

CONFIDENTIAL

SECRETARY'S MINUTES

GOVERNORS CONFERENCE

December 11 and 12, 1929.

Washington, D. C.

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GOVERNORS CONFERENCE

DECEMBER 11 AND 12, 1929.

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HOWARD BOARD
MADE IN U.S.A.

PROGRAM
GOVERNORS CONFERENCE

December 11 and 12, 1929.

Washington, D. C.

I. CREDIT TRANSACTIONS AND POLICIES

- A. Open Market Operations. New York
1. Report of Open Market Investment Committee.
2. Securities, Bills, and Rates.
- B. Discount Rates and Open Market Policies. New York
Desirable relationship of discount rates to market rates.
- C. Relations with Foreign Banks. New York
1. Report.
2. Operations.
3. Foreign exchanges and gold movements.
- D. Paper of Borrowers Whose Statements Show Loans on Call. San Francisco
In a number of instances it has been found that borrowers whose paper has been submitted for discount showed funds loaned on call on statement date. It might seem desirable therefore for the conference to make a study of this feature for the guidance of the Governors.
- E. Report of committee appointed at November 1928 conference to study F. R. credit operations including effectiveness of discount rate changes and open market operations in controlling total volume of F. R. credit. (See paragraph 44 Secretary's minutes April 1929 Conference of Governors.)

II. COLLECTIONS AND CLEARINGS

- A. Report of Standing Committee on Collections.
- B. In instances in which forgeries of endorsements are claimed to exist on checks handled for collection by a F. R. bank for the account of another F. R. bank and prior endorsers deny right of recovery on such checks which results in suits being brought against the Federal reserve bank so handling the checks, as between the two Federal reserve banks, which bank should defend such suits and bear Kansas City

the expense of making defense.

- C. Use of Air Mail. San Francisco
Due to increased efficiency of air-mail service, it would seem that some further thought should be given to the practicability of using such service in the extension of collection facilities, to a greater degree.
- D. Sending Checks Direct to Drawee Banks in Other Districts. F. R. Board
(See Board's letter X-6405 dated October 31, 1929 and Report of Standing Committee on Collections of November, 1927.)
- E. Interpretation of Uniform Policy re Check Collections. F. R. Board
(See Board's letter X-6409 dated November 7, 1929.)

III. COIN, CURRENCY, AND CIRCULATION

- A. Discontinuing Payments of Old Series F. R. Notes. F. R. Board
Question of discontinuing payments of old series F. R. notes in the denominations of \$5 to \$100 inclusive, and the problem of handling National bank notes of those denominations after discontinuance of payments of F. R. and U. S. notes in the old series. (See Board's letter X-6393 dated October 19, 1929.)
- B. Canadian Currency. Chicago
San Francisco
Proposed plan for redemption of Canadian currency through F. R. banks and branches. (See Board's letter X-6370 dated September 4, 1929.)

IV. OPERATION AND ADMINISTRATION

- A. Specific Maturity Date in Body of Customers Notes. F. R. Board
Desirability of requesting American Bankers Association to induce commercial banks to incorporate specific maturity date in the body of customers' notes instead of the present practice of having notes read "90 days after date", etc. (See report of Auditors Conference held March 19-22, 1929.)
- B. Report of committee on policy of F. R. banks acting as custodians of securities including bankers bills pledged to secure public deposits. (See paragraph 41 Secretary's minutes April 1929 Conference of Governors.)

- C. Member Bank Reserves. New York
Advisability of appointing a committee of experts to devote entire time to study and report on whole subject.
- D. Publication of Brokers Loans Figures. New York
1. Should they be discontinued and if so, when;
2. Or should they be more directly associated with total collateral loans of reporting member banks.
- E. Chain and Branch Banking. New York
Desirability of appointing a committee to study and report on past and future development of banking through branches, chains, groups, etc. in order that the F. R. System might be prepared if necessary to make recommendations to Congress if asked to do so.
- F. Advisability of recommending amendment to F. R. Act permitting payment of extra dividends to member banks on F. R. bank stock as proposed by Senator Glass in a bill introduced by him in the last Congress. New York
Boston
Dallas
- G. Should good wishes at Christmas time be taken as a matter of course and the sending of messages over the leased wire conveying Christmas greetings be discontinued. Boston
- H. Is there anything that can be done to protect banks against fraud in connection with telegraphic transfers of funds such as was imposed on the New York banks by the Bank of Telluride, Colo. Kansas City
- I. Services for Federal Farm Board. San Francisco
Reimbursement of expenses, etc. in connection with F. R. banks acting as Fiscal Agent of the United States on behalf of Federal Farm Board in connection with advances made by the Board jointly with banks. (For discussion.)
- J. Methods of Popularizing Membership in the F. R. System. Philadelphia
1. Increased dividends on stock. Senator Glass' bill. Are proportions fair. Is it desirable that earnings should be pooled to make extra dividends same in all districts.

2. Advisability of an amendment to the F. R. Act to permit limited borrowing on strictly defined investment securities held by member banks.
3. Permitting small out-of-town member banks to send in items unsorted with an agreed average date of availability.
4. Providing as part of the much-needed general revision of reserve requirements, the deduction from gross deposits of -
 - (a) Cash in vault;
 - (b) Items with F. R. banks in process of collection.
5. Advisability of an amendment to the Bankruptcy Act providing that funds in the custody of the Federal courts shall be deposited with member banks of the F. R. System.

K. Report of Leased Wire Committee.

L. Report of Insurance Committee.

M. Report of Pension Committee.

N. Report of Subcommittee of General Committee on Bankers Acceptances.

V. SUPPLEMENTARY TOPICS

- | | | |
|----|--|-------------|
| A. | Amendment to Regulation J. (See Board's letter X-6389 dated October 16, 1929.) | F. R. Board |
| B. | Resolutions Adopted at Stockholders Meeting of F. R. Bank of Boston on November 8, 1929. | F. R. Board |
| C. | Proposed letter X-6443, subject: "Liability Incurred by a Member Bank in Purchasing F. R. Exchange. | F. R. Board |
| D. | Proposed Bill to Amend Law Re Examinations of Member Banks. (See memorandum X-6444 dated October 7, 1929.) | F. R. Board |
| E. | Recommendations of Federal Advisory Council. | F. R. Board |

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

December 11 and 12, 1929.

Washington, D. C.

First Day's Session, Wednesday, December 11.

Morning

The meeting was called to order at 11:15 a. m.

PRESENT: Governor Calkins, Chairman, and
Governors Harrison, Norris, Fancher,
Seay, Black, McDougal, Martin, Geery,
and Talley.
Deputy Governors Paddock and Worthington.
Mr. Strater, Secretary.

The Chairman announced that the first order of business (1)
was the appointment of a Chairman and Secretary for the calendar
year 1930. It was thereupon

VOTED that Governor Calkins be re-appointed Chairman
and Mr. Strater re-appointed Secretary of the Conference of Gov-
ernors for the calendar year 1930.

TOPIC I. A. Open Market Operations. (2)
1. Report of Open Market Investment
Committee.
2. Securities, Bills, and Rates.

TOPIC I. B. Discount Rates and Open Market Policies.
Desirable relationship of discount
rates to market rates.
(See paragraphs 7, 8, and 10)

Governor Harrison distributed copies of the report of
the Secretary of the Open Market Investment Committee to the
Governors conference, reviewing the transactions in the Open Mar-
ket Investment Account since the last Conference of Governors.
He also reviewed at length the development in the New York money
market resulting from the recent crisis in the stock market, and

explained the actions taken by the F. R. Bank of New York during that period.

At 11:15 a. m. Honorable Roy A. Young, Governor of the Federal Reserve Board, entered the meeting and stated that in accordance with the recommendation of a majority of the Conference of Governors held in April, 1929, the Board had adopted the amendment to Regulation J as recommended by a majority report of the Conference of Counsel held at the same time. Because of conflicting interpretations placed upon the proposed amendment by the F. R. banks, the F. R. Board was in some doubt as to whether the Board's letter X-6389 dated October 16, 1929 should be made effective as of January 1, 1930, and stated that the Board would like to have a recommendation from this conference as to whether the letter should be rescinded. (See paragraphs 20, 21, and 44.) (3)

Governor Young handed to the Chairman for distribution to members of the conference, copies of the resolutions unanimously adopted at a meeting of the stockholders of the F. R. Bank of Boston on November 8, 1929, dealing with the distribution of earnings of F. R. banks based upon the provisions of the Glass Bill although differing from those provisions in some respects. Governor Young asked the conference to give these resolutions consideration and if it cared to do so, make recommendations to the F. R. Board. (See paragraph 45.) (4)

Governor Young also provided the Chairman with copies of the following for distribution to the Governors for their (5)

consideration and such recommendations as the conference cared to make:

1. Proposed letter X-6443, subject: "Liability Incurred by a Member Bank in Purchasing F. R. Exchange. (See paragraph 46)
2. Memorandum X-6444 dated October 7, 1929 in connection with proposed bill to amend law re examinations of member banks. (See paragraph 47)
3. Recommendations of the Federal Advisory Council adopted at its meeting on November 19, 1929. (See paragraph 48)

Governor Young then said that arrangements had been made to hold a Joint Conference of Governors and Agents on Friday, if possible, at the United States Chamber of Commerce. (6)

There followed a discussion of the Open Market Investment Committee procedure in which Governor Young participated. (See paragraphs 2, 8, and 10). (7)

At 1:20 p. m. the conference adjourned to re-convene at 2:30 p. m.

First Day's Session, Wednesday, December 11.

Afternoon

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

At the Chairman's suggestion, Governor Harrison resumed his discussion of the Open Market Investment operations in which the Governors participated. Discount rates and open market policies were also included in the discussion after which it was (8)

VOTED that the conference is in full accord with the present program of the Open Market Investment Committee as approved by the Federal Reserve Board on November 25, 1929. Governor Talley voted in the negative and Governors Norris

and Calkins asked to be recorded as not voting. (See paragraphs 2, 7, and 10)

Governor Harrison then explained to the conference (9)
that the F. R. Bank of New York has in its own account, still undistributed, about \$80,000,000 of Government bonds bought during the emergency on which there is a substantial profit. He said that while the New York bank is quite ready and willing to hold these bonds for its own account, he is authorized to offer other F. R. banks a participation at cost price if they wish to take over their pro rata share. No action was taken, it being understood, however, that any bank desiring to participate would advise Governor Harrison as soon as convenient.

Governor Harrison discussed with the conference a proposal (10)
to change the method of accounting for and distributing profits or losses on operations in the Open Market Investment Account. After consideration, it was unanimously agreed that after January 1, 1930, profits and losses on all operations in that account, whether between participating banks or with the market, should be carried in a suspense account in New York and distributed as of the end of the year. It was understood that the Secretary of the Open Market Investment Committee would advise each Governor in writing of the details of the proposal submitted by Governor Harrison and agreed to by the conference.

On motion of Governor McDougal, it was

VOTED that the Secretary prepare and send suitable (11)
telegrams to Governors Bailey and Harding expressing regret at their inability to attend the conference and hoping for their rapid recovery.

TOPIC I. C. Relations with Foreign Banks. (12)

1. Report.
2. Operations.
3. Foreign exchanges and gold movements.

Governor Harrison reviewed the various matters relating to operations with foreign central banks, calling attention to changes in individual accounts. He also reviewed and explained the trend of gold movements.

TOPIC I. D. Paper of Borrowers Whose Statements Show Loans on Call. (13)

After a short discussion, this topic was passed without action.

TOPIC I. E. Report of Committee Appointed at November, 1928 Conference to Study F. R. Credit Operations, Including Effectiveness of Discount Rate Changes and Open Market Operations, in Controlling Total Volume of F. R. Credit. (See paragraph 44 Secretary's Minutes April 1929 Conference of Governors. (14)

In the absence of Governor Harding, Chairman of this committee, no report was available and the topic was passed.

TOPIC II. A. Report of Standing Committee on Collections. (15)

The Secretary read a report from the committee stating that no topics had been referred to it by the last Governors conference or by any of the F. R. banks, and that it had no recommendations to make.

TOPIC II. B. In Instances in Which Forgeries of Endorsements are Claimed to Exist on Checks Handled for Collection by a F. R. Bank for the Account of Another F. R. Bank and Prior Endorsers Deny Right of Recovery on Such Checks Which Results in Suits Being Brought (16)

Against the F. R. Bank so
Handling the Checks, As Between
the Two F. R. Banks, Which Bank
Should Defend Such Suits and Bear
Expense of Making Defense.

Mr. Worthington and Governor Talley read opinions furnished by their counsel and after a general discussion, it was

VOTED that each case should stand upon its own merits and the matter of expense of defending such suits should be agreed upon by the F. R. banks interested.

TOPIC II. C. Use of Air Mail.

(17)

After a general discussion, it was the consensus of opinion that the air mail is rapidly developing into a very useful agency, and the Standing Committee on Collections was asked to give the subject further consideration.

At 6:30 p. m. the conference adjourned to re-convene at 9:30 a. m. on Thursday, December 12.

Second Day's Session, Thursday, December 12, 1929.

Morning

The meeting was called to order at 9:40 a. m.

TOPIC II. D. Sending Checks Direct to Drawee Banks (18)
in Other Districts. (See Board's
letter X-6405 dated October 31,
1929, and Report of Standing Commit-
tee on Collections of November, 1927.

After a general discussion of the F. R. Board's letter X-6405 of October 31, 1929, the following resolution was adopted:

WHEREAS, The Standing Committee on Collections, in its report to the Conference of Governors of November 2, 1927, pointed out that the practice of a

F. R. bank sending checks direct to member banks and possibly to non-member banks in another district for remittance, under arrangements with the F. R. bank of that district and the paying bank, is now being carried on effectively to a very limited extent in several of the F. R. districts, and

WHEREAS, The committee recommended that the F. R. banks be authorized at their discretion to conduct an experiment along this line in an attempt to arrange for the collection in this manner of checks drawn on the principle or large cities in states adjoining their district, such experiment to be undertaken only in the event that counsel for the F. R. Board approved the legality of such an arrangement, and after necessary modification of Regulation J to permit such procedure;

NOW, THEREFORE, BE IT RESOLVED, That the Standing Committee on Collections be asked to give the subject further consideration and to recommend to the next conference an amendment to Regulation J which will permit F. R. banks at their option to so effect collection of checks payable in adjoining districts, without making it mandatory upon any F. R. banks to adopt the practice, and

BE IT FURTHER RESOLVED, That the Standing Committee on Collections outline to the conference the mechanics of the procedure to be followed in the event that the amendment is adopted, to the end that the dangers incident to such a radical change may be overcome or at least minimized.

TOPIC II. E. Interpretation of Uniform Policy re (19)
Check Collections. (See Board's
letter X-6409 dated November 7,
1929.

The question raised by the F. R. Board in its letter X-6409 as to whether it would be inconsistent with the uniform policy, which has received the approval of the F. R. Board, for a F. R. bank to take a pledge of collateral for the specific purpose of protecting itself as agent in the collection of checks on a specific bank, was the subject of general discussion in the light of Governor Harding's letter to the F. R. Board dated

October 19, 1929, and a letter from the General Counsel of the Board addressed to counsel of each F. R. bank under date of November 7, 1929, giving his views upon the question raised by Governor Harding's letter to the Board, and it was

VOTED that the conference is in agreement with the (20) uniform policy approved by the F. R. Board in its letter of October 16, 1929 (X-6389); that they are in favor of the amendment to Regulation J recommended by the majority of the Conference of Counsel; that they believe, however, it should be made clear in the regulation that any F. R. bank desiring to do so, may take collateral in order to protect itself only from liability as collecting agent. Governor Geery voted in the negative. (See paragraphs 3, 21, and 44.)

In order that the F. R. Board might be advised of all (21) of the points taken into consideration during the discussion preceding the action of the conference, it was

VOTED that a committee be appointed to confer with the Governor of the F. R. Board and to explain the action of the conference. Governors Geery, McDougal, Seay, and Calkins and Mr. Paddock voted in the negative. The Chairman thereupon appointed a committee consisting of Governors Harrison, Talley, and McDougal to report to the Board. (See paragraphs 3, 20, and 44.)

TOPIC III. A. Discontinuing Payments of Old Series F. R. Notes. (22)

Question of discontinuing payments of old series F. R. notes in the denominations of \$5 to \$100 inclusive, and the problem of handling National bank notes of those denominations after discontinuance of payments of F. R. and U. S. notes in the old series. (See Board's letter X-6393 dated October 19, 1929.)

This topic was the subject of a general discussion and it was

VOTED that the payment of old series F. R. notes in the denominations mentioned be discontinued on January 2, 1930, and that the conference recommend that the Treasury continue to maintain at the highest possible level, its facilities for the redemption of National bank notes.

TOPIC III. B. Canadian Currency. (23)

Proposed plan for redemption of Canadian currency through F. R. banks and branches. (See Board's letter X-6370 dated September 4, 1929.)

In connection with this topic, consideration was given to the Board's letters X-6370 dated September 4, 1929, and X-6413 dated November 7, 1929, as well as the Board's telegram of November 16, 1929, postponing the plan. The consensus of opinion was that in view of the prevailing high rate of exchange, the present is not an opportune time for putting the proposed plan into effect and that it should therefore be indefinitely postponed.

TOPIC IV. A. Specific Maturity Date in Body of Customers Notes. (24)

Desirability of requesting American Bankers Association to induce commercial banks to incorporate specific maturity date in the body of customers notes instead of the present practice of having notes read "90 days after date, etc."
(See report of Auditors Conference held March 19-22, 1929.)

After careful and deliberate consideration of the proposal to request the American Bankers Association to use its influence to bring about the adoption of a practice of incorporating a specific maturity date in the body of customers notes as outlined in the report of the Auditors Conference, it was

VOTED that no action be taken.

TOPIC IV. B. Report of Committee on Policy of F. R. Banks Acting as Custodians of Securities, Including Bankers Bills, Pledged to Secure Public Deposits. (See paragraph 41 Secretary's minutes April 1929 Conference of Governors.) (25)

The Secretary read the committee's report and it was

VOTED that the report be accepted and filed.

TOPIC IV. C. Member Bank Reserves. (26)

Advisability of appointing a committee of experts to devote entire time to study and report on whole subject.
(See paragraphs 36 and 37.)

In the discussion, it was pointed out that this topic has been under study for a long time and that it was quite obvious that a solution could not be found by "round table" discussion. It was, therefore,

VOTED that it is the sense of the conference that the subject of bank reserves is one of the utmost importance requiring the most careful scientific study by experts devoting their entire time

to the matter with a view of drafting a report to the F. R. Board, proposing such amendments to the law or regulations as in their judgment may be necessary to remove any present inequalities or defects and to establish bank reserves through out the country on a more logical or effective basis than now appears to be possible under present laws, State and Federal.

TOPIC IV. D. Publication of Brokers Loans Figures. (27)

1. Should they be discontinued and if so, when;
2. Or should they be more directly associated with total collateral loans of reporting member banks.

After discussion, it was

VOTED that it is the sense of the conference that the brokers loans figures as published by the F. R. Board in their present form, are subject to possible misunderstanding in that they represent only a part of the total volume of credit employed in carrying securities. The conference is of the opinion that it would be unwise to discontinue the publication of these figures at this time, but believes consideration should be given to the advisability and practicability of relating these figures more closely to the figures for bank loans on securities.

TOPIC IV. E. Chain and Branch Banking. (28)

Desirability of appointing a committee to study and report on past and future development of banking through branches, chains, groups, etc. in order that the F. R. System might be prepared if necessary to make recommendations to Congress if asked to do so.

In connection with this topic, the conference gave consideration to the following recommendation of the Federal Advisory Council to the F. R. Board under date of November 19, 1929:

"The Federal Advisory Council recommends that the F. R. Board appoint a committee to study the merits of the branch banking system as practiced in this and other countries, (conditions in Canada being apparently more comparable with our own), the group or chain banking system as developed in this country and elsewhere, and the unit banking system of this and other countries; and, further, the effect of ownership of bank stocks by investment trusts and holding corporations, in order that the F. R. Board may be in possession of accurate and authoritative information on this important subject."

It was

VOTED that the conference endorse the recommendation of the Federal Advisory Council made at its last meeting that a committee be appointed to study this subject.

TOPIC IV. F. Advisability of Recommending Amendment (29)
to F. R. Act Permitting Payment of
Extra Dividends to Member Banks on
F. R. bank stock, as Proposed by
Senator Glass in a Bill Introduced
by Him in the Last Congress.

In connection with this topic, the conference gave careful consideration to a resolution adopted at a meeting of the stockholders of the F. R. Bank of Boston held on November 8, 1929, and also the provisions of the Glass Bill as introduced in the last session of Congress. After a general discussion, it was

VOTED that while the conference is of the opinion that it would be wise to give member banks some greater share in excess earnings of F. R. banks, as contemplated in Senator Glass' bill, nevertheless they believe that there are some unavoidable practical difficulties incident to a regional system such as the F. R. System giving extra dividends predicated on the amount of excess earnings in each district. Apart from the practical difficulties involved, the conference is also fearful lest a distribution of earnings upon such a basis would inevitably tend to bring extraneous pressure upon F. R.

credit policies purely for purposes of earnings. The conference believes that the desired objective of giving member banks a larger participation in F. R. bank earnings may be met with the minimum of difficulty if the present cumulative dividend is increased to a definite figure such as 8%, rather than giving member banks an interest in all excess earnings. Governor Calkins voted in the negative.

TOPIC IV. G. Should Good Wishes at Christmas Time Be Taken as a Matter of Course and the Sending of Messages Over the Leased Wire Conveying Christmas Greetings Be Discontinued. (30)

After a short discussion, it was

VOTED that the sending of messages over the leased wire conveying Christmas greetings be discontinued. Governors McDougal and Black voted in the negative.

TOPIC IV. H. Is There Anything That Can Be Done to Protect Banks Against Fraud in Connection with Telegraphic Transfers of Funds Such as Was Imposed on the New York Banks by the Bank of Telluride, Colorado. (31)

Mr. Worthington explained how the Cashier of the Telluride bank succeeded in effecting transfers through the medium of bogus telegrams, and after a general discussion of the advisability of taking steps to prevent a similar fraud which might involve a Federal reserve bank in a substantial loss, it was the sense of the conference that there is no practical way by which protection could be afforded as a system matter, and that each F. R. bank should take such steps as it deems advisable for its own protection.

- TOPIC IV. I. Services for Federal Farm Board. (32)
Reimbursement of expenses, etc.
in connection with F. R. banks
acting as Fiscal Agent of the
United States on behalf of the
Federal Farm Board in connection
with advances made by the Board
jointly with banks. (For dis-
cussion.)

As it developed that only one or two of the reserve banks were confronted with this problem, it was the opinion that those banks should seek a solution for themselves; therefore, no action was taken.

At 12:50 p. m. the conference adjourned to re-convene at 2:30 p. m.

Second Day's Session Thursday, December 12.

Afternoon

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

- TOPIC IV. J. Methods of Popularizing Membership (33)
in F. R. System.
1. Increased dividends on stock.
Senator Glass' bill. Are
proportions fair. Is it
desirable that earnings
should be pooled to make
extra dividends same in all
districts.

This topic, having been covered under Topic IV. F., was passed without further discussion.

- TOPIC IV. J. 2. Advisability of an amend- (34)
ment to the Act to permit
limited borrowing on strict-
ly defined investment securi-
ties held by member banks.

This topic was generally discussed, but no action taken.

- TOPIC IV. J. 3. Permitting small out-of-town (35)
member banks to send in items
unsorted with an agreed aver-
age date of availability.

No action was taken, it being suggested that this be

left, as recommended in the report of the Standing Committee on Collections of March 22, 1926, to the discretion of the F. R. banks.

- TOPIC IV. J. 4. Providing as part of the (36)
much-needed general re-
vision of reserve require-
ments, the deduction from
gross deposits of -
(a) Cash in vault;
(b) Items with F. R.
banks in process of
collection.
(See paragraphs 26
and 37)

This topic was passed because it had been covered by the action taken under Topic IV. C.

There followed a general discussion of the computation (37) of member bank reserve requirements and it was

VOTED that the conference renew its recommendation made at the conference of April, 1929, that the F. R. Board be requested to consider an amendment to its regulations which will permit member banks to compute their reserve requirements against deposits as of the opening of business on any day instead of the close of the day. (See paragraphs 26 and 36.)

- TOPIC IV. J. 5. Advisability of an amendment (38)
to the Bankruptcy Act pro-
viding that funds in the cus-
tody of the Federal courts
shall be deposited with member
banks of the F. R. System.

After a general discussion, it was

VOTED that the conference favors an amendment to the Bankruptcy Act providing that funds in the custody of the Federal courts shall be deposited with member banks of the F. R. System.

TOPIC IV. K. Report of Leased Wire Committee. (39)

Governor McDougal reported that there had been no changes in the circuits comprising the leased wire system; that there was an increase of 5% in the volume handled for the first nine months of 1929 as compared with the same period in 1928; that the system is apparently operating satisfactorily; and that the facilities in use appear to be ample. It was

VOTED that the report of the Leased Wire Committee be accepted and filed.

TOPIC IV. L. Report of Insurance Committee. (40)

The report of the Insurance Committee was read and it was

VOTED that the report be accepted and filed.

TOPIC IV. M. Report of Pension Committee. (41)

The report of the Pension Committee was read and discussed and it was

VOTED that it be accepted and filed.

TOPIC IV. N. Report of Subcommittee of General Committee on Bankers Acceptances. (42)

The committee's report was read and it was thereupon

VOTED that it be accepted and filed.

The Chairman read a letter from Governor Young dated December 12, 1929, referring to the action taken at the Joint Conference of Governors and Agents in November, 1928, in connection with a topic submitted by the F. R. Board for consideration as to whether special effort should not be made to: (43)

SUPPLEMENTARY TOPIC B. Resolutions Adopted at Stock- (45)
holders Meeting of F. R. Bank
of Boston on November 8, 1929.
(See paragraph 4)

As these resolutions were taken into consideration and discussed in connection with Topic IV. F. and as the action recorded under that topic covers the specific point raised, the topic was passed without further discussion.

SUPPLEMENTARY TOPIC C. Proposed Letter X-6443, Subject (46)
"Liability Incurred by a Mem-
ber Bank in Purchasing F. R.
Exchange."
(See paragraph 5)

After careful consideration of the proposed letter, it was

VOTED that the text of the Board's ruling contained therein was satisfactory.

SUPPLEMENTARY TOPIC D. Proposed Bill to Amend Law Re (47)
Examinations of Member Banks
(See memorandum X-6444 dated
October 7, 1929.)
(See paragraph 5)

The proposed bill to amend the law regarding examinations of member banks was the subject of general discussion and after careful consideration, it was

VOTED that the bill as submitted in letter X-6444, which would impose upon the F. R. banks the responsibility of providing for all expense involved, it would be undesirable to favor such a measure for the following reasons:

- (1) That it would subject all state member banks, in addition to the examinations that they are now subjected to under State laws, to at least two examinations by the Comptroller of the Currency, with as many more as the F. R. Board might at any time direct or the F. R. bank with the approval of the Board desire to make, which we believe would be

generally regarded by State member banks
as an intolerable burden;

- (2) That the repeal of the authority for the acceptance of State examinations would be likely to antagonize State banking authorities in every State of the union;
- (3) That the requirement that the salaries of the examiners appointed by the Comptroller of the Currency and all expenses of the examiners provided for by the Act should be paid by the F. R. Board out of the proceeds of assessments levied on the F. R. banks would involve the F. R. banks in an expense estimated at \$5,000,000;
- (4) That if it is one of the purposes of the Act to benefit member banks, we think that can be much better accomplished by the direct method that we have already recommended than by this indirect method.

SUPPLEMENTARY TOPIC E. Recommendations of Federal (48)

Advisory Council.

(See paragraph 5)

As the recommendations were given careful consideration in connection with other topics appearing on the conference program, after a short discussion, this topic was passed as having been previously covered.

At 5:20 p. m. the conference adjourned to re-convene at 10:30 a. m. Friday, December 13, in joint session with the F. R. Board and F. R. Agents.

H. F. STRATER
Secretary.

