

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, May 1, 1937, at 12:15 p. m.

PRESENT: Mr. Broderick  
Mr. Szymczak  
Mr. McKee

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:

Telegram to Mr. Young, Secretary of the Federal Reserve Bank of Chicago, 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. Thomas, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"This is to advise you that the Board approves the bonds executed on April 12, 1937, by the Standard Accident Insurance Company, Detroit, Michigan, and Messrs. I. A. Thornton, W. R. Young and J. C. Clark, Jr., covering Messrs. Thornton, Young and Clark as Federal Reserve Agent's Representatives at the Omaha, Denver and Oklahoma City Branches, respectively, of the Federal Reserve Bank of Kansas City.

"In accordance with the advice contained in your letter of April 21, 1937, the Board today is notifying the Standard Accident Insurance Company, Detroit, Michigan, that it is under no obligation on the bonds executed by it on October 16, 1936, covering Messrs. Thornton and Young as Acting Assistant Federal Reserve Agents at the Federal Reserve Bank of Kansas City, for any acts committed by either of them subsequent to April 21, 1937, the date upon which the change

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"in their titles to Federal Reserve Agent's Representatives became effective. Similar notification is also being given to the National Surety Company, New York, New York, with respect to its obligation on the bond executed by it on March 7, 1933, covering Mr. Clark as Acting Assistant Federal Reserve Agent. Copies of the letters addressed to the bonding companies in this connection are inclosed for your records."

Approved unanimously.

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

"Reference is made to your letter of April 22, 1937, concerning the cancelation of condition of membership numbered 7 accepted by 'The Peoples Trust Company', Martinsburg, West Virginia.

"In view of your recommendation, and on the basis of the information furnished, the Board cancels the condition of membership reading as follows:

7. That you shall, within a reasonable time, establish a reserve for unearned interest.

"Please advise the member bank of the Board's action."

Approved unanimously.

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

"Reference is made to your letter of April 22, 1937, concerning the cancelation of that portion of condition of membership numbered 4 prescribed for 'The Pleasants County Bank', St. Mary's, West Virginia, which requires the establishment of a reserve for unearned discount.

"The condition of membership as accepted by the bank reads:

4. That you shall establish an adequate reserve to provide for accrued interest on time deposits and, as soon as practicable, for unearned discount.

"In view of your recommendation, the Board cancels that portion of the condition of membership following the word 'deposits', so that the condition will now read:

4. That you shall establish an adequate reserve to provide for accrued interest on time deposits.

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"Please advise the member bank of the Board's action."

Approved unanimously.

Letter to Mr. A. B. Watson, Inglewood, California, reading as follows:

"This refers to your letter of April 13, 1937, in which you inquire whether bonded warehouse liquor receipts are recognized as good collateral by banks in general, and also whether they are eligible for rediscount at Federal Reserve banks.

"There is no provision of Federal law relating to the acceptability of warehouse liquor receipts as collateral for loans by banks and the question whether such receipts would be a good investment is one concerning which the Board may not appropriately express an opinion. Whether or not a bank will make a loan upon security of such a receipt is a matter for its own determination in the light of the circumstances of the case.

"The eligibility of paper for discount by a Federal Reserve bank does not depend upon the existence or nature of collateral security but upon the purpose for which it is drawn or the use of the proceeds. Paper based on or secured by alcoholic beverages which is issued or drawn for an industrial or commercial purpose, or the proceeds of which are used for such purpose, and which has a maturity not in excess of ninety days, may be discounted by a Federal Reserve bank for its member banks. Moreover, even though paper does not meet the technical requirements of eligibility for discount, it may be used as security for advances by a Federal Reserve bank to a member bank on loans having maturities of not more than four months, if such security is satisfactory to the Federal Reserve bank. Such advances must bear a rate of interest at least one-half of one per cent per annum higher than the rate at which such Federal Reserve bank discounts commercial or industrial paper for member banks.

"Whether the Federal Reserve Bank of San Francisco or any other Federal Reserve bank will make any advance or discount in a particular case must be determined by the bank as and when requests for credit accommodations are received.

"It is hoped that the above will give you the information which you desire."

Approved unanimously.



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Thereupon the meeting adjourned.

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Secretary.

Approved:

John Bradenik  
Member.