

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, October 26, 1926 at 11:00 a.m.

PRESENT: Governor Crissinger
Mr. Platt
Mr. Miller
Mr. James
Mr. Cumingham
Mr. Noell, Asst. Secretary
Mr. McClelland, Asst. Secretary

The minutes of the meetings of the Federal Reserve Board held on October 20th and 21st were read and approved.

Letter dated October 21st 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 22nd from the Chairman of the Federal Reserve Bank of Chicago, 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 21st from the Chairman of the Federal Reserve Bank of San Francisco, 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.

Report of Executive Committee on letter dated October 21st from the Acting Comptroller of the Currency, requesting approval of a salary of \$2700 per annum for National Bank Examiner S. Clark Beise, to be assigned to the 9th Federal Reserve District; the Committee recommending approval.

Approved.

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Letter dated October 26th from the Assistant Federal Reserve Agent at New York, advising that the Irving Bank and Trust Company, New York City, has received informal approval of the New York State Superintendent of Banks for a branch office at Twenty-first Street and Fifth Avenue, New York City, which it is understood will be opened about March 1, 1927.

Noted.

Letter dated October 18th from the Assistant Federal Reserve Agent at San Francisco, advising that the Pacific Southwest Trust and Savings Bank, Los Angeles, on October 18th opened a branch in the premises of the State Bank of Lennox, Lennox, Cal. under the authority granted by the Board on September 23rd.

Noted.

Report of Committee on Examinations on the matter referred to it at the meeting on September 23rd, namely, letter dated September 21st from the Federal Reserve Agent at St. Louis, transmitting a statement of the ratios of bank deposits to total deposits of banks in the 8th Federal Reserve District to which the Board has granted the privilege of carrying reduced reserves, and recommending that the reserve requirements of the Grand National Bank be increased from 7% of demand deposits and 3% of time deposits to 10% of demand deposits and 3% of time deposits; the Committee submitting a further letter on the subject from the Federal Reserve Agent at St. Louis, dated October 19th, and recommending that the Board approve his recommendation for an increase in the requirements of the Grand National Bank.

After discussion, upon motion by Mr. Miller, it was unanimously voted that the reserve requirements

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of the Grand National Bank of St. Louis be increased from 7% of demand deposits and 3% of time deposits to 10% of demand deposits and 3% of time deposits.

Letter dated October 25th from the Deputy Governor of the Federal Reserve Bank of New York, advising of the illness of Governor Strong and of the action of the board of directors of the bank in voting, subject to the approval of the Board, to extend to him a leave of absence with pay until December 1, 1926.

Upon motion, the action of the New York directors in granting leave of absence with pay to Governor Strong was approved.

Letter dated October 25th from the Deputy Governor of the Federal Reserve Bank of New York, transmitting copy of Royal Decree of Monetary Stabilization, which was signed by the King of Belgium on October 24th and went into effect upon its publication in Brussels on October 25th.

Ordered circulated.

Letter dated October 23rd from the Deputy Governor of the Federal Reserve Bank of New York, transmitting and commenting on copy of an agreement setting forth in detail the terms and conditions under which the Federal Reserve bank has undertaken to purchase not to exceed the equivalent of \$10,000,000 of commercial bills from the National Bank of Belgium, as authorized by the Federal Reserve Board at its meeting on October 5th.

Ordered circulated.

Report of Committee on District #6 and Committee on Salaries and Expenditures on letter dated October 20th from the Secretary of the board of directors of the Federal Reserve Bank of Atlanta, transmitting communications with reference to the action of Mr. R. N. Groover, Manager of the Savannah

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Agency of that bank, while acting as special representative of the bank in connection with the failure of the Georgia National Bank, Athens, Ga. in failing to credit until May 22, 1926 a payment of \$1,000 made to him under date of January 28, 1926 on a note held by the Federal Reserve bank; the Secretary advising that the Governor of the bank at the last meeting of the board of directors reported that Mr. Groover had been temporarily relieved as Manager of the Savannah Agency for, although in the Governor's opinion he is thoroughly honest, he had been guilty of gross negligence - and that the board of directors had voted that the removal of Mr. Groover as Manager of the Agency be approved, and that subject to the approval of the Federal Reserve Board, he be tendered a position in the Discount Department at the head office at an annual salary of \$3,000 in accordance with a recommendation of the Governor of the bank. Thereupon ensued a discussion of a suggestion of the Board's Committees that they being unwilling to recommend approval of the proposed salary for Mr. Groover without further information, the matter be held until an opportunity is had during the forthcoming Conferences, to discuss it with the Chairman and Governor of the Atlanta bank.

Following the discussion, Mr. Miller moved that having considered the recommendation of the directors of the Federal Reserve Bank of Atlanta, and the documents transmitted by the Secretary of the bank in his letter of October 20th, the Board concur in the opinion expressed by Governor Wellborn that Mr. Groover was guilty of gross negligence in the performance of his duties, and for that reason disapprove the recommendation for his employment at the Federal Reserve Bank of Atlanta and the payment to him of any salary.

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

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At this point, Mr. Eddy entered the meeting and Mr. Noell withdrew.

Memorandum from Counsel dated October 20th, submitting draft of a reply to letter dated September 16th from the Federal Reserve Agent at St. Louis, inquiring whether crude cotton seed oil may properly be considered a non-perishable readily marketable staple agricultural product within the meaning of the third paragraph of Section 13 of the Federal Reserve Act, which permits Federal Reserve banks to discount or purchase sight or demand bills drawn to finance the domestic shipment of such products; the proposed reply stating that the Board is of the opinion that cotton seed oil is essentially a product of manufacture and can not be deemed an agricultural product within the meaning of the third paragraph of Section 13, and stating that cotton seed oil is a product of some three or four steps of manufacture which are analagous to the steps involved in the production of flour and bran from wheat which the Board some time ago ruled to be manufactured rather than agricultural products within the meaning of Section 13.

Upon motion, it was voted to approve the proposed reply, as well as a circular letter submitted by Counsel, advising all Federal Reserve banks accordingly.

Report of Committee on Salaries and Expenditures on the matter referred to it at the meeting on October 20th, namely, memoranda from the Board's Secretary and Counsel with reference to the action of the board of directors of the Federal Reserve Bank of Dallas in approving the employment of the firm of Locke, Locke, Stroud and Randolph as Counsel at an annual salary of \$8,000 per annum, to succeed Mr. E. B. Stroud, resigned, and in voting to turn over to this firm all notarial work at the bank - the Law Committee having approved the salary

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proposed for Counsel but raised a question as to the proposed notarial arrangement; the Committee on Salaries and Expenditures recommending approval of this arrangement.

After discussion, Mr. James moved approval of the salary recommended for the firm of Locke, Locke, Stroud and Randolph as well as the arrangement approved by the Dallas directors for turning over to this firm all notarial work at the bank.

Carried.

Memorandum from Counsel dated October 22nd, submitting draft of reply to letter dated October 18th from the Governor of the Federal Reserve Bank of Minneapolis, inquiring whether Section 502 of the World War Adjusted Compensation Act amends Section 13 of the Federal Reserve Act so that notes secured by Adjusted Service Certificates and rediscounted by Federal Reserve banks may be used as collateral security for Federal Reserve notes under the provisions of Section 16 of the Federal Reserve Act; the proposed reply stating that notes rediscounted by the Federal Reserve banks under the provisions of the Adjusted Compensation Act do not come within the definition of collateral which may be used to secure Federal Reserve notes as set out in Section 16 and may not be used for that purpose.

Upon motion, the proposed reply was approved.

The Governor then presented a copy of the recommendations of the Federal Advisory Council made to the Federal Reserve Board at the time of the meeting of the Council on September 17, 1926 and called particular attention to the request that the Board "Use its good offices to have the law and/or Regulations of the present income tax law amended so that the income derived

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from American Bankers' Acceptances by foreign holders may not be subject to an income tax"; the present tax being at the rate of $13\frac{1}{2}\%$.

After discussion, Mr. Miller moved that the request of the Federal Advisory Council be transmitted formally to the Secretary of the Treasury with advice that the Federal Reserve Board concurs in the same.

Letter dated October 18th from the Governor of the Federal Reserve Bank of Dallas, advising that from time to time they have brought to their attention the matter of improper classification by member banks as time deposits of certain deposits which should be classified as demand, particularly in the case of deposits of public funds; the letter requesting advice as to whether the Board concurs in the view that inasmuch as the Federal Reserve banks do not conduct regular examinations of member banks, which is a function of the Comptroller of the Currency or the state banking departments, they are without facilities for checking the classification of deposits and should not be charged with this responsibility.

After discussion, the Secretary was directed to address a letter to the Comptroller of the Currency inquiring as to the practice of his examiners in connection with checking the classification of deposits by national banks with particular reference to public deposits.

Letter dated October 23rd from the Assistant Federal Reserve Agent at New York, advising that permission has been secured from reporting member banks in New York City for the publication by the Federal Reserve bank of figures on brokers' loans which the member banks began reporting in confidence the latter part of 1917; the letter stating that it is proposed to publish

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these figures, if possible, in the November monthly review of the Federal Reserve bank, with an explanatory article pointing out the difference between the old reports and the present ones made by all member banks, and stating it has occurred to them that the Board may wish to publish a simultaneous article on the subject in the Federal Reserve Bulletin.

Upon motion by Mr. Miller, it was voted that an article on the subject referred to should be published in the Bulletin.

Letter dated October 23rd from the Assistant Federal Reserve Agent at New York, referring to the arrangement made by the Board some time ago whereby it has been publishing on Monday, instead of Friday, its consolidated statement of the condition of reporting member banks as of Wednesday of the preceding week; the Assistant Federal Reserve Agent suggesting the earlier release of figures for the New York City and Chicago member banks, and stating that they will be glad to cooperate in any plan for making these figures public at the earliest possible moment. The Secretary stated that it would be impracticable to advance the release date of the consolidated statement for all districts which is now made public on Monday afternoon, but that figures for New York and Chicago member banks could be released on Friday afternoon. He stated that if such an arrangement were approved by the Board the consolidated statement could still be released on Monday without any change other than to eliminate comment on changes in New York City and Chicago which would be set out in the earlier release.

After discussion, during which some members of the Board brought out possible objections to such an arrangement action thereon was deferred.

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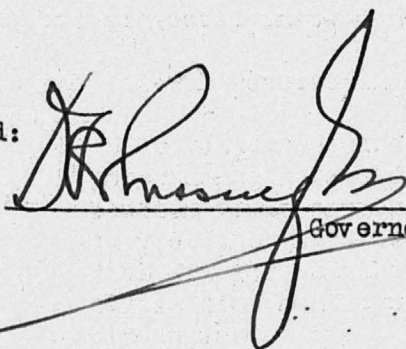
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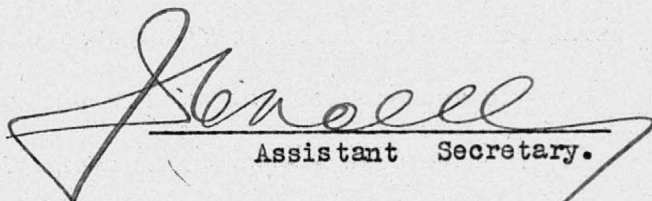
Dated, October 21st, Recommending changes in stock at Federal Reserve Banks
22nd, as set forth in the Auxiliary Minute Book of this date.
Approved.

Dated, October 22nd, Recommending approval of the application of Mr. R. K.
Lippincott for permission to serve at the same time as
director and officer of the Laurel Springs National
Bank, Laurel Springs, N. J. and as director of the
Merchants Trust Company, Camden, N. J.
Approved.

The meeting adjourned at 1:00 p.m.

Approved:


Governor.


Assistant Secretary.