A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, October 5, 1926, at 11:00 a.m.

PRESENT: Governor Crissinger
Mr. Platt
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Cunningham
Mr. McIntosh
Mr. Eddy, Secretary
Mr. McClelland, Assistant Secretary

The minutes of the meetings of the Federal Reserve Board held on September 30th and October 4th were read and approved.

Application filed by the Waynesboro Trust Company, Waynesboro, Pa., and approved by the Law Committee, on behalf of the Waynesboro National Bank and Trust Company, for permission to exercise general fiduciary powers, effective if and when the latter bank is authorized by the Comptroller of the Currency to commence business.

Approved.

The Governor then brought up special order business for this morning's meeting, namely, motion made by Mr. Miller at the meeting yesterday that the Board approve the application of The Mercantile Trust Company of California for permission to take over the American Bank of San Francisco and its branches.

After a brief discussion action on this matter was deferred.

The Secretary of the Treasury then entered the meeting and took the chair and Mr. Harrison, Deputy Governor of the Federal Reserve Bank of New York, entered the room. Mr. Harrison advised the Board of the action of the Board of Directors of the Federal Reserve Bank of New York in voting
to authorize that bank, with the approval of the Board, to participate in a credit of approximately £5,000,000 sterling to be extended to the National Bank of Belgium for a period of one year by various foreign central banks, including the Bank of England, Reichsbank, de Nederlandsche Bank, National Bank of Hungary and the Swiss National Bank. Mr. Harrison reviewed the previous actions of the Board in November, 1925, and March, 1926, in approving Federal reserve bank participation in credits previously arranged, neither of which, however, became effective. He explained to the Board the terms and conditions of the present proposed credit, as set forth in a cablegram addressed to the Federal reserve bank from London under date of October 3rd, by Mr. Jay, Chairman of the Board of Directors of the bank, which he read to the Board. He stated in effect that the only material change from the terms and conditions of the previous credit, presented to the Board by Governor Strong on March 8th, was that the Federal reserve bank proposes to join with the other banks of issue, participating in the credit, in making a charge of a commission of 1/2 of 1½ per annum.

Discussion then ensued of the purposes, terms and conditions of the proposed credit, during which Governor Crissinger referred to the fact that in the credit extended to the Bank of England by the Federal reserve bank no commission was charged, and stated that in his opinion no commission should be charged in the case of the proposed Belgian credit.

He moved that it is the sense of the Federal Reserve Board that no commission should be charged by the Federal Reserve Bank of New York
for the proposed credit to the National Bank of Belgium.

Governor Crissinger's motion being put by the Chair was lost on a tie, the members voting as follows:

Governor Crissinger, "aye"
Mr. Miller, "aye"
Mr. James, "aye"
Mr. Cunningham, "aye"
Mr. Platt, "no"
Mr. Hamlin, "no"
Mr. McIntosh, "no"
The Chairman, "no"

Mr. Hamlin then moved that the Federal Reserve Bank of New York, for itself and such other Federal reserve banks as may care to participate, be authorized to enter into an agreement for the purchase of not to exceed $10,000,000 of prime bills under terms as laid down in the cablegram of Chairman Jay of the Federal Reserve Bank of New York, as follows:

"COPY OF INCOMING CABLEGRAM"

London, England,
Sent October 3, 1926
Rec'd October 3, 1926.

Federal Reserve Bank of New York,
New York City, N.Y.

Testword OK #84

STRICTLY CONFIDENTIAL FOR GOVERNOR STRONG

ONE

The Right Honorable Montagu C. Norman today discussed with Franck questions of Bank of Issue credit to National Bank of Belgium. I was present during discussions.

TWO

Following terms of credit were suggested subject to consideration by each Bank of Issue:

(a) Amount Sterling £5,000,000 or equivalent
(b) Terms one year
(c) Securities 90 days Commercial bills drawn in either Belgian francs or other stable currency. Bills secured by railway shares or Treasury bills not included.
(d) Bills when pledged or discounted to have at least 20 days to run
(e) Bills to bear two names beside that of National Bank of Belgium
(f) Understood that some Banks of Issue cannot participate in making advances but must purchase individual bills
(g) National Bank of Belgium to agree to export gold if necessary to repay any drawings under credit and government to undertake to place no obstacles in the way of such exports.
(h) Amounts drawn and repaid to be divided ratably and pari passu
(i) Rate 1 per cent above minimum rate of lender with minimum of 5 per cent
(j) Commission 1/2 per cent per annum
(k) National Bank of Belgium to defray any stamp duty payable on bills

THREE
The Right Honorable Montagu C. Norman's suggested amount for Federal Reserve Bank of New York but not disclosed to Belgians is $5,000,000 to $10,000,000.

FOUR
The Right Honorable Montagu C. Norman in his private tentative schedule has put down Reichsbank Nederlandsche Bank and Bank of England on same basis as ourselves and Swiss and Hungarian banks each on half such basis. Nederlandsche Bank and Reichsbank have both stated that they will join for at least $1,000,000

FIVE
If and when The Right Honorable C. Montagu is advised that Federal Reserve Bank of New York agrees to participate he proposes to write substantially following letter to Governor of National Bank of Belgium which it is hoped will satisfy bankers' 'In event of arrangements being concluded between the Belgian Government and the present group of bankers in Amsterdam, Basle, London New York or elsewhere as follows

(a) For the Issue on behalf of Belgium of a long or short term loan or credit for an aggregate amount equal to not less than the equivalent of say £15,000,000
(b) For the Issue or Issues of the said amount to take place within 30 days and
(c) For the entire amount to be placed at the disposal of National Bank of Belgium forthwith and to be devoted by them to immediate de jure stabilization of the Belgian currency
I have reason to believe that the Central Banks of England Germany and Holland and (as stated in a
separate letter from Mr. Pierre Jay

Federal Reserve Bank of New York will grant to the
National Bank of Belgium advance or rediscount credits
for one year for the equivalent in all of say £5,000,000;
the several advance or rediscount credits to be
provided by those banks in their respective currencies
on terms to be determined hereafter.'

SIX
In view of urgent desire of Belgians for progress
and of The Right Honorable Montagu C. Norman's
belief that no time should be lost I hope for in-
structions by cable Tuesday morning

SEVEN
Norman and I are impressed with intelligence and
personality of New Governor and his expressed deter-
mination to take whatever steps may be necessary to
carry through plan of stabilization

EIGHT
I recommend favourable action on National Bank of
Belgium's request to us to participate in proposed
credit and if such action is taken I should have ap-
propriate authority to advise Governor Franck either
directly or through Right Honorable Montagu C. Norman

NINE
All details of paragraph 2 above are subject to ap-
proval by each Bank of Issue and if Federal Reserve
Bank of New York desire to make changes I suggest
that this should not delay making commitments

PIERRE JAY"

Mr. Miller moved, as a substitute for Mr. Hamlin's motion, that the
Federal Reserve Board, having considered the proposal of the Federal
Reserve Bank of New York to make purchases of bills from or through the
National Bank of Belgium in certain contingencies, hereby authorizes the
Federal Reserve Bank of New York to purchase, for its own account or for the
account of other Federal reserve banks that desire to participate in the trans-
action, prime bills from or through, and with the endorsement of, the National
Bank of Belgium, for a period of one year and to a maximum amount of
$10,000,000; said bills to conform as regards maturities and other terms and
conditions to the requirements of the Federal Reserve Act and the regulations of
the Federal Reserve Board, to be guaranteed by the Bank of Belgium for payment
in gold when that should be called for and against depreciation in exchange,
and to be discounted at a rate of 1% in excess of the rediscount rate of the Federal Reserve Bank of New York.

After discussion, Mr. Miller's substitute motion was put by the Chair and lost on a tie, the members voting as follows:

- Governor Crissinger, "aye"
- Mr. Miller, "aye"
- Mr. James, "aye"
- Mr. Cunningham, "aye"
- Mr. Platt, "no"
- Mr. Hamlin, "no"
- Mr. McIntosh, "no"
- The Chairman, "no"

Mr. Hamlin's motion, being put by the Chair was also lost on a tie, the members voting as follows:

- Mr. Platt, "aye"
- Mr. Hamlin, "aye"
- Mr. McIntosh, "aye"
- The Chairman, "aye"
- Governor Crissinger, "no"
- Mr. Miller, "no"
- Mr. James, "no"
- Mr. Cunningham, "no"

Mr. Miller stated that he voted "no" on Mr. Hamlin's motion because he was unwilling to vote in the affirmative on the basis of the cablegram alone.

Mr. James and Mr. Cunningham stated that they also were unwilling to vote favorably on Mr. Hamlin's motion for the same reason.

At 1:20 p.m., the Board recessed and at 3:00 o'clock reconvened, the same members being present as attended the morning session.

The Secretary then read the following letter addressed to the Governor of the Board by Mr. Harrison, under this date:

"In order to confirm the substance of the matters which I discussed with the Federal Reserve Board this morning, I
wish to advise you that the Directors of the Federal Reserve Bank of New York yesterday afternoon voted, subject to the approval of the Federal Reserve Board, to authorize Mr. Jay, who is now in London, to advise the Governor of the National Bank of Belgium that, in compliance with his request, the Federal Reserve Bank of New York will agree to purchase prime commercial bills from the National Bank of Belgium under the terms and conditions set forth in Cable No. 84 which I read to the Board and which I beg to enclose herewith. The action of our directors was taken with the understanding that the authority of the National Bank of Belgium to sell the guarantee bills will be appropriately determined.

As I stated to the Board this morning the action of our directors is respectfully submitted for its approval."

Mr. Miller then submitted the following proposed letter to the Federal Reserve Bank of New York:

"The Federal Reserve Board at its meeting today gave consideration to the contemplated plan of the Federal Reserve Bank of New York, as outlined by Mr. Harrison, Deputy Governor of the Bank, to purchase, in certain contingencies, from the National Bank of Belgium prime bankers bills during the next twelve months or thereabouts.

"After consideration, the Board voted to authorize the purchase from the National Bank of Belgium of prime bankers bills when indorsed by the National Bank of Belgium and when conforming to the eligibility requirements of the Federal Reserve Act, up to an amount in the aggregate at any one time not exceeding ten millions of dollars, said bills to be guaranteed against loss through exchange, the charge for the accommodation to be a rate of discount one per cent in excess of the established rate of discount in effect at the Federal Reserve Bank of New York on the date of purchase.

"It is understood that all purchases of bills will be made subject to the stipulation that the National Bank of Belgium will take up the bills at maturity in gold and that the Federal Reserve Bank will be permitted to withdraw the gold so accruing to its credit from the Bank of Belgium and that the Belgian Government will interpose no objection or obstacle to such withdrawal.

"Any bills purchased in accordance with the above authorization shall be subject to the right of participation pro rata of any Federal Reserve Bank desiring to participate in the investment."

Mr. Miller called attention to the fact that his proposed letter, naming the terms on which bills were to be purchased, excluded the proposed commission.
Mr. Platt said that he did not believe the Board should pass a resolution excluding the commission, or making its exclusion a condition of approval. He also said that if one matter was understood to be excluded by omission, other matters that might be found important might also be construed as excluded in the same way because not mentioned. He submitted and moved approval of the following:

"The Federal Reserve Board hereby approves the action of the directors of the Federal Reserve Bank of New York, as set forth in Mr. Harrison's letter to Governor Crissinger of this date, in authorizing Mr. Jay to advise the Governor of the National Bank of Belgium that the New York bank will agree to purchase prime commercial bills in accordance with the terms outlined in his cablegram, No. 84, which has been read to and filed with the Board.

"It is understood that this authorization is for the purchase of not to exceed $10,000,000 of bills endorsed by the National Bank of Belgium, guaranteed against depreciation of exchange, with the safeguards mentioned in the cablegram and such other safeguards as may be worked out in detail between the banks.

"In approving this action the Board suggests a review of the paragraph which provides for a commission, believing that a commission is not called for in connection with the purchase of prime bills by the Federal Reserve System endorsed by a central bank."

Mr. Platt's motion being put by the Chair was unanimously carried.

The Secretary of the Treasury and the Comptroller of the Currency then left the meeting and the Governor took the chair.

Memorandum from Counsel dated September 30th with reference to the application of The National Bank of Mattoon, Ill., for permission to act as registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics or conservator of incompetents or in any other fiduciary capacity in which state banks, trust companies or other corporations which come into competition with national banks are permitted...
to act under the laws of the State of Illinois; Counsel in his memorandum pointing out that "conservator of incompetents" is not among the trust powers set out in Section 11(k) of the Federal Reserve Act, and that the Board, therefore, is not authorized to grant this power to a national bank in these terms but pointing out that the Board is authorized to permit a national bank to act as committee of estates of lunatics and that in his opinion a grant of power to a national bank to act as committee of estates of lunatics would entitle it to act also as conservator of estates of incompetents.

Upon motion, it was voted to approve the application of The National Bank of Mattoon to act as registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics or in any other fiduciary capacity in which state banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Illinois.

Matter approved on initials yesterday, namely, application of the Times Square Trust Company, New York City, for membership in the Federal Reserve System and for 1,500 shares of stock in the Federal Reserve Bank of New York, subject to the regular conditions of membership set forth in the Board's Regulation H.

Formally approved.

Letter dated September 30th from the Secretary of the Federal Reserve Bank of New York, advising that the board of directors on that day made no change in the bank's existing schedule of rates of discount and purchase.

Noted.

Letter dated October 2nd from the Assistant Treasurer of the United States, advising that no applications were received from national banks
during the quarter ending September 30, 1926, for the sale of bonds under Section 18 of the Federal Reserve Act.

Noted.

Report of Executive Committee on letter dated September 29th from the Acting Comptroller of the Currency, requesting approval of a salary of $2700 per annum for National Bank Examiner John F. Utt to be assigned to the Seventh Federal Reserve District; the Committee also recommending approval.

Approved.

Report of Committee on Salaries and Expenditures on letter dated September 30th from the Assistant Federal Reserve Agent at Kansas City, requesting the Board's approval of the action of the Executive Committee of that bank in authorizing an extension of sick leave for 60 days from October 1st to Miss Verna D. Seibert, clerk in charge of the bank's general files; the Committee recommending approval.

Upon motion, it was voted to approve the payment of full salary to Miss Seibert during the leave of absence granted her by the Executive Committee of the Kansas City bank.

Letter dated October 4th from the Controller of Loans of the Federal Reserve Bank of New York, advising that on September 25th The First Trust and Deposit Company of Syracuse, New York, took over the Eastwood Bank of Syracuse and that on September 27th it was opened as a branch of the First Trust and Deposit Company.

Noted.

Report of Committee on Examinations on letter dated September 29th from the Federal Reserve Agent at San Francisco, recommending approval of an appli-
cation of the Pacific Southwest Trust and Savings Bank for permission to move temporarily its branch now located at 165 South Pacific Boulevard, Huntington Park, Cal., to the northeast corner of Clarendon Avenue and Pacific Boulevard, in order to facilitate the erection of a new building at the permanent location; the Committee also recommending approval.

Approved.

The Secretary then read to the Board draft of a proposed letter to the Governor of the Federal Reserve Bank of New York, advising of the action taken at this meeting with reference to participation by the Federal reserve bank in the proposed Belgian credit.

Approved.

Report of Committee on Examinations on letter dated September 29th from the Assistant Federal Reserve Agent at Atlanta, transmitting application of the Bank of Monroe, Monroe, Ga., for approval of its action in absorbing the Union Banking Company of Monroe; the Committee recommending approval.

Approved.

Letters dated September 30th from Mr. W. R. Burgess and Mr. Carl Snyder, Assistant Federal Reserve Agent and Statistician, respectively, at the Federal Reserve Bank of New York, with reference to the advertisement and publication of Mr. Snyder’s book on “Business Cycles and Business Measurements”.

Noted.

Letter dated September 29th from the Deputy Governor of the Federal Reserve Bank of Dallas, with reference to the Board’s circular letter of September 24th, X-4677, advising of the action of the Board in voting that each Federal Reserve Bank exercise its own option as to the collection of
non-cash items at street addresses; the Deputy Governor inquiring whether this action refers only to items payable at street addresses in Federal Reserve or Federal Reserve Branch cities or whether it refers to all non-cash items which have heretofore been handled by Federal Reserve banks except those drawn directly on a bank with documents attached or drawn "payable at", "payable by", or "payable through" a specified bank.

In view of the fact that the question of the collection of non-cash items at street addresses and the Board's action thereon is to be considered at the forthcoming conference of Governors of the Federal Reserve banks it was voted to defer consideration of the question presented in the above letter.

Letter dated October 1st from the Deputy Governor of the Federal Reserve Bank of New York, enclosing copy of a letter being addressed to the Governor of the Bank of France defining the terms and conditions under which the Federal Reserve bank will purchase bankers bills and government securities for their account and referring in general terms to the other services which the Federal Reserve bank now performs for foreign central banks with which it has reciprocal relations.

Ordered circulated and redocketed at a later meeting.

Memorandum from Counsel dated September 30th, submitting draft of a reply to letters dated September 15th and 27th from the Deputy Governor of the Federal Reserve Bank of Minneapolis, with reference to the classification of certain deposits of the First National Bank of Letcher, S. D., and other banks in the same section which have entered into an agreement with a large number of depositors individually by which all deposits due the customer will be paid in installments over a period of five years; the proposed reply stating that a certificate of deposit issued in accordance with the terms
of this agreement will come within the Board's definition of time certifies of deposit, provided that the certificate is issued for a sum certain and is required to be presented at each withdrawal, and that deposits for which such certificates have been issued may, therefore, properly be classified as time deposits requiring only a 3% reserve.

Upon motion, the proposed reply was approved.

Letter dated September 29th from the Federal Reserve Agent at Dallas, with reference to the Board's letter of September 23rd, X-4672, on the subject of the discretion of a Federal Reserve Agent in accepting or rejecting paper offered as collateral for Federal Reserve notes.

Ordered circulated.

Memorandum from Counsel dated September 27th, submitting draft of a letter to the Governors of all Federal Reserve banks advising of the action of the Board in voting to disapprove the recommendation of the last Governors' Conference that the Federal Reserve System, acting through the Board, retain as special counsel, Mr. Newton D. Baker, to consider litigable matters only and that all Federal Reserve banks shall refer to the Counsel of the Federal Reserve Board as soon as it arises, every litigated question together with all papers relating thereto and that the Counsel of the Federal Reserve Board should refer to such special counsel all such cases as he thinks concern the System as a whole and any other cases which Counsel of the forwarding Federal Reserve banks request be referred to the special counsel; the proposed letter also advising of the Board's action in voting that all Federal Reserve banks be requested to forward to the General Counsel of the Federal Reserve Board all papers in suits brought against Federal Reserve banks, and also, in any
suits brought by Federal Reserve banks, which are of system-wide interest, in order that the question of employing special System counsel may be determined in each specific case.

Upon motion, the proposed letter was approved.

Letters dated October 2nd addressed to Governor Crissinger and Mr. James from New York City by Mr. W. H. Kettig, director of the Federal Reserve Bank of Atlanta, advising that had he been present at the meeting of the Atlanta board at which was presented the report of the Committee appointed to investigate the currency shipment made by that bank to the Havana Agency on April 10th, he would have voted "no" on the motion to adopt the Committee's report.

Noted.

Letters dated October 1st and 2nd from the Chairman of the Federal Reserve Bank of Atlanta, transmitting reports with reference to action taken on criticisms and suggestions made by the Board's Examiner following the examination of that bank made as at the close of business July 10, 1926.

Ordered circulated.

The Board then resumed consideration of the motion made by Mr. Miller at the meeting yesterday that approval be given to the application of the Mercantile Trust Company of California for permission to take over The American Bank of San Francisco and its branches. Mr. Herman Phleger, attorney for the Mercantile Trust Company, entered the meeting and the Board discussed with him the opinion of certain members of the Board that the capital proposed for the consolidated institution is too small and that after the consolidation the real estate account of the bank should be reduced. Mr. Phleger stated that while the authorized capital of the
Mercantile Trust Company is at present $8,000,000, the paid-in capital is but $5,500,000, but that at the meeting of the stockholders of the bank to be held to approve the proposed merger action also would be taken to increase the authorized capital of the bank to $15,000,000. He stated that to take care of the purchase of the American Bank additional stock would be issued on the basis of two shares for three shares of American Bank stock, and further that additional shares would be sold for cash which would result in an increase of $3,000,000 in the capital account of the Mercantile Trust Company. He also stated that it was planned to reduce the real estate account of the bank and that this plan would be facilitated by the proposed merger. Following the discussion, Mr. Phleger was requested to present to the Board tomorrow a written statement with reference to the plans being considered by the Mercantile Trust Company, both to increase their capital and to reduce their real estate account. He stated that he would communicate by wire with Mr. Drum, President of the Mercantile Trust Company, and would present the statement desired by the Board tomorrow.

Letter dated October 4th from the Governor of the Federal Reserve Bank of Boston, advising that he has received the invitation to visit Warsaw, Poland, which it was expected would come from Polish authorities, but that instead it is from the National Economic Bank of Poland.

Noted.

REPORTS OF STANDING COMMITTEES:

Dated, September 30th, October 2nd, 4th,

Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date.

Approved.

Dated, September 29th, 30th,

Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Approved.
Dated, September 30th, Recommending action on application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Ordered held.

The meeting adjourned at 4:40 p.m.

Approved:

[Signature]

Secretary

[Signature]

Governor