITTEE REPORTS.

(d) Committee on reserve banks acting as fiscal agents of the Government. - On motion, it was

VOTED that the committee be continued to report at the next conference.

TOPIC NO. 25. - GOVERNMENT FINANCING. - The chairman laid before the conference a memorandum prepared by Messrs. Treman, Rhoads, and himself as a basis for discussion. There followed considerable discussion, at the close of which it was understood, without formal action, that the memorandum as amended would be presented to the Secretary of the Treasury for his consideration.

(Note: Copy of the memorandum appears on pages 318 to 321 of the stenographic minutes.)

At the close of this discussion the conference adjourned at 11:25 o'clock a. m. for the purpose of meeting with the Federal Reserve Board.

The conference reassembled at the Federal Reserve Board-room at 11:30 o'clock a. m. All present.

Also  
Messrs. Harding, Delano and Herlin,  
and  
Messrs. Willis, Allen and Atchbury.

There followed a discussion of the proposed amendments to the Federal Reserve Act, and the chairman made a brief résumé of the various recommendations adopted by the conference.

The conference adjourned at 1:45 o'clock p. m.

The conference reassembled at the Shoreham Hotel at 3:10 o'clock



p. m. All present, except Messrs. McDougal and Van Zandt. There were also present Messrs. Harding and Delano of the Federal Reserve Board.

On motion, it was

VOTED that Mr. E. W. Decker, Class A Director of the Federal Reserve Bank of Minneapolis, be invited to attend this session of the conference.

Whereupon, Mr. Decker joined the conference.

There followed an informal discussion of Government financing, during the course of which Mr. Fancher read to the conference an article written by Mr. Mitchell, President of the National City Company, published in the New York Times of April 5th.

During the course of the discussion Messrs. Harding and Delano left the meeting.

On motion, the conference duly adjourned sine die at 4:45 o'clock p. m.

A press statement was prepared by the secretary with the approval of the chairman and a copy handed to each of the governors present and several copies left at the office of the Secretary of the Federal Reserve Board for distribution to the press.

Subsequent to adjournment several of the governors held an informal conference with the Secretary of the Treasury at the latter's office for the purpose of discussing Government financing.

  
Secretary.