

At a meeting of the Federal Reserve Board held in the office of the Board on Tuesday, October 26, 1920, at 11 A.M.,

PRESENT: The Governor  
Mr. Platt  
Mr. Miller  
Mr. Hamlin  
Mr. Hoxton, Acting Secretary.

PRESENT ALSO:  
Mr. Logan, General Counsel.

Minutes of meetings of the Board held October 21st and 22d were read, and on motion approved.

Business was presented and disposed of as follows:

(At this point Mr. Williams joined the meeting)

The Governor submitted draft of letter to the Federal Reserve Agents and Governors of all Federal Reserve Banks, reaffirming with supporting arguments the ruling published in the Federal Reserve Bulletin of November, 1919, to the effect that the note of a cotton factor, the proceeds of which are used by the cotton factor to lend to a third party, is finance paper rather than commercial or agricultural paper, and is not therefore prima facie eligible for rediscount. Mr. Hamlin submitted a memorandum stating that he had given careful consideration to the question of eligibility of cotton factors' paper for rediscount by Federal Reserve Banks, and that he concurred in the conclusions arrived at in the draft of letter submitted by the Governor. The memorandum of Mr. Hamlin also called

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attention to the desirability of considering in this connection the eligibility of commission merchants' paper and cold storage warehouse paper, and expressed the belief that these two latter classes of paper rest upon the same grounds as cotton factors' paper under the present wording of the Federal Reserve Act, and that, in his judgment, they can only be made eligible by an amendment of the Act.

Upon motion duly seconded, the letter submitted by the Governor was approved and ordered mimeographed.

Mr. Williams desired to be placed upon record as opposed to the approval of the letter, stating as his reason that the discussion appeared to him to develop the fact that it was the manifest intention of Congress to make the paper under discussion eligible for rediscount by Federal Reserve Banks, and that if the phraseology of the Act defeated the purpose of Congress in framing the Act, that the Board should rule in accordance with the intent rather than the phraseology of the Act.

The Governor reported the reserve positions of the several Federal Reserve Banks as at close of business October 23d, and the status of rediscounts between Federal Reserve Banks as of the same date.

The Governor reported rediscount transactions, pursuant to authority heretofore vested in him; member bank promissory notes secured by Government obligations: rate 7%, as follows:

<u>Date</u>	<u>Bank Redis-</u> <u>counting</u>	<u>With</u>	<u>Amount</u>	<u>Maturities</u>
Oct.20th	Chicago	Cleveland	\$5,000,000	Within 30 days
Oct.22d	Richmond	Boston	10,000,000	11-15 days
Oct.21st	Dallas	Cleveland	4,000,000	11-15 days
Oct.22d	Minneapolis	Boston	1,500,000	11-15 days
Oct.22d	Kansas City	Boston	2,292,093.50	12-15 days
		(Boston	10,000,000	-
Oct.22d	New York.....	Philadelphia	5,000,000	-
		(Cleveland	10,000,000	-
Oct.22d	Minneapolis	Cleveland	1,000,000	11-15 days
Oct.25th	Minneapolis	Boston	3,000,000	11-15 days
Oct.25th	Kansas City	Boston	3,002,725	12-14 days
Oct.25th	Richmond	Philadelphia	5,000,000	11-15 days

Noted.

The Governor reported rediscount transactions, pursuant to authority heretofore vested in him; member bank promissory notes secured by Government obligations: rate 7% on commercial paper, as follows:

<u>Date</u>	<u>Bank Redis-</u> <u>counting</u>	<u>With</u>	<u>Amount</u>	<u>Maturities</u>
Oct.21st	Atlanta	Cleveland	\$ 636,450	12-88 days
Oct.22d	Atlanta	Cleveland	803,750	Within 13 days

Noted.

Letter dated October 21st from the Railway Loan Advisory Committee, recommending approval of the form of loan of \$8,871,760 to the Missouri Pacific Railway Company, under the provisions of Section 210 of the Transportation Act of 1920.

Approved.

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Letter dated October 21st from the Railway Loan Advisory Committee, recommending approval of the form of loan of \$276,000 to the Chicago and Great Western Railway Company, under the provisions of Section 210 of the Transportation Act of 1920.

Informal action was taken on October 23d by the Board, approving the loan, and this action was ratified.

Letters dated October 22d and 23d from the Chairman, Federal Reserve Bank of Atlanta, recommending approval of the amendment of By-laws of branches of that Bank, fixing at the Birmingham, Jacksonville and Nashville Branches the fee of Directors attending Directors' meetings at \$10 per diem; at the New Orleans Branch a fee of \$20 per diem for attendance at Directors' meetings, and \$10 per diem for attendance at executive committee meetings.

Approved.

Telegram dated October 21st from Assistant Federal Reserve Agent at Boston, recommending approval of application of the Sanford Trust Company, Sanford, Maine, for permission to establish an agency at Waterboro, Maine.

Approved.

Memorandum dated October 5th by the Comptroller of the Currency, recommending approval of application of the

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National Bank of Derby Line, Vermont, for a reduction of its capital stock from \$150,000 to \$100,000.

Approved.

Memorandum dated October 22d from Mr. Wills, reporting upon his visit to the Federal Reserve Bank of Atlanta.

Noted.

Applications of the following banks for authority to accept drafts and bills of exchange up to 100% of their capital and surplus, under the provisions of Section 13:

The First National Bank, Greensburg, Pa.  
Citizens Commercial Trust Company, Buffalo, N.Y.

Approved.

Letter dated October 22d from Assistant Federal Reserve Agent at Boston, submitting for approval recommendation of the appointment of Mr. Krickel K. Garrick as Secretary of the Federal Reserve Bank of Boston.

Approved.

REPORTS OF COMMITTEE NO. 1:

Dated Oct. 26th, recommending admission of State institutions, as set forth in the auxiliary minute book as of this date, subject to the conditions stated in the individual reports attached to the applications.

Approved.

Dated Oct. 26th, recommending approval of applications for fiduciary powers, as set forth in the auxiliary minute book as of this date.

Approved.

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Dated Oct. 21st, recommending change in stock at Federal Reserve Bank, as set forth in the auxiliary minute book as of this date.

Approved.

Dated Oct. 25th, recommending approval of application of Mr. Charles E. Lotte to serve at the same time as a Director of the Paterson National Bank, Paterson, N.J., and of the New Netherland Bank, New York City.

Approved.

Dated Oct. 22d, recommending approval of the appointment of Miss Miriam M. Wrightson as Key-Punch Operator in the Division of Reports and Statistics at \$1,200 per annum, effective upon reporting for duty.

Approved.

Dated Oct. 22d, recommending approval of increase from \$6,000 to \$6,500 per annum in salary of Mr. Harry L. Machen as Supervising National Bank Examiner for the 12th Federal Reserve District.

Approved.

Dated Oct. 25th, submitting resignation of Mr. Harold Lee George as Secretary to the Comptroller of the Currency, effective at close of business, October 26, 1920.

Noted.

Other business was presented and disposed of as follows:

Letter dated October 21st from Mr. James B. Forgan, requesting the Board to furnish a list of topics for the next meeting of the Federal Advisory Council to be held on Monday, November 15, 1920. The Governor submitted his reply thereto dated October 23d, stating that the Board feels that it is important at that meeting that there should be a discussion of practical banking and business matters, and a free interchange

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of views upon the financial and commercial situation in all Federal Reserve Districts, and in order that there may be a full and free expression of opinion and an opportunity of considering the general situation in view of the latest developments, the Board will not submit a list of topics for discussion at the approaching meeting. Mr. Forgan's attention was also directed to the wish of the Board that he advise the members of the Federal Advisory Council that the Board would appreciate a confidential letter at regular intervals of say once a month from each member, touching upon the situation in each Federal Reserve District as viewed from a banker's standpoint.

Approved.

The Governor submitted letter dated October 25th from Senator Owen, criticizing the present policies of the Federal Reserve Board, together with a brief reply thereto by him.

Letter dated October 25th from Messrs. Story & Cobb, Real Estate Brokers, Washington, D.C., referring to the matter of the sale of the Metropolitan Club Building.

Referred to the Governor for attention and report.

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The Governor submitted draft of letter to the Chairmen of all Federal Reserve Banks relative to the election of Class "A" and "B" Directors, calling attention to the mandatory nature of the law requiring each member bank to authorize some officer to cast a vote in behalf of the bank in the election of such directors, and requiring the officer so authorized to certify to the Chairman of the Federal Reserve Bank his first, second and third choices for such directors. There was submitted with this letter, a proposed letter for use by Mr. Williams in bringing the above matter to the attention of the National Banks, a suggestion which was concurred in by Mr. Williams.

Approved.

(At this point Mr. Williams withdrew from the meeting)

Letter dated October 25th from Deputy Governor George L. Harrison, Federal Reserve Bank of New York, calling attention to the necessity for revising the terms of export acceptance credit contracts now in use, particularly those contracts used by the packers.

Referred to General Counsel for preparation of reply and revised contract.

Letter dated October 25th from Assistant Secretary of the Treasury Gilbert, relative to Federal Reserve Banks

absorbing certain general overhead expenses in connection with the maintenance of fiscal agency departments, without attempting to allocate any given proportion of them to reimbursable fiscal agency expenses.

The Governor was authorized to notify Mr. Gilbert that the Board, without committing itself in the matter of principle, would approve of the proposed plan for the period ending June 30, 1922.

At 1 P.M., the meeting adjourned.

D. W. Hoxton  
Acting Secretary.

Approved:

[Signature]  
Governor.