

MINUTES OF
JOINT CONFERENCE OF THE
EXECUTIVE COMMITTEE OF THE FEDERAL ADVISORY COUNCIL,
THE FEDERAL RESERVE BOARD AND
THE GOVERNORS OF THE
FEDERAL RESERVE BANKS

March 20, 1919.

In response to a letter from Governor W P G Harding of the Federal Reserve Board the President of the Federal Advisory Council called its Executive Committee to meet in the Federal Reserve Board room, Metropolitan Bank building, Washington, D C, in joint conference with members of the Federal Reserve Board and the Governors of the Federal Reserve banks on Thursday, March 20, 1919, at 10:30 A M.

Governor Harding's letter is as follows:

Washington, March 5, 1919

Mr. James B Forgan, President
Federal Advisory Council
Chicago, Ill.

Dear Mr. Forgan:

The Board has asked the Governors of the Federal Reserve banks to meet here for a conference on Thursday, March 20th, at which time and on succeeding days various important matters relating to the operation of the Federal Reserve banks will be discussed.

In view of the failure of several very important appropriation bills, it looks as though the burden upon all banks is going to be heavier than anticipated, and the first day's session will be taken up with a discussion of some practical questions relating to the banking situation and to banking policy. In discussing the matter at the Board meeting this morning, it was decided to ask the Executive Committee of the Federal Advisory Council to attend the first day's session on Thursday, March 20th, and to authorize you at the same time to invite any other members of the Council who might care to come to Washington to do so and take part in the discussion.

Trusting that you will agree that present conditions which seem to call for a well defined policy to be formulated after a careful study of the situation, justify this request of the Executive Committee of the Federal Advisory Council, I am,

Sincerely yours,

(Signed) W P G Harding,

Governor

Federal Reserve Board."

In accordance with the President's call the following members of the Executive Committee were present: Messrs L L Rue, Vice President, D G Wing, A B Hepburn, W B Rews, and F O Watts, also Morrith H Grim, Secretary. Absent James B Forgan.

The following members of the Federal Reserve Board were present: Governor, W P G Harding, in the chair, C S Hamlin, J S Williams, A C Miller, and J A Broderick, Secretary.

The following Governors were present: Benjamin Strong, Jr., New York, C A Morss, Boston, E P Passmore, Philadelphia, E R Fancher, Cleveland, M B Wellborn, Atlanta, J B McDougal, Chicago, D C Biggs, St. Louis, Theodore Weld, Minneapolis, J Z Miller, Jr., Kansas City, R L VanZandt, Dallas, J K Lynch, San Francisco, also Deputy Governors C A Peple of Richmond and C E Spencer, Jr., of Boston.

There were also present by invitation Mr. Fred I. Kent, in charge of the Division of Foreign Exchange of the Federal Reserve Board, Senator Robert L. Owen, Chairman of the Banking and Currency Committee of the United States Senate, Mr. Edmund Platt, Chairman of the Banking and Currency Committee of the United States House of Representatives.

Governor Harding called the meeting to order stating that it would be very informal and briefly pointed out the various complex problems that confront the nation and the banks of the country at the present time, making reference to certain statistics that had been compiled by the Board's statistician, and to a list of topics that had been prepared for the meeting, all of which are contained in the verbatim stenographic report of the proceedings, a copy of which has been provided for each member of the Council.

Senator Owen and Congressman Platt at the request of the Governor addressed the conference, also Mr. George L. Harrison, Counsel for the Federal Reserve Board.

Governor Harding called on the Governors to review conditions in their respective Federal Reserve districts.

Mr. Walker D. Hines, Director-General of the Railroads, who had been invited by Governor Harding to attend the conference having arrived then explained the financial conditions confronting the railroads and his administration of them as Director General.

The remarks of these gentlemen as well as of those who participated in the general discussion in connection with the subjects under consideration are contained in the stenographic report hereto attached.

At 1:30 the conference adjourned until 3 P M.

Secretary.

SUBJECT: Action on proposed changes in the Federal Reserve Act, February 1918.

As arranged the joint conference of the Executive Committee of the Federal Advisory Council, the members of the Federal Reserve Board and the Governors of the Federal Reserve banks reconvened at 3 P. M.

Governor Harding called the meeting to order and said the various topics would be considered informally. After a full discussion of the Discount policy of the Federal Reserve banks and its relations to the various national and international financial conditions existing it was the consensus/opinion that there should be no change in the discount rates until after the flotation of the forthcoming Victory loan.

Mr. R. C. Loffingwell, Assistant Secretary of the Treasury, and Mr. Fred I. Kent addressed the conference on the questions of the governments financing and international exchanges. Their remarks are also contained in the stenographic report referred to.

At 5:30 the joint conference adjourned.

Secretary

FEDERAL RESERVE BOARD

WASHINGTON

May 17, 1919.

SUBJECT: Action on recommendation made by Advisory Council on February 18th, 1919.

TOPIC 1. Amendment to Section 5169, so as to require all new National banks to have the approval of the Federal Reserve Board before they are permitted to begin business. No action taken.

TOPIC 2. Suggestion that Reserve Banks should send all checks and other items for collection directly to the town or city in which they are payable, even if the town or city is located in another Federal Reserve district, rather, etc.

Submitted to Conference with Governors, who recommended that no extension direct sending plan be undertaken until number of par points increased and until mechanical problems of collection system more fully developed and working smoothly. Governors called attention to probable renewal of campaign of smaller banks to secure restoration of exchange by amendment of Federal Reserve Act.

TOPIC 3. Amendment to Section 13 to permit member banks to borrow upon their promissory notes secured by Government obligations for period of 90 days instead of 15 days, the present limitation.

No action taken.

TOPIC 4. Recommended that contingent liability of Federal Reserve Banks on account of bills rediscounted with other Federal Reserve Banks be shown in published statement of the banks so rediscounting.

Beginning February 28, the Federal Reserve Board's weekly statements show item "Contingent liability as endorser on bills rediscounted by or sold to other Reserve Banks showing an amount for each Reserve Bank so liable," and Reserve Banks requested to publish the item in future reports.

TOPIC 5. Recommended that the Federal Reserve Board, as a matter of additional service to member banks, request that Federal Reserve Banks to receive on deposit for immediate credit from members National bank notes unfit for circulation.

Submitted to Conference with Governors, who voted disapproval, and the Board advised Federal Reserve Banks that it would be left to discretion of each Federal Reserve Bank to determine its policy in this respect, but suggested that a Reserve Bank should not give immediate credit for unfit National bank notes deposited, such notes to be received as collection items only.

TOPIC 6. Recommended plan under which instant credit would be given to the members' reserve accounts for bank acceptances paid to any Federal Reserve Bank.

Uniform plan adopted and now in operation with all Federal Reserve Banks makes proceeds of acceptances available in accordance with published schedule (which cannot be changed except upon 30 day notes) whereby items to be collected must be received by collecting Federal Reserve Bank or branch in time for presentation at maturity to accepting bank or bank designated as place of payment. The time schedule provides immediate credit for items on Federal Reserve Bank and Branch cities and a spread of 1 to 4 days on items elsewhere.

TOPIC 7. Victory Loan Bond issue- suggested terms.

No action necessary.

TOPIC 8. This was request of Board for expression of views of Council as to differentiation in discount rates, and the Council expressed it self at length. No action necessary.

TOPIC 9. Development of acceptance market.

Council expressed view that for reasons given by them, no action be taken at present, looking to stimulation of acceptance market by means of lower rates.

Council should be advised of action of Governors in recommending following in re bankers' acceptances:

- (1) Where voluntary open market purchases are made by one Reserve Bank through another no indorsement expected or required.
- (2) Where sales of bills by one Reserve Bank to another made by mutual agreement, indorsement may be required by purchaser and transaction promptly reported to Board.
- (3) Where rediscounts arranged through Reserve Board, at rates fixed by Board, indorsements to be given by borrowing bank.

and of action of Board approving Governors' recommendation except Board notified Banks that all inter-district sales of such acceptances must be made through, or under participation arrangements approved by, the Board so that it may keep informed of loan and reserve conditions of Federal Reserve Banks.

TOPIC 10. Amendment of Section 5202 of National bank act so as to exclude from its prohibition the liability created by National banks on accepted bills of exchange actually owned by the bank and rediscounted at home or abroad, or, if this object can be accomplished by a ruling of the Board it would it would be more desirable than to attempt an amendment to the act.

"There is no limit in the amount of bills drawn against actually existing values which a bank may purchase and hold, hence it seems logical that there should be no limit upon the amount which a bank might negotiate by endorsement."

General Council reports that the desired result cannot be gained by a ruling - it would necessitate amendment.

respect to recommendations made by the Governors to the Council.

It is reported that the Council has recommended to the Federal Reserve Board if they recommended to Congress any amendments to the Federal Reserve Act. On motion the President was requested to take the matter up with the Governor of the Federal Reserve Board.

The President laid before the Council the Governor's letter of April 25, 1911, enclosing certain resolutions of the Council for consideration at this meeting, also certain reports prepared by the Board which were presented and made a part of the proceedings.

The Governor and members of the Council, having given notice, the Council adjourned for joint session.