

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, March 11, 1937, at 11:30 a. m.

PRESENT: Mr. Eccles, Chairman
Mr. Szymczak

Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

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

Telegram to Mr. Leach, President of the Federal Reserve Bank of Richmond, stating that the Board approves the establishment without change by the bank today of the rates of discount and purchase in its existing schedule.

Approved unanimously.

Letter to Mr. Clark, Vice President of the Federal Reserve Bank of Atlanta, reading as follows:

"Receipt is acknowledged of your letter of March 8, 1937, transmitting the request of the president of the 'American Bank and Trust Company', Miami, Florida, that the bank's application for membership in the Federal Reserve System be held in abeyance for a period of at least six months from March 6, 1937, the date of his letter.

"In accordance with the bank's request, the application will continue to be held in abeyance. It is requested that, if the matter is not previously raised by the bank, you report further to the Board on October 1, 1937, as to the situation."

Approved unanimously.

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

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"This refers to your letter of February 26, 1937, inclosing a copy of a letter from The Kanawha Valley Bank, Charleston, West Virginia, requesting your comments and suggestions regarding certain provisions of a summary of regulations and rulings governing the purchase of investment securities which was issued by the Comptroller of the Currency under date of October 27, 1936.

"It appears that points 2, 3 and 5 in the letter from The Kanawha Valley Bank refer to rulings which are based upon the application of the 'Interpretative Rulings With Respect To Section 5136 U. S. R. S.' issued by the Comptroller under date of February 15, 1936; and, as you know, the Board in its letter of April 25, 1936 (X-9563) called attention to the fact that these 'Interpretative Rulings' were addressed only to national banks and stated that it was understood that they were not intended to apply to State member banks.

"Points 1 and 4 in the letter from The Kanawha Valley Bank are not covered by these 'Interpretative Rulings', but apparently are based upon a construction of certain provisions of section 5136. The Board has not had occasion to express an opinion on the question whether a like construction of the statute with respect to these points is to be applied to State member banks and does not feel that it should do so except upon the basis of the facts of actual cases arising in the operation of State member banks. A State member bank which desires to obtain consideration of such a question should furnish full information regarding the circumstances of the case to the Federal Reserve bank in order that the latter, if it deems it necessary to do so, may submit the matter to the Board with a request for an expression of the Board's views."

Approved unanimously.

Letter to Mr. Hill, Vice President of the Federal Reserve Bank of Philadelphia, reading as follows:

"Reference is made to your letter of March 1, 1937, with regard to the request of the York Trust Company, York, Pennsylvania, that it be not required to publish the report as of December 31, 1936 of its affiliate, the York-Hoover Body Corporation.

"It appears that Charles H. Moore, a Vice President and Director of the York Trust Company, was elected a director of

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"the York-Hoover Body Corporation on December 31, 1936, for the purpose of acting as a representative of the Trust Company in the management of the Corporation, to which the Trust Company had extended credit in various forms, and that as a consequence of this election a majority of the directors of the York-Hoover Body Corporation were also directors of the Trust Company, thus creating an affiliation between the Corporation and the bank under the terms of Section 2(b)(3) of the Banking Act of 1933. It also appears that the bank did not realize this affiliation existed until the matter was called to its attention in the course of an examination as of January 23, 1937; that, although the director in question was elected on December 31, 1936, the date of the call report, he did not become active until some time in the early part of January 1937; and that the affiliation has now been terminated by the resignation from the directorship of the member bank of one of the directors who is on the directorship of the York-Hoover Body Corporation.

"In the circumstances, the Board waives the requirement for the publication of the report as of December 31, 1936 of the York-Hoover Body Corporation, York, Pennsylvania."

Approved unanimously.

Letter to Mr. George R. Darrow, Philadelphia, Pennsylvania, reading as follows:

"In reply to your letter of February 6, addressed to the Securities and Exchange Commission, in which you request information regarding the rules governing a purchase of securities on margin, we are inclosing a copy of Regulation T - Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges. In connection with your inquiry, your particular attention is called to sections 4(c), 4(d), 4(e), 3(g), and 12 of the regulation.

"In the absence of more complete information with respect to the transaction in question, the Board is unable to determine whether the action of your broker was in compliance with the requirements of the Board's Regulation T, but it is thought that with the aid of the regulation and the suggestions made herein you will be able to determine whether such is the case.

"However, if you are unable to do so, or if you have any further inquiry regarding the application of the provisions of Regulation T to the subject transaction or to any future transactions, we suggest that as a matter of convenience to yourself you communicate with the Federal Reserve Bank of Philadelphia."

Approved unanimously.

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Letter to Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis, reading as follows:

"This refers to your letter of February 24, 1937, inclosing a copy of the by-laws of the Louisville Branch as amended at a meeting of your board of directors on February 17, 1937. You state that at this meeting your board of directors also amended the by-laws of the Little Rock and Memphis Branches to read the same as the inclosed copy of the by-laws of the Louisville Branch and that in all three of the sets of by-laws the name 'Federal Reserve Board' was changed to 'Board of Governors of the Federal Reserve System.' You also state that upon advice of the Board's approval these by-laws will be reprinted and copies furnished to the Board.

"It is understood that the provisions of section 1 of article III of the by-laws relating to the tenure of officers and the provisions of section 8 of article III relating to the compensation of an associate counsel are, of course, subject to the provisions of the Federal Reserve Act which authorize the Board to remove officers and directors of Federal Reserve banks and which make any compensation of officers, directors, and employees of Federal Reserve banks subject to the approval of the Board.

"You are advised that on the basis of the understandings stated above, the Board of Governors approves the by-laws of the Louisville, Little Rock, and Memphis Branches of your bank in the form contained in your letter of February 24, 1937. It will be appreciated if you will forward to the Board four copies of the by-laws of each of the Branches as soon as they are printed.

"You are also advised that several questions which have recently arisen regarding by-laws of branches of all Federal Reserve banks have suggested the advisability of a review of the entire subject of by-laws of branches and that the Board expects to make such a review in order to bring about such changes as may seem desirable."

Approved unanimously.

Memorandum dated March 10, 1937, from Mr. Vest, Assistant General Counsel, submitting a letter dated February 24 from Mr. Sargent, Secretary of the Federal Reserve Bank of San Francisco, advising that the by-laws of the bank have been amended so as to authorize the executive committee

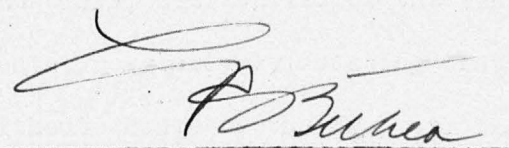
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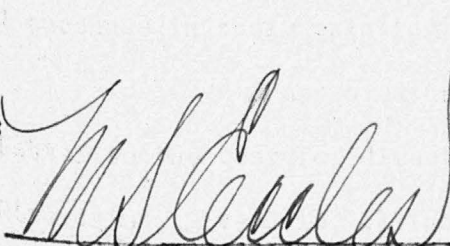
to establish rates of discount in conformity with the provisions of section 14(d) of the Federal Reserve Act, and suggesting, for the reasons stated in the memorandum, that the letter from the San Francisco bank be merely acknowledged in the suggested form of acknowledgment submitted with the memorandum.

Approved unanimously.

Thereupon the meeting adjourned.


Assistant Secretary.

Approved:


Chairman.