Memorandum of Topics
Suggested for Consideration at Meeting of Governors of
Federal Reserve Banks held in Washington, January 19, 1916.

First:

Section 11 of the Federal Reserve Act gives the Board power,

"To add to the number of cities classified as reserve and central reserve cities", etc.

Under this authority, the Federal Reserve Board could name the city in which each Federal Reserve Bank is located as a central reserve city. The immediate effect would be to increase the reserves of those cities from fifteen to eighteen per cent, and at the same time cause a transfer of reserves in those cities to the Federal Reserve Banks, both of which objects are desirable, and more easily accomplished at a period of easy money and excess reserves. The Federal Reserve Board would be very glad to have a recommendation from the Governors on this subject.

Second:

At the September meeting of the Advisory Council, it recommended to the Federal Reserve Board that Federal Reserve Banks should not establish joint agencies in foreign lands, but that this field should be kept open for member banks. Since that time the Federal Reserve Board has canvassed the subject through the Federal Reserve Agent of each District with a view to ascertaining whether the larger banks in the various Districts would be willing to join in the ownership of branches in foreign countries. The replies to these inquiries are not as encouraging as has been hoped they would be for it appears

that while for a number of good reasons it seems unwise that the Federal Reserve Banks should undertake this business, there is a great deal of hesitation on the part of most member banks to undertake it themselves.

A few banks appear to show a spirit of enterprise in the matter and the Board believes that under any circumstances the door ought to be opened as wide as possible and that Congress should be urged to do all it can to offer to member banks, singly or combined, the opportunity of entering these foreign fields.

In this connection some questions have occurred to the Board in considering this matter upon which it will be glad to have the views of the Governors. These questions are:

(a) Should the proposed amendment provide that others than member banks be permitted to be stockholders in these banks which are to operate under Federal charters in foreign countries? If so, should there be a provision that a majority of the stock be held by member banks?

(b) Would it not be advisable to provide that there should not be a double liability with respect to the stock holdings in such banks, but only a liability up to the authorized capital?

(c) What, if any, should be the reserve requirements of these foreign banks? If they are to receive deposits in foreign countries it would subject them to great hazard of fluctuation of exchange if against these foreign deposits they are required to

keep reserves in the United States.

(d) Should these foreign banks be required to be members of the Federal Reserve System?

(e) Should these foreign banks be permitted to invest a definite percentage of their capital and surplus in holdings of foreign banks operating under local charters?

(f) What restrictions should be placed upon these foreign banks for their operations in the United States? For instance - they might be permitted to accept deposits only where these deposits are incidental to transactions in foreign countries. On the other hand, it would appear that they should be permitted to receive deposits on demand or on time from other banks, particularly from those for which they will act as correspondents or agents in foreign countries.

(g) Should these foreign banks be permitted to accept and should their "bankers' acceptances" be eligible for rediscount with the Federal Reserve Banks?

1/19/16.