

A meeting of the Federal Reserve Board with the Federal Reserve Agents Conference was held at 3:10 p. m., Friday, November 5, in the office of the Board.

PRESENT:

Mr. Hamlin, presiding	Mr. Harding
Mr. Delano	Mr. Miller
Mr. Warburg	Mr. Allen, Assistant Secretary.

PRESENT ALSO, the twelve Federal Reserve Agents.

// Mr. Perrin, as chairman of the agents conference, reported that they had considered the following subjects:

1. Should Federal reserve notes be counted as reserves.
2. Member banks should be required to report the condition of their reserve montly.
3. Circulars should be mailed by the banks and not by the Federal Reserve Board, if the frank can be used by the banks.
4. It would be convenient if gold order certificates could be issued in denominations of

\$50,000 and \$100,000.

5. The law should provide more specifically for savings accounts.

6. State laws should not discriminate against national banks in the deposit of public funds.

7. Branch national banks should be permitted to be established in Alaska.

8. It is advisable that national banks be permitted to accept domestic bills.

9. A copy of the entire reports made by a national bank examiner after the examination of a member bank should be filed in the joint custody of the Governor of the Federal Reserve Bank and the Chairman of the Board.

10. Mr. Cadwalader, Auditor of the Federal Reserve Bank of Richmond has been selected to represent the agents in the auditing of the Gold Settlement Fund.

11. It is recommended that the Federal Reserve Board prepare an analysis of the increased

cost of examination of national bank, which analysis shall state the reasons for the higher charge.

12. That it is desirable to obtain the most favorable ruling possible from the Postmaster General on shipments of Federal reserve notes.

13. Members of the Advisory Council should not be officers or directors of Federal reserve banks.

14. Disapproval of the appointment of Federal reserve agents as chief examiners. Action on this last subject was not unanimous.

Chairman Perrin asked an interchange of views on the subjects outlined above and particularly on the following:

Should the United States Government pay the cost of printing and the distribution of Federal reserve notes?

In connection with the above matter, Mr. Bosworth called attention to the cost of circulation issued against gold and suggested that Federal reserve notes should be made legal tender and available

for reserve of member banks.

Mr. Warburg suggested that when dividends are earned by the banks, this will matter little, and observed that the cost of notes and dividends was closely related.

The expense of shipping Federal reserve notes to Washington for redemption and the question, which Federal reserve bank shall pay the cost of such shipment was then taken up.

Mr. Delano stated the situation, and suggested that a charge against national banks for returning fit notes to the bank of issue was being considered.

Mr. Hamlin, Mr. Williams and Mr. Harding joined in the discussion in which Mr. Ingle, Mr. Martin, Mr. Jay, Mr. Perrin and Mr. Austin also took part.

It was agreed that the Executive Committee of the Federal Reserve Agents Conference should confer with the Governors of Federal reserve banks, who have had the matter under con-

sideration.

There was discussion as to whether in issuing Federal reserve notes for gold, a bank increases its discounting capacity, Mr. Bosworth and Mr. Jay holding contrary views. Governor Hamlin requested that each make a memorandum for the Board, that a decision might be reached in the matter.

At the request of Governor Hamlin, Mr. Warburg outlined the general policy of the Board relative to the purchase by the banks of Government bonds. This policy was in effect, that the banks might well have purchased bonds soon after their opening and that the purchase of a reasonable amount of Government bonds was desirable. Mr. Williams concurred in this view with the further suggestion that bonds purchased should be those on which circulation could be taken out.

Mr. Curtis, Mr. Wills and Mr. Jay outlined the attitude of the directors of the banks

where they are chairmen for the information of the Board. Briefly stated these were as follows:

BOSTON, That a new issue of bonds would reduce the price.

CLEVELAND, That the assets should not be locked up.

NEW YORK, That in time of stress it would be undesirable to have funds tied up in bonds.

Mr. Jay asked that the exposition of the bond matter, as explained by Mr. Warburg, be sent by the Board to the Federal reserve banks. Mr. Delano stated that the subject of the purchase of bonds had been frequently before the Board and their purchase had been suggested to the banks but that the Board does not tell the banks what purchases they shall or shall not make within the limits defined in the law and regulations.

Governor Hamlin asked for expressions of opinion as to the reduction of capital stock of Federal reserve banks with the following results:

Mr. Perrin favored the repayment of assess-

ments down to 1 per cent of member banks capital and surplus.

Mr. Curtis said that the Boston banks were unanimously against any repayment but the country banks would welcome it. He believed that the present situation as to stock added strength to the Federal reserve banks.

Mr. Ingle said that he would be glad to follow any plan agreed upon by the Board.

Mr. J. Z. Miller, Jr., stated that the Board of Directors of his bank had passed a resolution favoring a return of 95 per cent of the total authorized capital. Of 954 member banks in his district not more than four would object to this plan.

Mr. Wills held that the capital was too large and favored the return of two-thirds of that paid in, i. e. down to one per cent.

Mr. Martin said that the matter had not been discussed by the Board of Directors of the St. Louis Bank and held that the capital paid in by

member banks would probably have been held idle by them under any circumstances.

Mr. Austin said that part of the capital could be returned and the Philadelphia Bank still do business.

Mr. A. C. Miller advanced the view that the argument that the reduction of capital stock of banks was one intended to reduce them to the condition of impotency and that the question would not have arisen if the banks were returning dividends.

At 5:30 p. m. the joint meeting adjourned to meet at the call of the Chair.

Assistant Secretary.

APPROVED:

C. H. Austin

Chairman.