

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, April 26, 1937, at 10:15 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

Mr. Morrill reported that, in accordance with the action taken at the meeting of the Board on April 21, 1937, referring questions connected with the purchase of furniture, furnishings, equipment, supplies, etc., for the Board's new building to the Personnel Committee for decision, he had recommended to the Committee, and the Committee had approved, an addition of not to exceed \$3,700 to the budget for equipment for the building for the purchase of carpets for the staff office areas outside of the Board members' section; including \$2,700 for new carpets to be purchased from the General Supply Schedule, \$700 for the renovation of existing rug materials for use as far as they would go, and approximately \$150 for cutting and binding of openings and for other work in connection with the laying of the rugs in order to provide for special wiring connections.

The addition to the budget was approved unanimously.

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

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eral Reserve System held on April 24, 1937, were approved unanimously.

Telegrams to Mr. Powell, Secretary of the Federal Reserve Bank of Minneapolis, and Mr. Gilbert, First Vice President of the Federal Reserve Bank of Dallas, 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.

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

"Reference is made to your letter of April 1, 1937, transmitting with a favorable recommendation the request of the 'Bank of Canton', Canton, Georgia, for a further extension, to April 1, 1938, of the time within which to dispose of the remaining 90 shares of Canton Cotton Mills stock as required by condition of membership numbered 17. It is understood that the State Banking Department has granted such an extension under State laws.

"The examination of the bank made in connection with its application for membership showed that at that time it owned 120 shares of stock of Canton Cotton Mills and 10 shares of stock in a national bank, and that the stocks were classed as illegal investments but that the time for which they might be held had been extended by the Superintendent of Banks to January 1, 1934. The condition of membership numbered 17 requiring that such stock be disposed of by January 1, 1934, was prescribed in accordance with the recommendation of the Federal Reserve Bank of Atlanta and was apparently based upon the requirements of the State Banking Department.

"The shares of bank stock have been disposed of, but the bank has disposed of only 30 shares of stock of the Canton Cotton Mills, although the Board has previously granted four extensions of time within which the bank might complete compliance with the condition. It is difficult to reconcile the bank's inability to dispose of the stock with the comments made by the bank regarding the value of such stock. Inasmuch, however, as the stock in question is the only stock, other than Federal reserve bank stock, carried by

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"the member bank, represents a relatively negligible proportion of the total stock of the cotton mills, and the amount at which it is carried (\$13,500) is not disproportionate to the bank's capital and surplus, the Board has decided to cancel the condition. Such cancelation, however, does not reflect any change in the Board's position that stocks are not proper investments for banking institutions, and it will be expected that the bank will endeavor in good faith to dispose of the stock as soon as practicable. Please advise the bank accordingly."

Approved unanimously.

Memorandum dated April 23, 1937, from Mr. Vest, Assistant General Counsel, recommending that there be published in the May issue of the Federal Reserve Bulletin the following material:

1. A statement in the form submitted regarding Amendment No. 9 of Regulation T.
2. Statements in the form submitted with regard to recent rulings by the Board on the following subjects:

Necessity of Reserves against Deposits Securing Loans of Government Securities.

Quorum of Trust Investment Committee of National Bank; Written Approval of Transactions by Majority of Committee Without Meeting of Committee.

Investment of Funds of Various Trusts by National Bank in Notes Constituting Part of Series Secured by Same Deed of Trust.

Renewal of Real Estate Mortgage Notes Held by Trusts of National Bank at Time of Effective Date of Latest Revision of Board's Regulation F.

Application of Regulation U to a Loan to a Securities Dealer for the Purpose of Purchasing Both Registered and Unregistered Stocks.

3. The text of an article on Field Warehouse Receipts recently published by the Bureau of Agricultural Economics of the

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Department of Agriculture.

Approved unanimously.

Thereupon the meeting adjourned.

Chester Mouier
Secretary.

Approved:

W. C. C. C. C.
Chairman.