

At a joint session of the Federal Reserve Board and the Federal Reserve agents held in the office of the Board at 3:20 P. M. on Wednesday, December 6, 1916,

PRESENT:

Governor Harding, presiding, Mr. Miller,
 Mr. Warburg, Mr. Delano,
 Mr. Hamlin Mr. Willis, Secretary.

The Agents present were:- Mr. Perrin, Mr. Ramsey, Mr. Sawyer, Mr. Rich, Mr. Martin, Mr. Bosworth, Mr. Wellborn, Mr. Hardy, Mr. Wills, Mr. Austin, Mr. Jay, and Mr. Curtiss.

Reports of committees being taken up, Mr. Jay submitted an introductory statement on behalf of the Committee on Currency and Note Issue, copy of which is in the Board's files (File No. 325), which he followed with a report on behalf of his Committee relating to the general subject referred to as special business. (File No. 325).

Mr. Wills on behalf of the Committee on Acceptances, reported first in respect to trade acceptances, then with respect to bankers' acceptances. (File No. 325)

Mr. Hardy reported on behalf of the Committee on Policy, copy of his report being in the Board's files. (No. 325).

Mr. Perrin, acting as the Chairman of the Federal

Reserve Agents Conference, reported briefly with respect to various additional topics that had been suggested by the Board at the first session. 1. With reference to the proposed order for collection of checks through post offices in certain cases, he stated that in the opinion of the conference such an order would probably be desirable, but added that the time for its use would be a matter requiring study and discrimination. 2. As ^{to} the proposal to allow a small charge for the collection of State bank checks, Mr. Perrin reported that the sentiment of the conference was opposed to it. 3. With respect to the printing of Federal Reserve notes at the expense of the Government, the conference favored the plan. 4. The question of the accumulation of gold and the policy to be pursued with respect thereto, Mr. Perrin thought had already been sufficiently covered. 5. The conference had favored the advancing of the date when reserve balances should no longer count as reserves. 6. The question of changes in Section 5200 of the National Bank Act had been so fully covered elsewhere as to require no further attention. 7. The conference had decided that in their opinion a differential should exist in favor of member bank acceptances as against those of non-member banks.

At the conclusion of Mr. Perrin's report, Mr. Wills moved that it was the sense of the meeting that such committee reports as the Board might think best might be printed in full or in part in the Bulletin, if so desired. The motion prevailed by general consent.

Mr. Harding addressed the conference making a statement intended to meet the various points and queries raised by the Federal Reserve Agents in their request for information presented to the Board at its morning meeting.

1. With regard to reserves, Mr. Harding said a uniform policy was called for. It was best that the Board should exercise a reasonable amount of control. The Board believed that reserves should be maintained at a high point in order to continue the banks as a whole in a highly liquid condition, and thus carry out what they had been preaching to others. The Board would not object to an increase of discount rates on a reasonable basis from time to time as might be thought best by the different banks.

2. With reference to the work of the committee appointed by the American Bankers Association to study the collection system, Mr. Harding said that the Board was an administrative and quasi-judicial body, not vested with

legislative functions. It had no choice as to what it would do, but its duty was to carry out the provisions of the law. Its attitude with reference to the proposed legislation was that of dignified unconcern pending the time when it should be asked by Congress what its views were.

3. The policy of issuing Federal Reserve notes in order to obtain gold was definitely recognized by the Board. The Board had about decided to ask Congress to amend the Act so as to have the Government pay the expense of issuing Federal Reserve notes. The Board was of the opinion that the banks should take advantage of every opportunity to increase their gold holdings. Congress, moreover, was to be asked again to grant authority to issue Federal Reserve notes for gold. Mr. Harding stated that expedients had already been practiced by the Federal Reserve Bank of New York in order to get out notes against gold.

4. The establishment of rates of discount had been elsewhere dealt with. The policy should be generally uniform.

5. As to the proposed amendments to the Federal Reserve Act, Mr. Harding spoke first of the advancing of the

date of the final transfer of reserves. A bill to that effect had already been introduced into Congress.

6. The Board was also disposed to think favorably of the plan suggested by the Reserve Agents for doing away entirely with vault reserves.

7. Alternative to the plan of having the Government pay the cost of printing the notes was that of having a cut in the capital stock of Federal Reserve banks.

8. Another important amendment which the Board has in view contemplates a reduction in the amount of National bank notes outstanding through the imposition of a super-tax upon all excess notes issued over and above \$100,000 by the smaller banks, and above 50% of capital and surplus in the case of the larger.

9. The Board also proposed to suggest to Congress the adoption of an amendment granting to State banks a so-called clearing house membership, or clearing membership whereby they would be enabled to participate in clearing operations without becoming full members of the system.

Furthermore the Board intends to renew its recommendation to Congress in favor of an amendment to the Act to permit the establishment of branches of National banks under certain restrictions.

Governor Harding stated that the Board had been cautioned not to ask too many amendments at this short session of Congress.

10. Replying to the request of the agents that, as a practice, they be advised at the earliest opportunity of the policy of the Board to be set forth in statements to newspapers, Governor Harding said that the Board was always desirous of keeping its representatives informed of its action and would try to keep them closely in touch with its views, but added that occasionally situations arise over night which required immediate action and the usual course cannot be followed. He reviewed some features of the recent statement concerning foreign loans.

11. As to the general policies in connection with branch banks, Governor Harding said that the Board had today been approached by a Congressman with a demand that a branch bank be established in his community. He described this demand as one of the features of Washington life which the Board had to meet. If the policy pursued as to public buildings was to be allowed to prevail in connection with branch banks he saw disaster. To avoid this he suggested that the Board hold a formal hearing on the question of

branch banks, representatives of the several districts to be present.

Chairman Perrin discussed the situation as to branches in his District and Mr. Wellborn stated that the New Orleans Branch, the expense of which is about \$18,000 took its business and made its profits directly from the Federal Reserve Bank of Atlanta. In answer to a question from Mr. Delano, Mr. Wellborn said a Manager at New Orleans would accomplish practically the same purpose.

The discussion was then taken up by Mr. Warburg, who said that the reasons urged against branch banks were equally good if offered against Federal Reserve banks. Much, he said, depended upon whether the Board can get quick reaction from the men at the top. In some banks, he said, there had not been such reaction and the Board could not go on successfully unless it was to be given. Mr. Warburg held that there could not be gotten from agencies the same result which would result from the establishment of branches.

He suggested that fees to directors of branches should be nominal and the offices made honorary. He cautioned those present to watch out or they would have a system so hesitating that it will fail. Branch banks are a part of the system, but must be absolutely under control.

Mr. Jay asked what factors should be considered in the making of rates of rediscount. Mr. Harding suggested that this question could be discussed by the agents with the committees in charge of their several districts and Mr. Warburg added that the condition of reserve should have consideration as also the possibility of getting too heavily involved, and whether it is a good thing for the country to be cautious at this time.

Replying to a further question of Mr. Jay, Mr. Warburg said that banks should rediscount to protect there reserves, which in time of stress might be allowed to go to 60%, but ordinarily should be kept at 70% or 80%. He also advocated rediscount in time of seasonable demands, especially in the cases of the southern banks.

Mr. Miller stated that he felt the Board would have the right to demand that the banks rediscount to protect their reserve.

Replying to a question of Mr. Wellborn as to whether banks could put up United States bonds as collateral for accommodation by other Federal Reserve banks, Mr. Warburg said that they might. Attention was called by Mr. Miller to the need for an early examination by Federal Reserve agents of their note supplies and placing of additional orders for

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the printing of notes where necessary.

There was discussion of this subject, after which, at 6:20 P. M. the meeting adjourned.

A. P. ...
Secretary.

APPROVED:

[Signature]
Chairman.