

CONFIDENTIAL

Secretary's Minutes

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

November 2 - 3, 1927

Washington, D. C.

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PROGRAM
GOVERNORS CONFERENCE

November 2, 1927.

Washington, D. C.

I. CREDIT TRANSACTIONS AND POLICIES

A. Open Market Operations.

1. Report of Open Market Investment Committee.
2. Policy.
3. Discussion of method of apportioning bills and Government securities bought by Open Market Investment Committee.

B. Discount Rates and Policies.

C. Relations with Foreign Banks.

New York

1. Report.
2. Status of agreement with Bank of Poland.
3. Status of agreement with National Bank of Belgium.
4. Purchase by F. R. Banks of bills payable in foreign currencies.

D. Advisability of requiring member bank offering for rediscount paper of corporation having subsidiaries to have in its files recent copies of separate financial statements of the subsidiary corporations, when there have been filed with F. R. Bank copies of the corporation's consolidated financial statement and the individual financial statements of all subsidiary corporations. (See Board letter X-4946 September 10, 1927.)

F. R. Board

E. Advisability of standardizing requirements of F. R. Banks as to forms and character of credit statements. (See Board letter X-4958 September 23, 1927; also paragraph 44 Secretary's Minutes and pages 426 - 434 stenographic record of November 1926 Governors Conference.)

F. R. Board

F. Classification of deposits in member banks by building and loan associations, mutual savings banks, cooperative banks, credit unions and Morris Plan banks. (See Board letter X-4959 September 23, 1927.)

F. R. Board

G. Development of investment companies for purchase of bank stocks.

New York

- H. What effect will ruling of Supreme Court of Texas that trade acceptances are non-negotiable which bear the legend - "The obligation of the acceptor hereof arises out of the purchase of goods from the drawer, maturity being in conformity with the original terms of purchase" - have upon the negotiability of bankers acceptances containing similar language, e. g. "This acceptance arises from the domestic storage of cotton and was secured at time of acceptance by documents securing and conveying title to _____ bales and will remain so secured throughout the life of this acceptance." Dallas
- I. In view of recent decision of Supreme Court of Kansas (Colorado and So. Railway Co. vs. Docking, Receiver of American State Bank, 124 Kansas, 48), in which it was held that directions contained in cash letters to remit by draft, changed the relationship between the forwarding bank and collecting bank from principal and agent to that of creditor and debtor: What change, if any, should be made in methods of procedure now followed to obtain immediately available remittances for cash letters? Kansas City
- J. Strong Stabilization Bill. New York
- K. Report of Advisory Committee of Governors on Legislative Matters.
1. Desirability of amending Section 13.
(See paragraphs 19 and 24 Secretary's Minutes of May 1927 Conference.)

II. COLLECTIONS AND CLEARINGS

- A. Report of Standing Committee on Collections.
- B. Matters pending report by Mr. Newton D. Baker.
1. Member bank stamping on cashier's check "not payable through F. R. Bank." (See paragraphs 1, 2 and 4 Secretary's Minutes of May 1927 Conference.)
 2. Par Clearance Case of State Bank of Hugo, Minn.
(See paragraphs 11 and 25 Secretary's Minutes of May 1927 Conference.)
 3. Procedure followed by F. R. Banks in handling collections.
- C. Duties and liabilities of F. R. Banks with regard to shipment of canceled Government warrants and checks. Dallas
- D. Direct Sendings of Cash Letters. New York
- It is suggested that each F. R. Bank make a survey and report on the questions (a) whether it is receiving too many cash letters per day from any one direct sending member bank of another district, and (b) whether any of its own member banks are making a practice of sending daily letters of trifling amounts direct to F. R. Banks of other districts. (See paragraph 29 Secretary's Minutes of November 1925 Conference.)

III. COIN, CURRENCY AND CIRCULATION

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| A. Gold Holdings and Payments. | New York |
| B. Treasury practice in making purchases of gold at Mints and Assay Offices. | New York |
| C. Treasury Currency Program and relations with F. R. Banks. | Treasury |

IV. OPERATION AND ADMINISTRATION

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| A. Revision of F. R. Board Regulations. | |
| 1. Regulation relative to method of computing member bank reserves for penalties. (See paragraph 30 Secretary's Minutes of May 1927 Conference.) | |
| 2. Reserves against time deposits. (See paragraphs 34 and 39 Secretary's Minutes of May 1927 Conference and Board letter X-4888, June 24, 1927.) | |
| B. Reimbursement of F. R. Banks for expenses of services rendered for Governmental agencies. (See Board letter X-4957, September 23, 1927, and paragraph 23 Secretary's Minutes of May 1927 Conference.) | |
| C. Standardization or abandonment of Functional Expense Reports. | Philadelphia |
| D. Report of Leased Wire Committee. | |
| E. Report of Insurance Committee. | |
| F. Report of Pension Committee. | |

V. RELATIONS WITH MEMBER BANKS AND THE PUBLIC

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| A. Future publicity program. | New York |
| B. A survey of the Bank Relations Departments of the F. R. Banks. | Philadelphia |

VI. SUPPLEMENTARY TOPICS

- A. Report of sub-committee of General Committee on Bankers Acceptances.
- B. Proposed revision of Regulation D dealing with reserves of member banks. (See Board letter X-4972, October 15, 1927.) F. R. Board
- C. Right of a Federal reserve bank to charge to the reserve account of an insolvent member bank checks received by the Federal reserve bank for collection and transmitted to the member bank for payment prior to insolvency. (See Board letter X-4976, October 19, 1927.) F. R. Board

GOVERNORS CONFERENCE

November 2 - 3, 1927

Washington, D. C.

First Day's Session, Wednesday, November 2.

Morning

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

PRESENT: Governor Strong, Chairman.
Governors Harding, Norris, Fancher,
Seay, Wellborn, McDougal,
Biggs, Gerry, Bailey and
Talley.
Deputy Governor Day.
Mr. Harrison, Secretary.

The Chairman presented a letter to the conference from (1)
Governor Calkins stating that it would be impossible for him to
attend the conference on account of illness and that Mr. Day,
Deputy Governor, would serve in his place. The Chairman also
presented a telegram in reply expressing the regrets of the con-
ference that Governor Calkins was unable to attend. This
telegram was approved.

(See pages 1 - 4 stenographic record)

TOPIC I. A. Open Market Operations
1. Report of Open Market Investment Committee (2)
(See also paragraph 6)

At the request of the Chairman, the secretary distributed to
those Governors not serving on the Open Market Investment Committee,
copies of the preliminary confidential memoranda submitted to and
considered by the Open Market Investment Committee as a basis of their
report.

(See pages 4 - 5 stenographic record)

Topics I. A. B. and C., all of which relate to open market matters were deferred, without objection, until after the meeting of the Open Market Investment Committee with the Federal Reserve Board at 11 o'clock a. m.

(3)

(See pages 4 - 5 stenographic record)

TOPIC I. D. Advisability of requiring member bank offering for rediscount paper of corporation having subsidiaries to have in its files recent copies of separate financial statements of the subsidiary corporations, when there have been filed with F. R. Bank copies of the corporation's consolidated financial statement and the individual financial statements of all subsidiary corporations. (See Board letter X-4946 September 10, 1927.)

(4)

(See also paragraph 5)

Governor Geery discussed the difficulties incident to the requirements of the Board's present regulation that separate statements of all subsidiaries or affiliated companies must be on file with each member bank presenting the paper of the borrowing company for discount with the Federal reserve bank. He emphasized the reluctance of some borrowing concerns to file detailed and separate statements with every bank which might buy their paper. He also stated that the practice varies in different Reserve banks in applying requirements of the regulation relative to statements. Governor Strong pointed out however that if a Federal reserve bank discounts the paper of a borrower which has no statement on file with the member bank, the Federal reserve bank might be construed as having passed on the merits of the particular paper and that there was, therefore, much reason in support of the present requirements of the

regulation. In this connection the secretary read to the conference the recommendation of the Federal Advisory Council made on September 17, 1926, to the effect that separate statements should be filed by borrowers with their banks of deposit.

(See pages 5 - 20 stenographic record)

At 11:00 o'clock p. m. the conference adjourned until 2 o'clock p. m. to permit the Open Market Investment Committee to meet with the Federal Reserve Board.

First Day's Session, Wednesday, November 2.

Afternoon

TOPIC I. D. Advisability of requiring member bank offering for rediscount paper of corporation having subsidiaries to have in its files recent copies of separate financial statements of the subsidiary corporations, when there have been filed with Federal Reserve Bank copies of the corporation's consolidated financial statement and the individual financial statements of all subsidiary corporations. (See Board letter X-4946 September 10, 1927.)

(5)

(See also paragraph 4)

The conference discussed at some length the arguments pro and con relative to the Board's regulation on the filing of consolidated and separate statements of borrowing companies with member banks presenting paper for discount. Whereupon, upon motion of Governor Geary, it was

VOTED to recommend to the Federal Reserve Board that that paragraph of Regulation A relating to the filing of separate financial statements of closely affiliated or subsidiary corporations

or firms should be amended so as to require the filing of such statements only with those member banks which are depositaries of the borrower and which grant lines of credit to the borrower, it being the sense of the conference that it is not necessary to require every member bank presenting paper of the borrower for discount to have on file separate or detailed statements of all subsidiaries provided depositary banks granting lines of credit to the borrower have such statements on file and available to the Federal reserve bank.

(See pages 20 - 29 stenographic record)

TOPIC I. A. Open Market Operations.

(6)

1. Report of Open Market Investment Committee.

(See also paragraph 2)

At the request of the Chairman, the secretary distributed to each of those members of the conference who are not members of the Open Market Investment Committee, a copy of the report of the Open Market Investment Committee, which was presented to the Federal Reserve Board at its meeting with the Committee this morning. The secretary then read to the conference Governor Young's letter dated November 2, stating that the Federal Reserve Board had considered the report and approved the policy governing open market operations recommended therein by the Open Market Investment Committee. The Chairman stated that a copy of the letter and the report would be sent to all the Federal reserve banks so that they might be considered by their respective directors.

(See pages 29 - 32 stenographic record)

In connection with the consideration of the report of the Open Market Investment Committee which was discussed at some length by the Governors, there was a general discussion of discount rates, their effect on and relation to other rates for money, and also the general effect of recent reductions. Upon motion of Governor Biggs, it was

(7)

VOTED that the report of the Open Market investment Committee be accepted and filed.

(See pages 32 - 49 stenographic record)

TOPIC I. A. Open Market Operations.

(8)

3. Discussion of method of apportioning bills and Government securities bought by Open Market Investment Committee.

The secretary read a memorandum relative to the present practice in apportioning bills and Government securities bought by the Open Market Investment Committee. The Chairman stated that he considered the present method the best feasible but asked for an expression of the views of the conference. Governor Seay indicated that he thought it might better suit his situation if an apportionment were made on the basis of the first quarter of the year rather than on the basis of the first half of the year. The Chairman suggested that if Governor Seay's situation needed special treatment and if the present method was satisfactory to all the other Governors, it might be possible to adjust the allotment in Governor Seay's case by special arrangement. While no formal action was taken or called for it was generally the sense of the conference that the present procedure is satisfactory but that if Richmond or any individual bank requires

adjustment such bank should write to the Open Market Investment Committee outlining its situation in order that the committee might determine whether it would be possible to accommodate it without a change in the general procedure.

There was a discussion off the record of the possible effect of apportionment carried to extreme or to the point where all Federal reserve banks had precisely the same percentage of earnings. It was generally felt that this extreme apportionment might be subject to some criticism. The Chairman stated that it would be possible to consider the surplus account in making apportionment but that that method would give New York, Philadelphia and Cleveland a very large apportionment. Governors Strong, Norris and Fancher all agreed that they would not urge such apportionment. There were no further comments and no action was taken on the topic.

(See pages 50 - 60 stenographic record)

TOPIC I. B. Discount Rates and Policies.

(9)

It was understood that this topic would be passed inasmuch as it had been covered thoroughly during the course of the discussion of open market policy.

(See page 60 stenographic record)

TOPIC I. C. Relations with Foreign Banks.
1. Report.

(10)

Mr. Harrison stated off the record (see page 60 stenographic record) that the usual practice of submitting a detailed statement of foreign accounts to the conference had been omitted because of the fact that the only substantial changes in the account since the last regular monthly statement forwarded to each reserve bank had been covered by the

Chairman in his discussion of open market policies. Mr. Harrison indicated, however, that he had available a statement of the accounts if any of the Governors wished to see it expressly.

TOPIC I. C. Relations with Foreign Banks.

(11)

2. Status of agreement with Bank of Poland.
3. Status of agreement with National Bank of Belgium.

At the request of the Chairman, Mr. Harrison reviewed off the record the status of the agreements with the Bank of Poland and the National Bank of Belgium.

TOPIC I. C. Relations with Foreign Banks.

(12)

4. Purchase by Federal Reserve Banks of bills payable in foreign currencies.

The Chairman referred to the fact that inquiries had been received from some of the Federal reserve banks regarding the purchase and collection of bills payable in foreign currencies and outlined the reasons why it would not be feasible for the Federal Reserve Bank of New York to effect the collection of documentary bills payable in foreign currencies, and also the reasons of policy which appear to make it unwise for any of the Federal reserve banks at this time to purchase in their respective markets bills that are payable in foreign currencies. While there was no formal action taken regarding the matter, those Governors who had originally made inquiries stated that the question was not now pending and that there was no need to take any further action in the matter.

(See pages 60 - 67 stenographic record)

TOPIC I. E. Advisability of standardizing requirements of F. R. Banks as to forms and character of credit statements. (See Board letter X-4958 September 23, 1927; also paragraph 44 Secretary's minutes and pages 426 - 434 stenographic record of November 1926 Governors Conference.) (13)

After a general discussion of this topic and an expression of views by the individual Governors as to the advisability of standardizing credit statements, upon motion of Governor Seay, it was

VOTED to be the sense of the conference that it should be the policy of the Reserve banks to aid member banks in procuring suitable forms of credit statements from their customers, if necessary, by furnishing forms, but not to attempt to urge the adoption of standardized forms of credit statements because it is wholly impracticable to get uniformity in such statements.

(See pages 67 - 71 stenographic record)

Governor Strong referred to the fact that at one time the question was raised whether the Federal Reserve System should attempt to require audited statements. It was the informal opinion of those governors who spoke that it was not feasible for the Reserve banks to require such statements although the practice is growing among member banks. The matter not being on the program, no action was taken. (14)

(See pages 71 - 73 stenographic record)

TOPIC I. F. Classification of deposits in member banks by building and loan associations, mutual savings banks, cooperative banks, credit unions and Morris Plan banks. (See Board letter X-4959 September 23, 1927.) (15)

At the request of the Chairman, the secretary read Mr. Round's memorandum on this subject. Governors Fancher and Seay also

referred to the opinions of their counsel. After further consideration of the matter, upon motion of Governor Talley, it was

VOTED that the Federal Reserve Board should be requested to make no change in its existing rulings under which deposits of the character referred to are understood not to be deposits "due to banks."

(See pages 73 - 81 stenographic record)

TOPIC I. G. Development of investment companies for purchase of bank stocks.

(16)

The Chairman referred to a memorandum prepared in the Federal Reserve Bank of New York relative to the development of investment companies for the purchase of bank stocks, and upon his request the secretary read the recommendations contained in the latter part of that memorandum. The other Governors expressed some concern in the development of these companies, especially in the New York district and Governor Talley read a memorandum calling attention to the need of some regulatory influence. While the question was raised whether this subject is any concern of the Federal reserve bank, it was felt that the possible dangers incident to a widespread development of companies of this character make it a matter for consideration by the Federal Reserve System. Upon suggestion of the Chairman, it was finally agreed that the Federal Reserve Bank of New York should elaborate the memorandum referred to by the Chairman and send it to all other Federal reserve banks with the request that they, upon receipt of the New York memorandum, prepare a similar report with reference to the development of concerns of this character in their respective districts. This was agreed to as the action of the conference.

(See pages 81 - 100 stenographic record)

TOPIC I. H.

What effect will ruling of Supreme Court of Texas that trade acceptances are non-negotiable which bear the legend - "The obligation of the acceptor hereof arises out of the purchase of goods from the drawer, maturity being in conformity with the original terms of purchase" - have upon the negotiability of bankers acceptances containing similar language. e. g., "This acceptance arises from the domestic storage of cotton and was secured at time of acceptance by documents securing and conveying title to --- bales and will remain so secured throughout the life of this acceptance."

(17)

Governor Talley discussed this topic and referred to the opinion of the counsel of the Federal Reserve Bank of Dallas expressing doubt as to the negotiability of bankers acceptances bearing a legend of the kind quoted above. Governor Talley also mentioned that counsel of some of the other Federal reserve banks differed with this opinion of his counsel. After some further discussion, upon motion of Governor Bailey, it was

~~VOTED~~ to be the sense of the conference that the Federal Reserve Board should call a conference of the counsel of the several Federal reserve banks in Washington at a reasonably early date to meet with Mr. Wyatt and Mr. Baker to consider the various legal questions now pending before the System and that this topic should be referred to that conference, if called, for consideration.

It was also understood that a list of the legal questions now pending before the Conference would be prepared by the secretary to be submitted to the Federal Reserve Board and that each Federal reserve bank would have its own counsel bring to the meeting any legal questions, pending before them, which they think should be submitted to the Conference.

(See pages 100 - 109 stenographic record)

TOPIC I. I. In view of recent decision of Supreme Court of Kansas (Colorado and So. Railway Co. vs. Docking, Receiver of American State Bank, 124 Kansas, 48), in which it was held that directions contained in cash letters to remit by draft, changed the relationship between the forwarding bank and collecting bank from principal and agent to that of creditor and debtor: What change, if any, should be made in methods of procedure now followed to obtain immediately available remittances for cash letters? (18)

Upon motion, duly seconded, it was

VOTED to refer this topic to the conference of counsel.

(See pages 109 - 111 stenographic record)

TOPIC I. J. Strong Stabilization Bill. (19)

There was a discussion of this topic off the record. The secretary read to the conference Congressman Strong's letter addressed to Governor Strong under date of October 28, 1927. Upon motion, duly seconded, it was

VOTED to refer this letter to Governor Strong to take up with Governor Young for disposition.

(See page 111 stenographic record)

At 6 o'clock p. m. the conference adjourned to reconvene at 10 o'clock a. m. on Thursday, November 3.

Second Day's Session, Thursday, November 3.Morning

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

Regulation D and Regulation K.

(20)

(See also paragraphs 37, 38, 39 and 40).

At the request of the Chairman, the secretary distributed copies of Federal Reserve Board letters X-4915a relative to Regulation K, and X-4878a, X-4988 and X-4915 relative to Regulation D.

(See pages 112 - 114 stenographic record)

TOPIC II. B. Matters pending report by Mr. Newton D. Baker.

(21)

1. Member bank stamping on cashier's check "not payable through Federal Reserve Bank." (See paragraphs 1, 2 and 4 Secretary's Minutes of May 1927 Conference.)
2. Par Clearance Case of State Bank of Hugo, Minn. (See paragraphs 11 and 25 Secretary's Minutes of May 1927 Conference.)
3. Procedure followed by Federal Reserve Banks in handling collections.

It was agreed by the conference that all matters under this topic should be referred to the meeting of the conference of counsel of the Federal reserve banks.

(See page 115 stenographic record)

TOPIC II. C. Duties and liabilities of Federal Reserve Banks with regard to shipment of canceled Government warrants and checks.

(22)

(See also paragraph 25)

Governor Talley discussed this topic, quoting from an opinion of the counsel of the Federal Reserve Bank of Dallas. After a general discussion during which it was pointed out that matters such as that referred to in this topic relate to transactions between the Federal

reserve banks and the Treasury and do not directly come within the jurisdiction of the Federal Reserve Board, it was understood that Governor Talley should take up the matter with the Treasury and report back to the conference after any agreement may be reached.

(See pages 115 - 125 stenographic record)

TOPIC I. K. Report of Advisory Committee of Governors on Legislative Matters.

(23)

1. Desirability of amending Section 13.
(See paragraphs 19 and 24 Secretary's Minutes of May 1927 Conference.)

Governor Seay discussed the report of the committee which had previously been distributed. Upon motion of Governor Fancher, it was

VOTED that the report of the committee be adopted, that is, that it is believed that the Federal Reserve Board now has the power and should make a ruling sufficiently broad to meet the legitimate demand for the discount of sight and demand drafts secured by shipping documents covering agricultural products such as bran, flour, cottonseed meal, etc., and that it is not believed to be necessary or advisable at this time to seek an amendment to Section 13 of the Act relating to this subject.

(See pages 126 - 132 stenographic record)

TOPIC II. A. Report of Standing Committee on Collections

(24)

Mr. Strater presented to the conference the report of the Standing Committee on Collections (printed on pages 132 - 145 stenographic record) and after a full discussion of the first two topics in the report, that is, (a) revision of the Time Schedule with a view to reducing float and avoiding inequalities, and (b) a study of the whole question of the collection of cash items, upon motion of Governor Seay, it was

VOTED that the report of the committee be received and filed and studied and that in the meantime a copy of the report be submitted to the Federal Reserve Board for its information.

(See pages 132 - 164; 195 - 209 stenographic record)

At this point Undersecretary Ogden L. Mills joined the conference.

TOPIC II. C. Duties and liabilities of Federal reserve banks with regard to shipment of canceled Government warrants and checks. (25)
(Cont'd)

(See also paragraph 22)

Governor Talley reviewed the subject matter of this topic for Mr. Mills, whereupon it was finally agreed, as Mr. Mills suggested, that Governor Talley should see Mr. Hand of the Treasury Department regarding the matter and that any conclusions which may be arrived at should be reported to all Federal Reserve banks by the Treasury Department.

(See pages 164 - 167 stenographic record)

TOPIC III. C. Treasury Currency Program and relations with Federal reserve banks. (26)

Mr. Mills discussed the progress made regarding the Treasury's currency program.

(See pages 167 - 173 stenographic record)

TOPIC III. A. Gold Holdings and Payments (27)

TOPIC III. B. Treasury practice in making purchases of gold at Mints and Assay Offices.

Mr. Harrison reviewed the status of the present gold holdings of all Federal reserve banks and discussed the present Treasury practice in making purchases of gold at Mints and Assay Offices, comparing this practice with that prevailing in other gold markets, such as London, Amsterdam, Berlin and Zurich.

(See pages 174 - 195 stenographic record)

At this point Mr. Mills left the conference.

TOPIC II. D. Direct Sendings of Cash Letters.

(28)

Governor Geery referred to the number and amount of items which are received by the Federal reserve bank sent direct from member banks in other districts, particularly the New York district. Governor McDougal also indicated that the Federal Reserve Bank of Chicago was receiving large numbers of letters in one day from certain banks in New York City. After some discussion of the particular cases referred to, it was indicated that probably the cause was the fact that each of the banks mentioned have large numbers of branch banks and that individual letters are necessarily sent directly by each branch. After further discussion and upon motion of Governor Seay, it was

VOTED that the Federal reserve banks should follow the practice recommended by the Standing Committee on Collections in its report to the November 1925 Conference (see paragraph 29 of the Secretary's Minutes). Governor Harding did not vote.

(See pages 209 - 218 stenographic record)

TOPIC IV. B. Reimbursement of Federal reserve banks for expenses of services rendered for Governmental agencies.

(29)

Governor Norris reviewed the history of this topic referring specifically to the action taken at the last Governors Conference and the Board's letter X-4887 dated June 24, 1927, stating that the view of the Board with respect to this matter was not in harmony with the view of the conference, as expressed at that time. He also referred to the Board's letter X-4957 dated September 23, 1927, resubmitting this topic for further discussion at the present conference. After some discussion, upon motion of Governor Harding, it was

VOTED that the conference should reaffirm and reiterate the action taken by the conference at its meeting in May 1927, (see paragraph 23, Secretary's Minutes, May 1927 Conference) believing it to be entirely proper for any Federal reserve bank to claim reimbursement for any substantial service performed for a governmental agency.

(See pages 219 - 225 stenographic record)

At 1:10 o'clock p. m. the conference adjourned to reconvene at 2:15 o'clock p. m.

Second Day's Session, Thursday, November 3.

Afternoon

The meeting was called to order at 2:25 o'clock p. m.

TOPIC IV. C. Standardization or abandonment of Functional Expense Reports. (30)

(See also paragraph 36)

Governor Norris discussed the Functional Expense Report prepared by the Federal Reserve Board on the basis of Form E and stated that the discrepancies in the cost shown for different banks which he cited indicates that the report itself does not now serve a useful purpose. He expressed the view that while the discrepancies were unavoidable at first, nevertheless he believes either that they should now be eliminated or that the report be abandoned, especially as he estimates that the preparation of the figures on which the report is based costs the System between \$40,000 and \$50,000 a year. Governor Norris then moved that it should be

RESOLVED that the Federal Reserve Board be requested to discontinue the requirement of making these functional expense reports.

Governor Fancher seconded this motion. In the course of the discussion of the motion, when it was indicated that many of the

Governors were opposed to abandoning the report entirely, a further discussion was postponed pending the arrival of Mr. Smead, of the Federal Reserve Board.

(See pages 226 - 236 stenographic record)

TOPIC IV. D. Report of Leased Wire Committee.

(31)

Upon motion, duly seconded, it was

VOTED that the report of the Leased Wire Committee (printed on page 237 stenographic record) be accepted and filed.

(See pages 236 - 237 stenographic record)

TOPIC IV. E. Report of Insurance Committee.

(32)

Since no new matters have been referred to the committee, the committee, had no report to file.

(See page 237 stenographic record)

TOPIC IV. F. Report of Pension Committee.

(33)

Upon motion, duly seconded, it was

VOTED that the report of the Pension Committee (printed on pages 240 et seq. stenographic record) be accepted and filed.

(See pages 237 - 240 stenographic record)

TOPIC V. A. Future publicity program.

(34)

The report of the Agent's Conference on this topic was distributed with the understanding that it be read and discussed at the joint conference tomorrow.

(See pages 240 - 241 stenographic record)

TOPIC V. B. A survey of the Bank Relations Departments of the Federal Reserve Banks.

(35)

Governor Norris stated that the questionnaire which had been distributed among the Federal reserve banks before the conference,

together with the mimeographed replies of all Federal reserve banks which were distributed by the secretary, fully covered this subject and while he suggested that all banks read and study the replies of all the other banks, no action was asked for.

(See pages 241 - 243 stenographic record)

TOPIC IV. C. Standardization of abandonment of Functional
 (Cont'd) Expense Reports.
 (See also paragraph 30)

(36)

Mr. Smead joined the conference at this point, and a discussion of this topic was continued. Mr. Smead stated that there were no doubt many discrepancies in the figures now incorporated in the Functional Expense Report, but said that even though some of these might be unavoidable, he was opposed to abandoning the report entirely. The sentiment of the conference seemed to be opposed to complete abandonment of the report, feeling that some of the existing discrepancies might be avoided, that the useless figures might be eliminated and that a comparable and useful report might still be made.

Upon motion of Governor Strong, it was,

VOTED to adopt the following resolution:

WHEREAS It is the sense of the conference that the adoption of the budget plan by each Federal reserve bank has materially aided in accomplishing many of the objects originally sought through the preparation of the Functional Expense Report, and

WHEREAS the Functional Expense Report now contains many discrepancies which tend to destroy the usefulness of the report, but

WHEREAS it is the sense of the conference that the report may still be prepared in a way to serve a useful purpose and, if so, should be continued, now therefore

BE IT RESOLVED that the Federal Reserve Board be asked to request Mr. Smead and Mr. Rounds, in connection with the appropriate committee of the Board, to study the whole question of the functional expense report with a view to seeing whether a more comparable and useful report may be made with less effort and at less expense than that now required in the preparation of the present report.

(See pages 243 - 264 stenographic record)

TOPIC IV. A. Revision of Federal Reserve Board Regulations. (37)
(See also paragraph 20)

Regulation K. There was a long discussion, off the record following which the following motions were made, seconded, and voted:

(1) It was VOTED to recommend to the Federal Reserve Board that no regulation be issued concerning the collection of non-cash items.

Governor Seay voted in the negative.

(2) It was VOTED that the question of (a) a uniform circular and (b) a limitation on the character of non-cash items to be handled by Federal reserve banks should be referred to the Standing Committee on Collections for study and recommendation to the next conference of governors.

(3) It was VOTED that pending the receipt of a report by the Standing Committee on Collections on the character of non-cash items to be handled by Federal Reserve Banks it should be the policy of the System gradually to discontinue the handling of drafts with bonds and stocks attached.

(4) It was VOTED that it is the sense of the conference that no Federal reserve bank should be expected to collect non-cash items payable on points where adequate and satisfactory facilities do not exist.

(See pages 264 - 267 stenographic record)

TOPIC VI. B. Proposed Revision of Regulation D.

(a) Periods for averaging reserves (38)

Upon motion, duly seconded, it was unanimously

VOTED that the proposed amendment to Regulation D providing for semi-weekly averaging of reserves of member banks located in Reserve bank and Reserve bank branch cities, should be approved.

(See pages 267 - 269 stenographic record)

(b) Progressive penalty for deficiencies in reserves. (39)

Upon motion, duly seconded, it was

VOTED to advise the Federal Reserve Board that it is the sense of the conference that the proposed provision of Regulation D relating to progressive penalty for deficiencies in reserves should be amended so as to provide that such progressive penalty shall be optional with the Federal Reserve Banks, as at present, and not mandatory as provided in the tentative draft of the regulation.

(See pages 269 - 272 stenographic record)

Governor Young joined the conference at this point.

(c) Definition of savings and time deposits. (40)

There was a long discussion of the question of further defining savings and time deposits in the regulations of the Federal Reserve Board. While no formal vote was taken, it appeared to be the sense of the conference that it would be preferable if the Federal Reserve Board should not attempt any further definition of these deposits by regulation inasmuch as the only satisfactory correction appears to require an amendment to the law.

(See pages 276 - 285 stenographic record)

TOPIC VI. A. Report of sub-committee of General Committee (41)
on Bankers Acceptances.

Upon motion of Governor McDougal, it was

VOTED that this report (printed on pages 275 et seq.
 stenographic record) be accepted and filed.

(See pages 275, 285 stenographic record)

TOPIC VI. C. Right of a Federal Reserve Bank to charge (42)
to the reserve account of an insolvent
member bank checks received by the Federal
reserve bank for collection and transmitted
to the member bank for payment prior to
insolvency. (See Board letter X-4976,
October 19, 1927.)

Upon motion of Governor Seay, it was

VOTED to refer this topic to the conference of counsel.

(See page 286 stenographic record)

At 5:20 o'clock p. m. the conference adjourned to reconvene at
 10:30 o'clock a. m. Friday, November 4, in joint session with the
 Federal Reserve Board and Federal Reserve Agents.

George L. Harrison,
 Secretary.

