

Index to Joint Conference Record, March 1923.

NINETEENTH CONFERENCE OF GOVERNORS

OF

FEDERAL RESERVE BANKS

AND

JOINT CONFERENCE

WITH

FEDERAL RESERVE BOARD

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CONFIDENTIAL

Secretary's Minutes

GOVERNORS CONFERENCE

March 26 - 29, 1923

Washington, D. C.

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PROGRAM
GOVERNORS' CONFERENCE
MARCH 26, 1923
WASHINGTON

TOPICS SUGGESTED BY FEDERAL RESERVE BOARD

(1) RESERVES AGAINST SO-CALLED "SPECIAL SAVINGS" DEPOSITS ON WHICH A LIMITED AMOUNT OF CHECKING IS ALLOWED.

This is a question which has been very much discussed with the San Francisco Reserve bank with reference to the special savings accounts of California state banks. Similar savings accounts have been found in other districts on which some checking is allowed.

(2) NEW REGULATIONS.

Due to the amendments to the Federal Reserve Act contained in the Agricultural Credits Act of 1923, recently signed by the President, it appears that it will be necessary for the Board to revise its Regulations so as to be consistent with the amended provisions of the Act, and possibly to issue a new regulation with reference to the rediscount of agricultural paper. The Board will attempt to have at least a tentative draft of proposed new Regulations ready before the Governors' conference so that it may serve as a basis for discussion.

(3) LIMITATION ON AGGREGATE AMOUNT OF AGRICULTURAL PAPER WHICH MAY BE REDISCOUNTED BY FEDERAL RESERVE BANKS.

Section 13 (a) of the Federal Reserve Act as amended by the Agricultural Credits Act makes certain classes of nine months' agricultural paper eligible for rediscount and provides that -

"The Federal Reserve Board may, by regulation, limit to a percentage of the assets of a Federal reserve bank the amount of notes, drafts, acceptances, or bills having a maturity in excess of three months, but not exceeding six months, exclusive of days of grace, which may be discounted by such bank, and the amount of notes, drafts, bills, or acceptances having a maturity in excess of six months, but not exceeding nine months, which may be discounted by such bank."

So far as six months paper is concerned the Board long ago fixed the limit of 99 per cent. which is in effect not a limit at all and it would seem advisable for the Governors' conference to discuss the question whether any change in this limit as to six months paper is advisable, and also whether it is advisable to fix a limit with regard to nine months paper. It may be noted in this connection that Governor Wellborn on December 27, 1922, formally requested the Federal Reserve Board to fix the amount of agricultural rediscounts which the Federal Reserve Bank of Atlanta might grant at a certain percentage of its assets. There appeared, however, to be no particular occasion for changing the limit at that time.

TOPICS SUGGESTED BY FEDERAL RESERVE BANKS

I. CREDIT TRANSACTIONS AND POLICIES

A. Report of Committee on Centralized Execution of Purchases and Sales of Government Securities for account of Federal Reserve Banks.
Governor Strong, New York, Chairman.

B. Report of Standing Committee on Open Market Conditions and Operations.
Governor Fancher, Cleveland, Chairman.

C. Rates of Discount.

1. Automatic Adjustment of -
Is it possible or expedient? (discussion) Boston
2. Uniform rates. (discussion) Atlanta
3. Open Market rates. (discussion) Atlanta

D. Rebates of Discount. (action) Richmond
Recommended:

That the policy of granting rebates should be uniform among Federal Reserve Banks; that it should not be the regular practice of Federal Reserve Banks to grant rebates; that if and when rebates are granted, there should be some good reason for such action and the benefits should accrue to the customer of the member bank; that rebates should not be made on member bank obligations (except on obligations secured by Government bonds when the bonds are sold prior to maturity of the obligations); that rebates on rediscounted paper should be granted only in cases where such paper is anticipated by member bank customers, necessitating repayment of the paper in advance of maturity by member banks, and where the member banks make rebates to such customers; that when Federal Reserve Banks grant rebates in such cases, the rebates should be at the rate at which the paper was rediscounted, provided that rate was not higher than the rate prevailing at the time the paper is paid, in which case rebates should be made at the rate then prevailing.

E. Repurchase Agreements in Connection with Rediscounted paper. (action) Richmond

Recommended:

That Federal Reserve Banks should not take bills receivable in bulk from member banks, giving a fictitious maturity for the purpose of making short-time advances to member banks; or take a

collateral agreement to repurchase paper so offered upon a fixed date; or a standing agreement to repay sums loaned or advanced in such manner on or against such paper from time to time.

- F. Interpretation of word "Borrower" in Section 13 of the Federal Reserve Act. Discussion of Board's opinion (if rendered) based on interpretations submitted by each bank following October, 1922, Governors Conference. (discussion) San Francisco
- G. Desirability of making eligible for discount sight drafts with bills of lading attached. (Committee appointed at October, 1922, Joint Conference reported to Federal Reserve Board)
- H. Liability of Federal Reserve Banks for securities accepted for safekeeping where knowledge exists that they are property of someone other than member bank from whom accepted. (discussion) Dallas
- I. Importance of New York call loan market. Its operation. (discussion) New York
- J. Credit statements of holding corporations. Should statements of subsidiary companies be required by Federal Reserve Banks? (discussion) Richmond

II. COLLECTIONS AND CLEARINGS

- A. Report of Standing Committee on Collections. Mr. Strater, Cleveland, Chairman.

Special consideration of "advice of no returns" (see pages 14, 15 and 16 collection committee report)

(action) Dallas

Recommended:

That an advice describing the item should be forwarded by a Federal Reserve Bank or branch to the sending bank, specifically advising final fate of a check, covering which an advice of "no returns" has previously been forwarded, deposited by another Federal Reserve Bank, branch or direct sending member bank.

- B. Uniform indorsement by Federal Reserve Banks on cash and collection items received from member banks and other Federal Reserve Banks. (discussion) Kansas City
- C. Inter-district deferred time schedules. (discussion) Richmond
- D. Large volume of checks lost in transit after deposit in Federal Reserve Bank or by direct sending. (action) New York

Recommended:

That the conference consider this question in a broad way; assemble data showing the amount involved in 1922; and then take the matter up with the Postmaster General with a view to bringing about a reduction in the number of lost items.

- E. Par Collections.
Establishment of uniform policy to be pursued when final decision in Atlanta case is handed down. (discussion) San Francisco
- F. Desirability of uniform policy in matter of balances required of nonmember banks making use of collection facilities. (discussion) St. Louis
- G. Policy with respect to handling coupon collections and other non-cash collections. (discussion prior to reference to committee) New York
- H. Direct sendings of country checks by member banks in one district to points in other districts. (discussion prior to reference to committee) New York

III. COIN, CURRENCY AND CIRCULATION

- A. Standardization of circulating fitness of Federal Reserve Notes. (action) San Francisco
Recommended:
That the Treasury Department be requested to lodge with each Federal Reserve Bank packages of Federal Reserve Notes representing two or more standards of fitness which the Federal Reserve Banks may use as a guide for the sorting of circulated currency.
- B. Deposit of till money at close of business by member banks in Reserve Bank Cities. (discussion) Richmond
- C. Advantages to Federal Reserve Banks of substituting tax on circulation for Government participation in profits. (discussion) Philadelphia
Possibility of legislation.
Figures requested --
Franchise tax last year.
Tax if 2% on outstanding currency not covered by gold.
Possible reduction of tax below actual franchise payment by more close allocation of gold; keeping larger amount in Agent's hands, etc.

IV. OPERATION

- A. Report of Insurance Committee.
Mr. Cramer, Chicago, Chairman.
(Now resigned; new appointment.)
- B. Employees' Insurance.
Is each bank justified in carrying
its own insurance risk. (discussion) Chicago
Figures requested -
Amount of premiums paid.
Amount of death losses settled.
- C. Report of Pension Committee.
Mr. Kenzel, New York, Chairman.
- D. Report of Leased Wire Committee.
Governor McDougal, Chicago, Chairman.
- E. Committee on Economy and Efficiency.
Desirability of having operating repre-
sentative on Federal Reserve Board's
Committee. (discussion) San Francisco
- F. Payment for Reports of Examination of
national banks.
Report filed by committee appointed at
October, 1922, Conference.
- G. Principles which should control fixing
of salaries of junior officers in
Federal Reserve Banks. (discussion) Philadelphia

V. FISCAL AGENCY OPERATIONS

- A. Desirability of checking shipments of re-
deemed securities against advices of
shipments forwarded by separate regis-
tered mail. (discussion) Cleveland
- B. Undesirability of accepting matured
Government securities on account of
allotments of original issues of
Treasury certificates of indebtedness
or Treasury notes. (discussion) Cleveland

VI. ACCOUNTING AND AUDITING

- A. Committee on Standardization of Accounting
Forms.
Mr. Vogt, Chicago, Acting Chairman.
Is continuance desirable, and, if so,
two vacancies to be filled.

- B. Reimbursement for expenses incurred account War Finance Corporation transactions. (discussion) Kansas City
- C. Reimbursement for Federal Land Bank transactions. (discussion) Kansas City
- D. Should reserve accounts of country member banks receive adjustment for currency in transit. (discussion) New York

VII. LEGISLATION.

- A. Recent Amendments to Federal Reserve Act. (discussion) Boston
- B. Senate Resolution 444 - causes for nonmembership of state banks and trust companies. (discussion) Philadelphia
What action, if any, should Federal Reserve Banks take; effects of bill.

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

March 26 - 29, 1923.

First Day's Session, Monday, March 26

(Morning)

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

Present:

Honorables D. R. Crissinger and C. S. Hamlin,
Members of the Federal Reserve Board;
Governors Harding, Norris, Fancher, Seay,
McDougal, Biggs, Young, Bailey, McKinney,
and Calkins;
Deputy Governors Case and Adelson.

Appointment of Acting Chairman. Governor McDougal opened the (1)
session by explaining that the Board desired to have the conference proceed
with consideration of its own program until Wednesday or Thursday before
having its meeting with the Federal Reserve Board. He explained the absence
of the Chairman, Governor Strong, and stated that he was calling the meeting
to order at Governor Strong's request. Thereupon, upon motion of Governor
Fancher, it was

VOTED to make Governor McDougal chairman of this conference.

The Chairman requested Comptroller Crissinger to address the con-
ference on behalf of the Federal Reserve Board. This he did, referring
particularly to the following matters -

Death of Honorable Milo D. Campbell, Recently appointed (2)
member of the Federal Reserve Board.

Mr. Crissinger explained that because of the death of Mr. Milo D.
Campbell the Board would have no formal meeting on Monday, but stated that
the Board felt that the Governors should not be kept from a consideration of
their program. He also stated that the Board would want to have its meeting
with the Governors on Wednesday or Thursday after Mr. Platt's return from
Mr. Campbell's funeral. (see paragraph 6)

Joint meeting with Federal Farm Loan Board. Mr. Crissinger laid (3)
before the conference the request of Judge Lobdell, of the Farm Loan Board,
for a meeting of his board with the Governors, suggesting Tuesday morning as
an appropriate time. (see paragraphs 8, 26)

Evening meeting at Metropolitan Club. The Comptroller invited the (4)
Governors to a dinner meeting Monday night at the Metropolitan Club.

The Comptroller and Mr. Hamlin left the conference at this point and
the conference proceeded as follows -

Appointment of Acting Secretary. The Chairman explained the ab- (5)
sence, through illness, of Mr. Harrison, Secretary of the Conference, and,
upon motion of Governor Fancher, it was

VOTED that Mr. D. H. Barrows of the Federal Reserve Bank of New
York be made secretary of this meeting.

Death of Honorable Milo D. Campbell. (see paragraph 2) (6)
The Chairman suggested that appropriate action concerning Mr.
Campbell's death be taken by the conference; whereupon, on motion of
Governor Fancher it was

VOTED unanimously to adopt a resolution expressing the sense of
loss of the conference at Mr. Campbell's death; to wire it to Mr. Campbell's
family; to hand a copy to the Federal Reserve Board; and, after that, to send
a copy to the press.

Absent members. The Chairman suggested that appropriate action (7)
be taken with respect to the absent members of the conference. Whereupon on
motions of Governor Calkins, it was

VOTED that telegrams be sent by the Chairman to Governor Strong and
Mr. Harrison expressing the regret of the conference at their absence.

Joint meeting with Farm Loan Board. (see paragraph 3) (8)

The Chairman appointed Governor Young to wait upon the Farm Loan Board and make arrangements for a meeting (10:00 a. m.) Tuesday morning. (see paragraph 26)

Topic I. A. Report of Committee on Centralized Execution of Purchases and Sales of Government Securities for account of F. R. Banks. (9)

Considerable discussion was had of the report (printed in appendix to stenographic record) and of the bearing upon its adoption of a memorandum (pages 16-20 stenographic record) prepared by Mr. Miller of the Federal Reserve Board relating to the subject of Federal Reserve Bank investments and to the Governors Committee in particular. Upon motion of Governor Seay, it was

VOTED that the report of the Committee on Centralized Execution of Purchases and Sales of Government Securities be received and filed; the understanding being that further discussion of this matter would be had at the joint session with the Federal Reserve Board. (see paragraph 62)

Topic I. B. Report of Standing Committee on Open Market Conditions and Operations. (10)

After a reading of the report (printed pages 27-31 stenographic record) by Governor Fancher, and upon his motion, it was

VOTED that the report of the Committee on Open Market Conditions and Operations be received and filed; it being the sense of the conference that the discussion and action taken in connection with topic I. A. also applied to this matter.

Topic I. C. Rates of Discount (11)
1. Automatic Adjustment of,
Is it possible or expedient
2. Uniform Rates
3. Open Market Rates.

Governors Harding, Seay and Norris, and Deputy Governor Case outlined at some length their own views, as well as the discussions had with

Professor Bullock of the Harvard Committee on Economic Research in connection with the possibility of establishing some sort of automatic adjustment of discount rates (which topic Governor Harding explained had been placed on the program as a result of his discussions with Professor Bullock). The opinion seemed to be that what economists in general are interested in is education of the public in the matter of rate adjustments, rather than in the establishment of an automatic rate adjustment. After further discussion of matters relating to the System's rate policies and the interest of the public in that subject, it was, upon motion of Governor Harding

VOTED that a committee of three be appointed by the chairman to draft a memorandum covering everything included under Topic I. C., for consideration by the conference.

The chairman appointed Governors Seay and Calkins and Deputy Governor Case to act as such a committee.

Further general discussion of the other two matters covered by this action, namely Uniform Rates and Open Market Rates, was had, but it was agreed to rest the whole matter with the committee appointed. (see paragraphs 31, 63).

Present discount rate. The chairman opened a general discussion (12) on the subject of discount rates. Each of the Governors present was requested to express his opinion on prevailing conditions in so far as they may be in any way related to the rate question. The discussion is reported on pages 61-100 of the stenographic record.

At 1:05 o'clock the conference adjourned to reconvene at 2:30 o'clock.

First Day's Session, Monday, March 26
(Afternoon)

The meeting was called to order at 2:45 o'clock p. m.

Present:

Governors Harding, Norris, Fancher, Seay,
McDougal, Biggs, Young, Bailey,
McKinney and Calkins;
Deputy Governors Case and Adelson;
Mr. Barrows, Acting Secretary.

Topic I. D. Rebates of Discount

(13)

The practice of granting rebates (and the rate at which the rebate is made) in the several districts was discussed generally, it being understood that the policy of the Federal Reserve Banks in this regard should be to permit rebates when there is good reason for doing so, but that member banks should not be permitted to abuse the privilege. Upon motion of Governor Seay, it was

VOTED that when Federal Reserve Banks grant rebates the rebate should be at the rate at which the paper was rediscounted, provided that rate was not higher than the rate prevailing at the time the paper was paid, in which case the rebate should be made at the rate then prevailing.

Topic I. E. Repurchase Agreements in Connection
with Rediscounted Paper.

(14)

General discussion of the practices of the several banks in (1) taking bills receivable in bulk from member banks and giving a fictitious maturity for the purpose of making short-time advances to member banks; (2) taking collateral agreements to repurchase paper so offered upon a fixed date, and (3) in entering into a standing agreement to repay sums loaned or advanced in such manner on or against such paper from time to time, was had. On motion of Governor Fancher, it was

VOTED that it is the sense of the conference that such advances and agreements extend a facility to which member banks are entitled and which they should not be precluded from using.

Topic I. F. Interpretation of word "Borrower" (15)
in Section 13 of Federal Reserve Act.

At the October 1922 Conference of Governors it was recommended that the counsel of the several Federal Reserve Banks file with the Federal Reserve Board their opinions relative to the interpretation of the word "borrower" in Section 13 of the Federal Reserve Act, and the Federal Reserve Board was then requested to postpone a ruling on this subject until these opinions were received. Inasmuch as no ruling has as yet been promulgated, it was, upon motion of Governor Calkins,

VOTED that the Federal Reserve Board be requested to make a ruling on this question.

Topic I. G. Desirability of making eligible for dis- (16)
count sight drafts with bills of lading
attached.

This topic was passed as being covered by a recent act of Congress.

Topic I. H. Liability of F. R. Bs for securities (17)
accepted for safekeeping where knowledge
exists that they are property of someone
other than member bank from whom accepted.

The liability of Reserve Banks for securities accepted for safekeeping, where there is knowledge that they belong to someone other than the depositing member was discussed, and each Governor indicated the practice of his bank in accepting securities for safekeeping. No action was requested or taken.

Topic I. (i) Importance of New York Call Loan Market. (18)

Mr. Case discussed briefly the New York Call Loan Market and referred to the importance of a sympathetic understanding of its relation to the financial centers of the country.

Topic I. J. Credit Statements of Holding Corporations.

(19)

After a general discussion of the difficulties of ascertaining the acceptability of paper offered for rediscount either by a parent or an allied company without adequate information in the shape of credit statements, it was, upon motion of Governor Norris,

VOTED that a committee be appointed to formulate some definite recommendation regarding this topic for adoption by the conference.

The Chairman appointed Messrs. Norris, Calkins and Fancher to serve as such a committee. (see paragraph 48)

Topic II. A. Report of Standing Committee on Collections.

(20)

(For text see stenographic record pages
152-160; 170-173; 173-175; 175-177;
177-181; 181-186)

The conference dealt with the report topic by topic and concluded to receive and adopt the report as submitted, with such qualifications as are noted below -

Uniform Liability Clauses - Governor Young, because of the conditions peculiar to his district, stated that it would be impossible for him now to agree to the clauses proposed by the committee without an addition which he had suggested. Upon motion of Mr. Case, it was

(20a)

Voted that the matter be referred back to the committee with instructions to take the matter up with counsel of the Minneapolis bank in order to see if it might not be possible to have him agree to the uniform clauses which have been approved by the other eleven banks.

Liability of Federal Reserve Banks in making unqualified indorsements on checks received for collection. Upon motion of Governor Norris, it was

(20b)

Voted that the conference unanimously agree upon the form of uniform indorsement (including guarantee of prior indorsements) recommended by the committee and that this action be communicated to the Federal Reserve Board in order that the Board may make any changes that it might consider necessary in regulation J.

Advising payment or non-payment by wire on cash or collection items. Upon motion of Governor Calkins, it was

(20c)

Voted to adopt the recommendation of the committee that such advice by wire should not include charges incurred in the telegram.

Uniform method of handing demand and time certificates of deposit, drafts with pass books attached, and drafts on Railroad Companies. Upon motion of the Chairman, it was

(20d)

Agreed to concur in the suggestion of the committee that uniformity is practically impossible inasmuch as custom and practice in the various districts should govern.

Should a F. R. Bank collect notes and drafts in cities or towns where there is not a par remitting bank. Upon motion of Governor Seay, it was

(20e)

Voted to acquiesce in the conclusions of the committee that for the protection of the sending Federal Reserve Bank each bank should undertake to collect any non-cash items payable in its district.

Advice of No Returns. Upon motion of Governor Seay, it was

(20f)

Voted to receive and adopt the committee's recommendations (1) that the use of the form "Advice of No Returns" be restricted as much as possible and that when used care should be exercised to give only such information as is valuable to the bank to whom sent. (details of recommendation pages 182-183 of stenographic record) and (2) that each Federal Reserve Bank incorporate in its time schedule the notation -

"Checks drawn on banks not located in a Federal Reserve city but bearing upon their face a notation that they are payable at or receivable for immediate availability in a Federal Reserve city will be accepted on the same basis as checks drawn on banks located in that city."

Governors Bailey, McKinney and Calkins asked to be recorded as voting in the negative.

Definition of the Terms "Wire Fate," Wire Payment or Non-Payment" and "Wire Credit." Upon motion of Governor Seay, it was

(20g)

Voted that the recommendations of the committee relative to the use of the above terms be adopted.

The committee's recommendations are printed on pages 184-186 of the stenographic record.

Blanket Guaranty covering indorsement by F. R. Bs on all items forwarded direct for collection by member banks. The recommendation of the committee that all reserve banks give this letter of guaranty was read to the conference. The committee explained that each reserve bank with the exception of Minneapolis has already complied with its recommendation.

(20h)

Governor Young referred to the reasons which have prompted the Minneapolis bank not to give a blanket guaranty on all items forwarded direct for collection by its member banks. No action was taken, the discussion having been interrupted for a conference with Mr. Gilbert.

It was later (pages 286-294 of stenographic record) Understood that Governor Young would again discuss the matter with his Executive Committee in view of certain conditions called to Governor Young's attention and advise the other Federal Reserve Banks whether his bank will issue a blanket guaranty.

Treasury Transactions. Under Secretary Gilbert joined the conference and discussed certain matters relating to tax payments and Government financing. (see paragraph 22) (21)

At 6:20 o'clock p. m. the conference adjourned to reconvene at 10:00 a. m. Tuesday, March 27.

Second Day's Session, Tuesday, March 27.
(Morning)

The conference was called to order at 10:08 o'clock a. m.

Present:

Governors Harding, Norris, Fancher, Seay,
McDougal, Biggs, Young, Bailey, McKinney
and Calkins;
Deputy Governors Case and Adelson;
Mr. Barrows, Acting Secretary.

Treasury Transactions. (see paragraph 21) (22)

Under Secretary Gilbert joined the conference to complete discussion of matters considered at the last session, and also to discuss those topics on the regular program relating to fiscal agency operations.

Topic V. A. Desirability of checking shipments of redeemed securities against advices of shipments forwarded by separate registered mail. (23)

Governor Fancher stated that this topic had been placed upon the program as a result of certain difficulties experienced by the Federal Reserve Bank of Cleveland. Mr. Gilbert explained that a committee has been appointed to consider the system of receiving shipments of redeemed securities and to make any improvement that may be necessary to obviate present difficulties. No action was asked or taken.

Topic V. B. Undesirability of accepting matured Government securities on account of allotments of original issues of Treas. C/I or Treas. notes. (24)

In discussing this subject, Mr. Gilbert indicated that he appreciated the difficulties related by some of the Governors, but stated that in his opinion the difficulties were outweighed by the advantages, which were referred to in some detail. No action was requested or taken.

New Currency Designs. Mr. Gilbert reported that the committee (25)
which has been considering the new designs for currency had submitted its report and that the forms are now in the hands of the Federal Reserve Board

and available for examination by the Governors.

Joint meeting with Farm Loan Board. (see paragraphs 3, 8) (26)

The members of the Farm Loan Board went into session with the conference as previously arranged. Judge Lobdell, Chairman of that Board, referred to the recent Act of Congress authorizing the incorporation of twelve Federal Intermediate Credit Banks to be operated under the jurisdiction of the Farm Loan Board. He asked individual members of the conference for an expression of their opinion on the following matters - (1) the extent to which there will be any demand in their districts for the type of credit which will be available through Federal Intermediate Credit Banks and the nature of the security that will be offered; (2) the attitude of the Federal Reserve Banks toward the purchase of debentures which might be issued by the Federal Intermediate Credit banks; and (3) the rates of discount charged by the Federal Intermediate Credit Banks and rates of interest on the debentures issued by them.

The conference adjourned at 1:10 o'clock to reconvene at 3:00 o'clock p. m.

Second Day's Session, Tuesday, March 28
(Afternoon)

The conference was called to order at 3:00 o'clock p. m.

Present:

Governors Harding, Norris, Fancher, Seay,
McDougal, Biggs, Young, Bailey,
McKinney, and Calkins;
Deputy Governors Case and Adelson;
Mr. Barrows, Acting Secretary.

The Chairman read to the conference a telegram from Governor Strong in response to that sent to him by the Governors (see paragraph 7)

Topic II. B. Uniform indorsement by Federal Reserve Banks on cash and collection items received from member banks and other Federal Reserve Banks.

(27)

Governor Bailey pointed out the lack of uniformity in guaranteeing prior indorsement on non-cash collection items. The conference having already agreed to the recommendation of the Collection Committee that Reserve Banks should guarantee prior indorsements on cash items, (paragraph 20b), it was, upon motion of Governor Calkins,

VOTED that each bank refer to its own counsel the question of whether there is any reason why such an indorsement should not be made on non-cash items.

Topic II. C. Inter-district deferred time schedules.

(28)

Governor Seay stated that the occasion for bringing up this matter was the change in the Philadelphia time schedule recently made and the effect this had on banks in the Richmond district. After discussion, it was

AGREED to let the matter rest pending the next conference, with the understanding that meantime the officers of the Boston, New York, Philadelphia, Cleveland and Richmond Reserve Banks discuss the matter among themselves with a view to working out the problem.

Topic II. D. Large Volume of checks lost in transit after deposit in F. R. B. or by direct sending.

(29)

Mr. Case reported receipts of complaints from various member banks on this subject, presenting to the conference a tabulation of the cash letters lost in the mails by all Reserve Banks during the year 1922. There was discussion of the losses in various of the districts, and, upon motion of Governor Seay, it was

VOTED that the New York bank be requested, in behalf of the conference, to present this record to the Federal Reserve Board with the request that the matter be taken up by the Board with the Postmaster General.

Topic II. F. Desirability of uniform policy in matter of balances required of nonmember banks making use of collection facilities.

(30)

The practice of the several banks in the matter of requiring balances of nonmember banks making use of collection facilities were outlined. Governor Biggs (who stated that he had proposed the topic merely to learn of the practices of the other banks) asked for no action.

Topic I. C. Rates of Discount. (see paragraph 11)

1. Automatic Adjustment
2. Uniform Rates
3. Open Market Rates

(31)

Governor Seay stated that the committee was prepared to submit to the conference its report on the topics under "Rates of Discount" referred to it by the conference. After discussion, it was, upon motion of Governor Norris,

VOTED to adopt the report submitted by the committee.

The report in substance provided (1) that an automatic adjustment of discount rates is not possible; (2) that while at present a uniform rate may be justifiable and expedient, Federal Reserve Bank discount rates cannot be expected to be uniform under all conditions and circumstances; (3) that open

market rates should not be arbitrarily determined; and (4) that the conference ask the Federal Reserve Board to refer, in the form suggested, for a number of weeks in making its weekly statement of the condition of the Reserve Banks, to the question of gold imports in its relation to reserve rates. (see paragraph 63).

Topic II. E. Par Collections. (32)

The status of pending par clearance actions was reported by the several Governors in whose districts cases are pending. After considerable discussion of these cases and of the general policy, present and future, of the Reserve Banks with respect to par clearance, the topic was passed without action.

Topic II. G. Policy with respect to handling coupon collections and other non-cash collections. (33)

Mr. Case suggested the advisability of referring this matter to the Standing Committee on Collections for report to the next conference and this was voted. (But see paragraph 47 where the matter was reconsidered in the light of the Federal Reserve Board's memorandum X-3676).

Topic II. H. Direct sendings of country checks by member banks in one district to points in other districts. (34)

The Chairman appointed representatives of the Federal Reserve Banks of Boston, New York and Richmond to act as a committee to study the matter, and, if necessary, report their conclusions to the Federal Reserve Board. It was understood that the representative of the New York bank should act as chairman of the committee.

Presentation by hand of Cash Letters. (35)

Governor McKinney submitted a letter in which the Comptroller of the Currency inquired about the practice of Federal Reserve Banks in sending messengers from their offices to make personal presentation of cash letters

for collection. General discussion of this topic showed that while a majority of the Federal Reserve Banks have from time to time collected items in this manner, nevertheless they have always exercised extreme caution in selecting their agents and in instructing them what caution is necessary in making presentations of this character. Upon motion of Governor Seay, it was

VOTED to be the sense of the conference that it is sometimes necessary to send a representative to present checks at banks upon which drawn, and that this is a necessity which cannot always be avoided.

Topic III. A. Standardization of circulating fitness of Federal Reserve Notes.

(36)

After explaining the desirability of having two or more standards of fitness for use as a guide in sorting circulated currency, it was, upon motion of Governor Calkins

VOTED that the Treasury Department be requested to lodge with each Federal Reserve Bank and Branch sample packages of Federal Reserve Notes which may be used as a guide for the sorting of circulated currency.

Topic III. B. Deposit of till money at close of business by member banks in Reserve Bank cities.

(37)

Governor Seay pointed out the amount of work put upon Federal Reserve Banks by the disposition of certain banks at the close of business to deposit their till money for credit and then apply for new money the next morning. Discussion developed the fact that the tendency does not seem to be general, and that it is a matter that can be handled effectively by each Reserve Bank if occasion arises. The topic was passed without action.

Topic III. C. Advantages to Federal Reserve Banks of substituting tax on circulation for Government participation in profits.

(38)

Governor Norris read a memorandum relative to this topic, which pointed out the disadvantages of giving to the Government a partnership interest in the earnings of the Federal Reserve Banks, and which mentioned the

possibility of an amendment to the law providing that each bank shall pay a fixed rate of interest on the uncovered portion of Federal reserve notes outstanding in lieu of the existing provision for the payment of a franchise tax. Statistics were given showing the amount that would have been paid to the Government during 1922 as an interest charge upon a hypothetical interest rate of 2% on all uncovered notes outstanding.

The members of the conference expressed sympathy with the views contained in the memorandum, and, upon motion of Mr. Case, it was

VOTED that the Chairman appoint a committee of two to discuss the question with the Under Secretary of the Treasury to ascertain whether the Treasury Department would interpose any objection to the consideration of such a plan.

The chairman thereupon appointed Governor Norris and Deputy Governor Case to act as such a committee.

It was understood that Governor Norris would send to each Governor a uniform blank or questionnaire to be filled out by each bank giving pertinent statistics for the years 1919-20-21-22.

At 5:45 o'clock p. m. the conference adjourned to reconvene at 10:00 o'clock on Wednesday morning, March 28.

Third Day's Session, March 28th
(Morning)

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

Present:

Governors Harding, Norris, Fancher, Seay,
McDougal, Biggs, Young, Bailey,
McKinney and Calkins;
Deputy Governors Case and Adelson;
Mr. Barrows, Acting Secretary.

Topic IV. A. Report of Insurance Committee (39)

After discussion, and upon motion of Governor Calkins, it was VOTED to submit the report of the Insurance Committee and the proposed plan (pages 381-416 stenographic record) to the Federal Reserve Board for consideration with the request that the Board advise the several reserve banks of its conclusions.

It was understood that if approved by the Board, and subsequently by the directors of the several Reserve Banks, the recommendations of the report will then be put into effect without further action by the conference.

Later, upon motion of Governor Fancher, it was VOTED to authorize the Chairman to fill the vacancy on the committee caused by the resignation of Mr. Cramer.

Telegram from National Bank Division of American Bankers Association - Free services to member banks. (40)

Governor Calkins referred to the conference a telegram from the manager of the National Bank division of the American Bankers Association deploring certain practices of the Reserve Banks in rendering free services to member banks and suggesting that the matters referred to should be considered by the Governors Conference. Upon motion of Governor Harding, it was

VOTED to refer the telegram to the Federal Reserve Board for consideration.

Topic IV. F. Payment for Reports of Examination of national banks. (41)

The written report of the sub-committee of Governors and Federal

Reserve Agents made subsequent to the October 1922 conference concerning compensation for reports of examination of national banks furnished by the Comptroller of the Currency was incorporated in the record.

After discussion, it was

UNDERSTOOD that the arrangement referred to in this report and now in effect will continue unless and until amended.

Topic IV. G. Principles which should control fixing of salaries of junior officers in F.R.Bs. (42)

There was general discussion of the principles governing the salary policy of the various banks, in so far as it relates to junior officers. It was generally felt that the value of the particular man to the reserve bank should control, and that there should be no arbitrary or fixed salary range throughout the system for such officers.

Speeding up Collections by means of Air Service (43)

The Chairman submitted a letter which the Aviation Syndicate Inc., New York, had addressed under date of March 28, 1923 to Mr. Hamlin of the Federal Reserve Board in regard to facilitating collections by air service. It appeared to the conference to be purely a commercial proposition, possibly worthy of consideration by the Post Office Department. Upon motion of Governor Harding, it was

VOTED to lay the matter on the table.

Topic IV. D. Report of Leased Wire Committee (44)

Upon motion of Mr. Case, it was

VOTED to adopt the report of the Leased Wire Committee (printed pages 484-487 stenographic record).

Governor Harding did not vote and Governor Young wished to be recorded as voting in the negative.

At 1:17 o'clock the conference adjourned to reconvene at 2:30 o'clock

p. m.

Third Day's Session, Wednesday, March 28th
(Afternoon)

The conference was called to order at 2:35 o'clock p. m.

Present:

Governors Norris, Fancher, Seay, McDougal,
Biggs, Young, Bailey, McKinney,
Calkins, and Harding;
Deputy Governors Case and Adelson;
Mr. Barrows, Acting Secretary.

Topic IV. D. Report of Leased Wire Committee (45)
(See paragraph 44)

The Chairman called attention to that portion of the report of the Leased Wire Committee relating to test words on Telegraphic transfers for the Treasury. Mr. Higgins of the Federal Reserve Bank of New York joined the conference and reported having interviewed the Treasurer of the United States who agreed to the recommendation of the committee relative to the use of test words in the manner outlined by Mr. Higgins. It was

UNDERSTOOD that the plan, which contemplates furnishing the Treasurer's office with a copy of the code book, and a separate or different key, would be approved.

Open Market Operations. The Chairman submitted for the consid- (46)
eration of the conference a memorandum prepared by the Federal Reserve Board X-3675 - (printed pages 517-520 stenographic record) concerning open market operations, which was considered at some length, off the record. The matter was informally discussed with some of the members of the Board and also with Mr. Gilbert. No action was taken.

Voluntary Services Assumed by F.R.Bs. for their members. (47)

The Tentative suggestion of the Federal Reserve Board - X3676 (printed pages 516-517 stenographic record) that certain voluntary services performed for member banks should be discontinued was considered, and, upon motion of Governor Seay, it was

VOTED to be the sense of the conference that none of the services enumerated in the Board's memorandum should be discontinued at this time, but that the whole subject of non-cash collections should be referred to a special committee of Governors to be selected by the Federal Reserve Board for consideration and report.

It was understood that this action by the conference superseded the earlier action (paragraph 33) of the conference in referring the matter of coupon collections and non-cash collections to the Standing Committee on Collections.

Topic I. J. Credit Statements of Holding Corporations (48)
(see paragraph 19)

The sub-committee appointed by the conference to consider the topic "Credit Statements of Holding Corporations" filed its report with the conference. Upon motion of Governor Seay, it was

VOTED to adopt the report of the sub-committee, as follows:

It is the opinion of the conference that where paper of a corporation which has allied, associated or subsidiary companies is offered for discount at a Federal Reserve Bank, the bank should require statements of such allied, associated or subsidiary companies as of the same date, unless the statement of the company whose paper is offered clearly indicates the eligibility and acceptability of the paper; this procedure to be adopted by the Federal Reserve Banks as promptly as is practicable.

Topic VI. A. Committee on Standardization of (49)
Accounting Forms.

The Chairman brought to the attention of the conference the vacancies existing in this committee. After a short discussion, and upon motion of Governor Norris, it was

VOTED that the committee be discontinued.

Topic VI. B. Reimbursement for expenses incurred (50)
a/c War Finance Corporation transactions.

Governor Bailey read a memorandum showing the large volume of business

his bank is handling for the War Finance Corporation and Stated that he felt reimbursement for overhead was desirable. After discussion, however, he said that he desired no action.

Topic VI. C. Reimbursement for Federal Land Bank transactions. (51)

Governor Bailey stated that his feelings were similar in this connection to those expressed in connection with the foregoing topic, and that his only object was to obtain an expression of views.

Topic VI. D. Should Reserve Accounts of Country member banks receive adjustment for currency in transit. (52)

Mr. Case asked no action in this connection, but stated that he desired to stress the desirability of uniformity. Following discussion, upon motion of Governor Harding, it was

VOTED that in the opinion of the conference there is no warrant in the Federal Reserve Act or in the Regulations of the Board to justify the practice of making adjustments in the reserve accounts of country member banks for currency in transit.

Topic IV. B. Employees' Insurance. (53)

There was a discussion of the expense involved to the various banks on account of Employee Insurance, and the action taken by the Boards of Directors of some of the banks in raising the maximum under the group insurance plan to \$5,000. Upon motion of Mr. Case, it was

VOTED that the group insurance plan be continued and that the Federal Reserve Board be asked to approve raising the maximum to \$5,000.

Topic IV. E. Desirability of having operating representative on Federal Reserve Board's Committee on Economy and Efficiency. (54)

Governor Calkins moved, and it was

VOTED that the conference suggest to the Board's committee on Economy and Efficiency that it designate an operating representative to clear

information for the Reserve Banks. (See paragraph 58).

Topic IV. C. Report of Pension Committee

(55)

Upon motion of Mr. Case, it was

VOTED that the report (printed pages 550-563 stenographic record) of the Pension Committee be received and the recommendations contained therein approved with the understanding that the Pension Committee should communicate the action of the conference to the Federal Reserve Board, citing for them all the steps that had been taken in developing the pension plan, and expressing the conviction of the conference that nothing could be more beneficial to the operation of the Federal Reserve System than the adoption of some such plan as proposed.

Topic VII.A. Recent Amendments to Federal Reserve Act.

(56)

Governor Harding stated that he had had a draft made of all amendments to the Federal Reserve Act within the last six months, of which he would have copies distributed for discussion later. The topic was temporarily passed.

Topic VII.B. Causes for nonmembership of state banks and trust companies.

(57)

It was understood that no action would be taken on this subject.

Before adjourning the Chairman called attention to the topics suggested by the Federal Reserve Board, and it was understood that these matters would not be discussed until the joint conference with the Federal Reserve Board.

At 6:00 o'clock p. m. the conference adjourned to reconvene at 10:00 a. m. in joint session with the Federal Reserve Board on Thursday, March 29th.

Fourth Day's Session, Thursday, March 29
Joint Session with Federal Reserve Board
(All Day)

The conference convened at 10:00 o'clock a. m.

Present:

Honorables D. R. Crissinger, Edmund Platt,
C. S. Hamlin, and A. C. Miller, Members of
the Federal Reserve Board;
Governors Harding, Norris, Fancher, Seay,
McDougal, Biggs, Young, Bailey,
McKinney and Calkins;
Deputy Governors Case and Adelson;
Mr. Barrows, Acting Secretary.

In addition to various matters of general policy (of which it is the practice to keep no Secretary's minutes) and other topics which were generally discussed without conclusions being reached, the following matters which had either been specifically referred to the Governors by the Board or held over for discussion with the Board were considered -

Topic IV. E. Desirability of having operating representative (58)
on Federal Reserve Board's Committee on Economy
and Efficiency. (see paragraph 54)

The suggestion of the Governors Conference that the Board's committee designate an operating representative to clear information for the Reserve Banks was referred to by Governor McDougal in reviewing the proceedings of the conference. It was understood, as suggested by Mr. Miller, that the Board would issue the monthly and quarterly reports on the basis of Schedule E ("Report of Expenses") in such reasonable numbers as the banks may severally request for the use of their different departments.

The conference, after considering the following three Board topics in separate session, took the following actions in regard thereto, which it discussed with the Board in joint session.

Board (1). Reserves against so-called "Special Savings" deposits on which a limited amount of checking is allowed. (59)

Upon motion of Mr. Case, it was

VOTED that it is the sense of the conference that no change be made in the existing regulations.

Board (2). New Regulations. (60)

Upon motion of Mr. Case, it was

VOTED that as the Governors feel that they have not had sufficient opportunity to thoroughly study and digest the tentative draft of the New Regulations, they suggest that they be permitted to take the proposed regulations home with them, with the understanding that after careful study each Governor will report his views direct to the Board in writing.

Board (3). Limitation on Aggregate amount of Agricultural Paper which may be rediscounted by Federal Reserve Banks. (61)

Upon motion of Governor Calkins, it was

VOTED that no change be made in the Board's limit of 99% of assets for agricultural paper and that the limit on nine months paper be fixed at 10% of assets.

Topic I. A. Report of Committee on Centralized Execution of Purchases and Sales of Government Securities for Account of Federal Reserve Banks. (see para. 9) (62)

The Governors expressed themselves as being in favor of the plan set up in the Board's memorandum X-3675, and with the establishment of the Open Market Investment Committee for the Federal Reserve System to supersede on and after April 1, 1923, the present Governors Committee on Centralized Execution of Purchases and Sales of Government Securities for Account of Federal Reserve Banks.

The Federal Reserve Board, upon the suggestion of the Governors, appointed the members of the old committee to serve as members of the new committee. (see X-3689 of April 7, 1923).

It was generally felt by the Governors that the Board's resolution should be construed so that the banks should have some latitude in making retail intra-district purchases of acceptances.

Topic I. C. Rates of Discount. (see paragraphs 11 and 31) (63)

The report of the committee of Governors on "Rates of Discount," dated March 28, 1923, adopted by the conference was considered. It was understood that the Federal Reserve Board would issue a press statement at the close of the conference substantially in the language of the first paragraph of the statement which the committee in its report recommended be sent to the Federal Reserve Board.

At 6:30 o'clock p. m. the conference adjourned sine die.

