

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, May 4, 1937, at 10:15 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 May 3, 1937, were approved unanimously.

Telegram to Mr. Sargent, Secretary of the Federal Reserve Bank of San Francisco, 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 the board of directors of the "Chester-Schroon-Horicon Bank", Chestertown, New York, stating that, subject to the conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special condition, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of New York:

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- "4. Such bank shall make adequate provision for depreciation in its furniture and fixtures."

Approved unanimously, together with a letter to Mr. Harrison, President of the Federal Reserve Bank of New York, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Chester-Schroon-Horicon Bank', Chestertown, New York, for membership in the Federal Reserve System, subject to the conditions prescribed in the inclosed letter which you are requested to forward to the board of directors of the institution. Two copies of such letter are also inclosed, one of which is for your files and the other of which you are requested to forward to the Superintendent of Banks for the State of New York for his information.

"It will be noted that, instead of prescribing a special condition of membership to require the bank to agree not to retire any of the capital debentures without the Board's approval, standard condition of membership numbered 2 has been modified to make the condition applicable also to a reduction in the capital debentures held locally.

"The Board has not prescribed the special condition recommended by the Reserve Bank requiring the bank to reduce to an amount not in excess of cost the carrying value of any of the bonds still owned which were recently written up on the books of the bank. The omission of such a condition is not to be considered as condoning the general practice of writing up securities above cost. In this case, however, it has been noted that on date of examination the securities account reflected a total net appreciation of \$440; that although certain bonds had been written up approximately \$7,300, other bonds had been written down at the same time approximately \$17,900, and that the apparent effect of the adjustment had been to show the bonds at not more than market price at the time of adjustment. The bank, of course, should make adequate provision for amortization of the amounts above par at which the bonds are being carried. It is understood that the omission of the proposed condition is satisfactory to Mr. Gidney, with whom the matter has been informally discussed by members of the Board's staff.

"It has been reported that, as a result of the severe bond losses sustained in the past, neither the directors nor the cashier of the bank appear willing to assume the responsibility of handling the bond account. In the cir-

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"circumstances it appears essential that the bank avail itself of competent investment counsel, and it is assumed that if the bank is admitted to membership the Federal reserve bank will endeavor to see that this is done.

"The papers submitted with the application of the bank did not include a copy of the form of Class B debentures which it issued in December, 1934. It will be appreciated if you will forward such a copy to the Board for its records."

Telegrams to Mr. Stewart, Federal Reserve Agent at the Federal Reserve Bank of San Francisco, authorizing him to modify the general voting permits issued to Transamerica Corporation and Inter-America Corporation on April 28, 1937, by deleting the words "San Francisco, California" and inserting in lieu thereof the words "a Delaware corporation". The telegrams stated that if new permits were issued they should be dated April 28, 1937, and that the old permits should be returned to the Federal reserve agent to be forwarded to the Board.

Approved unanimously.

Letter to Mr. Worthington, First Vice President of the Federal Reserve Bank of Kansas City, reading as follows:

"Reference is made to your letter of April 23, 1937, in which you made reference to the Board's letter X-7390 and asked if it is intended that copies of written reports of periodic departmental audits of the several departments at the head office of the Federal Reserve Bank of Kansas City be forwarded to the Board.

"Since, as you stated, general audits of the head office are not made by your auditor, it is desirable that copies of reports of periodic departmental audits of the several departments at the head office be forwarded to the Board. It is also desired that you continue to forward to the Board copies of the reports of general audits of the various branches, as well as copies of any written comments which are made in presenting all audit reports to your board of directors."

Approved unanimously.

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Thereupon the meeting adjourned.

Wesley Moriel
Secretary.

Approved:

W. S. ...
Chairman.