

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, April 8, 1937, at 11:30 a. m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Broderick
Mr. Szymczak
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 April 7, 1937, were approved unanimously.

Mr. Morrill reported that the Comptroller of the Currency today issued a call on all national banks for reports of condition as at the close of business on March 31, 1937, and that, in accordance with the usual practice, a call was made on behalf of the Board of Governors of the Federal Reserve System on all State member banks for reports of condition as of the same date.

The call made on behalf of the Board was approved unanimously.

Telegrams to Mr. Leach, President of the Federal Reserve Bank of Richmond, and Mr. Thomas, Chairman of the Federal Reserve Bank of Kansas City, stating that the Board approves the establishment without change by the respective banks today of the rates of discount and

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purchase in their existing schedules.

Approved unanimously.

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

"The report of examination of the 'Lake Shore Trust and Savings Bank', Chicago, Illinois, as of December 8, 1936, shows that the trust department had deposited trust funds in the commercial department of the bank, and that United States Treasury notes had been deposited by the bank with the trust department as security for such funds. The report of examination also includes a copy of an opinion of counsel for the bank, relating to the pledge of collateral to secure trust funds. It does not appear, however, that the opinion of the bank's attorneys contains any additional information bearing on the legal question involved and it is assumed that such opinion has not changed the view of counsel for the Federal Reserve Bank that State banks in Illinois cannot under the laws of that State make a valid pledge of collateral to secure trust funds.

"It is felt, therefore, that the position taken in the Board's letter to you of September 11, 1936, is still applicable and that, in the absence of any new developments which have not been reported to the Board, the Lake Shore Trust and Savings Bank and any other Illinois State member bank subject to a condition of membership regarding pledge of assets to secure trust funds should not deposit trust funds in their own banking departments or otherwise use such funds in the conduct of their business unless and until they may effect a valid pledge of collateral to secure such trust funds. Please advise the Board as to the steps taken by the bank to comply with the condition of membership involved in the light of the position taken by the Board in its letter of September 11, 1936."

Approved unanimously.

Letter to Mr. McKinney, President of the Federal Reserve Bank of Dallas, reading as follows:

"The Board has noted with much appreciation the manner in which you handled in your letter of March 30, 1937, to Mr. Otis E. Fullin, Vice President and Cashier, Security

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"State Bank and Trust Company, Beaumont, Texas, the question raised in regard to the legality of absorption of certain types of out-of-pocket expenses and has asked me to thank you for your courtesy in sending the Board a copy of your letter."

Approved unanimously.

Memorandum dated March 31, 1937, from Mr. Smead, Chief of the Division of Bank Operations, recommending, for the reasons stated, that changes be made in the form of the weekly member bank condition report as follows:

1. A new item, "Commercial, industrial, and agricultural loans", be added. Such loans at present are included principally in "Other loans". To the extent that they are secured by stocks and bonds, they are included at present in "Loans on securities -- To others".
2. A new item "Other loans (i.e., other than to brokers and dealers in securities) for the purpose of purchasing or carrying stocks, bonds and other securities", be substituted for the present item "Loans on securities -- To others". The new item would include all loans for this purpose, whether or not secured by collateral and whether or not subject to the limitations prescribed in Regulation U. On the other hand it would exclude loans on securities made other than for the purpose of purchasing or carrying securities which, at present, are included in "Loans on securities -- To others".
3. A single item, "Loans to brokers and dealers in securities", be substituted for the two items in the present report, namely, "Loans on securities -- to brokers and dealers in securities in New York City" and "Loans on securities -- to brokers and dealers in securities outside New York City".
4. In the revised report form the amount of "Acceptances of own bank purchased or discounted" be included with other "Open market paper", instead of "All other loans" as at present.

Approved unanimously.

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Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. Steeles
Chairman.