

CONFIDENTIAL

Secretary's Minutes

GOVERNORS CONFERENCE

November 10 - 14, 1924

Washington, D. C.

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PROGRAM

GOVERNORS' CONFERENCE

NOVEMBER 10, 1924

Washington, D. C.

I. CREDIT TRANSACTIONS AND POLICIES

- A. Report of Open Market Investment Committee  
Governor Strong, Chairman.
- B. Discount Rates - Relation to Open  
Market Investment Operations. (Discussion) New York
- C. Dawes Plan - General discussion of the  
possibility of this plan being a first  
step toward resumption of gold payments  
by some European nations; what bearing  
it would have upon the policy of the  
Reserve System; and what our attitude  
should be. (Discussion) New York
- D. The advisability of a Federal Reserve Bank  
investing an amount equal to capital and  
surplus, in government bonds for earning  
purposes. (Discussion) Joint Pro.#1
- E. Desirability of Uniform Practice in de-  
termining "eligibility" as distinguished  
from "desirability." (Discussion) Boston
- F. Time deposits and the manner in which re-  
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the Twelfth Federal Reserve district. (Discussion) Joint Pro.#2
- G. Proposal to amend Section 3, Paragraph B,  
of the Board's Regulation D, so as to per-  
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of deposits against which reserves must be  
carried, to deduct (1) from gross demand  
deposits, all Government deposits as now  
defined in Regulation D, and items with a  
Federal Reserve Bank in process of collec-  
tion, and (2) from the amount of balances  
due to other banks, the amount of balances  
due from other banks (except Federal Re-  
serve Banks and foreign banks), including  
in the amount due from banks, out-of-town  
items placed in the mail and charged to the  
account of correspondent banks, checks  
drawn on banks located in the same city and  
exchanges for clearing houses. (Discussion) Joint Pro.#6
- H. Has the time come for Federal Reserve Banks  
to consider investing some of their funds  
in foreign bills? (Resolution adopted by  
Federal Advisory Council, copy attached) (Discussion) Joint Pro.#7

I. Report of sub-committee of General Committee  
on Bankers' Acceptances.  
Mr. Kenzel, Chairman.

J. Report of Foreign Accounts.

New York

II. COLLECTIONS AND CLEARINGS

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

B. Extension of check collection facilities.  
Desirability and necessity for further  
development of the check collection system. (Discussion) San Fran.

C. Par Collection Litigation (Discussion) New York

D. Absorption of postage on cash letters  
sent direct by member banks.

Recommended:

That none of the Federal Reserve  
Banks should absorb the cost of  
postage on any cash letters sent  
direct by members to other Federals. (Action) New York

E. Collection of checks drawn on banks  
located in Porto Rico and Hawaii. (Discussion) Phila.

F. Aeroplane Mail Service.

Recommended:

That the Standing Committee on  
Collections be requested to study  
the aeroplane mail service with the  
view of determining whether it is  
feasible to adjust the time schedules  
so as to give member banks the benefit  
of earlier presentation of items which  
are dispatched by aeroplane. (Action) San Fran.

G. Member bank's warranty that it has authority  
of customer to accept those provisions of  
Regulation J regarding responsibility for  
items. (Action) San Fran.

Recommended:

That the Standing Committee on Col-  
lections be instructed to prepare a  
uniform circular containing a form of  
contract between banks and their de-  
positors, requesting member and clear-  
ing-member banks to amend their con-  
tracts (contained on deposit slips and  
signature cards) in accordance with the  
form proposed in the circular; and

Recommended further:

That the Federal Reserve Banks amend their  
check collection circular on March 1, 1925,  
to provide that the act of submitting  
checks to Federal Reserve Banks for col-  
lection will be construed as a warranty  
that the depositor has lodged with the de-  
positing bank the required agreements.

III. COIN, CURRENCY AND CIRCULATION

- A. The desirability of all Federal Reserve Banks giving full consideration to currency in transit in computing the reserve requirements and penalties for deficiencies in reserves of member banks. (Board's letters X-3953 and 4075.) (Discussion) Joint Pro. #2
- B. Means of increasing the circulation of standard silver dollars. (See letter of Oct. 2, 1924, Mr. James to each Governor) (Discussion with Ass't Secy. of Treas.) Joint Pro. #14
- C. Production and distribution of U. S. currency. (Discussion with Ass't Secy. of Treas.) Joint Pro. #13
- D. Gold Payments (Discussion with Ass't Secy. of Treas.) New York
- E. Registered mail insurance on Federal Reserve Notes. Consideration by Governors of whether it would be advisable to ask the Treasury to let Federal Reserve Banks place their own insurance. (Discussion) New York

IV. OPERATION

- A. Economy and Efficiency
1. Operating expenses of the Federal Reserve Banks - formulation and adoption of definite plans for a constructive program for greater economy and efficiency. (Board's letter St. 4170.) (Discussion) Joint Pro. #8
  2. Adoption by each Federal Reserve Bank of a budget for control of expenditures. (Board's letter St. 4235.) (Discussion) Joint Pro. #9
  3. Report of Committee on Standardization of Supplies  
Mr. Worthington, Chairman
  4. Report of Insurance Committee  
Mr. Kenzel, Chairman
  5. Report of Committee to Study the Cost of Securing Credit Information  
Mr. Childs, Chairman
- B. Pensions
1. Report of Pension Committee,  
Mr. Kenzel, Chairman
  2. American Federation of Labor  
Organization of Bank Clerks (Discussion) New York

C. Telegraphic Transfers

1. Report of Leased Wire Committee  
Governor McDougal, Chairman
2. Should Federal Reserve Banks effect telegraphic transfers over commercial wires for member banks which charge their customers and impose for this service an amount in excess of the actual cost of telegrams? (Discussion) San Francisco Joint Pro. #3
3. Reconcilement of provisions of Telegraphic Transfer circulars of F. R. Banks with recommendations embodied in Board's letter X-4099 (Action) St. Louis San Francisco

Recommended:

That the Leased Wire Committee be instructed to review the telegraphic transfer circulars of the Federal Reserve Banks, and to require reconcilement of the provisions therein with the committee's recommendation embodied in the Federal Reserve Board's letter X-4099.

- D. Cost of securing reports of examination of national banks. (Action) New York

Recommended:

That the principle ultimately to apply shall be that the Reserve Banks pay no more than the expense of preparation of the reports; and

Recommended further:

That the conference adopt a resolution specifying the time for which the rate of \$10 a report shall be continued, and fixing the rates which should be paid permanently for reports thereafter.

E. Branch Directors

Effects of increasing the number of directors of branches in conformity with the Board's letter X-3956; and advisability of recommending to Board that branches be operated under rules and regulations approved by the Board as provided by law, rather than by by-laws. (Discussion) San Francisco

- F. Observance of holidays by F. R. Banks (See Board's letters X-4122, 28 and 54) (Discussion) Joint Pro. #4

- G. Can expenditures be legally made of Federal Reserve Bank funds for the purpose of welfare and educational work among Federal Reserve Bank employees. The advisability of reserve banks defraying, wholly or partially, the expense of such welfare and educational work. (Discussion) Joint Pro. #5

- H. What should be the policy of Federal Reserve Banks with reference to making charges against surplus for the items enumerated below when current earnings are insufficient to provide therefor: (Discussion) Joint Pro. #10

1. Dividends.
2. Reserves to cover annual depreciation of bank premises.
3. Charge-offs for purpose of reducing book value of bank buildings to approximate replacement costs.
4. Furniture and equipment.

- I. Holdings of real estate by Federal Reserve Banks. (Discussion) Kansas City

Has there ever been a ruling made by the Federal Reserve Board authorizing the reserve banks to hold real estate? This especially applies where real estate has been taken in due course of business. The National Bank Act provides for such cases.

V. FISCAL AGENCY AND DEPOSITORY OPERATIONS

- A. Procedure now being followed in the execution of orders for the Treasury Department. (Discussion) New York

- B. Redemption of debenture bonds issued by Federal Land and Intermediate Credit Banks. (Action) St. Louis  
Recommended:

That in the interest of economy and uniformity, the same policy be pursued in connection with the redemption of the debenture bonds issued by the Federal Land and Intermediate Credit Banks as is now followed in connection with the payment of Federal Farm Loan coupons.

- C. Canceled United States bonds, notes and Treasury certificates of indebtedness lost in the mails while en route to Washington. (Discussion) San Francisco  
Experience of Federal Reserve Bank of San Francisco, which was requested by Treasurer to make restitution for lost bonds because serial numbers of bonds stolen while in transit could not be correctly given.

VI. MEMBERSHIP AND RELATIONS WITH MEMBER BANKS

- A. Voluntary Services -- In view of small earnings, can Federal Reserve Banks continue the free voluntary services, or should the actual cost of some or all of these services be charged to the member banks? (Discussion) Kansas City  
Chicago

- B. What can be done when a member bank refuses to comply with the Regulations? (Discussion) Kansas City
- C. Examination of State banks -  
Procedure in various districts as to action taken by examining departments regarding State member banks which have not maintained, after membership, as high a standard in the value of assets as would entitle them to pass an examination for admission to system. (Discussion) San Francisco
- D. Committee of Trust Company Division A. B. A. on "Relations with the Federal Reserve System," for the purpose of crystallizing the present membership of trust companies and inducing wherever possible eligible nonmember trust companies to join the system. (Discussion) New York.



RESOLUTIONS ADOPTED BY THE FEDERAL ADVISORY COUNCIL

SEPTEMBER 25, 1924.

WHEREAS, a further easing of money rates at this time might render it extremely difficult to ward off a period of acute inflation with its subsequent evil consequences with which the country is only too well familiar, and

WHEREAS, forced investments of Federal reserve banks in our market and continued substantial importations of gold into the United States are factors that might tend to enhance the plethora of money already existing,

RESOLVED, that this Council recommend to the Federal Reserve Board to consider the question whether the time has come for Federal reserve banks to exercise their power to invest some of their funds in foreign bills with approved American banking indorsements and payable by and repayable to Federal reserve banks in dollars.

The Council believes that observing these safeguards and by properly scattering its purchases the Federal Reserve System can safely invest substantial amounts abroad, without any risk of loss on account of exchange or otherwise, and in doing so ward off to that extent the inflow of gold, incidentally assisting the foreign countries involved in their efforts to stabilize their exchanges and to bring them back to definite gold relations.

JOINT PROGRAM

CONFERENCE OF GOVERNORS AND FEDERAL RESERVE AGENTS  
WITH  
FEDERAL RESERVE BOARD

November 1924

Washington, D. C.

1. The advisability of a Federal reserve bank investing an amount equal to capital and surplus in Government bonds for earning purposes.
2. The desirability of all Federal reserve banks giving full consideration to currency in transit in computing the reserve requirements and penalties for deficiencies in reserves of member banks. (Board's letters X-3953 and X-4075.)
3. Should Federal reserve banks effect telegraphic transfers over commercial wires for member banks which charge their customers for this service an amount in excess of the actual cost of telegrams.
4. Observance of holidays by Federal reserve banks. (Board's letters X-4122, X-4128 and X-4154.)
5. Can expenditures be legally made of Federal reserve bank funds for the purpose of welfare and educational work among Federal reserve bank employees. The advisability of reserve banks defraying, wholly or partially, the expense of such welfare and educational work.
6. Proposal to amend Section 3, Paragraph B, of the Board's Regulation D, so as to permit member banks, in determining the amount of deposits against which reserves must be carried, to deduct (1) from gross demand deposits, all Government deposits as now defined in Regulation D, and items with a Federal reserve bank in process of collection, and (2) from the amount of balances due to other banks, the amount of balances due from other banks (except Federal reserve banks and foreign banks), including in the amount due from banks, out of town items placed in the mail and charged to the account of correspondent banks, checks drawn on banks located in the same city and exchanges for clearing houses.
7. Has the time come for Federal reserve banks to consider investing some of their funds in foreign bills. (Resolution adopted by the Federal Advisory Council, September 25, 1924, copy enclosed)
8. Operating expenses of the Federal reserve banks -- formulation and adoption of definite plans for a constructive program for greater economy and efficiency. (Board's letter St. 4170.)
9. Adoption by each Federal reserve bank of a budget for control of expenditures. (Board's letter St. 4235.)
10. What should be the policy of the Federal reserve banks with reference to making charges against surplus for the items enumerated

below, when current earnings are insufficient to provide therefor:

- (a) Dividends,
- (b) Reserve to cover annual depreciation of bank premises,
- (c) Charge-offs for the purpose of reducing book value of bank buildings to approximate replacement cost,
- (d) Furniture and equipment.

11. Annual Reports of Federal Reserve Agents to Federal Reserve Board. Discussion of the advisability of discontinuing these reports and presenting the banks' operations and financial developments during the year in the form of a brief resumé in the January or February number of the banks' monthly reviews.

12. Time deposits and the manner in which reserves thereon are computed by banks in the Twelfth Federal Reserve District.

13. Production and distribution of U. S. Currency.  
Discussion with Mr. Dewey, Assistant Secretary of the Treasury.

14. Means of increasing the circulation of standard silver dollars.  
Discussion with Mr. Dewey, Assistant Secretary of the Treasury.

SUPPLEMENTAL PROGRAM

GOVERNORS' CONFERENCE

November, 1924

Washington.

This program is composed of topics submitted by the Federal Reserve Board or Federal Reserve Banks too late to be included in the regular program previously circulated.

1. What amendments to the National Bank Act are necessary in order that national banks may be better able to meet banking requirements and that the development of the national banking system may more closely follow the trend of banking development in the country at large so far as experience shows that this development is along sound and strong lines? F. R. Board
  
2. What steps should be taken to bring about the gradual retirement of the national bank currency and the final retirement of the legal tenders? F. R. Board
  
3. Reports of Examinations of National Banks  
Recommended  
That the Office of the Comptroller of the Currency revise reports of examinations of National banks so that these reports will contain a separate schedule showing notes rediscounted with the Federal Reserve Banks and pledged as collateral, classifying same slow, doubtful, undesirable and loss, with such other information as would be of value to the Federal Reserve Banks. Atlanta
  
4. Correspondence between Examiners and Comptroller's Office.  
Recommended  
That the examiners furnish the Federal Reserve Banks with copies of letters to the Comptroller's Office by directors of banks under criticism and the replies to such letters by the Comptroller's Office. Atlanta
  
5. Whether or not a Federal Reserve Bank may properly receive maturing collection items with instructions to deposit the proceeds of the collection in some commercial bank for the account of a member bank. San Fran.

6. Communication from the Austrian Association of Banks and Bankers relative to counterfeit currency.

New York

7. Member Bank Expense

Discussion of circulars issued by the Federal Reserve Banks of Boston and New York relative to the comparison of the operations of representative member banks.

New York

8. Whether or not it might be advisable to suggest to the Federal Reserve Bank of Atlanta the question of employing a counsel representative of all Federal Reserve Banks to take part in the pending case of Pousson v. Federal Reserve Bank of Atlanta.

F.R.Board

9. H. R. 9768 - Congressman Thomas, Oklahoma.

This bill would remove the Secretary of the Treasury and Comptroller of the Currency from membership on the Federal Reserve Board as ex-officio members, provide for an additional appointive member to represent labor, and increase the salary of all Board members to \$25,000 per annum, etc.

F.R.Board

GOVERNORS CONFERENCE

November 10 - 14, 1924

Washington, D. C.

First Day's Session, Monday, November 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:

Members of the Federal Reserve Board,  
Messrs. Curtiss, Jay, Austin, Wills, McCord,  
Heath, Martin, Mitchell, McClure, Talley  
and Perrin, Federal Reserve Agents.  
Governors Harding, Strong, Norris, Fancher,  
Seay, Wellborn, McDougal, Biggs, Young,  
Bailey, McKinney and Calkins.

Governor Crissinger addressed the joint conference and suggested (1)  
that the individual conferences of Federal Reserve Agents and Governors  
should meet before any further discussion in joint conference with the Fed-  
eral Reserve Board.

At 11:00 o'clock a. m. the joint conference adjourned.

Separate Governors Session

The meeting was called to order at 11:00 o'clock a. m.

Present:

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

Upon motion of Governor Fancher, it was (2)

VOTED that Governor Strong act as Chairman of the Conference.

(See page 2 stenographic record)

- Topic I. A.     Report of Open Market Investment Committee     (3)  
          and                                   (See also paragraph 26)  
Topic I. B.     Discount Rates - Relation to Open Market  
  Investment Operations.  
  (See also paragraphs 29 and 85)

These two topics were postponed pending a formal meeting of the Open Market Investment Committee.

(See pages 2 and 3 stenographic record)

- Topic I. C.     Dawes Plan - General discussion.     (4)

This topic was withdrawn from the program because so closely related to the discussion that would necessarily arise in disposing of Topics I. A. & B.

- Topic I. D.     The advisability of a Federal Reserve Bank     (5)  
Joint Pro.#1     investing an amount equal to capital and  
  surplus in government bonds for earning  
  purposes.  
  (See also paragraph 30)

Discussion of this topic was postponed until action on Topic I. A.

(See page 3 stenographic record)

- Topic I. E.     Desirability of Uniform Practice in deter-     (6)  
  mining "eligibility" as distinguished from  
  "desirability."

After a general discussion by the conference, upon motion of Governor McDougal, it was

VOTED that in any case where any question arises as to the eligibility of paper originating in another district, a Federal reserve bank should take care to consult with the Federal reserve bank of the district in which the paper originated, and that in no event should paper be declared to be "ineligible" merely on the basis of the statement of the borrowing company if as a matter of fact it is known that the proceeds were used for an eligible purpose. It was the consensus of opinion that in cases where the proceeds of paper are known to be used for an eligible purpose, but where the statement of the borrowing company for any reason

is unsatisfactory, the paper should be declared to be "undesirable" rather than "ineligible." It was felt generally that Federal reserve banks should be as liberal as possible in determining the question of "eligibility" as distinguished from "desirability."

(See pages 3 - 22 stenographic record)

Topic I. F.  
Joint Pro. #12

Time deposits and the manner in which re-  
serves thereon are computed by banks in  
the Twelfth Federal Reserve district.

(7)

This topic was discussed by Governor Calkins, who pointed out that there are two questions involved in this matter - the question of the legality of the present regulation of the Federal Reserve Board, and the question of the expediency of that regulation so far as it defines savings deposits. After considerable discussion of the several points raised, upon motion of Governor Calkins, it was

VOTED to recommend to the Federal Reserve Board that its regulations relating to this matter be amended by the addition of some proviso to the effect that wherever the State law requires the segregation of savings funds and permits the investment of those funds in only specified securities, then the pass book need not be presented at the time of the withdrawal.

Governor Seay voted in the negative.

(See pages 22 - 44; 426 and 427 stenographic record)

Topic I. G.  
Joint Pro. #6

Proposal to amend Section 3, Paragraph B,  
of the Board's Regulation D, so as to per-  
mit member banks, in determining the amount  
of deposits against which reserves must be  
carried, to deduct (1) from gross demand  
deposits, all Government deposits as now  
defined in Regulation D, and items with a  
Federal Reserve Bank in process of collec-  
tion, and (2) from the amount of balances  
due to other banks, the amount of balances  
due from other banks (except Federal Re-  
serve Banks and foreign banks), including  
in the amount due from banks, out-of-town  
items placed in the mail and charged to  
the account of correspondent banks, checks  
drawn on banks located in the same city and  
exchanges for clearing houses.

(8)



The secretary read to the conference a report of the Federal Reserve Agents Committee on Reserves (printed on pages 44 and 45 of stenographic record). This was followed by a general discussion of the inadvisability of trying to amend the reserve provision of the law in a piece-meal fashion or without a thorough going countrywide study of the question. Upon motion of Governor McDougal, it was therefore

VOTED that the Conference of Governors should endorse the proposals in the report of the Federal Reserve Agents Committee, and express its approval of having the Federal Reserve Agents Committee consult with bankers of the country, and employ such experts or assistants as they may see fit fully to carry into effect the recommendations of their report, the expense of this employment to be pro rated among all of the Federal reserve banks.

(See pages 44 - 52 stenographic record)

Topic I. H. Joint Pro. #7. Has the time come for Federal Reserve Banks to consider investing some of their funds in foreign bills? (Resolution adopted by Federal Advisory Council). (9)  
(See also paragraphs 26 and 28)

The practice of different Federal reserve banks relative to the investment of their funds in foreign bills and the general principles involved in such purchases were discussed, but action was postponed pending a report by the Open Market Investment Committee.

(See pages 52 - 69 stenographic record)

At 1:25 o'clock p. m. the conference adjourned to reconvene at 2:30 o'clock p. m.

First Day's Session, Monday, November 10, 1924  
Separate Governors Session  
Afternoon

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

Topic I. I. Report of sub-committee of General Committee on Bankers Acceptances. (10)

The chairman referred to a report that he had received from

Mr. Kenzel, chairman of the sub-committee of the General Committee on Bankers Acceptances, to the effect that that committee has had no formal meeting since the time of its last report to the Governors Conference in May, but that they expect to have such a meeting and to file definite recommendations with the Governors Conference after the next meeting of the American Acceptance Council, when the matters within the jurisdiction of the acceptance committee are to be discussed in some detail.

Upon motion of Governor Harding, it was

VOTED to appoint Mr. Paddock as a member of the sub-committee of the General Committee on Bankers Acceptances to serve in place of Mr. Bullen, who died a short time after his resignation as Deputy Governor of the Federal Reserve Bank of Boston.

(11)

(See pages 74 - 76 stenographic record)

Topic I. J. Report of Foreign Accounts.

(12)

Governor Strong referred briefly to the account of the Federal Reserve Bank of New York with the Bank of England, suggesting that if there was no objection, that account should remain as a non-participating account, at least until such time as the exchange situation should become more settled.

Governor Strong also referred to the account of the New York bank with the Reichsbank, and stated that he would at some later date discuss the matter of this account with the Open Market Investment Committee for suggestions as to what might be its recommendations with reference to participation by the other Federal reserve banks. No action was asked for at this time.

The report of the Federal Reserve Bank of New York of the other foreign accounts in which other Federal reserve banks participated was submitted to the conference without action.

(See pages 70 - 74 stenographic record)

Topic II. A. Report of Standing Committee on Collections (13)  
(See also paragraphs 38 and 49)

Discussion of this report was postponed pending the arrival of Mr. Strater, chairman of the committee.

Topic II. B. Extension of check collection facilities. (14)  
Desirability and necessity for further  
development of the check collection system.

There was a general discussion of the check collection system particularly with reference to the question of the collection of checks drawn on member banks in a weak condition.

There was also further consideration of the possibility at some later date of having appointed a committee to study the whole question of the collection of checks in order to ascertain whether, in view of the experience we now have had, it would be possible to improve upon the present system.

Upon the suggestion of Governor Calkins, this topic was passed without action, having been proposed merely for the purpose of discussion.

(See pages 77 - 98 stenographic record)

Topic II. C. Par Collection Litigation. (15)  
(See also paragraph 81)

Governor Wellborn outlined the status of the pending case of the Pascagoula National Bank v. the Federal Reserve Bank of Atlanta, stating that the temporary injunction asked for by the complainant had been denied by the Federal Judge, and that the case was to be tried on its merits in December. There was also a discussion of the so-called Iota case.

No action was asked for.

(See pages 98 - 102 stenographic record)

Topic II. D. Absorption of postage on cash letters (16)  
sent direct by member banks.

After discussion, on motion of Governor Strong, it was  
VOTED to refer this topic to the Standing Committee on

Collections for investigation and recommendation.

(See pages 102 - 108 stenographic record)

Topic II. E. Collection of checks drawn on banks located in Porto Rico and Hawaii. (17)

On request of Governor Norris, this topic was withdrawn from the program.

(See page 108 stenographic record)

Topic II. F. Aeroplane Mail Service. (18)

Upon motion of Governor Calkins, it was

VOTED to refer this topic to the Standing Committee on Collections for investigation and recommendation.

(See pages 109 and 110 stenographic record)

Topic II. G. Member bank's warranty that it has authority of customer to accept those provisions of Regulation J regarding responsibility for items. (19)  
(See also paragraph 50.)

This topic was passed pending action on the report of the Standing Committee on Collections.

(See pages 110 and 111 stenographic record)

At 4:00 o'clock p. m. the conference adjourned to reconvene again at 9:00 o'clock a. m. on Tuesday, November 11, 1924.

Second Day's Session, Tuesday, November 11, 1924  
Separate Governors Session  
Morning

The meeting was called to order at 9:00 o'clock a. m.

Topic III. A. The desirability of all Federal Reserve Joint Pro. #2. Banks giving full consideration to currency in transit in computing the reserve requirements and penalties for deficiencies in reserves of member banks. (20)

Upon motion of Governor Seay, it was

VOTED that the practice now prevailing in seven Federal reserve banks in considering currency in transit in determining the penalties for

deficiencies in reserves is in effect equivalent to counting currency in transit as part of the reserves of member banks, and is an unsound and undesirable practice. ✓

Governors Strong, Seay, McDougal, McKinney, Young and Calkins voted in the affirmative.

Governors Norris, Bailey, Biggs, Wellborn and Fancher voted in the negative.

Governor Harding asked to be recorded as not voting.

Upon motion of Governor Seay, it was (21)

VOTED to refer this topic to the expert committee to be appointed by the Federal Reserve Agents Committee on Reserves, together with all other questions on reserves. ✓

Governor Wellborn voted in the negative.

(See pages 111 and 112; 113 - 125 stenographic record)

Topic III. B. Means of increasing the circulation of (22)  
Joint Pro. #14. standard silver dollars.

Mr. Dewey, Assistant Secretary of the Treasury, outlined to the conference the program of the Treasury relative to the circulation of standard silver dollars, calling attention to the great expense of maintaining a \$1 bill circulation and possible savings that might be effected in substituting a reasonable amount of standard silver dollars in place of an equivalent amount of the \$1 paper currency. Several of the Governors questioned whether the saving in printing bill which might be effected by circulating standard silver dollars might not be offset by the increase in the transportation charges on standard silver dollars. ✓

After Mr. Dewey's withdrawal from the conference, and after further consideration of the whole question with a view to cooperating with the Treasury in its effort to effect possible savings, it was

VOTED upon motion of Governor Wellborn, to be the sense of the

conference that each Governor should recommend to his board of directors that the Federal reserve banks will undertake for a limited time and for a limited amount, purely for the purpose of experiment, to pay the charges on outgoing shipments of standard silver dollars, but not on incoming shipments, subject to the understanding, however, that this practice would be discontinued if and as soon as it might be shown that there is no real demand for these silver dollars, and that consequently it is more expensive on account of the cost of transportation and other factors than using \$1 bills.

Governors Seay, Biggs and McKinney voted in the negative.

(See pages 125 - 168; 183 - 190 stenographic record)

Upon motion of Governor Strong, it was thereupon

(23)

VOTED that in making this recommendation to the joint conference, the chairman should indicate that as a practical matter this action might result in the necessity of changing existing regulations and even then it might be impossible to avoid the payment of transportation charges on incoming shipments of standard silver dollars in cases where the shipping member banks include such dollars with other coin being shipped to the reserve bank.

(See pages 190 - 192 stenographic record)

Topic III. C.            Production and distribution of U. S.  
Joint Pro. #13.        Currency.

(24)

Mr. Dewey discussed for the benefit of the conference the action and recommendations of the Treasury Department with respect to the establishment and maintenance of an adequate reserve supply of United States currency and gold certificates. He outlined at some length the reasons for the present shortage and the program by which it is proposed not only to provide sufficient bills of the smaller denominations for current needs, but also sufficient reserve supplies

both of the small bills and of gold certificates in denominations of \$100 and less.

(See pages 165 - 180 stenographic record)

Topic III. D. Gold Payments.

(25)

Mr. Dewey stated that the Treasury Department is still in favor of having the Federal reserve banks continue payments of gold over the counter in the usual course of business even though gold imports had decreased considerably in recent months, it being his belief that this decrease might be but temporary.

(See pages 180 - 182 stenographic record)

At 12:45 o'clock p. m. the conference adjourned with the understanding that the Open Market Investment Committee would have a meeting and report back to the conference to convene at 2:15 o'clock p. m.

Second Day's Session, Tuesday, November 11, 1924  
Separate Governors Session  
Afternoon

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

The conference went into executive session with stenographer absent to consider the report of Open Market Investment Committee.

Topic I. A. Report of Open Market Investment Committee  
(See also paragraph 3)

(26)

Governor Strong reported to the conference the following recommendations of the Open Market Investment Committee:

1. That the committee continue to make such temporary sales and purchases from the special account as are necessary to stabilize money conditions at tax periods.
2. That any purchases of government securities or acceptances be distributed as recently on the basis of estimate of deficiencies of earnings of the twelve reserve banks.
3. That the committee be authorized by the Governors Conference to commence as soon as practicable to exchange certificates maturing after December 31, 1925, for shorter term certificates.

4. That action on the recommendation of the Advisory Council relative to the purchase of foreign bills be deferred until such time as we may be in a position to know more about the development of conditions relating to foreign exchanges; and that the System make no purchases of such bills until that time.

5. That the committee be given authority  
(a) to replace the \$65,000,000 of December maturities to such extent as may be advisable in consideration of market conditions at that time; and

(b) to offset the export or earmarking of gold for foreign account to such extent as may be advisable in consideration of market conditions, but not to exceed \$100,000,000.

6. That the committee be authorized to sell investments in the special account if deemed desirable from time to time in order to reduce that account to the amount of \$500,000,000 as rapidly as money conditions make it practicable.

7. That an article be prepared for the Federal Reserve Bulletins and the Reviews of the Federal reserve banks giving the facts and results of open market operations.

Upon consideration of the several recommendations of the Open Market Investment Committee, several of the Governors at the conference questioned the advisability of publishing in the Federal Reserve Reviews the facts and results of open market operations, matters that might be misunderstood or misconstrued in certain sections of the country where the Federal Reserve Bank Reviews are circulated. Accordingly, after discussion, the committee agreed to withdraw this particular recommendation. Thereupon, upon motion of Governor Calkins, it was

VOTED to approve all the other recommendations of the committee as outlined above. ✓

Stenographic Record of Joint Conference.

(27)

Governor Strong reported that the Open Market Investment Committee had considered, as requested by the conference, the question of providing stenographic records of joint conferences with the Federal Reserve Board. Upon motion of Governor Young, it was

VOTED, as recommended by the Open Market Investment Committee, that the Federal Reserve Board be asked to furnish each Governor with a



copy of the stenographic record of the joint conference between the Governors and the Federal Reserve Board held last May, and that, if possible an understanding be reached with the Federal Reserve Board that each Governor always be supplied with a copy of whatever stenographic record might be made of such conferences. The Open Market Investment Committee later reported that this recommendation had been approved by the Federal Reserve Board.

Topic I. H.      Has the time come for Federal Reserve Banks      (28)  
Joint Pro. #7.    to consider investing some of their funds  
                         in foreign bills?  
                         (See also paragraphs 9 and 26)

Upon motion of Governor Young, it was

VOTED to approve the recommendation of the Open Market Investment Committee that the Federal Reserve System do not make any purchases of foreign bills until such time as we may be in a position to know more about the development of conditions relating to foreign exchanges.

(The stenographer returned to meeting.)

Topic I. B.      Discount Rates - Relation to Open Market      (29)  
                         Investment Operations.  
                         (See also paragraphs 3 and 85)

After discussion of question of discount rates with particular reference to their relation to open market investment operations, Governor Strong reported that the Open Market Investment Committee unanimously agreed that conditions at the present time are such that rates on open market purchases of bills are now too low and should be gradually raised as indicated from time to time by contemporary conditions.

Topic I. D.      The advisability of a Federal Reserve Bank      (30)  
Joint Pro. #1.    investing an amount equal to capital and  
                         surplus in government bonds for earning  
                         purposes.  
                         (See also paragraph 5)

After a lengthy discussion of the principles and practical

questions involved, Governor Norris made a motion

THAT it is the sense of the conference that there is no objection in principle to the investment by Federal reserve banks in long time Government obligations of so much of their capital and surplus as is not represented by buildings or other fixed investments.

The motion was lost -- 6 ayes and 6 noes.

Governors Wellborn, McDougal, Harding, Young, Norris and Bailey voted in the affirmative.

Governors Strong, <sup>Seay</sup> ~~Harding~~, McKinney, Biggs, Fancher and Calkins voted in the negative.

(See pages 193 --212 stenographic record)

Topic IV. A. 1.     Operating expenses of the Federal Reserve  
Joint Pro.#8.     Banks -- formulation and adoption of definite plans for a constructive program for greater economy and efficiency.

(31)

Topic IV. A. 2.     Adoption by each Federal Reserve Bank of  
Joint Pro.#9.     a budget for control of expenditures.

After a thorough discussion by all the Governors present of the general question of a budget and other possible ways of effecting economies in the operations of the Federal reserve banks, it was

VOTED (a) that a committee to be composed of Mr. Smead of the Federal Reserve Board and Mr. Rounds of the Federal Reserve Bank of New York and one other person from some of the other Federal reserve banks should be appointed for the purpose of furnishing any interested Federal reserve bank with information and suggestions concerning the adoption of a budget or with any help and advice that might be needed in effecting the adoption of a budget, and

(b) that the Economy and Efficiency Committee of the Federal Reserve Board be requested to advise each Federal reserve bank whether that committee, in view of all the information at its disposal, has any specific suggestions to make to the directors or officers of the

several Federal reserve banks as to how further economies, other than the adoption of a budget, might be effected by the respective Federal reserve banks.

(See pages 212 - 234 stenographic record)

Topic VI. A. Voluntary Services - In view of small earnings, can Federal Reserve Banks continue the free voluntary services, or should the actual cost of some or all of these services be charged to the member banks? (32)

(See also paragraph 49)

After discussion at which it was pointed out that the Federal Reserve Board had approved all the reports of the Committee on Voluntary Services to the effect that voluntary or free services should not now be abandoned or curtailed, with the exception of the report relating to non-cash collections which the Board states that it still has under advisement, it was

VOTED to be the sense of the conference that no change should be made in, and no charge should be made for, any of these voluntary services at the present time.

Governors Bailey and Wellborn voted in the negative.

(See pages 234 - 237; 314 - 335; 444 and 445 stenographic record)

Topic IV. C. 2. Should Federal Reserve Banks effect telegraphic transfers over commercial wires for member banks which charge their customers and impose for this service an amount in excess of the actual cost of telegrams? (33)

Joint. Pro. #3.

After consideration, upon motion of Governor Harding, it was VOTED that this is a matter which should be left to the discretion of each Federal reserve bank.

(See pages 237 - 239 stenographic record)

Topic IV. F. Observance of holidays by Federal Reserve Banks. (34)

Joint Pro. #4.

After a discussion of both the legal and practical questions

involved in this matter, it was

VOTED, upon motion of Governor Harding, that the Federal Reserve Board be requested to give further consideration to its ruling on holidays with the hope of the conference that it will see fit to revise that ruling.

(See pages 239 - 250 stenographic record)

At a later session of the conference, it was

VOTED that the chairman should advise the Federal Reserve Board during the course of the joint session with the Federal Reserve Board, that it was the sense of the conference that a satisfactory disposal of this topic would be a ruling that each Federal reserve bank should advise the Federal Reserve Board at least ten days in advance of a prospective holiday affecting either the parent bank or any of its branches, whether the parent bank or such branches, under advice of the bank's counsel, would close or remain open on such holiday, it being understood that if the bank should close it would not participate either way in the gold settlement fund, but that if it should remain open it would participate both ways.

Topic IV. G.      Can expenditures be legally made of Federal  
Joint Pro. #5.      Reserve Bank funds for the purpose of welfare  
                          and educational work among Federal Reserve  
                          Bank employees. The advisability of reserve  
                          banks defraying, wholly or partially, the ex-  
                          penditure of such welfare and educational work.

(35)

During the course of discussion of this topic, it was indicated that nine Federal reserve banks have procured the advice of their counsel as to their right to make expenditures for the purpose of welfare and educational work among their employees. All of these nine counsel have ruled unqualifiedly that there was no doubt of the legal right of a Federal reserve bank to make expenditures for these purposes. The other three Federal reserve banks had not asked advice of counsel because they assumed that there

is no question as to their right to make these expenditures. It was, therefore,

VOTED to be the sense of the conference that the Federal Reserve Board should be advised of this position of the counsel of the Federal reserve banks.

In considering the last half of Topic IV. G., i.e. the question (36) of the advisability of Federal Reserve banks defraying the expense of welfare and educational work, upon motion of Governor McDougal, it was

VOTED to adopt the following resolution:

WHEREAS welfare work among employees of corporations generally is recognized as necessary to a high degree of efficiency, and

WHEREAS the same principles applicable to those other corporations are applicable to the Federal Reserve Banks, be it

RESOLVED, that payments by Federal Reserve Banks for the purpose of welfare and educational work among their employees should be continued as highly desirable, especially as it would be most detrimental now to eliminate these expenditures which have been made by the Federal Reserve Banks for a number of years with the approval of the Federal Reserve Board.

(See also pages 251 - 254 stenographic record)

Topic IV. H. What should be the policy of Federal Reserve (37)  
Joint. Pro. #10. Banks with reference to making charges  
against surplus for the items enumerated  
below when current earnings are insufficient  
to provide therefor:

1. Dividends.
2. Reserves to cover annual depreciation of bank premises.
3. Charge-offs for purpose of reducing book value of bank buildings to approximate replacement costs.
4. Furniture and equipment.

Upon motion of Governor Strong, it was

VOTED that in order to preserve the integrity of the bank's accounts and the accuracy of its statements of condition, there should be no change in the present practice of making charges against surplus to cover annual

depreciation of bank premises (item 2 above) or furniture and equipment (item 4 above.)

It being understood that charge-offs for the purpose of reducing book value of bank buildings to approximate replacement costs (item 3 above) are a matter which is subject to consideration in view of amount of earnings during the year for which the charge-offs are to be made, it was

VOTED that each Federal reserve bank be requested by the Federal Reserve Board to advise it what it recommends an an appropriate charge-off for this item for this year owing to unusual and varying conditions.

As to the question of dividends (item 1 above) upon motion of Governor Seay, it was

VOTED to be the sense of the conference that dividends should be paid out of surplus, a surplus accumulated partially for the purpose of paying dividends, if it should appear that the earnings, after making the charge-offs on items 2 and 4 above, are insufficient to cover dividends

Governor Young voted in the negative.

(See pages 254 - 261 stenographic record)

Third Day's Session, Wednesday, November 12, 1924  
Separate Governors Session  
Morning

The meeting was called to order at 9:15 o'clock a. m.

Topic II. A. Report of Standing Committee on Collections  
(See also paragraphs 13 and 49)

(38)

Mr. Strater, Chairman of the Standing Committee on Collections, appeared before the conference to discuss the report of his committee previously submitted. After discussion and action by the conference on individual recommendations contained in the report, it was

VOTED to approve the report (printed on pages 262 - 287 stenographic record) with such qualifications or exceptions as might have been noted during the course of the discussion.

For simplification of the record, there follows herewith a summary of the report, with such notations or qualifications as were made by the conference at the time of its adoption:

Uniform paragraph defining general conditions under which Federal Reserve Banks will accept checks and other cash items for collection. (39)

In order that the terms of collection might appear in one circular letter and thus avoid the necessity for member banks referring both to the circular letter and the regulations of the Board in order to know these terms, the committee suggests a combination of the uniform liability paragraph previously recommended with Section 5 of Regulation J of the Federal Reserve Board.

(See pages 1 and 2 of report of committee; pages 263 - 266 stenographic record)

Possible limitation of kind or dollar amount of non-cash items to be handled by the Federal Reserve Banks for collection. (40)

The committee reported that after very careful study, it was of the opinion that it is not only undesirable to limit the kind or dollar amount of non-cash collection items, but that it would be impractical to do so.

Increase of service charge on unpaid items. (41)

The committee reported that it feels that the imposition of a service charge on unpaid, unprotested items is necessary in order to prevent abuse of the collection facilities, but it recommends that the Conference of Governors consider what should be the amount of that charge, and suggests that whatever charge may be determined upon shall be strictly enforced by every Federal reserve bank.

After consideration of this recommendation, upon motion of Governor Seay, it was

VOTED to be the sense of the conference that the present fifteen cent charge shall be maintained and that it shall be enforced invariably by all Federal reserve banks.

Uniform endorsements and guarantee of prior endorsements on non-cash collections.

(42)

The committee reported that in its opinion, it is not desirable that the wording of all endorsements on non-cash collection items should be absolutely uniform, in view of the fact that there does not appear at the present time to be any uniform practice among commercial banks with respect to the former endorsement. Furthermore, because of the fact that there is no uniformity in the Court decisions as to the effect of restricting endorsements, the committee reported that in its opinion it is desirable that this whole question be again referred to the counsel of each Federal reserve bank for an opinion as to the necessity of a guarantee of prior endorsements on non-cash collection items.

In considering this recommendation of the committee, the conference upon motion of Governor Calkins

VOTED that this question should be submitted to the Federal Reserve Board with the request that they ask the counsel of the Federal reserve banks who are to meet in conference in Washington in December to consider and make recommendations concerning this whole question and concerning the need, if any, of having reserve banks use words in their endorsement of both checks and non-cash items to relieve them of liability when guaranteeing prior endorsements.

It was the sense of the conference that the counsel for the reserve banks should be free to call upon Mr. Strater or any other person to discuss this question with them.

Uniform liability paragraph in non-cash collection circular.

(43)

The committee refers to the uniform paragraph recommended by the committee to the October, 1922 Conference of Governors, which was approved and adopted by that conference. The committee suggests a slight modification to that paragraph and recommends that, as modified, (printed on pages 278 and 279 stenographic record) it be made a part of the new non-cash collection circular to be issued by each Federal reserve bank.

In considering this recommendation of the committee, the conference VOTED to approve it, with authority, however, for each Federal

*Adams*



reserve bank to substitute the words "for the account of this bank," for the words "for our account," in the third line of the paragraph. (Printed on page 279 stenographic record)

Authority of a Federal reserve bank to accept in payment of a collection item, a bank draft given in exchange for the draft of the drawee.

(44)

The committee reported that after considering the new Regulation J, series of 1924, in connection with this question, it is of the opinion that it is doubtful whether a Federal reserve bank would be protected against liability in any case where the original remittance draft is not converted immediately into actually and finally collected funds. The committee accordingly recommends that the question be submitted by each Federal reserve bank to its counsel for an opinion.

In considering this recommendation of the committee, the conference

VOTED that this question be referred to the conference of counsel of the several Federal reserve banks which is to be held in Washington on December 5, 1924.

Withdrawals from the Par List.

(45)

The committee recommends that because of the fact that it is practically impossible to keep all member banks promptly informed of the removal or withdrawal of names of nonmember banks from the par list between issues of the printed list, each Federal reserve bank follow a uniform procedure suggested by the committee (see pages 12 and 13 of committee's report or pages 283 and 284 stenographic record) in order to protect the sending bank as well as the receiving bank or branch against the possibility of loss in cases where items are sent direct from member banks in one district to Federal reserve banks in another district.

Caption on title page of semi-annual Inter-District Collection System Booklet.

(46)

The committee recommends that as an added protection against loss to Federal reserve banks and branches, the Federal Reserve Board should print upon the title page of this booklet a phrase substantially as follows: "Subject to change without notice."

Study of cash items protested by all Federal reserve banks. (47)

The committee reported that it has made a comprehensive study of the amount and character of cash items protested by all Federal reserve banks and reported that in its opinion the policy of the Federal reserve banks with respect to the limit on protested items should be governed by the practice in effect with commercial banks generally, and recommends that the present \$10.00 minimum be continued until commercial banks generally adopt a policy different from that now in effect.

All of the above recommendations of the Standing Committee on Collections were approved by the conference with such exceptions or qualifications, if any, as are noted above in connection with individual recommendations. (48)

(See pages 262 - 314; 335 and 336 stenographic record)

Possible charge for non-cash collection service. (49)

In further reference to Topic VI. A. (see paragraph 32), and in connection with the report and recommendations of the Standing Committee on Collections previously adopted (see paragraphs 38 - 48 inclusive), the conference discussed at some length the general question of free services to member banks with a view to considering the imposition of a charge on the non-cash collection service if at some later date such a charge should become advisable or necessary in view of the extent of the service or the cost of conducting it. After further discussion, upon motion of Governor Calkins, it was

VOTED that the Standing Committee on Collections should be requested to continue the study already made by the committee of Governors on Voluntary Services relative to the question of a charge for the non-cash collection service, and that it be requested to make a particular study of the use and extent of the non-cash collection service with a view to reporting back to the conference what might be the effect of a possible charge for this service.

It was informally suggested that the committee, in conducting its investigation, might preferably act through the individual reserve banks which should determine the best way of acquiring the requisite information in their respective districts.

(See pages 314 - 335 stenographic record)

Topic II. G. Member bank's warranty that it has authority of customer to accept those provisions of Regulation J regarding responsibility for items.

(50)

Recommended:

That the Standing Committee on Collections be instructed to prepare a uniform circular containing a form of contract between banks and their depositors, requesting member and clearing-member banks to amend their contracts (contained on deposit slips and signature cards) in accordance with the form proposed in the circular; and

Recommended further:

That the Federal Reserve Banks amend their check collection circular on March 1, 1925, to provide that the act of submitting checks to Federal Reserve Banks for collection will be construed as a warranty that the depositor has lodged with the depositing bank the required agreements.

(See also paragraph 19)

Upon motion of Governor Harding, it was

VOTED that the two recommendations of the Federal Reserve Bank of San Francisco, included in this topic, be referred to the conference of counsel of Federal reserve banks to meet in Washington on December 5, with the request that they consider and make their recommendation concerning each of these proposals.

(See pages 336 - 341 stenographic record)

At 11:00 o'clock a. m. the conference adjourned to reconvene at 2:15 o'clock p. m., when it was understood the conference would go into joint conference with the Federal Reserve Board and the Federal Reserve Agents to report to the Federal Reserve Board on all questions submitted to the conference by the Board.

Fourth Day's Session, Thursday, November 13, 1924  
Separate Governors Session  
Morning

The meeting was called to order at 9:00 o'clock a. m.

Topic III. E. Registered mail insurance on Federal Reserve (51)  
Notes.

Governor Strong reviewed a report received by him from Mr. Kenzel concerning the interest of the Federal reserve banks in the new insurance policy taken out by the Treasury. He referred to the fact that Mr. Winston had expressed his willingness to review this whole question of the insurance riders towards the end of the first year of the policy with a view to getting a better distribution of rates for some of those Federal reserve banks which insure under the terms of the policy at rates higher than were in effect at the time of the old policy.

Upon motion of Governor McDougal, it was

VOTED that the conference should request Mr. Winston to consider this matter with the Insurance Committee well before the end of the first year of the present policy with a view to getting some report on an alternate schedule of rates as a basis for discussion with the Treasury's underwriters.

(See pages 342 - 347 stenographic record)

Topic IV. A. 3. Report of Committee on Standardization of (52)  
Supplies.

Upon motion of Governor McDougal, it was

VOTED to accept the report (printed pages 348 - 362 stenographic record) with the understanding that the operating men of each Federal reserve bank be requested to study it carefully for their guidance and with the further understanding that the purchasing agents of the several Federal reserve banks keep the committee informed of any instance where, in their opinion, they might be able to get articles at cheaper rates than are prevailing in other districts.

(See pages 348 - 370 stenographic record)

Topic IV. A. 4. Report of Insurance Committee.

(53)

Upon full consideration of the report of the Insurance Committee (printed pages 370 - 372 stenographic record), it was

VOTED to request the Federal Reserve Board to express its opinion on the question of principle involved in adopting inter-bank self-insurance plans for both fidelity and life insurance.

(See pages 370 - 382 stenographic record)

Topic IV. A. 5. Report of Committee to Study the Cost of Securing Credit Information.

(54)

Governor McDougal asked that this topic be passed in view of the fact that the committee had not submitted any further report.

(See page 382 stenographic record)

Topic IV. B. 1. Report of Pension Committee.

(55)

Upon motion of Governor Young, it was

VOTED to accept and approve the report of the Pension Committee (printed pages 382 - 385 stenographic record) recommending that the Federal Reserve Board be requested to give further study to and expression of their opinion concerning the plan which has been recommended from time to time by the Pension Committee and the bill which has been prepared by the counsel for the committee and recently submitted to the Federal Reserve Board, it being the sense of the conference that some such bill, which would make it possible for the reserve banks to adopt an adequate pension plan, should be passed as soon as might be possible.

(See pages 382 - 389 stenographic record)

Topic IV. B. 2. American Federation of Labor Organization of Bank Clerks.

(56)

Governor Strong reviewed briefly the meeting which he had in New York with representatives of the American Federation of Labor in reference to the possible organization of bank clerks, and stated that he had advised those representatives that he was definitely opposed in principle to an organization of bank clerks for the purpose of collective

*in the Federal Reserve Bank of New York*

bargaining.

(See pages 382 -- 396 stenographic record)

Registering commercial paper. (57)

Governor Wellborn referred to the fact that he had some correspondence with the editor of a current periodical with reference to the question of having Federal reserve banks register commercial paper. While Governor Wellborn asked for no action on this topic -- informally referred to by him -- it was the general consensus of opinion that it would be highly impracticable and undesirable for Federal reserve banks to attempt to perform this service.

Topic IV. C. I. Report of Leased Wire Committee (58)

Governor McDougal made an oral report as to the number of messages transmitted over the leased wires and referred to the substantial decrease owing to the adoption of the new regulations made effective July 15, 1924. He reported that as a consequence of this reduction, there had been a large saving in expense. Upon motion of Governor Seay, it was

VOTED to receive and approve the report.

(See pages 396 and 397 stenographic record)

Use of Leased Wires to advise payment of discounted Bill of Lading Drafts. (59)

Governor McKinney suggested for consideration of the conference the question of using the leased wires for advice of payment of bill of lading drafts that have been discounted by Federal reserve bank. He stated that, in his opinion, advices of payments of such drafts should be sent over the leased wires rather than over the commercial wires, since having been discounted by the Federal reserve bank they are in an entirely different category from other drafts received for collection for account of member banks. After consideration by the conference, it was

VOTED that whenever bill of lading drafts which have been discounted by a Federal reserve bank are forwarded to another Federal reserve bank for collection, advice of payment or non-payment should be made over the leased wires regardless of the present provisions of the leased wire regulations relating to the advice of payment or non-payment of non-cash collection items generally. It was understood, however, that in any such case the sending Federal reserve bank which had discounted the bill of lading draft should attach a conspicuous notice as evidence of the fact that the draft in question was discounted.

(See pages 397 - 406 stenographic record)

Topic IV. C. 3. Reconcilement of provisions of Telegraphic Transfer circulars of Federal Reserve Banks with recommendations embodied in Board's letter X-4099. (60)  
(See also paragraph 65)

Governor Biggs and Governor Calkins referred to the fact that certain Federal Reserve Banks are not complying strictly with the terms of the Federal Reserve Board's letter X-4099 relating to telegraphic advice of wire transfers received for account of member banks. The reserve banks in question give telegraphic advice in addition to the usual mail advice only when requested by the sending or credited member bank or when the amount or nature of the transaction justify the additional expense.

In view of the fact that no definite action was asked for, upon motion of Governor Harding, it was

VOTED to lay the topic on the table. (But see paragraph 65)

(See pages 406 - 414; 427 - 429 stenographic record)

Leased wires between parent bank and branch bank. (61)

While no formal action was asked for by Governor McKinney, who

suggested this topic, it was the sense of the conference that the general restrictions or limitations applicable to the leased wires do not apply to the use of the private wire between the parent bank and branch bank which is purely a local matter subject to local control.

(See page 414 stenographic record)

Topic IV. D. Cost of securing reports of examination of national banks.  
(See also paragraph 64)

(62)

After a thorough discussion of this question, it appeared that many of the Governors and boards of directors of the Federal reserve banks were opposed to the payment of the prevailing charge for national bank reports, such charge being fixed for the purpose of meeting an expense which the law contemplates should be borne by the national banks examined rather than for the purpose of offsetting the actual cost of providing copies of the reports of examination. Upon motion of Governor Harding, it was

VOTED that the conference authorize the chairman of the conference to appoint a committee of three, of which he should be chairman, with a view to taking this matter up with the Federal Reserve Board. Governor Strong accordingly appointed Governors Bailey and Norris to serve on this committee as requested by the conference.

(See pages 414 - 422 stenographic record)

At 12:00 o'clock noon the conference adjourned in order that the committee above referred to (see paragraph 62) might meet with the Federal Reserve Board.



Fourth Day's Session, Thursday, November 13, 1924  
Separate Governors Session  
Afternoon

The meeting was called to order at 2:15 o'clock p. m.

Governor Strong reported informally to the conference that the (63)  
profit of some \$980,000 on the long time investments in the open market  
account had not only been wiped out in the past week or ten days, but now  
showed a loss of approximately \$60,000. It was understood, however, that  
in spite of this change in the situation, the Open Market Investment  
Committee should begin making exchanges of long time investments for shorter  
time investments, as previously voted by the conference, so far as it could  
do so without establishing losses.

Topic IV. D. cont'd. Cost of securing reports of examination (64)  
of national banks.  
(See also paragraph 62)

At the request of the chairman, Governor Norris reported the  
result of the meeting of the conference's committee with the Federal Reserve  
Board. The committee advised the Federal Reserve Board of the views of the  
Governors Conference and the individual banks with respect to the payment  
of a charge for the reports of national bank examinations in excess of the  
price sufficient merely to cover the cost of typing, and proposed that the  
Federal Reserve Board should take some definite position in the matter.

Governor Norris reported that after further discussion of the  
question a resolution was adopted leaving it with Governor Crissinger to  
arrange a later meeting with Secretary Mellon, Mr. Winston, the Comptroller  
of the Currency, the Federal Reserve Board, and the Committee of Governors  
representing the Conference of Governors further to discuss this question.

Upon Governor Bailey's request, Governor Strong appointed  
Governor Harding to act in Governor Bailey's place on this committee.

(See pages 422 - 426 stenographic record)

Topic IV. C. 3. cont'd. Reconciliation of provisions of  
Telegraphic Transfer circulars  
of Federal Reserve Banks with  
recommendations embodied in  
Board's letter X-4099.

(65)

(See also paragraph 60)

In order finally to dispose of this topic, which had previously been laid on the table, upon motion of Governor Young, it was

VOTED that this topic be referred to the Leased Wire Committee in collaboration with the Standing Committee on Collections, with the request to make a study of the question and such recommendation to the Federal Reserve Board as might be necessary in order to reconcile the practice of some reserve banks with existing regulations or else to make appropriate amendments to the regulations.

(See pages 406 - 414; 427 - 429 stenographic record)

Topic IV. E. Branch Directors  
Effects of increasing the number of directors  
of branches in conformity with the Board's  
letter X-3956; and advisability of recom-  
mending to Board that branches be operated under  
rules and regulations approved by the Board as  
provided by law, rather than by by-laws.

(66)

After a discussion of the effect of the Board's regulations contained in its letter X-3956, upon motion of Governor Calkins, it was

VOTED to be the sense of the conference that it is undesirable to require Federal reserve banks to increase the directors of branches from five to seven, but that the number of the board of directors of a branch should be left to the individual judgment of each Federal reserve bank.

Governor Wellborn voted in the negative.

Upon motion of Governor Calkins, it was also

(67)

VOTED to be the sense of the conference that it is undesirable to require a member of the board of directors of a branch, other than the manager, to act as chairman of that board of directors, and that it is also

undesirable to change the present title of the manager of the branch.

Upon motion of Governor Calkins, the last half of Topic IV. E. (68)  
was withdrawn from the program.

(See pages 429 - 437 stenographic record).

Topic IV. I. Holdings of real estate by Federal Reserve Banks. (69)

After a general discussion of this topic, it was agreed that there is nothing in the law to prohibit a Federal reserve bank holding real estate which it acquires in the due course of its business.

Governor Bailey, who proposed this topic, asked for no action.

(See pages 437 - 439 stenographic record)

Topic V. A. Procedure now being followed in the execution of orders for the Treasury Department. (70)

Governor Strong outlined briefly the procedure in the New York Reserve Bank relating to the employment of brokers and the execution of orders for account of the Treasury. He asked for no action, but merely wanted to explain to the conference what he considers to be the need for particular care in conducting this business.

(See pages 439 - 441 stenographic record)

Topic V. B. Redemption of debenture bonds issued by Federal Land and Intermediate Credit Banks. (71)

Upon motion, duly seconded, it was

VOTED, that in the interest of economy and uniformity, the same policy be pursued in connection with the redemption of the debenture bonds issued by the Federal Land and Intermediate Credit Banks as is now followed in connection with the payment of Federal Farm Loan coupons.

(See pages 441 and 442 stenographic record)

Topic V. C. Canceled United States bonds, notes and Treasury certificates of indebtedness lost in the mails while en route to Washington. Experience of Federal Reserve Bank of San Francisco, which was requested by Treasurer to make restitution for lost bonds because serial numbers of bonds stolen while in transit could not be correctly given. (72)

After a brief discussion of the need for protection in cases where canceled United States notes and Treasury certificates of indebtedness are lost in the mails in cases where the Federal reserve bank is unable to furnish numbers, the topic was passed without action.

(See pages 442 - 444 stenographic record)

Topic VI. B. What can be done when a member bank refuses to comply with the Regulations? (73)

Upon request of Governor Bailey, who proposed this topic, it was withdrawn from the program.

(See page 445 stenographic record)

Topic VI. C. Examination of State banks. (74)  
Procedure in various districts as to action taken by examining departments regarding State member banks which have not maintained, after membership, as high a standard in the value of assets as would entitle them to pass an examination for admission to system.

Upon request of Governor Calkins, each Federal reserve bank outlined its practice relative to the examination of State banks which are members of the Federal Reserve System. It appeared to be the general practice among Federal reserve banks to have Federal reserve bank examiners cooperate with the State banking authorities when making examinations of State member banks. It was pointed out, however, that in special cases, the Federal reserve bank might properly send their own examiners for a special examination.

(See pages 446 - 451 stenographic record)

Topic VI. D. Committee of Trust Company Division, A. B. A. on "Relations with the Federal Reserve System" for the purpose of crystallizing the present membership of trust companies and inducing wherever possible eligible nonmember trust companies to join the system. (75)

Upon motion of Governor Strong, it was

VOTED to be the sense of the conference that the secretary should advise Mr. McLucas, chairman of the Trust Company Division, A. B. A. on

"Relations with the Federal Reserve System," that each Federal reserve bank would cooperate to the extent of its power in any proper way to aid in their program to procure the membership of eligible nonmember trust companies when called upon to do so, and to express the appreciation of the conference in the action of the American Bankers Association.

(See pages 451 - 453 stenographic record)

SUPPLEMENTAL PROGRAM

Supplemental  
Topic #1.

What amendments to the National Bank act are necessary in order that national banks may be better able to meet banking requirements and that the development of the national banking system may more closely follow the trend of banking development in the country at large so far as experience shows that this development is along sound and strong lines?

(76)

Upon motion of Governor Harding, it was

VOTED that this topic, which was submitted by the Federal Reserve Board, should be passed on the ground that the Governors have not yet had sufficient time to give it careful study.

(See pages 453 and 454 stenographic record)

Supplemental  
Topic #2.

What steps should be taken to bring about the gradual retirement of the national bank currency and the final retirement of the legal tenders?

(77)

Upon motion of Governor Seay, it was

VOTED to be the sense of the conference (a) that national bank notes should gradually be retired from circulation, (b) that the action of the Treasury Department in calling the 4 per cent. bonds of 1925 resulting in the retirement of approximately \$76,000,000 in national bank notes should be commended as a proper and logical step toward that end and in line with the policy of simplifying currency contemplated in the passage of the Federal Reserve Act, and (c) that, before any additional steps looking toward the further retirement of national bank currency are taken, it would

be advisable to amend the National Bank Act so as to confer upon national banks other powers which will enable them more effectively to compete with State institutions.

(See pages 454 - 455 stenographic record)

Supplemental Topic #5. Whether or not a Federal Reserve Bank may properly receive maturing collection items with instructions to deposit the proceeds of the collection in some commercial bank for the account of a member bank.

(78)

Upon motion of Governor Calkins, it was

VOTED that this topic be referred to the Standing Committee on Collections.

(See pages 456 and 457 stenographic record)

Supplemental Topic #6. Communication from the Austrian Association of Banks and Bankers relative to counterfeit currency.

(79)

Governor Strong referred to the communication of the Austrian Association of Banks and Bankers, asking for the cooperation of the Federal reserve banks in their program to detect counterfeits and prosecute counterfeiters. He stated that the Department of State had already passed upon the character of the association in question and that the Treasury Department had also made a satisfactory investigation.

Upon motion of Governor McDougal, it was

VOTED that the secretary of the conference should take the steps necessary to comply with the request of the association for our cooperation.

(See pages 457 and 458 stenographic record)

Supplemental Topic #7. Member Bank Expense.  
Discussion of circulars issued by the Federal Reserve Banks of Boston and New York relative to the comparison of the operations of representative member banks.

(80)

Upon motion of Governor Strong, it was

VOTED that the secretary of the conference be authorized to refer this matter to Mr. Jay with the suggestion that he take it up with the

Federal Reserve Agents.

(See pages 459 and 460 stenographic record)

Supplemental Topic #8. Whether or not it might be advisable to suggest to the Federal Reserve Bank of Atlanta the question of employing a counsel representative of all Federal Reserve Banks to take part in the pending case of Pousson v. Federal Reserve Bank of Atlanta.

(81)

(See also paragraph 15)

Upon motion of Governor Seay, it was

VOTED that the issues involved in this case are purely local and not a matter of System policy, and that, therefore, the conference would not be justified in asking the Federal Reserve Board to employ counsel to represent the System as a whole.

(See pages 460 - 463 stenographic record)

Supplemental Topic #9. H. R. 9768 - Congressman Thomas, Oklahoma. This bill would remove the Secretary of the Treasury and Comptroller of the Currency from membership on the Federal Reserve Board as ex-officio members, provide for an additional appointive member to represent labor, and increase the salary of all Board members to \$25,000 per annum, etc.

(82)

Upon motion of Governor Harding, it was

VOTED to be the sense of the conference that it prefers not to express any opinion with respect to this proposed bill for the reason that the members of the conference have not had adequate time to consider the subject matter of the bill, and for the further reason that the bill does not appear directly to affect the operations of the Federal reserve banks, but relates to the personnel and compensation of the Federal Reserve Board.

In the opinion of the conference, this is a matter for consideration by members of the Federal Reserve Board itself rather than for the operating heads of the Federal reserve banks.

(See page 464 stenographic record)

Supplemental  
Topic #3.

Reports of Examinations of National Banks.

(83)

Recommended:

That the Office of the Comptroller of the Currency revise reports of examinations of National banks so that these reports will contain a separate schedule showing notes rediscounted with the Federal Reserve Banks and pledged as collateral, classifying same slow, doubtful, undesirable and loss, with such other information as would be of value to the Federal Reserve Banks.

In the absence of Governor Wellborn, who proposed this topic, upon motion of Governor Young, it was

VOTED by the conference that any Federal reserve bank desiring the information referred to in this topic should take it up directly with the Comptroller of the Currency.

(See page 465 stenographic record)

Supplemental  
Topic #4.

Correspondence between Examiners and Comptroller's Office.

(84)

Recommended:

That the examiners furnish the Federal Reserve Banks with copies of letters to the Comptroller's Office by directors of banks under criticism and the replies to such letters by the Comptroller's Office.

In the absence of Governor Wellborn, who proposed this topic, upon motion of Governor McDougal, it was

VOTED by the conference that it was inadvisable to ask, and unreasonable to expect, the Comptroller of the Currency to furnish the information asked for in this topic.

(See page 465 stenographic record)

At 6:00 o'clock p. m. the conference adjourned to meet in joint session at 9:00 o'clock a. m. Friday, November 14, 1924.

Fifth Day's Session, Friday, November 14, 1924  
Separate Governors Session  
Afternoon

The meeting was called to order at 1:10 p. m. in executive session for the purpose of further discussion of discount rates.



At the conclusion of the executive session, Governor Strong (85)  
briefly summarized the general views of the conference on this subject.

(See pages 466 - 470 stenographic record) ✓

Election of Chairman of Conference. (86)

Upon motion of Governor Fancher, it was ✓

VOTED that Governor Strong should continue as chairman of the  
conference.

At 1:45 o'clock p. m. the conference adjourned sine die.

