

Minutes

GOVERNORS' CONFERENCE, October 14, 1926, First Day's Session

Special topics suggested by
Governor Harding.

- yes*
1. Will it be advisable or practical next year, or in the near future, to establish in each district a uniform rate on all classes of paper except bankers' acceptances, doing away with any differential on government secured paper?

Moved by Governor Calkins and unanimously carried that it will be advisable and practical in the near future to establish in each district a uniform rate on all classes of paper except bankers' acceptances doing away with any differential on Government secured paper except possibly Treasury certificates.

- no*
2. Should there be a limit fixed in advance on interbank borrowing?

On motion of Governor Case, unanimously carried, the Conference answered this question in the negative.

- yes*
3. Should there be a uniform interdistrict discount rate?

On motion of Governor Fancher, unanimously carried, the Conference answered this question in the affirmative.

- no*
4. Shall the borrowing Federal reserve bank be required to fix a rate to its customers to meet the rate of the Federal reserve bank from which it borrows?

It was moved by Governor Seay, seconded by Governor Van Zandt, and unanimously carried, that it is the sense of this Conference that to take such action would introduce a new factor into the fixing of a discount rate and might involve, under certain circumstances, a change of rate on the part of the rediscounting bank which would not be justified by fundamental conditions in the district, and therefore such action would be injudicious.

- W*
5. Should there be a theoretical limit on issue of Federal reserve notes to member banks.

The Conference voted that this question be answered in the negative.

8/9/20

GOVERNORS' CONFERENCE, October 14, 1920, First Day's Session.

Regular Program.

UNFINISHED BUSINESS.

Check Clearing and Collection.

Direct routing of collection items by member banks in one Federal reserve district to member banks in another Federal reserve district, for wire transfer of proceeds to sending bank's Federal reserve bank.

Want to see report

Board rules that telegraphic transfers shall not be made except at request of member or non-member clearing bank

The Conference received committee report; it was resolved to concur in the committee report with the amendment that the Federal reserve banks exclude acceptance of telegraphic transfers from all except member and non-member clearing banks.

The propriety of Federal reserve banks sending collection items to member and non-member banks with instructions to remit to the nearest Federal reserve bank for the credit of the sending Federal reserve bank.

Board concurs. Mandatory in FRB's to receive collection items from member banks of other districts for credit of FRB of this district.

Upon motion of Governor Van Zandt, duly seconded and unanimously carried, the committee report was concurred in, with the amendment that the last five lines on page 4, last paragraph, beginning "In such case", shall be eliminated.

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Currency and Circulation.

In view of present insufficient supplies of new currency, is it desirable that the Federal reserve banks and branches adopt the uniform policy of paying out new and redeeming unfit currency?

There was a conference on this topic with Messrs. Gilbert, Broughton and Emerson. It was moved, duly seconded and unanimously carried, that inasmuch as the Treasury Department was unable to furnish adequate currency, it is the sense of this meeting that there should be impressed upon the Treasury Department the necessity of taking proper steps to furnish a sufficient volume of Federal reserve notes, and that the Federal Reserve Board be requested to take up with the Secretary of the Treasury the question of providing the necessary notes through contract with private concerns. The Conference deemed this matter of paramount importance, and a committee, composed of Governors Norris and Calkins, was appointed to draw up a communication transmitting the above resolution to the Federal Reserve Board.

(Letter of transmittal is attached hereto.)

*Board minutes submitted report to Treasury.
Treasury advises new equipment purchased and with
completion of facilities Board printing program anticipated
adequate supply of new currency to meet normal requirements*

Redemption of National Bank notes and correction of total Federal reserve notes outstanding.

No further report.

Operation

Pension fund.

Committee appointed to handle this matter reported progress.

Personnel and Welfare.

Committee not ready to report. Question passed awaiting final report. A poll of the Conference indicates that all the Federal reserve banks are giving attention to this matter and that much progress has been already made.

Discount Transactions

Allotment of acceptance purchases among all Federal reserve banks.

Stabilization of the open bill market by the system as a whole and an equitable basis for making such support effective.

Report submitted by committee consisting of Governor Fancher, Governor Morss and Mr. Kenzol. After considerable discussion tending to clarify certain words and tending to make clear the position of certain of the Governors on the subject, it was moved and unanimously

No comment

No comment

No comment

Want a report

No comment

carried that the Conference adopt the report, with thanks to the committee, and that said committee be appointed as a permanent committee to deal with the matter of rates and the interdistrict support of an open market.

Accounting.

Standardization of inter-Federal reserve bank forms.

Subject passed to await final report of committee.

Treasury Relations.

The report of the committee was concurred in subject to further investigation of a committee composed of Governors Fancher, Seay and Morss.

At this point Mr. Martin, representing the Conference of Federal reserve Agents, called to ascertain what action had been taken upon the recommendation of the Federal Reserve Board that the twelve Federal reserve banks be divided into four groups for purposes of conference and closer relation between the banks in the respective groups.

It was moved by Governor Case, duly seconded and

No comment

No comment

unanimously carried, that this Conference adopt the recommendation of the Federal Reserve Board on this matter and thus concur in the action taken by the Conference of Chairmen.

NEW BUSINESS.

Operation

1. Efficiency of the personnel of the several Federal reserve banks.

A call of the roll indicated that all Federal reserve banks are giving attention to efficiency of personnel. It was moved by Governor Case, duly seconded and unanimously carried, that the question be referred for further study and final recommendation to the four groups of banks.

2. Advisability of providing a method, a "Clearing House", so to speak, for the exchange of details concerning methods or devices which any Reserve bank has found efficient in operation.

Upon motion of Governor Calkins, duly seconded and unanimously carried, it was the sense of this meeting that this topic should be referred to a conference of the operating officials of the twelve banks to be called in the near future. Secretary requested to follow up

No comment

No comment

Board does not approve conference of operating officials. Conference of Auditors and Group Conference deemed sufficient.

matter and call conference, if approved by the Federal Reserve Board.

Discount Transactions.

3. Uniformity in the application of the rules and regulations as to the eligibility of paper. x

No Comment

Upon motion of Governor Case, seconded by Governor Young and unanimously carried, it was resolved that the Governor of each bank be requested to appoint a committee to pass on the eligibility of paper, and in important cases wherein such action is taken, that all other Federal reserve banks be advised. 7

4. Should or should not Federal reserve banks be free to sell to member banks or in the open market, bankers' acceptances held in their portfolios?

No Comment

Question disposed of in the action taken upon the report of acceptance committee, the principle being established that Federal reserve banks have the right to so dispose of bankers' acceptances held in their portfolios, but some of the Governors strongly opposed such disposal as a matter of policy.

Circulation

- 5. The imposition of a tax or charge on Federal reserve notes uncovered by gold.

Moved and duly seconded and unanimously carried that the imposition of a tax would be unwise.

Check Clearing and Collection.

- 6. Collecting on doubtful banks in par states.

Moved by Governor Calkins, duly seconded and unanimously carried, that this is a matter which should be handled by the individual Federal reserve bank for the present.

6-a Governor Young interjected a topic, discussed at the last Conference, regarding the circuitous routing of checks.

It was moved by Governor Young that the Governors request the Federal Reserve Board to reconsider the Board's letter No. X-1944, dated April 7, 1920, relating to the circuitous routing of checks and if consistent to issue a ruling in accordance with the recommendations of the last Conference.

Motion carried, Chicago voting no.

Adjournment at 6.10 p.m.

No comment

No comment

Board disappointed - Calkins opinion as expressed in X-1944

GOVERNORS' CONFERENCE, Oct. 15, 1920, Second Day's Session.

Check Clearing and Collection (Cont'd.)

- 7. Competition with member banks in collections on individuals in Federal reserve and branch cities.

No. Action, Governor Wellborn asking to be recorded as being opposed to the policy of making these collections and thinks Act should be amended or a ruling made covering the point.

- 8. Exchange of letters between Federal reserve banks covering endorsement on items sent direct to other Federal reserve banks by member banks.

Governor Fancher moved that this matter be referred to the Federal Reserve Board with request that counsel for the Board prepare a letter or regulation covering these endorsements to be exchanged by the twelve banks. Motion duly seconded and carried.

Treasury Relations

- 9. Transfer of sub-treasury functions.

Previously disposed of.

No comment

Board concurs. referred to General Council

No comment

Accounting

10. Advisability of standradizing methods of auditing and accounting, including real estate accounting.

→ Disposed of under topic No. 2.

Inter-Federal Reserve Bank Transactions

11. The devising of a method to avoid present frequent holding open of books in connection with interbank rediscount operations.
12. A better method of prepayment by Federal reserve banks of paper under rediscount by other Federal reserve banks.

all interbank

During discussion of this topic a recess was taken for the purpose of entering joint Conference with the Board and Federal Reserve Agents, Conference reassembled at 2. 30 at conclusion of joint conference.

Governor Fancher moved, covering topics 11 and 12 that it is the sense of the meeting:

1. That rediscounts made by one Federal reserve bank for another Federal reserve bank be made as of the day when the request is made, except on Friday when the reserve position of each bank is made public.

2. That each Federal reserve bank rediscounting with another Federal reserve bank prepare and forward promptly the schedule of paper it has been rediscounting.
3. That requests for anticipation of paper under rediscount be combined in one wire each day and that such transaction be effected upon the day of receipt of the request, if received before the close of business; if not upon the following day.

Motion duly seconded and carried.

Governor Van Zandt moved that this resolution be promptly transmitted to the Federal Reserve Board, with request that the substance thereof be taken into consideration in the instructions to be issued covering the matter, such instructions as the Board may see fit to issue.

Motion duly seconded and carried.

General.

13. The advisability of meeting criticism of the Federal reserve system and the method (if any) to be pursued.

Passed without action.

See comment

No comment

- Recommend*
14. Advisability of placing club qualifications of Federal reserve banks on quarterly basis.

No action.

- AW comment*
15. Policy of furnishing and suggesting Federal reserve system advertisements to member banks.

Passed without action.

AW comment

Governor Young referred to sub-section M of Section 11 of the Federal reserve Act, stating that it expired by limitation December 31, 1926, and raising the question as to whether the Board should be requested to seek amendment to the law.

No action.

Upon motion duly seconded the Conference adjourned at 4 o'clock, p.m., going into joint Session with the Federal Reserve Board and Chairmen of the Federal Reserve Banks, at 4.30 o'clock p.m. of the same day.

(Letter accompanying resolution on subject of currency, etc.)

To the Reserve Board,

Gentlemen:

It was the feeling of the Governors of the Federal reserve banks assembled in semi-annual conference that the subject of the supply of new currency was one of the most important engaging their attention. Not only has there been for some time an inadequacy of supply, but the quality of notes delivered recently has been such that their life is much shorter than was formerly the case. As a result of this condition there has been widespread complaint as to the unsuitable character of the currency in circulation.

Even more serious is the lack of a reserve supply available to meet emergencies which may readily be anticipated and are certain to occur. This creates a condition of actual and positive danger. A committee which has been carefully considering this matter, in cooperation with representatives of the Treasury Department, reports to us that while there should be 1,200,000,000 pieces engraved each year, the deliveries this year have been running at the rate of 638,000,000 pieces and the maximum output of the Bureau of Engraving & Printing with its present plant would be about 900,000,000 pieces. The Conference has therefore adopted the resolution enclosed herewith, and has directed that this supplemental statement be forwarded to your Board.



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