

At an adjourned meeting of the Federal Reserve Board held in the office of the Board at 3:15 p. m., on Thursday, January 20,

PRESENT:

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

By invitation of the Board, the Governors of Federal reserve banks, in session in Washington, met with the Board, there being present,

- Mr. Aiken Mr. McCord
- Mr. Strong Mr. McDougal
- Mr. Rhoads Mr. Wells
- Mr. Fancher Mr. Wold
- Mr. Seay Mr. Miller
- Mr. Kains.

The two topics suggested by the Board for the consideration of the Governors were taken

up for general discussion. These topics were:

1. Should the Board add to the number of cities classified as reserve and central reserve cities?
2. Should action be taken looking to the establishment of joint agencies of Federal reserve banks in foreign lands, or should this field be left to member banks?

There was general discussion of these subjects without definite recommendation. It was agreed that both should receive further consideration.

Governor Strong stated that the question of reserves of country banks had been under discussion by the Governors at their meeting with the Federal legislative committee of the American Bankers' Association early in the day. It was agreed that the Governors of the banks should give further study to this question, and the chairman stated that the Board would be glad to receive suggestions resulting from such study.

The chairman read a memorandum agreed upon by the Board in regard to meetings of Governors. This memorandum was as follows:

MEMORANDUM IN REGARD TO MEETINGS
OF GOVERNORS.

January 20, 1916.

To the Federal Reserve Board:

First:

Meetings during the first year have been frequent. We believe that, during the current year, there will be little occasion for more than three or four meetings.

Second:

There is no objection to the officers of the respective Federal reserve banks meeting informally for conference and discussion of administrative matters, but the formation by the Governors of a permanent organization, the appointment of an executive committee, and the election of a paid secretary, are matters that may be criticized as of doubtful propriety and beyond the scope of the powers of the Federal reserve banks as defined in the Federal Reserve Act. ✓

Third:

While the Board sees no reason for not approving the expenses for the fiscal year ended December 31, 1915, being a total of \$12,872.02, it would appear that, as a regular item in the expense accounts of the banks, so large an amount might be subject to criticism.

Fourth:

While the Board believes that much good can be accomplished by cooperation in the management of Federal reserve banks, and is anxious to secure in the future, as in the past, the continued and cordial cooperation of the Governors and all other officers of the Federal reserve banks; and while the Board feels that conferences of Governors undoubtedly have been useful and will be useful in the future in developing best thought as to technical questions of operations, and as to the general understanding of the law, it believes that everything should be avoided that might create the impression that there existed a definite organization which might be considered as extra-legal by Congress or by the public at large. While there is no objection to having committees appointed from time to time either by the Federal Reserve Board, or by the Federal Reserve Banks, or by the Governors, for the study of particular questions, or for preparing reports upon certain topics, it does appear inadvisable to the Board that a standing executive committee should be appointed to represent the Governors. It might create the impression

that certain banks or certain boards had delegated certain powers to a definite committee, and tend to work harm rather than to secure the good results that are expected by all to inure from these conferences.

Fifth:

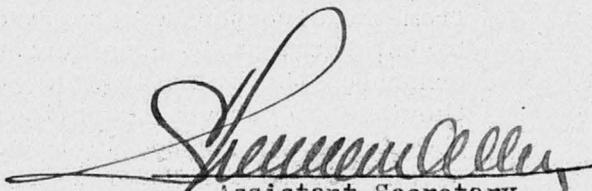
The law has created the Federal Advisory Council and has given certain definite authority to this Council, and care should be taken to avoid the appearance that any other body has been created which, to those not familiar with the operation of the Governors' Conference, might appear as encroaching upon the functions of the Council.

Sixth:

At the last meeting of the Governors of the Federal Reserve Banks a resolution was adopted in which the Federal Reserve Board was criticized for what was termed "an exercise of pressure", and the Governors are reminded that the Board is ready at all times to receive representations from the directors of any Federal reserve banks, but that it considers that the Governors of the banks assumed powers which they do not possess under the law when they undertook collectively to direct or to suggest to the Federal Reserve Board the manner of its exercise of the powers conferred upon it by the Act in its dealings with individual banks. The Board will be glad, from time to time, as in the past, to discuss with the Governors, in conference or otherwise, technical

questions of operation, and to have the benefit of the advice of the Governors in such matters in which the Board, not being in touch with the daily and practical operations of the banks, may wisely take the benefit of the experience and information of those in charge of the banks; but the Board must refuse to discuss with the Governors' Conference criticisms of its own acts or the manner in which the Board exercises its lawful powers in dealing with individual banks, and in a friendly spirit wishes to impress upon the Governors that proper care should be taken in the future to avoid any topics, the propriety of which on the program of the Conference might appear doubtful and would tend to lessen the benefits expected by all from those conferences, and rather harm than help the results to be expected by all from these conferences.

On motion at 5:15 p. m. the Board adjourned to meet at 11:00 a. m. on Friday, January 21.


Assistant Secretary.

APPROVED:


Chairman.