

**FEDERAL RESERVE BOARD**

**WASHINGTON**

510

**ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD**

X-6066

June 13, 1928.

**SUBJECT: Recommendations of Governors' Conference.**

Dear Sir:

There is enclosed herewith for your information copy of a letter addressed by the Governor of the Board to the Secretary of the Governors' Conference, advising of the action taken by the Board on the various actions and recommendations which were referred to the Board by the recent Governors' Conference.

Very truly yours,

J. C. Noell,  
Assistant Secretary.

GOVERNORS OF ALL FEDERAL RESERVE BANKS.

C O P Y

X-6066-a

511

June 12, 1928.

Dear Mr. Harrison:

Your letter of May 22nd, calling particular attention to the action of the recent Governors Conference on matters referred to it by the Board or which the Conference submitted to the Board for its advice or approval, was given special consideration at the meeting of the Board today.

As you may know, the several questions referred to the Conference by the Board, relating to possible changes under the present law affecting the reserve requirements of member banks and possible amendments to Section 19, have also been discussed by the Board with the Federal Advisory Council. It is not probable that any action on these questions will be taken by the Board in the near future, but it is hoped that during the summer some program can be worked out by the Board and gotten in shape for submission to the Conference of Governors and Federal Reserve Agents which will be held in the fall. The Board will, I think, undoubtedly communicate with the Federal Reserve Banks regarding these matters from time to time.

Upon consideration of the action of the Governors' Conference relating to the amendment of Regulation J, the Board is of the opinion that the slight change recommended would not result in sufficient improvement in the legal situation to which attention was called by the Conference of Counsel to justify an amendment to the Regulation. The Board voted, therefore, that this topic should be placed on the program for the next Governors' Conference with a request that the Conference advise the Board definitely whether: (a) In order to eliminate the legal difficulties pointed out by the Conference of Counsel, the authority for Federal reserve banks to reserve the right to charge checks to the reserve account of member banks should be eliminated entirely; or (b) whether this authority is of sufficient practical value to justify its retention in the regulations notwithstanding the legal difficulties to which it may give rise.

The Board has voted to adopt the recommendation of the recent Conference of Counsel, approved by the Governors' Conference, that a change be made in the standard form of bankers' acceptance so as to eliminate any question as to eligibility growing out of the decision of the Supreme Court of Texas, in the case of Lane and Company v. Crum. The necessary formal ruling of the Board will be transmitted to all Federal Reserve Banks within a few days.

The report submitted to the Governors' Conference by the subcommittee of the General Committee on Bankers' Acceptances which was approved by the Governors' Conference has been noted with interest by the Federal Reserve Board but requires no action by the Board except in so far as it calls attention to the fact that no action has been taken by the Board with reference to the recommendations of the General Committee on Bankers' Acceptances submitted to the Conference of March, 1926.

After careful consideration of the report submitted to the Governors' Conference in March, 1926, by the General Committee on Bankers' Acceptances, the Federal Reserve Board adopted the following statement with reference thereto:

"In so far as this report contains a statement of the broad general principles regarding correct practices in the granting of domestic bankers' acceptance credits, it is approved by the Federal Reserve Board. Such approval is given, however, with the distinct understanding that it shall not be construed as revoking or qualifying any of the Board's existing rulings, and that all acceptances issued by national banks or rediscounted by Federal reserve banks must continue to comply with all of the pertinent provisions of the law and with the existing regulations and rulings of the Federal Reserve Board.

"The Board believes that most of the broadening in the use of domestic bankers' acceptances which is contemplated by the Committee's report can be accomplished without any material modification of the Board's existing rulings on this subject; but the Board cannot undertake to modify any of its existing rulings through the approval of this report, because the Board's rulings are based upon specific facts and cannot safely be modified through the approval of general academic statements such as are contained in the Committee's report.

"If it is found that the broadened use of domestic bankers' acceptances which is contemplated by the Committee's report is hampered by any of the existing rulings of the Federal Reserve Board, the Board will consider the question of revoking or modifying such rulings upon the request of any Federal reserve bank, provided that such request is based upon a statement of specific facts arising in an actual case."

The other actions of the Governors' Conference were all noted by the Board, but none of them appear to require any particular action at this time. A copy of this letter is being sent to each Governor for his information.

Very truly yours,

R. A. Young,  
Governor.

Mr. George L. Harrison, Secretary,  
Governors' Conference,  
care of Federal Reserve Bank,  
New York, N. Y.