

CONFERENCE WITH GOVERNORS

GENERAL FINANCIAL SITUATION: Present Problems.

1. DOMESTIC

(A) Present financial conditions.

1. Reserves and Loans of Federal Reserve Banks
2. Money Market
3. Investment market

(B) Government Financial Program

(C) Railroad Financing - Temporary and Permanent

(D) Settlement for unfinished Government Contracts

(E) Probable effect of Topics B, C, and D upon Reserve and Loan condition of Federal Reserve Banks; money market at financial centers, general investment market.

II. FOREIGN

(A) Effect upon financial and business conditions in United States of:

1. Signing Treaty of Peace
2. Discontinuance of Government Loans to Allies
3. Discontinuance of Supervision of Foreign Exchange transactions
4. Discontinuance of control of gold exports (Extent to which gold may be shipped to foreign countries.)

(B) Financial Relations with Foreign Countries

1. Present indebtedness of Allies
2. Present favorable trade balance
3. Adjustment of 1 and 2, and the effect upon future trade

(C) Development of Trade with Foreign Countries

1. Financial facilities.
2. Shipping facilities.
3. Formation of export corporations and associations.
4. Cooperation with Governmental agencies.

(D) Providing means of Payment for Commodities

1. Acceptance credits to finance exports and imports
2. Long term credits to finance American exports
3. Necessity for establishment and development of broad market for securities of foreign governments and corporations.
4. International Gold Clearance Fund - Use of plan of earmarking gold.

TOPICS SUGGESTED FOR
DISCUSSION AT
CONFERENCE WITH GOVERNORS
OF
FEDERAL RESERVE BANKS

March 20, 1919.

Meeting in Assembly Room,
Metropolitan Bank Building,
at 10:30 A.M.

TOPICS SUGGESTED FOR DISCUSSION AT CONFERENCE WITH GOVERNORS
OF FEDERAL RESERVE BANKS, MARCH 20, 1919.

X-1390a

Meeting at Assembly Room, Metropolitan Bank Building, at 10:30 a. m.

1. DISCOUNT POLICIES:

- a. How long should Reserve banks continue the present differential rates in favor of notes secured by Government obligations?
- b. Current rates of member banks for bank loans in the several Reserve districts, and their relation to present rediscount rates of Federal Reserve Banks.
- c. Liquidation of Government secured paper at Reserve banks.
- d. Expression of opinion as to the length of time which will be required to make a permanent distribution of the Government securities held by member banks.
- e. Discussion of recommendations made by Advisory Council as to discount rates and policies.

2. BANKERS' ACCEPTANCES - OPEN MARKET:

- a. Development of open market.
- b. Is a low rate at Federal Reserve Banks necessary to develop the acceptance market?
- c. Reserve Bank - policies in making purchases:
 1. Direct from accepting banks.
 2. From member banks, with or without endorsement (miscellaneous bills other than own acceptances).
 3. Through brokers and accepting houses.
 4. Through other Federal Reserve Banks.
 5. Through brokers or banks other than Reserve banks, of acceptances of member banks in other districts.
- d. Sales of acceptances to other Reserve banks with or without Reserve bank endorsement.
- e. Expression of opinion is asked as to desirability of Reserve bank making miscellaneous sales of bankers' acceptances:
 1. To member banks in its own district.
 2. To other banks, bankers, brokers or accepting houses in its own district.

3. To banks, bankers, brokers or accepting houses in other districts.

f. Necessity for general cooperative policy covering all interdistrict purchases, sales and rediscounts.

3. BANKERS' ACCEPTANCES- GENERAL:

- a. To what extent is inquiry made by Reserve Banks to determine eligibility of bankers' acceptances?
- b. Distinction - foreign and domestic acceptances as to security required at the time of and subsequent to acceptance.

4. BANKERS' ACCEPTANCES - DOMESTIC:

- a. Use and abuse of domestic acceptance.
- b. Custody of collateral.
- c. Discrimination in purchases by Reserve Banks.

5. LOANS TO MEMBER BANKS:

- a. What is the policy with respect to discount by Reserve banks of notes and bills secured by commodities; margin required?
- b. The attention of the Board has been called to what has been termed "extraordinary liberality of loans to small member banks". The margin between the Reserve bank discount rate and the rate charged to customers of rediscounting bank tends to encourage easy credit.

Discussion as to extent to which small banks or institutions which are in a weak or over-extended condition should be permitted to rediscount with Reserve bank; necessity for careful analysis of the credit statements submitted before rediscounting; and requirements as to additional collateral. Desirability of special credit investigations in cases where a bank offering paper is over-extended, or where an over-liberal loan tendency is apparent.

6. CREDIT STATEMENTS:

- a. Extent to which reliance is placed upon the standing and condition of an endorsing bank and its certificate as to the eligibility of notes submitted for rediscount, rather than determination as to eligibility as well as desirability, through analysis of financial statement of the payers of the notes rediscounted.

- b. Corporations operating subsidiary companies; suggested requirement, that such companies furnish to Reserve banks, separate financial statements of parent and all principal subsidiary corporations as of the same date.

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7. REDISCOUNTS BETWEEN RESERVE BANKS:

At present, when the reserve percentage against combined note and deposit liabilities is reduced to about 40%, bills are sold to or rediscounted with other Federal Reserve Banks. At present the reserve percentage of a number of Reserve banks is in excess of 65%. It has been suggested that the rediscounting point be raised from 40% to 45%.

8. CREDIT BAROMETRICS:

Consideration of the suggestions made by A. Wall of Detroit, that a Bureau of Barometrics be established by the Federal Reserve Board. Would the benefits warrant the expense?

9. RESERVE BANK BUILDINGS:

Need for cooperation and interchange of ideas in the development of plans for the erection of new bank buildings, installation of vaults and other equipment.

10. RESERVE BANK INSURANCE:

Central Insurance Agency:

1. Is it desirable to establish or appoint a central insurance agency to represent all the Reserve banks, in placing registered mail and other insurance? It is claimed that this plan will have the advantage of uniformity in policies and rates, and that better results will be obtained for the twelve banks acting in unison rather than as twelve separate units as at present.

Limited Self Insurance

A Reserve bank has submitted to the Federal Reserve Board for approval a plan for the readjustment of its fidelity insurance, which contemplates:

- a. Primary individual bonds.
- b. Excess insurance, bankers' blanket policy, and Lloyd's blanket policy to be continued until accumulation in "self insurance fund" would justify the discontinuance of such excess insurance.

- c. The setting aside annually out of earnings of a stated sum over and above cost of primary bonds and excess insurance while the latter is maintained, to constitute an insurance reserve fund.

It has been suggested that if this plan can legally be adopted, it might be well to have that or a similar plan in other Federal Reserve Banks, or have the twelve banks join in establishing one "Insurance Reserve Fund".

11. BRANCHES OF FEDERAL RESERVE BANKS:

Expression of opinion is desired from the Governor of each Federal Reserve bank having branches as to:

- a. The extent of service rendered to member banks.
- b. The value of such service to member banks of the district in which the branch is located.
- c. Extent and value of service rendered by the Branch to other Federal Reserve banks.
- d. Cost of operating branches.
- e. Branches with limited functions.
- f. Use of agencies instead of branches.

12. CONCENTRATION OF GOLD AT FEDERAL RESERVE BANKS:

- a. Possibility of further increase in gold holdings.
- b. Demand for gold:
 - 1. In exchange for Federal Reserve notes redeemed at Federal Reserve Banks.
 - 2. For other purposes.

13. INTER-DISTRICT COLLECTION SYSTEM:

- a. Suggestions as to improvement in present facilities so that Reserve banks may render increased or better service to member banks.
- b. Desirability of harmonizing present interdistrict time schedules, at least between Federal Reserve cities.
- c. Reduction in float carried by Reserve banks.
- d. Recommendation of Federal Advisory Council that items be sent directly to city or town in which they are payable.

14. LEASED WIRE SERVICE:

- a. Probability that entire cost will have to be assumed by Reserve banks after the Victory Loan Bond campaign has been completed.
- b. Suggestions as to improvements in present service.

15. PENALTIES FOR DEFICIENCIES IN MEMBER BANK RESERVES:

Desirability of adoption of uniform method of determining deficiencies in reserves and assessing penalties.

16. FORM OF APPLICATION FOR EMPLOYMENT AT FEDERAL RESERVE BANKS:ADDITIONAL TOPICS FOR DISCUSSION17. NATIONAL BANK NOTES:

Suggestion of Federal Advisory Council that Reserve banks receive national bank notes on deposit and pay out in place of them clean Federal Reserve notes.

18. OFFICERS OF FEDERAL RESERVE BANKS ACTING ON COMMITTEES OF BANKING ASSOCIATIONS.19. DIRECTORS AND OFFICERS OF F.R. BANKS - MENTION OF CONNECTION WITH FEDERAL RESERVE BANK IN DEALING WITH PRIVATE ENTERPRISES IN WHICH THEY MAY BE INTERESTED.20. PAR POINTS:

Campaign for additional par points.

21. CHECKS AVAILABLE BUT NOT PAYABLE AT A F.R. BANK.

Suggestion that Clearing Houses put on discretionary list checks marked "The amount of this check is immediately available without deduction upon presentation at the Federal Reserve Bank of _____."

22. SUGGESTED AMENDMENT TO SECTION 5202 OF REVISED STATUTES:

Suggestion by Federal Advisory Council removing limit of bills that a bank might negotiate by indorsement.

TOPICS SUGGESTED BY GOVERNORS

23. Failure to obtain duplicate checks to replace checks deposited by the Collector of Internal Revenue, and lost in the mails.

Suggested by:
Govr. McDougal

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| 24. | Penalties for deficiencies in reserve. (On the program suggested by the Board -Topic No.15) | <u>Suggested by:</u>
<u>Govr. McDougal</u> |
| 25. | Uniform title for Bond Departments in Federal Reserve Banks. | <u>Govr. Miller</u> |
| 26. | Advisability of securing an amendment to the postal laws increasing the weight limit on franked mail matter. | " " |
| 27. | Our general campaign for additional par points, and, in connection with this, our campaign for the purpose of increasing State bank membership. (See Board's Topic No.20) | <u>Dep. Govr. Curtis</u> |
| 28. | How can excessive borrowing on the part of individual banks be best regulated? (See Board's Topic No. 5b) | " " |
| 29. | Exchange charged by New York banks on Federal Reserve exchange drafts. | " " |
| 30. | Uniform form of endorsement stamps used by Federal Reserve banks and their members authorized to send items direct. | " " |
| 31. | Present method of recovering for postage and insurance for shipments between Federal Reserve banks. | " " |
| 32. | Real estate and bank building. (See Board's Topic No.9) | " " |
| 33. | Duties of the Federal Reserve Agent, and proper coordination of his work with that of the Governor. | " " |
| 34. | Formation of Credit Department and the extent to which the banks are justified in getting first-hand information regarding paper offered for rediscount. | " " |
| 35. | Calculation of interest. Treasury Department pays on a 365-day basis while all the Federal Reserve banks except those of New York and Boston calculate interest and discount on a 360-day basis. Canot uniformity be obtained in this regard? | " " |
| 36. | Necessity for the banks maintaining an agency to count and witness the destruction of Federal Reserve bank notes. | " " |