

## The Papers of Eugene Meyer (mss52019)

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Subject File, Federal Reserve Board, Minutes of Conferences, 1931-32

EUGENE MEYER

SUBJECT FILE

FEDERAL RESERVE BOARD  
MINUTES OF CONFERENCES  
1931-32

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HOWARD  
MADE

CONFIDENTIAL

PROGRAM  
GOVERNORS CONFERENCE

April 27, 28, and 29, 1931

Washington, D. C.

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| G. | Interim report of committee of Governors appointed at September 1930 conference to study Federal Reserve practice and procedure.  | New York<br>Philadelphia |

- H. Should loans on adjusted service certificates be made eligible for pledge with the Agent. Minneapolis
- I. Should earnings, or lack of them, influence our investment policy. San Francisco

II. OPERATION AND ADMINISTRATION

- A. Bank supervision and appropriate relationship of reserve banks to bank examinations and supervision. New York
  - 1. Recommendation of Federal Advisory Council that "There should be imposed upon the Federal Reserve banks the requirement to keep themselves informed of the quality of the investments and loans, and the policy of the management of all member banks." San Francisco Philadelphia
- B. Earnings and expenses of Federal Reserve banks. Minneapolis Chicago Richmond
  - 1. Consideration of advisability of action to reduce expenses of operation of Federal Reserve banks, inauguration of service charges, discontinuance of certain free services, etc., in an effort to more nearly equalize expenses and earnings. Kansas City Cleveland
- C. Reconsideration of character of Fiscal Agency Department expense, which should be reimbursed by the Treasury Department. Kansas City Cleveland
- D. Change in weekly Federal Reserve bank statement. (It has been recommended that hereafter special one-day Treasury certificates of indebtedness be shown separately in the body of the weekly Federal Reserve bank statement against the caption "Special Treasury Certificates." See F. R. Board's letter X-6859 of April 13, 1931). F. R. Board



E. Compensation for officers and employees of Federal Reserve banks after death and during periods of incapacitation and extended illness. (The board considers it important that some definite understanding should be arrived at concerning this matter, and, if possible, also regarding matter of salary payments to officers and employees absent on account of illness or injury not received in the line of official duty. See F. R. Board's letter X-6859 of April 13, 1931.) F. R. Board

F. Advertising Federal Reserve membership. New York

G. Possibility of securing cooperation of investment banking houses in character of securities offered for purchase by banks. Philadelphia

### III. COLLECTIONS AND CLEARINGS

A. Report of Standing Committee on Collections.

B. Desirability of endeavoring to get the bankers associations of the different states interested in the matter of having the American Bankers Association bank collection code adopted by their respective State legislatures. Boston

C. Uniform arrangement to notify all Federal Reserve banks and branches of reopening or succession of banks previously closed. Dallas

D. Uniformity in respect to advices of final returns following "without returns" notices. Dallas

### IV. REPORTS OF COMMITTEES

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C. Pension committee.

D. Subcommittee of general committee on bankers acceptances.

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- |    |  |             |
|----|--|-------------|
| A. | Desirability of definition by the Treasury Department of the rights, duties, and responsibilities of Federal Reserve banks in "cashing" Government checks and warrants. (See F. R. Board's letter dated April 27, 1931.) | F. R. Board |
| B. | Suggested policy in acting on applications of state banks and trust companies for membership. (See F. R. Board's letter dated April 27, 1931.)   | F. R. Board |
| C. | Progressive penalty rates. (See F. R. Board's memorandum X-6892-a dated April 25, 1931.)   | F. R. Board |

HOWARD BOND  
MADE IN U.S.A.

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

April 27, 28, and 29, 1931

Washington, D. C.

First Day's Session, Monday, April 27.

Morning

The meeting was called to order at 10:40 a. m.

PRESENT: Governor Calkins, Chairman, and  
Governors Young, Harrison,  
Norris, Fancher, Seay,  
Black, McDougal, Martin,  
Geery, Bailey, and Talley.

Deputy Governor Worthington.

Governor Meyer and Messrs. Miller and  
James of the Federal Reserve  
Board.

Mr. Strater, Secretary.

VOTED that the topics submitted by the Federal Reserve  
Board be made the first order of business.

TOPIC II.    OPERATION AND ADMINISTRATION (1)  
D.    Change in weekly Federal  
Reserve bank statement.

VOTED that the conference approves the suggestion  
contained in the board's letter X-6859 of April 13, 1931, that  
special one day certificates of indebtedness be shown separ-  
ately in the body of the weekly Federal Reserve bank statement  
against the caption "Special Treasury Certificates."

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TOPIC II, OPERATION AND ADMINISTRATION (2)

E. Compensation for officers and employees of Federal Reserve banks after death and during periods of incapacitation and extended illness.

It was the consensus of opinion that this topic embraces two related questions, and it was

VOTED that each question be considered separately:

First: Payment of a sum equal to one or more months salary to the widow, dependents, or estate of deceased officers or employees. (3)

Careful consideration was given to the matters referred to in the board's letter X-6859, particularly the legal questions involved, and also the desirability of arriving at a definite understanding as to a general policy to be followed by each of the Federal Reserve banks. After a general discussion, in which the members of the Federal Reserve Board participated, it was

VOTED that it is the sense of the conference:

1. That in the event of the death of an officer or employee of a Federal Reserve bank, his salary should be paid up to the next succeeding pay day;
2. That the question whether any further increase in life insurance for officers and employees of a Federal Reserve bank is desirable is a matter for the determination of the Board of Directors of that bank subject, if necessary, to the approval of the Federal Reserve Board.

3. That this whole question inevitably raises the propriety of further consideration of a pension plan, and that because of the difficulties and delays attached to the consummation of a group pension plan, the Federal Reserve Board should be asked whether it would approve of a reasonable retirement annuity or insurance plan for individual reserve banks along lines that are now considered appropriate and proper for large corporations in this country employing large numbers of workers.

Second: Payment of salary in full or in part to officers or employees incapacitated on account of sickness, or otherwise. (4)

After a general discussion of the various phases of this question, it was the consensus of opinion that the present procedure as set up by the Federal Reserve Board and followed by all of the Federal Reserve banks was satisfactory, and it was

VOTED that the payment of salary in whole or in part to incapacitated officers or employees should be determined by each Federal Reserve bank in the light of the circumstances surrounding each individual case. Where the absence exceeds the regular vacation period by thirty days, payment of salary during further leave of absence should be subject to approval by the Board of Directors and reported monthly to the Federal Reserve Board, in accordance with the board's letter of June 14, 1928 (X-6069.)

SUPPLEMENTARY TOPIC A.      Desirability of defini-      (5)  
tion by the Treasury  
Department of the rights,  
duties, and responsibili-  
ties of Federal Reserve  
banks in "cashing" Govern-  
ment checks and warrants.

Governor Calkins read a letter from Governor Meyer dated April 27, 1931, explaining that this matter had been taken up with the board by one of the Federal Reserve banks, and that the board's counsel suggested that the entire matter be referred by the conference to a committee for study and report. A memorandum prepared by the board's counsel was furnished to each member of the conference. It was

VOTED to refer this topic to the Standing Committee on Collections for study and report to the Fall Conference of Governors.

SUPPLEMENTARY TOPIC B.      Suggested policy in act-      (6)  
ing on applications of  
State banks and trust  
companies for member-  
ship.

This topic was also submitted in Governor Meyer's letter of April 27, 1931, with the request that the conference express its opinion with regard to the adoption of the policy by the Federal Reserve Board of requiring that, at the time of admission of a State bank or trust company to membership in the system, it shall be free from all known losses and depreciation so that on the date its membership becomes effective, its statement will reflect as nearly as possible, the value of its assets. It was

VOTED that it is the sense of the conference that the policy which the Federal Reserve Board proposes to adopt is sound in principle.

Governors Young and Black voted in the negative.

TOPIC I. CREDIT TRANSACTIONS AND POLICIES (7)  
H. Should loans on adjusted service certificates be made eligible for pledge with the Agent.

VOTED that notes representing loans on adjusted service certificates should not be made eligible for pledge with the Federal Reserve Agent.

TOPIC IV. REPORTS OF COMMITTEES (8)  
A. Insurance committee.  
B. Leased wire committee.  
C. Pension committee.  
D. Subcommittee of general committee on bankers acceptances.

TOPIC III. COLLECTIONS AND CLEARINGS  
A. Report of Standing Committee on Collections.

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

TOPIC II. OPERATION AND ADMINISTRATION (9)  
G. Possibility of securing cooperation of investment banking houses in character of securities offered for purchase by banks.

After a general discussion, it was

VOTED that this topic be passed without action.

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

First Day's Session, Monday, April 27.

Afternoon

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

Same attendance as at the morning session, except members of the Federal Reserve Board.

TOPIC I. CREDIT TRANSACTIONS AND POLICIES (10)

A. Discount rates and open market operations.

1. Their relation to volume of trade, production, and commodity prices.

There followed a general discussion of the Federal reserve discount rate and the bill rates, and the effect of recent bill reductions not only on the total volume and price of credit, but on the foreign exchanges and the gold movement. Consideration was also given to the probable effect of any further reductions in bill and discount rates on the rates of interest paid on deposits by banks. It was thought that reductions in interest rates on all classes of deposits might exert some pressure in the direction of compelling surplus credit accumulating as bank deposits to seek employment in other fields.

At the invitation of the conference, Governor Meyer entered the meeting at 4:30 p. m. and joined in the discussion.

At 5:50 p. m. the conference adjourned to reconvene at 10:00 a. m. on Tuesday, April 28.



Second Day's Session, Tuesday, April 28.

Morning

The meeting was called to order at 10:30 a. m.  
Same attendance as at the preceding session.

TOPIC I. CREDIT TRANSACTIONS AND POLICIES (11)  
A. Discount rates and open market operations.  
2. Report on open market operations.

Governor Harrison furnished each of the Governors with a report to be presented by him to the Open Market Policy Conference. This report reviewed open market operations during the past year in connection with business, banking, and credit transactions generally, and emphasized the importance of an affirmative system policy in the light of those conditions. (See also Governor Harrison's report sent to each Governor with his letter of May 7, 1931).

TOPIC I. CREDIT TRANSACTIONS AND POLICIES (12)  
B. Gold.  
1. Its effect, if any, upon the present depression.

Governor Harrison discussed the effect of recent gold imports and the probable effect of impending and continued gold imports from European countries. He stressed the importance of some effort being made to retard the flow of gold into this country, or at least to make useful gold

which is imported rather than to have all imports of gold nullified by pro tanto reductions in Federal Reserve credit, as has been the case for the past fifteen months.

TOPIC I. CREDIT TRANSACTIONS AND POLICIES (13)  
B. Gold.  
2. Desirability of publication of separate reserve percentages against notes and deposits.

There was a general discussion of the present policy and practice of publishing only the reserve percentages against combined notes and deposits, and the possible advantage of setting aside a definite, although perhaps arbitrary, amount of gold as reserve against Federal Reserve notes and the balance of the gold held by the Federal Reserve banks as a reserve against deposits with perhaps a minimum percentage, so that the ratio of gold reserves to deposits might serve as a better indicator of the volume and velocity of bank credit in use in the country. No action was taken.

TOPIC I. CREDIT TRANSACTIONS AND POLICIES (14)  
E. Treasury financing.  
1. Treasury bills, certificates, and long time bonds.

Honorable Ogden L. Mills, Undersecretary of the Treasury, entered the conference at 11:10 a. m., and dis-

cussed some of the problems confronting the Treasury in connection with current and long time financing.

TOPIC I. CREDIT TRANSACTIONS AND POLICIES (15)

D. Desirability of flexibility of interest rates paid on deposits and of bank dividends.

The general tendency on the part of banks in some communities to reduce the rate of interest paid on deposits was commended as good banking policy at this time. It was the sense of the conference that where the advice of officers of the Federal Reserve System was solicited, it would be desirable and helpful to point out to inquiring member banks specific instances where the reduction of interest rates on deposits has proven beneficial.

While the reduction in the rates of dividends paid by member banks would also be very helpful in many instances, it was felt that this is a matter that should be left with the directors of the member banks.

TOPIC I. CREDIT TRANSACTIONS AND POLICIES (16)

C. Relations with foreign banks.

1. Report.
2. Operations.
3. Credit and economic conditions in principal foreign countries.
4. Silver.

Governor Harrison reported informally on the

various matters relating to operations with foreign central banks, commenting particularly on the depressed economic conditions abroad, as reflected in the unfavorable trend of imports and exports in those countries where statistics were available, and the situation with respect to silver.

TOPIC I. CREDIT TRANSACTIONS AND POLICIES (17)

F. Possible desirability of amending Federal Reserve Act so as to permit a Federal Reserve bank in emergencies to make advances to member banks on the security of assets other than presently eligible paper.

There was a general discussion in which it developed that some broadening of eligibility requirements as an emergency measure under proper restrictions and regulations might be desirable. Action was deferred until the session on Wednesday morning.

At 1:15 p. m. the conference adjourned to reconvene at 9:30 a. m. Wednesday, April 29.

Third Day's Session, Wednesday, April 29.

Morning

The meeting was called to order at 9:45 a. m. with the same attendance as at the preceding session.

TOPIC I. CREDIT TRANSACTIONS AND POLICIES (18)

F. Possible desirability of amending Federal Reserve Act so as to permit a Federal Reserve bank in emergencies to make advances to member banks on the security of assets other than presently eligible paper.

The discussion begun at the previous session was resumed, and it was

VOTED that it is the sense of the conference that it would be desirable to amend Section 13 of the Federal Reserve Act so as to make it possible for Federal Reserve banks to make advances to their member banks on their promissory notes when secured either by collateral now defined as eligible collateral under the terms of Section 13, or when secured by the deposit or pledge of debentures of Federal Intermediate Credit Banks which have a maturity of not more than six months, or in the case of an emergency when secured by other assets subject to the discretion of the Board of Directors of the Federal Reserve bank and subject to such restrictions, limitations, and regulations as may be imposed by the Federal Reserve Board. It was the understanding of the conference that when such notes of member banks are secured by notes, drafts, bills of exchange, or bankers' acceptances, such as are now eligible for rediscount or purchase by Federal Reserve banks, such promissory notes should have a maturity of

not more than 90 days sight, exclusive of days of grace, and that when secured in whole or in part by any other collateral they should have a maturity of not more than 15 days sight, exclusive of days of grace. It is the sense of the conference that if the Federal Reserve Board approves the principles involved in this resolution, it should be asked to consider what would be an appropriate time to request the necessary legislation.

Governors Calkins, Martin, and Talley voted in the negative.

TOPIC I. CREDIT TRANSACTIONS AND POLICIES (19)  
G. Interim report of committee of Governors appointed at September 1930 conference to study Federal Reserve practice and procedure.

Governor Harrison, Chairman of this committee, reported that it had been impracticable for the committee to meet, and that consequently it was unable to submit a report at this time.

TOPIC I. CREDIT TRANSACTIONS AND POLICIES (20)  
1. Should earnings, or lack of them, influence our investment policy.

After a short discussion, it was

VOTED that the investment policy of the Federal Reserve banks should not be influenced by earnings.

TOPIC II.      OPERATION AND ADMINISTRATION      (21)

A.      Bank supervision and appropriate relationship of reserve banks to bank examinations and supervision.

1.      Recommendation of Federal Advisory Council that "There should be imposed upon the Federal Reserve banks the requirement to keep themselves informed of the quality of the investments and loans, and the policy of the management of all member banks."

The question of bank supervision and bank examinations, and the recommendation of the Federal Advisory Council, were considered by the conference to be matters requiring careful consideration and study, and after a short discussion, it was

VOTED that the whole question be referred to the conference's committee on Federal Reserve practice and procedure for study and report to the next Conference of Governors. (The committee consists of Governor Harrison, Chairman, and Governors Norris, Young, McDougal, and Calkins.)

TOPIC II.      OPERATION AND ADMINISTRATION      (22)

B.      Earnings and expenses of Federal Reserve banks.

1.      Consideration of advisability of action to reduce expenses of operation of Federal Reserve banks, inauguration of service

charges, discontinuance of certain free services, etc., in an effort to more nearly equalize expenses and earnings.

It was the consensus of opinion that the earnings of Federal Reserve banks, as well as the advisability of action to reduce expenses of operation, were questions which could more intelligently be considered after some months of further experience, and it was

VOTED that consideration be deferred until the Fall meeting of the conference.

TOPIC II. OPERATION AND ADMINISTRATION (23)

C. Reconsideration of character of Fiscal Agency Department expense, which should be reimbursed by the Treasury Department.

After a brief discussion, it was the sense of the conference that this topic was in the same category as the preceding one, and that consideration should also be deferred until the Fall Conference of Governors.

TOPIC II: OPERATION AND ADMINISTRATION (24)

F. Advertising Federal Reserve membership.

Governors Harrison and Norris informed the conference of their experience with a corporation organized for the purpose of advertising the benefits derived from membership



in the system, the expenses of the corporation to be derived at least in part by voluntary contributions from member banks. The corporation has attempted to obtain the approval or endorsement of the Federal Reserve Banks of New York and Philadelphia. Without formal action, it was agreed that the Federal Reserve banks could not with propriety give approval or support to any agency or organization soliciting subscriptions from banks and others for the purpose of explaining or advertising the benefits derived from membership in the system.

TOPIC III.      COLLECTIONS AND CLEARINGS      (25)

- B. Desirability of endeavoring to get the bankers associations of the different states interested in the matter of having the American Bankers Association bank collection code adopted by their respective State legislatures.
- C. Uniform arrangement to notify all Federal Reserve banks and branches of reopening or succession of banks previously closed.
- D. Uniformity in respect to advices of final returns following "without returns" notices.

It was

VOTED to refer these topics to the Standing

Committee on Collections for study and report to the next Conference of Governors.

SUPPLEMENTARY TOPIC C. Progressive Penalty Rates. (26)

Governor Calkins read a memorandum from Mr. Smead, Chief of the Division of Bank Operations, to Governor Meyer, subject: "Progressive penalty rates on deficiencies of member banks". It was

VOTED that the Federal Reserve Board be requested to forward a copy of Mr. Smead's memorandum, as a matter of information, to each Federal Reserve bank which now applies progressive penalty rates for continued deficiencies in reserves.

At 1:15 p. m. the conference adjourned.

H. F. STRATER

Secretary.

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CONFIDENTIAL

PROGRAM  
GOVERNORS CONFERENCE

December 1 and 2, 1931

Washington, D. C.

- I. ELECTION OF CHAIRMAN AND SECRETARY FOR YEAR 1932
- II. CREDIT TRANSACTIONS AND POLICIES
- A. Discount rates and open market operations. New York
1. Report of Open Market Policy Conference. New York
2. Seasonal program covering December and year-end operations. New York
3. Adjustment of system investments in Government securities in times of emergency. Richmond
- B. Gold. New York
1. Review of recent movements. New York
2. Future policy here and abroad. New York
- C. Relations with foreign banks. New York
1. Report of foreign operations of system. New York
2. Foreign exchanges and the gold standard. New York
- D. The banking situation and bank failures. New York
1. National Credit Corporation. New York
2. Proposed Real Estate Mortgage Discount Corporation. New York
3. Policies of bank examiners. New York
4. Recommendation to the Federal Reserve Board that at an appropriate time legislation be sought limiting the proportion of capital and surplus which a National bank may invest in building and fixtures, either by statutory designation or by requiring the approval of the Comptroller of such investment. Philadelphia
- E. Intermediate Credit Banks. New York
1. Cooperation of Federal Reserve Banks. New York

- F. Municipal finance.
  - 1. Increased burden on municipal budgets due to unemployment. New York
  - 2. Purchase of municipal warrants by Federal reserve banks. New York

III. OPERATION AND ADMINISTRATION

- A. How can we balance our budget. Kansas City
- B. Safekeeping of securities for member banks.
  - 1. The advisability of securing from all member banks depositing securities with Federal Reserve banks for safekeeping an agreement whereby the depositing bank would agree to approve and accept the insurance policy carried by the Federal reserve bank, and all liability other than that covered in the Federal reserve bank's policy would be assumed by the depositing bank, which, if it desired, could itself carry insurance against such additional liability. F. R. Board
  - 2. Cost of the safekeeping function at Federal reserve banks. F. R. Board

(See Federal Reserve Board's letters X-6940 and X-6940-a dated August 11, 1931.)
- C. Inquiries involving matters of system policy or interest. (See Federal Reserve Board's letter X-7030 dated November 23, 1931.) F. R. Board

IV. COLLECTIONS AND CLEARINGS

- A. Report of Standing Committee on Collections.

V. REPORTS OF COMMITTEES

- A. Committee on Bank Reserves.
- B. Insurance Committee.
- C. Leased Wire Committee.
- D. Pension Committee.
- E. Sub-committee of General Committee  
on Bankers Acceptances.

SUPPLEMENTARY TOPIC. Report of Committee on group,  
branch, and chain banking.



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

December 1 and 2, 1931.

Washington, D. C.

First Day's Session. Tuesday. December 1.

Morning

The meeting was called to order at 10:30 a. m.

Present: Governor Calkins, Chairman, and  
Governors Young, Harrison,  
Norris, Fancher, Seay, Black,  
McDougal, Martin, Geery, Bailey,  
and McKinney.

Mr. Strater, Secretary.

TOPIC I. ELECTION OF CHAIRMAN AND SECRETARY FOR THE (1)  
YEAR 1932.

VOTED that Governor Calkins be re-appointed Chairman,  
and Mr. Strater re-appointed Secretary for the calendar year 1932.

TOPIC II. CREDIT TRANSACTIONS AND POLICIES (2)

A. Discount rates and open market  
operations.

1. Report of open market opera-  
tions.
2. Seasonal program covering  
December and year-end oper-  
ations.

Governor Harrison, Chairman of the Open Market Policy Conference, furnished to each of the Governors a report of open market operations for System Account, showing changes in the holdings of Government securities and bills, and the changes in the participations of the individual Reserve banks.

There was a general discussion of discount rates in relation to; and as they might be affected by, open market operations.

TOPIC II. CREDIT TRANSACTIONS AND POLICIES.

(3)

3. Adjustment of system investments  
in Government securities in times  
of emergency.

Governor Seay outlined his views regarding the necessity for some provision being made for any Reserve bank which finds it necessary to dispose of its participations in Government securities held for System Account, particularly in the event that its proportion could not be absorbed by the other participating banks.

It was the sense of the conference, as previously recommended by the Executive Committee of the Open Market Policy Conference, that in any case where a Federal Reserve bank needs to adjust its position on account of its reserve ratio, it should offer for participation among other Federal Reserve banks some of its holdings of Bankers' acceptances, and that in any case where a Federal Reserve bank needs to adjust its free gold position, which would not be aided by a sale of Bankers' acceptances, it should offer for participation to the other Federal Reserve banks some of its holdings of Government securities. If in the latter case such necessary offerings of Government securities are not accepted by other Federal Reserve banks, then it is clearly within the authority of the Reserve bank needing accommodation to sell such Government securities in the open market. It was generally understood, however, that no Federal Reserve bank, so long as it is a member of the Open Market Policy Conference, should sell its holdings of Government securities in the market as a matter of credit policy contrary to the approved policy of the Open Market Policy Conference. The right to buy or sell securities in the market as an emergency was generally agreed to by all the Governors present.

TOPIC II. CREDIT TRANSACTIONS AND POLICIES (4)

B. Gold.

1. Review of recent movements.
2. Future policy here and abroad.

Governor Harrison discussed the recent unprecedented withdrawal of gold from the United States by foreign countries, and the factors which entered into the apparent halting of these withdrawals which had continued for a period of five or six weeks, ending at the close of October.

TOPIC II. CREDIT TRANSACTIONS AND POLICIES (5)

C. Relations with foreign banks.

1. Report of foreign operations of the system.
2. Foreign exchanges and the gold standard.

Governor Harrison discussed the various matters relating to the operations of the system with foreign central banks, also the status of principal foreign countries with respect to the gold standard, and furnished each of the Governors with a memorandum entitled "The Credit Crisis of 1931," giving in detail a history of the crises in various foreign countries and the events leading up to the abandonment or suspension of the gold standard in many of them.

TOPIC II. CREDIT TRANSACTIONS AND POLICIES (6)

D. The banking situation and bank failures.

1. National Credit Corporation.

There was a general discussion of the activities of the corporation, and the present status of its operations.

TOPIC II. CREDIT TRANSACTIONS AND POLICIES (7)

D. The banking situation and bank failures.

2. Proposed Real Estate Mortgage Discount Corporation.

There was a general discussion of the effect of such a corporation on the commercial banking situation. It was generally the

opinion that the proposed limitations would make the corporation of relatively little direct benefit to commercial banks of the country.

TOPIC II. CREDIT TRANSACTIONS AND POLICIES (8)  
D. The banking situation and bank failures.  
3. Policies of bank examiners.

There was a general discussion of this topic, and it was the consensus of opinion that it is very important that the supervisory authorities exercise the greatest care and their best judgment to the end that no possibility of keeping solvent banks in operation is overlooked.

TOPIC II. CREDIT TRANSACTIONS AND POLICIES (9)  
D. The banking situation and bank failures.

4. Recommendation to the Federal Reserve Board that at an appropriate time legislation be sought limiting the proportion of capital and surplus which a National bank may invest in building and fixtures, either by statutory designation or by requiring the approval of the Comptroller of such investment.

After a general discussion, it was

VOTED that in connection with recent bank troubles, the Governors have been impressed by the excessive proportion of the capital structures invested, in many cases, in banking quarters. The conference therefore suggests to the Federal Reserve Board the advisability of considering legislation which will secure some effective check upon investments of this kind, by member banks.

TOPIC II. CREDIT TRANSACTIONS AND POLICIES (10)  
E. Intermediate Credit Banks.  
1. Cooperation of Federal Reserve Banks.

The suggestion with respect to Intermediate Credit Bank

debentures made by the Federal Advisory Council to the Federal Reserve Board at its meeting on November 16 was read, and it was

VOTED that it is the sense of the conference that it concurs in the recommendation of the Advisory council with respect to Intermediate Credit Bank debentures, and approves the council's suggestion that the Federal Reserve Board consider the possibility of recommending to Congress that debentures issued by Intermediate Credit Banks be made eligible as security for promissory notes discounted by member banks with Federal Reserve banks. The conference believes, however, that such debentures should have a maturity of not exceeding six months.

TOPIC II. CREDIT TRANSACTIONS AND POLICIES (11)

F. Municipal finance.

1. Increased burden on municipal budgets due to unemployment.
2. Purchase of municipal warrants by Federal Reserve banks.

It was the consensus of opinion that member banks should be aided by the Federal Reserve banks, when necessary, by the purchase of eligible municipal warrants. Municipal warrants of the character defined in the Regulations of the Federal Reserve Board might appropriately be purchased on a fifteen (15) day resale agreement at a rate to be determined by the purchasing Federal Reserve bank.

At 12:50 p.m. the conference adjourned to reconvene at 2:30 p. m.

First Day's Session. Tuesday. December 1.

Afternoon

The meeting was called to order at 2:35 p. m.

Same attendance as at the morning session.

TOPIC III. OPERATION AND ADMINISTRATION

(12)

A. How can we balance our budget?

There was a general discussion as to the attitude of the several Governors regarding salary reductions, omission of dividends, and the suspension of free services to member banks. In this connection, it was pointed out that in all districts salary scales are already at best only equal to, and in many cases lower than, salaries paid by commercial institutions for comparable work. In view of that fact, and the further fact that the reserve banks do not provide bonuses, or give other advantages such as obtain at commercial institutions, especially during more prosperous periods, it would be unjust and disorganizing to reduce salaries in periods of depression.

It was the sense of the conference that, although it now appears that the gross earnings of the Federal Reserve banks will not be sufficient to provide for expenses, reserves, and dividends for the current year, it would be unwise at this time to omit the dividend on capital stock, to make any flat reductions in salaries, or to curtail free services to member banks, and that the resulting deficit should be charged to accumulated surplus. It was understood, however, that the reserve banks will continue to closely check expenses in order to keep them as low as possible without impairing operating efficiency, or the morale of the personnel.

TOPIC III. OPERATION AND ADMINISTRATION

(13)

B. Safekeeping of securities for member banks.

1. The advisability of securing from all member banks depositing securities with Federal Reserve banks for safekeeping.

an agreement whereby the depositing bank would agree to approve and accept the insurance policy carried by the Federal Reserve bank, and all liability other than that covered in the Federal Reserve bank's policy would be assumed by the depositing bank, which, if it desired, could itself carry insurance against such additional liability.

The report of the Insurance Committee dealing with the subject was read and after a general discussion, it was

VOTED that it is the sense of the conference that there be no change in the method of handling safekeeping securities for the reasons given by the Insurance Committee in its report. It was thought, however, that insurance coverage should apply first to losses sustained by the Federal Reserve bank, and second to losses sustained by the depositing member bank.

It was also informally understood that the Insurance Committee should consider the advisability of trying to arrange to have a rider attached to insurance policies to that effect.

TOPIC III. OPERATION AND ADMINISTRATION (14)

B. Safekeeping of securities for member banks.

2. Cost of the safekeeping function at Federal Reserve banks.

No action was taken on this topic.

TOPIC III. OPERATION AND ADMINISTRATION (15)

C. Inquiries involving matters of system policy or interest.

After discussion, it was

VOTED that it is the sense of the conference that the Federal Reserve banks should continue, as in the past, to refer matters of

system policy or interest to the Federal Reserve Board before replying to circular inquiries on such questions.

TOPIC V. REPORTS OF COMMITTEES (16)  
A. Committee on Bank Reserves.

At the invitation of the Conference, Governor Meyer and Messrs. Hamlin, James, McGhee, and Miller of the Federal Reserve Board, together with Messrs. Harrison, Morrill and Wyatt, and Messrs. Smead, Goldenweiser and Riefler here entered the meeting and joined in the discussion which followed.

At 6:00 p. m. the conference adjourned to reconvene at 10:00 a. m. on Wednesday, December 2.

Second Day's Session - Wednesday, December 2, 1931.

Morning

Meeting was called to order at 10:20 a. m.

Same attendance as at the preceding session.

TOPIC V. REPORTS OF COMMITTEES (17)  
A. Committee on Bank Reserves.

The discussion of the report of the Committee on Bank Reserves begun at the previous session was concluded, and it was

VOTED that the conference expresses its appreciation of the work done by the Committee on Bank Reserves in preparing a very comprehensive report, but feels that further study of the report should be made by each bank pending the next conference, at which time it will be fully considered and a recommendation made to the Federal Reserve Board.



TOPIC V. REPORTS OF COMMITTEES (18)

- B. Insurance Committee.
- C. Leased Wire Committee.
- E. Sub-committee of General Committee on Bankers' Acceptances.

The committee reports were read, and it was VOTED that they be accepted and placed on file.

TOPIC V. REPORTS OF COMMITTEES (19)

- D. Pension Committee.

The Pension Committee's report was read and, after a general discussion, it was

VOTED that the report be accepted and action postponed pending a further effort to obtain a Federal charter through the introduction of a Bill in Congress.

TOPIC IV. COLLECTIONS AND CLEARINGS (20)

- A. Report of Standing Committee on Collections.

The Secretary outlined briefly the committee's recommendations on the topics submitted to it for consideration by the Conference of Governors of April 27 - 29, 1931.

(21)

1. Desirability of definition by the Treasury Department of the rights, duties, and responsibilities of Federal Reserve banks in cashing Government checks and warrants.

It was

VOTED to refer this matter to the Conference of Counsel for Federal Reserve banks for consideration and consultation with the Standing Committee on Collections and officials of the Treasury Department, with a view to obtaining a clarification of the applicable provisions of Treasury Department Circular No. 176, with respect to the duties and responsibilities of the Federal Reserve banks in cashing Government

checks and warrants.

- (22)
2. Uniform arrangement to notify all Federal Reserve banks and branches of reopening or succession of banks previously closed.

After discussion, it was

VOTED that each Federal Reserve bank report to all other Federal Reserve banks by wire daily the closing, reopening or succession of all banks in their district so far as they have such information.

With respect to the other topics covered by the committee's report, it was

VOTED that the report be accepted and filed.

SUPPLEMENTARY TOPIC. REPORT OF THE COMMITTEE ON GROUP, (23)  
BRANCH, AND CHAIN BANKING

At the invitation of the conference, Doctor Goldenweiser submitted a brief oral report of progress, and provided each of the Governors with a copy of the material accumulated by the committee.

The following resolution was unanimously adopted: (24)

"The conference has heard with great regret the announcement from Governor Bailey that it is his purpose to retire from the Governorship of the Federal Reserve Bank of Kansas City at the end of the year, and we all tender him our most sincere good wishes for many more years of health, usefulness, prosperity, and happiness."

At 1:00 p. m. the conference adjourned.

H. F. STRATER

Secretary.

PROGRAM

CONFERENCE OF THE FEDERAL RESERVE BOARD  
with the  
FEDERAL RESERVE AGENTS AND GOVERNORS  
OF THE FEDERAL RESERVE BANKS  
November 14, 1932.

1. Open market policy.
2. Government securities as collateral to Federal reserve notes under Section 16, as amended by the Act of February 27, 1932.
  - a. Policy
  - b. Question of extension of authority beyond March 3, 1933.
3. Activities of Banking and Industrial Committees.
4. Proposals for changes in banking laws and for reorganization of banking system.
5. Status of report of System Committee on Branch, Group, and Chain Banking.
6. Status of report of System Committee on Reserves.
7. Policy and procedure in granting permits under the provisions of the Clayton Act relating to interlocking directorates.
8. Loans by Federal reserve banks under Sections 10-a and 10-b of the Federal Reserve Act, as amended by the Act of February 27, 1932.
  - a. Experience and policy.
  - b. Question of extension of authority under Section 10-b beyond March 3, 1933.
9. Discounts for individuals, partnerships, and corporations under Section 13, as amended by the Act of July 21, 1932.
  - a. Experience and policy.
  - b. Question of amendment so as to require endorsement or other security in connection with such paper rather than both.
10. Proposed study of acceptance practice.
11. Finance company paper.

PROGRAM  
GOVERNORS CONFERENCE

November 14, 1932

Washington, D. C.

- I. ELECTION OF CHAIRMAN AND SECRETARY FOR YEAR 1933
- II. CREDIT TRANSACTIONS AND POLICIES
- A. Discount rates and open market operations.
1. Report on open market operations. New York
  2. Future policy. Chicago
  3. Discount rates. New York
- B. Gold.
1. Review of recent movements and future prospects. New York
- C. Relations with foreign banks.
1. Report of operations and relations. New York
- D. General banking situation.
1. Condition of banks and policies of examiners. New York
  2. Credit surveys and work of Banking and Industrial Committees. New York
  3. Report on banking conditions in each Federal reserve district. Chicago
- E. Cooperation by Federal reserve banks in furthering the movement for the more general use of Trade Acceptances. Philadelphia
- F. What has been the experience of each Federal reserve bank in making loans -
1. Under Glass-Steagall Act;
  2. Under Emergency Relief Act. Chicago
- G. Regional Agricultural Credit Corporations. Given authority to rediscount with Federal reserve banks. Chicago
1. Discussion as to procedure and policy.
- III. LEGISLATIVE PROBLEMS
- A. Renewal of Section 3 of Glass-Steagall Bill. New York  
Richmond

III. LEGISLATIVE PROBLEMS (Cont'd)

- B. Proposals for general reorganization of the banking system:
1. Banking unification. New York
  2. Branch banking. New York
  3. Proposals pending before Congress, such as Glass Banking Bill. New York
- C. Amendment to Judicial Code.
1. That the Federal Reserve Board recommend to the Congress at its next session, an amendment to the Judicial Code to restore to the Federal reserve banks the right to sue, or to be sued, in the Courts of the United States. Kansas City
- D. Amendments to Federal Reserve Act.
1. Discuss the advisability of the Federal Reserve Board recommending to Congress an amendment to Section 13 of the Federal Reserve Act by substituting the word "or" for the word "and", so as to read as follows:  
"\*\*\*\*\*to discount for any individual, partnership, or corporation, notes, drafts, and bills of exchange of the kinds and maturities made eligible for discount for member banks under other provisions of this Act, when such notes, drafts, and bills of exchange are endorsed OR otherwise secured to the satisfaction of the Federal reserve bank." Kansas City
  2. Recommend to the Federal Reserve Board that it use its best effort to amend the Federal Reserve Act to permit the Federal reserve banks to accept member bank collateral notes secured by eligible paper with a maturity not to exceed ninety days. Kansas City

IV. OPERATION AND ADMINISTRATION

- A. Relations with the Federal Home Loan Banks.
1. Nature and extent of facilities to be extended by Federal reserve banks. Cleveland
- B. Spread-the-Work program. New York
- C. Setting up reserves against possible losses. New York

V. COIN, CURRENCY, AND CIRCULATION

- A. National bank notes.
1. Under the terms of the Federal Reserve Act, can Federal reserve banks restrict the amount of National bank notes which will be accepted from member banks for deposit. If not, can Federal reserve banks forward National bank notes of large denominations to Washington for immediate redemption. Kansas City
- B. Suggested change in denominations of silver certificates.
1. Recommended that the Treasury Department give consideration to allocating \$100,000,000, or thereabouts, of the present silver certificate circulation to bills of \$10 denomination with a corresponding reduction in the \$1 denomination. Cleveland
- C. Coin and currency shipments under new Postal rates. Philadelphia

VI. COLLECTIONS AND CLEARINGS

- A. Report of Standing Committee on Collections.
- B. Reconsideration of Report of Standing Committee on Collections dated July 14, 1932. Minneapolis
- C. Amendment to Regulation J.
1. Recommend to the Federal Reserve Board an amendment to Regulation J, which would provide in effect that member and clearing member banks, by sending items to a Federal reserve bank, agree that such Federal reserve bank, as an agent for collection, shall guarantee all endorsements prior to its own on such items, and that such member and clearing member banks shall indemnify such Federal reserve bank against loss on account of its guarantee of such endorsements. Kansas City

VI. COLLECTIONS AND CLEARINGS (Cont'd)

- D. Should inter-district time schedules of reserve banks be based on train schedules between various Federal reserve bank and branch cities, leaving out of consideration direct sendings of member banks. (See Standing Committee on Collections letter of November 25, 1931, to Federal Reserve Board.)
- E. Shipments of checks by express. (See Federal Reserve Board's letter X-7272 of October 15, 1932.) Cleveland
- F. Report of Joint Conference of Counsel and Standing Committee on Collections on October 10 and 11, 1932.
- G. Collection of shipping charges on non-cash collections.
  - 1. The Standing Committee on Collections, in its report to the Conference dated November 2, 1925, recommended that charges on bonds, coupons, and other securities up to 25¢ on individual items be absorbed by the Federal reserve banks. Is it desirable to increase this amount to 50¢? Cleveland

VII. REPORTS OF COMMITTEES

- A. Insurance Committee.
- B. Leased Wire Committee.
- C. Pension Committee.
- D. Sub-committee of General Committee on Bankers Acceptances.
- E. Committee on the Development of Acceptance Practice.

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HOWARD BOARD  
MEMBERS

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

November 15 and 16, 1932.

Washington, D. C.

First Day's Session, Tuesday, November 15.

Morning

The meeting was called to order at 10:00 a. m.

Present: Governor Calkins, Chairman, and  
Governors Young, Harrison,  
Norris, Fancher, Seay,  
Black, McDougal, Martin,  
Geery, Hamilton, and  
McKinney.

Mr. Strater, Secretary.

TOPIC I. ELECTION OF CHAIRMAN AND SECRETARY FOR (1)  
THE YEAR 1933.

VOTED that Governor Calkins be reappointed Chairman  
and Mr. Strater be reappointed Secretary for the calendar year  
1933.

The Chairman announced that the Federal Reserve Board (2)  
would like to have definite recommendations regarding topics  
which were discussed by the Board at the Joint Conference of  
Governors and Federal Reserve Agents held on November 14, and  
appointed a committee consisting of Governors Harrison, Norris,  
and McDougal to confer with a committee of the Conference of  
Federal Reserve Agents. The joint committee is to formulate  
and present a report to each conference on the following topics  
on the Federal Reserve Board's program:

II. Government securities as collateral to Fed- (3)  
eral reserve notes under Section 16 as

amended by the Act of February 27, 1932,  
Question of extension of authority beyond  
March 3, 1933.

VIII. Loans by Federal reserve banks under sec- (4)  
tions 10-a and 10-b of the Federal Re-  
serve Act as amended by the Act of Feb-  
ruary 27, 1932.  
Question of extension of authority under  
section 10-b beyond March 3, 1933.

IX. Discounts for individuals, partnerships, (5)  
and corporations under section 13 as  
amended by the Act of July 21, 1932.  
Question of amendment so as to require  
endorsement or other security in connec-  
tion with such paper rather than both.

There followed a discussion of the Federal Re- (6)  
serve Board's TOPIC IX. FINANCE COMPANY PAPER, and it was  
VOTED that each Governor express his opinion on  
the subject, supported by appropriate reasons, in a letter  
to the Federal Reserve Board.

At 11:00 a. m. the conference adjourned and re-  
convened immediately as the Open Market Policy Conference,  
with Governor Harrison presiding. Adjourned at 12:40 p.  
m. and immediately reconvened as the Governors' Conference.

Mr. Awalt, Acting Comptroller of the Currency, (7)  
together with the members of the Federal Reserve Agents  
Conference, then entered the meeting. A general discus-  
sion followed. Mr. Awalt asked that the conference agree  
upon an increased fee for reports of examination, and it  
was

VOTED that the Comptroller's office be paid a

fee of \$10.00 for each report of examination furnished to the Federal reserve banks until December 31, 1933.

At 1:30 p. m. the conference adjourned to reconvene at 2:30 p. m.

First Day's Session, Tuesday, November 15.

Afternoon

The meeting was called to order at 2:35 p. m. Same attendance as at the morning session.

TOPIC II. CREDIT TRANSACTIONS AND POLICIES (8)  
1. Report on open market operations.  
2. Future policy.  
3. Discount rates.

As the report on open market operations had been presented to the Open Market Policy Conference and the future policy then discussed, sub-topics 1 and 2 were passed without further discussion.

Discount rates were considered and, after full discussion, it was the sense of the conference that any change in rates at this time would have little or no effect on existing credit conditions.

TOPIC II. CREDIT TRANSACTIONS AND POLICIES (9)  
B. Gold.  
1. Review of recent movements and future prospects.

Governor Harrison reviewed briefly the situation as it appeared, and expressed his opinion as to the

trend of future gold movements.

TOPIC II. CREDIT TRANSACTIONS AND POLICIES (10)  
C. Relations with foreign banks.  
1. Report of operations  
and relations.

Governor Harrison outlined the status of existing Foreign Central Bank credits and relations with those banks and the Bank for International Settlements.

In considering the possibility that there might (11)  
be some losses in connection with some of the Foreign Central Bank credits, the question was raised as to the advisability of setting up a specific reserve for such possible losses, or making an appropriate increase in a general reserve for undetermined losses to provide for them. It was understood that the Federal Reserve Bank of New York would consider the subject and communicate with each of the other reserve banks expressing its views.

TOPIC II. CREDIT TRANSACTIONS AND POLICIES (12)  
D. General banking situation.  
1. Condition of banks and  
policies of examiners.

Governor Harrison explained his reasons for placing this topic on the program and stated that as this topic had already been discussed at the Joint Conference with the Comptroller of the Currency no action was necessary, and the topic was accordingly passed without action.

TOPIC II. CREDIT TRANSACTIONS AND POLICIES (13)  
D. General banking situation.  
2. Credit surveys and work  
of Banking and Industrial  
Committees.

After discussion of the expenses incurred by

these committees and their sub-committees, the topic was passed as having been otherwise adequately covered in the discussion at the Joint Conference on the previous day, with the understanding that the Federal reserve banks should continue to pay reasonable expenses incurred by the committees in carrying out the constructive work they are doing.

TOPIC II. CREDIT TRANSACTIONS AND POLICIES (14)  
General banking situation.  
3. Report on banking conditions in each Federal reserve district.

There followed a discussion of banking conditions generally.

TOPIC II. CREDIT TRANSACTIONS AND POLICIES (15)  
E. Cooperation by Federal reserve banks in furthering the movement for the more general use of Trade Acceptances.

In the discussion which followed it was pointed out that the reserve banks have consistently advocated the general use of Trade Acceptances for legitimate transactions, and that they were freely accepted for rediscount when offered. It was the consensus of opinion that preferential rates would not be effective except in those centers where there was an active acceptance market, and that in those centers a preferential buying rate might stimulate their use.

- TOPIC II.      CREDIT TRANSACTIONS AND POLICIES      (16)  
F.    What has been the experience  
of each Federal reserve  
bank in making loans -  
1.    Under Glass-Steagall  
      Act;  
2.    Under Emergency Re-  
      lief Act.

This topic was passed as having been adequately covered in the discussion at the joint conference on the previous day.

- TOPIC II.      CREDIT TRANSACTIONS AND POLICIES      (17)  
G.    Regional Agricultural Credit  
      Corporations.  
Given authority to rediscount  
with Federal reserve banks.  
1.    Discussion as to pro-  
      cedure and policy.

At the request of the Chairman, the Secretary read a letter from Governor Geery of the Federal Reserve Bank of Minneapolis to the Federal Reserve Board, dated October 13, 1932 (Exhibit A) and the Board's reply of October 25, 1932 (Exhibit B).

There followed a general discussion of the advisability of Regional Agricultural Credit Corporations rediscounting with the Federal reserve banks, and if such rediscounts were made what the rate should be. Governor Hamilton asked that the conference go on record on this subject. Thereupon it was

VOTED that the Federal Reserve Board be requested to outline the procedure to be followed by the Federal reserve banks if and when they are asked to rediscount for Regional Agricultural Credit Corporations.



Governors Harrison and Calkins voted in the negative. Governor Black was absent.

At 5:45 p. m. the conference adjourned to reconvene at 10:00 a. m. on Wednesday, November 16, 1932.

Second Day's Session, Wednesday, November 16, 1932

Morning

The meeting was called to order at 10:20 a. m.

Same attendance as at the previous day's session.

Governor Harrison reported that the committee appointed by the Chairman at the previous day's session, after meeting with a committee of the Conference of Federal Reserve Agents, was in favor of (18)

- (a) Extending the authority to pledge Government securities as collateral to Federal reserve notes granted under Section 16 of the Federal Reserve Act as amended by the Act of February 27, 1932, and
- (b) Extending the authority to make loans under Section 10-b of the Federal Reserve Act as amended by the Act of February 27, 1932.

The committee recommended that the Federal Reserve Board be asked to recommend to the Congress, at the appropriate time, that these provisions be extended for a period of at least one year beyond their expiration date - March 3, 1933.

The committee also recommended that no change be made at this time in the provisions of Section 13 of the Federal Reserve Act as amended by the Act of July 21, 1932, governing discounts for individuals, partnerships, and corporations.

VOTED that the report of the committee be accepted and approved.

TOPIC III.      LEGISLATIVE PROBLEMS      (19)  
A.      Renewal of Section 3 of the  
         Glass-Steagall Bill.

This topic was passed as having been covered by the committee's report recorded in the preceding paragraphs.

TOPIC III.      LEGISLATIVE PROBLEMS      (20)  
B.      Proposals for general reor-  
         ganization of the banking  
         system:  
1.      Banking unification.  
2.      Branch banking.  
3.      Proposals pending be-  
         fore Congress, such  
         as Glass Banking Bill.

After a general discussion, it was

VOTED that the Chairman appoint a committee of five Governors to consider the various problems incident to proposed legislation affecting a reorganization of the banking system, and submit its recommendations relating to banking legislation to the conference. The committee is to be a continuing one to consider bank legislation.

Thereupon, the Chairman appointed the following committee: Governor Young, Chairman, and Governors Harrison, Norris, McDougal, and Black.

TOPIC III. LEGISLATIVE PROBLEMS (21)

C. Amendment to Judicial Code.

1. That the Federal Reserve Board recommend to the Congress at its next session, an amendment to the Judicial Code to restore to the Federal reserve banks the right to sue, or to be sued, in the Courts of the United States.

After discussion of a memorandum written by General Counsel for the Federal Reserve Board, it was

VOTED to recommend to the Federal Reserve Board that it have prepared and submitted to the Congress, an amendment to the Judicial Code permitting the Federal reserve banks to sue, or to be sued, in Federal Courts.

TOPIC III. LEGISLATIVE PROBLEMS (22)

D. Amendments to Federal Reserve Act.

1. Discuss the advisability of the Federal Reserve Board recommending to Congress an amendment to Section 13 of the Federal Reserve Act by substituting the word "or" for the word "and", so as to read as follows: "\*\*\*\*\* to discount for any individual, partnership, or corporation, notes, drafts, and bills of exchange of the kinds and maturities made eligible for discount for member banks under other provisions of this Act when such notes, drafts, and bills of exchange are endorsed OR otherwise secured to the satisfaction of the Federal reserve bank."

This topic was passed as having been covered by the report of the committee previously recorded.

TOPIC III. LEGISLATIVE PROBLEMS (23)

D. Amendments to Federal Reserve Act.

2. Recommend to the Federal Reserve Board that it use its best efforts to amend the Federal Reserve Act to permit the Federal reserve banks to accept member bank collateral notes secured by eligible paper with a maturity not to exceed ninety days.

The Secretary read a memorandum (Exhibit C) outlining the Federal Reserve Board's efforts to obtain such an amendment, and after discussion it was

VOTED that this conference renew its recommendation that the Federal Reserve Board continue its efforts to obtain an amendment to the Federal Reserve Act increasing from 15 to 90 days the maximum maturity of advances to member banks on their promissory notes secured by eligible paper.

Governor McKinney asked to be recorded as not voting. Governors Calkins and Fancher were absent.

TOPIC IV. OPERATION AND ADMINISTRATION (24)

A. Relations with Federal Home Loan Banks.

1. Nature and extent of facilities to be extended by Federal reserve banks.

As the Home Loan Bank Act authorizes the Federal Reserve banks to act in certain capacities for the Federal Home Loan Banks in the general performance of their powers under the Home Loan Bank Act, it was understood that each

Federal reserve bank would decide this matter for itself.

TOPIC IV. OPERATION AND ADMINISTRATION (25)  
B. Spread-the-Work program.

There was a general discussion, and Governors Harrison, Norris, and Hamilton outlined the plans contemplated or adopted by their several banks. No action was taken.

TOPIC V. COIN, CURRENCY, AND CIRCULATION (26)  
A. National bank notes.

1. Under the terms of the Federal Reserve Act, can Federal reserve banks restrict the amount of National bank notes which will be accepted from member banks for deposit. If not, can Federal reserve banks forward National bank notes of large denominations to Washington for immediate redemption.

There was a general discussion as to the policy of Federal reserve banks receiving on deposit uncirculated National bank notes, especially those of large denominations, and methods of disposing of them if they are received.

The Chairman appointed Governor Young a committee of one to discuss with the Acting Comptroller of the Currency, the possibility of discouraging National banks from taking out unnecessary amounts in large denominations.

Governor Young later reported that he had conferred with Acting Comptroller of the Currency Awalt who agreed to issue a circular to National banks calling attention to this matter.

At 1:00 p. m. the conference adjourned to reconvene at 2:15 p. m.

Second Day's Session, Wednesday, November 16, 1932.

Afternoon

Meeting was called to order at 2:20 p. m.

Same attendance as at previous sessions.

TOPIC IV. OPERATION AND ADMINISTRATION (27)  
C. Setting up reserves against possible losses.

After a short discussion, Governor Harrison agreed to send each of the Governors a memorandum on the subject.

TOPIC V. COIN, CURRENCY, AND CIRCULATION (28)  
B. Suggested change in denominations of silver certificates.  
1. Recommended that the Treasury Department give consideration to allocating \$100,000,000, or thereabouts, of the present silver certificate circulation to bills of \$10 denomination with a corresponding reduction in the \$1 denomination.

There was a general discussion of this subject during which Governor Harrison called attention to the possible effect on the Silver situation if the Treasury were to issue silver certificates in the ten dollar denomination. No action was taken.



shall indemnify such Federal reserve bank against loss on account of its guarantee of such endorsements.

Governor Hamilton explained that the suggested amendment to Regulation J would eliminate the question of the effect and application of state statutes of limitations on action of guarantees of prior endorsements, in so far as the right of recovery of Federal reserve banks is concerned. Under the present status of the law, a serious question exists as to whether the statute of limitation commences to run at the time a guarantee of endorsement is made. As a result an action against endorsers, or some of them, may be barred before it can be established that a forgery exists. If the contract, however, is made one of indemnity, in so far as the Federal reserve banks are concerned, the right of action on such a contract would not accrue until a loss has been suffered and paid, so that the statute of limitations under the laws of any state would not commence to run against a Federal reserve bank on such a contract until an actual loss had occurred.

After discussion it was .

VOTED to refer this question to the Standing Committee on Collections jointly with counsel from three of the Federal reserve banks to be named by the Chairman of the Standing Committee on Collections, for study and report to the Governors' Conference.



TOPIC VI. COLLECTIONS AND CLEARINGS (36)  
F. Report of Joint Conference of  
Counsel and Standing Commit-  
tee on Collections on Octo-  
ber 10 and 11, 1932.

The Chairman reported that as a result of that meeting, a letter had been written to the Secretary of the Treasury proposing a conference to bring about an understanding, and that negotiations will continue.

TOPIC VI. COLLECTIONS AND CLEARINGS (37)  
G. Collection of shipping charges  
on non-cash collections.  
1. The Standing Committee on  
Collections, in its re-  
port to the conference  
dated November 2, 1925,  
recommended that charges  
on bonds, coupons, and  
other securities up to  
25¢ on individual items  
be absorbed by the Feder-  
al reserve banks. Is it  
desirable to increase  
this amount to 50¢?

After a short discussion it was

VOTED to refer this question to the Standing Committee on Collections for study and report. It was the sense of the conference that any Governor should feel free to submit similar questions direct to the committee for study and report without the formality of first presenting them to the Conference of Governors.

TOPIC VII. REPORTS OF COMMITTEES (38)  
A. Insurance Committee.

VOTED that the report be received and filed with the understanding that each Federal reserve bank will give it consideration.

TOPIC VII.      REPORTS OF COMMITTEES      (39)  
   B. Leased Wire Committee.

VOTED that the report be accepted, approved, and filed.

TOPIC VII.      REPORTS OF COMMITTEES      (40)  
   C. Pension Committee.

After a general discussion of the urgent need of some sort of benefit for officers and employees of the Federal Reserve System, it was

VOTED that it is the sense of the conference that the report of this committee dated February 11, 1932, as well as the supplementary report dated November 7, 1932, be approved by this conference, and that the report be re-submitted formally to the Federal Reserve Board with the request that the Federal Reserve Board advise the conference which form of organization outlined in the plan submitted to the Board in the committee's memorandum of February 11, 1932, it would approve and support.

TOPIC VII.      REPORTS OF COMMITTEES      (41)  
   D. Sub-committee of General Com-  
   mittee on Bankers Accept-  
   ances.

VOTED to approve the report.

TOPIC VII.      REPORTS OF COMMITTEES      (42)  
   E. Committee on the Development  
   of Acceptance Practice.

VOTED that the report be approved and that Mr. Kenzel, Chairman, be requested to furnish each Federal reserve bank with a list of accepting banks to which the

- 18 -

suggested questionnaire should be addressed.

At 4:30 p. m. the conference adjourned.

H. F. STRATER

Secretary.

Exhibit A

FEDERAL RESERVE BANK  
OF MINNEAPOLIS

October 13, 1932.

Federal Reserve Board,  
Washington, D. C.

Gentlemen:

Under the Act of Congress providing for the organization of the Regional Agricultural Credit Corporations, they are given the right of rediscount with the Federal reserve bank. Would it be expected that they would rediscount only with the Federal reserve bank located in the district in which they are situated?

What prompts this inquiry is the question as to whether, in case the Regional Agricultural Credit Corporation of Spokane desired to rediscount paper taken through its branch in Helena, they would be expected to offer it to the Federal Reserve Bank of San Francisco or to this bank, and whether the Regional Agricultural Credit Corporation located in Minneapolis would expect to rediscount paper taken in Southern Michigan with us or with the Federal Reserve Bank of Chicago.

Very truly yours,

(Signed) W. B. Geery,  
Governor.

Exhibit B

FEDERAL RESERVE BOARD

October 25, 1932.

Mr. W. B. Geery, Governor,  
Federal Reserve Bank of Minneapolis,  
Minneapolis, Minnesota.

Dear Governor Geery:

Reference is made to your letter of October 13, 1932, referring to the authority of the Regional Agricultural Credit Corporations created by the Reconstruction Finance Corporation pursuant to the provisions of Section 201(e) of the Emergency Relief and Construction Act of 1932 to rediscount paper with the various Federal reserve banks, and inquiring whether a Regional Agricultural Credit Corporation located in one Federal reserve district and having a branch in another Federal reserve district would be expected to rediscount paper acquired through such branch with the Federal reserve bank of the district in which the head office of the corporation is located, or with the Federal reserve bank of the district in which the paper has originated.

The Regional Agricultural Credit Corporations are authorized under the law to rediscount with the Reconstruction Finance Corporation and the various Federal reserve banks and Federal Intermediate Credit Banks any paper that they acquire which is eligible for such purpose, and it is assumed that the corporations, before requesting the Federal reserve banks to rediscount their paper, will consult with the Reconstruction Finance Corporation and also will utilize their authority to rediscount with the Federal Intermediate Credit Banks. In the event that it should become desirable for the Federal reserve banks to rediscount paper for these corporations, there are a number of questions to be considered with a view to obtaining some uniformity of policy and procedure among the Federal reserve banks in accepting such paper for rediscount.

Replying to your specific inquiry, it is the view of the Federal Reserve Board that, if and when the Federal reserve banks are requested to rediscount paper for the Regional Agricultural Credit Corporations, the offering in each case should be made to the Federal reserve bank of the district in which the head office of the offering corporation is located, unless exceptional circumstances are presented which might render it desirable to follow some other course of procedure.

Very truly yours,

(Signed) Chester Morrill,  
Secretary.

MEMORANDUM FROM ASSISTANT SECRETARY  
FEDERAL RESERVE BOARD

November 8, 1932.

An amendment to the Federal Reserve Act increasing from 15 to 90 days the maximum maturity of advances by Federal reserve banks to member banks on their promissory notes secured by eligible paper, was recommended to Congress by the Federal Reserve Board in its annual reports for the years 1927, 1928, and 1929, and in letters addressed to the Chairman of the Banking and Currency Committee of the House of Representatives under date of January 16, 1926, April 24, 1928, and March 6, 1930, and in a letter addressed to the Chairman of the Banking and Currency Committee of the Senate under the latter date.

The recommendation was again made in the memorandum submitted by the Board with its letter of March 29, 1932, containing its comments and suggestions with regard to Senate Bill 4115, the so-called Glass Bill. The Board again called attention to the recommendation in its letter of June 3, 1932, to the Chairman of the Senate Banking and Currency Committee suggesting a further amendment to the Glass Bill in order to retain the amendment to Section 13 of the Federal Reserve Act making debentures of Federal Intermediate Credit Banks which are eligible for purchase by Federal reserve banks eligible also as security for advances made by them to their member banks.

In a letter prepared for the Secretary of the Treasury and dispatched over his signature to the Chairman of the Banking and Currency Committee of the Senate under date of August 29, 1932, with regard to Senate bills 546 and 547, attention was directed to the recommendation made in the Board's letters of March 6, 1930, and March 29, 1932.

FEDERAL RESERVE BANK  
OF RICHMOND

November 25, 1931.

Federal Reserve Board,  
Washington, D. C.

Gentlemen:      ATTENTION:    Mr. E. M. McClelland, Asst. Secy.

Referring to the question in connection with inter-district time schedules, which arose out of a difference of opinion between the Federal Reserve Banks of Boston and Richmond, and which was referred to the Standing Committee on Collections by the Chairman of the Governors' Conference at the request of the Federal Reserve Board, the committee, as requested in your letter of October 28, 1931, has given consideration to the question of whether the inter-district time schedules of Federal reserve banks should be based on train schedules between the various Federal reserve bank and branch cities, leaving out of consideration the direct sendings of member banks.

The committee is unanimously of the opinion that the inter-district time schedule of each Federal reserve bank or branch should be based upon mail train schedules from it to the other Federal reserve banks and branches, and should not take into consideration the direct sendings to the other Federal reserve banks and branches by its member banks. In other words, the deferred credit time as shown on the inter-district time schedule of Federal reserve bank or branch "A" for checks on the city of Federal reserve bank or branch "B" should represent the actual time required to receive credit for such checks after dispatch by "A" to "B" and should not be affected at all by the direct sendings of member banks in the district of Federal reserve bank "A" to Federal reserve bank or branch "B". The deferred credit time for the direct sendings of a member bank in one Federal reserve district to the other Federal reserve banks and branches, to which it desires to route direct, should be based upon mail train schedules from the town in which the direct sending member bank is located to the other Federal reserve banks and branches, and should make such items available for reserve purposes when collected without regard to the regular inter-district time schedule of its Federal reserve bank or branch.

Respectfully,

STANDING COMMITTEE ON COLLECTIONS

(S) J. S. Walden, Jr.  
Chairman

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PROGRAM

CONFERENCE OF THE FEDERAL RESERVE BOARD  
with the  
FEDERAL RESERVE AGENTS AND GOVERNORS  
OF THE FEDERAL RESERVE BANKS  
November 14, 1932.

1. Open market policy.
2. Government securities as collateral to Federal reserve notes under Section 16, as amended by the Act of February 27, 1932.
  - a. Policy
  - b. Question of extension of authority beyond March 3, 1933.
3. Activities of Banking and Industrial Committees.
4. Proposals for changes in banking laws and for reorganization of banking system.
5. Status of report of System Committee on Branch, Group, and Chain Banking.
6. Status of report of System Committee on Reserves.
7. Policy and procedure in granting permits under the provisions of the Clayton Act relating to interlocking directorates.
8. Loans by Federal reserve banks under Sections 10-a and 10-b of the Federal Reserve Act, as amended by the Act of February 27, 1932.
  - a. Experience and policy.
  - b. Question of extension of authority under Section 10-b beyond March 3, 1933.
9. Discounts for individuals, partnerships, and corporations under Section 13, as amended by the Act of July 21, 1932.
  - a. Experience and policy.
  - b. Question of amendment so as to require endorsement or other security in connection with such paper rather than both.
10. Proposed study of acceptance practice.
11. Finance company paper.

PROGRAM  
GOVERNORS CONFERENCE

November 14, 1932

Washington, D. C.

- I. ELECTION OF CHAIRMAN AND SECRETARY FOR YEAR 1933
- II. CREDIT TRANSACTIONS AND POLICIES
- A. Discount rates and open market operations.
    - 1. Report on open market operations. New York
    - 2. Future policy. Chicago
    - 3. Discount rates. New York
  - B. Gold.
    - 1. Review of recent movements and future prospects. New York
  - C. Relations with foreign banks.
    - 1. Report of operations and relations. New York
  - D. General banking situation.
    - 1. Condition of banks and policies of examiners. New York
    - 2. Credit surveys and work of Banking and Industrial Committees. New York
    - 3. Report on banking conditions in each Federal reserve district. Chicago
  - E. Cooperation by Federal reserve banks in furthering the movement for the more general use of Trade Acceptances. Philadelphia
  - F. What has been the experience of each Federal reserve bank in making loans -
    - 1. Under Glass-Steagall Act;
    - 2. Under Emergency Relief Act. Chicago
  - G. Regional Agricultural Credit Corporations. Given authority to rediscount with Federal reserve banks. Chicago
    - 1. Discussion as to procedure and policy.
- III. LEGISLATIVE PROBLEMS
- A. Renewal of Section 3 of Glass-Steagall Bill. New York  
Richmond

III. LEGISLATIVE PROBLEMS (Cont'd)

- B. Proposals for general reorganization of the banking system:
1. Banking unification. New York
  2. Branch banking. New York
  3. Proposals pending before Congress, such as Glass Banking Bill. New York
- C. Amendment to Judicial Code.
1. That the Federal Reserve Board recommend to the Congress at its next session, an amendment to the Judicial Code to restore to the Federal reserve banks the right to sue, or to be sued, in the Courts of the United States. Kansas City
- D. Amendments to Federal Reserve Act.
1. Discuss the advisability of the Federal Reserve Board recommending to Congress an amendment to Section 13 of the Federal Reserve Act by substituting the word "or" for the word "and", so as to read as follows:  
"\*\*\*\*\*to discount for any individual, partnership, or corporation, notes, drafts, and bills of exchange of the kinds and maturities made eligible for discount for member banks under other provisions of this Act, when such notes, drafts, and bills of exchange are endorsed OR otherwise secured to the satisfaction of the Federal reserve bank." Kansas City
  2. Recommend to the Federal Reserve Board that it use its best effort to amend the Federal Reserve Act to permit the Federal reserve banks to accept member bank collateral notes secured by eligible paper with a maturity not to exceed ninety days. Kansas City

IV. OPERATION AND ADMINISTRATION

- A. Relations with the Federal Home Loan Banks.
1. Nature and extent of facilities to be extended by Federal reserve banks. Cleveland
- B. Spread-the-Work program. New York
- C. Setting up reserves against possible losses. New York

V. COIN, CURRENCY, AND CIRCULATION

A. National bank notes.

1. Under the terms of the Federal Reserve Act, can Federal reserve banks restrict the amount of National bank notes which will be accepted from member banks for deposit. If not, can Federal reserve banks forward National bank notes of large denominations to Washington for immediate redemption.

Kansas City

B. Suggested change in denominations of silver certificates.

1. Recommended that the Treasury Department give consideration to allocating \$100,000,000, or thereabouts, of the present silver certificate circulation to bills of \$10 denomination with a corresponding reduction in the \$1 denomination.

Cleveland

C. Coin and currency shipments under new Postal rates.

Philadelphia

VI. COLLECTIONS AND CLEARINGS

A. Report of Standing Committee on Collections.

B. Reconsideration of Report of Standing Committee on Collections dated July 14, 1932.

Minneapolis

C. Amendment to Regulation J.

1. Recommend to the Federal Reserve Board an amendment to Regulation J, which would provide in effect that member and clearing member banks, by sending items to a Federal reserve bank, agree that such Federal reserve bank, as an agent for collection, shall guarantee all endorsements prior to its own on such items, and that such member and clearing member banks shall indemnify such Federal reserve bank against loss on account of its guarantee of such endorsements.

Kansas City

VI. COLLECTIONS AND CLEARINGS (Cont'd)

- D. Should inter-district time schedules of reserve banks be based on train schedules between various Federal reserve bank and branch cities, leaving out of consideration direct sendings of member banks. (See Standing Committee on Collections letter of November 25, 1931, to Federal Reserve Board.)
- E. Shipments of checks by express. (See Federal Reserve Board's letter X-7272 of October 15, 1932.) Cleveland
- F. Report of Joint Conference of Counsel and Standing Committee on Collections on October 10 and 11, 1932.
- G. Collection of shipping charges on non-cash collections.
  - 1. The Standing Committee on Collections, in its report to the Conference dated November 2, 1925, recommended that charges on bonds, coupons, and other securities up to 25¢ on individual items be absorbed by the Federal reserve banks. Is it desirable to increase this amount to 50¢? Cleveland

VII. REPORTS OF COMMITTEES

- A. Insurance Committee.
- B. Leased Wire Committee.
- C. Pension Committee.
- D. Sub-committee of General Committee on Bankers Acceptances.
- E. Committee on the Development of Acceptance Practice.

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

November 15 and 16, 1932.

Washington, D. C.

First Day's Session, Tuesday, November 15.

Morning

The meeting was called to order at 10:00 a. m.

Present: Governor Calkins, Chairman, and  
Governors Young, Harrison,  
Norris, Fancher, Seay,  
Black, McDougal, Martin,  
Geery, Hamilton, and  
McKinney.

Mr. Strater, Secretary.

TOPIC I. ELECTION OF CHAIRMAN AND SECRETARY FOR (1)  
THE YEAR 1933.

VOTED that Governor Calkins be reappointed Chairman  
and Mr. Strater be reappointed Secretary for the calendar year  
1933.

The Chairman announced that the Federal Reserve Board (2)  
would like to have definite recommendations regarding topics  
which were discussed by the Board at the Joint Conference of  
Governors and Federal Reserve Agents held on November 14, and  
appointed a committee consisting of Governors Harrison, Norris,  
and McDougal to confer with a committee of the Conference of  
Federal Reserve Agents. The joint committee is to formulate  
and present a report to each conference on the following topics  
on the Federal Reserve Board's program:

II. Government securities as collateral to Fed- (3)  
eral reserve notes under Section 16 as



amended by the Act of February 27, 1932,  
Question of extension of authority beyond  
March 3, 1933.

VIII. Loans by Federal reserve banks under sec- (4)  
tions 10-a and 10-b of the Federal Re-  
serve Act as amended by the Act of Feb-  
ruary 27, 1932.

Question of extension of authority under  
section 10-b beyond March 3, 1933.

IX. Discounts for individuals, partnerships, (5)  
and corporations under section 13 as  
amended by the Act of July 21, 1932.

Question of amendment so as to require  
endorsement or other security in connec-  
tion with such paper rather than both.

There followed a discussion of the Federal Re- (6)  
serve Board's TOPIC IX. FINANCE COMPANY PAPER, and it was

VOTED that each Governor express his opinion on  
the subject, supported by appropriate reasons, in a letter  
to the Federal Reserve Board.

At 11:00 a. m. the conference adjourned and re-  
convened immediately as the Open Market Policy Conference,  
with Governor Harrison presiding. Adjourned at 12:40 p.  
m. and immediately reconvened as the Governors' Conference.

Mr. Awalt, Acting Comptroller of the Currency, (7)  
together with the members of the Federal Reserve Agents  
Conference, then entered the meeting. A general discus-  
sion followed. Mr. Awalt asked that the conference agree  
upon an increased fee for reports of examination, and it  
was

VOTED that the Comptroller's office be paid a

fee of \$10.00 for each report of examination furnished to the Federal reserve banks until December 31, 1933.

At 1:30 p. m. the conference adjourned to reconvene at 2:30 p. m.

First Day's Session, Tuesday, November 15.

Afternoon

The meeting was called to order at 2:35 p. m. Same attendance as at the morning session.

TOPIC II. CREDIT TRANSACTIONS AND POLICIES (8)  
1. Report on open market operations.  
2. Future policy.  
3. Discount rates.

As the report on open market operations had been presented to the Open Market Policy Conference and the future policy then discussed, sub-topics 1 and 2 were passed without further discussion.

Discount rates were considered and, after full discussion, it was the sense of the conference that any change in rates at this time would have little or no effect on existing credit conditions.

TOPIC II. CREDIT TRANSACTIONS AND POLICIES (9)  
B. Gold.  
1. Review of recent movements and future prospects.

Governor Harrison reviewed briefly the situation as it appeared, and expressed his opinion as to the

trend of future gold movements.

TOPIC II.    CREDIT TRANSACTIONS AND POLICIES    (10)  
                  C.    Relations with foreign banks.  
                          1.    Report of operations  
  and relations.

Governor Harrison outlined the status of existing Foreign Central Bank credits and relations with those banks and the Bank for International Settlements.

In considering the possibility that there might (11)  
be some losses in connection with some of the Foreign Central Bank credits, the question was raised as to the advisability of setting up a specific reserve for such possible losses, or making an appropriate increase in a general reserve for undetermined losses to provide for them. It was understood that the Federal Reserve Bank of New York would consider the subject and communicate with each of the other reserve banks expressing its views.

TOPIC II.    CREDIT TRANSACTIONS AND POLICIES    (12)  
                  D.    General banking situation.  
                          1.    Condition of banks and  
  policies of examiners.

Governor Harrison explained his reasons for placing this topic on the program and stated that as this topic had already been discussed at the Joint Conference with the Comptroller of the Currency no action was necessary, and the topic was accordingly passed without action.

TOPIC II.    CREDIT TRANSACTIONS AND POLICIES    (13)  
                  D.    General banking situation.  
                          2.    Credit surveys and work  
  of Banking and Industrial  
  Committees.

After discussion of the expenses incurred by

these committees and their sub-committees, the topic was passed as having been otherwise adequately covered in the discussion at the Joint Conference on the previous day, with the understanding that the Federal reserve banks should continue to pay reasonable expenses incurred by the committees in carrying out the constructive work they are doing.

TOPIC II. CREDIT TRANSACTIONS AND POLICIES (14)  
General banking situation.  
3. Report on banking conditions in each Federal reserve district.

There followed a discussion of banking conditions generally.

TOPIC II. CREDIT TRANSACTIONS AND POLICIES (15)  
E. Cooperation by Federal reserve banks in furthering the movement for the more general use of Trade Acceptances.

In the discussion which followed it was pointed out that the reserve banks have consistently advocated the general use of Trade Acceptances for legitimate transactions, and that they were freely accepted for rediscount when offered. It was the consensus of opinion that preferential rates would not be effective except in those centers where there was an active acceptance market, and that in those centers a preferential buying rate might stimulate their use.

- TOPIC II.      CREDIT TRANSACTIONS AND POLICIES      (16)  
F.    What has been the experience  
of each Federal reserve  
bank in making loans -  
    1.    Under Glass-Steagall  
          Act;  
    2.    Under Emergency Re-  
          lief Act.

This topic was passed as having been adequately covered in the discussion at the joint conference on the previous day.

- TOPIC II.      CREDIT TRANSACTIONS AND POLICIES      (17)  
G.    Regional Agricultural Credit  
Corporations.  
Given authority to rediscount  
with Federal reserve banks.  
    1.    Discussion as to pro-  
          cedure and policy.

At the request of the Chairman, the Secretary read a letter from Governor Geery of the Federal Reserve Bank of Minneapolis to the Federal Reserve Board, dated October 13, 1932 (Exhibit A) and the Board's reply of October 25, 1932 (Exhibit B).

There followed a general discussion of the advisability of Regional Agricultural Credit Corporations rediscounting with the Federal reserve banks, and if such rediscounts were made what the rate should be. Governor Hamilton asked that the conference go on record on this subject. Thereupon it was

VOTED that the Federal Reserve Board be requested to outline the procedure to be followed by the Federal reserve banks if and when they are asked to rediscount for Regional Agricultural Credit Corporations.

Governors Harrison and Calkins voted in the  
negative. Governor Black was absent.

At 5:45 p. m. the conference adjourned to re-  
convene at 10:00 a. m. on Wednesday, November 16, 1932.

Second Day's Session, Wednesday, November 16, 1932

Morning

The meeting was called to order at 10:20 a. m.  
Same attendance as at the previous day's session.

Governor Harrison reported that the committee ap- (18)  
pointed by the Chairman at the previous day's session, after  
meeting with a committee of the Conference of Federal Re-  
serve Agents, was in favor of

- (a) Extending the authority to pledge Gov-  
ernment securities as collateral to Fed-  
eral reserve notes granted under Section  
16 of the Federal Reserve Act as amended  
by the Act of February 27, 1932, and
- (b) Extending the authority to make loans under  
Section 10-b of the Federal Reserve Act  
as amended by the Act of February 27, 1932.

The committee recommended that the Federal Reserve  
Board be asked to recommend to the Congress, at the appropri-  
ate time, that these provisions be extended for a period of  
at least one year beyond their expiration date - March 3, 1933.

The committee also recommended that no change be made at this time in the provisions of Section 13 of the Federal Reserve Act as amended by the Act of July 21, 1932, governing discounts for individuals, partnerships, and corporations.

VOTED that the report of the committee be accepted and approved.

TOPIC III. LEGISLATIVE PROBLEMS (19)  
A. Renewal of Section 3 of the Glass-Steagall Bill.

This topic was passed as having been covered by the committee's report recorded in the preceding paragraphs.

TOPIC III. LEGISLATIVE PROBLEMS (20)  
B. Proposals for general reorganization of the banking system:  
1. Banking unification.  
2. Branch banking.  
3. Proposals pending before Congress, such as Glass Banking Bill.

After a general discussion, it was

VOTED that the Chairman appoint a committee of five Governors to consider the various problems incident to proposed legislation affecting a reorganization of the banking system, and submit its recommendations relating to banking legislation to the conference. The committee is to be a continuing one to consider bank legislation.

Thereupon, the Chairman appointed the following committee: Governor Young, Chairman, and Governors Harrison, Norris, McDougal, and Black.

TOPIC III.      LEGISLATIVE PROBLEMS      (21)

C.      Amendment to Judicial Code.

1.      That the Federal Reserve Board recommend to the Congress at its next session, an amendment to the Judicial Code to restore to the Federal reserve banks the right to sue, or to be sued, in the Courts of the United States.

After discussion of a memorandum written by General Counsel for the Federal Reserve Board, it was

VOTED to recommend to the Federal Reserve Board that it have prepared and submitted to the Congress, an amendment to the Judicial Code permitting the Federal reserve banks to sue, or to be sued, in Federal Courts.

TOPIC III.      LEGISLATIVE PROBLEMS      (22)

D.      Amendments to Federal Reserve Act.

1.      Discuss the advisability of the Federal Reserve Board recommending to Congress an amendment to Section 13 of the Federal Reserve Act by substituting the word "or" for the word "and", so as to read as follows:      "\*\*\*\*\* to discount for any individual, partnership, or corporation, notes, drafts, and bills of exchange of the kinds and maturities made eligible for discount for member banks under other provisions of this Act when such notes, drafts, and bills of exchange are endorsed OR otherwise secured to the satisfaction of the Federal reserve bank."

This topic was passed as having been covered by the report of the committee previously recorded.



TOPIC III. LEGISLATIVE PROBLEMS

(23)

D. Amendments to Federal Reserve Act.

2. Recommend to the Federal Reserve Board that it use its best efforts to amend the Federal Reserve Act to permit the Federal reserve banks to accept member bank collateral notes secured by eligible paper with a maturity not to exceed ninety days.

The Secretary read a memorandum (Exhibit C) outlining the Federal Reserve Board's efforts to obtain such an amendment, and after discussion it was

VOTED that this conference renew its recommendation that the Federal Reserve Board continue its efforts to obtain an amendment to the Federal Reserve Act increasing from 15 to 90 days the maximum maturity of advances to member banks on their promissory notes secured by eligible paper.

Governor McKinney asked to be recorded as not voting. Governors Calkins and Fancher were absent.

TOPIC IV. OPERATION AND ADMINISTRATION

(24)

A. Relations with Federal Home Loan Banks.

1. Nature and extent of facilities to be extended by Federal reserve banks.

As the Home Loan Bank Act authorizes the Federal Reserve banks to act in certain capacities for the Federal Home Loan Banks in the general performance of their powers under the Home Loan Bank Act, it was understood that each

Federal reserve bank would decide this matter for itself.

TOPIC IV.      OPERATION AND ADMINISTRATION      (25)  
   B.    Spread-the-Work program.

There was a general discussion, and Governors Harrison, Norris, and Hamilton outlined the plans contemplated or adopted by their several banks. No action was taken.

TOPIC V.      COIN, CURRENCY, AND CIRCULATION      (26)  
   A.    National bank notes.

1. Under the terms of the Federal Reserve Act, can Federal reserve banks restrict the amount of National bank notes which will be accepted from member banks for deposit. If not, can Federal reserve banks forward National bank notes of large denominations to Washington for immediate redemption.

There was a general discussion as to the policy of Federal reserve banks receiving on deposit uncirculated National bank notes, especially those of large denominations, and methods of disposing of them if they are received.

The Chairman appointed Governor Young a committee of one to discuss with the Acting Comptroller of the Currency, the possibility of discouraging National banks from taking out unnecessary amounts in large denominations.

Governor Young later reported that he had conferred with Acting Comptroller of the Currency Awalt who agreed to issue a circular to National banks calling attention to this matter.

At 1:00 p. m. the conference adjourned to reconvene at 2:15 p. m.

Second Day's Session, Wednesday, November 16, 1932.

Afternoon

Meeting was called to order at 2:20 p. m.

Same attendance as at previous sessions.

TOPIC IV. OPERATION AND ADMINISTRATION (27)  
C. Setting up reserves against possible losses.

After a short discussion, Governor Harrison agreed to send each of the Governors a memorandum on the subject.

TOPIC V. COIN, CURRENCY, AND CIRCULATION (28)  
B. Suggested change in denominations of silver certificates.  
1. Recommended that the Treasury Department give consideration to allocating \$100,000,000, or thereabouts, of the present silver certificate circulation to bills of \$10 denomination with a corresponding reduction in the \$1 denomination.

There was a general discussion of this subject during which Governor Harrison called attention to the possible effect on the Silver situation if the Treasury were to issue silver certificates in the ten dollar denomination. No action was taken.

TOPIC V.     COIN, CURRENCY, AND CIRCULATION     (29)  
C.     Coin and currency shipments under new  
        Postal rates.

There followed a short discussion as to whether or not the Federal reserve banks are to continue to absorb shipping charges both ways. No action was taken.

TOPIC VI.     COLLECTIONS AND CLEARINGS     (30)  
A.     Report of Standing Committee on Collections.

VOTED that the report be received and approved.

TOPIC VI.     COLLECTIONS AND CLEARINGS     (31)  
B.     Reconsideration of report of Standing Com-  
        mittee on Collections dated July 14,  
        1932.

There was a general discussion with reference to policies of the various Federal reserve banks in handling items drawn by the makers on themselves, after which it was

VOTED that when such items are received from other Federal reserve banks or branches as non-cash items, they will be handled by the collecting Federal reserve bank or branch in accordance with the instructions of the sending Federal reserve bank or branch.

TOPIC VI.     COLLECTIONS AND CLEARINGS     (32)  
C.     Amendment to Regulation J.

1.     Recommend to the Federal Reserve Board an amendment to Regulation J, which would provide in effect that member and clearing member banks, by sending items to a Federal reserve bank, agree that such Federal reserve bank, as an agent for collection, shall guarantee all endorsements prior to its own on such items, and that such member and clearing member banks

shall indemnify such Federal reserve bank against loss on account of its guarantee of such endorsements.

Governor Hamilton explained that the suggested amendment to Regulation J would eliminate the question of the effect and application of state statutes of limitations on action of guarantees of prior endorsements, in so far as the right of recovery of Federal reserve banks is concerned. Under the present status of the law, a serious question exists as to whether the statute of limitation commences to run at the time a guarantee of endorsement is made. As a result an action against endorsers, or some of them, may be barred before it can be established that a forgery exists. If the contract, however, is made one of indemnity, in so far as the Federal reserve banks are concerned, the right of action on such a contract would not accrue until a loss has been suffered and paid, so that the statute of limitations under the laws of any state would not commence to run against a Federal reserve bank on such a contract until an actual loss had occurred.

After discussion it was

VOTED to refer this question to the Standing Committee on Collections jointly with counsel from three of the Federal reserve banks to be named by the Chairman of the Standing Committee on Collections, for study and report to the Governors' Conference.

It was suggested that counsel for the Federal reserve bank of Kansas City be one of the three selected, and that the committee be advised that a report be delayed to await the outcome of pending litigation in which the Kansas City reserve bank is involved.

At this point Governor Hamilton retired from the conference. (33)

TOPIC VI. COLLECTIONS AND CLEARINGS (34)  
D. Should inter-district time schedules of reserve banks be based on train schedules between various Federal reserve bank and branch cities, leaving out of consideration direct sendings of member banks. (See Standing Committee on Collections letter of November 25, 1931, to Federal Reserve Board.)

After discussion it was

VOTED that the views of the Standing Committee on Collections, as expressed in a letter from its Chairman dated November 25, 1931, addressed to the Federal Reserve Board (Exhibit D), be adopted and approved.

TOPIC VI. COLLECTIONS AND CLEARINGS (35)  
E. Shipments of checks by express.

This topic, after discussion, was passed without action

TOPIC VI. COLLECTIONS AND CLEARINGS

(36)

F. Report of Joint Conference of  
Counsel and Standing Commit-  
tee on Collections on Octo-  
ber 10 and 11, 1932.

The Chairman reported that as a result of that meeting, a letter had been written to the Secretary of the Treasury proposing a conference to bring about an understanding, and that negotiations will continue.

TOPIC VI. COLLECTIONS AND CLEARINGS

(37)

G. Collection of shipping charges  
on non-cash collections.

1. The Standing Committee on  
Collections, in its re-  
port to the conference  
dated November 2, 1925,  
recommended that charges  
on bonds, coupons, and  
other securities up to  
25¢ on individual items  
be absorbed by the Feder-  
al reserve banks. Is it  
desirable to increase  
this amount to 50¢?

After a short discussion it was

VOTED to refer this question to the Standing Committee on Collections for study and report. It was the sense of the conference that any Governor should feel free to submit similar questions direct to the committee for study and report without the formality of first presenting them to the Conference of Governors.

TOPIC VII. REPORTS OF COMMITTEES

(38)

A. Insurance Committee.

VOTED that the report be received and filed with the understanding that each Federal reserve bank will give it consideration.

TOPIC VII.     REPORTS OF COMMITTEES                                 (39)  
                                       B.   Leased Wire Committee.

VOTED   that the report be accepted, approved,  
and filed.

TOPIC VII.     REPORTS OF COMMITTEES                                 (40)  
                                       C.   Pension Committee.

After a general discussion of the urgent need  
of some sort of benefit for officers and employees of the  
Federal Reserve System, it was

VOTED   that it is the sense of the conference  
that the report of this committee dated February 11, 1932,  
as well as the supplementary report dated November 7, 1932,  
be approved by this conference, and that the report be re-  
submitted formally to the Federal Reserve Board with the  
request that the Federal Reserve Board advise the confer-  
ence which form of organization outlined in the plan sub-  
mitted to the Board in the committee's memorandum of Febru-  
ary 11, 1932, it would approve and support.

TOPIC VII.     REPORTS OF COMMITTEES                                 (41)  
                                       D.   Sub-committee of General Com-  
   mittee on Bankers Accept-  
   ances.

VOTED   to approve the report.

TOPIC VII.     REPORTS OF COMMITTEES                                 (42)  
                                       E.   Committee on the Development  
   of Acceptance Practice.

VOTED   that the report be approved and that Mr.  
Kenzel, Chairman, be requested to furnish each Federal re-  
serve bank with a list of accepting banks to which the



Exhibit A

FEDERAL RESERVE BANK  
OF MINNEAPOLIS

October 13, 1932.

Federal Reserve Board,  
Washington, D. C.

Gentlemen:

Under the Act of Congress providing for the organization of the Regional Agricultural Credit Corporations, they are given the right of rediscount with the Federal reserve bank. Would it be expected that they would rediscount only with the Federal reserve bank located in the district in which they are situated?

What prompts this inquiry is the question as to whether, in case the Regional Agricultural Credit Corporation of Spokane desired to rediscount paper taken through its branch in Helena, they would be expected to offer it to the Federal Reserve Bank of San Francisco or to this bank, and whether the Regional Agricultural Credit Corporation located in Minneapolis would expect to rediscount paper taken in Southern Michigan with us or with the Federal Reserve Bank of Chicago.

Very truly yours,

(Signed) W. B. Geery,  
Governor.

suggested questionnaire should be addressed.

At 4:30 p. m. the conference adjourned.

H. F. STRATER

Secretary.

FRASER BOARD  
ADMINISTRATIVE

Exhibit B

FEDERAL RESERVE BOARD

October 25, 1932.

Mr. W. B. Geery, Governor,  
Federal Reserve Bank of Minneapolis,  
Minneapolis, Minnesota.

Dear Governor Geery:

Reference is made to your letter of October 13, 1932, referring to the authority of the Regional Agricultural Credit Corporations created by the Reconstruction Finance Corporation pursuant to the provisions of Section 201(e) of the Emergency Relief and Construction Act of 1932 to rediscount paper with the various Federal reserve banks, and inquiring whether a Regional Agricultural Credit Corporation located in one Federal reserve district and having a branch in another Federal reserve district would be expected to rediscount paper acquired through such branch with the Federal reserve bank of the district in which the head office of the corporation is located, or with the Federal reserve bank of the district in which the paper has originated.

The Regional Agricultural Credit Corporations are authorized under the law to rediscount with the Reconstruction Finance Corporation and the various Federal reserve banks and Federal Intermediate Credit Banks any paper that they acquire which is eligible for such purpose, and it is assumed that the corporations, before requesting the Federal reserve banks to rediscount their paper, will consult with the Reconstruction Finance Corporation and also will utilize their authority to rediscount with the Federal Intermediate Credit Banks. In the event that it should become desirable for the Federal reserve banks to rediscount paper for these corporations, there are a number of questions to be considered with a view to obtaining some uniformity of policy and procedure among the Federal reserve banks in accepting such paper for rediscount.

Replying to your specific inquiry, it is the view of the Federal Reserve Board that, if and when the Federal reserve banks are requested to rediscount paper for the Regional Agricultural Credit Corporations, the offering in each case should be made to the Federal reserve bank of the district in which the head office of the offering corporation is located, unless exceptional circumstances are presented which might render it desirable to follow some other course of procedure.

Very truly yours,

(Signed) Chester Morrill,  
Secretary.

MEMORANDUM FROM ASSISTANT SECRETARY  
FEDERAL RESERVE BOARD

November 8, 1932.

An amendment to the Federal Reserve Act increasing from 15 to 90 days the maximum maturity of advances by Federal reserve banks to member banks on their promissory notes secured by eligible paper, was recommended to Congress by the Federal Reserve Board in its annual reports for the years 1927, 1928, and 1929, and in letters addressed to the Chairman of the Banking and Currency Committee of the House of Representatives under date of January 16, 1926, April 24, 1928, and March 6, 1930, and in a letter addressed to the Chairman of the Banking and Currency Committee of the Senate under the latter date.

The recommendation was again made in the memorandum submitted by the Board with its letter of March 29, 1932, containing its comments and suggestions with regard to Senate Bill 4115, the so-called Glass Bill. The Board again called attention to the recommendation in its letter of June 3, 1932, to the Chairman of the Senate Banking and Currency Committee suggesting a further amendment to the Glass Bill in order to retain the amendment to Section 13 of the Federal Reserve Act making debentures of Federal Intermediate Credit Banks which are eligible for purchase by Federal reserve banks eligible also as security for advances made by them to their member banks.

In a letter prepared for the Secretary of the Treasury and dispatched over his signature to the Chairman of the Banking and Currency Committee of the Senate under date of August 29, 1932, with regard to Senate bills 546 and 547, attention was directed to the recommendation made in the Board's letters of March 6, 1930, and March 29, 1932.

FEDERAL RESERVE BANK  
OF RICHMOND

November 25, 1931.

Federal Reserve Board,  
Washington, D. C.

Gentlemen:      ATTENTION:      Mr. E. M. McClelland, Asst. Secy.

Referring to the question in connection with inter-district time schedules, which arose out of a difference of opinion between the Federal Reserve Banks of Boston and Richmond, and which was referred to the Standing Committee on Collections by the Chairman of the Governors' Conference at the request of the Federal Reserve Board, the committee, as requested in your letter of October 28, 1931, has given consideration to the question of whether the inter-district time schedules of Federal reserve banks should be based on train schedules between the various Federal reserve bank and branch cities, leaving out of consideration the direct sendings of member banks.

The committee is unanimously of the opinion that the inter-district time schedule of each Federal reserve bank or branch should be based upon mail train schedules from it to the other Federal reserve banks and branches, and should not take into consideration the direct sendings to the other Federal reserve banks and branches by its member banks. In other words, the deferred credit time as shown on the inter-district time schedule of Federal reserve bank or branch "A" for checks on the city of Federal reserve bank or branch "B" should represent the actual time required to receive credit for such checks after dispatch by "A" to "B" and should not be affected at all by the direct sendings of member banks in the district of Federal reserve bank "A" to Federal reserve bank or branch "B". The deferred credit time for the direct sendings of a member bank in one Federal reserve district to the other Federal reserve banks and branches, to which it desires to route direct, should be based upon mail train schedules from the town in which the direct sending member bank is located to the other Federal reserve banks and branches, and should make such items available for reserve purposes when collected without regard to the regular inter-district time schedule of its Federal reserve bank or branch.

Respectfully,

STANDING COMMITTEE ON COLLECTIONS

(S) J. S. Walden, Jr.  
Chairman

[1932]

h

X-7270

REPORT OF COMMITTEE APPOINTED BY JOINT CONFERENCE OF FEDERAL  
RESERVE BANK COUNSEL AND THE STANDING COMMITTEE ON COLLECTIONS.  
(As amended and adopted by the Conference.)

- - -

Your Committee, appointed to report relative to the rights, duties and responsibilities of the Federal reserve banks in handling Government checks and warrants begs leave to submit its report and findings herewith.

Your committee is of the opinion that the duties and responsibilities of the Federal reserve banks in handling Government checks and warrants should be clearly defined either in Treasury Department Circular No. 176 or in a separate document containing the substance of an agreement between the Federal reserve banks and the Treasury Department. In the opinion of your committee such document need not characterize the Federal reserve banks as fiscal agents or depositaries of the Treasury Department, nor as collecting agents of their member banks. It might be confusing and embarrassing to attempt any such characterization, since the nature of the duties performed by the Federal reserve banks in handling Government checks and warrants is of a mixed character. Up to a certain point in these transactions the Federal reserve banks undoubtedly act as agents of the banks from which they have received the checks and beyond that point they act in some agency capacity in behalf of the Government of the United States.

We are of the opinion that the following specific points should be covered either in amendments to Treasury Department Circular No. 176 or in an agreement to be reached between the Treasury Department and the Federal reserve banks:

- 2 -

(a) That the provisions of Section 32 of Circular 176 should be amended so that the Federal reserve banks will be required to receive Government checks and warrants only from member banks and from nonmember clearing banks.

(b) The Treasury Department should undertake and agree to examine items for forgeries, insufficiency of funds and other material defects which might be discovered upon first examination and to notify the Federal reserve banks of the items on which payment is refused within a definite limited time after their receipt. The time in our opinion should be limited to the business day after the receipt of the items by the Treasury Department.

(c) The Treasurer should be requested to adopt the practice after inspection of checks and warrants handled by a Federal reserve bank of notifying such bank immediately by mail as to all items which have been found good, returning to the Federal reserve bank all items which for any reason are dishonored, and giving telegraphic advice of all dishonored items amounting to \$500 or more.

(d) The Treasurer should discontinue the practice of attempting to stop payment of items handled by Federal reserve banks solely in order to protect the interest of payees.

We are of the opinion that the Department should be requested to amend the pertinent portions of paragraph 32 of Circular No. 176 so as to read substantially as follows:

"II. PAYMENT OF GOVERNMENT CHECKS AND WARRANTS

"32. Federal Reserve Banks and branches. - Federal Reserve Banks and branches will make arrangements to cash Government checks and warrants drawn on the Treasurer of the United States for disbursing officers of the War Department and Navy Department, and other Government officers, provided that satisfactory identification of the officers shall be furnished. The Treasurer will upon special request advise Federal Reserve Banks and branches as to whether the balances to the credit of disbursing officers are sufficient for payment of the checks presented.

~~"Each Federal Reserve Bank and branch will give immediate credit for~~ RECEIVE Government checks and warrants drawn on the Treasurer of the United States ~~which are received~~ from its member and nonmember clearing banks ~~or presented through recognized clearing houses,~~ WHEN properly indorsed with guarantee of all prior indorsements thereon, including the indorsement of the drawer when the check is drawn in his favor. ~~Such Government checks and warrants will be received and credited by each Federal Reserve Bank and branch~~ AND WILL GIVE CREDIT THEREFOR subject to the terms and conditions of its time schedules, of its circular regarding 'Collection of Cash Items' and of Regulation J of the Federal Reserve Board.

"Federal Reserve Banks and branches will not be expected to cash Government checks and warrants presented direct to the bank by the general public.

"Government checks and warrants cashed or credited by Federal Reserve Banks and branches AS PROVIDED HEREIN shall be charged to the account of the Treasurer of the United States, subject to the right of the Treasurer to examine and refuse payment of such checks and warrants, ~~as provided in paragraph 34 hereof.~~"

(Deletions indicated ----)  
(Additions in CAPS)

This suggested revision of paragraph 32 of the circular follows the recommendations made in the report of the Standing Committee on Collections to the Conference of Governors, dated August 10, 1931, with the changes indicated in the text, certain portions being eliminated and certain other portions being added.



- 4 -

Your committee is further of the opinion that Section 34 of Treasury Department Circular No. 176 should be amended so as to be inapplicable to Federal reserve banks and that the conditions under which the Treasury may look to the Federal reserve banks for reimbursement for checks which have been cashed or received for immediate credit and charged to the Treasurer's account and the conditions under which the Treasury will merely expect the Federal reserve banks to use their best efforts to obtain reimbursement on such checks should be covered either by a separate section in the circular or in a separate document which need not be incorporated in the circular. Such agreement should cover the matter of advice of payment or nonpayment, including telegraphic advice of nonpayment of all items of \$500 or more, should exempt the Federal reserve banks from liability except for their own negligence, and should otherwise be in accordance with the recommendations set out above.

If the Treasury Department is not willing to amend its circular and enter into definite understandings in substantial accord with the views set forth above, the Committee is of the opinion that the Federal reserve banks should consider the advisability of discontinuing the present practice of giving immediate credit for such items, and of adopting the practice of handling them

on a deferred credit basis, as if the checks were drawn  
on a bank in Washington, D. C.

Respectfully submitted

\_\_\_\_\_  
(A. C. Agnew)

Chairman

\_\_\_\_\_  
( J. S. Walden, Jr.)

\_\_\_\_\_  
( Robert S. Parker)

\_\_\_\_\_  
( E. B. Stroud, Jr.)

\_\_\_\_\_  
( C. H. Coe )

\_\_\_\_\_  
( Walter Wyatt)

Washington, D. C.  
October 11, 1932.