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FEDERAL RESERVE BOARD

WASHINGTON

X-3539

October 16, 1922.

SUBJECT: Alteration of Warehouse Receipts for Cotton
issued by Memphis Terminal Corporation.

Dear Sir:

For your information there is enclosed herewith a copy of a telegram addressed to the Federal Reserve Board by Mr. W. G. Turner, Vice President of the Memphis Terminal Corporation, Memphis, Tennessee, stating that a great number of warehouse receipts issued by that Company, which is licensed under the United States Warehouse Act, have been altered so as to lower or raise the grade of cotton called for by such receipts.

It is feared that such alterations will seriously hamper the financing by member banks of the storage and handling of cotton, and it is hoped that each Federal Reserve Bank will cooperate to such extent as is practicable in all efforts made to detect such alterations and to devise means of preventing similar alterations in the future.

Yours very truly,

Vice-Governor.

(Enclosure)

COPY

X-3539a

Memphis, Tenn. Oct. 12 1922

Vice Governor, Federal Reserve Bank
Washington, D. C.

Following telegram just sent to Mr. H. S. Yohe in charge administration
United States Warehouse Act, United States Department of Agriculture
Washington, D. C.

"We have a United States bonded warehouse license to operate under the United States Bonded Warehouse Act two of our warehouses. We have one United States bonded classer properly licensed. We have two bonded United States weighers properly licensed. In checking up the negotiable United States bonded warehouse receipts issued by this company as a United States bonded warehouse last season we find the following:

A very great number of the warehouse receipts issued by ourselves showing the grades which grades were declared to be the true grade of this cotton by our United States bonded classer have been changed over our signature and been lowered and raised by some one presumably the party to whom the original warehouse receipts were issued and a carbon copy kept of same. How many hundreds or thousands of these receipts have been so changed and raised or lowered at will we have not yet determined accurately but know within the next few days. These receipts are now in our possession properly cancelled and the cotton has been delivered. Every receipt is plainly stamped in red ink not stapled according to your directions and permission the length of staple has been inserted over our signature on these receipts by someone.

The alteration of the grades after the grades have been carefully determined by a United States bonded warehouse classer either by the owner of the receipts, his representative, or any one else is, the writer believes, a forgery; in fact, just as much a forgery if the grade has been raised as it would be to raise a United States bank note of any denomination.

We do not know how far the United States Department of Agriculture feels themselves responsible for an act of this kind. We do not. We think that the intent and purpose of the Warehouse Act was for the protection of all banks in the United States who negotiated these United States bonded warehouse receipts and particularly the Federal Reserve Banks.

Before instituting prosecution on our own initiative we would be glad to be informed as to whether the prosecution or prosecutions for these acts should take place through your department or through the Department of Justice under your auspices or whether we are expected to take charge of this matter ourselves. In a matter of this kind it is the opinion of the undersigned that if the United States Bonded Warehouse Act is intended to safeguard the interest of banks and such alteration or alterations by the owners of the cotton deposited be allowed which, of course, changes the representation of the values represented on the face of the ware-

house receipt then this company are very much disappointed in their view of the intention of the Warehouse Act. All of the receipts in question are available for your inspection or the inspection of any one who may be interested. Please advise as soon as possible whether your department is interested enough to see these receipts or whether the Department of Justice if it is under their jurisdiction desires to inspect them.

Copy of this message has been sent to Senator K. D. McKellar, representing Western Tennessee, Hubert Fisher, Congressman from this district, and Vice Governor of the Federal Reserve Bank at Washington.

W. G. TURNER

Vice President, Memphis Terminal Corporation.