

At the regular meeting of the Federal Reserve Board held in the office of the Board at 11 a. m., Tuesday, October 13, 1914

## PRESENT:

Mr. Hamlin	Mr. Harding
Mr. Warburg	Mr. Miller.

Mr. Hamlin, Governor, presided, and Mr. M. C. Elliott, in the absence of the Secretary and the Assistant Secretary of the Board, acted as Secretary to the meeting.

The Governor submitted for the Board's consideration model forms of Federal Reserve Notes and Federal Reserve Bank Notes each of the denomination of \$100. On motion made and seconded, the Governor was requested to recommend to the Secretary of the Treasury for approval both forms as submitted.

The Governor laid before the Board a telegram from the secretary of the Illinois Bankers' Association together with a proposed form of reply, the letter and reply having reference to the proposed conference in Chicago. On motion made and seconded, the Governor was requested to sign and transmit the reply as submitted.

A telegram from E. O. Tenison, Chairman of the Federal Reserve Bank of Dallas, was submitted. Mr. Tenison asked whether it would be advisable, in view of the proposed conference in Washington of the representatives of the various boards of directors, to hold a meeting of the Board and elect a Governor before this conference. The Acting Secretary was directed to prepare a reply for the Governor's signature to the effect that if a meeting can be held and a Governor elected before the conference in Washington without prejudice to the interests of the bank, this course should be pursued.

A letter from E. O. Tenison asking that his compensation be placed on an equal basis with that of the Federal Reserve Agents of the Federal Reserve Banks of Kansas City, St. Louis, Minneapolis and Atlanta, was read and considered. The Governor was requested to reply that at the present time the Board saw no reason for changing the compensation heretofore fixed which is on the same basis as that of the Federal Reserve Bank of Atlanta, but that the subject might be discussed upon the occasion of Mr. Tenison's visit to Washington for the purpose of attending the conference on October 20.

Mr. Harding read to the Board his report on the alternative bookkeeping systems suggested by the preliminary committee on organization; his written report being confirmatory and in amplification of his oral report heretofore made on this subject. On motion the report of Mr. Harding was accepted and ordered spread on the minutes of the meeting.

The report as submitted was as follows:

October 12, 1914.

I have carefully examined the two plans of accounting that have been prepared by the preliminary committee on organization for use of the federal reserve banks, and am of the opinion that both plans are essentially sound, and that either will, if put into operation, afford means of properly recording the transactions of the banks.

"A"

The system proposed by the general sub-committee on accounting and embodied in appendix 1 of the committee's report provides a series of bookkeeping forms similar to those used by many established banking institutions in which the volume of business can be accurately gauged, and in which great rapidity is not essential and where there is no necessity for a system susceptible of speedy expansion.

This system does not provide a complete set of records for each bank, and affords only structural outlines of an accounting plan, leaving details to be worked out as the business grows.

If adopted, this system would make a large use of bound books. Journalizing is one of the features of it, and the necessity of passing items through a comparatively narrow bookkeeping channel would involve some delay before the final record is complete, and the result would be rather a slow operation.

The system, however, provides for thorough and systematic data, with all of the usual safeguards, which would, however, be limited in their application because general balances must be struck before errors would be likely to be detected, excepting insofar as such errors may be found by the more or less artificial expedients applied through personal supervision while the items are in process of being recorded.

The system proposed in appendix 1 provides for ample and proper records relating to the operations of the federal reserve banks, their reports to the Federal Reserve Board, and for suitable records of note issues and substitution of collateral.

"B"

On the other hand, the system exemplified in appendix 2 may be described as follows:

Like the other it is based upon sound accounting principles, and will give accurate records of every transaction, with the essential difference that it is designed to furnish a flexible system of records, in which a proof is obtained by each department before the final entries are made. As a result the necessity of journalizing is almost entirely eliminated.

The records are mainly of the loose leaf character. Under this system the work would practically be all done by use of typewriters and adding machines, or a combination of both, with free use of carbon records, so that the system would be more expensive to install than the other, but it ought to be operated at a smaller expense. I am of the opinion that its use would enable the day's transactions to be closed, and all entries made and books balanced, at an earlier hour than under the other. And when clearing of checks is undertaken it would afford the promptest possible transmission of items for collection.

I am informed by our Secretary, Dr. Willis, that the Bureau of Efficiency of the United States Civil Service Commission has described the methods by which this proposed plan is to be carried out as follows:

(a) All bookkeeping entries are to be made from paid checks, receipts, or check-size debit and credit slips. These correspond to the paid checks, certificates of deposit, and notices of transfer used in the present Treasury system.

(b) The debit and credit slips are to be proved against each other in blocks before being sent to the bookkeeper, and in the course of this proof control totals are to be obtained for several sections of the detail ledgers.

(c) A single posting is to be made to each general ledger account each day, the amounts being obtained in some cases, apparently, by totaling the debit and credit slips, and in some cases by totaling the block proof sheets.

(d) A daily statement of account on which are listed the individual debits and credits is to be prepared for each depositor and is to be accompanied with debit and credit notices or with paid checks. Under the new plan the Treasurer requires similar daily statements from banks with which he maintains deposits. Copies of the daily statements bound in a loose leaf binder are to form the depositors' ledger.

(e) The debit and credit tickets are to be prepared by carbon process at the same operation with the credit and debit notices for the depositors and with other documents needed to complete the transactions.

It is, of course, possible to develop the details of the two plans on a comparative basis at great length.

The first system may be compared with a book case built in the wall, designed to hold a given number of

volumes. Such a book case would have waste space until entirely filled, and when once filled, would not be capable of further expansion.

The second system is more like a sectional book case, where a sufficient number of units are provided at first, and which may be enlarged indefinitely by the addition of other units as needed.

My own preference would be for the second system because it is quicker, more elastic and admits of a complete use of most modern machinery. It provides for the regular transmission of full details of business to the Federal Reserve Board without entailing unnecessary or extra work upon the accounting divisions of the several banks.

It is peculiarly adapted to institutions which are required to clear promptly and which must have their work always fully up to date.

I am informed by our Secretary, that these forms have been examined in the office of the Chief Clerk of the Treasury Department by an expert, who expresses the opinion that photographic reproductions would require an expenditure of probably \$250 or \$300.

1. I recommend that the statements and forms embodied in appendix 2 of the committee's preliminary report be accepted as a basis of discussion with the boards of directors of the several federal reserve banks, or such representatives as they may detail to consider the accounting question.

2. I recommend that the Secretary of the Board be instructed to secure a sufficient number of photographic reproductions of these forms.

Respectfully submitted.

W. P. G. HARDING.

Mr. Miller read in part, and asked the preliminary consideration of the Board on certain features of

his report on the duties of Federal Reserve Agents. A submission of his full report was deferred until the next meeting of the Board, and he was requested in the meantime to furnish a copy to each member of the Board.

Letters from Mr. R. H. Malone, suggesting for the position of Governor of the Federal Reserve Bank of Kansas City, Ex-Governor Alva Adams of Colorado, or Mr. John C. Mitchell, president of the Denver National Bank of Denver, Colorado, were read to the Board.

On motion of Mr. Warburg, Counsel to the Board was requested to procure as early as practicable a synopsis of the State banking laws of each of the States with particular reference to the reserve requirements in each State, and to furnish the Federal Reserve Agent of each Federal Reserve Bank with a copy of the laws of the states included in the district served by such banks.

On motion the meeting adjourned to meet again Thursday, October 15, 1914.

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Secretary.

APPROVED:

*W. H. C. Stansfield*  
Chairman.