

At a joint session of the Federal Reserve Board with the Governors of Federal Reserve banks held in the office of the Board at 11 A. M. on Thursday, December 14, 1916,

PRESENT:

Governor Harding, presiding, Mr. Miller,

Mr. Warburg, Mr. Williams,

Mr. Delano, Mr. Willis, Secretary.

Mr. Hamlin, Mr. Allen, Assistant Secretary.

Present also:- Mr. Aiken, Mr. Miller, Mr. Fancher,

Mr. Rhoads, Mr. Van Zandt, Mr. Wold, Mr. Treman, Mr. McDougal,

Mr. Seay, Mr. McCord, and Mr. Curtis.

Mr. Aiken reported the general line of the work done at the sessions held by the Governors of the banks during their stay in Washington, taking up the items as follows:-

(1) The question of bonds and their disposal, reporting that the banks had sold all of their conversion 3's.

(2) Matter of the purchase of bonds by a committee, reporting that the Governors had at the Board's suggestion named a committee to act for the twelve reserve banks.

(3) The question of banks as fiscal agents, reporting that there was considerable confusion of minds as to the

further extension of the work, and hence no definite conclusion one way or the other.

(4) The use of post offices for collecting bank items, favoring the application of this method, at the earliest opportune moment.

(5) The question of reserve penalties, reporting in favor of weekly reports by banks in reserve and central reserve cities, and semi-monthly reports by other, such reports to be required on and after January 1, 1917.

(6) The question of credit and clearance, reporting the result of a conference of auditors and credit men in Chicago, and recommending the publication of a complete compar list by the Board on January 1st, with monthly supplements for six months thereafter.

(7) The question of drafts on Federal Reserve banks and drafts on banks outside Federal Reserve cities, reporting that the matter is in the hands of a committee which will get in touch with the Board later.

(8) The use of bank credit numbers, reporting that such use was favored, and that the committee had been directed to get into touch with the American Bankers Association Committee, and to place these numbers on Federal Reserve checks.

(9) The question of service charges to banks, reporting that no formal action was taken, but that in view of the current agitation on the subject, it was deemed wise to defer action until more progress had been made with the system.

(10) The question of compensation to member banks for items collected on non-members, reporting that the idea was undesirable.

(11) The use of the words "collectible at par through Federal Reserve banks", reporting that the American Bankers Association had asked to have these words eliminated from checks as not being true, but that the Conference had deemed it wise not to concur in this suggestion, and had directed the Secretary of the Conference to notify the bankers accordingly.

(12) The question of delay in mail, reporting that it had been agreed that specific cases of neglect or faulty delivery be gathered, and that if adequate, a bill of particulars be rendered later.

(13) The question of who should pay for telegrams making transfers of funds, reporting that the matter was tabled so as to get more experience.

(14) The question of collecting time items, reporting that a committee had been named to see whether it would be well to consider this matter at all, and that the service today being rendered to some extent, the committee being

expected now to formulate an operating plan and scale of charges.

(15) The question of Gold Settlement Fund operations, reporting that the recent Auditors Conference in Chicago had approved the idea of a daily settlement, a plan for the same

to be worked out between the Statistical Division of the Board and a committee representing the Governors of the banks.

(16) The question of a special fund of silver and legal tenders, reporting that the matter had been referred to the committee in charge of the question of the immediate avail-

ability of drafts on Federal Reserve banks, but that no action had been taken as yet.

(17) The question of the physical separation of the funds of the banks and the Federal Reserve agents, reporting that this was not an accomplished fact.

(18) The question of currency and reserves, reporting that there had been considerable discussion of this matter, and a resolution adopted as follows:-

RESOLVED That it is the sense of the conference that legislation should be obtained at the earliest practicable moment looking towards the improvement of the currency laws of the country, with the special view of lessening the number of different issues of currency not in circulation and substituting for such issues Federal Reserve notes. Such legislation should include among other things, the following:

1. Retirement of the whole of the present issue of United States notes (greenbacks) and the substitution therefor of Federal Reserve notes upon an equitable basis to be worked out between the Government and the Federal Reserve banks,
 2. The acceleration of the retirement of National bank note currency,
 3. The authorization of the use of Federal Reserve notes as vault reserves for member banks,
 4. A provision requiring all Federal Reserve notes issued to Federal Reserve banks and not redeemed to be counted as liabilities of the bank, and all gold and lawful money deposited with a Federal Reserve agent to reduce liability on such notes to be included among the assets of the bank,
 5. A provision authorizing the Federal Reserve Board or the Secretary of the Treasury to readjust, in their or his discretion, from time to time the denominations of silver and gold certificates to be placed in circulation, to the end that the silver certificates should be placed in the hands of the public and gold certificates should find their way into bank reserves in the hands of the banks.
- (19) The question of foreign connections for Federal Reserve banks, reporting that the Governors favored the making of such connections as soon as possible, but only in those

cases where there was an actual intention of transacting business.

(20) The question of the conversion of one-year notes into thirty-year bonds, reporting that a committee had been authorized to take the matter up with the Secretary of the Treasury, owing to the feeling that it was more desirable to develop a market for thirty-year 3% bonds than to hold the one-year notes in portfolios.

(21) The question of uniformity in the treatment of organization expenses, reporting that it was the understanding of the Governors that all organization expenses would have been paid off by January 1st.

(22) The question of reduction in the paid-in capital of Federal Reserve banks, reporting that it had been voted that the Federal Reserve banks be authorized, subject to the approval of the Board, to reduce their paid-in capital to one and one-half per cent of the capital and surplus of member banks, three members voting against such a plan.

(23) The question as to branches versus agencies, reporting that the latter type of organization was favored for the present, because the form of organization required by law for a branch appeared to be unnecessarily clumsy and

expensive.

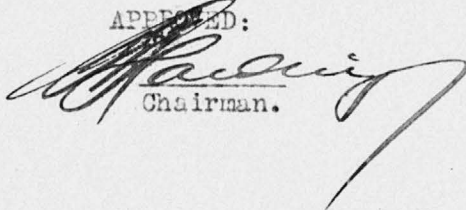
(24) The question of amendments tentatively put forward by the Board in the minutes of December 8th, reporting on these as follows:- Nos. 1, 5, 7, 8, 9 and 10, unanimously favored; No. 3, already discussed above; No. 11, favored with the modification that the \$100,000 gold certificates should be made generally available, and not limited to use by the Federal Reserve Board; Nos. 2, 4, and 6, not unanimously favored, but productive of a difference of opinion among the members who felt, on the whole, that the proposed readjustment of reserves was desirable, but should be carefully considered and worked out; that the heavy taxation of National bank notes was abstractly desirable, but only in case some non-bond secured currency should be substituted; and that the provision for associate membership was probably not desirable at this time.

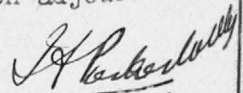
A general discussion of the whole situation, and particularly of the amendments, ensued.

The Governors filed with the Board a report of the work of their committee on central reserve and reserve cities, which is in the Board's files (No. 324)

On motion at 1:30 P. M. the joint session adjourned.

APPROVED:


Chairman.


Secretary.