

A meeting of the Federal Reserve Board with the twelve Federal reserve agents was held in the office of the Board at 10:15 a. m., June 1,

PRESENT:

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

Chairman Perrin, for the Agents' Conference, reported the progress made, and stated that the Conference would like to take up with the Board the following questions:

1. The policy of banks as to Federal reserve note issues.
2. The amount of reserve, gold and legal, which Federal reserve banks should maintain.
3. The selection of candidates for the Federal Advisory Council.
4. The extent to which Federal reserve banks should cooperate.
5. Definition of "substantial com-

petition" between banks, as stipulated condition of the Clayton Act, in determining the eligibility of bank directors.

(1) Topic No. 1 was discussed quite freely, Mr. Bosworth making the point that he thought a Federal reserve bank should rediscount paper with other Federal reserve banks before it issued its own Federal reserve notes, his idea being, apparently, that the issuance of Federal reserve notes created an expansion of currency, and should not be tolerated in any district, provided other districts had funds. This suggestion was promptly negated with the statement that the Board had never considered that it should require a Federal reserve bank to rediscount with another Federal reserve bank until it had so far exhausted its resources as to bring its reserves down to either the legal minimum, or to such a point as the Board considered unwise to go further. Thereupon, at the re-

quest of Mr. Jay, the whole question of Federal reserve note issues was considered from its broader aspects, and tentative recommendations of a committee of the agents were read by Mr. Jay. The topic was discussed by each of the members of the Board, but no definite and final answer was given, the information being that the Board would have to alter its policy from time to time as questions arose, depending on the conditions in the different districts, and on the recommendations of the directors of the various banks. In other words, that while the similarity of policy in various districts was desirable, the Board would neither require nor expect that an absolutely uniform policy should be adhered to.

The policy as to the issuing of Federal reserve bank notes was passed over.

(2) Chairman Perrin, upon request, after

having obtained permission of the Conference, read the suggestions of the agents as to the reserves which each agent thought, under present conditions, should be maintained. They were as follows:

|                      |            |
|----------------------|------------|
| District No. 1.....  | 70%        |
| District No. 2.....  | 70%        |
| District No. 3.....  | 65%        |
| District No. 4.....  | 65% to 70% |
| District No. 5.....  | 60%        |
| District No. 6.....  | 60%        |
| District No. 7.....  | 70%        |
| District No. 8.....  | 60%        |
| District No. 9.....  | 60%        |
| District No. 10..... | 65% to 70% |
| District No. 11..... | 70%        |
| District No. 12..... | 70%        |

(3) The third topic was passed over with the understanding that a committee of the Federal reserve agents would make some recommendations.

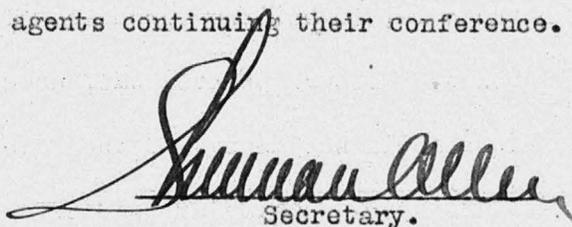
(4) The fourth topic was quite actively discussed, and the consensus of opinion seemed to be that careful differentiation should be made between those activities upon which it was

desirable for Federal reserve banks to act separately and independently, and those in which it was important that they should cooperate. As an example of the first class, the rediscounting for member banks of the district was cited. As an example of the second, was cited the formation of the Gold Clearing Fund, the clearing of checks, or the creation of foreign agencies, and to some extent, the purchase of warrants or bankers' acceptances in the open market, or the sale, if not the purchase, of Government bonds. It was pointed out, however, that this would not mean that the Federal reserve banks should employ any specific bank to act as agent. It was suggested that it would be wise to appoint committees, under suitable chairmen, to act on each of these cooperative activities. Stress was laid on the fact that the twelve Federal reserve banks were

separate, distinct and autonomous institutions; yet, at the same time, this should not mean that they were barred from action together in carrying out the intent of the law.

(5) Topic No. 5 was not discussed, but was passed with the understanding that the Board was at work on the subject, and would refer to the agents later their views, and possibly ask for some suggestions.

At 12:25 p. m. the Board adjourned to meet at 3:00 p. m. in the office of the Board, the agents continuing their conference.

  
Secretary.

APPROVED:

  
Chairman.