

EIGHTEENTH CONFERENCE
OF
GOVERNORS OF FEDERAL RESERVE BANKS
AND
JOINT CONFERENCE WITH FEDERAL RESERVE BOARD
OF
GOVERNORS AND CHAIRMEN OF FEDERAL RESERVE BANKS
OCTOBER 10-13, 1922.

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GOVERNORS CONFERENCE

October 10 - 12, 1922

Washington, D. C.

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PROGRAM FOR GOVERNORS' CONFERENCE
October 10, 1922
Washington

1. CREDIT TRANSACTIONS AND POLICIES

- A. Investment Policy of Reserve Banks (discussion)
1. Report of Committee on Centralized Control of Purchases and Sales of Government Securities for account of Federal Reserve Banks.
Governor Strong, Chairman.
 2. Advisability of further reduction in total investment account. (discussion) New York
 3. Investments for Earnings. (discussion) San Francisco
 4. Policy in relation to Gold imports and Money Market. (discussion) New York
 5. Purchase of Exchange (discussion) San Francisco
- B. Interpretation of "Borrower" Section 13 F. R. Act limiting amount which Federal Reserve Banks may re-discount for any one bank. (discussion) Richmond
- C. Discount Rates (see Federal Reserve Board letter X-3518 of September 9, 1922 - Joint Conference Program) (discussion) San Francisco
- D. Report of General Committee on Acceptances
Mr. Kenzel, New York Chairman.

II. COLLECTIONS AND CLEARINGS

- A. Report of Standing Committee on Collections
Mr. Strater, Cleveland Chairman.
- B. Extent to which non-cash collection department has been developed in each bank, number of banks using facilities, classification of banks as to reserve cities and otherwise, and expense involved. (discussion) Chicago
- C. Raising limit of no-protest items from \$10 to \$20 (discussion) Richmond
- D. Liability of Reserve Banks in making unqualified indorsement on checks received for collection.
Recommended:
That uniform indorsement be adopted. Dallas

II. COLLECTIONS AND CLEARINGS (continued)

- E. Advice of opening of banks previously closed.

Recommended:

That each Federal Reserve Bank advise each other Federal Reserve Bank, by wire or letter, when a member or nonmember bank in its district, previously advised as closed, is reopened.

San Francisco

- F. Should Federal Reserve Banks handle collection items payable in foreign countries.

Standing Committee on Collections.

III. COIN, CURRENCY AND CIRCULATION

- A. Vault reserve of Federal Reserve Banks and percentage of gold coin and certificates to total.

(discussion)

Boston

- B. Standard of fitness of currency

(discussion)

Richmond

- C. Reconsideration of action of last conference relative to absorption of costs of all shipments of coin to and from member banks in view of possible attitude of Treasury because of discrimination against nonmember banks.

(discussion)

San Francisco

IV. OPERATION

- A. Report of Insurance Committee
Mr. Cramer, Chicago Chairman.

- B. Report of Leased Wire Committee
Governor McDougal, Chicago Chairman.

- C. Method of advising direct-sending banks of other districts of non-payment of cash items.
Present practice is to send such advice prepaid over commercial wires.

Recommended:

That private wire be used for such advices to banks located in Federal Reserve cities.

San Francisco

- D. Telegraphic transfers. Whether transfers over private wires should be limited to transfers of bank balances so that transfers for account of individuals, firms, corporations, etc., should be effected by member banks at own expense over commercial wires.

(discussion)

San Francisco

IV. OPERATIONS (continued)

- E. Use of test words by Treasury Department on telegraphic transfers. (discussion) San Francisco
- F. Payment for use of National Bank Examiners' reports. (Suggested for discussion at conference, also with Comptroller of Currency. See also Joint Conference Program) Chicago, San Francisco & Boston
Recommended: (San Francisco)
That the matter be taken up with the Comptroller again with view to eliminate the cost of these reports or to reduce the amount of the charge to cover only the actual cost of copying.
- G. Varying interpretations of action taken at Governors' Conferences. (discussion) St. Louis
- H. Progress of work of General Committee of Twelve on Economy and Efficiency. (discussion) New York

V. FISCAL AGENCY OPERATIONS

- A. Payment of Savings Stamps and certificates due January 1, 1923 (Suggested that Mr. Gilbert discuss with Governors.) Boston
- B. Allotments on subscriptions to new issues of Government securities to banks and others.
Recommended:
That the Treasury be requested not to make allotments to Reserve Banks until the subscriptions are closed and the total amount known, and then to make allotments on the basis of the total subscriptions received by each Reserve Bank on an exact percentage basis, in order that the Federal Reserve Banks may in turn make allotments on a sliding scale, allotting the smaller subscriptions in full. New York
- C. Permanent records of source of all Government securities.
Recommended:
That the Treasury be requested to reconsider its instructions with regard to Reserve Banks keeping a permanent record of the source from which all Government securities are received, and to waive this requirement. New York
- D. Payment on presentation of all matured Victory coupons regardless of whether the notes from which detached have been paid or not.
Recommended:
That the Treasury be requested to reconsider its

V. FISCAL AGENCY OPERATIONS (continued)

instructions with regard to the handling of coupons from called Victory notes and to authorize Federal Reserve Banks to pay all matured coupons on presentation.

New York

VI. ACCOUNTING AND AUDITING

A. Report of Committee on Standardization of Accounting Forms. Mr. Vogt, Chicago Chairman.

B. Proper method of distributing commissions earned on investments for foreign banks. (discussion)

San Francisco

TOPICS FOR DISCUSSION AT JOINT CONFERENCE
OF GOVERNORS AND AGENTS OF FEDERAL
RESERVE BANKS

I. CREDIT POLICY

Federal Reserve Board letter X-3518 of September 9, 1922
(Topic I C Governors' Program)

Federal Reserve Board

II. PAYMENT FOR USE OF NATIONAL BANK EXAMINERS' REPORTS

(Topic IV F Governors' Program)

Chicago, San Francisco & Boston

SUPPLEMENTAL LIST
OF
TOPICS RECEIVED TOO LATE FOR PROGRAM
OCTOBER 1922 CONFERENCE OF GOVERNORS

- | | | | |
|------|--|--------------|--|
| I. | Pouching of Mail - Establishment of sub-station
Post Offices | (discussion) | Philadelphia |
| II. | Risk Assumed by Federal Reserve Banks in
shipping canceled bonds/notes to
Washington | (discussion) | Chicago |
| III. | Sustaining Membership in American Acceptance
Council | (discussion) | New York |
| IV. | Bond Investments by
Member Banks
(Governors Norris and Seay requested
to prepare a memorandum). | (discussion) | Atlanta - Richmond
Philadelphia
Boston Group Conf. |

FEDERAL RESERVE BOARD PROGRAM

Joint Conference of Federal Reserve Agents and Governors
with
Federal Reserve Board,

October 1922.

Federal Reserve Credit Policy
(See X-3518 - Sept. 9, 1922)

1. What object should Federal Reserve credit policy seek to accomplish and by what test may we know that it is sound?

Discussion to be led by Messrs. Norris and Wills.

2. What relative importance should be given to the following factors in determining such policy?

- a. Federal Reserve reserves.
- b. Interest rates in the open market.
- c. Interest charged by member banks.
- d. Interest rates paid on time deposits.
- e. Balance of trade and inward or outward movement of gold.
- f. Credit conditions in, and exchanges with, leading foreign countries.
- g. Volume of bank loans and deposits.
- h. Business and industrial activity, present or prospective.
- i. Commodity price levels.
- j. Condition of security markets.

Discussion to be led by Messrs. Jay and Seay.

3. What light does the experience of the Federal Reserve Banks throw on the value of different methods of making their credit and discount policy effective?—

- a. Discount rates.
- b. Open market operations.
- c. Discretion in rediscounting.
- d. Credit examination of member banks.
- e. Credit ratings of commercial borrowers.

Discussion to be led by Messrs. Strong and Perrin.

4. What is the most practicable method of bringing about timely and competent consideration of matters of credit policy by all of the Federal Reserve Banks and effective action to obtain the results aimed at?

Discussion to be led by Messrs. McDougal and Curtiss.

Following the afternoon session devoted to the above program, it is proposed to devote an evening session to the question —

What does the present business and credit situation indicate with reference to the prospective demand for credit and the need or advisability of any action at the present time by Federal Reserve Banks with respect to matters of credit and discount policy?

General discussion.

G O V E R N O R S C O N F E R E N C E

October 10 - 12, 1922

First Day's Session, Tuesday, October 10
Joint Conference with Federal Reserve Board
and Federal Reserve Agents
Morning

The meeting was called to order at 10:30 o'clock a. m.

Present:

Honorables Platt, Miller, Crissinger, Mitchell and Hamlin, Members of the Federal Reserve Board; Messrs. Curtiss, Jay, Austin, Wills, Hardy, McCord, Heath, Martin, Rich, Asa E. Ramsay, Wm. F. Ramsey, and Perrin, Federal Reserve Agents; and Governors Morse, Strong, Norris, Fancher, Seay, Wellborn, McDougal, Biggs, Young, Bailey and Calkins.

Vice Governor Platt addressed the joint conference, calling attention (1) to the importance of many of the topics on the program for discussion, and stating that one or two additional topics to be presented to the respective conferences should be considered.

At 10:50 o'clock a. m. the joint conference adjourned.

Separate Governors Session

The meeting was called to order at 10:55 o'clock a. m.

Present:

Governors Morse, Strong, Norris, Fancher, Seay, Wellborn, McDougal, Biggs, Young, Bailey and Calkins.
Mr. Harrison, Secretary.

Topic I.A.1 Report of Committee on Centralized Execution of Purchases and Sales of Government Securities by Federal Reserve Banks. (2)

The Chairman presented to the conference the report of the Committee on Centralized Execution of Purchases and Sales of Government Securities by Federal Reserve Banks, but inasmuch as some of the Governors had not had an opportunity to read it, the whole topic of "Credit Transactions and Policies," as well as consideration of the minutes of the October 2, 1922 meeting of the Committee on Centralized Execution of Purchases and Sales of Government Securities by Federal Reserve Banks was held over until the next day's session. (see paragraphs 30 & 56)

Topic II.A. Report of Standing Committee on Collections

(3)

Upon motion of Governor Fancher, it was

VOTED that the report (pages 18-56 stenographic record) of the Committee on Collection should be approved and that it is the sense of the Conference that the Standing Committee on Collections appointed at the last conference of Governors shall have active and complete jurisdiction over all current collection matters, including forms, and that any such matters arising should be referred by the Reserve Banks to such committee for disposition, with the understanding that it make a report to each successive conference of Governors of all matters acted upon by it. It is the sense of the Conference, however, that general questions of collection policy, as distinguished from routine questions of operation, should be referred to the committee for recommendation to the next Conference of Governors and not for final disposition by the committee.

Governor Calkins, not having had opportunity to read the report, voted for its adoption with the understanding that he might, by correspondence with the Chairman of the Committee, discuss possible amendments after he had had opportunity to study it. (See also paragraph 50)

Topic II-B. Extent to which non-cash collection department has been developed in each bank.

(4)

Several of the Governors discussed the nature of the services of the non-cash collection departments of their respective banks. Governor McDougal said that he had raised this question for discussion with a view to considering whether the services of this department should be continued in the light of the expense to each Reserve Bank in carrying on its operations. It seemed to be the opinion of individual governors that the present services afforded by this department should be continued. No action was asked for, although it was felt by some that city items should not be collected for banks in the same city.

Topic II.C. Raising Limit of No-protest Items from \$10 to \$20

(5)

After general discussion of whether or not Federal Reserve Banks should initiate a recommendation of a uniform limit on no-protest items, and if so whether that limit should be \$10 or \$20, upon motion of Governor Fancher,

it was

VOTED that it is the sense of the conference that there should be a uniform no-protest limit and that the Federal Reserve Banks should agree uniformly to adopt either the \$10 or \$20 limit, whichever is determined by the majority of the member banks to be preferable to them, it being the sense of the conference that the Federal Reserve Banks should adapt their practice in this regard to the wishes and convenience of the majority of their member banks.

Topic II.D. Liability of Reserve Banks in making unqualified indorsement on checks received for collection. (6)

Upon motion of Governor Fancher, it was

VOTED that this topic be referred to the Collection Committee to dispose of after correspondence with Governor McKinney, who had proposed the topic for consideration, but who was absent from the conference on account of illness, (see also paragraph 49)

Topic II.E. Advice of opening of banks previously closed. (7)

Upon motion of Governor Young, it was

VOTED that each Federal Reserve Bank advise each other Federal Reserve Bank, by wire or letter, when a member or nonmember bank in its district, previously advised as closed, is reopened.

Topic II.F. Should Federal Reserve Banks handle collection items payable in foreign countries. (8)

After general discussion of the advisability of Federal Reserve Banks handling collection items payable in foreign countries, it was

VOTED (upon motion of Governor Fancher) that, as a matter of general policy Federal Reserve Banks should not handle collection items payable in foreign countries, with such exceptions, however, as may be necessary in special cases such as Canadian items.

Topic III.A. Vault reserve of Federal Reserve Banks and percentage of gold coin and certificates to total. (9)

Governor Morss referred to the fact that now that many of the Federal Reserve Banks have, or soon would have, their own vaults, it would be desirable for

them to hold a considerable portion of their gold reserve in their own vaults and as a basis of discussion read to the conference two resolutions passed by the last Boston-Philadelphia-Atlanta and Richmond Group Conference which suggested a vault reserve of 25% in coin or bullion. After discussion, upon motion of Governor Moses, it was

VOTED that in determining the amount of vault reserve no definite percentage should be fixed for each reserve bank, but that each bank should build up its available gold supply held in its own vaults, taking into consideration the amount of its gold, remoteness from source of supply of available circulating gold, and other relevant factors.

Governor Strong referred to the fact that at the present time the several Federal Reserve Banks had a relatively small percentage of their liabilities in gold coin and bearer certificates, the aggregate for the System being only 11.9%, and many of the banks having less than 5%.

Topic III.B. Standard of fitness of currency. (10)

Many of the Governors expressed the opinion that the test of the standard of fitness prescribed in the "Currency Distribution and Payment Policy for Federal Reserve Banks" program adopted at the May, 1922 Conference of Governors, was too strict and that Federal Reserve Banks should revert to the sort which prevailed in the System as a whole prior to last May when that test was adopted. The discussion brought out the fact that several of the Treasury officials who had made a careful investigation of the sort made in accordance with the test prescribed in May felt that it was too strict and resulted in the payment by Federal Reserve Banks of a lower standard of fit notes than those being paid out by the Treasury itself. Upon motion of Governor Seay, it was

VOTED that the method of determining the standard of fitness as prescribed in the Currency Distribution and Payment Policy for Federal Reserve Banks approved in May, 1922 be discontinued and that the officials of the Treasury Department furnish each Federal Reserve Bank with a sample package of notes to represent the lowest standard that should be put in circulation, and that the monthly tests by the Treas-

ury be discontinued; with the understanding that the Chairman would report these views to Under Secretary Gilbert with the request that the Treasury Department give formal confirmation of or assent to the action of the conference.

Accumulation of Used but Fit Currency. (11)

Governor Young discussed the difficulties that he is having in his district in the accumulation of used but fit currency, and suggested the possibility of each of the Federal Reserve Banks agreeing for a given period not to pay out any new currency, saying that it was futile for any one Reserve Bank to attempt such a policy alone. It seemed to be the sense of the conference that this was a matter which should be disposed of in each district by a judicious handling of the amount of new notes paid out, without any agreement by all Reserve Banks not to pay out any new currency. No action being asked for the topic was passed.

Topic III.C. Reconsideration of action of last conference relative to absorption of costs of all shipments of coin to and from member banks. (12)

Governor Calkins referred to the fact that the action of the last conference, in voting to absorb the cost of outgoing shipments of subsidiary and minor coin, resulted, in his district, in considerable abuse and unnecessary expenditure of money by the Reserve Bank. He moved, therefore, that the conference vote to discontinue absorbing the cost of such shipments. Governor McDougal moved to continue to absorb the expense of outgoing shipments of such coin, but to discontinue absorbing the expense of incoming shipments. After some discussion Governor McDougal withdrew his motion and asked that the subject go over until the next conference. Governor Calkins expressed the view that this was a matter that should be definitely settled at this time, and that in any event, there should be uniformity of practice throughout the System. Governor Strong seconded Governor Calkins' original motion, but, upon vote, the motion was lost, Governor Calkins voting in the affirmative. (see paragraph 15).

Topic IV.F. Payment for use of National Bank Examiners' Reports. (13)

The Chairman suggested that a committee of two Governors be appointed to

meet with a similar committee of the Agents to discuss with the Comptroller of the Currency the question of making payment for copies of reports of examination of national banks. Upon motion of Governor McDougal, it was

VOTED that the Chairman appoint such a committee; whereupon, with the approval of the conference, Governors Norris and Seay were designated for the purpose.

Several of the Governors expressed their views as to the position the committee should take in meeting with the Comptroller. (see paragraphs 31 and 44)

Addition to Personnel of Committee on Centralized Execution of Purchases and Sales of Government Securities by Federal Reserve Banks. (14)

Upon motion of Governor Seay, it was

VOTED that Governor Fancher be made a member of the Committee on Centralized Execution of Purchases and Sales of Government Securities by Federal Reserve Banks.

At 1:30 o'clock the conference adjourned to reconvene at 2:30 o'clock.

First Day's Session, Tuesday, October 10
Separate Governors Session
Afternoon

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

Present:

Governors Morse, Strong, Norris, Fancher, Seay,
Wellborn, McDougal, Biggs, Young, Bailey and Calkins.
Mr. Harrison, Secretary.

Topic III.C. (continued - see paragraph 12) (15)
Reconsideration of action of last conference
relative to absorption of costs of all shipments
of coin to and from member banks.

Further consideration was given to the question of whether or not a committee should be appointed by the conference to study not only this particular topic, but the whole question of the absorption of expenses for services rendered to member banks. The appointment of such a committee not being suggested by the conference, however, the topic was passed without further consideration, but with the understanding that all Reserve Banks will conform uniformly to the action taken

on this topic at the last conference.

Topic IV.A. Report of Insurance Committee (16)

Upon motion of Governor Norris, it was

VOTED to adopt the report (pages 135-138 stenographic record) of the Committee and to refer to the Committee for study and recommendation the question of effecting improvements or economy in our present method of insuring shipments of currency and securities.

Topic IV.B. Report of Leased Wire Committee. (17)

Upon motion of Governor McDougal, it was

VOTED that the report (pages 142-149 stenographic record) of the Committee be adopted and that the recommendations contained in the report be approved.

Duplex Wire between New York and Chicago. (18)

Governor McDougal referred to a supplementary report of the officers of the Chicago bank concerning the establishment of a duplex wire between New York and Chicago and other changes in the circuits, agreed upon after conference with the officers of the American Telephone and Telegraph Company, in order to increase the efficiency of the wire system as a whole. He reported the volume of business now transacted over the various circuits. No action was asked for.

Topic IV.C. Method of advising direct sending banks of other districts of nonpayment of cash items. (19)

The present practice is to advise direct-sending banks of other districts of the nonpayment of cash items by sending messages prepaid over commercial wires. Governor Calkins suggested that such advices to banks located in Federal Reserve Cities should be sent over the private wire. Several of the Governors expressed opposition to any change in the present practice on the ground that there is greater protection in sending such messages over the commercial wires than in effecting telephone advice of nonpayment by the Federal Reserve Bank receiving a message over the private wires. In view of this general sentiment, the topic was passed without action.

Topic IV.D. Telegraphic Transfers. Whether transfers over private wires should be limited to transfers of bank balances so that transfers for account of individuals, firms, corporations, etc., should be effected by member banks at own expense over commercial wires. (20)

Upon motion of Governor Calkins, it was

VOTED that this topic be referred to a committee to be appointed by the Chair for a thorough study of the whole subject and for recommendation to the next Governors Conference.

The Chair, thereupon, appointed the Leased Wire Committee to study all phases of the situation, including possible limitations upon the kind of transfers to be made, as well as possible charges for transfers.

Telegraphic transfers for nonmember clearing banks. (21)

After discussion of the above topic, Governor Young referred to the special case of a nonmember state bank, not eligible for membership in the System, which keeps a clearing account and wishes to make wire transfers to cover its remittances. Governor Young moved that the previous action of the Leased Wire Committee limiting wire transfers to member banks be amended so as to permit of the transfer of funds for nonmember clearing banks which maintain clearing accounts. This motion was objected to, but after general discussion, it was brought out that the Leased Wire Committee's report (X-3337 - Feb. 21, 1922) provided that "as some of the Federal Reserve Banks are under obligations to accept telegraphic transfers from their nonmember clearing banks, they may for the present continue to make such transfers."

Topic IV.E. Use of test words by Treasury Department on telegraphic transfers. (22)

Upon motion of Governor Calkins, it was

VOTED that this topic be referred to the Leased Wire Committee with instructions to work out some suitable test words to be recommended for use by the Treasury Department in transactions involving telegraphic transfers for the Treasurer's account.

Topic IV.G. Varying interpretation of Action taken at
Governors Conferences.

(23)

This topic, which related to the method of making charges for certain wire advices, was disposed of by report of Leased Wire Committee (paragraph 17) so that no action was asked for.

Topic IV.H. Progress of Work of General Committee of Twelve
on Economy and Efficiency.

(24)

There was considerable general discussion of the amount of progress that had been made since the Committee of Twelve was appointed over a year ago to study questions of economy and efficiency in the System as a whole. It was mentioned that while the studies that had been made by the Committee had been helpful, nevertheless a comparison of functional expense accounts of the several Federal Reserve Banks on the present dissimilar bases could not of itself accomplish all that was intended by the establishment of the Committee of Twelve, and that while these comparative tables have accomplished much in prompting study and economies in the individual banks, nevertheless it was felt by some that the Committee of Twelve might also undertake the study of individual departments in the different banks in order to ascertain which bank has established the best, most efficient, or most economical organization and procedure in each function, and with a view to prompting its adoption throughout the system as a whole so far as that might be possible.

Upon motion of Governor Calkins, it was

VOTED that the Conference recommend an early meeting of the Committee of Twelve with the Board's committee further to consider the reports recently rendered.

Topic VI.A. Report of Committee on Standardization of
Accounting Forms.

(25)

Upon motion it was

VOTED that the report (pages 212-216 stenographic record) be received and that the recommendations contained therein be adopted.

Governor Young voted in the negative because of the fact that he had not had opportunity to check up the forms referred to.

Topic VI.B. Proper method of distributing commissions earned on investments for foreign banks. (26)

There was general discussion of the basis on which investments for foreign banks are being handled by the Federal Reserve Bank of New York for account of all Reserve Banks, as well as the basis on which the commissions earned on those transactions are distributed among the several Reserve Banks. Upon motion of Governor Calkins, it was

VOTED to approve the present method of distributing those earnings as described in a letter addressed to all Reserve Banks by Mr. Case, Deputy Governor of the Federal Reserve Bank of New York on June 15, 1922.

Topic Sup. I. Pouching Mail - Establishment of sub-station post offices. (27)

Governor Norris referred to the fact that he is having difficulty in negotiating with the Post Office Department for the establishment of a sub-station post office at the Philadelphia Reserve Bank, and asked for information from the other Governors concerning their present method of handling incoming and outgoing mail. Some of the Governors reported progress in their negotiations with the Post Office Department and, without formal action, it was understood that Governor Strong would send to Governor Norris copies of the correspondence between the Federal Reserve Bank of New York and the Postmaster General relative to the establishment of the station at the New York bank.

Topic Sup. II. Risk assumed by Federal Reserve Banks in shipping canceled bonds/notes to Washington. (28)

After informal preliminary discussion, it was agreed, on motion of Governor Seay, that this topic should be held over until Mr. Gilbert appeared before the conference to discuss fiscal agency matters. The discussion indicated, however, that most of the Federal Reserve Banks now insure shipments of canceled securities to the Treasury Department, while the Federal Reserve Banks of New York, Philadelphia, Richmond and San Francisco, pending adjustment with the Treasury Department, are holding up shipments. (see paragraph 55)

Topic Sup. III. Sustaining membership in American Acceptance Council. (29)

Governor Strong read extracts from a memorandum relative to the work of the American Acceptance Council and its financial program. It was brought out in the discussion that the Council now estimates that its expenses for next year will be about \$22,000 and that in order to meet this cost it has planned to solicit this year certain sustaining memberships, at \$500 per annum, which, together with the regular memberships, of \$100 per annum, will be sufficient to permit a continuation of its work for another year. The question presented to the conference was whether the Federal Reserve Banks would be willing to become sustaining members for this year if, as is understood, twenty or more commercial banks will do so. It was informally agreed that the matter should be referred to Governor Strong to ascertain what is the present practice of the Reserve Banks with regard to this and similar matters, and, if necessary, to take it up with the Federal Reserve Board by personal correspondence, it being the general view of the conference that it is important to the best interests of the Federal Reserve System to continue the work of the American Acceptance Council.

At 5:45 o'clock p. m. the conference adjourned to meet at 10:00 o'clock a. m. on Wednesday, October 11.

Second Day's Session, Wednesday, October 11
Governors Separate Session
Morning

The meeting was called to order at 10:15 o'clock a. m.

Present:

Governors Morss, Strong, Norris, Fancher, Seay,
Wellborn, McDougal, Biggs, Young, Bailey and Calkins.
Mr. Harrison, Secretary.

Topic I.A.1. (continued - see paragraph 2) (30)
Report of Committee on Centralized Execution
of Purchases and Sales of Government Securities
by Federal Reserve Banks.

The Chairman announced that the Committee on Centralized Execution of Purchases and Sales of Government securities had slightly revised the minutes of its meeting of October 2, and submitted to the conference for its consideration and

approval a copy of the minutes as revised. The Committee, as recorded in these minutes, expressed its approval of the action taken by the Federal Advisory Council at its last meeting relative to investments by Federal Reserve Banks for the purpose of making earnings, and recommended to the conference (1) that Governor Fancher of the Federal Reserve Bank of Cleveland be made a member of the Committee (see paragraph 14) and (2) that the Committee's duties be extended so as to provide for the making of recommendations and suggestions to each Federal Reserve Bank from time to time concerning the advisability of making purchases or sales of Government securities.

Upon motion of Governor Young, it was

VOTED that the report (pages 248-252 Stenographic record) and the recommendations contained in the minutes (pages 258-263 stenographic record) of the Committee be approved. (see also paragraph 56)

Topic IV.F. (continued - see paragraph 13) (31)
Payment for use of National Bank Examiners'
Reports.

Governor Norris reported to the Conference the substance of the meeting which the joint committee of Agents and Governors had had with the Comptroller of the Currency concerning payments for the reports of examination of national banks. He stated that the Comptroller had estimated that his deficit for the current year would be \$50,000, or some \$90,000 less than the amount which he is now receiving from Federal Reserve Banks in payment for the reports of examination of national banks. Governor Norris also said that the Committee told the Comptroller that the present arrangement was a temporary one to meet an emergency and that if payments for reports were to be continued they should be on some permanent defensible basis and not on the present emergency basis. The Comptroller told the Committee that he would be willing to consider a revision of the present charges at a later meeting with the Committee.

Upon motion of Governor Bailey, it was

VOTED that the Committee be authorized to conclude an arrangement with the Comptroller of the Currency for furnishing reports of examination of national banks to Federal Reserve Banks on the best terms possible, effective from the

present time, subject, however, to revision at the next fall Conference of Governors and Agents, provided, however, that while the Federal Reserve Banks feel that they might be justified in paying the "cost" of furnishing such reports, they would not be justified in making a payment simply for the purpose of meeting a deficit in the operations of the office of the Comptroller of the Currency. (see paragraph 44)

Topic I.A.2. Advisability of further reduction in total investment account. (32)

This topic was passed inasmuch as it was understood to be covered by the Report of the Committee on Centralized Execution of Purchases and Sales of Government Securities.

Topic I.A.3. Investments for Earnings (33)

This topic was passed inasmuch as it was understood to be covered by the Report of the Committee on Centralized Execution of Purchases and Sales of Government Securities.

Topic I.A.4. Policy in relation to Gold Imports and Money Market. (34)

Governor Strong briefly referred to the policy of the Federal Reserve Bank of New York and the reasons therefor in selling some of its investments and in making small payments of gold to Government disbursing officers and New York City banks. No action on this topic was asked for.

Topic I.A.5. Purchase of Exchange. (35)

Governor Calkins asked for a statement of the practice of the several Federal Reserve Banks in regard to buying and selling domestic exchange. It appeared from the discussion that no Federal Reserve Banks are now buying domestic exchange, some of those banks who had been doing so having discontinued the practice. No action was asked for, although Governor Calkins stated that the Federal Reserve Bank of San Francisco will very likely, on account of the difference in time between San Francisco and New York, begin to give immediate credit on wire transfers which are not in fact consummated until the next day, making an appropriate charge therefor.

Topic I.B. Interpretation of "Borrower" Section 13 Federal Reserve Act limiting amount which Federal Reserve Banks may rediscount for any one bank. (36)

Governor Seay raised the question whether the phrase "signature or indorsement of any one borrower" in Section 13 of the Federal Reserve Act could be interpreted to mean that the "indorser" on an obligation presented to a Federal Reserve Bank for rediscount might be the "borrower." Upon general discussion it developed that seven of the Federal Reserve Banks are at present pursuing the practice covered in the Federal Reserve Board's letter to the Federal Reserve Bank of Richmond, referred to by Governor Seay, that is, they consider the maker the borrower in all cases except where it appears from the circumstances surrounding the loan that the maker is an accommodation maker, in which case the indorser is considered the borrower. Four of the Reserve Banks, however, including the Federal Reserve Bank of Richmond, expressed the opinion that either the indorser or maker might be the borrower dependent upon the circumstances of each case. Upon motion of Governor Seay, it was,

VOTED that it is the sense of the conference that the Federal Reserve Board should be requested to withhold any formal ruling on this subject until the counsel of the several Federal Reserve Banks may have an opportunity to study the question and submit their views to the Federal Reserve Board.

Topic I.C. Discount Rates. (37)

This topic was passed inasmuch as it is necessarily included in the topics presented on the Board's program for consideration at the joint conference.

Topic I.D. Report of the General Committee on Acceptances (38)

Upon motion, it was

VOTED that the report (end of stenographic record) of the General Committee on Acceptances should be received and filed.

Report of Committee on Open Bill Market Conditions and Operations. (39)

Upon motion, it was

VOTED that the report (pages 321-324 of stenographic record) of the Committee on Open Bill Market Conditions and Operations be received and filed.

Reimbursement for work performed as Fiscal Agents of
War Finance Corporation.

(40)

The Chairman reported the fact that the Conference of Federal Reserve Agents had referred to the Governors for consideration and action the question whether or not certain overhead expenses should be included with actual expenses in determining the amount of reimbursement asked for services rendered as fiscal agents of the War Finance Corporation.

Upon motion of Governor Seay, it was

VOTED that every Federal Reserve Bank performing services for the War Finance Corporation should advise every other Federal Reserve Bank performing similar services, just what items are included in determining the amount for which reimbursement is now asked.

Upon motion of Governor Bailey, it was

VOTED to incorporate in this resolution similar instructions concerning Farm Land Banks.

Topic Sup. IV. Bond investments by Member Banks.

(41)

This topic, which was presented to the conference by the Atlanta-Richmond-Philadelphia and Boston Group Conference, was discussed by Governors Norris and Seay, members of that Group Conference, the question being whether it might be desirable or advisable for the Federal Reserve Banks to attempt to place any control or restrictions upon the investments by member banks in promiscuous bonds, other than Government securities. Governor Seay expressed doubt whether it was possible or wise to attempt any such control from the point of view of the Federal Reserve Banks, although he stated that many country member banks in particular, some of which are borrowing from the Federal Reserve Bank, are investing much too great a percentage of their assets in such bonds. Other members of the conference expressed the opinion that the regulating or supervisory authority for such operations of member banks is now already well established by law, and that though Federal Reserve Banks in dealing with their members could not completely ignore the investment account of such members, nevertheless they should not attempt to regulate or

run the details of their business. No action was asked for.

Form of Weekly Report of Condition

(42)

The Chairman stated that the conference of Federal Reserve Agents had referred to the conference, with their approval, a memorandum suggesting a change in the form of the weekly report so as to separate non reserve cash from other items now included in that caption, such as "uncollected" items.

Upon motion of Governor Young, it was

VOTED that the conference concur in the suggestion contained in the memorandum.

At 1:00 o'clock noon the conference adjourned to meet at 2:30 p. m.

Second Day's Session, Wednesday, October 11
Governors' Separate Session
Afternoon

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

Present:

Governors Morss, Strong, Norris, Fancher, Seay,
Wellborn, McDougal, Biggs, Young, Bailey and Calkins.
Mr. Gilbert, Under Secretary of the Treasury, during
latter part of session.
Mr. Harrison, Secretary.

Federal Reserve Pension Plan.

(43)

Governor Calkins stated that it was his opinion that one big step in the present economy and efficiency program of the Federal Reserve Banks would be to establish a pension plan, since it would do much to maintain the continuity and efficiency in the personnel of the Federal Reserve Banks. After general discussion, in which it was pointed out that it is probably impossible now to procure the congressional legislation necessary to establish any sort of retro-active pension plan, upon motion of Governor Seay, it was

VOTED that it is the sense of the conference that, if possible, some sort of Federal Reserve pension plan should be inaugurated and that the question should be referred back to the Committee on Pensions to make a further study and recommendations as to whether or not some progress might be made with or without congressional legislation.

Topic IV.F. (continued - see paragraphs 13 and 31)
Payment for use of National Bank Examiners'
Reports.

(44)

Governor Norris reported the substance of the second interview of the committee appointed to discuss with the Comptroller of the Currency the expense of procuring reports of examination of national banks. He stated that the committee had advised the Comptroller that both the Governors and Agents, in separate meetings and without consultation, had unanimously reached the opinion that payment for reports of examination of national banks should be based not upon any probable or estimated deficit in the operation of the Comptroller's office, but rather upon the cost of preparing the reports which the Comptroller was to furnish to the Federal Reserve Banks. He reported further that the committee had suggested to the Comptroller a payment for all reports of examination at the rate of ten cents a page, or, for the sake of convenience, at the rate of \$3.00 a report, it being estimated that all of the reports together average approximately thirty pages. Governor Norris reported that the Comptroller had stated that he felt ten cents a page too little, and had suggested fifteen cents a page, or a flat rate of \$4.50 per report, regardless of the number of pages. This latter rate was agreed to by the committee, it being understood that all past reports would be paid for at the old rate, the new rate to become effective at once, subject to review at semi-annual conferences of Governors. Governor Norris also reported that the Comptroller of the Currency stated that he had no objection to the copies of the reports of examination of banks located in branch territory being furnished to the managers of the respective branches, provided that they were handled by such managers in the proper manner, that is in the same way as at the parent bank. (See paragraph 66a Secretary's minutes of May, 1922 Conference of Governors)

Upon motion of Governor Young, it was

VOTED that the action of the committee be ratified, with the understanding that Governor Norris would make a formal written report of the agreement for the record.

Topic V.A. Payment of Savings Stamps and Certificates
due January 1, 1923.

(45)

There was preliminary discussion of this topic pending Mr. Gilbert's presence at the conference. Governor Morss reported his views, pointing out the necessity of making some arrangements to meet large payments of savings stamps and certificates due January 1, 1923. Governor Strong referred to the great number of certificates that will probably be presented for payment in New York City alone. The topic was passed until Mr. Gilbert should join the conference. (see paragraph 52)

Topic V.B. Allotments on Subscriptions to New Issues of
Government Securities to banks and others.

(46)

For the purpose of discussion, Governor Young moved that the Treasury be requested not to make allotments to Reserve Banks until the subscriptions are closed and the total amount known, and then to make allotments on the basis of the total subscriptions received by each Reserve Bank on an exact percentage basis, in order that the Federal Reserve Banks may in turn make allotments on a sliding scale, allotting the smaller subscriptions in full; or on some other determined basis after subscriptions are closed.

In discussing this motion, several of the Governors expressed the opinion that if adopted it might induce padding of subscriptions, an abuse which now has been largely overcome in many of the districts. It seemed to be the general opinion that the present plan of allotment on some basis of the percentage of the bank's resources is the most satisfactory and the least apt to cause padding of subscriptions. Whereupon, Governor Young withdrew his motion, and Governor Strong withdrew the topic from the program.

Topic V.C. Permanent records of source of all Government
Securities.

(47)

There was informal discussion by each of the Governors of the question (1) of the practice of the Federal Reserve Banks in keeping records of the source of all Government securities, and (2) of the desirability of keeping those records. All of the banks do at present keep such records, but in varying degrees of detail.

It was the informal opinion of the majority of the Governors present that the Federal Reserve Banks should be relieved of the responsibility of keeping such records. It was understood that the topic would be discussed with Mr. Gilbert. (see paragraph 53)

Topic V.D. Payment on presentation of all matured Victory coupons regardless of whether the notes from which detached have been paid or not. (48)

After a very brief discussion, this topic was left over for consideration with Mr. Gilbert. (see paragraph 54)

Topic II.D. (continued - see paragraph 6) (49)
Liability of Reserve banks in making unqualified indorsement on checks received for collection

The Secretary read a telegram from Governor McKinney on the subject of unqualified indorsements. Upon the suggestion of the Chairman, the telegram was referred to the Standing Committee on Collections, to which this topic had previously been referred.

Topic II.A. (continued - see paragraph 3) (50)
Report of Standing Committee on Collections

Governor Seay referred to the importance of having all Federal Reserve Banks conform to the recommendations made by the Collection Committee in its report, stating, however, that, as agreed by the conference, each Governor might discuss with the committee the propriety of making slight verbal changes in the report.

Par Collection System (51)

There was an informal discussion of certain problems incident to the operation of the collection system.

Governor Calkins briefly described the results of the Brookings State Bank case, stating that the Federal Reserve Bank had won its case in all particulars

Governor Young asked what would be the practice of the other Federal Reserve Banks in the case of a nonmember state bank located in a city where there is no other bank which refused to remit at par. Five of the Governors present stated that they thought it would be proper to take such a bank off the par list,

while the other five expressed it to be their opinion that they would send out an agent of effect collections on such a bank unless that might be contrary to the wishes of counsel in pending collection cases.

At this point Mr. Gilbert joined the meeting.

Topic V.A. (continued - see paragraph 45) (52)
Payment of Savings Stamps and Certificates
due January 1, 1923.

Mr. Gilbert stated that the Treasury Department is now working on a plan for the payment of savings stamps and certificates due January 1, 1923, and that he would endeavor to have a preliminary copy of that plan sent to each Federal Reserve Bank on or about October 19 in order that they might make the necessary arrangements for carrying out the suggestions the Treasury might make. He said further that he considered it advisable to have Federal Reserve Banks and Branches make payments of savings stamps and certificates in the same manner that they now make payments of coupons on matured bonds, notes and certificates. When the question of the cost of establishing branch offices, or making other arrangements, to make payments of these certificates was raised, Mr. Gilbert stated that the Treasury would be willing to listen to reasonable claims for expenses.

Topic V.C. (continued - see paragraph 47) (53)
Permanent records of source of all Government
Securities.

After a short discussion of this subject, Mr. Gilbert said that he would be glad to have all of the Federal Reserve Banks look into the question of the expense involved in maintaining permanent records of the sources of all Government securities, and advise him of the results of their investigations. It was informally understood that that would be done.

Topic V.D. (continued - see paragraph 48) (54)
Payment on presentation of all matured Victory
coupons regardless of whether the notes from
which detached have been paid or not.

Mr. Gilbert explained that the present instructions of the Treasury Department regarding the payment of matured Victory coupons, regardless of whether

or not the notes from which detached have been paid, conform to the long-standing practice of the Treasury Department and that unless it developed, as a result of the smaller operations in the 3 3/4 Victory Coupons on December 15, that the plan was not workable, he would prefer to continue it.

Topic Sup. II. (continued - see paragraph 28) (55)
Risk assumed by Federal Reserve Banks in shipping canceled bonds/notes to Washington.

Mr. Gilbert reported that he had had frequent talks with the Comptroller General with regard to a ruling concerning the risk involved by Federal Reserve Banks in shipping cancelled bonds and notes to Washington, and that he expected to receive an early new ruling from him. Under the present ruling the Treasurer will pass credit only if and when the actual securities are received by him. It was suggested that it might be possible to avoid the difficulties of the current ruling by cutting in half bonds and notes that had been cancelled prior to shipment to Washington, thus minimizing the risk of loss. Mr. Gilbert thought that this might be done if it were ultimately found to be necessary, but suggested that no action be taken until after the Comptroller General had made his ruling. It was informally understood that no action shall be taken until after such a ruling has been received.

Topic I.A.I. (continued - see paragraphs 2 and 30) (56)
Report of Committee on Centralized Execution of Purchases and Sales of Government Securities by Federal Reserve Banks.

The Chairman briefly outlined to Mr. Gilbert the policies of the Committee on Centralized Execution of Purchases and Sales of Government Securities by Federal Reserve Banks, and advised him of the action taken by the committee at its meeting on October 2, together with the recommendations made at that time.

After further informal discussion, at 5:40 o'clock p. m. the conference adjourned until 10:00 o'clock a. m. Thursday, October 12, when they were to go into joint conference with the Federal Reserve Board and Federal Reserve Agents to discuss the Board's program on Federal Reserve Credit Policy.

