

PROGRAM  
GOVERNORS' CONFERENCE  
MARCH 26, 1923  
WASHINGTON

TOPICS SUGGESTED BY FEDERAL RESERVE BOARD

(1) RESERVES AGAINST SO-CALLED "SPECIAL SAVINGS" DEPOSITS ON WHICH A LIMITED AMOUNT OF CHECKING IS ALLOWED.

This is a question which has been very much discussed with the San Francisco Reserve bank with reference to the special savings accounts of California state banks. Similar savings accounts have been found in other districts on which some checking is allowed.

(2) NEW REGULATIONS.

Due to the amendments to the Federal Reserve Act contained in the Agricultural Credits Act of 1923, recently signed by the President, it appears that it will be necessary for the Board to revise its Regulations so as to be consistent with the amended provisions of the Act, and possibly to issue a new regulation with reference to the rediscount of agricultural paper. The Board will attempt to have at least a tentative draft of proposed new Regulations ready before the Governors' conference so that it may serve as a basis for discussion.

(3) LIMITATION ON AGGREGATE AMOUNT OF AGRICULTURAL PAPER WHICH MAY BE REDISCOUNTED BY FEDERAL RESERVE BANKS.

Section 13 (a) of the Federal Reserve Act as amended by the Agricultural Credits Act makes certain classes of nine months' agricultural paper eligible for rediscount and provides that -

"The Federal Reserve Board may, by regulation, limit to a percentage of the assets of a Federal reserve bank the amount of notes, drafts, acceptances, or bills having a maturity in excess of three months, but not exceeding six months, exclusive of days of grace, which may be discounted by such bank, and the amount of notes, drafts, bills, or acceptances having a maturity in excess of six months, but not exceeding nine months, which may be discounted by such bank."

So far as six months paper is concerned the Board long ago fixed the limit of 99 per cent, which is in effect not a limit at all and it would seem advisable for the Governors' conference to discuss the question whether any change in this limit as to six months paper is advisable, and also whether it is advisable to fix a limit with regard to nine months paper. It may be noted in this connection that Governor Wellborn on December 27, 1922, formally requested the Federal Reserve Board to fix the amount of agricultural rediscounts which the Federal Reserve Bank of Atlanta might grant at a certain percentage of its assets. There appeared, however, to be no particular occasion for changing the limit at that time.

TOPICS SUGGESTED BY FEDERAL RESERVE  
BANKS

I. CREDIT TRANSACTIONS AND POLICIES

- A. Report of Committee on Centralized Execution of Purchases and Sales of Government Securities for account of Federal Reserve Banks. Governor Strong, New York, Chairman.
- B. Report of Standing Committee on Open Market Conditions and Operations. Governor Fancher, Cleveland, Chairman.
- C. Rates of Discount.
  - 1. Automatic Adjustment of -  
Is it possible or expedient? (discussion) Boston
  - 2. Uniform rates. (discussion) Atlanta
  - 3. Open Market rates. (discussion) Atlanta
- D. Rebates of Discount. (action) Richmond

Recommended:

That the policy of granting rebates should be uniform among Federal Reserve Banks; that it should not be the regular practice of Federal Reserve Banks to grant rebates; that if and when rebates are granted, there should be some good reason for such action and the benefits should accrue to the customer of the member bank; that rebates should not be made on member bank obligations (except on obligations secured by Government bonds when the bonds are sold prior to maturity of the obligations); that rebates on rediscounted paper should be granted only in cases where such paper is anticipated by member bank customers, necessitating repayment of the paper in advance of maturity by member banks, and where the member banks make rebates to such customers; that when Federal Reserve Banks grant rebates in such cases, the rebates should be at the rate at which the paper was rediscounted, provided that rate was not higher than the rate prevailing at the time the paper is paid, in which case rebates should be made at the rate then prevailing.

- E. Repurchase Agreements in Connection with Rediscounted paper. (action) Richmond

Recommended:

That Federal Reserve Banks should not take bills receivable in bulk from member banks, giving a

fictitious maturity for the purpose of making short-time advances to member banks; or take a collateral agreement to repurchase paper so offered upon a fixed date; or a standing agreement to repay sums loaned or advanced in such manner on or against such paper from time to time.

- F. Interpretation of word "Borrower" in Section 13 of the Federal Reserve Act. Discussion of Board's opinion (if rendered) based on interpretations submitted by each bank following October, 1922, Governors' Conference. (discussion) San Francisco
- G. Desirability of making eligible for discount sight drafts with bills of lading attached. (Committee appointed at October, 1922, Joint Conference reported to Federal Reserve Board)
- H. Liability of Federal Reserve Banks for securities accepted for safekeeping where knowledge exists that they are property of someone other than member bank from whom accepted. (discussion) Dallas
- I. Importance of New York call loan market. Its operation. (discussion) New York
- J. Credit statements of holding corporations. Should statements of subsidiary companies be required by Federal Reserve Banks? (discussion) Richmond

II. COLLECTIONS AND CLEARINGS

- A. Report of Standing Committee on Collections. Mr. Strater, Cleveland, Chairman.

Special consideration of "advice of no returns" (see pages 14, 15 and 16 collection committee report)

(action) Dallas

Recommended:

That an advice describing the item should be forwarded by a Federal Reserve Bank of branch to the sending bank, specifically advising final fate of a check, covering which an advice of "no returns" has previously been forwarded, deposited by another Federal Reserve Bank, branch or direct sending member bank.

- B. Uniform indorsement by Federal Reserve Banks on cash and collection items received from member banks and other Federal Reserve Banks. (discussion) Kansas City

C. Inter-district deferred time schedules. (discussion) Richmond

D. Large volume of checks lost in transit after deposit in Federal Reserve Bank or by direct sending. (action) New York  
Recommended:

That the conference consider this question in a broad way; assemble data showing the amount involved in 1922; and then take the matter up with the Postmaster General with a view to bringing about a reduction in the number of lost items.

E. Par Collections. Establishment of uniform policy to be pursued when final decision in Atlanta case is handed down. (discussion) San Francisco

F. Desirability of uniform policy in matter of balances required of nonmember banks making use of collection facilities. (discussion) St. Louis

G. Policy with respect to handling coupon collections and other non-cash collections. (discussion prior to reference to committee) New York

H. Direct sendings of country checks by member banks in one district to points in other districts. (discussion prior to reference to committee) New York

III. COIN, CURRENCY AND CIRCULATION

A. Standardization of circulating fitness of Federal Reserve Notes. (action) San Francisco  
Recommended:

That the Treasury Department be requested to lodge with each Federal Reserve Bank packages of Federal Reserve Notes representing two or more standards of fitness which the Federal Reserve Banks may use as a guide for the sorting of circulated currency.

B. Deposit of till money at close of business by member banks in Reserve Bank Cities. (discussion) Richmond

C. Advantages to Federal Reserve Banks of substituting tax on circulation for Government participation in profits.

Possibility of legislation. (discussion) Philadelphia  
 Figures requested -  
 Franchise tax last year.  
 Tax if 2% on outstanding currency  
 not covered by gold.  
 Possible reduction of tax below  
 actual franchise payment by more  
 close allocation of gold; keeping  
 larger amount in Agent's hands, etc.

#### IV. OPERATION

- A. Report of Insurance Committee.  
 Mr. Cramer, Chicago, Chairman.  
 (Now resigned; new appointment.)
- B. Employees' Insurance.  
 Is each bank justified in carrying  
 its own insurance risk. (discussion) Chicago  
 Figures requested -  
 Amount of premiums paid.  
 Amount of death losses settled.
- C. Report of Pension Committee,  
 Mr. Kenzel, New York, Chairman.
- D. Report of Leased Wire Committee.  
 Governor McDougal, Chicago, Chairman.
- E. Committee on Economy and Efficiency.  
 Desirability of having operating repre-  
 sentative on Federal Reserve Board's  
 Committee. (discussion) San Francisco
- F. Payment for Reports of Examination of  
 national banks.  
 Report filed by committee appointed at  
 October, 1922, Conference.
- G. Principles which should control fixing  
 of salaries of junior officers in  
 Federal Reserve Banks. (discussion) Philadelphia

#### V. FISCAL AGENCY OPERATIONS

- A. Desirability of checking shipments of re-  
 deemed securities against advices of  
 shipments forwarded by separate regis-  
 tered mail. (discussion) Cleveland

- B. Undesirability of accepting matured Government securities on account of allotments of original issues of Treasury certificates of indebtedness or Treasury notes. (discussion) Cleveland

VI. ACCOUNTING AND AUDITING.

- A. Committee on Standardization of Accounting Forms.  
Mr. Vogt, Chicago, Acting Chairman.  
Is continuance desirable, and, if so, two vacancies to be filled.
- B. Reimbursement for expenses incurred account War Finance Corporation transactions. (discussion) Kansas City
- C. Reimbursement for Federal Land Bank transactions. (discussion) Kansas City
- D. Should reserve accounts of country member banks receive adjustment for currency in transit. (discussion) New York

VII. LEGISLATION.

- A. Recent Amendments to Federal Reserve Act. (discussion) Boston
- B. Senate Resolution 444 - causes for nonmembership of state banks and trust companies (discussion) Philadelphia  
What action, if any, should Federal Reserve Banks take; effects of bill.