

A meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, October 12, 1926 at 11:45 a.m.

PRESENT: Vice Governor Platt  
Mr. Miller  
Mr. Cunningham  
Mr. Eddy, Secretary  
Mr. McClelland, Asst. Secretary

PRESENT ALSO: Mr. James

Letter dated October 7th 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.

Telegram dated October 8th from the Secretary of the Federal Reserve Bank of Cleveland, 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.

Telegram dated October 6th from the Chairman of the Federal Reserve Bank of Richmond, 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.

Telegram dated October 8th from the Secretary of the Federal Reserve Bank of Atlanta, 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.

Telegram dated October 11th from the Secretary of the Federal Reserve Bank of Minneapolis, 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.

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Report of Executive Committee on memorandum dated October 8th from the Acting Director of the Board's Division of Research and Statistics, recommending the appointment of Miss Dorothy A. Wright to a position as stenographer in the Division at a salary of \$1440 per annum, effective October 11, 1926, to fill the vacancy created by the resignation of Miss Louise Young; the Committee recommending approval.

Approved.

Report of Committee on Examinations on letter dated October 5th from the Assistant Federal Reserve Agent at San Francisco, transmitting and recommending approval of an application of the Bank of Italy for permission to move the branch now located at Mariposa and Broadway Streets, Fresno, to the corner of Belmont and Blackstone Streets, Fresno; the Committee also recommending approval.

Approved.

Letter dated October 7th from the Deputy Governor of the Federal Reserve Bank of New York, referring to the Board's letter of September 29th, concerning the borrowings from the Federal Reserve Bank of the First National Bank of New York; the Deputy Governor stating that a committee consisting of three directors has been appointed to investigate the reasons for and the need and propriety of the uses made by the First National Bank of the credit facilities of the Federal Reserve bank and that upon receipt by the directors of the report of this committee, a reply will be promptly sent to the Board.

Noted.

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Memorandum dated September 16th from the Chief of the Division of Bank Operations, advising of expenditures by the Federal Reserve banks for statistical and analytical work during the first half of the year 1926, as compared with their budgets for the period and similar expenses during the first half of 1925.

After discussion, upon motion by Mr. Miller, it was voted that the above memorandum should be referred to the Acting Director of the Board's Division of Research and Statistics for comment and for suggestions as to expenditures which should be authorized by the Board during the year 1927.

Memorandum dated October 8th from the Acting Director of the Board's Division of Research and Statistics, with reference to the Conference of the research and statistical staffs of the Board and Federal Reserve Banks held here on October 4th and 5th.

Noted.

Telegram dated October 8th from the Chairman of the Federal Reserve Bank of Richmond as follows:

"For your information and supplementing my wire today. For some time past we have been exerting pressure on certain member banks that have been in a badly extended condition and continuous borrowers since about 1920, and which we regard for that and other reasons as in a dangerous condition, to liquidate their long continued indebtedness during their usual season of collections this fall. Even in those cases, some in cotton territory, we have refrained from continuing pressure since cotton crisis developed about three weeks ago. We believe however that unless those banks are required to straighten out their affairs before January first losses will accrue to them and probably to us."

Noted.

Draft of letter to the Governors of all Federal Reserve Banks, prepared by Counsel, with reference to the matter to be discussed at the forth-



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coming Governors' Conference, namely, certain questions which have arisen with regard to the Board's ruling upon the eligibility for rediscount at Federal Reserve Banks of notes of parent corporations representing borrowings of funds to be advanced to subsidiaries; the proposed letter setting forth certain information developed by the Board in a discussion of this subject at the time of the recent meeting of the Federal Advisory Council.

Upon motion, the proposed letter was approved.

Memorandum from Counsel dated October 11th, recommending that the Board place on the program for the forthcoming Governors' Conference the question of the advisability of seeking an amendment to the law to restore to Federal courts jurisdiction over suits by and against Federal Reserve banks; Counsel submitting draft of a letter to all Governors transmitting copy of a memorandum on the subject prepared in his office and copies of opinions rendered by Counsel for the various Federal Reserve banks in accordance with a request made at the time of the last Governors' Conference.

Upon motion, the above question was referred to the Governors' Conference and the letter submitted by Counsel was approved.

Letter dated October 9th from the Secretary of the Federal Reserve Bank of Atlanta, transmitting certified copy of resolutions adopted by the Board of directors of that bank at its regular meeting on October 8, 1926; the resolutions referring to the Board's action in voting to remove Mr. Joseph L. Campbell from the office of Deputy Governor of the Bank.

Ordered circulated.

Matter ordered circulated at the meeting on October 5th, namely,

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letter dated September 29th from the Federal Reserve Agent at Dallas, with reference to the ruling contained in the Board's circular 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; the Federal Reserve Agent suggesting that certain questions in connection with the Board's ruling be added to the list of topics for discussion at the forthcoming Agents' Conference.

After discussion, it was voted to refer the above letter to the Secretary of the Board and its General Counsel for the preparation of a reply.

At this point, Mr. James left the meeting.

Memorandum from Counsel dated October 12th, submitting draft of reply to letter dated September 29th from Professor B. H. Beckhart, of Columbia University, requesting that he be furnished with copies of correspondence relating to proposals at the last session of Congress to amend Section 9 of the Federal Reserve Act; the proposed reply transmitting copies of letter addressed by the Board under date of February 2, 1926 to the Chairman of the Committee on Banking and Currency of the House of Representatives in reply to his letter to the Board of January 25th.

The Secretary suggested that in view of the fact that the Board has never published its letter to the Banking and Currency Committee it might be appropriate to suggest to Professor Beckhart that he secure copies from the Chairman of the Committee.

After discussion, the suggestion of the Secretary was approved.

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Memorandum from Counsel dated October 4th, with reference to the matter referred to him at the meeting on September 29th, namely, letter dated September 25th from the Federal Reserve Agent at Minneapolis advising that the Mellette County State Bank, White River, S. D. has reduced its capital to \$15,000, which is less than the amount of capital which would be required for the organization of a national bank in a town the size of White River; Counsel submitting draft of reply to the Federal Reserve Agent, setting forth various alternative actions which may be taken by the Board and requesting advice as to the condition of the bank, the facts leading up to its reduction in capital, the motive for such reduction and whether it would be willing to increase its capital to \$25,000 in the manner prescribed in the Board's Regulation H for banks admitted to membership in the System with a capital of \$15,000.

Upon motion, the proposed reply was approved.

Matter ordered circulated at the meeting on October 5th, namely, letter dated October 1st from the Deputy Governor of the Federal Reserve Bank of New York, enclosing copy of a letter 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 now performed for foreign central banks with which the Federal Reserve bank has reciprocal relations.

Noted.



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At this point, Mr. James re-entered the room and Mr. McIntosh joined the meeting. Thereupon, five members being present, the Board went into regular session.

Application for permission to exercise general fiduciary powers filed by the First National Bank of Clinton, Ind. which bank has a capital of \$30,000, surplus of \$70,000 and undivided profits of \$23,380; the Federal Reserve Agent recommending approval of the application on condition that the bank's capital be materially increased before formal permit is granted and the Board's sub-committee recommending approval of the application without condition.

After discussion, it was voted to defer action on the above application, the Comptroller of the Currency in the meantime to correspond with the bank as to a possible increase in its capital.

Memorandum from Counsel, dated September 30th, on the matter referred to the Law Committee at the meeting on January 5, 1926, namely, the possibility and the advisability of the Board taking steps to eliminate exchange charges under so-called clearing house regulations; Counsel expressing the opinion that the Federal Reserve Board has no authority to forbid member banks to make reasonable collection charges (not exceeding 10¢ per \$100 or fraction thereof) for collecting checks and drafts deposited with them and drawn on other banks, even though such checks and drafts are collected through Federal Reserve banks, but that the Board has authority to regulate or fix the amount of such charges.

Upon motion, Counsel's memorandum was ordered circulated.

Memorandum from Counsel, dated October 5, 1926, on the matters referred

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to him by the Board on February 15th and April 27th, namely, resolutions adopted at meetings of representatives of Minnesota country member banks demanding that the country member banks be given direct representation on the Federal Reserve Board, that the par collection of checks by the Federal Reserve banks be discontinued, etc.

Noted, and ordered filed.

Letters dated October 8th from the Governor of the Federal Reserve Bank of Minneapolis, with reference to certain transactions with the First National Bank of Minneapolis, The Northwestern National Bank of Minneapolis and the Merchants National Bank of St. Paul, wherein the Federal Reserve bank purchased from the member banks certain government securities with agreement to resell; the Governor requesting an expression from the Board relative to these transactions.

After discussion, the above letter was referred to the Vice Governor for the preparation of a reply to be submitted at a later meeting of the Board.

Matter approved on initials yesterday, namely, application of The Old National Bank of Grand Rapids, Mich. for permission to act when not in contravention of state or local law as executor, administrator, guardian of estates, assignee, receiver, committee of estates of lunatics or in any other fiduciary capacity in which state banks, trust companies and other corporations which come into competition with national banks are permitted to act under the laws of the State of Michigan.

Formally approved.

Mr. Miller then referred to a request received by him from the New



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York Academy of Political Science to suggest the name of some one qualified to read at a meeting of that organization to be held in New York City on November 17th a paper on the subject of installment buying. Mr. Miller stated that he had in mind Mr. J. H. Perkins of the Farmers Loan and Trust Company of New York City and Mr. McIntosh stated that Mr. Morton D. Prentiss of the Merchants National Bank of Baltimore had made a study of the subject referred to.

Following a brief discussion, Mr. Miller stated that he would suggest the names of Messrs. Prentiss and Perkins to the Academy.

Mr. Miller then referred to an invitation received from the Canadian Club of Ottawa to visit there in December or January for the purpose of appearing before that body and giving a description of the Federal Reserve System. Mr. Miller stated that he was disposed to accept the invitation and the members of the Board present expressed the opinion that it would be desirable for him to do so.

Letter dated October 8th from the Secretary of the Interior, requesting information as to the amount of money expended annually by the various departments and independent establishments of the government in public land states and the amount of money, if any, returned to the Government either by way of revenue, or contributed for cooperative work and deposited in the general treasury, for use by the proper department or establishment in carrying on its work within the state.

Referred to the Vice Governor for reply.

The minutes of the meeting of the Federal Reserve Board held on October 8th were then read and approved.

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Upon motion by Mr. James, it was then voted to ratify the actions taken by the Executive Committee at its meeting this morning just preceding this session of the Board.

Upon motion by Mr. Miller, the Board then voted that Mr. Goldenweiser, Acting Director of the Board's Division of Research and Statistics be requested to arrange to come before the Board in the near future for the purpose of giving it a comprehensive review of the present credit and business situation.

REPORTS OF STANDING COMMITTEES: (Approved by Executive Committee)

Dated, October 9th, 11th, Recommending changes in stock at Federal Reserve Banks as set forth in the Auxiliary Minute Book of this date.

Approved.

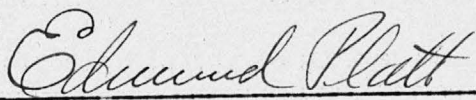
Dated, October 6th, Recommending action on application for admission of state bank, subject to the conditions stated in the individual reports attached to the application, as set forth in the Auxiliary Minute Book of this date.

Approved.

The meeting adjourned at 1:00 p.m.

  
Secretary.

Approved:



Vice-Governor.