

SIXTEENTH CONFERENCE  
OF  
GOVERNORS OF FEDERAL RESERVE BANKS  
AND  
JOINT CONFERENCE WITH FEDERAL RESERVE BOARD  
OF  
GOVERNORS AND CHAIRMEN OF FEDERAL RESERVE BANKS  
OCTOBER 25 - 29, 1921

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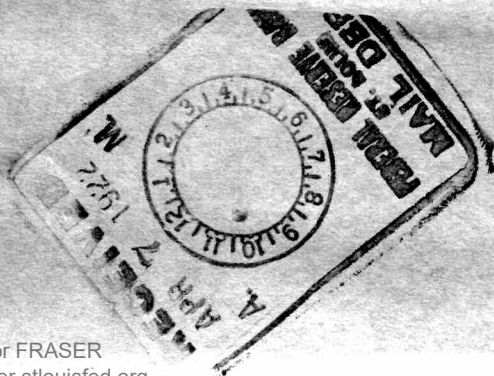
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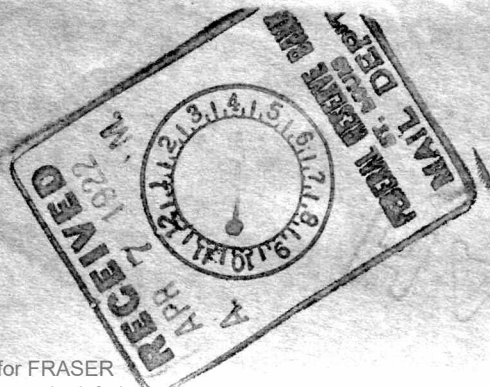
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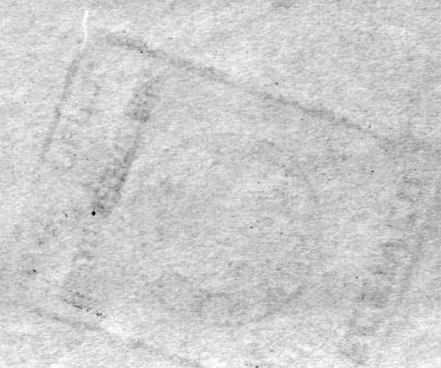
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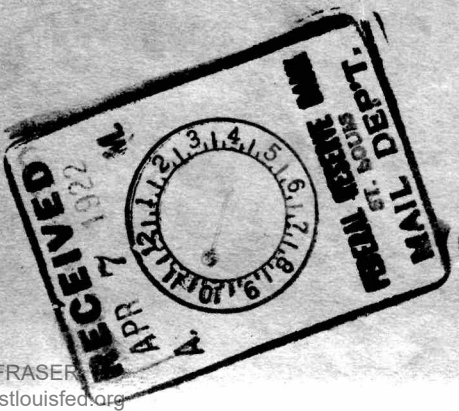
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- Gov. - Program for separate Conference of Governors  
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 Bd.S. - Supplement I - Board's Joint Program  
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 T-F.A. - Supplement II - Treasury Program (Fiscal Agency)

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Salary adjustment & extra compensation; future policy of F. R. Bks.	Gov.	VI J	78	747-751
Par Clearance System - Recent developments and suggested changes in methods	Bd.	2	48, 52, 56, 84	582-589; 648-661; and Joint Conf. Record
Par Clearings in 6th district	Gov.	II C7	36	271-290
Past due paper	None	-	77	744-745
Payments of notes rediscounted with F. R. Bks.	Gov.	I C	15	171-177
Pension Fund	Gov.	VI C	71	709-710
Personnel Activities Report of Comm.	Gov.	VI A	69	784
Press Statements	None	-	6	75-76
Procedure Standing Comm.	Gov.	VII B	79	752-767
Survey of Accounting Systems	Gov.	VII A	79	752-767
Purchase of U. S. bonds - Expediency of authorizing under Sec. 18	Bd.S.	3	9, 39, 57	104-116; 337-374; 662
Railroad drafts, etc.	Gov.	II B4	23	222-226
Rediscount of nonmember notes secured by governments	Gov.	I F	17	180
Rediscount of non-negotiable notes - notes supported by chattel mortgages	Gov.	I E	16	177-179
Report of Collection Committee	Gov.	II A	19	183-214
Reports and Statistics - Comm. to consider need and consolidation of	Gov.	VII D	79	752-767

	Program	Topic	Paragraphs in Secretary's Minutes	Pages in Stenographic Report
OPERATIONS(Cont'd)				
Requirements of certified checks on delivery of drafts with securities or B/L attached	Gov.	II B3	22	219-221
Salary adjustment & Extra compensation - Future policy of F. R. Bks.	Gov.	VI J	78	747-751
Secretary				
Election of	None	-	2	3
Election of for next conference	None	-	31	256
Securities left in custody	Gov.	VI D	72	710-711
Silver cts. & Legal tenders - Practicability of putting into circulation	Bd.S.	1	7, 39	79-90; 337-374
Standard of sorting currency	Gov.	III C	63	670
Standard of currency to be applied by Treasury & F.R.Bks.	Treas.	3	40	374
Telegraphic Transfers				
Detail matters	Gov.	III E1	65	672-687
Method of Advice of	Gov.	III E2	65	672-687
Liability for	Gov.	III E3	66	691, 711-720
Verification of banks bills received by examiner.				
Objections to tracing	Gov.	I D 1	5a	61
Cooperation of Comptroller	Gov.	I D 2	5a	61
War Finance Corporation - Personnel for	None	-	3, 53	639, 645 3-14
War Loan Deposit Account	Gov.	V B	5a	61
Warehouse Receipts as security	Gov.	I A 3	5a	61



PROGRAM FOR SEPARATE CONFERENCE OF GOVERNORS

WASHINGTON -- OCTOBER 26 & 27, 1921.

REVISED

## CREDIT TRANSACTIONS AND POLICIES

### A. Bankers Acceptances.

#### (1) Open Market.

- (a) Discussion of methods adopted by the reserve banks to develop and widen the discount market. (Unfinished -- New York)
- (b) Report of standing committee on open bill market conditions and operations. (Unfinished -- New York)
- (c) Bankers acceptances practices (San Francisco) and regulations with particular regard to accommodation of commerce and the open market. (Unfinished -- New York)

#### (2) Converters' Credits. (New York)

- (a) Should hides, gray goods, grain, etc. in process of tanning, bleaching, milling, etc. be considered as readily marketable staples under Board's Regulations and if not should the Regulations be amended to include them.
- (b) Should the negotiable receipts of converters -- tanners, bleachers, millers, etc. -- conveying security title, be considered the equivalents of independent warehouse or terminal receipts?

#### (3) Warehouse Receipts as Security.

Should Federal Reserve Board's ruling, September 1918, Bulletin page 862, be modified in view of the growing practice in the 12th District for cooperative associations, packing and milling companies, etc., which own their own warehouses, to form separate corporations the stock of which is owned outright by such associations, packing and milling companies, etc. (San Francisco)

#### (4) Uniform practice in handling bankers acceptances taken from brokers under repurchase agreements. (Chicago)

Recommendation: It is suggested

- (a) That a uniform basis of discount be used by all Federal reserve banks, preferably the practice of discounting the bill to its maturity and rebating for the unexpired period when taken up by the broker.
- (b) That no shipment of bills from brokers be handled unless the brokers are willing to pay the cost of shipment and insurance, inasmuch as the responsibility for loss is disproportionate to the benefit derived from operations of this character.

### B. Eligibility Committee

- (1) Scope. Definition desirable as there seems to be some variance in the ideas of the Federal reserve banks as to the functions of this committee. (San Francisco)
- (2) Uniform procedure of eligibility committees of the respective banks in reporting conclusions to each other. (Cleveland)

## I. CREDIT TRANSACTIONS AND POLICIES

C. Acceptance by member banks of payments in full or in part of notes rediscounted with the Federal reserve bank. In view of growing practice among banks in certain sections to accept payments on customers' notes which have been rediscounted or pledged with the Federal reserve bank, should not notices be sent out by Federal reserve banks to makers of such notes that payment should be made to the holder thereof as a protection to the reserve bank in the instances of failed banks. (San Francisco)

D. Verification of banks' bills receivable by Examiner (St. Louis)

(1) What objection is there to the Examiner tracing and verifying all such assets of any consequence.

(2) Can cooperation of the Comptroller be secured?

E. Rediscounting non-negotiable notes. (San Francisco)

Should not measures be adopted for the protection of Federal reserve banks against equities which may exist between borrower and lender, when rediscounting notes supported by chattel mortgages containing provisions destroying negotiability.

F. Should the Federal reserve banks discontinue rediscounting for member banks notes of nonmember banks secured by Government obligations. (Unfinished - suggested by F. R. B. of Atlanta for last conference and passed for consideration to next conference)

G. See Supplement 3 for added topic.

## II. COLLECTIONS AND CLEARING

A. Report of Collection Committee.

B. Maturing notes, bills and other collection items.

(1) Final advice of payment of items for which available funds have not been received. When funds which are immediately available have been received in payment of a collection, some Federal reserve banks advise that the collection has been paid, but that credit will be made upon final payment of the funds received. In such cases definite advice of final payment should also be sent. (San Francisco)

(2) Advisability of Federal reserve banks placing the non-responsibility clause upon bills of lading attached to drafts handled for collection. Desirability of uniform procedure by all reserve banks. (San Francisco)

(3) Requirement of certified check on delivery of drafts with securities or bills of lading attached. (Philadelphia)

## II. COLLECTIONS AND CLEARING

### B. Maturing notes, bills and other collection items continued.

- (4) Uniform method of handling railroad drafts, insurance company drafts, payable at or through banks, also certificates of deposit. (Cleveland)
- (5) Liability of collector of time items when check or other evidence of payment is accepted which proves to be bad. (Boston)
- (6) Exchange Charges: There should be uniform practice among Federal reserve banks in the following regards:
  - (a) Deduction of exchange on demand certificates of deposit and time certificates of deposit sent for collection at maturity.
  - (b) Deduction of exchange on checks protested and returned for non-payment when re-forwarded for collection and paid by drawee bank. (Chicago)

### C. Transit.

- (1) Desirability of the Federal reserve banks establishing a uniform practice in handling check collections, with the aim of making the methods of handling checks for member banks, so far as is reasonably possible, as simple as were these transactions of the banks with their city correspondents. (New York)
- (2) Identification symbols on member banks' checks. It is recommended that a reserve district identification symbol be placed on each member bank's checks in conjunction with the A. B. A. transit numbers for the purpose of simplifying the process of sorting and routing checks by districts, thereby increasing the number of checks sent direct by member banks. This symbol to be printed on checks as follows:

City National Bank	<u>51 - 29</u>	
Bridgeport, Conn.	2 - N.Y.	(New York)
- (3) Desirability of uniform practice in filing claims on behalf of member banks by Federal reserve banks and their branches of transit items involved in bank failures. (Chicago & St. Louis)
- (4) Letters to banks calling attention to failure to give reason for non-payment of checks returned. Can this practice be discontinued? (St. Louis)
- (5) Check Collections - Final advice of payment of items which have previously been advised as outstanding. (San Francisco)

## II. COLLECTIONS AND CLEARING

### C. Transit (Continued)

- (6) Immediate credit for officers' checks issued by Federal reserve banks. It is recommended that immediate credit be given at all Federal reserve banks and branches for all checks issued by another Federal reserve bank or branch; and that the receiving bank be permitted to deduct such items from its credits to the issuing bank, thereby receiving immediate payment. It is the object of this recommendation to place checks of the several Federal reserve banks on the same basis, so far as availability is concerned, as transfer drafts and exchange drafts issued by member banks. (New York)
- (7) Par clearings in the Sixth District - Its present status, legal and otherwise. (Atlanta)
- (8) Removing the limit from Federal Reserve Exchange Drafts. (Richmond)

## III. CURRENCY AND CIRCULATION

- A. Designs of paper currency. Would it not be desirable as a measure to prevent counterfeiting and raising; to adopt a comprehensive scheme of designs classified as to kinds of issue and as to denominations? (New York)
- B. Shipments of Federal Reserve Notes.
  - (1) The shipping Federal reserve bank should absorb the cost of shipments of "other" fit as well as unfit Federal reserve notes, except the cost of insurance. (San Francisco, Cleveland & Richmond)
  - (2) Method of accounting for postage on shipments of Federal reserve notes made direct to bank of issue. Should be uniform. Simplest plan appears to be to include postage in the wire advice of shipment. By this method only one entry is made and no further attention is necessary on the part of the forwarding banks. (St. Louis)
  - (3) Should shipment from one Federal reserve bank to another be charged or credited until actually received. (Boston)
  - (4) Cannot settlement of shipments of other Federal reserve notes be handled through the Federal Reserve Board in a manner similar to the present daily settlement of collected funds through the Gold Settlement Fund. Submitted this would greatly reduce the number of telegrams over the private wire system. (San Francisco)

### III. CURRENCY AND CIRCULATION.

- C. Standard of sorting currency should be uniform. (San Francisco)
- D. Necessity of banks reporting to Board on form 160, detail of monthly currency receipts and disbursements as to kinds, denominations, and conditions. (Cleveland)
- E. Telegraphic transfers:
  - (1) Limitation on detail matter. (Richmond)
  - (2) Procedure throughout system should be uniform regarding inclusion or omission of details in connection with wire transfers over the private wire. (San Francisco)
  - (3) Federal reserve bank liability for telegraphic transfers. (San Francisco)
- F. Should the resolution adopted at the April Conference, in reference to requests of non-member banks for currency and coin service, accompanied by drafts on city correspondents, be reconsidered? (Philadelphia)

### IV. GOLD POLICY

- A. Discussion of practical steps towards the restoration of the Gold Standard. (New York)

### V. FISCAL AGENCY OPERATIONS.

- A. Shipment of certificates of indebtedness between Federal reserve banks. (Chicago)
  - (1) Request for opinion as to desirability of extending certificate shipments through Treasury Department to certificates held under repurchase agreement for brokers.
  - (2) Request for opinion as to desirability of extending certificate shipments through Treasury Department to certificates tendered Fiscal Agency Department for delivery in other reserve cities.
  - (3) Request for opinion as to desirability of handling Liberty Loan bonds in the same manner.
- B. War Loan Deposit Account. Indiscriminate payment by credit for subscriptions for Treasury certificates of indebtedness is resulting in a continuance of inflation of deposits in large cities. Would it not be well either to raise the interest on these deposits or limit the percentage of a subscription which may be paid by credit? (San Francisco)
- C. Absorption of fiscal agency costs. In view of the decreasing earnings of some of the Federal reserve banks, it appears to be desirable to discuss this question again in light of that situation. (San Francisco)

## VI. OPERATION

- A. Personnel and Welfare. (Report of Committee on Personnel Activities)
- B. Direct pouching of mail in Federal reserve banks. Report by Federal Reserve Bank of New York to which the matter was referred at last governors' conference, on progress made towards securing universal adoption of the pouching privilege idea by reserve banks. (New York)
- C. Pension Fund. Desirability of urging legislation at this time. (New York)
- D. Securities left in custody. Report by Governor Strong on views of reserve banks requested at last governors' conference.
- E. Federal reserve code. Words used are difficult to send. Revision desired. (St. Louis)
- F. Self-insurance of Federal reserve bank buildings. It is recommended that a committee be appointed to investigate the advisability of reserve banks carrying their own fire insurance on the buildings owned by them. (New York)
- G. Participation of Federal reserve bank officers and employees in American Institute of Banking affairs. Any attempts to control in any measure the activities of the institute should be avoided. (New York)
- H. Personnel: Investigation by each bank and exchange of views suggested with a view to determining:
  - (1) To what extent should measured service and payment by results be introduced? (New York)
  - (2) What constitutes a fair day's work? (New York)
  - (3) How shall unit labor costs be ascertained and controlled? (New York)
- J. Future policy of Federal reserve banks as to salary adjustments and extra compensation. (Cleveland)

## VII. ACCOUNTING AND AUDITING

- A. Survey of the accounting procedure systems in the several Federal reserve banks. Discussion of report presented by Federal Reserve Bank of New York at last governors' conference.
- B. Standing committee on the accounting procedure between Federal reserve banks - Appointment of (Cleveland)  
It is recommended that a standing committee be appointed by the conference with power and authority to standardize accounting forms and existing accounting procedures, and to establish such new accounting procedures as may be necessary from time to time in handling inter-district transactions arising between Federal reserve banks. (New York)

VII. ACCOUNTING AND AUDITING

- C. Uniform cost accounting in Federal reserve banks. Appointment of committee for study and revision of current expense reports to permit of comparison with respect to unit costs. (New York)  
January suggested as effective date for inauguration of uniform cost accounting system. (Chicago)
- D. Reports and Statistics - Appointment of a committee to consider the necessity of and consolidation of the various reports and statistics furnished the Federal Reserve Board and Treasury Department. (San Francisco)

VIII. MEMBER BANK RELATIONS

- A. Discussion of methods of analyzing member bank operations in order to secure a closer knowledge of such operations. (New York)
- B. Return of capital stock subscription to member banks. In view of the decrease in the earnings of the Federal reserve banks, it is suggested that the present would be an opportune time to return to member banks \$100,000,000. of capital stock, which, it is submitted, will remove in future discussions with member banks the question of participation in earnings or non-receipt of return on the investment. (San Francisco)



PROGRAM FOR  
CONFERENCES WITH GOVERNORS AND FEDERAL RESERVE AGENTS  
OCTOBER 25-28, 1921

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Tuesday, October 25th:

10:00 A. M. - Joint Conference of Federal Reserve Board, Federal Reserve Agents and Governors of Federal Reserve Banks, in Assembly Room, National Metropolitan Bank Building.

SUBJECTS: (1) Efficiency and economy in administration of Federal Reserve Banks.

(2) Recent Developments in the par clearance system and suggested changes in methods.

(3) Principles governing the discount rate.

8:00 P. M. - Dinner at Metropolitan Club.

Wednesday, October 26th:

Separate Conferences

Federal Reserve Agents will meet at 10:00 A. M. in the Federal Reserve Board's Assembly Room, 7th Floor, National Metropolitan Bank Building.

Governors will meet at time and place to be arranged by them.

Each body will consider its own prepared list of topics.

Thursday, October 27th:

Separate Conferences Continued:

2:30 P. M. - The Federal Reserve Board will meet with the Federal Reserve Agents in the Assembly Room.

Friday, October 28th:

10:00 A. M. - Federal Reserve Board will meet with the Governors at place to be announced.

2:30 P. M. - Joint Conference of Federal Reserve Board with Federal Reserve Agents and Governors.

SUPPLEMENT I.

SUPPLEMENTARY LIST OF TOPICS FOR DISCUSSION AND  
CONSIDERATION AT JOINT CONFERENCE WITH GOVERNORS AND FEDERAL RESERVE AGENTS  
OCTOBER 25-28, 1921.

These topics are to be considered separately by the Governors and Federal Reserve Agents on Wednesday or Thursday, October 26 and 27, as they may elect. They will be discussed by the Federal Reserve Board and the Federal Reserve Agents at their conference on Thursday afternoon, October 27, by the Federal Reserve Board and the Governors on Friday morning, October 28, and will be discussed finally on Friday afternoon, October 28, at the joint conference of the Federal Reserve Board with the Federal Reserve Agents and Governors.

- (1) Practicability of putting into circulation the silver certificates and legal tender notes now held by Federal reserve banks so as to put the reserves entirely on a gold basis.
- (2) Desirability of restoring some gold certificates to circulation by having Federal reserve banks pay them out.
- (3) Expediency of authorizing Federal reserve banks to purchase in each calendar year the maximum amount permitted under Section 18 of the Federal Reserve Act (\$25,000,000) of United States bonds eligible as security for bank note circulation.

## SUPPLEMENT II.

### TOPICS SUGGESTED BY UNDER SECRETARY OF THE TREASURY GILBERT

(1) Further discussion of the new designs for paper currency, with particular reference to reduction in size and the new models which have been sent out to the several Federal reserve banks.

(2) The circulation of national bank notes, with particular reference to the assortment of unfit notes and the payment of fit notes by Federal reserve banks. This question has already been suggested by my letter to you of September 22 and is having the consideration of the Governors. It suggests a broader question which should also have consideration at the conference, namely, as to what general policy should be pursued by the Treasury and the Federal Reserve System as to the continued circulation of national bank notes, with particular reference to the question whether any action should be taken, either through new legislation or through the currency policy of the Federal reserve banks, to encourage the retirement of national bank notes from circulation.

(3) The standard of currency to be applied by the Treasury and the Federal reserve banks, with particular reference to United States paper currency, Federal reserve bank notes and national bank notes. The appropriation for distinctive paper and for engraving and printing United States paper currency and bank notes is limited, and there will be danger of a deficiency toward the end of the year if too high a standard is applied at the present time.

(4) Establishment of a centralized control of the distribution of currency through representatives of the Treasury and the Federal Reserve Board in Washington. In order that the supply of currency may be conserved and the actual circulation requirements of the several Reserve Districts met, it is important to supervise the issue and distribution of new currency through some central organization in Washington which will constantly keep in touch with the currency demands of the country and the supplies of currency on hand, in reserve or in prospect and see to it that a properly coordinated currency program is carried out.

(5) An understanding should be reached as to what kinds of currency should be paid out, and in what denominations. This involves, among other things, the questions as to the circulation of Federal reserve bank notes and silver certificates suggested in my letter of September 22, and perhaps further questions as to the circulation of United States notes and gold certificates in the higher denominations.

### FISCAL AGENCY MATTERS

(1) The question whether fiscal agency expenses will continue to be absorbed by the Federal reserve banks on the present basis after the end of the current fiscal year, should have consideration by the conference. Even this year the Treasury has not called on the Federal reserve banks to absorb all fiscal agency expenses, inasmuch as it makes reimbursement for expenses related to new issues of securities and for certain other specified items. The Treasury's estimates for next year's budget do not cover the reimbursement of Federal reserve banks for general fiscal agency expenses, though it is expected that reimbursement will continue to be made out of the extended appropriation for Expenses of Loans for expenses related to new issues on substantially the same basis as during the current year.

(2) The 1922 program for the issue of Government Savings securities should have some consideration by the Governors conference. The Treasury plans to discontinue the existing Thrift Stamps and War-Savings Stamps, but to issue larger denomination securities in substantially the form of the present Treasury Savings certificates. Several important changes will be made in the form and terms of the certificates, and it is expected the movement will depend largely on the cooperation received from the Postmaster General, though the Treasury will probably wish to continue, at least through the first half of the calendar year 1922, the skeleton savings organizations now maintained at the Federal reserve banks.

(3) I should like to discuss briefly the question of methods of allotment on subscriptions for Treasury notes and Treasury certificates, with particular reference to the question whether it will be feasible to authorize allotments in full on small subscriptions. This is a question which has been considered from time to time in telegrams and correspondence between the Treasury and the Federal reserve banks, and with which the Governors are already familiar.

Practice followed by the Federal reserve banks upon deposits of checks for credit to the Treasurer's account when the checks are on out-of-town accounts and are not sorted before deposit in accordance with the time schedules in effect at the Federal reserve bank. It is important for the Treasury to know, for example, whether the Federal reserve banks withhold credit in the Treasurer's account and issue no certificate of deposit until the last item among the checks deposited is collected, or it is the practice to average the time and issue a certificate of deposit as of the average collection date for the items deposited. It would be helpful, so far as possible, to have a uniform policy adopted.

SUPPLEMENT III

of

PROGRAM FOR SEPARATE CONFERENCE OF GOVERNORS

WASHINGTON - October 26 & 27, 1921

I. C. Furnishing Credit Information to Member Banks. (New York)

*Mr. Atchey*

CONFIDENTIAL

Secretary's Minutes

GOVERNORS CONFERENCE

October 25 - 29, 1921

Washington, D. C.

In view of the fact that the topics considered by the Governors were contained on different or supplementary programs, reference in these minutes will be understood to relate to topics on the Governors' Separate Program, unless otherwise stated. The other programs will be referred to as:

Board's Joint Program  
Supplement No. I - Board's Joint Program  
Supplement No. II - Treasury Program  
Supplement No. II - Treasury Program (Fiscal Agency)

GOVERNORS' CONFERENCE  
October 25 - 29, 1921

First Day's Session, Tuesday, October 25

Morning

Joint Conference with Federal Reserve Agents and Federal Reserve Board.

The meeting was called to order at 10:00 o'clock a. m.

Present:

Secretary of the Treasury, A. W. Mellon,  
Under Secretary, S. P. Gilbert, Jr.,  
Comptroller of the Currency, D. R. Crissinger,  
Federal Reserve Board, W. P. G. Harding,  
Edmund Platt, Adolph C. Miller, Chas. S.  
Hamlin and John R. Mitchell.  
Federal Reserve Agents Curtiss, Jay, Austin,  
Wills, Hardy, McCord, Heath, Martin, Rich,  
Ramsay, Ramsey and Perrin.  
Governors Morss, Strong, Norris, Fancher,  
Seay, Wellborn, McDougal, Biggs, Young,  
Miller, Jr., Van Zandt and Calkins.  
Mr. Harrison, Secretary.

(1)

Governor Harding's Statement. Governor Harding read a memo-

randum covering the three topics which had been listed on the program for consideration by the Joint Conference, viz: (1) Efficiency and economy in administration of Federal reserve banks, (2) Recent Developments in the par clearance system and suggested change in methods, (3) Principles governing the discount rate. The Governor asked that each one of these matters be considered separately by the Agents' and Governors' Conferences and that each report back to the Board at some subsequent meeting. In concluding his remarks, Governor Harding emphasized that it seemed desirable, if possible, to formulate a general policy regarding rates of discount, from which there would be no divergence except in unusual or emergency cases, and the members of the conference were requested to discuss fully all questions involving the principles of the discount rate before reporting their conclusions.

Upon motion duly seconded, the Joint Conference adjourned at 1:00 o'clock p. m.



First Day's Session, Tuesday, October 25  
Afternoon  
Governors' Separate Conference

The conference was called to order at 2:00 o'clock p. m.

Present:

Governors Morss, Strong, Norris, Fancher,  
 Seay, Wellborn, McDougal, Biggs, Young,  
 Miller, Jr., Van Zandt and Calkins.  
 Mr. Harrison, Secretary.

(2) Election of Chairman and Secretary. Upon motion duly seconded Governor Strong was unanimously elected Chairman, and Mr. Harrison, Deputy Governor of the Federal Reserve Bank of New York, Secretary of the conference. (See paragraph 31)

(3) War Finance Corporation. Statement of Eugene Meyer, Jr., Managing Director.

Mr. Meyer referred to the invaluable service of the Federal reserve banks in assisting the War Finance Corporation in making cattle and other loans; expressed his thanks for that service; and asked the governors if they would further cooperate by providing additional personnel to assist the Corporation in the exercise of the new powers conferred by Section 24 of the War Finance Corporation Act, or by recommending men in member banks who might be available to assist in such work. It was understood that Mr. Ontjes of the War Finance Corporation would submit a memorandum defining in detail the number of men wanted and the character of service which they were to perform. Mr. Meyer left the meeting with an invitation to return at 10:00 o'clock a. m. on Wednesday further to discuss these questions.

(See paragraph 53)

(4) Agricultural Legislation. Governor Strong discussed confidentially the various suggestions which he has made concerning legislation in behalf of the agricultural interests. He referred to his discussion with certain

Senators on the subject of the operation of the Cattle Loan Pool and pointed out the necessity for a very definite cooperation on the part of the Federal reserve banks with the functioning of the War Finance Corporation and the Cattle Loan Pool. He suggested that each Federal reserve bank in the agricultural sections might care to send a letter to each of their interested member banks pointing out and describing the facilities offered by the War Finance Corporation and the Cattle Loan Pool. He outlined what he understood to be the sentiment in Congress with respect to agricultural legislation, and particularly with respect to certain proposed amendments to Sections 13 and 14 of the Federal Reserve Act, and then suggested that the conference consider a proposed plan to amend the Federal Farm Loan Act as an offset to other unsound legislation which might seriously interfere with the effective operation of the Federal Reserve System.

Upon motion of Governor Van Zandt, it was

VOTED, in accordance with Governor Strong's suggestion, that the conference meet, at 9:30 o'clock Thursday morning, with Senators Kendrick, Stansfield, Wadsworth, Gooding, and Warren, and Governor Harding of the Federal Reserve Board, to discuss (1) proposed permanent agricultural legislation, and (2) what might be done by the Federal Reserve System in the meantime to make more effective the operations of the War Finance Corporation and the Cattle Loan Pool. (See paragraphs 11, 43, 47, 55, and 80)

Governor Strong left the meeting at this point to telephone this invitation to Senator Kendrick, and Governor McDougal was appointed temporary chairman.

(5) Review of Program.

(a) Withdrawal and passage of certain topics. The Governors briefly reviewed their program and agreed to withdraw topics V-A, V-B, VIII-A and VIII-B; and to pass each of the following topics with the

understanding that they be not considered by the conference unless there was time to do so before adjournment at this session: 1-A-1-a, 1-A-1-c, 1-A-2-a, 1-A-2-b, 1-A-3, 1-A-4-a, 1-A-4-b, 1-D-1, 1-D-2, VI-F, VI-H.

(b) Acceptance of report without discussion of topic. It was agreed that topic 1-A-1-b should not be discussed, but that the report of the Committee on Open Market Conditions and Operations should be accepted and distributed by Governor Fancher to each of the governors.

(c) Topics referred to Committee. It was understood that topics VII-A, VII-B and VII-C should be left on the program and referred to a committee. (See paragraphs 79, 85).

At this point Governor Strong resumed the chair.

(6) Statements for Press. Upon motion of Governor Calkins, it was VOTED that no statements whatsoever should be made to the press except by the Chairman, in writing.

(7) Topic 1 Supplement I -- Board's Joint Program.  
Practicability of putting into circulation the silver certificates and legal tender notes now held by Federal reserve banks so as to put the reserves entirely on a gold basis.

There was general discussion of the circulation and supply of silver certificates and legal tenders. Each governor reported that his bank has no undue accumulation of silver certificates or legal tenders, and that those that are on hand are necessary to meet current demands or the expected Christmas demands.

In connection with this topic, Governor Strong referred to the problem involved in accepting national bank notes on deposit at Federal reserve banks (see Topic 2 Supplement II -- Treasury Program; paragraph 39) and suggested that inasmuch as it was necessary either to pay out or redeem such notes received on deposit, there was a certain conflict with the

principle of paying out silver certificates and legal tenders, and therefore the whole question of the amounts and denominations of the different currencies to be printed and put into circulation should be referred to a committee to define some uniform procedure. (See paragraph 39).

- (8) Topic 2 Supplement I - Board's Joint Program.  
Desirability of restoring some gold certificates to circulation by having Federal reserve banks pay them out.

Each of the twelve governors expressed himself as being opposed to the policy of deliberately paying out gold certificates in order again to place them in circulation, although it was expressly understood that each Federal reserve bank should always pay out gold without any hesitation whenever demanded. Governor Strong was authorized so to report to the Joint Conference. (See paragraphs 39, 41).

- (9) Topic 3 Supplement I - Board's Joint Program.  
Expediency of authorizing Federal reserve banks to purchase in each calendar year the maximum amount permitted under Section 18 of the Federal Reserve Act (\$25,000,000) of United States bonds eligible as security for bank note circulation.

After general discussion of the question of purchasing 2% bonds under the terms of Section 18 of the Federal Reserve Act, it was

VOTED, upon motion of Governor Van Zandt, that Federal reserve banks should purchase in each calendar year the maximum amount permitted under Section 18 (\$25,000,000) at not more than par and interest, but that if it is the desire of the Federal Reserve Board to do away with national bank currency, the conference would favor a plan of amending the National Bank Act so that the circulation privilege would be denied to newly organized national banks and to those national banks whose charters have expired and are being renewed. (See paragraph 39).

Topic 1 Supplement II - Treasury Program.

Further discussion of the new designs for paper currency, with particular reference to reduction in size and the new models which have been sent out to the several Federal reserve banks.

After a very considerable discussion of the advantages and disadvantages of the new designs for paper currency, it was

VOTED upon motion of Governor Calkins, that the conference approve the general plan to reduce the size of the currency, but that additional safeguards should be made to prevent counterfeiting; that currency experts in those Federal reserve banks located near Washington should meet with the Treasury Officials to discuss these safeguards; and that no change whatsoever should be made in the size of the currency until a thorough investigation and consideration had been undertaken of the possibility that uneasiness might result, particularly in the minds of the more ignorant people, merely because of the reduction in the size of the paper. (See paragraphs 39, 57).

Upon motion duly seconded, the conference adjourned at 6:10 o'clock p. m., until 9:30 o'clock a. m. October 26.

Second Day's Session, Wednesday, October 26  
Morning  
Governors' Separate Conference

The conference was called to order at 9:45 o'clock a. m.

Present:

Governors Morss, Strong, Norris, Fancher,  
 Seay, Wellborn, McDougal, Biggs, Young,  
 Miller, Jr., Van Zandt and Calkins.  
 Mr. Harrison, Secretary.

- (11) Agricultural Legislation - continued. (See paragraphs 4, 43, 47, 55, 80). There was general discussion of the subject of agricultural legislation preparatory to Mr. Meyer's joining the conference at 10:00 o'clock. Governor Strong again suggested the propriety of a circular letter by the Federal reserve banks of the agricultural districts to their member banks to indicate the possibility of their borrowing in case of need from the War Finance Corporation or the Cattle Loan Pool. Governor Strong reiterated his opinion that it was very necessary at this time particularly for the Reserve System affirmatively to show its desire to help in the present situation. Certain of the governors reviewed the efforts that the Federal reserve banks are now making to cooperate in the manner suggested. There was some discussion of the question whether or not the War Finance Corporation is at this time prepared to make loans of the kinds contemplated, but it was generally understood that the Federal reserve banks should do everything possible to assist them in their efforts.

At this point Mr. Meyer joined the meeting. He referred to the fact that in certain sections of the country member banks are still calling cattle loans, and that in the minds of many bankers there is still considerable doubt as to the continuation of their right to rediscount with the Federal reserve bank in those cases where they avail themselves of the privileges of the War Finance Corporation. He stated that it was very

necessary to clear up this doubt in some such manner as that suggested by Governor Strong, namely a letter or circular to member banks to the effect that loans made through the War Finance Corporation will not of themselves limit the borrowing bank's line at the Federal reserve bank, although the liability to the War Finance Corporation would be considered, like any other liability, in determining the condition of the borrowing bank.

At this point Mr. Meyer left the meeting.

It was thereupon understood, without formal vote, that the governors of the Federal reserve banks in the cattle districts would consider the matters raised by Mr. Meyer and report back to the conference on Thursday.

- (12) Invitation to meet Sir Drummond Fraser. Upon motion of Governor McDougal, it was

VOTED that in view of the many topics to be considered by the governors in such a limited time, it would be impossible to accept the invitation to the luncheon to meet Sir Drummond Fraser.

- (13) Topic I-B-1. Scope of Eligibility Committee. Upon motion of Governor Calkins, it was

VOTED that it shall be the function of the Eligibility Committee of each Federal reserve bank (1) to pass upon the technical eligibility of paper presented for discount, and (2) to pass upon the desirability of such paper from a credit standpoint.

- (14) Topic I-B-2. Uniform procedure of eligibility committees of the respective banks in reporting conclusions to each other.

It was understood that the action taken in connection with topic I-B-1 disposed of this topic.

- (15) Topic I-C. Acceptance by member banks of payments in full or in part of notes rediscounted with the Federal reserve bank.

Upon motion of Governor Young, it was

VOTED that the Secretary of the Conference address a letter to the Comptroller of the Currency requesting that all national bank examiners be asked to look out for cases coming within this topic; to call attention to its criminal features; and to make a report of the cases to the appropriate Federal reserve bank.

- (16) Topic I-E. Rediscounting non-negotiable notes. Governor Calkins, in discussing this topic, pointed out that any note which bears evidence that it is secured by a chattel or other mortgage is non-negotiable in most states and that an effort should therefore be made to procure uniform chattel mortgage procedure. It was the sense of the conference that Governor Calkins should obtain an opinion from his attorney on this subject, to be forwarded to all Federal reserve banks, and that Governor Calkins should prepare a draft of circular, based upon that opinion, to be forwarded by all Federal reserve banks to their members.

- (17) Topic I-F. Should the Federal reserve banks discontinue re-discounting for member banks notes of nonmember banks secured by Government obligations?

It was understood without vote that this topic would be withdrawn from the program in view of the fact that the Federal Reserve Board has issued a ruling authorizing Federal reserve banks to rediscount nonmember paper for their members.

- (18) Topic I-G. (Supplement 3) Furnishing Credit Information to Member Banks.

Upon motion of Governor Calkins, it was

VOTED that it is the sense of the conference that Federal reserve banks shall not furnish credit information to member banks, or to any other bank, except the Federal reserve banks and the War Finance Corporation.



(19) Topic II-A. Report of Collection Committee. Mr. Harrison, chairman of the committee, reported that because of his enforced absence in Washington on other matters the greater part of the summer, it was impossible for him to have a regular meeting of the collection committee, but that he and Mr. Logan had had informal discussions of the matters referred to the collection committee for disposition. He submitted to the conference an informal report of the conclusions reached by him and Mr. Logan, but pointed out that the report had never been considered or approved by Mr. Walden, the third member of the committee. His report recommended (1) that the two paragraphs printed on pages \_\_\_\_\_ of the record be inserted in the appropriate collection circulars of each Federal reserve bank, (2) that each Federal reserve bank forward to each other Federal reserve bank the appropriate letters printed on pages \_\_\_\_\_ of the record whenever it has authorized its members to send cash or non-cash items direct to other Federal reserve banks for collection, and (3) that each Federal reserve bank forward to all of its member banks the letter approved by the last conference of governors, printed on pages \_\_\_\_\_ of the record, concerning the direct routing of non-cash collection items payable in other Federal reserve districts.

Upon motion of Governor Seay, it was

VOTED that all of the matters submitted by Mr. Harrison be referred to the governors each of whom shall report back to Mr. Harrison any suggested changes that might appear to be necessary before their uniform adoption by the Federal reserve banks.

(20) Topic II-B-1. Final advice of payment of items for which available funds have not been received.

Upon motion of Governor McDougal, it was

VOTED that all Federal reserve banks adopt a policy of not advising payment of collections until available funds have been received.

- (21) Topic II-B-2. Advisability of Federal reserve banks placing the non-responsibility clause upon bills of lading attached to drafts handled for collection. Desirability of uniform procedure by all reserve banks.

Upon motion of Governor Calkins, it was

VOTED that all Federal reserve banks discontinue to use non-responsibility clauses upon bills of lading attached to drafts handled for collection.

- (22) Topic II-B-3. Requirement of certified check on delivery of drafts with securities or bills of lading attached.

Governor Norris stated that this topic was merely an inquiry on his part, to which all governors replied that their banks required cash or certified checks on delivery of drafts with securities or bills of lading attached.

- (23) Topic II-B-4. Uniform method of handling railroad drafts, insurance company drafts, payable at or through banks, also certificates of deposit.

During the course of the discussion of this subject, Governor Fancher

MOVED that railroad drafts, insurance company drafts, and demand certificates of deposit not bearing interest, might be considered as cash items and included in cash letters. But it was objected by some of the governors that railroad drafts and insurance company drafts, for instance, could not be handled as cash items in some districts. Whereupon, it was

MOVED by Governor McDougal that the matter be left as it now is, it being impossible to have uniformity.

Governor Fancher thereupon withdrew the topic.

- (24) Topic II-B-5. Liability of collector of time items when check or other evidence of payment is accepted which proves to be bad.

It appeared from the discussion that this topic was placed upon the program by Governor Morse as the result of a misunderstanding between the Federal Reserve Bank of Boston and the Federal Reserve Bank of New York. It was understood that the topic would be withdrawn and that the two banks concerned would take up and adjust the matter by correspondence.

- (25) Topic II-B-6-a. Deduction of exchange on demand certificates of deposit and time certificates of deposit sent for collection at maturity.

Governor McDougal stated that no action was asked on this topic.

- (26) Topic II-B-6-b. Deduction of exchange on checks protested and returned for non-payment when reforwarded for collection and paid by drawee bank.

Upon motion of Governor Seay, it was

VOTED That it is the concensus of opinion that exchange should not be deducted by the drawee bank on checks protested and returned for non-payment, even though they be handled as collection items.

- (27) Topic II-C-1. Desirability of the Federal reserve banks establishing a uniform practice in handling check collections, with the aim of making the methods of handling checks (including checks on savings banks and certificates of deposit) for member banks, so far as is reasonably possible, as were these trasactions of the banks with their city correspondents.

It was informally agreed to pass this topic as having been substantially disposed of by the discussion and action under Topic II-B-4.

(See paragraph 23)

- (28) Topic II-C-2. Identification symbols on member banks' checks.

This topic was passed, it being the sense of the conference that this is an inopportune time to press the matter.

- (29) Topic II-C-3. Desirability of uniform practice in filing claims on behalf of member banks by Federal reserve banks and their branches of transit items involved in bank failures.

Upon motion of Governor Seay, it was

VOTED that a uniform policy be adopted whereby each reserve bank will file claims for its indorsers (including other reserve banks and branch banks, as well as member banks) whether or not requested to do so, unless it has been expressly instructed not to do so.

- (30) Independent Conferences of Governors. After general discussion it was informally understood to be the sense of the conference that Governor Seay, as one of the two governors appointed by the Federal Reserve Board to discuss the continuance of group meetings, report that independent conferences of governors at places other than Washington (in addition to the regular conferences now held in Washington) would be more conducive of the successful conduct of the affairs of the Federal reserve banks than the present so-called group meetings. (See paragraphs 42, 46, 76, 86).

- (31) Election of Chairman and Secretary for next Conference. Upon motion of Governor Van Zandt, it was

VOTED that Governor Strong be made Chairman and Mr. Harrison, Deputy Governor of the Federal Reserve Bank of New York, be made Secretary for the next conference of governors. (See paragraph 2)

Upon motion duly seconded, the conference adjourned at 1:00 o'clock p. m., until 2:00 o'clock p. m.

Second Day's Session, Wednesday, October 26,  
Afternoon  
Governors' Separate Conference.

The conference was called to order at 2:00 o'clock.

Present:

Governors Morss, Strong, Norris, Fancher, Seay,  
Wellborn, McDougal, Biggs, Young, Miller, Jr.,  
Van Zandt and Calkins.  
Mr. Harrison, Secretary.

- (32)            Topic II-C-4. Letters to banks calling attention to failure to give reason for non-payment of checks returned.

After discussion, during which it appeared that most of the Federal reserve banks pursue the practice of writing to member banks calling attention to their failure to give the reason for non-payment of returned checks, Governor Biggs, requested that this topic be passed.

- (34)            Topic II-C-5. Check Collections - Final advice of payment of items which have previously been advised as outstanding.

This topic was passed with the understanding that Governors Young and Biggs endeavor to see what they can do to make their present advices of "no longer outstanding" a little more definite, so as to indicate, if possible, whether the item which is no longer outstanding has been "paid" or "returned unpaid."

- (35)            Topic II-C-6. Immediate credit for officers checks issued by Federal reserve banks.

Upon motion of Governor Seay, it was

VOTED that it is the sense of the conference that immediate credit be given for officers checks issued by Federal reserve banks.

- (36)            Topic II-C-7. Par Clearings in the Sixth District.

Governor Wellborn read a report on the status of the par clearance case now pending against the Federal Reserve Bank of Atlanta. The report was received with thanks and ordered printed in the record.

(see page        )

(37)

Topic II-C-8. Removing the limit from Federal Reserve Exchange Drafts.

Governor Seay moved that the limit on Federal reserve exchange drafts be removed, but, upon motion of Governor Calkins, duly seconded, it was

VOTED that this topic be postponed until the next conference of governors in order that the several governors might have an opportunity in the meantime to study it and be prepared to report back at the next conference, it being understood that the Chairman would have the topic placed upon the next program.

(38)

Topic I-A-4. Uniform practice in handling bankers acceptances taken from brokers under repurchase agreements.

There was a long discussion by all of the governors with reference to the present practice of the Federal Reserve Banks of New York, San Francisco and Boston in buying bills from brokers under resale agreements and discounting those bills for the term of the resale agreement rather than to the maturity of the bills. It was pointed out by the Chairman that this arrangement, while believed to be necessary in order effectively to develop the bill market in the financial centers, results in a purchase by the Federal reserve bank of bills at prices in excess of their value at the time of purchase. Without formal action, it was understood that this matter would be taken up by the Chairman with the officers of the Federal Reserve Bank of New York and that he would report back to the Federal Reserve Banks of St. Louis, Boston, San Francisco, Chicago and Cleveland.

(39)

Report of action of Governors' Conference on certain topics covered by Supplements I and II (See also paragraphs 41 and 57)

At this point Mr. Gilbert, Under Secretary of the Treasury, joined the meeting and after his discussion of certain confidential matters, concerning the issue of Certificates of Indebtedness, the

Chairman reported to him the action taken by the conference at its meeting on Tuesday concerning the topics on the Treasury program: (See paragraphs 10, 41, 57)

Topics I Supplement II -- Treasury Program:

That it was the sense of the conference to approve the general plan to reduce the size of the currency, but that additional safeguards should be made to prevent counterfeiting; that currency experts in those Federal reserve banks located near Washington should meet with the Treasury Officials to discuss these safeguards; and that no change whatsoever should be made in the size of the currency until a thorough investigation and consideration had been undertaken of the possibility that uneasiness might result, particularly in the minds of ignorant people, merely because of the reduction in the size of the paper. (See paragraph 10)

Mr. Gilbert stated that it was the policy of the Treasury Department to proceed with caution in this matter; that while the Treasury was committed to a new design for the paper currency, the question of size was still debatable.

Upon motion of Governor Van Zandt, it was

VOTED that a currency man from each of the Federal Reserve Banks of New York, Philadelphia, Chicago, Boston and Cleveland be sent to meet with the Treasury Officials upon call of Mr. Gilbert.

Governor Strong then continued his report

Topic 2 Supplement II -- Treasury Program, also  
Topic 3 Supplement I -- Board's Joint Program

That the conference had voted that Federal reserve banks should purchase in each calendar year, at not more than par and interest, the maximum amount (\$25,000,000) of United States bonds eligible as security for bank note circulation, but that if it be the desire of the Federal Reserve Board to do away with national bank currency, the conference would favor a plan of amending the National Bank Act so that the circulation privilege would be denied to newly organized national banks and to those national banks whose charters have expired and are being renewed. (See paragraph 9)

In this connection he further reported that the majority of the governors were of the opinion that Federal reserve banks should not become the future sinks for disposition of national bank notes, but that

they should, upon receipt, either pay them out or return them to the Treasury for redemption (paragraph 7). Governor Strong expressed his personal opinion that if national bank notes are to be retired Section 18 of the Federal Reserve Act should be amended so as to permit Federal reserve banks to convert 2% bonds bought by them into some other bonds that would bear a higher open market value.

It was further reported

Topic 5 Supplement II - Treasury Program, also

Topic 1 Supplement I - Board's Joint Program

That none of the Federal reserve banks had accumulated silver certificates or legal tenders other than what is necessary to meet their current demands or the expected Christmas demands. (See paragraph 7)

(40)

Topic 3. Supplement II - Treasury Program.

The Standard of currency to be applied by the Treasury and the Federal reserve banks, etc.

Topic 4. Supplement II - Treasury Program.

Establishment of a centralized control of the distribution of currency through representatives of the Treasury and the Federal Reserve Board in Washington, etc.

Topic 5. Supplement II - Treasury Program

An understanding should be reached as to what kinds of currency should be paid out, and in what denominations, etc.

The matters presented in these three topics were discussed at some length by the members of the conference with Mr. Gilbert. It was the concensus of opinion that the currency problem should be considered as a whole in order to adopt some uniform basis of sorting and payment in all Federal reserve banks. Governor Strong stated that in his opinion the old policy with reference to the order in which currency should be paid out by Federal reserve banks should be amended so as to have the order of payment as follows: (1) national bank notes, (2) silver certificates, (3) legal tenders, and thereafter Federal reserve notes and Federal reserve bank notes; although it was pointed out that this order of preference was subject to alteration to suit the demands for denominations. In order, therefore,



that the problem might be considered as a whole, it was

VOTED upon motion of Governor Fancher, that the conference recommend to the Federal Reserve Board that it is desirable that a permanent currency committee be appointed by the Treasury Department, with a representative of the Federal Reserve Board on the committee, which shall be charged with the study of topics 2, 3, 4, and 5 (Supplement II - Treasury Program) and with the administration of the issue of currency, the adjustment of denominations, and the establishment of standards of fitness, etc. ; that committee to confer from time to time with the currency committee or other proper officers of each Federal reserve bank. (See paragraph 63)

(41) Further report of Governors' Action on topics covered by Supplements I and II (See paragraph 39)

Governor Strong also reported to Mr. Gilbert that the conference on Tuesday had been unanimously of the opinion

Topic 2. Supplement I -- Board's Joint Program

That gold certificates should not be paid out in order again to place them in circulation, although it was expressly understood that each Federal reserve bank should always pay gold without any hesitation whenever demanded. (See paragraph 8)

Upon the conclusion of this discussion it was understood that Mr. Gilbert should meet with the conference on Thursday morning at 11:00 o'clock.

(42) Independent Conferences of Governors. (See paragraphs 30, 46, 76, 86)

Governor McDougal made a report for the committee appointed to confer with two of the Federal Reserve Agents on the subject of group meetings. He stated that the representatives of the Federal Reserve Agents were of the opinion that group meetings should be continued, but that, when the representatives of the Governors advised them of the feeling of the Governors with respect to group meetings, they would reconsider the matter with the Agents and report back.

Upon motion duly seconded the conference adjourned until Thursday morning, October 27, at 9:30 o'clock.

Third Day's Session, Thursday, October 27MorningGovernors' Separate Conference.

The conference was called to order at 9:30 o'clock a. m.

Present:

Senators Kendrick, Warren, Stansfield, Gooding  
and Wadsworth,  
Governor Harding, Federal Reserve Board,  
Governors Strong, Norris, Fancher, Seay,  
Wellborn, McDougal, Biggs, Young, Miller, Jr.,  
Van Zandt and Calkins,  
Mr. Harrison, Secretary.

(43) Agricultural Legislation - continued (See paragraphs 4, 11, 47,  
55, 80)

The conference met with Governor Harding and the Senators listed above for the purpose of discussing the program which Governor Strong had outlined to the conference on Tuesday afternoon, October 25, and Wednesday morning, October 26, (paragraphs 4 and 11). The Chairman reviewed the discussion which the conference had had with respect to the desirability of additional legislation in behalf of the agricultural interests. He stated that while the Cattle Loan Pool and the War Finance Corporation were providing of vast assistance in aiding the cattle interests in the present emergency, and that while the Federal reserve banks were anxious to aid them in every possible manner in their operations, nevertheless these facilities were, necessarily, temporary in their nature and that it was, therefore, quite generally agreed by the conference that some permanent legislation should be effected to care for the requirements of the agricultural and cattle interests in the matter of loans running from six months to three years. In emphasizing the desire of the Federal reserve banks to aid the War Finance Corporation and the Cattle Loan Pool in the successful conduct of their powers he stated that the governors were considering with

Mr. Meyer, Managing Director of the War Finance Corporation, the possibility of addressing some letter to member and non-member banks in the cattle districts calling attention to the facilities which are offered by the War Finance Corporation and the Cattle Loan Pool, although he also pointed out that the Federal reserve banks have no authority to require member banks to make any loans they do not want to make or to prohibit their making any loans that they might care to make.

The Chairman referred briefly to the proposed plan of legislation (previously discussed informally by him with Senator Kendrick and other senators) to provide a permanent machine to furnish the intermediate credits desired by the agricultural interests, by an extension of the powers of the Federal Land Banks, and called attention to certain difficulties that individual governors had suggested must be covered, such as the necessity of exempting indorsements on loans made through Federal Land Banks from the restrictions of Section 5202 of the Revised Statutes, the necessity of permitting loans to be made through incorporated live stock loan companies as well as through other banking institutions, the necessity of insuring against a wholesale exodus from the Federal Reserve System, and the necessity of providing suitable facilities to the Federal Land Banks to permit their passing intelligently upon questions of credit involved in loans of this character.

Governor Harding at this point suggested the possibility of amending Section 13 of the Federal Reserve Act so that Federal reserve banks may rediscount for member banks a limited amount, not exceeding their capital stock for instance, of live stock loans running for two or three years, with the proviso that such loans should not be eligible as security for Federal reserve notes and should be limited in amount to 50% of the surplus of the discounting Federal reserve bank.

Each of the governors at the conference was then given an opportunity to express his views, and it was the general opinion that the proper means of meeting the needs of the agricultural interests was to amend the Federal Farm Loan Act in the general manner which had been discussed with such qualifications as might be necessary to cover the additional points mentioned above.

Senator Kendrick stated that while in his opinion the present credit system of the country might be sufficient ordinarily to care for the needs of agriculture, nevertheless, in times of any extraordinary or undue strain, it was unable to provide the requisite credit and he stated that he thought it might therefore be desirable to enact legislation amending the Federal Farm Loan Act somewhat along the lines suggested, and not to amend the Federal Reserve Act by permitting reserve banks to make two and three year loans.

Senator Warren stated that it was apparent that the members of the conference appreciated what was needed and suggested that they devise or propose some definite plan that would meet the requirements of the agricultural interests.

Senator Stansfield referred to the fact that while the livestock interests are now receiving help from the \$50,000,000 Cattle Loan Pool and War Finance Corporation, nevertheless the War Finance Corporation ceases to function on July 1, 1922, and that therefore it is important that we have something to take the place of the gap which will result from the withdrawal of the War Finance Corporation and the Cattle Loan Pool.

Senator Wadsworth said that he believed it would be desirable to have the Farm Loan banks deal through other banks or cattle loan companies, and not deal directly with the borrower.

Senator Gooding expressed it to be his opinion that the two or three year credits needed by cattle raisers were credits which might well be provided through the Federal reserve banks, and that this whole matter should be considered with caution unless it is desired to develop two banking systems to do the everyday banking business of the country. He stated that he was much pleased with the broad view taken by the conference, and expressed the hope that they would succeed in working out something that would give the livestock interests some relief with a little cheaper money.

In conclusion Senator Kendrick stated that he felt the conference was fairly well agreed on the thing that was needed and asked whether the conference would outline some legislation along the lines proposed. Governor Strong replied that the matter was still under discussion by the conference, and that they could not come to any conclusion until they had had opportunity to discuss it further.

At 11:30 o'clock Senators Kendrick, Warren, Stansfield, Wadsworth and Gooding retired.

After the Senators had withdrawn Governor Strong, by way of summary, stated that there were four possible means of dealing with the situation, viz:

1. To continue the functions of the War Finance Corporation beyond July 1, 1922;
2. To amend the Federal Reserve Act so as to permit Federal reserve banks to advance long time credits to the agricultural interests;
3. To amend the Federal Farm Loan Act so as to permit of Federal Land Banks making the necessary loans from six months to three years;
4. To do nothing.

Each of the governors, with the exception of Governor Wellborn, in expressing his own personal opinion, favored the third plan, although some of them said that they would like to discuss the matter with their directors, or to

have another conference of the governors to consider it after deliberation. Governor Wellborn expressed it to be his opinion that it was not necessary to do anything inasmuch as he believed the Federal Reserve System could take care of the situation without further amendment. After all the governors had given their views, Governor Strong stated that the necessity of doing something affirmative was apparent, not only to provide the necessary credits to the agricultural interests, but also to forestall legislation injurious to the Federal Reserve System and the entire credit structure of the country. He suggested that it was not proper at this time for the governors to recommend any form of bill or amendment to the Farm Loan Act, but that the principles which have been discussed and the suggestions which have been made should be defined in some sort of a report to be submitted to the Federal Reserve Board as an expression of the personal opinion of the governors attending the conference.

Whereupon, on motion of Governor Seay, it was

VOTED that the Federal Reserve Board be advised that this opinion is -

1. That the War Finance Corporation should not be continued beyond July 1, 1922;
2. That no new corporations or new system of banking should be created;
3. That the Federal reserve banks should not be authorized to make long time loans; but
4. That the Federal Farm Loan Act should be amended in the manner suggested, with proper safeguards against the exodus of member banks from the Federal Reserve System, and with such other necessary provisions as those previously discussed.

Upon motion of Governor Fancher, it was

VOTED to appoint a committee consisting of the Chairman, Governors Young, Calkins, Seay, and Norris, and Mr. Harrison, to prepare the necessary statement of the principles discussed for submission to the

Federal Reserve Board. (See paragraph 47)

At this point Mr. Gilbert joined the conference.

(44)

Topic 1. Supplement II - Treasury Program (Fiscal Agency)  
The question whether fiscal agency expenses will  
continue to be absorbed by the Federal reserve  
banks on the present basis after the end of the  
current fiscal year.

After a short preliminary discussion by Mr. Gilbert, some of the governors stated that their directors did not feel in a position to pass the resolution previously requested by the Treasury Department to the effect that the Federal reserve banks would in future absorb certain fiscal agency expenses. After a short open discussion in which it was pointed out that while the more correct system of accounting would be to have the Treasury Department reimburse the Federal reserve banks, nevertheless since it is probable that Federal reserve banks must legally assume expenses incident to the performance of fiscal agency functions, when Congress makes no appropriation for their reimbursement, it was understood that the present procedure will be continued and that no action by the conference is now required one way or another.

(45)

Pending Bill for the Relief of Persons who subscribed for Bonds  
through Failed Banks.

Governor Norris asked whether it would be advisable for the conference to take any action with respect to this bill. Mr. Gilbert stated that he believed it would be inadvisable to do so, particularly as the Treasury had opposed the bill in its present form.

Upon motion duly seconded the conference adjourned at 1:30 o'clock p. m. to reconvene at 2:30 o'clock p. m.

Third Day's Session, Thursday, October 27AfternoonGovernors' Separate Conference.

The conference reconvened at 2:30 o'clock p. m.

Present:

Governors Morss, Strong, Norris, Fancher,  
Seay, Wellborn, McDougal, Biggs, Young,  
Miller, Jr., Van Zandt and Calkins.  
(Mr. Harrison, Secretary, temporarily absent)

(46)

Topic 1 Board's Joint Program.Efficiency and economy in administration of Federal reserve banks.

It was pointed out that efficiency and economy in the operation of the Federal reserve banks might best be promoted by complete discussions and definite action at conferences of governors, followed by compliance by all reserve banks with the conclusions reached at those conferences. In order carefully to prepare for the action taken at those conferences, it was thought to be advisable to have the advice and thought of the best technical men in the System, who might properly discuss the questions presented in advance. The thought was expressed that the Governors' Conferences at this time are not conducted in a manner calculated to promote efficiency and economy in operation of the Federal reserve banks (see paragraphs 30, 42, 76, 86), and after full discussion it was

VOTED upon motion of Governor Calkins to be the sense of the conference that while the governors of the banks individually are applying their best efforts to increasing the efficiency of operation in their respective banks, nevertheless their efforts would be much more effective if given an opportunity, without restriction, to call conferences for discussion when and where they see fit, and to call conferences of the operating men or specialists for the purpose of comparing the systems in the twelve banks and determining upon the basis of those systems, and reporting back to the governors.



Upon discussion of the question of economy, it was pointed out that in each bank a comprehensive investigation of costs is being made and opportunities of reducing costs being availed of. Whereupon it was understood, without formal vote, that the above resolution as to efficiency of operation should also cover the question of economy.

(47)            Agricultural Legislation -- continued (See paragraphs 4, 11, 43, 55, 80).

Mr. Harrison returned to the conference and reported the substance of a conversation which he had had with Mr. Anderson, Chairman of the Joint Commission of Agricultural Inquiry, relative to the morning's discussion concerning agricultural legislation. He stated that Mr. Anderson had requested that no formal action be taken by the governors or the Federal Reserve Board at this time, or until the Agricultural Commission had had opportunity either to make its report or propose a bill covering this subject. Thereupon there was further discussion of the entire question of agricultural legislation and the proposed plan to amend the Farm Loan Act.

Governor Strong, in order to emphasize the fact that the Federal Reserve System is still subject to pressure, read a letter addressed to Governor Harding by the Governor of Iowa (see pages            of the record) transmitting a resolution passed at a conference of the governors of nine of the agricultural states urging a more liberal policy on the part of the Federal reserve banks toward agriculture, especially with respect to rediscount rates. He also read a letter addressed to Governor Harding by the Governor of Nebraska (see pages            of the record) urging that member banks and Federal reserve banks do something to insure agricultural interests getting credit at cheaper rates.

In the open discussion it was urged that any agricultural bill which might be prepared should be drawn so as to provide that the facilities might be extended by the Federal Land Banks through cattle loan companies as well as through banks, trust companies, etc; that Federal reserve banks should be permitted to rediscount for Land Banks' paper within a maturity of six months, instead of ninety days as had been suggested; that the indorsements on loans made through the Federal Land Banks should not be subject to the limitations of Section 5202 of the Revised Statutes; and that some provision similar to Section 27 of the War Finance Corporation Act, concerning examinations and reports by the Comptroller of the Currency, should be placed in any bill that might be drafted.

It was understood, without action, that Governor Strong was to take up these matters with Chairman Anderson and report to him that in his opinion, as the result of the views expressed by the Governors, it would be desirable to incorporate these suggestions in the proposed bill.

Whereupon, upon motion of Governor Calkins, it was

VOTED that the previous action (see paragraph 43) of the conference in appointing a committee to draft a statement for presentation to the Federal Reserve Board should be rescinded.

(48)

Topic 2. Board's Joint Program

Recent Developments in the Par Clearance System and suggested changes in methods.

After discussion of the proposed changes in the method of handling the par clearance of checks, it was

VOTED, upon motion of Governor Wellborn, that for the present the Federal Reserve Board postpone (1) the issue of a circular defining the charges which might be imposed by member banks for the collection of checks cleared through the Federal reserve banks, and (2) any change in

the par clearance system which would provide for a charge to be imposed by Federal reserve banks for the collection of checks bearing the indorsement of non-par banks. (See paragraphs 52 and 84)

At this point Governor Strong withdrew and Governor McDougal took the chair.

(49)

Topic 3. Board's Joint Program.  
Principles governing the Discount Rate.

The governors gave careful consideration to that part of Governor Harding's opening address concerning the principles governing the discount rates and discussed at some length the various views quoted in that address.

Governor McDougal referred to the principle which the Federal Reserve Bank of Chicago had considered, that is, that if the reserves of the System are to be available for the legitimate requirements of business and for all emergencies, the discount policy should be such as to hold rates as high, or slightly higher, than the going rates in the large commercial centers. It was understood that this topic was to be further considered at 9:30 o'clock a. m. Friday. (See paragraphs 49a, 50 and 54)

Upon motion duly seconded the conferences adjourned at 6:00 o'clock p. m.

Fourth Day's Session, Friday, October 28  
Morning  
Governors' Separate Conference.

The conference was called to order at 9:30 o'clock a. m.

Present:

Governors Morss, Strong, Norris, Fancher,  
 Seay, Wellborn, McDougal, Biggs, Young,  
 Miller, Jr., Van Zandt and Calkins.  
 Mr. Harrison, Secretary.

(49a)

Topic 3. Board's Joint Program.  
Principles governing the Discount Rate. (See paragraphs 49,  
 50 and 54)

Governor Strong expressed his views on the subject of discount rates and stated that there were a variety of considerations necessary in determining rates: first, the amount or percentage of the reserves of the bank of issue, - whether they are unduly large or dangerously low; second, the relation between the rate at which the reserve bank manufactures credit and the rate which credit bears in the open market (our problem in this regard is much different from that of England, where there is really only one market rate, and not a variety of rates as in this country so that it is difficult, if not impossible, to fix reserve bank rates in all districts above the market rates, especially in states where usury laws permit very high rates of interest); third, the temper of the public, - whether it is in a speculative or depressed mood; and fourth, the relation between the cost of credit and prices generally, although it was stated that while prices are affected by the bank rate, nevertheless the bank rate should not be fixed with a view to adjusting prices.

At 10:00 o'clock the conference of governors adjourned to meet in joint conference with the Federal Reserve Board, the Federal Reserve Agents, and Mr. Gilbert, Under Secretary of the Treasury.

Fourth Day's Session, Friday, October 28MorningJoint Conference with Federal Reserve Board and Federal Reserve Agents

The joint conference was called to order at 10:00 o'clock a. m.

Present:

Federal Reserve Board, Harding, Miller, Hamlin  
and Mitchell.

Comptroller of the Currency, D. R. Crissinger  
Federal Reserve Agents, Curtiss, Jay, Austin,  
Wills, Hardy, McCord, Heath, Martin, Rich,  
Ramsay, Ramsey and Perrin.

Under Secretary of the Treasury, S. P. Gilbert, Jr.  
Governors Morss, Strong, Norris, Fancher, Seay,  
Wellborn, McDougal, Biggs, Young, Miller, Jr.,  
Van Zandt and Calkins.

Mr. Harrison, Secretary.

(50)

Topic 3. Board's Joint Program.

Principles Governing the Discount Rate (See paragraphs  
49, 49a and 54)

Governor Harding outlined his own personal ideas with respect to Federal reserve bank discount rates, stating that each Federal reserve bank has power to fix its own rates and that while the Federal Reserve Board would be reluctant to interfere with the judgment of the directors of the reserve banks, and would never so interfere where the discount rate concerns any one bank alone, nevertheless it might have to do so whenever a reserve bank insists on remaining out of line with the general rate policy of the whole system. He stated it to be his opinion that the psychological moment has now arrived when the reserve banks might properly reconsider the whole question of rates. He said that in his view it would be impossible to keep the reserve rates above market rates in some of the states, or to fix the rates of all twelve banks on a uniform basis. He thereupon suggested a general plan of rate revision that might be considered by the several banks. Each governor, each member of the Board present, and Mr. Gilbert then expressed their views relative to Governor Harding's remarks.

Upon conclusion of the discussion, all governors agreed to give their directors a complete picture of the views expressed for

their advice and information.

- (51) Topic 2. Supplement I -- Board's Joint Program  
Desirability of restoring some gold certificates to  
circulation by having Federal Reserve Banks pay them out.

Governor Strong reported the unanimous opinion of the governors (paragraphs 8 and 41) that it would be a mistake at this time to pay out gold certificates, although he stated that they were all in entire agreement that reserve banks should pay out gold without hesitation upon demand.

- (52) Topic 2. Board's Joint Program  
Recent Developments in the par clearance system  
and suggested changes in methods.

Governor Strong reported the unanimous opinion (see paragraphs 48, 56 and 84) of the governors that there should be no fundamental changes in the par clearance system pending the settlement of the action against the Federal Reserve Bank of Atlanta, and stated that they were unanimously opposed to the adoption of the proposed plan to have Federal reserve banks make a change for the collection of checks bearing the indorsement of non-par banks, as well as to the issue of a ruling covering the charges which might be made by member banks for the collection of checks cleared through Federal reserve banks. It was understood, however, that in view of Governor Harding's statement that it might be considered helpful to the Atlanta bank in the pending case, the governors would report back on the desirability of issuing this latter circular.

At \_\_\_\_\_ o'clock the Joint Conference adjourned.

Fourth Day's Session, Friday, October 28  
Afternoon  
Governors' Separate Conference

The conference was called to order at 2:30 o'clock p. m.

Present:

Governors Morss, Strong, Norris, Fancher,  
 Seay, Wellborn, McDougal, Biggs, Young,  
 Van Zandt and Calkins.

- (53) Agricultural Legislation - continued (See paragraph 3)  
Request of War Finance Corporation for Personnel

Governor Strong read a letter, dated October 25, 1921, from Mr. Meyer, Managing Director of the War Finance Corporation, together with a memorandum from Mr. Ontjes, asking that Federal reserve banks endeavor to furnish personnel of the number and character set forth therein. After discussion, it was.

VOTED that the Secretary prepare a letter to the War Finance Corporation advising it that certain of the Federal reserve banks have indicated a willingness to furnish the men requested by Mr. Ontjes if a proper understanding can be reached as to the precise character of the services to be rendered and the amount of compensation to be paid. It was understood that the secretary would request the War Finance Corporation to communicate directly with the Federal reserve banks of Atlanta, Chicago, Minneapolis, Philadelphia, Cleveland and New York.

- (54) Topic 3 - Board's Joint Program.  
Principles governing the Discount rate.

Governor Strong reported that he had received from Governor Harding some correspondence, with a memorandum prepared by Mr. S. P. Hickson, Director of the Minneapolis Bank (pages            of the record) on the subject of the principles which should govern the fixing of discount rates. These principles, having been previously discussed (paragraphs 49, 49a and 50) no action was required.

- (55) Agricultural Legislation - continued (see paragraphs 4, 11, 43, 47, 55, 80).  
Cooperation with War Finance Corporation.

Governor Young stated that the Federal Reserve Bank of Minneapolis is now doing all that is possible to cooperate with the War Finance Corporation in the granting of cattle loans, and stated that he believed that the governors of other Federal reserve banks in the agricultural and cattle districts are doing the same thing. (See paragraph 80). It was agreed that since all of the Federal reserve banks had already evidenced their desire to facilitate the agricultural and cattle loan operations of the War Finance Corporation in every possible way, it was not necessary to take any formal vote on this subject.

- (56) Topic 2. Board's Joint Program.  
Recent Developments in the par Clearance System  
and suggested changes in Methods (see paragraphs  
48, 52 and 84)

Upon motion of Governor Fancher, it was

VOTED that if Mr. John W. Davis and counsel associated with him in the pending case against the Federal Reserve Bank of Atlanta do not object, the ruling (X-3232) prepared by the Federal Reserve Board relative to charges by member banks on checks cleared through Federal reserve banks should be issued, but with the understanding, as provided in the last paragraph thereof, that each reserve bank exercise its own discretion as to whether and to what extent it is necessary or desirable to call this ruling to the attention of its member banks.

- (57) Topic 111-A. Designs of paper currency.

It was agreed that this topic had been dealt with by the action taken in regard to the designs of currency submitted by Mr. Gilbert for the consideration of the conference. (See paragraphs 10 and 39).



- (58) Topic 111-B-1. The shipping Federal reserve bank should absorb the cost of shipments of "other" fit as well as unfit Federal Reserve Notes, except the cost of insurance.

Upon motion of Governor Fancher, it was

VOTED that the procedure suggested in this topic be approved and adopted.

- (59) Topic 111-B-2. Method of accounting for postage on shipments of Federal Reserve Notes made direct to bank of issue.

It was understood that this topic was disposed of by the action taken under Topic 111-B-1.

- (60) Topic 111-B-4. Cannot settlement of shipments of other Federal Reserve Notes be handled through the Federal Reserve Board in a manner similar to the present daily settlement of collected funds through the Gold Settlement Fund?

Upon motion of Governor Young, it was

VOTED that the procedure outlined in this topic be approved and adopted.

- (61) Topic 111-B-3. Should shipment from one Federal reserve bank to another be charged or credited until actually received?

It was understood that this topic was disposed of by action taken under Topic 111-B-4.

- (62) It was understood and agreed, without formal action, that Governor McDougal will serve as a committee of one to arrange the details of putting into effect the action taken under topics 111-B-1, 2, 3, and 4, and that he would take up these matters with the Federal Reserve Board on behalf of all Federal reserve banks.

- (63) Topic 111-C. Standard of sorting currency should be uniform.

It was agreed that this topic was disposed of by the previous action of the conference (paragraph 40) recommending that a committee be appointed by the Treasury to take jurisdiction over certain currency matters.

(64)

Topic 111-D. Necessity of banks reporting to Board on Form 160 details of monthly currency receipts and disbursements as to kinds, denominations, and conditions.

Upon motion of Governor Fancher, it was

VOTED that this topic be referred to the New Currency Committee for disposition and that, if it be possible, the report referred to in the topic should be abandoned.

(65)

Topic 111-E-1. Limitation on detail matter - Telegraphic transfers.

Topic 111-E-2. Procedure throughout system should be uniform regarding inclusion or omission of details in connection with wire transfers over the private wire.

Topic VI-E. Federal Reserve Code - Revision desired.

Upon motion of Governor Norris, it was

VOTED that these topics be referred to Governors McDougal and Fancher, the Leased Wire Committee, for study and report to all governors.

It was understood that they should take jurisdiction of the entire question of coding messages and should prepare a circular of instructions to all Federal reserve banks with reference to the method of handling telegraphic transfers.

Upon motion of Governor Norris, it was

VOTED that the method by which advice of telegraphic transfers shall be given to payee banks be referred to the Leased Wire Committee.

(66)

Topic 111-E-3. Federal reserve bank liability for telegraphic transfers.

Without formal action it was understood that the Leased Wire Committee review the circulars of all twelve Federal reserve banks to see to what extent they are uniform so far as the question of liability for wire transfers is concerned. It was understood that this committee would then propose a uniform clause which shall be sent to all Federal reserve banks for their consideration and report back to the committee, without waiting for another formal conference of governors.

- (67) Topic III-F. Should the resolution adopted at the April conference, in reference to requests of non-member banks for currency and coin service, accompanied by drafts on city correspondents be reconsidered?

After a short discussion, this topic was withdrawn by Governor Norris.

- (68) Topic V-C. Absorption of fiscal agency costs.

It was understood that this topic was disposed of by the action of the conference at the meeting with Mr. Gilbert (paragraph 44)

- (69) Topic VI-A. Report of Committee on Personnel Activities.

Upon motion of Governor Fancher, it was agreed that the report submitted be received.

- (70) Topic VI-B. Direct Pouching of mail in Federal reserve banks.

The Chairman gave the substance of a report by Mr. Sailer (Federal Reserve Bank of New York) on the subject of direct pouching of mail. Seven of the Federal reserve banks, Boston, New York, Cleveland, Atlanta, Chicago, Kansas City and Dallas, were in favor of using the privilege of direct pouching in the bank, some of them, in fact, are already doing so; four, Richmond, St. Louis, Minneapolis and San Francisco, thought no saving could be effected because of the early arrival and late departure of mail trains; and one, Philadelphia, reached the conclusion that one hour might be saved on the outgoing, but none on the incoming mail.

Owing to the fact that the discussion indicated that some of the Federal reserve banks did not clearly understand what direct pouching facilities the Post Office is prepared to afford, it was decided that the Chairman should again refer the matter to Mr. Sailer to clear up existing misunderstandings.

- (71) Topic VI-C. Pension Fund.

In view of the fact that Senator Smoot had advised that he would not advocate the introduction of a pension bill at the present time, this topic was passed.

(72) Topic VI-D. Securities left in custody.

The Chairman reported that Mr. Hart (Federal Reserve Bank of New York) to whom this topic had been referred by the last conference, found such a divergence of views with respect to the proposed uniform circular that he thought it advisable to abandon the efforts to procure a uniform circular. The secretary was asked to have Mr. Hart prepare a report in the form of a letter to each governor.

(73) Topic VI-F. Self-insurance of Federal reserve bank buildings.

It was agreed to pass this topic.

(74) Topic VI-G. Participation of Federal reserve bank officers and employes in American Institute of Banking affairs.

The Chairman stated that this topic had been placed on the program merely as an inquiry by the New York Bank, and that no action was requested.

(75) Topic IV. Gold policy.

Governor Strong outlined in some detail the proposed plan to interest the central banks of several nations in some sort of an effort to stabilize the exchanges. After a general discussion of the plan outlined by Governor Strong, it was agreed by all of the governors that it was clear not only that something must be done to stabilize the exchanges, but also that if the plan proposed was deemed the proper one the Federal reserve bank should undertake it, even at the risk of reasonable losses, although, as Governor Strong pointed out, the only risk of loss to the Federal reserve banks would be the failure on the part of the other central banks interested in the plan to fulfill their mutual obligations. That risk, it was understood, was more theoretical than practical.

It was suggested by Governor McDougal that Governor Strong continue his efforts to work out the details of the proposed plan with the

understanding that if it can be done so on a safe and workable basis the entire system will be sympathetic in carrying it out. (See paragraph 87).

(76)

Group meetings (See paragraphs 30, 42, 46 and 86).

Governor McDougal reported that he and Governor Seay had met with the two representatives of the Agents and with Governor Harding with respect to the continuance of group meetings; that the representatives of the Agents were in favor of continuing group conferences and that, therefore there was a divided report. Governor McDougal explained that the whole matter had been presented to Governor Harding, who expressed himself as being firmly opposed at this time to the suggestion of the governors that they be permitted to have independent conferences at places other than Washington.

Upon motion of Governor Van Zandt, it was

VOTED that out of deference to Governor Harding's wishes the governors should not at this time press their efforts to procure meetings at points outside of Washington, but that it is the sense of the conference that it is important to have more frequent conferences in Washington to discuss topics concerning the operation of the Federal reserve banks.

Upon motion of Governor McDougal, it was

VOTED that he should report to Governor Harding that it was the sense of the conference that for the present group meetings should be continued, but that the various banks should be regrouped by the Federal Reserve Board.

(77)

Disposition of Past Due Paper.

Upon motion of Governor McDougal, it was

VOTED that it be recommended to the Federal Reserve Board that Federal reserve banks which hold past due paper be permitted to charge off such paper at the end of the year.

(78)

Topic VI-J. Future policy of Federal reserve banks as to  
salary adjustments and extra compensation.

Each of the governors reported the present practice of his bank with respect to the matter of the payment of extra compensation and the adjustment of salaries.

Upon motion duly seconded, the conference adjourned at 6:00 o'clock p. m.

Fifth Day's Session, Saturday, October 29MorningGovernors' Separate Conference.

The conference was called to order at 9:30 o'clock a. m.

Present:

Governors Morss, Strong, Norris, Fancher, Seay,  
Wellborn, McDougal, Biggs, Young, Van Zandt  
and Calkins.

(79)

- Topic VII-A. Survey of the accounting procedure systems in the several Federal Reserve Banks.
- Topic VII-B. Standing Committee on the accounting procedure between Federal Reserve Banks - Appointment of.
- Topic VII-C. Uniform cost accounting in Federal Reserve Banks. Appointment of Committee for study and revision of current expense reports to permit of comparison with respect to unit costs.
- Topic VII-D. Reports and Statistics - Appointment of a committee to consider the necessity of and consolidation of the various reports and statistics furnished the Federal Reserve Board and Treasury Department.

These four topics were discussed as one, it being apparent that the main purpose of each is that Federal reserve banks shall have some permanent method of insuring uniformity in the accounting practices of the twelve Federal reserve banks, - some method by which the experiences of one bank might be placed at the disposal of another.

It was suggested by the Chairman that in order to insure uniformity in accounting, advices of procedure, and especially cost accounting, some sort of a permanent committee of the most competent and capable men in each bank should be appointed to take jurisdiction of these matters.

Upon motion of Governor McDougal, it was

VOTED that each Federal reserve bank appoint a permanent committee of three of its operating men to have jurisdiction over matters of intra and inter-Federal reserve bank procedure; that one member of each committee shall serve as a member of a general committee of twelve, representing all of the Federal reserve banks; that

this general committee shall meet as often and for as long as may be necessary to work out a general program, which shall be reported to the governors for their adoption; that the individual members of this general committee shall be charged with the responsibility of seeing that matters recommended by the general committee and adopted by the governors, are put into practice and faithfully carried out, and of reporting to the governors conference all cases coming to their attention where a Federal reserve bank has failed to comply with any approved procedure.

It was understood that the plan to create this general committee of twelve should be reported to the Federal Reserve Board, and to the committee to be appointed by the Federal Reserve Board to take jurisdiction over matters of procedure; and that they should be advised that the committee of twelve will be expected to produce the results desired by the Board's committee. (See paragraph 85)

(80)

Agricultural Legislation. (See paragraphs 4, 11, 43, 47, and 55)

(a) Conference Action. Governor Strong reported that he had had a conference with Mr. Anderson, Chairman of the Joint Commission of Agricultural Inquiry, and had submitted to him every point raised by the governors in reference to the proposed plan of legislation.

Upon motion of Governor Seay, it was

VOTED that it is the sense of the conference that no formal action in the way of recommending any specific legislation should be taken by the conference at this time.

(b) Cooperation with War Finance Corporation - Report to Senator Kendrick.

The Chairman asked whether it would be possible for him to report to Senator Kendrick that the Federal reserve banks in the agricultural sections are willing to do anything and everything that



they can to cooperate with the War Finance Corporation in the matter of agricultural and cattle loans, particularly by endeavoring to remove misunderstandings that have arisen with respect to lines of credit of member banks.

Governor Young again reported (see paragraph 55) that he has advised various of his member banks by personal correspondence of the facilities afforded by the War Finance Corporation and that he will continue to cooperate in this manner.

All of the governors in the agricultural sections reported either that there was no misunderstanding or that they are doing all that they can to facilitate the work of the War Finance Corporation.

It was understood that Governor Strong should report the substance of this discussion to Senator Kendrick.

At this point Mr. Gilbert joined the meeting.

- (81) Topic 3. Supplement II - Treasury Program (Fiscal Agency)  
Method of allotment on subscriptions for Treasury notes and Treasury certificates, with particular reference to the question whether it will be feasible to authorize allotments in full on small subscriptions.

Mr. Gilbert briefly referred to the problem of the Treasury in allotting subscriptions to Treasury certificates.

Certain of the Governors expressed their opinions with respect to this matter and, after general discussion, Mr. Gilbert asked that the governors consider this question a little more definitely and send to him in a week or so an expression of the banks' views as to the best methods of making such allotments.

- (82) Topic 2. Supplement II - Treasury Program (Fiscal Agency)  
The 1922 program for the issue of Government Savings Securities.

Mr. Gilbert referred to the interest of the administration in the continuance of the Treasury program to issue Government savings

securities and said that the Treasury is prepared to maintain the War Savings Organization on about the same basis as at present, at least until June 30, 1922. He stated, however, that the Treasury believes that their program should be continued next year on a slightly different basis, and that it was their intention to discontinue the sale of war savings stamps and thrift stamps, but to continue the sale of securities resembling those of the present higher denominations, that is, Treasury savings certificates, and to change the basis of issue so that they will be sold at a fixed issue price with a maturity on the fifth anniversary of the date of issue.

(83)

Topic 3 (second half) Supplement II -- Treasury Program  
(Fiscal Agency)

Practice followed by the Federal Reserve Banks upon deposits of checks for credit to the Treasurer's account when the checks are on out-of-town accounts and are not sorted before deposit in accordance with the time schedules in effect at the Federal Reserve Bank.

Mr. Gilbert discussed the question of deferring credit on checks deposited in Federal reserve banks for the credit of the Treasurer. He stated that what he desired was to have assortment made in the Federal reserve banks in order that credit might be given according to the usual time schedule of the Federal reserve bank.

Each governor commented on the present practice of his bank and those that were not doing what Mr. Gilbert desired stated that they would look into the matter and take it up directly with the Treasury Department.

At this point the Federal Reserve Board met in joint Session with the Governors.

Present:

Comptroller of the Currency, D. R. Crissinger.  
 Federal Reserve Board, Harding, Platt  
 and Mitchell.  
 Governors Morss, Strong, Norris, Fancher,  
 Seay, Wellborn, McDougal, Biggs, Young,  
 Van Zandt and Calkins.  
 Mr. Harrison, Secretary.

(84)

Topic 2 - Federal Reserve Board Joint Program.  
Recent Developments in the par clearance system  
and suggested changes in methods.

Governor Strong reported to the Federal Reserve Board the action of the Governors' Conference on the question of the proposed ruling by the Federal Reserve Board relating to charges that might be made by member banks for the collection of checks cleared through Federal reserve banks. (See paragraphs 48 and 52)

(85)

Topic 1 - Federal Reserve Board Joint Program  
Efficiency and economy in administration of  
Federal reserve banks.

Governor Strong reported the vote of the conference with respect to the appointment of a committee in each Federal reserve bank, and of a general committee of twelve, composed of one man from each of the Federal reserve bank committees, to consider questions of procedure and accounting, and to promote efficiency and economy of operation by all Federal reserve banks with the understanding that the committee of twelve be brought into close contact with the committee of five to be appointed by the Federal Reserve Board to consider questions of efficiency and economy of operation. (See paragraph 79) X

Governor Harding advised the conference that Mr. Miller and Mr. Mitchell were the two members of the Board appointed as members of this standing committee of five, and that the Board would select one Federal Reserve Agent and two Governors to complete the committee.

(86)

Group Meetings (See paragraphs 30, 46, 76)

Governor McDougal reported to the Board the action of the Governors with respect to the continuance of group meetings.

(87)

The conference concluded with a general discussion of the plan outlined by Governor Strong to stabilize foreign exchanges.

(See paragraph 75)

At 1:00 o'clock p. m. the conference adjourned sine die.

