

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, April 1, 1937, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Broderick
Mr. McKee
Mr. Davis

Mr. Morrill, Secretary
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:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on March 31, 1937, were approved unanimously.

Telegrams to Mr. Helm, Vice President of the Federal Reserve Bank of Kansas City, and Mr. Sargent, Secretary of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the respective banks today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Telegram to Mr. Carlyle Thorpe, General Manager, California Walnut Growers Association, Los Angeles, California, reading as follows:

"Confirming telephone conversation with Mr. Davis, Board of Governors of Federal Reserve System has appointed you Class C director of Federal Reserve Bank of San Francisco for unexpired portion of term ending December 31, 1939. Please wire acceptance collect."

Approved unanimously.

Telegram to Mr. Hobart D. Myrick, Square Butte, Montana, reading as follows:

"Board of Governors of Federal Reserve System has appointed you director of Helena branch of Federal Reserve Bank of

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"Minneapolis for unexpired portion of two-year term ending December 31, 1937. Please wire acceptance collect."

Approved unanimously.

Telegram to Mr. A. E. Engbretsen, President, Engbretsen Seed Company, Astoria, Oregon, reading as follows:

"Board of Governors has appointed you director of Portland branch of Federal Reserve Bank of San Francisco for unexpired portion of two-year term ending December 31, 1938. Please wire acceptance collect."

Approved unanimously.

Letter to Mr. Charles H. Hartman, Vice President, First National Bank of Media, Media, Pennsylvania, reading as follows:

"This refers to your letter of March 6, 1937, in which you inquire whether, in view of the insurance protection afforded by the Federal Deposit Insurance Corporation, any action has been taken or is contemplated with respect to removing the requirement concerning the delivery of securities to the trust department as collateral security for trust funds used by a national bank in the conduct of its business.

"Section 11(k) of the Federal Reserve Act provides in part as follows:

'Funds deposited or held in trust by the bank awaiting investment * * * shall not be used by the bank in the conduct of its business unless it shall first set aside in the trust department United States bonds or other securities approved by the Board of Governors of the Federal Reserve System.'

Accordingly, the elimination or modification of the requirement to which you refer would require an amendment to the law and, as far as is known, no action looking towards such an amendment has been taken or is contemplated at this time.

"The Board has had occasion to give consideration to the question whether, to the extent to which such funds are covered by insurance, a modification should be made in the foregoing requirement for collateral security for trust funds carried by national banks in their own banking departments and a like requirement now prescribed as a condition of membership for State banks upon their admission to membership in the Federal Reserve System, and it is the feeling of the Board that it would not be desirable to make such a modification.

"It is contrary to the usual principles of trust administration for a trustee to use funds held in trust in the conduct of the trustee's own business, and the carrying of trust funds of a

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"fiduciary institution in its own banking department is an exception to this principle. The Board feels, therefore, that if such an exception is made the trust funds should be afforded every practicable protection. Accordingly, it has not seemed advisable to the Board to eliminate the collateral requirement even though the funds also have the protection of insurance. It may be of interest to you that, in connection with its consideration of this matter, the Board has requested an expression of the views of the Trust Division of the American Bankers Association, and a committee of the Trust Division has advised that it sees no reason to differ from the conclusion reached by the Board."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morley
Secretary.

Approved:

W. S. Steeles
Chairman.