

CONFIDENTIAL

SECRETARY'S MINUTES

GOVERNORS CONFERENCE

SEPTEMBER 24 AND 25, 1930.

WASHINGTON, D. C.

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CONFIDENTIAL

P R O G R A M

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

September 24, 1930.

Washington, D. C.

I. ELECTION OF CHAIRMAN AND SECRETARY FOR YEAR 1931

II. CREDIT TRANSACTIONS AND POLICIES

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| A. | Open Market Policy Conference Procedure.   | New York |
| B. | Discount Rates and Future Credit Policy.   | New York |
| C. | Relation of Credit Growth to Business Growth.                                      | New York |
| D. | Gold - Present Supply and Distribution, and Future Production.                     | New York |
| E. | New York Money Market and Possible Improvements in Its Organization and Operation. | New York |
| F. | Relations with Foreign Banks:  | New York |
|    | 1. Report  |          |
|    | 2. Operations  |          |
|    | 3. Foreign Exchange and Gold Movements   |          |

III. COLLECTIONS AND CLEARINGS

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| A. | Report of Standing Committee on Collections.  |             |
| B. | Why should not Federal Reserve banks receive cash letters from nonmember banks for the credit of member banks under satisfactory guaranty of such member banks. | Kansas City |

IV. GENERAL

- |    |  |             |
|----|--|-------------|
| A. | Reconsideration of policy adopted at Governors conference in March, 1923, in connection with rebates of unearned discount. | Kansas City |
|----|--|-------------|

IV. GENERAL (Cont'd)

- B. Revision of membership condition re purchase of bank stocks. (See F. R. Board's letter X-6692 of September 4, 1930.) F. R. Board
- C. Regulations of Federal Reserve Board. Cleveland  
These are now being printed as separate pamphlets for each regulation. Would it not be advisable to recommend to the F. R. Board that the size of the pamphlets be made to conform more nearly to the circular letters of the Treasury Department and of the majority of the reserve banks.

V. REPORTS OF COMMITTEES

- A. Committee on Bank Reserves.
- B. Committee on Branch, Group, and Chain Banking.
- C. Insurance Committee.
- D. Leased Wire Committee.
- E. Pension Committee.
- F. Subcommittee of General Committee on Bankers Acceptances.

VI. SUPPLEMENTARY TOPICS

- A. Publication in the Federal Reserve Bulletin of the receipt of notice of intention of a State bank member to withdraw from the system. (See Governor Meyer's letter of September 24, 1930.) F. R. Board
- B. Method to stimulate a wider distribution of Treasury bills. Boston
- C. Calculation of reserves by member banks on the basis of their deposits at the close of business the preceding day. (See Governor Meyer's letter of September 25, 1930.) F. R. Board



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

September 24 and 25, 1930.

Washington, D. C.

First Day's Session, Wednesday, September 24.

Morning

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

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

TOPIC I. Election of Chairman and Secretary for the (1)  
Year 1931.

VOTED That Governor Calkins be reappointed Chairman,  
and Mr. Strater reappointed Secretary of the Conference of Gov-  
ernors for the calendar year 1931.

TOPIC II. Credit Transactions and Policies. (2)  
A. Open Market Policy Conference  
Procedure.

There was a general discussion of the results obtain-  
ed under the present Open Market Policy Conference procedure.  
While the present procedure has been found somewhat cumbersome,  
it was felt that the difficulties could possibly be somewhat  
minimized by having the Open Market Policy Conference formulate  
a definite but general policy or objective, leaving the Execu-  
tive Committee with a mandate to execute the policy and with ad-  
equate authority to function promptly without the necessity of

having specific transactions in execution of the policy approved by the conference, or by each member over the telephone, as has been found necessary on several occasions. It was understood, of course, that if at any time there should develop a need for a change in the policy or the objective fixed by the Open Market Policy Conference, then there should be a new meeting of the whole conference.

TOPIC II. Credit Transactions and Policies. (3)  
B. Discount rates and future credit policy.

At the request of Governor Harrison, this topic was passed with the understanding that it would be discussed at the meeting of the Open Market Policy Conference.

TOPIC II. Credit Transactions and Policies. (4)  
C. Relation of credit growth to business growth.

At the request of Governor Harrison, this topic was passed without discussion.

TOPIC II. Credit Transactions and Policies. (5)  
D. Gold - Present supply and distribution and future production.  
E. New York money market and possible improvements in its organization and operation.  
F. Relations with foreign banks:  
1. Report.  
2. Operations.  
3. Foreign exchange and gold movements.

These three topics were passed for later consideration.



TOPIC III. Collections and Clearings. (6)  
A. Report of Standing Committee  
on Collections.

This topic was passed for later consideration.

TOPIC III. Collections and Clearings. (7)  
B. Why should not Federal Reserve  
banks receive cash letters  
from nonmember banks for the  
credit of member banks under  
satisfactory guaranty of such  
member banks.

Mr. Worthington, in explanation of this topic, pointed out in detail a number of reasons why it was thought desirable to extend this privilege under proper restrictions. After a general discussion in which it developed that there was a difference of opinion as to the wisdom of permitting such a practice, the topic was passed without action.

At 1:15 p.m. the conference adjourned to reconvene at 2:15 p.m.

First Day's Session, Wednesday, September 24.

Afternoon

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

TOPIC III. Collections and Clearings. (8)  
A. Report of Standing Committee  
on Collections. (Spring 1930)

At the request of the Chairman, the Secretary outlined briefly the various topics covered by the report of the Standing Committee on Collections, and it was

VOTED that the report be accepted.

In connection with the topic "Use of Air Mail", it (9)  
was understood that the Leased Wire Committee will take under  
consideration the committee's suggestion that the Federal Re-  
serve leased wires be used for transmitting telegraphic advic-  
es of credit from the collecting Federal Reserve Bank.

In connection with the topic "Should All Federal (10)  
Reserve Banks Handle Non-cash Collection Items Payable at Non-  
par Points", Governor Geery agreed to give serious considera-  
tion to the advisability of modifying the present policy of the  
Minneapolis bank to conform to that of the other reserve banks.

SUPPLEMENTARY TOPIC. Publication in the Federal Re- (11)  
serve bulletin of the re-  
ceipt of notice of intention  
of a state bank member to  
withdraw from the system.

Governor Calkins read a letter from Governor Meyer  
dated September 24, 1930, stating that the Federal Reserve  
Board had voted to refer to the Conference of Governors and Fed-  
eral Reserve Agents for discussion as to the policy involved, a  
suggestion that whenever a State member bank files written no-  
tice of intention to withdraw from the Federal Reserve System at  
the expiration of six months, the Board publish this fact in the  
Federal Reserve Bulletin in order that depositors and the public  
generally may have advance information of the member bank's in-  
tention to withdraw. The letter was supplemented by a memoran-  
dum X-6718 of September 20, 1930, from the General Counsel of

the board indicating that there is no legal reason why the board should not publish such information if, in the board's judgment, it would be in the public interest to do so.

A general discussion followed at which it was brought out that in some instances after notice of intention to withdraw has been filed, the member bank reconsiders its decision and withdraws the notice before the expiration of the six-months period. It was thought that publication of such notice might tend to seriously embarrass the member bank without serving any useful purpose and if notice is withdrawn, it would be necessary to publish that fact also. There are two principal purposes in requiring the statutory notice; first, to prevent any sudden disturbance of the resources of the reserve banks resulting from many State banks withdrawing at one time; and second, to permit the withdrawing State member bank to reconsider the full effect of withdrawal from the system upon its own welfare. It was, therefore,

VOTED that the conference is of the opinion that no change should be made in the present procedure of not publishing notice of intention to withdraw on the part of State member banks, for the reason that such publication will tend to defeat one of the principal objects of the law requiring that six months notice be given.



TOPIC IV. General.

- A. Reconsideration of policy adopted at Governors' conference in March, 1923, in connection with rebates of unearned discount.

(12)

In the discussion of this topic, it developed that while there have been objections from a few member banks, these were evoked principally by reductions in the rediscount rate and were not considered of sufficient importance to justify such a change. It was therefore

VOTED that no change be made in the present practice of rebating unearned discount.

TOPIC IV. General.

- B. Revision of membership condition re purchase of bank stocks. (See Federal Reserve Board's letter X-6692 of September 4, 1930.)

(13)

There was a general discussion of the advisability of eliminating entirely the condition of membership relating to the purchase of bank stocks, in which it developed that the elimination of this provision might seriously affect the National Banking System. The Comptroller of the Currency was invited into the meeting to give his views on the subject. The Comptroller expressed the opinion that elimination of restrictions by the Federal Reserve Board would not adversely affect the National Banking System. The conference was in agreement that no material change in the present condition of membership regarding the purchase of bank stocks should be made until the

Committee on Group, Chain, and Branch Banking has made a complete report and the conference has made a definite recommendation. In order, however, to eliminate the petty annoyances arising where State bank members have for one reason or another acquired small blocks of the stock of other banks and to relieve the Federal Reserve Board of the necessity of approving such purchases, it was

VOTED that in the opinion of the conference, no material change should be made in the present condition of membership No. 3, except that there might be added a provision that it shall not be necessary for a State member bank to obtain the approval of the Federal Reserve Board before purchasing stock in other banks where the aggregate amount of such stock does not exceed 5% of the capital and surplus of the purchasing member bank, or 10% of the capital of the bank purchased.

TOPIC IV. General.

(14)

C. Regulations of the Federal Reserve Board. These are now being printed as separate pamphlets for each regulation. Would it not be advisable to recommend to the Federal Reserve Board that the size of the pamphlets be made to conform more generally to the circular letters of the Treasury Department and of the majority of the reserve banks.

Mr. Strater explained that the present size of the pamphlets containing the separate regulations of the Federal Reserve

Board do not lend themselves to convenient filing in the ring-binders furnished to member banks in all of the districts. He expressed the opinion that a change, such as suggested, would tend to insure the preservation of these important regulations by member banks. It was therefore

VOTED that the Federal Reserve Board give consideration to the advisability of publishing the separate regulations in pamphlets which conform more nearly in size to the circular letters of the Treasury Department and the majority of the Federal Reserve banks.

SUPPLEMENTARY TOPIC.     Method to Stimulate a Wider     (15)  
Distribution of Treasury  
Bills.

Governor Young explained that the Federal Reserve Bank of Boston finds it is unable to get a very good distribution of Treasury bills which are offered by the Secretary of the Treasury from time to time. After an investigation of the probable reasons why a better distribution is not obtained, the conclusion was reached that the following difficulties seem to confront the country banks and the public:

1. They are not accustomed to buying securities at a discount;
2. No tables are available for computing the yield or return;
3. Differences of opinion have developed as to whether the bills run 90, 91, or 92 days.



Governor Young was of the opinion that the Treasury Department would secure a wider distribution of Treasury bills if some of the difficulties were overcome, and suggested the following:

1. That when an issue is announced, the Secretary of the Treasury simultaneously announce whether the bills have 90, 91, or 92 days to run;
2. That tables be prepared for distribution to country bankers and the public showing yields at bid prices.

After a general discussion, it was

VOTED that Governor Young's suggestion be recommended to the Undersecretary of the Treasury for consideration.

TOPIC II. Credit Transactions and Policies.

(16)

D. Gold - Present supply and distribution, and future production.

Governor Harrison discussed in a general way the present world supply of gold, its distribution among the countries for which figures were available, and the probable extent and effect of future production.

At 5:30 p. m. the conference adjourned to reconvene at 10:00 a. m. on Thursday, September 25.

Second Day's Session, Thursday, September 25.

Morning

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

TOPIC II. Credit Transactions and Policies. (17)  
E. New York money market and possible improvements in its organization and operation.

After a general discussion of the advisability of the Federal Reserve System undertaking to recommend any changes in practice or procedure to improve the credit structure of the country, it was

VOTED to be the sense of the conference that the Chairman should appoint a committee of five Governors to study and report in the light of the experiences of the past two or three years, whether and in what way, if at all, it would be possible or practicable through any change in Federal Reserve practices or procedure to promote a more effective control over undue or harmful fluctuations in the country's credit structure. The Chairman thereupon appointed the following committee:

Governor Harrison, Chairman  
Norris  
Young  
McDougal  
Calkins

SUPPLEMENTARY TOPIC. Calculation of Reserves by (18)  
Member Banks on the Basis of Their Deposits at the Close of Business the Preceding Day.

Governor Calkins read a letter from Governor Meyer under date of September 25, calling attention to a request from the Committee on Reserves of the Reserve City Bankers Association that the Federal Reserve Board give consideration to an

amendment to its regulations which would permit the calculation of reserves by member banks on the basis of their deposits at the close of business the preceding day, in advance of any amendment to the Board's regulations on the subject of reserves which might result from the studies being conducted by the System Committee on Reserves. The request of the Reserve City Bankers Association was referred to the System Committee on Reserves with the request that it give immediate consideration to this one question independently of any other changes which it might have under consideration, and that it report to the board with a recommendation. The committee's report under date of September 24 was submitted with Governor Meyer's letter. The committee indicated in its report that the proposed modification of the existing practice will give member banks an opportunity to compute their reserve requirements on the basis of known, rather than estimated, deposit liabilities, and, consequently, constitutes a material benefit to member banks without, as far as the committee can see, any material adverse effect on the Federal Reserve banks. The committee recommended that the request be approved.

There followed a general discussion of the various factors entering into the question of reserves, in which it developed that the conference was of the opinion that the amount of excess reserve, which the committee of the Reserve City Bankers Association thought would be released by the adoption



of this practice, was probably overestimated, and that deposits in the reserve banks would not be materially decreased. The benefit to member banks resulting from their ability to adjust their reserve to a definite requirement would, on the other hand, be welcomed by member banks in reserve cities. It was

VOTED that the recommendation of the Committee on Bank Reserves be approved. Governor Harrison voted in the negative.

TOPIC II. Credit Transactions and Policies. (19)  
F. Relations with foreign banks:  
1. Report  
2. Operations  
3. Foreign exchange 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 V. Reports of Committees. (20)  
A. Report of Committee on Bank Reserves.  
B. Report of Committee on Branch, Group, and Chain Banking.

At the request of the Chairmen of these committees, the conference agreed that written reports of progress be read to the Joint Conference of Governors and Agents.

TOPIC V. Reports of Committees.

(21)

- C. Report of Insurance Committee.
- D. Report of Leased Wire Committee.
- E. Pension Committee.
- F. Report of Subcommittee of General Committee on Bankers Acceptances.

These committee reports were read and, it was  
VOTED that they be accepted and filed.

At 1:15 p. m. the conference adjourned to reconvene  
at 10:00 a. m. on Friday, September 26, in joint conference  
with the Federal Reserve Agents and the Federal Reserve Board.

H. F. STRATER

Secretary.

At the Joint Conference of Governors and Agents, the (22)  
following letter was signed by each of the Governors and each of  
the Chairmen:

"Honorable Eugene Meyer, Governor,  
Federal Reserve Board,  
Washington, D. C.

Dear Governor Meyer:

This seems to be an appropriate time to extend to you the good wishes, and to pledge to you the loyal support, of the members of the Conference of Governors and Chairmen. The news of your appointment as a member of the Federal Reserve Board and as its Governor was received by all of us with the greatest possible pleasure and satisfaction. We feel, as many others do, that your wide and successful experience in many lines of endeavor will be a real contribution to the future of the Federal Reserve System. In return for what you are bringing to the System, we want at this time to assure you of our complete cooperation. We wish you the greatest possible success in your new undertaking and much satisfaction in its accomplishment.

With warmest good wishes, we beg to subscribe ourselves

Sincerely your friends"



