

1

TENTH CONFERENCE

OF

GOVERNORS OF FEDERAL RESERVE BANKS

WASHINGTON, D. C.

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PROCEEDINGS OF THE
TENTH CONFERENCE OF GOVERNORS OF
FEDERAL RESERVE BANKS.

Shoreham Hotel, Washington, D.C.,

Wednesday, April 4, 1917.

The Tenth Conference of Governors of the Federal Reserve Banks convened at the Shoreham Hotel, Washington, D. C., at 10 o'clock, a.m. Wednesday, April 4, 1917.

There were present:

- A. L. Aiken, Governor, Federal Reserve Bank of
Boston, Chairman,
- G. J. Seay, Governor, Federal Reserve Bank of
Richmond,
- C. J. Rhoads, Governor, Federal Reserve Bank of
Philadelphia,
- Theo. Wold, Governor, Federal Reserve Bank of
Minneapolis,
- J. A. McCord, Governor, Federal Reserve Bank of
Atlanta,
- R. H. Treman, Deputy Governor, Federal Reserve
Bank of New York,
- R. L. Van Zandt, Governor, Federal Reserve Bank of
Dallas,
- E. R. Fancher, Governor, Federal Reserve Bank of
Cleveland,
- J. B. McDougal, Governor, Federal Reserve Bank of
Chicago,

John U. Calkins, Deputy Governor, Federal Reserve
Bank of San Francisco.

J. F. Curtis, Counsel for the Federal Reserve Bank
of New York and Secretary to the Conference.

INFORMAL PROCEEDINGS.

Mr. Curtis: Gentlemen, the Conference will kindly
come to order. As yet you have no chairman.

Governor Rhoads: I move that Mr. Aiken take the
chair.

(There were several seconds and Governor Aiken, of
Boston, was unanimously elected chairman of the meeting.)

FORMAL PROCEEDINGS.

The Chairman: Gentlemen, I wish to thank you for
your evidence of continued confidence in me.

As we are invited to meet with the Board at 10:30,
we will proceed with the preliminary organization.

Governor Nold: Mr. Chairman, I move that the Secre-
tary be instructed to send telegrams to Governor Strong
and Governor Kains, expressing the regrets of the Confer-
ence that they are not here, and our best wishes for their
continued improvement in health. Also that a telegram
be sent to Governor Miller, who was called suddenly back
to Kansas City.

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

The Chairman: Gentlemen, I have the following com-

munication from Governor Kains, addressed to the Chairman of the Conference of Governors of Federal Reserve Banks at Washington.

"My dear sir:

"This bank will be represented at the Conference of Governors of Federal Reserve Banks, called to meet in Washington, D. C., April 4, 1917, by Mr. John U. Calkins, Deputy Governor. You are respectfully requested to extend to him the usual courtesies.

Yours faithfully,

A. Kains,

Governor."

Governor Rhoads: Mr. Chairman, I move that the proper course be taken under the circumstances.

The Chairman: Governor Rhoads moves that Mr. Calkins, Deputy Governor of the Federal Reserve Bank of San Francisco, be invited to sit with us through our sessions, representing Governor Kains of the Federal Reserve Bank of San Francisco.

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

ADOPTION OF PROGRAM.

The Chairman: The first business on the program is the adoption of the program for the meeting.

Governor Rhoads: I move that the program be adopted.

Governor Fancher: I second the motion.

The Chairman: The motion is made and seconded that the program as prepared by the Secretary, be adopted as the

program for this conference.

(The motion was duly carried.)

COMMITTEE TO WAIT UPON FEDERAL
RESERVE BOARD.

The Chairman: The next item is the Committee to Wait upon the Federal Reserve Board.

Mr. Curtis: Mr. Chairman, I have a letter from the Governor of the Federal Reserve Board, which I will read to the meeting at this point. It is addressed to me at New York and is from Governor Harding.

"Dear Mr. Curtis:

"In reply to your letter of the 30th instant, I wish to say that the Board will 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.

"The Secretary of the Treasury will probably be present at that time and may have something interesting to say.

"I note the list of topics which has been prepared for consideration at the meeting and your inquiry whether there are any additional topics which the Federal Reserve Board would like to have the Governors discuss. I hardly think that there will be anything else for the Governors to consider and I may say that there are a number of subjects that appear on your list which have already been considered and upon which the Board has taken a definite position. I would suggest that from the viewpoint of the Board, the most im-

portant topics to be considered at this time are 5-b, c, and d; 6-f, h, j, l, n, and o; 7, 9, 12, 15 and 16. In view of the extraordinary conditions which will probably prevail at the time the meeting is held, a curtailment of your program may appeal to the Governors as they will doubtless be anxious to avoid a protracted session.

"Should there be any other matters upon which the Board may desire to advise with the Governors, announcement will be made at the opening of the meeting.

"Yours very truly,

William P. G. Harding,
Governor."

Governor Wold: In view of the fact that the Board has knowledge of our being here, I think a committee to notify them to that effect can be dispensed with.

The Chairman: You have heard Governor Wold's motion that in view of the fact we have been advised by the Board that they would like to have us meet with them at 10:30 this morning, that the appointment of the usual committee to wait upon the Federal Reserve Board be dispensed with. Is there any discussion?

(There was no discussion of the motion, and being duly seconded, it was carried.)

MINUTES OF NINTH CONFERENCE OF GOVERNORS.

The Chairman: The next topic is the minutes of the Ninth Conference of Governors.

Governor Rhoads: I move that they be approved.

Governor Fancher: I second the motion.

The Chairman: Are there any amendments or corrections to be made to the record?

(There were none to be made, and the motion, being duly seconded, was carried.)

UNFINISHED BUSINESS.

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

The Chairman: The next topic is No. 5, Unfinished business. Mr. Secretary, we will hear from you.

Mr. Curtis: On January 11th I reported to the Federal Reserve Board the various resolutions and recommendations adopted by the Ninth Conference of Governors, and sent a copy of that letter to each member of the Board. A few days later, having noticed that the report of Governor Seay, on Reserve and Central Reserve Cities, had not been sent to the Board, I communicated with Governor Seay to see if there was any objection to having that report sent to the Board, as it was originally gotten up at their request. Receiving word that there was no objection, I sent a copy of that to the Board also.

There was only one definite recommendation in the report which really required an answer on the part of the Federal Reserve Board, and about a week ago I wrote to Governor Harding, inviting his attention to the fact that we had not received any reply, excepting an acknowledgment, and asking

if he would tell me what action the Board had taken, if any, on the recommendation ~~that~~ ^{take} The Board ~~took~~ up with the Secretary of the Treasury the question of permitting the reserve banks to change their one year three per cent notes into thirty year bonds. This letter which has just been read, from Governor Harding, is a reply to my letter, but he did not advert to that portion in which I asked for advice as to what had happened. I do not know what the Board has done about it, or whether they have done anything.

Governor Wold: Do you know of the amendment introduced by the Board providing for the making of these notes security for Federal reserve bank notes?

Governor Seay: That has been withdrawn, Governor Wold.

Mr. Curtis: I have no advice except that on yesterday Mr. McDougal urged the Secretary to do it.

Governor McDougal: I was told by one member of the Board that the suggestion of the Governors that the Treasury Department be asked to convert the one year notes into thirty year bonds had been given favorable consideration by the Board, and that they had passed ~~the~~ recommendation along to the Secretary of the Treasury. That was an informal statement and it is possible that the action by the Board was informal. However, I am sure I was told that.

The Chairman: May I suggest that the Secretary be asked to take the matter up with the Governor of the Federal Reserve Board informally and advise us of the position of the matter at the present time, before our Conference

adjourns.

Governor McDougal: I move that that be done, Mr. Chairman.

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

Governor Rhoads: I think it was either Mr. Warburg or Mr. Harding who told me that when the Secretary decides whether or not he will go into the long market that they would then shift; that is, whichever market he took we would have the other and that it would change each time he changed.

The Chairman: As we have a somewhat limited time before our conference with the Board, perhaps we can dispose of one or two minor matters on the program under No. 5, unfinished business. The disposition of matters reported to the Federal Reserve Board is disposed of. Let us take up Topic (e).

(e) Audit of Gold Settlement Fund.

Mr. Curtis: Mr. Chairman, that topic was put there as unfinished business for the reason that at the time of the last Conference there was an audit made which was not reported upon. Since that time there has been an audit made, and I think a copy has been sent to each Governor. There is nothing further to report, except this recommendation.

"It is suggested that a plan might be worked out to use a system of sealing certain packages containing gold certificates, such packages as are unbroken between audit periods being accepted in total at subsequent audits. Ac-

ceptance 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."

The Chairman: Is it the pleasure of the Conference to adopt this recommendation and have it conveyed to the Federal Reserve Board?

Governor Fancher: I would so move, Mr. Chairman.

The Chairman: Governor Fancher moves that the recommendation with reference to the audit of the Gold Settlement Fund, sealing packages of gold certificates, be approved and that the Secretary be requested to communicate it to the Federal Reserve Board.

Governor Treman: I will second that motion, Mr. Chairman.

The Chairman: Is there any further comment?

Governor Van Zandt: Would it not be well to have a list of these packages made as a part of the regular audit; that is, of such packages as are sealed, for the benefit of the next auditors.

Governor Wold: They would not be sealed until the next audit.

Governor Van Zandt: I mean, the following audit from that, for the benefit of the auditors following.

Governor Fancher: I assume, from the manner in which they are kept, that each package will show the record, the

numbers, and so forth.

Governor Wold: There is always one old auditor checking.

Governor Van Zandt: There is?

Governor Wold: Oh, yes. Of the two who audit, one holds over, and he has his own seals checked.

The Chairman: Governor Van Zandt, do you wish to offer that as an amendment to the motion?

Governor Van Zandt: No, Mr. Chairman.

Governor Seay: Of course some seal will have to be adopted which will be recognized.

The Chairman: Is not that a matter of detail that we can leave to the responsible auditors that we have?

Governor Seay: I suppose we could.

The Chairman: Do you wish to offer an amendment to the motion, Governor Seay?

Governor Seay: No, I throw that out incidentally. Somebody will have to give supervision to it. I do not suppose it can be left totally to the auditors. Perhaps the Chairman of this Conference will have to be in communication with the auditors and give some instructions. I do not think it ought to be left entirely to the auditors to devise.

Governor Wold: The agents are interested in this, too. It will come up at the agents' meeting next month.

Governor Seay: I think that will develop, however, as we go along.

The Chairman: I understand you do not offer that as an amendment?

Governor Seay: No.

The Chairman: Is there any further discussion?

(There was no further discussion, and the motion, having been duly seconded, was carried.)

The Chairman: It is now 25 minutes past ten. Unless there is some objection the Conference will take a recess, adjourning to the Treasury Department to meet with the Federal Reserve Board, to reconvene here immediately after that meeting.

(Whereupon, at 10:25 o'clock a. m. the Conference adjourned to the hearing room of the Federal Reserve Board, Treasury Department, to meet with the Federal Reserve Board, reconvening at the Shoreham Hotel at 12:55 o'clock p. m., and immediately adjourning until 2:30 o'clock p. m., of the same day.)

AFTER RECESS.

The Conference reassembled pursuant to recess at 2:30 o'clock p. m.

The Chairman: Gentlemen, we will continue the consideration of the program.

The next is topic 5-(b).

5-(b) Report from each bank on delays in the mails and other delinquencies of the postal service.

That was at your request, Mr. Secretary.

Mr. Curtis: That was in accordance with the vote of the last conference. I would like to ask if the members of the Conference have brought with them a memorandum bearing on their experiences in this respect?

Governor Wold: I have a memorandum with regard to the proposed schedule submitted by Governor Fancher, as Chairman of the Committee.

The Chairman: That is under another topic, Governor Wold.

Governor Wold: For my own information and for the information of the Minneapolis Bank, I would like to make inquiry of New York as to how the business is handled at that end. The mail ought to be there, and is there early in the morning, but we cannot get anything from New York on the third day, for some reason or other.

Vice Governor Treman: You say it is there in the morning?

Governor Wold: We trace it and find it is there in the morning, but it does not get into the office, apparently, until the night shift. Your mail comes to us in two days, but our mail doesn't get to New York inside of the three days.

Vice Governor Treman: The mail goes to you in the morning. We get a heavy mail along about noon. We get clearings from the other banks about noon. We work up until

four or five o'clock and sometimes until six or seven o'clock, and there is no reason why that should not go out. We do have trouble in our own district. For instance, in Ithaca, I leave Ithaca at night and get home in the morning. The mail goes around by Albany, and very often comes into Ithaca the next afternoon. We cannot get it to the bank until around four to six o'clock of the day after it is mailed, whereas it ought to reach that point at seven o'clock in the morning by two different routes.

Governor Wold: We can get mail to Boston in two days. They can get it and get it on their books. But it is the practice in New York, or has been, for the commercial banks never to put anything into the clearings the same day that they get it. It may be that that practice has been carried over to the Federal Reserve Banks. I do not know.

Vice Governor Treman: It is not so with us.

The Chairman: As I understand it the topic was put on the program for the purpose of our formulating our grievances in order that they might go before the proper authorities here in Washington. To make that effective all the details must be given specifically. There is no advantage in going before the Board or the Post Office Department with general complaints. If any Governor here has a memorandum covering his specific troubles, and will turn it over to the Secretary, the Secretary will see that they are put together and handed to the Federal Reserve Board as complaints.

Governor Seay: If it is to be a recital of specific instances, the Secretary would have to have a dozen assistants. We are in constant communication with our post office, and with the authorities at Washington, with respect to these matters in our district. We always have on our desks a pile of matter that high (indicating) of instances that are specific, and we take them up one by one, one by one. In some cases it is the fault of the railroads, because of lack of connections, failure to hold trains to meet the schedules of other trains, and so forth, and in other cases it is the fault of the handling by the Post Office Department. In several cases we have found out that the local contractor with the Post Office, the man who has the wagon that takes mail from certain trains, is guilty of neglect and delay. We take those up with our post office and they do the best we can.

In some cases the railways appear to be greatly at fault, and we always have a long list of complaints that we take up with them. I do not think it would be possible to pass this over to the Secretary, to act as a clearing house, because if the banks are having anything like our experience, they will have to take it up and thresh the matter out with the Department.

The Chairman: I do not mean for the Secretary to take up and adjust specific cases, but it does seem to me that if you could make up a list of the grievances that you have individually and they should all be put together in a list

of complaints, they could be submitted to the Federal Reserve Board and the Board would be glad to take the matter up with the Post Office Department. Not with the idea of having the Secretary or the Board adjust specific grievances, but as a general ground of complaint, supported by specific cases, of negligence or failure on the part of the Department.

Vice Governor Calkins: I move that the representative of each bank furnish the Secretary with a list of grievances, the same to be handled in accordance with the Secretary's judgment and discretion.

Governor Fancher: Just as a suggestion, would you make that apply to the current month?

Vice Governor Calkins: That is to be determined. I should say that some date should be set.

Governor Fancher: I might say that we have had pretty much the same experience as Governor Seay. We are in correspondence nearly every day with our post office in Cleveland in reference to delays in the delivery of mail, and a number of things, and it occurs to me if each of the banks would take the current month and very carefully outline the troubles that they are having with the mails, and then summarize that and file such a statement it would be helpful.

Vice Governor Calkins: I will amend that by saying that each Governor should furnish a list of grievances as of the first of May, covering incidents in the month of April.

Mr. Curtis: I might state to the Conference at this

meeting what happened at the last one. It was understood that each bank would make such a tabulation or presentation at this conference. We have a memorandum here covering some of our complaints, not all, but quite a list of them. In answer to you, Governor Wold, we find that it takes anywhere from two hours to three hours and thirty minutes for a registered letter to go from Pennsylvania Terminal Station to the Wall Street Station in New York City. That may be one reason why the incoming mail is late. I think there is also a criticism which is fairly attributable to the operation of our banks, and that is that we do not call often enough at our box at the Wall Street Station. I deduce that from this memorandum, because I have not had opportunity to talk with Mr. Hendricks about it, but I think the length of time it takes to get from the 34th Street Station to the Wall Street Station, plus, perhaps, the infrequency of our calls at our box, accounts for a good deal of the difficulty with the incoming mail. With respect to the outgoing mail, we find that mail going up state is sent by the post office over the New York Central. Everything is sent by the New York Central unless it is otherwise marked. We have made some careful tests on the other railroads to different points, and in every case, to selected points, the other railroads were very much faster in their deliveries than the New York Central. We now mark a good many of our transit letters via the D. L. & W. or whatever road it may be, in order to get them there in the shortest time. We have

a stamp that is placed upon the envelope giving the route, and we do that to keep away from the round-about route that the New York Central sometimes takes.

Governor Fancher: In connection with this mail matter, in the report of the Committee on Time Schedules and Domestic exchanges, we make recommendation as to mail tests which may have some bearing on the point under discussion.

Vice Governor Treman: There is a motion before the house.

The Chairman: I understand that Governor Calkins moves that the banks report to the Secretary their causes for complaint during the month of April, and that he will take the matter up with the Federal Reserve Board at his discretion. Is there any further discussion?

(There was no further discussion, and the motion, being duly seconded, was carried.)

Mr. Curtis: Anyone who finds mail going into New York delayed more than mail coming out from New York, I wish they would give us some specific illustration so that we can run it down and find the cause of it.

The Chairman: Gentlemen, Mr. Delano will probably be in later and we will pass, with your permission, the topics in which I think he will be especially interested. We will pass Topic (f) under 5.

Vice Governor Calkins: My opinion is, Mr. Chairman, that there is no occasion to discuss that at this time. That matter is covered by the amendment now before Congress, and it is perhaps not desirable to consider that at the moment.

The Chairman: Would you like to have Item (f) taken from the program?

Vice Governor Calkins: With your approval, I think that would be proper.

The Chairman: Mr. Calkins moves that Topic 5-(f), issue to member banks of demand certificates of deposit payable in gold, be passed and taken from the program.

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

The Chairman: The next is 6, Committee reports.

6-(a) Committee on resolutions to govern the attendance at Conferences.

Governor Wold: Mr. Chairman, if you will pass that for the moment, I would like to have Mr. McCord, the other member of that committee, see what has been prepared.

The Chairman: That will be passed for the moment.

6-(b) Committee on allotment of investments.

Governor Seay: I will say that up to the time I left home the information necessary to compile that schedule had not been received. I left things in such condition that if the information were received in time it would be worked out and sent to us here. I will ask that that be passed for the moment.

The Chairman: Governor Seay, that distribution is made on the same basis as the last one, as I understand it.

Governor Seay: Yes sir.

The Chairman: It is simply a matter of tabulation and of figuring the percentages?

Governor Seay: Yes. If it is not received in time

to be worked out for delivery to you at this meeting it will be forwarded to each bank.

The Chairman: As a matter of record, could it not be recited that you made a verbal report, and that the percentages of allotments will be forwarded to the banks in due course?

Governor Van Zandt: I will make such a motion, Mr. Chairman.

The Chairman: Is there any discussion of the motion?

(There was no discussion and the motion, being duly seconded, was carried.)

6-(c) Committee on disposition of Government bonds.

Governor Rhoads, will you report for that committee?

Governor Rhoads: Your Committee on Government Bonds respectfully reports that since the last Conference the Committee prepared and sent to all Federal reserve banks a uniform circular to be sent to member banks calling attention to the provisions of Section 18 of the Federal Reserve Act, and to the amount of United States two per cent bonds which the Federal Reserve Board had announced it would require the Federal reserve banks to purchase during the year 1917. This circular stated inter alia that Federal Reserve Banks would feel free to buy after March 1, 1917, in the open market United States two per cent bonds, if by that time the offerings from member banks under Section 18 of the Reserve Act did not amount to \$15,000,000, the sum fixed by the Federal Reserve Board as the amount which they would require the

Federal reserve banks to buy in 1917.

On or about March 1, 1917, your Committee communicated with all the Federal reserve banks and ascertained that none of them wished the Committee to buy any United States two per cent bonds for them in the open market and the Committee has therefore taken no action toward purchasing bonds for Federal reserve banks. Your Committee will be glad of instructions from the Conference as to whether its powers to purchase bonds for the reserve banks are to be continued throughout the year.

Early in January your Committee communicated with all the Federal reserve banks and ascertained that the reserve banks wished to sell about \$7,500,000 United States thirty-year conversion 3's. Your committee therefore invited bids from a number of firms and institutions, which bids were opened on January 24, 1917, and resulted in the sale of all of the bonds then offered at prices ranging from 101.55 to 101.75 and interest. The details of this have all been reported to each one of the Federal reserve banks by the Secretary.

Your Committee proposes, subject to the approval of the Conference, to endeavor to dispose of United States three per cent conversion bonds which will be received as of April 1, 1917, for such Federal reserve banks as wish to sell, and has asked each Federal reserve bank to state how many bonds it will have for sale and the conditions which they are willing to accept.

The Chairman: You have heard the committee's report.

What action does the Conference desire to take?

Governor Wold: I move that the report be accepted and approved, and that the committee be continued with instructions to act in case we wish to buy at a later time.

The Chairman: That they continue with the powers already vested in them?

Governor Wold: Yes.

The Chairman: You have heard Governor Wold's motion, that the report of the Committee be accepted and that the committee be authorized to continue with the powers already vested in them. Is there any discussion?

(There was no discussion and the motion, being duly seconded, was carried.)

Mr. Curtiss: There is a schedule attached to the report which brings up the question of the price at which the committee will sell these April 3's.

Governor Rhoads: There is a schedule here and reports from all the Federal reserve banks of the amount of bonds which they will wish to sell. In some cases they have intimated that they would limit the price. In view of conditions it is the opinion of, I take it, all of the committee, that it might be difficult to secure anything over par, if that. Of course we would not propose to sell below par, but we will invite bids to be opened about the 15th of April, and we wish to close with those bids at the best prices obtainable.

The Chairman: Would you like an expression from the various governors here as to prices for which they will sell

those bonds?

Governor Rhoads: Yes. The committee desires a great deal of light on that.

The Chairman: For the assistance of the Committee I will ask the Governors of the different banks, in turn, to state the basis on which they would like to dispose of their bonds, if they are willing to dispose of them.

Beginning with the Boston Bank, I would say that we would like to sell \$529,000 of bonds, all we have, at par or better.

Governor Treman, what do you say?

Vice Governor Treman: The same, par or better.

Governor Rhoads: The same, all of our bonds at par or better.

Governor Fancher: I have not discussed the matter with our Board, but it would be my recommendation to the Board that we sell at par or better. We have \$400,000 worth.

The Chairman: Will you await definite advice from the banks that are unable to give the information now, as to the price at which they will sell?

Governor Rhoads: Yes. We propose, unless there is objection, to invite bids, and we merely want to be in a position to discuss the bids.

The Chairman: Governor Fancher, I understand that you will take up the matter with your board and report later?

Governor Fancher: Yes. I will recommend to the Board that we sell at par or better the \$400,000 that we have.

The Chairman: Governor Seay?

Governor Seay: The Richmond bank has none to sell.

Governor McCord: We have reported that we had taken all in January and had sold all but the \$10,000 that were allotted to us later.

Governor McDougal: We have \$416,000 worth of bonds which we will be very glad to place with the committee to sell on the basis of par or better.

The Chairman: The St. Louis bank is not represented.

Governor Wold: We have \$111,000 worth of bonds that we will be very glad to have the committee sell at par or better.

The Chairman: Kansas City is not represented.

Governor Van Zandt: We have \$1,213,600 worth of bonds that we will be very glad to sell at par or better.

Vice Governor Calkins: We have none, having converted all that we got on the first of January and sold them.

Governor Van Zandt: In explanation I might say that this was not the April 1st allotment, because we have no allotment for that time. All of our conversions were made prior to that.

The Chairman: We will now return to sub-topic (a).

(a) Committee on resolutions to govern the attendance at Conferences.

Governor Wold: Mr. Curtis has the report.

Mr. Curtis: I might preface this by saying that the first half of it was paraphrased on what was resolved at the Minneapolis Conference in 1915.

Resolved, that the attendance at meetings of the govern-

ors 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.

The Chairman: Is that motion offered as the report of the committee?

Governor Wold: It is.

Vice Governor Treman: I second it.

The Chairman: Is there any further discussion?

(There was no further discussion and the motion, being duly seconded, was carried.)

- (d) Committee on reserve banks acting as fiscal agents for the Government.

The Chairman: That topic will be deferred until tomorrow.

- (e) Committee on use of postmasters for collecting non-member bank items.

Governor Rhoads: The Committee has no progress to report. Governor Harding said in New York the other day that the matter was in abeyance, but expressed the personal view

that he was doubtful whether the Postmaster would revive that order. I think the Conference should take some action as to whether the committee should be continued or not.

The Chairman: You have heard Governor Rhoads verbal report. What action do you desire to take?

Governor Wold: I move that the report be accepted and the committee be continued.

The Chairman: Is there any further discussion?

(There was no discussion and the motion, being duly seconded, was carried.)

Governor Van Zandt: Mr. Chairman, that does away with Topic 7-(c), reinstatement of the Postmaster's order.

The Chairman: Yes. Have you anything to add to Governor Rhoads' report, Governor Van Zandt?

Governor Van Zandt: Nothing except that I would like to say we feel, from our experience in our district, that collection by express will have no beneficial effect. The member banks, realizing that we are paying the express company more than we would be paying them, will just stand off and laugh up their sleeves and would be glad to lose money if they saw that we were losing something. We believe if we could get the post office order reinstated we could collect from every bank in the district inside of thirty days, without having to report to the use of the post office more than two or three times at any one point.

Vice Governor Calkins: The experience in the Twelfth District does not support Governor Van Zandt's view. I believe that the banks that have refused to remit at par will

drop one by one with reasonable rapidity.

Governor Van Zandt: I understand that you are using the express companies?

Vice Governor Calkins: Yes, and have been ever since the system was inaugurated. There is hardly any considerable number left.

Governor Van Zandt: There are quite a number of banks in our district that cannot be reached by the express companies.

Vice Governor Calkins: That, of course, is a difficulty that is hard to overcome.

The Chairman: It seems to me it would be a good plan to try out the express companies and let that comparatively inconsiderable number of banks that cannot be reached -- and they are in all cases small and insignificant banks -- await developments.

Governor McCord: May I ask this question: Do you find that the express companies are willing to cooperate with you?

Vice Governor Calkins: Yes, fairly well, now. They were somewhat late, but they are giving pretty good service now.

The Chairman: Gentlemen, is there any further discussion of topics 6-(e) and 7-(e)?

Governor Van Zandt: For our information I would like to know whether the banks that have been collecting by express have had any special contracts with the express companies, or use any special forms, or do they use just the

regular old form in handling that matter?

Governor Wold: They have special instructions, Mr.

Van Zandt: The rate is governed by the rules of the Interstate Commerce Commission, as I understand it. We have had considerable experience although unsatisfactory in clearing checks by express companies on certain points.

Governor McCord: It can be done cheaper than by paying exchange to the member banks?

What is the practice with respect to instructions to protest?

Governor Wold: You do not have to protest a bill of exchange when a negotiable instrument law is in force. X

Governor McCord: But that is not in force in Georgia.

Vice Governor Calkins: I might say in regard to that that the express company refuses positively to take items with instructions to hand them to a notary. We have overcome that to a great extent by instructing them to hand the items to named persons, who are notaries.

Governor McCord: Do you get the cooperation of the notary?

Vice Governor Calkins: Yes, even where the notary was the cashier in the bank from which we had them withdrawn. That has happened several times.

Mr. Curtis: He is a public officer.

Vice Governor Calkins: Yes. One of them undertook to refuse to protest a check on his own bank, and we called him down in short order. We sent the check to that bank and protested it.

Governor Rhoads: Might I suggest that it would be helpful to some of us if the banks who have had to make use of express companies would prepare a brief report and send it around to the rest of us, as to the methods used and the experience.

The Chairman: Governor Rhoads moves that the banks that have used express companies for the collection of checks be requested to write a brief statement of their methods and experience and send it to the other banks for their information. Is there any discussion of that?

(There was no discussion and the motion, being duly seconded, was carried.)

6-(f) Committee on Uniform reports of reserves and enforcement of reserve penalties.

The Chairman: Governor McDougal, will you report on that?

Governor McDougal: This committee was appointed by the Eighth Conference of Governors. It finished its work and made a report to the Ninth Conference of Governors, which was accepted. I believe the Committee has no further duties to perform.

The Chairman: I understand that you have no report to make?

Governor McDougal: A report has been made and has been accepted by this Conference.

Governor McCord: I relied on this report by Governor McDougal. I had two cases that refused to furnish us re-

ports, and I want to see what experience the other governors have had. There are two banks in Louisiana that say we have no legal authority to demand of them a fifteen day report of their reserves, and they absolutely decline to give it.

The Chairman: Is not that a matter to be taken up through the Comptroller, through the bank examiners?

Governor McCord: I want to know what the others say about it, so that we might get together on it.

Governor Seay: Have you had occasion to penalize them yet?

Governor McCord: I cannot tell, because I cannot get the reserves.

Governor Van Zandt: We have two banks who have taken exactly the same position. I took the matter up with the examiner, and he refused to handle it because he said it was out of his power. I then took it to the Comptroller of the Currency, who wrote to the Board of Directors of each bank, and they very promptly came across and said that they would be very glad to send it to us from that time on.

The Chairman: It seems to me that suggests a way of dealing with the situation as it arises.

Governor McCord: But you see, Mr. Chairman, I got the information by asking the question.

Governor Seay: I can say that we have encountered a few cases. We take the deposits on the last report that comes to us and we assume that that is the reserve of the bank. We go ahead and assess penalties on that basis. We

then receive a communication from the bank saying that the penalty has not been assessed according to the facts. We then call their attention to the fact that they have failed to give us the facts and we must act according to the information before us. Then again we have resorted to the scheme of writing the president of the bank, when his under official does not discharge his duties, and in some cases that has brought a response.

Governor Fancher: That has proved to be our experience. We have applied it to all the banks. We have based penalties upon the previous reports filed with us, and I think we have cleared the entire situation up in the last few months.

Commissioner McCord: I wish to say that the examiner in my district tells me that he will furnish me with the names of such institutions as decline to make reports, when he makes his semi-annual examinations; that he will check them up and see whether the reserve has been kept with us or not, and report so that penalty may be assessed.

The Chairman: The committee seems to have performed their duty and they have nothing more to do. I suggest, in order to clear the program, that the committee be discharged.

Vice Governor Calkins: I so move, Mr. Chairman.

Governor McCord: I second it.

The Chairman: It is moved and seconded that the committee be discharged. Is there any discussion?

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

6-(g) Committee on regulations governing real estate loans. ~~+~~

The Chairman: Governor Fancher, we will hear from you.

Governor Fancher: At the last conference under Topic 18, I submitted a memorandum with reference to the Board preparing more specific regulations relative to loans on farm lands, and I cited a number of inquiries we had received from our member banks and from various sources. By resolution I was directed to submit that memorandum to the Board, which I did while I was in Washington. It was submitted to Mr. Warburg who, in turn, submitted it to Mr. Elliott. Mr. Elliott prepared answers to the questions and I transmitted to each Governor a copy of Mr. Elliott's communication as well as Mr. Warburg's letter.

Governor Wold: Has not the Comptroller of the Currency prepared a certain form that must be used in the making of real estate loans, which goes into the question in rather extended detail, stating what has to be done in order to meet the provisions of the Federal Reserve Act. I presume all of you have seen the questionnaire which must accompany or must be attached to real estate mortgages.

The Chairman: Gentlemen, you have heard Governor Fancher's report with regard to regulations governing real estate loans. You have all been furnished with a copy of the memorandum prepared. What action does the Confer-

ence desire to take on this report?

Governor Seay: I move that the report be received and that the committee be discharged.

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

The Chairman: We will skip (h) and take up (i).

- 6--(i) Committee to confer with the Federal Reserve Board with respect to the weekly condensed statement of Federal reserve banks.

Governor Fancher: I have not a formal report to submit on that matter. Governor Seay and myself constitute that committee. We have been in correspondence with the Board on that matter, and before leaving Washington at the last Conference we mentioned the matter to Mr. Warburg with reference to having the banks render their weekly reports as of the close of business Thursday, giving us time to get information from the banks nearby and prepare the report and mail it. He raised some objection to that and stated that the New York banks publish a weekly statement as to conditions as of Friday night; that that was true in some of the other cities and he felt it desirable that the report of the Federal reserve banks should be made on the same day.

Then, when I was in Washington in February, I submitted to Mr. Jacobson, of the Statistical Department a condensed memorandum prepared in our bank, which gave the items that appeared in the condensed statements of the twelve banks, suggesting that the banks wire those eight or ten different headings, and that the full report follow by mail. I submitted that to Mr. Jacobsen in the morning and asked

him to look at it during the day. I went back later in the afternoon and found out that in some minor particulars our statement did not cover just the information desired, but it only differed in minor particulars. He agreed to recommend to the Board that the banks continue to wire a report as usual, but that for a period of four to six weeks each bank prepare and mail in this condensed report so that he might be able to check up the condensed statements and see if each bank was preparing it properly. If it was found that it was working out along those lines, when there might be a recommendation that the condensed report be wired. On my return, after four weeks' absence from the bank, I was very much surprised to find that no communication had been received along those lines. I have not been in touch with Mr. Jacobsen since, and therefore no progress has been made, Mr. Chairman.

The Chairman: I might suggest that this report be received and that the committee be continued.

Governor Wold: I so move, Mr. Chairman.

Governor Fancher: I might ask if Governor Seay has anything to add to that statement.

Governor Seay: I have nothing, Mr. Chairman. I think the statistical department of the Board will be glad to cooperate if they were assured that they would get all the information they need for compilation. There is a diversity in the ways of keeping books among the reserve banks now, and that makes the department hesitate to adopt anything but a complete form. After they get the complete

form they, themselves, can make the abridgement, but if they were to adopt an abridged form they fear it might not be compiled in the way they desire to have it. Therefore they are disposed to make the test that Governor Fancher has mentioned, and I think we will make progress towards getting the abridged form.

Vice Governor Treman: You are approaching it from the standpoint of the statement to the Federal Reserve Board. Governor Strong wrote me in December or January and raised the question of the form of statement that the New York Bank is furnishing to the press each week. He suggested some changes, and if it is agreeable to the committee I would like to turn over to them a copy of this correspondence containing the suggestions, for consideration. It seems to me there is merit in his contention that we ought to put our statement out to the press in a form in which it will be intelligible and as clear as possible. I do not claim that it is the best arrangement, but I think if the committee would take it into consideration it might possibly make some recommendation as to the general basis of the statement to be furnished to the press by the twelve banks.

The Chairman: You have heard Vice Governor Treman's suggestion that the functions of this committee be broadened so that it will also consider the matter of the form of statement to be given to the press by the Federal Reserve Banks as well as that given to the Federal Reserve Board.

Governor Treman, do you put that in the form of a motion and ask that the committee be continued?

Vice Governor Treman: Yes sir, Mr. Chairman.

Vice Governor Calkins: We have been making an effort to reconcile the statement given to the Board with the statement given to the press and the statement given to our own directors, and we find it is a very difficult task. The requirements of the Board are such that their figures cannot be used in an abbreviated statement.

Governor Rhoads: I will second Mr. Treman's motion.

Governor Seay: There is one item in the statement published by the Board which is not understood by the public, although those who understand it ^{to} it is perfectly plain. They use the term "Gold Settlement Fund" in the public statement. I cannot see any real use for that term. It is not understood and it is a subject that requires explanation. While the explanation is perfectly satisfactory, it is not carried in the mind, and I am sure it is not understood that that is gold on hand in the federal reserve banks. There is no necessity for publishing it in that way, and I wish to throw that suggestion out for the consideration of the committee.

Vice Governor Calkins: I would like to suggest that if that is changed the words "Gold Settlement Fund" should be continued. The gold settlement fund is an important thing and the quicker the public can be educated in regard to it the better. "Gold deposited in the gold settlement fund", or something similar to that.

Governor Seay: So far as the public is concerned it does not occur to me that there is any advantage in it. If it is a fund in the possession of the banks it seems to me that is sufficient. Still there are two sides to the question.

Governor Van Zandt: I am very much of the opinion expressed by Governor Seay, that if we were just to have it say "Gold certificates", or "Gold reserve", that it would be very much clearer to the reader.

The Chairman: You have heard Governor Treman's motion that the committee be continued and that they also take under consideration the matter of the form of statement made to the press by the Federal Reserve banks, with the idea of securing uniformity of practice. Is there any further discussion.

(There was no further discussion and the motion, being duly seconded, was carried.)

The Chairman: The next topic is

6-(j) Committee to Confer with officers of the A. B. A. with regard to placing district numbers on checks.

Governor Fancher: I have a memorandum on that, Mr. Chairman, to submit as the report of myself and Mr. Treman, constituting that committee.

Your committee appointed at the last conference to confer with officers of the American Bankers Association in regard to placing Federal District numbers on checks, beg to report as follows:-

On January 24th, a conference was had with Mr. Frederick

E. Farnsworth, General Secretary of the American Bankers Association and Mr. Jerome Thralls, Secretary of the Clearing House Section and the National Bank Section of The American Bankers Association. Both gentlemen expressed their willingness to cooperate in every way with the Federal Reserve Banks in this matter. Mr. Thralls had already prepared an article for publication in the February number of the A. B. A. Journal in reference to district numbers on checks (page 666) as follows:

NUMBERS FACILITATE SORTING AND CUT COST.

"It cost forty cents per thousand dollars to sort and classify national bank notes in the redemption department of the Treasury at Washington. What does it cost to sort, classify and route checks in the transit departments of banks? Whatever the cost, it can be materially reduced by the application of modern methods. The numerical system and the no-protest symbol plan are valuable agencies and are being used to great advantage by thousands of banks. If you have not adopted these two labor-saving ideas the Secretary of the Clearing House Section will be glad to furnish you with full information regarding their value and use."

"Now that the boundaries of the Federal Reserve districts seem to be fairly definitely fixed, banks can greatly facilitate the sorting and handling of checks and drafts by having printed across the middle thereof, in large hair-line type, the number of their respective Federal Reserve Districts."

The Chairman: You have heard Governor Fancher's report. What action does the Conference desire to take?

Governor Seay: I move that it be received with thanks.

Mr. Curtis: This is one of the topics that the Reserve Board seems to feel is important.

Governor Rhoads: What will be the effect of the district number when you have a branch?

Vice Governor Calkins: It will be necessary to designate the branch by some additional symbol, such as a "A" or "B", the initial of the city, or something of that kind.

Governor McCord: In the Atlanta district, which has the only branch, should the system of numbers go into effect, ^{we} would request the New Orleans branch to put the letter "B" on the check. "A" would be the home office and "B" would be the branch.

Governor Wold: But suppose you had two branches.

Governor McCord: You will never have but one, gentlemen.

The Chairman: The Secretary suggests that it might be desirable for the Federal reserve banks to write their member banks urging the matter of having district numbers placed on their checks, and continue the effort to have that done.

Governor Fancher: I would like to say that we have circularized our banks two or three times at different times, calling their attention to the matter, and I think

we are making steady progress. We find some of the checks have district numbers on them. In a matter of this kind you have just got to keep hammering away at them all the time.

Governor McCord: I might say that our idea has been to get hold of the stationers who furnish the stationery and get them to urge it. These people in the interior do not want to pay the expense of the hair line.

The Chairman: That is just what we have done. We have taken that up with one of the largest stationery manufacturers in our district. We have discussed it with them many times, and they are doing all they can to get the banks to have the numbers put on.

Governor Seay: I might report that a long time ago we took it up with the important stationers in our district and I think they are cooperating with us. As Governor Fancher says, it is a thing that you must keep hammering on. A flare of interest will come, and then it will die out. There is only one way to do it and that is to continually hammer at them. It may be desirable that we should communicate again with our member banks.

Governor Fancher: I was quite hopeful, when I conferred with the officers of the A. B. A., that their transit number committee was still in existence. That committee had in charge for five or six years, under the clearing house section, the matter of getting the transfer numbers on checks. They did splendid work. They kept steadily at it; they enlisted the support of the stationers, and it

resulted, as we know, in a great volume of checks having the transit numbers placed on them. However, I found that that committee was not in existence, and that the matter of following that up was left with the Secretary of that section, Mr. Thralls having it in charge.

Governor Seay: It is just as important to have the non-member banks use the district numbers as it is to have the member banks use them. The non-member banks are the recalcitrant ones. They do not seem to be concerned in the matter very much.

The Chairman: You have heard the report of the committee and the motion that the report be received and the committee discharged with thanks.

Governor Seay: I would further move, Mr. Chairman, that each Governor be requested to give the matter a position of importance in his own district.

Vice Governor Seay: Why not ask the Secretary to request each bank to circularize its members again and to also take up the matter with the manufacturing stationers in each district.

Governor Seay: I will accept that amendment.

The Chairman: As I understand the motion now it is that the report of the committee be received with thanks, that the committee be discharged, and the secretary be asked to communicate with each Federal reserve bank asking them to circularize their member banks requesting them to have the District number placed upon their checks, and that they also take the matter up with the manufacturing stationers in their

districts. Is there any further discussion?

(There was no further discussion and the motion, being duly seconded, was carried.)

The Chairman: The next topic is (k).

6-(k) Committee to consider establishment of collection departments by Federal reserve banks.

Governor Fancher: Mr. Chairman, your committee has prepared the following report.

COLLECTION DEPARTMENT.

The matter of opening a collection department in all of the Federal reserve banks is getting to be more pressing each day and we should prepare to inaugurate this service not later than the 15th of April or the 1st of May.

This will necessitate the employment of a considerable force of messengers and clerks to handle the items that may be received, and we should aim to make this as prompt and efficient as is possible. There is no one department of the bank that causes more trouble than the collection department and I must say that there are very few banks that have their collection departments upon an efficient basis.

CHARGES:

It is the custom for banks in the large cities to collect all items upon their city without charge to their customers and it seems to me that we should follow the custom as closely as possible and make no charge on such items. Items drawn on places outside of the Federal reserve cities, we should either make a service charge for handling in the

same manner as we do in the transit department or make a fixed charge of 10 cents per item plus any exchange that may be paid to the bank making the collection. As to the exchange charge which we will permit the collecting bank to impose, until it is demonstrated that they will attempt to make an unfair charge, it would seem to be the part of wisdom to permit them to make their own charge rather than to attempt to force or even suggest a uniform charge.

The collection items sent out by the usual commercial bank are so varied in nature and require such different handling, causing some to be expensive and some to be inexpensive, that any uniform charge would not be just in many cases. The collecting bank is the best one to decide upon the charge. We should not receive local collection items from the local clearing house banks, although we should finally aim to handle all the items in circulation.

SEND DIRECT:

Items drawn upon places situated in other districts, I feel, should be sent direct to the places of payment and not through another Federal reserve bank. Naturally, if there is a member bank situated in the town upon which the item is drawn, it should be sent to the member bank in preference to the nonmember bank, but if there is no member bank, it must of necessity be sent to the nonmember bank.

REMITTING:

The privilege should be extended collecting bank to either remit to the Federal reserve bank of its district if

it so chooses or if it is more convenient, to remit direct to the Federal reserve bank sending the item out, provided it can give that Federal reserve bank local exchange. This might cause many items to be remitted direct to the Federal reserve bank of another district, but it would entail less work than the handling of the collection item in the first instance.

COUPONS:

It being the custom at the present time to make a charge for the collection of coupons payable outside of the city, it would seem proper for the Federal reserve bank to impose a charge for the collection of coupons that are payable outside of the Federal reserve city, and because of the fact that these are to be sent by registered mail and insured, and because of the income tax, very careful records will have to be kept, which will entail considerable expense.

FORMS:

The forms submitted by Cleveland have a good many fine points and we should work up certain forms that can be filed in a card index file and which will include the outgoing letter, the debit and credit clips and the letter to return the item in case it is not paid. These should be filed in a card index file, the credit ticket under the name of the bank from whom the item was received, and the debit ticket under the name of the bank to whom the item was sent. The credit ticket should carry the advice of payment which can be

separated and forwarded when the credit is made and the debit ticket should carry the return letter sheet which can be taken off when the item is returned. By this process, it will be a simple matter to keep track of the collection items, as there will be nothing in the files except open items and at a moment's notice, it is possible to know exactly how many items have been sent to a specified bank or how many have been received from that bank.

It will be also possible, by this process, to make a proof each day of the outstanding items, which is a very essential feature, and the amount of the outstanding collection items should be covered by a controlling account on the general ledger.

UNIFORM METHODS:

It would seem to be essential that the scheme of handling these collection items be absolutely uniform through the system, and any forms adopted by the committee should be accepted and used by all of the Federal reserve banks and all of these forms should be of some distinctive color or printing, so that the minute the advices are received, they are recognized as collection items, and by the use of these distinctive colors or printing it will avoid mistaking them for cash and collection items.

E. R. Fancher

C. F. Rhoads

L. H. Hendricks

Committee.

I might say that I received by mail some forms which Mr. Hendricks has prepared and which came with the memorandum. I have not had time to study them, nor has Mr. Rhoads had time to look at them.

Vice Governor Calkins: It occurs to me that if this report is adopted the committee should be requested to prepare any suggested forms, and that the requirement to be adopted by the Federal Reserve Banks should be iron clad. We have too much ununiformity now. We do not need any more.

Governor McDougal: I think it would be a mistake, after hearing that report read, and realizing the complications and responsibilities of the collection system, for us to undertake to settle this matter definitely today. I would recommend that the committee be continued; that they formulate their views and present them to the Federal reserve banks, and that the matter be then considered at the next conference.

Governor Seay: With prepared forms? Would you have them submit the forms also?

Governor McDougal: I would like to have them work out their plan and submit it.

Governor Wold: For suggestions?

Governor McDougal: Yes.

Vice Governor Calkins: I think it is essential that some general approval or disapproval of the plan be made at this time. The matter is too imminent to be put off until the next Conference, for indefinite consideration at that

time.

Governor Fancher: I might say for the committee, Mr. Chairman, that we would like your approval or disapproval of the essentials of the memorandum here, and then let the matter of working out the details be put up to some of the men who are on the committee, or to a committee composed of some of the junior officers of the banks.

Governor McDougal: As I understand it, this plan requires that the records are to be kept on a card system? Is that the idea? A card is to be kept of each calculation?

Governor Fancher: Yes. Here (indicating) are the forms. The memorandum is prepared by Mr. Hendricks and it deals with the use of these forms. It might be well to have them read or to have them referred to a committee having it in charge. I judge Mr. Hendricks and Mr. Sailor, of the New York bank have given the forms submitted a careful study and from those forms have worked this idea out. I submitted to Mr. Hendricks the forms from two Cleveland banks, and I think he got forms from other cities. Did you not furnish him some, Governor Rhoads?

Governor Rhoads: Yes.

Governor Fancher: I think after a consideration of the different forms these forms have been prepared by the New York Bank and are forms which Mr. Hendricks believed would cover the situation.

The Chairman: Speaking for the Boston Bank, I should not be willing to bind the bank to any plan of operation with-

out having had an opportunity to submit the general plan, and the forms which would be used, to the operating officers of the bank, that is, some of the junior officers. My feeling is it would be well to have this committee put their report in concrete form, have the proposed forms prepared and send the reports with the forms to each one of the Federal Reserve Banks for criticism or suggestion.

Governor Fancher: May not we get an expression from the Governors on the general scheme outlined?

Vice Governor Calkins: That is my suggestion exactly: that at this time some expression of approval or disapproval of the plan of establishing the collection system should be offered.

Governor Rhoads: Just along the line of what has been stated, we ought to settle the principle whether the Federal reserve banks are to handle for collection time items on a charge basis or not. We know it costs somewhere between ten and twelve cents an item to handle the items. Theoretically the Federal reserve banks ought not to do business without making a charge for it, but the moment you establish a charge you prevent a great deal of business coming to you. That is the dilemma that I think confronts us, on principle. Take a specific case. If a bank in a Federal reserve city handles a collection item it will have to go to the same expense then as they do now, and we will also have the expense. We are increasing the expense and saving nothing for them. Whereas our check collection system is at such a rate that it is cheaper than they could do

under the old method. We haven't that advantage in the time items. I think that really is a principle that has to be settled.

Governor McDougal: I was just coming to the matter of the charge to be made for handling such items. It is something that we should consider very carefully, even to the extent of reconsidering the committee recommendation that we handle all items on our own cities without charge. We can hardly afford to indulge in anything of this sort on any basis, it seems to me, less than the actual cost of handling. If the committee is going to be instructed to go ahead and put their report in print and submit it to the twelve banks, I think that will be a pretty good way of reconciling the matter.

Governor Fancher: It seems to me there are three or four things that are vital here in any collection plan prepared. Can we here, at this meeting, determine upon the essentials of a plan? If we can agree upon the essentials than it is a matter of working out the details, it seems to me.

Governor McCord: Speaking for my district, the Atlanta Clearing House Association claims that we have no right to enter the collection business; that we are simply their representative, using their capital and their reserves, and that we should not branch out into that commercial line, but should leave it entirely to them.

The Chairman: You mean we have no moral right.

Governor McCord: Yes, no moral right.

The Chairman: There is no question about our legal right.

Governor McCord: I meant no moral right. If we do collect on our own cities the charges should be uniform with those established by the clearing house associations of our cities, because otherwise there would be continual trouble between the two.

Governor Fancher: May I inquire, Governor McCord, if the regulations of the Clearing House Association of Atlanta apply to collection items?

Governor McCord: Yes, as well as to checks.

Vice Governor Tremar: For the sake of progress, I move that the report of the Committee be received; that the committee be continued and that they be requested to send a copy of their 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.

Vice Governor Calkins: It seems to me that we are circling around and not really touching the subject that is vital. The question is whether it is proper for the Federal reserve banks to perform services for the member banks without charge. My own view is that the second, third, fourth-- or perhaps something else--- duty of the Federal reserve banks is to perform services for the member banks without cost, if necessary, and this question of cost should be settled before the committee goes any further with its delibera-

tions. It is a vital question and I think it would be decidedly unwise to assume that a collection system could be put into operation with charge or without charge without discussing the subject.

Governor Fancher: It seems to me there are four or five things which are fundamental here in this matter. If we could get an expression from the Governors it would be very helpful to the committee. One question is whether we should render the service of collecting items payable on the Federal reserve cities free of cost to other federal reserve banks or member banks---

Governor Rhoads: Could we get a vote?

The Chairman: There is a motion before the house made by Vice Governor Treman.

Governor Seay: I will second Vice Governor Treman's motion. I believe, speaking to that motion, that there is one important fundamental question that we should agree upon, and that is as to whether there should or should not be a charge for this service. That is the question that this committee could not settle in and of itself, and which, after communications are received from the other Federal reserve banks will have to be determined in conference. I think probably we might be able to settle it now. Governor Rhoads has said he believes that the Federal reserve banks should charge for services rendered. While I think that is good principle I think we should render every service possible and absorb the cost of that service wherever possible. It is a very difficult matter to explain to the member banks,

now that we are seeking to bring them into a universal par collection system, that there is any consistency in our charging them for services when we expect them to render what they look upon as a service without any charge on their part. That brings us into an apparently inconsistent relation with our member banks which is very difficult to explain away. I would like to see this done without any charge other than some reasonable service charge--- even the charge of collecting checks. I know it is more expensive, but there would not be, I suppose, five per cent in number of items in the collection business in proportion with the checks which we collect. I would like to see the banks do that. I know we must do it. There is no way to avoid it. We will be obliged to offer these facilities to our member banks, and it is to our interest to do it. I cannot see how we can consistently impose any charge which would bear any relation with the exchange charge of that character. We talk about ten cents an item. That is what they want on checks--- ten cents an item, irrespective of the amount, perhaps, in many cases. It give them a little handle to deal with us, and it seems to me to rather retard the development of the check collection system.

Governor Van Zandt: To get the Conference on record in this matter of charges I move that we lay Mr. Treman's motion on the table for a few minutes and take up Mr. Calkins' motion.

Vice Governor Calkins: I move an amendment---

The Chairman: Governor Van Zandt moves that Vice

Governor Treman's motion be laid on the table. I think a motion of that kind takes precedence. Is that motion seconded?

Governor Seay: You mean until this is disposed of, Governor Van Zandt?

Governor Van Zandt: Yes, just for a few moments.

Governor Wold: I will second it.

The Chairman: It is moved that Governor Seay's motion be temporarily tabled. Is there any further discussion?

(There was no discussion, and the motion, being duly seconded, was carried.)

The Chairman: Now, Mr. Calkins?

Vice Governor Calkins: The motion I wish to offer is in order to get the matter before the Conference for discussion. It is not necessarily my view, although it approximates it.

The Chairman: May I interrupt. There is a committee report before the Conference at the present time which we might dispose of in one way or another.

Vice Governor Calkins: I thought it had been disposed of.

Governor Seay: Governor Treman's motion disposed of it, but that motion has been tabled.

Vice Governor Calkins: In my opinion it was not necessary to table Mr. Treman's motion.

The Chairman: I understand that Governor Treman's first motion was that the report of this committee be received.

Is that motion seconded?

Governor Seay: I will second it.

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

The Chairman: Now, what is the next motion.

Vice Governor Calkins: That this conference approves the principle, of the inauguration of a collection system, of conducting that system without charge to the member banks for the handling of items.

(The motion was seconded.)

Governor Fancher: It seems to me if we undertake an operation of that sort that we are going to have flooded in upon the Federal reserve banks all sorts of little no protest drafts that are simply duns. Every banker here that has had any experience in a commercial bank knows that is an element in the collection system that always has to be fought against. I can recall very well several lists of collections where there wouldn't be fifteen per cent of the drafts paid, at certain times of the month. There would be a flood of items brought in which would be duns, sight drafts, no protest drafts, and things of that kind, simply duns on past due accounts. The notarial work involved labor and expense. It was very difficult to get the cost out of it. In those cases we adopted the general policy of charging so much an item whether it was paid or not, for putting the item through the books. I think if the Federal reserve banks throw the doors wide open and accept collections and absorb all expense there will be a great variety of items coming through and it will be a very expen-

pensive operation.

Governor McDougal: I would go further and say that there would not only be a great variety of items, but there would be a great volume, a volume sufficient, probably, to make the number of items we are handling through the cash department look pretty small. I believe that this department of our activities should be developed on the cost basis and that the expense should be borne by those banks for which the service is rendered.

The Chairman: Is there any further discussion of this?

Governor Seay: In regard to the member banks that would be likely to send the items about which Governor Fancher has spoken, is it not their practice at this time to make a charge to their depositors for handling such items, whether they are paid or not?

Governor Fancher: I doubt if very much, in the small banks.

Vice Governor Treman: I do not think it is customary, Governor Seay.

Governor Van Zandt: The clearing house cities make a charge.

Vice Governor Calkins: I did not intend my resolution to be anything except an opportunity for discussion. I approve of the suggestion of Governor McDougal. I believe it would be expedient, at least at the outset of the inauguration of this system, to charge the cost, and I think if that can be determined, it is a proper practice to adopt. But, I do not believe we should adopt the principle of

charging for every facility of the Federal reserve bank, and if the time comes when we can dispose of our present service charge I think we should do it. If a system can be adopted which will permit us to collect collection items for our member banks without charge, we should do that.

Governor Fancher: The committee has made some investigation of the matter of cost to some of the larger banks, in the centers , and it has found that the cost of handling local items, items payable in the city--- the cost of maintaining runners and the expense incident to the department, is somewhere around an average of 12 cents; that in the handling of out of town items, that pass through the collection register, where a proper record is made, the average is somewhere around ten or eleven cents, and it was on that general information that this ten cent charge was predicated. The committee felt that that was about the average charge or about the cost of putting the collection items through the books of the banks.

Governor Van Zandt: The Committee's recommendation is ten cents for the service charge?

Governor Fancher: Ten cents on items payable outside of the Federal Reserve cities.

Governor Van Zandt: What about items inside the Federal Reserve Cities?

Governor Fancher: It is suggested that that cost be absorbed for the reason that that is a service customarily rendered now by the correspondent city banks to their country customers.

The Chairman: Is there any further discussion?

Governor Rhoads: I would like to make a minority report to the effect that I am opposed to it because I think it is inconsistent.

Vice Governor Treman: Do you mean you do not approve of the service charge or you do not approve of the service charge in the city?

Governor Rhoads: I do not approve of waiving the charge on items in the Federal reserve city. Theoretically we are advocating that the banks do the business on a cost basis. That is, we are trying to educate our banks in that way and I think it is unwise to abandon that principle at this time.

The Chairman: I would like to be recorded as opposed to the theory of absorbing costs for handling these items. I think it is of great importance that the Federal Reserve banks should keep definitely before the member banks the fact that all these operations cost money; that we will do it for cost, not for profit. I do not think we want to cover up the fact that these are expensive operations. I think we ought to encourage the idea that that cost should be passed back to the customer of the bank.

Governor Fancher: May I say, in explanation of this report, that this is a memorandum prepared by Mr. Hendricks, who is a member of the committee; that the committee has not spent very much time together, and this represents more, I think, of Mr. Hendricks' ideas, than it does the joint judgment of the committee. Mr. Rhoads and myself have

exchanged letters bearing on it, but we have not gotten down together and given it any careful thought or consideration. This memorandum is a memorandum prepared by Mr. Hendricks, which we have discussed in a general sort of way.

The Chairman: I should be opposed to a plan that involved handling items either in Federal reserve cities or outside of Federal reserve cities without any charge for cost. I feel that the member banks themselves would welcome anything that might make it possible for them to make a charge to their customers for handling these items. The banks have been burdened by just what Mr. Fan her suggests; they have been used as collection agencies by their customers for overdue accounts, and I know in the Worcester Bank one concern used to deposit five or six hundred small drafts, sometimes for a dollar or two dollars, drawn upon concerns that were slow pay, and not more than ten per cent of the drafts would be paid. It costs just as much to handle those drafts as it does a draft for a thousand dollars that is paid, and that is a bona fide collection operation.

Vice Governor Treman: You would make a service charge, practically at cost, at the present time?

The Chairman: Yes; I would make a service charge at cost for handling collection items.

Vice Governor Treman: I think we ought not to start in to do it without any charge, because it is a much more expensive operation per item than the other.

(Informal discussion followed which the reporter was directed not to take.)

Vice Governor Treman: I move, as a substitute for the pending motion, that we recommend to the committee, as an expression of the Governors here, that a service charge at cost be imposed, or as near cost as can be determined.

Governor Seay: At so much per item?

Vice Governor Treman: I am willing to accept that.

Governor Seay: If you do not limit the cost the banks would not send us anything, because the cost might be prohibitory.

The Chairman: You have heard Vice Governor Treman's substitute motion for the motion of Mr. Calkins.

Vice Governor Calkins: I will accept the substitute if my second will.

Governor McDougal: Will you be willing to modify your motion by stating that the charge is to be made per item? I think it ought to be understood whether or not we agree whether the charge is to be based upon each item.

Governor Seay: In order to make that practical, wouldn't it be essential to have a maximum cost. We could not do any check collecting unless we had a certain maximum cost. We wouldn't do any collection business at all unless a maximum charge was put in, not to exceed so much per item.

Vice Governor Treman: What would you say, Governor Seay?

Governor Seay: I am willing to say ten cents. I think that was suggested by the committee--- not to exceed ten cents per item.

Governor Fancher: A service charge in addition to any exchange charge which might be collected on the items?

Governor Seay: Don't you think that would be essential? A blind charge, which might be anything, would serve to put a prohibition upon any business at all.

Governor Fancher: I agree with that.

Governor Seay: The point I had in mind was that if we establish the principle we would leave out the question of the maximum charge --

Vice Governor Calkins: But we establish the principle that there should be a service charge as near cost as possible on all items in addition to the exchange charge.

Governor Seay: With that understanding I will second the motion.

The Chairman: You have heard Vice Governor' Treman's motion.

Mr. Curtis: As the Secretary now has it, the words "not to exceed a fixed maximum" are to be added at the end.

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

The Chairman: Governor Fancher, would you like to have a formal expression from the Governors on this matter?

Governor Fancher: Yes, I would. I would like to have an expression on this paragraph,

"Items drawn upon places situated in other districts should be sent direct to the places of payment and not through another Federal reserve bank." Naturally if there is a member bank situated in the town upon which an item is drawn, it should be sent to the member bank

in preference to the non member bank, but if there is no member bank, it must of necessity be sent to the non-member bank.

Vice Governor Calkins: That does not include the suggestion that it should be sent to another Federal reserve bank if drawn on the city of the other federal reserve bank.

The Chairman: You would exercise your discretion any way.

Vice Governor Treman: For the information of the committee I move the approval of that as read.

Governor Van Zandt: I second the motion.

The Chairman: The motion is that collection items be routed direct to a member bank or the Federal reserve bank of another district, but not through a second Federal reserve bank. Is there any further discussion?

(There was no further discussion and the motion, being duly seconded, was carried.)

Governor Seay: That would presuppose a service charge on the part of the receiving bank in any event.

Governor Fancher: In that connection the committee is divided on the question whether it is consistent to suggest a schedule of charges to be imposed by the bank receiving the collection.

The Chairman: Would you like an expression of opinion on that from the Conference?

Governor Fancher: Yes, whether it is desirable that the member banks--- if the Federal Reserve Banks generally

recognize the principle that the handling of collection items involves a special service for which the bank is entitled to some charge, that they are a class of items of a different nature entirely from checks, and whether it is consistent for the Federal reserve banks to ^{suggest} a schedule of charges to the member banks to be made--- not that it can be enforced--- but a suggested schedule. That is, whether it is possible for the Federal reserve banks following this procedure, to work out some general plan of charges to be imposed for the handling of collections.

The Chairman: You have heard the inquiry. Has some one a motion to make bearing upon it?

Governor McDougal: I would move that we not undertake to regulate or interfere with the charge that the member bank is to make for the collection service.

Governor Seay: In some districts that will result in a very high charge. There is no question about that.

Governor McDougal: I think we are getting into something that we really have no control over.

The Chairman: Is there a second to Governor McDougal's motion?

Governor Van Zandt: I will second the motion. It seems to me, Mr. Chairman, in this connection, that unless there is some influence on the part of the Federal reserve banks with regard to regulating or attempting to establish some general charge for the member banks which send collections to the Federal Reserve Banks, ^{they} will not have any idea what it is going to cost.

The Chairman: But they haven't any idea now, when they send the item to their correspondent banks as to what charge is going to be made by the ultimate bank of collection.

Governor Fancher: I think that is true, but in a great many cases the collection charges are absorbed by the corresponding banks. The small banks flood their correspondents with collections, and in only a few cases is a charge made. They absorb the greater amount of the cost. When a collection is sent forward to a Federal reserve bank they will know that there is going to be a service charge of ten cents and perhaps a charge made by the collecting bank. If the collecting bank should charge one-quarter of one per cent, that charge, plus the service charge, is going to be deducted from the credit. We are not going to have our facilities used very much unless we attempt in some way to standardize the collection charges. In discussing this matter in New York the other day the suggestion was made by Mr. Sailor and Mr. Hendricks that it might be advisable to have the Federal reserve banks, prior to the establishment of this collection scheme, sound out their member banks, that is, prepare a sort of questionnaire bearing upon their policy of handling collections, whether it has been their policy to charge and what the charge has been, and what their method of handling collections has been. That an attempt should be made in that way to get some idea of the general custom prevailing in the Federal reserve districts, predicated upon which there might be some

general plan of charges suggested. Whether that is practical or not I don't know.

Vice Governor Calkins: It is not probable that the member banks will feel under any obligation to follow the previous practice in this matter. They would feel it was an opportunity of which they could take advantage unless there was some regulation or agreement upon it. Their relations with their correspondents now govern the amount of their charges.

Governor Wold: I am of the opinion that it would be impracticable to attempt to fix the charge the member banks should make for making collections. There are a great many phases to the collection system. Some drafts you can collect on presentation and some you have got to present half a dozen times. I do not believe the country banks are going to take advantage of the situation. I think they will be fair and I think we should be fair. I think they are entitled to a reasonable charge for handling items of this kind. They will resent our attempting, in the initial stages of the collection system, to dictate to them what they should have.

Governor Van Zandt: Could not we get from each of our member banks a statement as to what that bank would charge on collections that we sent it, and just have that as our record? That would be so much per item or so much per thousand, or whatever it was, and that could be put down, instead of trying to dictate to them. Then if the charge was excessive we could say that we could not make

any collection on that place unless they would make the charge more reasonable. We could handle each specific case along that line.

The Chairman: It seems to me we have got to take up with our banks, at least in the large centers, the matter of making some collection arrangements. That is the way every city bank does.

Governor Fancher: This situation might arise. We might have three member banks and one bank might be willing to underbid the others to receive the collections. Instead of going at this in a haphazard way I believe we can make these investigations in a preliminary way, inquiring of the banks what they will handle collections for, and while we may not suggest a schedule, we might arrive at what we consider a fair charge. Then if we found that an individual member bank or a state bank was exceeding that charge the matter could be taken up and adjusted.

The Chairman: Would it not be better as a basis for negotiation with our member banks instead of as a basis for a suggested preliminary schedule from the Federal reserve banks to all the member banks---

Governor Seay: That is what he meant, Mr. Chairman.

Governor Wold: A matter for the collection department to work out.

Governor Seay: It will be necessary for us to be able to advise the member bank, who wants our collections, what it will be required to have to pay. That will be the information it seems to me we should be in a position to

give. We could not use that as a club over our member banks in an effort to prescribe what they shall charge, but if they voluntarily give us the information as to what they are willing to make collections for, then we can make that the basis of the information to be furnished to our member banks.

(Informal discussion followed.)

The Chairman: In the interest of progress, we will return to the motion made by Governor McDougal.

(The motion made by Governor McDougal was thereupon read by the stenographer, as follows:)

"Governor McDougal: I move that we do not undertake to regulate or interfere with the charges to be made by member banks for handling collection items."

Governor Seay: The line which the discussion took after that was to the effect that while it would not be advisable to interfere or regulate, nevertheless it might be advisable to ascertain in advance, if possible, what their charge would be.

The Chairman: There is nothing in this motion made by Governor McDougal that would prevent the banks from doing that.

Governor McDougal: Not at all. I only feel that we are not obliged to undertake to secure that information---

Governor Seay: (Interrupting) But you would not undertake to say that you would not do it if you thought it advisable?

Governor McDougal: No, not at all.

The Chairman: If there is no further discussion of this motion I will put it.

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

The Chairman: Is there any other matter in that report, Governor Fancher, that you would like to bring up?

Governor Fancher: Yes, the question of the form of remittance by the collecting bank. This memorandum contains the following:

"The privilege should be extended collecting bank to either remit to the Federal Reserve Bank of its district if it so chooses, or if it is more convenient, to remit direct to the Federal reserve bank sending the item out, provided it can give that Federal reserve bank local exchange. This might cause many items to be remitted direct to the Federal reserve bank of another district, but it would entail less work than the handling of the collection items in the first instance."

I think Mr. Hendricks had in mind there, in the matter of local exchange, that most of the banks would send New York exchange. That would not be true in a number of the other districts, particularly where an item originated in one Federal reserve district and was payable in a remote district. The question should be decided as to the form of remittance that should be made with an item that was sent for collection to a member bank in another district.

Governor Wold: Can we control that at all? We have banks in our district that have no accounts in Minneapolis or St. Paul, or neither have they in Chicago.

Governor Seay: But they have one with the reserve bank. I refer to member banks.

The Chairman: Gentlemen, you have heard Governor Fancher's inquiry. Has anyone a motion to make bearing upon it?

Governor Seay: I would not regard that as a binding resolution upon reserve banks. I think it is well enough to leave it in there, but I think it is something that each reserve bank could very well undertake to do for itself, and would have to do for itself according to the conditions in its district.

Governor Wold: If I may be permitted to interject something right here, I have the point in my mind that there should be rules and regulations drawn governing our relations with depositing banks, the same as we have for checks, as to agency. We will have a good many flour drafts and grain drafts, and we will have to take uncertified checks for them. We will have to take collections upon interior points where there are not anything but state banks, and we will get exchange on an outside point, some point other than the Twin Cities. The understanding should be well defined between the depositing banks and ourselves, that we assume no responsibility until the funds are actually in our hands.

The Chairman: Do you wish to make a motion bearing on the method of payment for collection items?

Governor Wold: No, but I wish to suggest that rules and regulations should be drawn to accompany this suggested collection department.

Governor Seay: Similar to our collection circular.

The Chairman: Has anyone a motion to offer bearing upon the method of payment for collection items?

Governor Wold: That could be taken care of in rules and regulations.

The Chairman: Governor Fancher, does that suit the purpose of the committee?

Governor Fancher: I think that suggestion can be followed in shaping it up.

Governor Van Zandt: That would not preclude a Federal reserve bank from accepting from any non member bank, in payment of items sent it, a check on any member bank in its district.

Governor Seay: That is a matter that will have to be left to the reserve banks.

The Chairman: I understand that is to be covered in the rules and regulations suggested by Governor Wold.

Governor Van Zandt: You can get the check from the member bank, but that is just the same as local exchange.

Governor Fancher: This memorandum here stated, and I think Mr. Hendricks in the drafting of it had in mind that it applied to the New York bank, that they can probably always get New York exchange as that was the exchange most of the banks had, and it did not apply in other districts---

Governor McDougal: It wouldn't apply in a case where the New York banks would be sending items to the Dallas District.

Governor Fancher: No.

Governor McDougal: Or where the Cleveland bank or the Minneapolis bank might be sending items to Dallas. My experience in operating the collection department, and I have had a number of years of it, warrants me in stating that when we begin sending collections broadcast throughout the country we will have to take more or less what the collecting bank wants to send us. If we do not we will be told, as I have been told by one bank, which is a close neighbor to Mr. Rhoads, "that if we didn't like their way of doing business please send our business to some other bank", and there was no other bank in that town or that vicinity.

The Chairman: Governor Fancher, is there anything else that you wish to have an expression upon?

Governor Fancher: Yes, with respect to the handling of coupons, which is brought out in this report.

Governor Wold: We would handle that in the same manner as a commercial bank, making a service charge for each amount. Where we have two coupons in one envelope it would be one item.

Vice Governor Treman: I would move, Mr. Chairman, in recognition of the desirability of the Federal reserve banks establishing a collection department as soon as practicable, that the Committee be continued; that they be requested to send out copies of their reports to each Federal reserve bank, with the proposed forms to be used in connection therewith, requesting each Federal reserve bank to report to the committee, at the earliest possible moment, their views and suggestions concerning the same, after which the committee

shall formulate a definite report to be submitted to each Federal reserve bank for adoption.

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

(Mr. Delano, Member of the Federal Reserve Board, and Mr. Attebarry, of the Federal Reserve Bank of St. Louis, thereupon entered the conference room.)

The Chairman: Gentlemen, Mr. Delano has some matters that he would like to present on behalf of the Federal Reserve Board.

Mr. Delano: I first want to mention a few minor matters. Mr. Austin, of the Philadelphia Bank, has raised a question on which the Board would like to have some expression of opinion. He says, "Some of our young men are naturally considering enlisting in the Government service, and the inquiry has come to us as to whether or not their positions would be reserved for them and their salaries paid, should they be called into the active service of the Government. This has been done by a number of concerns here, including some banking institutions, and we would like to know if the Board would approve of our making such arrangements with our men. It has not been brought before our own board, and I do not know how they feel about it."

I think the Board is ready to do practically anything along that line that is recommended to it by the banks; but we would like to have some sort of a recommendation and we would like to have uniformity of action. If we were to approve it in one bank it might force the hand of another bank,

and we want to have uniformity.

I will simply leave it with you for consideration.

Some weeks ago a question came up about a loss sustained by the Philadelphia Bank, and in connection with that loss, which occurred through forgery or fraud, several banks sent in the bonds that they had, and I was asked, as a committee of one, to look up the matter of the kind of bonds that the different banks have. I accumulated quite a lot of papers. Then I took it up with Mr. Delanoy, who is a sort of an expert on insurance matters in the Treasury Department, and I had the benefit of his views. You may like to hear them, with the view, perhaps, of getting your bonds on a uniform basis of coverage against possible cases of fraud. This is not covered in some of the bonds.

"Herewith all papers in regard to bonds in force for the protection of the Federal Reserve Banks, ending in an analysis by one of the experts of Mr. DeLanoy's New York office. You will note that, aside from certain suggestions as to the broadening of the standard forms now in use, there does not seem to be any particular criticism of the bonds as issued.

"As to coverage against fraud or forgery by parties not connected with the banks, and without collusion by officers or employes: As was stated before, and as shown in my original digest, the banks of New York and Chicago, which carry Lloyds Banks and Brokers 'in and out policies', none of the banks now carry insurance covering such fraud or foregery. Please note remarks applying to the Bank of New

York. It seems to be the opinion of counsel for both banks (New York and Chicago) that they are properly covered by this policy, although San Francisco raises an objection which Mr. Delaney's expert says is not a valid one. I should think this might be well considered by our counsel, or a committee of the counsel of the banks."

I think before submitting it to our counsel we had better submit all of these papers, with this analysis of the subject, to you. Perhaps you have some committee to consider it. It is not of very great importance, but in view of the fact it did come up, and we did notice these variations in the form of the bonds, I thought it well to take it up with you.

The next matter is something in which Mr. Harding is very much interested, and with regard to which the Board thought there was opportunity to do a good deal. I will read Governor Harding's letter.

"For many years transactions through clearing houses have been recognized as an index to the volume of business transacted in this country. Up to this time, no official abstracts have been issued. As a matter of private enterprise, clearings have been reported to and published by the Financial and Commercial Chronicle and by Bradstreets. There is no uniformity in the present unofficial system. Some of the larger commercial centers of the country make no returns, and in some cities items have passed through the clearings which do not appear in others.

Recently on my trip to St. Louis and Kansas City I was

told in St. Louis that Kansas City juggled the figures so as to exceed St. Louis, and in Kansas City I was told just the reverse.

"I would respectfully suggest that you consider the advisability of the Federal Reserve Board's establishing a uniform system of reporting the volume of business transacted by banks in the leading cities each week in the following manner:

"Let the Federal reserve bank of each district request the member banks located in clearing house cities or in cities having a population of say not less than 100,000, to make a weekly return at the close of business every Friday, of the total amount, in thousands of dollars, of checks paid (drawn by individual depositors and by banks) for the six business days immediately preceding, and let the nonmember banks in such cities be given the privilege of making such returns, if they so desire. These figures could be telegraphed every Saturday morning by the Federal reserve banks to the Federal Reserve Board, which would then make the figures public. After this system has been established for twelve months, comparative figures could be given with the year preceding.

"The great defect in the present method of reporting clearings is that no account is taken of intra-bank transactions. For instance, if A and B carry an account with the same bank and A gives a check to B for a million dollars which B deposits to the credit of his account in the bank on which the check is drawn, this transaction is not reported; but if

C and D carry their accounts with different banks, then any check given by C to D being deposited in a bank other than that on which drawn, would go through the clearing house and would figure in the total volume of clearings.

"It is thought that the plan above suggested would furnish a more accurate index of the volume of business, and it is believed also that it would force non-member banks to come into touch with the Federal reserve system, as civic pride would be a great leverage. For instance, if all the banks in Boston -- nonmembers as well as members -- make these reports to the Federal reserve bank, while in Chicago only the member banks would report, the result of the comparison would be unfavorable to Chicago with respect to Boston, and it is evident that local pressure would be brought to bear upon the non-member banks of Chicago to report their transactions to the Federal reserve bank in order that the city of Chicago might get proper credit for its volume of business."

This was referred by the Board to the clearing committee, who referred it to Mr. Atteberry, and Mr. Atteberry has made a report and some suggestions on it.

(The suggestions of Mr. Attebery are as follows:)

"MEMORANDUM FOR MR. DELANO.

The suggestion of Governor Harding, that the Federal Reserve Board establish a uniform system of reporting the volume of business transacted by the banks in the leading cities, is a good one, and if put into effect should result in the banks, both member and non-member, getting in closer

touch with the Federal reserve system.

The figures that have been compiled by some of the Clearing Houses in the larger cities have been published and used for comparative purposes, but owing to the lack of uniformity in obtaining the figures they have not been of great value for use in a comparative way.

The American Bankers Association has for some time tried to get the clearing houses in the larger cities to report figures of total bank transactions. They have met with fair success.

The 1910 census showed fifty cities with a population of not less than 100,000. It would not be a difficult or expensive plan for the clearing houses of these cities to report, and if necessary by wire, to the Federal reserve bank of their district at the close of business on Friday of each week the total amount, in thousands of dollars, of checks paid by member and non-member banks of their city (drawn by individual depositors and by banks) for the six business days immediately preceding. This information would then be relayed by the Federal reserve banks to the Board and there released for publication.

Some difficulty might be experienced in getting this information from the clearing houses, and it therefore might be well to commence by getting it direct from member banks and such non-member banks as are willing to furnish it. I would suggest that when this information is released to the public that it be in such form as to show member bank transactions separately from those of non-member banks."

I will leave these with you as something worth considering in making your recommendations.

Governor Seay: It may be of interest to you to know that the A. B. A. is now publishing a report of that character from cities all over the country, as they get them in. In the last monthly report they published them from about thirty cities.

Mr. Delano: One of the things I was interested in on this trip I have just taken was urging the banks to clear balances on the Federal Reserve Bank books. One argument against it was that it would diminish the figures of the banks in the local clearing and therefore they wouldn't show up as well. Of course under Mr. Harding's plan all checks cashed would be reported by every bank to the Federal reserve bank, and if a non-member bank didn't care to report, it need not. But pride would probably cause it to report, as he says.

I think there is one thing in the letter that sustains it. I got this idea from Governor Strong, who is very much up on his toes, by the way, out in Denver. He says that is one way that we can get all these fellows into the clearings, if we have to although he said, "I hope we won't have to use it." He stated that the clearing houses are all associations which are not created under any law, whereas the Federal Reserve Act practically creates a legalized clearing house which may be established in any district by the Federal Reserve Banks. So that, if the Federal reserve banks, by order of the Board, care to support this,

following the analogy of the Minnesota Rate Case, they become a clearing house in the district, and no other clearing house goes.

That is the only thing that I brought over particularly from the Board, but I would like to say something on my own account, now that I am over here.

I have just gotten back from a very interesting trip to five of the banks, and also to Denver, where I spent two days and a half with Governor Strong. By the way, he wanted me to give his regards, his sincere regards, to all of you, as I told him he was going to see you all very soon. He has gained, as you perhaps know, about thirty pounds in weight, and looks a great deal better than I ever saw him. He is not only very fit, but very eager to take on the work. I had a long talk with his doctor, and there seems to be no reason, if he doesn't have a backset, why he should not be in shape, and in good shape, the first of June. He may have to give up again. In fact, the doctor thinks he ought to take a considerable vacation next winter, of say two or three months, after he has taken a whirl at the work again. But it seems to me he has learned to take care of himself in a way he has found out he can get along in the future.

The object of my trip, besides getting better acquainted with each bank and each staff, was to try to push on two things. One was state bank membership. I told each of the banks that I visited that two years ago the Board had felt that the most important duty before it was to get state banks interested; that we felt that a unified banking

system was almost essential to work out many reforms. We have since learned how difficult it is to do many things, like the check collection proposition, for example, without the cooperation and assistance of the non-member banks. So we were not wrong in the idea, perhaps, that that was the most important thing to do. But we have all come to the conclusion that either we went at it the wrong way or that we have at least exhausted our ability to accomplish results in that direction. I think we are all of us now of the opinion that the only way we can get the state banks in, unless the law is changed, is by making the banks who are already in the system better satisfied with what they have got.

Some of you gentlemen have heard these remarks before in different forms, and I pity you for having to hear them again, but I might liken it to a club, where the officers of the club are trying to increase the membership despite the fact that the members are dissatisfied and disgusted with the institution. I do not mean to say that all our members are that way, but there are enough of them who are grumbling or condemning, or who are sour bellied in their views about the system, and some who come out openly, as a bank in Los Angeles did the other day in a printed article, condemning the system very severely. There are enough, I say, who feel that way, to make it improbable that state banks will voluntarily come into the system.

What can we do to make them better satisfied? Several things have suggested themselves to me. These are not

original, but are ideas that are well worn, well tried methods that are in use all over the country. The first, perhaps, is the very simple method of trying to solicit the good will of your member banks by getting a little closer to them. If these banks were commercial banks, if they were chartered to make profits, there is no doubt about it, but that you would have on your staffs men who would travel from town to town. You would have agencies in cities of 100,000 to 200,000 and over; you would have somebody that was trying to spread the gospel. You would not be sitting on your "hunkers" in your Federal reserve cities, issuing bulleting which are promptly put into the waste paper basket when received. You gentlemen have all had commercial experience, as I have, and you know that those are the methods that are used.

Another way that I think would help would be by a little advertising, or suggestions in that direction, by our member banks. The New York bank is trying something of that kind. Mr. Jay sent us two or three weeks ago a series of brief sentences, which he had prepared, or the officers of the bank had prepared, to be sent to member banks suggesting that they be embodied in advertisements in local papers. I called attention, in talking to the bankers on this trip, to the fact that the really loyal boosters that we have in this system are the few state member banks, the small army of forty banks that have come in. They have written the best letters; they have gotten out the best advertising, and they have done more to show why they joined

the system, why they believe in it, than all the national banks put together. Of course somebody might say that is human nature; that these fellows joined from choice and that the other seventy-six hundred did not join from choice but joined because they had to. Take Mr. Wing's case, in Boston. He certainly was not an enthusiastic, loyal admirer of the system when he came in. But he has used it; he has used it to the limit. I do not know how he talks in the open now, but his actions show that he believes in the system. There must be a lot of other men of that kind. So I said to Mr. Perry, of Kansas City, who has the biggest bank there, "Why don't you advertise more freely than you do, now that you are a member of the Federal Reserve System? You are the biggest bank here. You have the biggest stock interest in this bank. Why isn't it your bank more than it is anybody else's? Why don't you brag about it? If you had come in voluntarily and put your money in here to support this institution you would be rooting for it just as Flower, of the Fidelity Trust Company, is doing down the street." Flower put up an electric sign outside of his bank saying "Member of the Federal Reserve System." He has it all over his stationery. "Why don't you?" He said, "I hadn't thought much about that."

In the Cleveland district we had a little occurrence which indicates what might happen in critical times such as these we are running in. I do not know that you sent it to us, Governor Fancher, but someone sent us from Cleveland a translation, I am happy to say, of an article written in

Roumanian, in a Roumanian newspaper, about the danger of keeping deposits in any but national banks. That created quite a little stir in Cleveland. The Cleveland clearing house banks wanted us to do something about it. I do not know whether they wanted us to deny it, or what. Of course I said we couldn't deny it because it was true. I do not know whether that operated as an added inducement, but a big trust company very shortly after that perfected its final appeal to join the system. Perhaps they began to think, "Well, this idea might spread. The foreigners might get hold of the idea that banks that were not in the national system, were not protected by the Federal Reserve System, were not entirely safe."

I realize that those are dangerous things to play with; that they are dangerous things to talk about in the open. This whole banking business is very sensitive, but I do not think there is any reason why you gentlemen should not poke it under the ribs of the gentlemen that you talk to occasionally.

Other means will occur to you, and I won't go into them. You are acquainted with the bankers of your cities generally, and can point out and make them see that the bank is their bank for service rather than profit. It yields six per cent on their investment, but the primary object of the bank is to render efficient service, not only in storms, but at all times. In that way I think we will be able to overcome the bugaboo that was talked of so much at first, that these banks were active competitors with the member

banks, because it seems more and more evident, now, that the reserves have been pretty well transferred, that in normal times we can run along on something like 75 per cent reserves and earn our dividends. If that is true, it isn't going to be a serious matter to earn that dividend without becoming active competitors with our member banks. Then, again, there are going to be new fields of investment opened up, such as foreign exchange, bills of exchange, and things like that, which most member banks do not care to dabble in very much and which will help you earn your dividends without becoming active competitors in any class of paper for which your banks are bidding.

The other object of my trip out west was to see what could be done in the way of advancing the clearing and collection system without making people mad. Of course several months ago we all supposed that Congress was going to adjourn on the 4th of March, and that we would have from the 4th of March until next December to get at this clearing thing with an axe, and make some headway. It is apparent now that we cannot do it in that way, that we are liable to have Congress on our hands all summer. I do not want to stir up Mr. Kitchin, or gentlemen of his ilk, any more than is absolutely necessary, but I think a great deal can be done by persuasion and by intelligent methods, and so to help the Board and the Committee in this work we borrowed Mr. Attebery from the St. Louis Bank, and he came down here to take this trip with me. He had visited three or four of the banks before he started with me, so that all told he has

visited ten or twelve banks, or nine or ten at least.

There are different problems in each of the districts, and one of the things we are finding out--- and this is especially true of the southern district^{is} that quite a number of the banks go in the par collection system because they thought they were going to be compelled to make post-office collections. When they found there was nothing doing in that they began to drop out, and actually the number of banks that are parring today is less than it was last August or September, in quite a number of cases. That is a serious matter because in this country I do not think we can stand still. We either go ahead or we go back. We do not stand still, and if we do not make headway on this clearing matter you will soon have it reported in Congress that our effort is a failure, and that that therefore proves something or other. I hope it will not be a failure. I believe quite a number of things can be done. I was told that a good many of the Federal reserve banks were sort of marking time because they expected the Board to do something; that they were just awaiting the next step by the Board, and that the Board, on the other hand, was perhaps marking time wanting to give the Federal reserve banks a free hand to develop it in their own way. In each of the five places I visited I had a heart to heart talk with the officers of the bank, and also, in most cases, with the directors and with some of the local bankers. By the simple method of a circular letter the Chicago bank was able to add over 100 to its list. That is, they circularized their member banks

and asked them to collect checks of non members.

Governor McDougal: 173, I am advised this afternoon, Mr. Delano.

Mr. Delano: 173. That is a surprisingly good result. Of course they had a very large number to draw from, and that does not anything like clean up the situation, but that is practically the first step that they have taken, as I understand it, in several months. If that now was followed up by visits, perhaps more could be done.

I cannot help but think that collection agencies are very much needed in some of the districts, not in Districts 1, 2 and 3, although even in the New York district there might be some advantage in the western part of the state. But I feel quite sure, in the larger districts, that a good deal could be accomplished by collection agencies, and that such agencies could be maintained at moderate expense. Perhaps a clearing house manager could be appointed as the agent of the bank, or perhaps by the appointment of your own men, who, in addition to being clearing agents would tend to soften the asperities and harmonize the feeling and better conditions that now exist in those cities. The Kansas City District is a notable case, and certainly it seems as though an agency is needed in Denver. If nothing is done in districts like that, then apparently something a great deal worse will happen, just as occurred in the San Francisco district. I, for one, am not at all pleased with the development of the branch bank idea. Perhaps we could not have avoided it in the Atlanta District because

New Orleans was very much aggrieved at not being selected as a reserve city--- and it had some very great claims. There was great jealousy there, and perhaps that could not have been avoided. But I think this, and I want you gentlemen to bear it in mind, that if you do not show some willingness to establish agencies and meet this question in that way, then a demand for a branch may come and a great deal of pressure may be exerted. We are on the firing line here where we have to stand pressure, and sometimes it is rather difficult: It is not that we are not all men who can stand pressure and who are accustomed to that sort of thing, but still there are a great many ways in which you can be hurt.

(At this point a portion of Mr. Delano's remarks were ordered not to be reported.)

Mr. Delano: I think situations of that kind will arise in every district. Mr. Calkins knows that there is more or less agitation and that almost every member of the delegation from the Pacific Slope has been written to about the necessity of having a branch in the Northwest. While they have not gone as far as this other gentleman has gone, still you can start a lot of agitation in that way. What we want to be able to do is to meet the just demands of the community. If there is a real grievance we want to be able to satisfy it, but we do not satisfy it by saying that it does not need anything at all.

Now, there are other points that I had in mind that I thought would help in establishing the par collection system all over the country, but one suggestion has come from Mr.

Attebery which I think is a very good one. I will say that when it was first made to me I thought it was impossible, but the more I have gone into it the more it seems to me to be feasible and helpful. First I will state that it is intended to meet this condition:

We find in almost all the Federal reserve banks that the only banks that are using the clearing system are the big city banks, especially in the Federal reserve cities. The country banks are not using it. They say that they have never paid a cent or a cent and a half, and they prefer to send that check direct to their city correspondent, who does all their collecting free, and then turns around and uses the Federal reserve bank as far as it wants to.

Furthermore we have found in a great number of cities that a country clearing house has been established which is clearing these country items for less than one and a half cents, in some places as low as three quarters of a cent; that they are following right behind the Federal reserve bank check clearing system. That every move our clearing system makes the country clearing follows suit. They write to every bank that has been put on the par list and say, "You are parring for the Federal reserve bank; why won't you par for us?" Sometimes it results in our actually losing a par point that we had because they say, "I was perfectly willing to par for the Federal reserve bank, but if it results in my parring for everybody, I am not going to do it."

Mr. Attebery's suggestion is, as a step in what we suppose will be the ultimate idea of not charging anything per item, that we make no charge for items which do not bear any bank endorsement other than the endorsement of the depositing bank. That would mean that any country bank sending its checks direct to the Federal reserve bank would get its checks cleared free. It would mean that any state bank that got the ordinary customers' checks, merchants, manufacturers, jobbers and so forth, would get those checks cleared free. The one and a half cents would still apply on all checks that came through the city correspondents--- the state bank items, and all that. At first I was afraid we could not justify that. Then I was afraid that we would have a good deal of friction on the part of our large city banks; but the more I have gone into it and talked it over the more I think we could justify it as a step in the direction of free collection, and the more I think it would greatly popularize the collecting with the country banks. We are asking these country banks to remit at par. We are even going to them and asking them to collect for their neighbors in the same town, and what are we giving them in return? We are not even collecting their own checks at par. We are making a charge to them. Now, of course, if we could say to them, "We will rub out the whole thing and make no charge on the whole thing, that might be more consistent and a more easily defended policy, but we are anxious to make some distinction between the checks which come direct to the Federal Reserve Banks and the checks which

come through an intermediate party. This would permit of our doing that. It would pay a somewhat higher charge on the state bank items than it pays on the member bank items. Those are two main objects that I want to discuss, and those are just some suggestions that I want to offer in discussing first, this membership of state banks, and then, the greater progress in collecting checks.

I hope very much that you will consider these suggestions and offer counter suggestions. There is not very much satisfaction in being told that your suggestions are no good unless you offer something that you think is better. I hope you will do that.

I believe this other thing that you are working on, the Federal reserve exchange, is going to help to clear the situation very much. I will not express myself on the plan you have under discussion, because it is under debate, but I think if you can work out a plan which will be sufficiently attractive to be adopted generally by small banks, that you will accomplish a good deal in the way of making relations between the country banker and the Federal reserve bank more attractive and satisfactory.

I thank you very much.

The Chairman: We are very much obliged to you, Mr. Delano, and it has been very interesting indeed. May I inquire in regard to discriminating against the second endorser, if we would scrutinize those endorsements and sort them out?

Mr. Delano: No, not at all, if I understand Mr. Attebery. He had better, perhaps, talk about his own plan. As

I understand it, it would require the big bank to separate in the first place. They could not keep track of the charges unless they separated those that had a bank endorsement from those of others. If the small banks did not separate them it would not be a hard matter to separate them. I presume it would not be a very difficult matter to make that separation. At any rate, Mr. Attebery, upon whom I rely in a case like that, says that he does not think there would be any difficulty. In St. Louis, Kansas City and Dallas none of them could see any difficulties and they saw some great advantages in the idea.

Mr. Attebery: As a matter of fact the majority of items which we would get from the country banks would not have any other bank endorsement. They do not handle the bank accounts. They would have clean stuff right away. If the larger bank would really be getting as much or greater benefit by paying the service charge, it would be worth while to them to separate the items. Do you not think it might be well to make it a part of the proposition to have them separate them?

Governor Fancher: Separate them to what extent?

Mr. Delano: The items that did not bear any other bank endorsement, which would be free of service charge. They will have to classify the items sent them, or otherwise they will not get any benefit of it. I do not think they could object to that especially when they are not having to pay a bit more, but are saving money.

Governor Fancher: It would be a great advantage to the

large state banks.

Mr. Attebery: Yes. It would take the props out from under them. In St. Louis; when they revised their charges against local depositors I was called before the clearing house committee and they said they were going to make it three cents an item, and then charge for time in transit. They got the three cents by charging one and a half to you and one and a half to us. If there is no one and a half cents to us it is pretty hard to substantiate the three cents charge.

Governor Wold: You are not trying to offer the state banks anything specially, but you are trying to offer something to the country banks.

Mr. Attebery: Trying to give something to the country banks.

Governor Wold: You are not offering the country bank anything less than it got from its correspondent.

Mr. Attebery: That is true. He has got immediate credit and he has got the use of the funds, and he wouldn't get it with us.

Mr. Delano: That is true, but you are meeting that objection to a certain extent.

Governor Fancher: Would it apply only to checks from member banks, or do you make a distinction as to checks from state banks?

Mr. Attebery: No; the idea was it didn't make any difference whose the checks were drawn on.

(Informal discussion followed.)

Mr. Delano: I do not think you could defend it if you discriminated between the kinds of bank endorsements.

Mr. Attebery: Mr. Tally brought out a point that was interesting. I had a talk with him in Dallas. I had been of the opinion that the large banks would oppose this plan very strongly, saying it was just an effort on our part to get the little fellows to deal direct with us instead of with them. But Mr. Tally looked at it from a different standpoint. He said he thought some of the large banks would be very willing to have the country correspondents send items in to us provided they were on excess balances, which I think is very true.

(Informal discussion followed.)

Governor Seay: We will not get very far in the collection system unless we can collect for the member banks items on the non-member banks; and if they cannot collect such items through any other agency, and they are doing it, then we cannot get away from that; we cannot accomplish what we are after in the collection system. Mr. Delano, may I ask you if you adverted to the memorandum that was laid before us today suggesting a possible tax upon interstate checks?

Mr. Delano: There is no doubt if Congress does that it will affect the thing, but I do not believe it is wise for us to lay back and assume that Congress will do that, because if we begin to lose par points, if the bulletin shows that we are losing them heavily, there are going to be quite strong arguments in Congress that we have tried something

that has failed.

Governor Calkins: Following Mr. Delano's suggestion that it is unsatisfactory to be told that a thing is no good, unless you have something better to offer, I want to express my opinion to this effect. First it must be assumed that the collection system is not a success unless we take all checks offered by our member banks. It never will be a success until we do take all the checks offered by our member banks. When you perform a service for a member bank there isn't any reason why you should not absorb the cost of that service provided it can be done. The two things which should be done, in my opinion, are first to have all Federal reserve banks accept all items that their member banks offer, and second to abolish all service charges. Then you will have done something really attractive to the member banks; you will have offered them something that is attractive.

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Governor Wold: That what we have got to do?

Vice Governor Calkins: I was somewhat surprised when in conference with the transit managers in Chicago, I said that the collection system could not be a success until we took all the checks offered, that every man present either actively or passively assented to what I said.

Mr. Delano: I think you are dead right, but if you will remember I said this was only the first step towards that. It is simply a question of whether you gentlemen can carry the load and make that step all at once. If you cannot, perhaps you had better make the first step

before you make the second step.

Governor Seay: Upon what basis, Mr. Calkins, would you take checks which cost a material sum to collect?

Vice Governor Calkins: We have been taking checks which cost a material sum to collect ever since the system was inaugurated, and are still doing it.

Governor Seay: How many have you gotten?

Vice Governor Calkins: A great many.

Governor Seay: But you do not collect a very large volume of checks.

Vice Governor Calkins: We have a small volume of checks because our member banks are not using the system. It is not attractive to them---

Mr. Delano: But you are charging?

Vice Governor Calkins: We are charging a service charge.

The Chairman: I go about a great deal in our district. My personal acquaintance with the banks in the district has been very general. The reason they do not use us more than they do is not because of the service charge, to which the banks do not object, but because of the fact that we cannot handle all of the checks. They never have had any objection, to amount to anything, to the service charge, of eight tenths to nine tenths of one per cent, but the country banks, almost without exception, say "If you will take all the checks we have we do not object to the charge, and we will shoot them in to you. But the First National Bank and the Shawmut Bank do not require us to sort these."

Mr. Delano: If that is the case, why don't you say you will take them all, but you will charge nine tenths of one per cent for handling, if you like, for those remitted at par, and you will charge the actual cost for those that are not remitted at par?

(Informal discussion followed which the stenographer was directed not to take.)

Governor McDougal: Is it not true that the average country banker who thinks the bank in Chicago is taking from New England for nothing now, is mistaken?

Mr. Attebery: It is a very difficult thing to convince him.

Governor McDougal: He is mistaken.

Mr. Attebery: Undoubtedly so. He is paying for it.

Governor McDougal: Is it not true that if the Federal reserve bank of Chicago took these items free from the country banks we would be giving them something they had never received before, because no balance enters into it there?

Mr. Attebery: No, not necessarily so, because the reserve balance--- the profit to the correspondents is in the handling of the out of town items. We are not taking that reserve balance carried with us into consideration at all in the handling of their country items.

Governor Seay: That is true. Their reserve balance with us would be regarded by the member banks as sufficient compensating balance, as a rule?

Mr. Attebery: Certainly. They have been considered so heretofore.

Governor Seay: Every member bank, in dealing with a city bank, with the same balance that they are compelled to carry with us, would receive city bank items for immediate credit at par. That serves to show the competition we have to meet.

Mr. Attebery: Right in line with that, we had an experience in St. Louis when we had only 380 banks on our par list. There was no service charge, regardless of endorsements. More than one-third of the 380 banks used to sort out the items they got and send them to us. We know that was quite a difficult proposition for them to pick out those particular items and send them to us, yet they did it. Why did they? I think you will find the banks will use this facility, if they do not have to pay a service charge, regardless of the fact that they will have to sort items--- not all of them; you never will have all of them, but you will have a great many of them.

Governor Seay: You are speaking now to Mr. Delano's suggestion?

Mr. Attebery: Yes.

Vice Governor Calkins: I am very much interested in hearing an expression of opinion at this time, but I think it is fair to state that all of the Governors believe that the collection system cannot claim to be a complete system until we take all of the checks. I would like to hear an expression of opinion as to why we cannot take all checks? Why is it impossible for Federal reserve banks to accept from member banks all the checks they will offer?

Governor Seay: And bear the expense of collecting them, when they have to pay an exchange charge?

Governor Calkins: Yes.

Governor Seay: I think our collection department, at the present time, costs us about \$4,000 a month, and I do not believe we handle ten per cent of the checks circulating in our district.

Mr. Attebery: But you must remember if you take all the checks offered your per item cost would be very much decreased, because your par list would be very much increased.

Governor Seay: I am quite sure about that feature of it.

The Chairman: The question of the per item cost, on the viewpoint of the Federal Reserve banks, is not an essential one. It is the gross cost of operating that department.

Governor Seay: Of course the collection department, as it is now constituted in most of the banks, could probably handle an increase in business of fifty per cent without any additional cost, but it could not handle ten times the business that it now handles, which we would have to do if we handled all of the items.

Vice Governor Calkins: I do not think you would have to handle ten times the business in any district.

Mr. Delano: That is not the history. I mean it is not the history of the San Francisco district and the Boston district.

Vice Governor Calkins: An increase of ten times in

your district would amount to 600,000-odd items a day.

Governor Seay: I am assuming that we would handle all of the items that are going, and that the Federal Reserve Bank would get them. If we did that, if we undertook to do that, we of course would have to be prepared for it. I do think it would amount to handling from eight to ten times the volume of items that we are now handling, and what I am trying to get at now is an estimate of what the probable expense would be. I should think it would be a sum that would equal at least four per cent upon the capital of the bank.

Mr. Curtis: Is it not also true that if we took all checks, and had to pay exchange on some, that we would find that we had to pay exchange on all?

Governor Seay: I think the number of checks on which we had to pay exchange would decrease and eventually disappear.

Vice Governor Treman: How would you justify paying exchange to a state bank and not to a member bank?

Vice Governor Calkins: I do not justify it. We do not do it. We collect by express.

Governor Seay: If you took them all and had to collect by express; if they were sending all, how could you do it?

Vice Governor Calkins: You could not, if you had to collect a very large number by express.

Governor Seay: Is not that a weakness in the system, if you cannot handle the whole thing. If they could be sent through in such volume as to swamp you, isn't that a

fatal weakness in the system?

Vice Governor Calkins: My opinion is that, perhaps not at the moment, but shortly after it is announced that the Federal reserve banks expect to follow that course there will be few express points, if any.

Governor Wold: It seems to me the time is fast approaching, if it has not already arrived, when we have got to take the bull by the horns, when the board will instruct these banks to collect all checks at a given time in the future, thirty or sixty days hence, and I think before that time has arrived we will have fifty per cent of the state banks not now upon our lists upon our lists voluntarily, and we will put the rest of them on, where there are express facilities, within a reasonable time. There will be some banks where we cannot collect by express, and we should have a list of points where we cannot collect at all. Those banks would soon find it to their advantage to find ways of having their checks collected through the Federal reserve banks. There are many state banks in our district. We have three times as many state banks, or four times as many, as we have members, and we expect to have them all remitting at par. But they are going to charge exchange as long as they can.

The Chairman: You mean to advise the banks that they must collect these checks by some means by which they can collect them at par. You do not mean that the Federal reserve banks will pay exchange?

Governor Wold: No, no exchange; but we shall charge

our member banks one and a half cents for collecting them until the time the system can take care of itself. Then we can reduce the charge to one cent, or three quarters of a cent, or nothing.

Mr. Delano: I am not sure that I understand your scheme. Would you charge the same amount for collecting non assenting bank checks, a bank that wouldn't come in, as you would for one that would come in?

Governor Wold: Exactly. You cannot have three or four different kinds of charges.

Vice Governor Calkins: Referring to Governor Wold's expression about the banks where there is no express office, I want to say that we have had one or two cases of that kind. In one case we returned the check with the information that we were utterly unable, by any means, to collect, and we immediately received a notice from that bank that it would remit at par.

Governor Wold: They will all come in.

Mr. Delano: I wish Mr. Calkins would tell us a few things. He knows more about this subject than anybody else. The remarkable thing is, and the thing I cannot understand, although the San Francisco Bank has this great big district, with a lot of thin territory in it, they are collecting from every bank in the district. They are doing that almost entirely with the checks of other Federal reserve banks sent to you. Your own banks are not using you.

Vice Governor Calkins: No.

Mr. Delano: In that way it does seem as though we had

accomplished par collection without handling the items. I do not see why that does not, in a way, answer some of these objections. He is handling only a little over 5,000 items a day, and yet San Francisco, Portland, Los Angeles, Seattle and the other banks are meeting the competition and have on the discretionary list every bank from which he is collecting---

Governor Seay: (Interrupting) The trouble with that is that he can do it as long as they don't send him the checks. If they send him the checks he cannot do it.

Vice Governor Calkins: Mr. Seay's position is that the earning capacity of the Federal reserve bank is not sufficient to take care of the collection system. If that is so it should be abolished immediately---

Governor Seay: (Interposing) That does not necessarily follow.

Vice Governor Calkins: Are you rendering any service to the member banks; that is, any service commensurate with the cost?

Governor Seay: It has always been one of my contentions that we should render them no service that we do not charge them for. That is one of the contentions I have in my argument for Federal reserve exchange, but that did not seem to meet with clamorous acceptance.

Governor McCord: The Atlanta Clearing House Association made this proposition to us: They made the proposition to pay us one-eighth of one per cent on everything that could not be collected at par. The statement made by us

to them was that we would not pay exchange to any bank under any circumstances; that we would collect by express or otherwise. They offered to pay us one-eighth of one per cent on every non-assenting bank.

The Chairman: You were to make an exchange charge of one-eighth of one per cent on those checks?

Governor McCord: We did not go into it because we did not have the authority to do so. They were perfectly willing to pay us one-eighth of one per cent, thus making a differential at their counter with their correspondence on all non-assenting points.

Governor Fancher: What were you going to do with items they were going to take for immediate credit on national banks?

Governor McCord: We had a time schedule on that.

Governor Fancher: What would you do about the charge of one-eighth of one per cent on items from other districts that were not on the bank's par list?

Governor McCord: ~~The same~~ time.

Governor Fancher: How could you collect them? Suppose you get items on the Fourth District, on a lot of points not on our par list, and ~~made~~ the charge of one-eighth of one per cent. How would you collect that?

Governor McCord: I would have to send them to you and submit to your mercies.

Governor Seay: Is it true that some of the localities in your district were endeavoring to block the collection through express companies by imposing a collection tax upon

the express companies?

Governor McCord: No.

Governor Seay: I thought in a part of your district they had done that.

Governor Delano: That has been threatened, but I have not heard that it has been done.

Governor McCord: They could not do that, because the express companies are interstate carriers. They come under the Interstate Commerce Commission and they could not impose that tax.

Governor Seay: But they can impose a tax which is equivalent to it.

The Chairman: I would like to say that the Federal Reserve Banks proceeding to collect checks in their districts by express is the first step towards the development of a condition whereby they can take all checks. If a great many of the banks that now refuse to remit at par come in, it would seem to me that would be a great step forward in the check collection system.

Governor Seay: There are two methods of doing it that seem possible. One has been suggested, although there does not appear to be sufficient nerve in some quarters to carry it through--- that is, through the postmasters. The other method is by the express companies. There can be little doubt but that the actual time of collecting through express companies would drive a great many of the non-assenting banks to the collection system.

Vice Governor Calkins: It would drive them all in.

Governor Seay: There is only that one bold method that remains open to us now, and it would accomplish a great deal.

The Chairman: I am firmly convinced that what Mr. Attebery referred to would make no difference in the use of our facilities by the country banks. The matter of cost does not enter into it. It is a matter of convenience.

Governor Van Zandt: They simply lose that much in charges.

Governor McDougal: If the express company order should go through, how many banks would be affected in your district?

Governor Wold: I could not say just now.

Governor McDougal: There would be about fourteen hundred in our district. I should not be in favor of undertaking that until everything else had been tried out and had failed.

Governor Wold: We have had this matter up and talked it over, and we have talked it over with the country bankers; that is, told them about it. We cannot commence to collect on the whole district in one day, but what we want to do is to take, say, Minnesota as of one month, then North Dakota, then South Dakota, and then Wisconsin. We cannot take 1800 towns and collect by express on the first day of May.

The Chairman: But Governor Wold, two days after you put it into operation your express collection in the State

of Minnesota, two thirds of the banks would be remitting at par.

Governor Wold: I haven't a doubt of it.

Mr. Delano: I would like to hear results from New York. How many of the 110 banks have come across?

Vice Governor Treman: We have only been at it since Monday.

The Chairman: Through persistent efforts we have gotten all but the hardest shell banks to remit.

Mr. Curtis: We have cut it down from about 250 to 110 by telling them what they are up against.

The Chairman: I think Governor McDougal would find that a large per centage of his fourteen hundred banks would come in.

Governor McDougal: I think so too, but I doubt the wisdom of undertaking it.

Vice Governor Treman: What are you going to do? Are you going to have some of the banks in the system withdraw and let the thing fall down?

Governor McDougal: The first thing we would like to accomplish there would be to get further modification of the Chicago clearing house rules. Then I am sure we could get a large number of these state banks to make returns. It is a clearing house rule in Chicago to which can be traced the withdrawal of a good many banks that we have had on the list.

(Informal discussion followed which the stenographer was directed not to take.)

Vice Governor Treman: It seems to me you are facing this: You are facing a more vigorous movement to pass the Kitchin Bill during this Congress. If that is done, where is the system coming out then?

Governor McDougal: But the Kitchin Bill must not be passed at this Congress.

Mr. Delano: I know it. But you have either got to go ahead or back up. You cannot stand still.

Governor Wold: And we are backing up. Unless some drastic action is taken toward the collection of checks within the next six months we will lose half of our banks.

Vice Governor Calkins: The best argument against the Kitchin Bill, and the most effective, is to take all checks at the earliest possible moment.

Governor Fancher: If you attempt to club the state banks with this expense proposition, Governor Treman, would it not make a lot of feeling on the part of a good many of your state banks? It would in our district.

Mr. Delano: I want it understood, because this is the Board's view, that we would not be justified now in using strong arm methods. We have a bill pending that we want to get through. (But we do think that we could use a great deal more energy than has been used in some of the districts.)

Mr. McKay, of Chicago, frankly admitted that this was the first effort they had made in Chicago in six months time to get the state banks to remit, and their first effort has resulted in 173 banks coming across. If they follow that

up they will get more of them. If you will do what you can you will get more of them.

Governor Fancher: We are going to make a house to house canvass pretty soon.

Vice Governor Calkins: As to keeping the state banks out of the system by this express method of collection, and keeping them out permanently and forever, I would say there are more state banks considering coming into the system in the twelve districts at this moment than there have ever been at any other time.

The Chairman: I do not agree that it would result in such violent antagonism on the part of the state banks that it would keep many of them out. I would like to ask Mr. Treman if he thinks their activities in collecting by express are going to so crystalize opposition on the part of the state banks in New York that it is going to make them absolutely irreconcilable for the future?

Mr. Delano: I feel quite sure that Mr. McDougal could not have done any more than he did do before he put in express methods.

Vice Governor Treman: He did everything he could (referring to someone other than the Governor of the Reserve Bank of Chicago). However, you cannot stand still. You are either going backward, your whole system is going to be weakened, or you have got to move ahead. My own judgment is that they will fight against it, but that a great many will come in. I have talked with one of the A. B. A. men, who has traveled all over the country, and he tells me that

the state banks, most of the better state banks, intend to come into the system, but they want to get out of the system every concession they can before they come in. The second point is that they have been so prosperous that they have not found any need for coming in. But let a panic come, and I think you will find they will come in. However, joining the system is one thing and joining this collection system, or at least remitting at par, is another thing. It does seem to me that your collection system is going backward unless you proceed to move and move pretty fast. I may be pessimistic, but I feel sure we are going to have pressure from Congress at this session; there is going to be pressure from bankers all over the country a great deal stronger than at the last session.

Governor Seay: There is one offset to that. I think certain trade bodies of the country are aroused over the matter, and they are going to be heard in Congress. I know certain trade bodies in our district are going to be heard.

Vice Governor Treman: I have talked with men who represent a good many trade organizations, and they are reaching the point where some of their business men are asking them, "Why should we support the Kitchin Bill? What do we get out of it?" They say that the jobbers and large manufacturers who have been soaked for exchange on their collections understand what they are going to gain by it, but when you take the large body of retail business men, they have to be shown how they are going to be benefited by opposing the banks. But the banks are on the job, and of

course Mr. Thralls is using the whole A. B. A., claiming that 75 per cent of them are behind him in this movement. I think there are some things that the Governors ought to recognize. In the first place it seems to me that there should be in each district a movement to induce certain member banks, who really believe in the collection system--- and there are such, some who feel strongly in favor of it--- to write to the A. B. A. officers, the president, for instance, and ask why there should be this activity on the part of certain banks in the Association. You might set up a counter movement of some sort to counteract Thralls' activities.

It seems to me it is a handicap for us to have the Federal Reserve Board take the position that they must keep their hands off of this Kitchin Bill proposition and leave it for the reserve banks to contend with. We have had to make quite a fight in the New York District. We have been right at it. We have sent out three different circular letters, besides a number of personal letters. We have telephoned around the district in a systematic way, first to the New Jersey District, then to the Connecticut section and then out in New York. We have sent men out into the states to have them telephone from certain points to talk the matter over personally with certain individual men. Of course there has been opposition to it, but if we are thrown down now; if this collection system is not a success it is going to operate very seriously against the Federal reserve system as a whole. We have undertaken to do a cer-

tain thing, and that is to establish a scientific collection system and a minimum cost. You have promised the business interests of the country that that is what you are going to give them. Now, if you turn around and have the Kitchin Bill passed, fixing a maximum of say one tenth of one per cent that can be collected, every bank in the country, if it is wise, will collect that on every check, and the Federal reserve collection system will be at an end.

Governor McDougal: I think we have not only promised to give such a collection system, but we have given it to them. I do not believe this collection system is drying up.

Vice Governor Treman: This situation has obtained with the member banks up to the present time. Of course this does not apply to New England, but in New York up to the present time they have had a certain list giving certain points on which the member bank would collect at par, and other points on which they could not. They have had to separate those. That has forced very nearly all of the goodsized country banks to keep one, two, three or four correspondents to collect their checks in the Chicago district or any other district, because they cannot collect them at par.

Governor Seay: There is also an injustice which the present situation is working against our member banks. Our member banks have to pay for collecting items on state banks and we collect items on member banks without cost. That is a real source of grievance that our member banks have, and

they have been very patient with it.

Mr. Delano: It is very galling.

Governor Wold: Yes sir, and in cases, the banks may be only ten miles apart.

Governor Seay: There is another thing to be considered, even if we could get the state banks to remit at par, and that is what we would take from them. If we took from them such stuff as they could send up, we would nevertheless be carrying a very considerable volume of float.

Governor McDougal: What would you take in return for the items?

Governor Seay: That is it. The country banks that keep accounts in the larger cities near to them will send you what is most convenient for them to send you, and it may take you two, three or four times as long to collect what they send you as it does under the other practice.

Governor Wold: If you take in payment for items sent to you by them a check that is not immediately available---

Governor Seay: (Interrupting) That is just the point. If you want to get these people to remit to you at par, you have got to take such stuff as they can send you. They don't all keep accounts in the reserve cities, by a long ways.

Mr. Delano: But that is where this inter-city clearing plan has helped a good deal in two districts, because it has enabled them to remit items on these other cities--- that is, the reserve cities--- in their districts. For instance, both Kansas City and Dallas are taking items on

any one of their group of reserve cities.

Governor Seay: Then it is carrying a big amount of float. According to the last statement Dallas was carrying quite a percentage of float, according to my calculation.

Mr. Attebery: With respect to items and drafts received on a bank in a reserve city, sent through the reserve city clearing house, there is no float carried on those.

Governor Seay: I do not know how it was brought about, whether by the operation of the system or not; but as long as form 34 is in force, under which you must deduct the items sent from gross deposits, I know we are carrying a pretty big amount of float.

Mr. Attebery: In respect to Dallas, they are operating their district clearing house, and the float comes in this way: Instead of making up a statement to the creditor banks when the returns come in from the debtor banks they are giving the creditor banks credit in two days flat. They do not always do that. Some days if the float is getting heavy they defer it three days, I believe. They are carrying the float in their district clearing house and not in the reserve city clearing house.

Governor Seay: I do not know where it originates, but it is there. It does not make much difference where it is.

Vice Governor Calkins: Why are we not carrying float in the reserve city clearing house?

Mr. Attebery: It is settled by wire. The whole thing is settled by wire. If a banker down in southwest Texas remits on Waco, we will say, a member bank, that draft

in the Federal reserve bank is charged to the drawee bank in the reserve city clearing house and they settle for that in the clearing house by wire.

Governor Wold: What are they giving by wire, Dallas exchange or something else?

Mr. Attebery: If they are buying eastern exchange at par; that is, if they are buying at the market, and it is at par, they will take it at par, or, if they prefer to ship currency to cover their debits and carry the float of the currency.

Governor Van Zandt: We do not have much of that. Our biggest float comes in on the eastern exchange.

Vice Governor Calkins: Doesn't that mean that you are carrying some float?

Governor Van Zandt: Very little.

Mr. Attebery: It is a very small amount.

Governor Van Zandt: I think probably not over one per cent of the amount.

Mr. Attebery: There are three ways that I recall now for providing for those banks that cannot remit in exchange on a Federal reserve city. First, the reserve city clearing house in operation in Dallas and Kansas City; then this plan of making the drafts payable to the order of the Federal reserve bank available with the bank providing the drawee bank will put up funds so as to not carry float, and the third is the matter of collection agencies.

Governor Seay: The ideal condition of course would be where all member banks would keep accounts in the reserve

cities, and therefore it is very important to work out some system by which the drafts on Federal Reserve Banks shall be the uniform method of exchange. That, as sure as fate, is the corner stone of a successful collection system.

Mr. Attebery: I think the opposition to forcing, by express methods or other methods, the collection of all checks at par, comes from the banks that do not carry accounts in the Federal reserve cities or cannot furnish acceptable exchange. They will be the ones that will be forced to change their relations entirely with their correspondents. They have got to give up their correspondents and make arrangements with correspondents in St. Louis, Chicago, and so on, and they are certainly going to raise a big howl if they have to do that.

Governor Wold: That is one of the necessities of the development of the Federal Reserve System, the change of these reserve agents that have been selected in the past. They drew exchange upon a point, not because they had any business transactions there, but because that bank located at the point absorbed exchange for them and collected checks for them.

Mr. Delano: That is where the intercity arrangement has worked some benefit. It has put the banks in these reserve cities in the district on a parity with the Federal reserve city banks, and I think it has gone quite a way toward making them come into the system.

Mr. Attebery: It has helped a great deal.

Governor Wold: Of course it is a matter of fortunate

location. Because Podunk is not as favorably located as some other city, the Federal Reserve System was not designed to equalize that.

Mr. Delano: No, but I think where you have a district as big as the Minneapolis district, 900 miles east and west, you have got to have one of three things. Either you must establish some sub-agencies for collection; you have got to let some of your far away cities keep excess reserves with you so they can draw drafts on them, or you have got to adopt something like this Texas plan, where the intercity banks settle their own balances by drawing on the Federal reserve banks.

Governor Wold: We have offered to certain banks, for instance, in Fargo, North Dakota, Helena, Montana, Duluth, Montana, and Sioux Falls, South Dakota, if they would cover their drafts the same day they were sent to us we would accept a country bank draft drawn upon them, but we must have the money the day the draft got to us. They were not interested at all. Incidentally, our district, instead of being 600 miles is 1500 miles east and west.

Mr. Delano: I think I said it was 900.

Governor Wold: Yes. It is 1500.

Vice Governor Calkins: The difficulties in operating the reserve city clearing house plan in the Minneapolis district and the other districts are geographical difficulties. You cannot make up a plan to apply to every one of these districts. The inequality of distance between the important cities is preclusive.

Governor Seay: Yes. That is a very important matter.

Governor Wold: We have met with very little trouble upon that score. That is not the reason the larger banks will not remit. The reason they will not remit is because they are not obliged to remit. They can deduct exchange and will continue to do so until they are obliged to stop it.

Mr. Attebery: I do not think that has much to do with the State banks remitting at par. St. Louis has turned down a lot of banks that offered to remit at par, but would not give the right exchange. On the other hand we got the banks in Louisville, one of the banks at Chillicothe, and another bank across the river there, that gets a great deal of country accounts,---

Governor Seay: (Interposing) The kind of exchange you get is a very important thing.

Mr. Attebery: They make their drafts available with us. I might say in that respect that we turned down a hundred banks of that kind--- in fact more than that, by reason of the fact that they wanted to give us Quincy exchange, Little Rock exchange, and in some cases Memphis exchange.

Governor McCord: We have in our district this situation, which has not been discussed here at all this afternoon. At Barnesville, Georgia, there are two banks. One is a state bank and the other is a national bank. Prior to the establishment of this collection system each of those

banks got about \$1200 or \$1400 a year out of exchange accounts. Today the national bank is getting nothing and the state bank is still collecting its exchange. I have been holding the national banks in the system, promising them that this thing would be made right, and that they would be put on an equal basis. I cannot keep them satisfied much longer. They want to take state charters and get out of the system.

Mr. Delano: They could collect the state bank items--

Governor McCord: They won't do that, Mr. Delano,

Governor Wold: They can collect the state bank checks and charge exchange on them.

The Chairman: Governor McCord, why won't they do it?

Governor McCord: They say they do not want to create animosity between the two banks.

Governor Seay: There is one other matter in this connection which would arise, and that is it is probable the collection system will increase the expenses of the Federal reserve banks, and certainly if we attempt to do it in this way. I wonder if there is any opportunity or chance of diminishing the dividend liability of the Federal reserve banks by reduction in their paid-in capital?

Mr. Delano: No, I do not think there is. You know we are now asking to have the reserves increased, and that would make that less necessary, if they increased the reserve deposits, which would increase the funds invested.

Governor Seay: But it necessitates the use of such a large proportion of reserves for purely income operations.

Vice Governor Calkins: If the National Bank undertook to collect items on the state bank at par, for the Federal reserve bank, it would not get one cent income from that source. It must get those items from some other source, in order to get any income on them. If it undertakes to collect them at par its work is increased, but its income is not increased at all.

Governor Wold: How can it get them from the Federal reserve bank when it is not on the Federal reserve bank's par list, and the items come from the commercial banks?

Vice Governor Calkins: If the national banks would undertake to collect those items the Federal reserve bank would put it on the par list, and the national bank would collect the items and not get a cent for collecting them.

Mr. Delano: That is why we favored for a long while-- although we were turned down by this body on the proposition--- paying the national banks something for that service. I don't care whether you pay it on the item basis or whether you pay a hundred dollars a month, but they should be paid something for rendering the service.

Governor McCord: I can explain why my Barnesville friends will not take the state items at par. While it is true they are losing their own exchange now they are in a position to get a part of the exchange out of the state bank. Therefore they will not agree to take them from us because that would destroy a source of revenue they are now getting.

Governor Wold: We have hundreds of points just like

that.

Vice Governor Calkins: The system is hurting the national banks, just the same.

Governor McCord: Yes, it is.

Mr. Delano: There is no doubt about that. That is why I say we cannot stand still. We are either going to drive them out or else we have got to make some headway. We have got to give them some door to go through.

Governor Seay: It still appears to be a very perplexing question, however.

Governor Van Zandt: You think the Federal Reserve Board would not give us direct instructions to go to work collecting, in such manner as we might, all checks which might be sent to us, beginning on a certain date, with a proviso that we do not pay any bank exchange?

Mr. Delano: We were considering giving such instructions to you about the first of April, when we supposed that Congress would not be in session; but with a bill pending in Congress there is no use doing it. It is suicidal. I am not afraid that the Kitchin Bill will pass. What I am afraid of is that we will get into a jam between the Kitchin Bill and our bill and not get anything.

The Chairman: Gentlemen, it is now quarter past six, and the Conference will take a recess now until 8:30 o'clock this evening.

(Whereupon, at 6:20 o'clock p. m., the Conference recessed until 8:30 o'clock p. m. of the same day.)

