

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, August 25, 1936, at 11:00 a. m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. Davis

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary

Consideration was given to each of the matters hereinafter referred to and the action stated with respect thereto was taken by the Board:

Memorandum dated August 24, 1936, from Mr. Paulger, Chief of the Division of Examinations, recommending for the reasons stated in the memorandum that a further leave of absence on account of illness with full pay, for a period of two months from September 1, 1936, be granted to Mr. Gordon R. Murff, Assistant Federal Reserve Examiner, with the understanding that should he be able again to report for duty, or should other satisfactory arrangements be made prior to the expiration of the extended leave he will so advise the Board.

Approved unanimously.

Telegram to Mr. Martin, Federal Reserve Agent at the Federal Reserve Bank of Atlanta, reading as follows:

"Your telegram August 22 and telephone conversation with Mr. Ransom. Board approves temporary appointment until not later than December 31, 1936, of Mrs. Genevieve M. Barnett as Alternate Assistant Federal Reserve Agent. Before entering upon her duties Mrs. Barnett should execute

8/25/36

-2-

"the usual form of oath of office and surety bond in the amount of \$50,000 which should be examined by counsel for your bank to see that it is executed in accordance with rules printed on reverse side of form of bond 182 and thereupon bond should be forwarded to Board promptly for approval. Board's approval of appointment is with understanding that Mrs. Barnett will be continued on roll of Federal Reserve Agent and be solely responsible to him, and that when not serving as Alternate Assistant Federal Reserve Agent she may be assigned by you with approval of President of bank to perform such other duties as are not inconsistent with her duties as Alternate Assistant Federal Reserve Agent."

Approved unanimously.

Letter to the Presidents of all Federal reserve banks, reading as follows:

"Recommendations to the Secretary of the Treasury with respect to the licensing of newly admitted State bank members of the Federal Reserve System have been submitted by some of the Federal Reserve banks over the signature of the Federal Reserve Agent or Assistant Federal Reserve Agent and by others over the signature of the President or a Vice President. In view of the fact that the Bank Examinations function has already been transferred from the Federal Reserve Agent's supervision to that of the President at some of the Federal Reserve banks and as it is contemplated that similar action will soon be taken at the other Reserve banks, it is suggested that in the interest of uniformity all recommendations to the Secretary of the Treasury with respect to the licensing of newly admitted State bank members be made hereafter over the signature of the President or a Vice President of the Federal Reserve bank. Insofar as the licenses themselves are concerned, it is understood that they are being signed by the President or a Vice President of the bank acting on behalf of the Secretary of the Treasury."

Approved unanimously.

Telegram to Mr. Fry, Vice President of the Federal Reserve Bank of Richmond, reading as follows:

8/25/36

-3-

"Retel 24th. Regulation T does not prevent the transfer of the restricted account from broker A to broker B nor prevent broker B from accepting a note from the customer for the debit balance. However, Regulation U does not permit a bank to be transferee of the note if the maximum loan value of the collateral determined pursuant to Regulation U is less than the amount of the loan represented by the note."

Approved unanimously.

Telegram to Mr. Sproul, First Vice President of the Federal Reserve Bank of New York, reading as follows:

"Harrison's letter August 13 and your letter August 24 re renewal of credits to National Bank of Hungary. Board approves action your directors in authorizing officers to convey to Bank for International Settlements, for transmittal to National Bank of Hungary and all participants in credits, the views of your bank as set forth in Harrison's letter. It is requested that you forward to Board copy of communication addressed by you to Bank for International Settlements and that you keep Board fully advised of negotiations with respect to renewal of credits.

"In this connection, Board believes it would be in position to act more promptly with respect to matters of this kind if it were kept currently informed as to all communications between your bank and foreign banks or bankers. For this reason, it is requested that you forward to Board a copy of each letter, cablegram, or other document of other than purely routine character which is transmitted to or received from a foreign bank or banker, promptly upon its transmittal or receipt by your bank, whether or not matter is one with respect to which permission of Board is required under provisions of section 14(g) of Federal Reserve Act or Board's Regulation N. It is also requested that you furnish promptly to Board copies of correspondence between your bank and other reserve banks with respect to their participation in any transactions or negotiations with foreign banks or bankers."

Approved unanimously.

8/25/36

-4-

Letter to Mr. Roelse, Assistant Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Receipt is acknowledged of your letter of August 19, 1936, and the letter inclosed therewith of August 15, from Mr. Rufus W. Park, Cashier of the First National Bank of Remsen, New York, to the Federal Reserve Bank of New York in regard to the statement issued by the Board in connection with its action in increasing reserve requirements of member banks.

"The sentence quoted by Mr. Park from page 4 of the statement which reads, 'The increase in reserve requirements of member banks will not diminish the volume of deposits held by these banks for their customers and will, therefore, not diminish the volume of funds available for investment' is intended to call attention to the fact that the increase in reserve requirements does not in any way affect the ability of holders of deposits in member banks to utilize their funds for investment purposes. The purpose of the increase in reserve requirements with respect to its effect upon the ability of member banks to utilize funds made available to them by the deposits of their customers is plainly set forth in other portions of the statement.

"While it is not clear what Mr. Park had in mind in the last sentence of his letter with relation to the next Government loan, it would seem that a comparison of the present market prices of Government securities with those prevailing before the announcement of the Board increasing reserve requirements would be sufficient to show that the ability of the Government to finance itself has not been adversely affected by this action.

"With respect to Mr. Park's reference to action by the Board to forestall speculation, it would seem sufficient to direct his attention to the fact that the Board, in both Regulations T and U, has exercised its power to fix margin requirements, which, speaking in general terms, now stand at 55% of current market value of the collateral pledged as security for loans of both banks and brokers to their respective customers.

"It is suggested that your bank reply directly to Mr. Park's letter in such manner as seems best in the circumstances and in this connection it might be well, in view of the fact that his letter is not clear in all respects, if some officer of your bank were to talk to Mr. Park

8/25/36

-5-

"about the matter at an early opportunity in order that any misunderstanding on his part may be cleared up."

Approved unanimously.

Letter to the presidents of all Federal reserve banks, reading as follows:

"One of the Federal Reserve banks has been furnishing the Board copies of reports prepared by officers and representatives of the bank covering information gathered during trips through various sections of the district for the purpose of visiting banks and observing banking, business and agricultural conditions. The Board has found these reports very interesting and valuable and would be glad to receive similar reports in connection with the bank and public relations activities of the other Federal Reserve banks.

"As you know, at the present time monthly reports on bank and public relations activities are submitted by the Federal Reserve banks to the Federal Reserve Bank of Cleveland where they are summarized by Mr. Strater, Secretary of the Presidents' Conference, and copies are sent to the Federal Reserve banks and to the Board. It is believed that these reports would be of still more value and interest from the standpoint of the Board if they were accompanied by reports of the character referred to in the preceding paragraph. Accordingly, it will be appreciated by the Board if, beginning with the month of September, each Federal Reserve bank will send a statement to the Board of Governors in accordance with the attached form and forward with the statement copies of the individual reports of the officers and representatives of the bank, as suggested above, covering their bank and public relations activities during the month.

"The reports prepared by the officers and field representatives setting forth information gathered by them in connection with their visits to banks and attendance at meetings in the district should, in addition to covering briefly the more important features of the banking and business conditions in the territory visited or the matters of interest to the Federal Reserve System which develop at a meeting or convention attended, include special reference to criticisms and comments, favorable or unfavorable, with respect to the Federal Reserve banks or the Board of Governors, the attitude

8/25/36

-6-

"of member and nonmember banks toward membership and the System generally, reasons given by non-member banks for not joining the System, and any suggestions which would be of interest to the Board or which would tend to improve the System or its relations with the banks and the public. In this connection, the Board would like to have similar reports of suggestions or criticisms of a substantial nature made by bankers or others during visits to the Federal Reserve banks.

"Such reports need not follow any set form. The desire of the Board is to obtain from the Federal Reserve banks information which comes to them in the course of their regular bank and public relations activities which will enable the Board to perform its duties more intelligently and capably with a better understanding of the viewpoint of the banking and business communities in the several Federal reserve districts."

Approved unanimously.

Letter to the Federal Home Loan Bank Board, Washington, D. C.,

reading as follows:

"The Board has been advised by the Federal Reserve Bank of San Francisco that the First Federal Savings and Loan Association of Hollywood states in its advertising that it is a 'member of the Federal Reserve System'. In this connection, your attention is invited to the fact that the Act of Congress of May 24, 1926, prohibits a bank, banking association, or trust company which is not a member of the Federal Reserve System from advertising that it is such a member. However, it is understood from an informal conversation between an Assistant General Counsel of the Board and an Assistant Secretary of your organization that, if the matter is called to the attention of the First Federal Savings and Loan Association of Hollywood by your Board, it seems clear that a correction will be immediately effected, and in these circumstances the matter is referred to you. It will be appreciated if you will advise as soon as practicable as to the correction which is obtained."

Approved unanimously.

Letter to Mr. Christian Djorup, New York, New York, reading as

8/25/36

-7-

follows:

"This refers to your letter of August 18, 1936, in which you advise that at the coming convention of the American Bankers Association a special committee will study the Uniform Trust Receipts Act which has been enacted in six States, with a view to obtaining the enactment of the uniform law in other States, and that you have been requested to offer suggestions helpful to the committee. You ask whether the Board has formulated any rule or regulation regarding trust receipts since July 1, 1934, the date on which the Uniform Act was made the law in the State of New York and suggest that trust receipts be considered by the Board as 'actual security' in the States where this law is in effect provided the entruster-banker lives up to the terms of the law and enforces its terms against the trustee.

"There is inclosed herewith a copy of the Board's Regulation A, section XI of which contains certain provisions referring to trust receipts. This regulation was last amended August 1, 1930. As you will observe, it provides that acceptances for any one customer in excess of 10 per cent of the accepting bank's capital and surplus must remain actually secured throughout the life of the acceptance, and in the case of acceptances of member banks this security must consist of certain specified documents, including trust receipts which have been issued under such circumstances and which cover goods of such a character as to insure at all times a continuance of an effective and lawful lien in favor of the accepting bank, other trust receipts not being considered such actual security if they permit the customer to have access to or control over the goods.

"The question in any case whether a trust receipt complies with these requirements of the Board's Regulation A is one which must be considered in the light of all the circumstances of the particular transaction and must be determined primarily by the accepting member bank and by the Federal Reserve bank to which the acceptance may be offered for discount. To undertake to say in advance whether trust receipts issued in conformity with the Uniform Trust Receipts Act would meet these requirements in particular cases would be an attempt to pass upon questions which at this time are of a hypothetical or abstract character. In this connection it is to be observed that the Uniform Trust Receipts Act has been adopted in only six States, that the question as to the lien given by a particular trust receipt may involve a consideration of the laws of two or more States, and that under

8/25/36

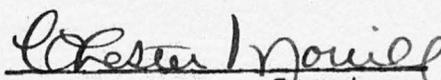
-8-

"the provisions of the Uniform Act a bank holding a trust receipt is required to take certain action in certain circumstances in order to protect its interests and under some conditions the lien of the entruster-banker is apparently not entitled to priority. These various considerations render it impracticable for the Board to attempt to make any general statement at this time with regard to the compliance of trust receipts issued under the terms of the Uniform Act with the provisions of the Board's Regulation A.

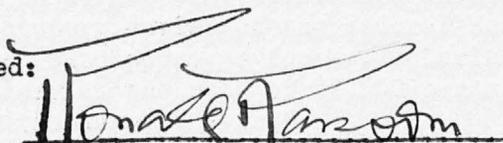
"The Board desires in all cases to be as helpful as possible and particularly wishes to be of any assistance which it can to any committee of the American Bankers Association. However, it is felt that questions as to the security afforded by trust receipts can be determined only as and when they arise in particular transactions and, accordingly, that the Board is not in a position at this time to issue any general ruling on this subject or to undertake to discuss the contingencies in which receipts issued under the uniform law might or might not comply with the provisions of the regulation."

Approved unanimously.

Thereupon the meeting adjourned.


Secretary.

Approved:


Vice Chairman.