

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, May 5, 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 4, 1937, were approved unanimously.

Telegrams to Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis 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 purchase in their existing schedules.

Approved unanimously.

Letter to Mr. Walsh, Chairman of the Federal Reserve Bank of Dallas, reading as follows:

"Chairman Eccles has brought to the attention of the Board your letter of April 20 and its inclosures in regard to the retirement of Mr. H. Renfert from active participation in the firm of Renfert, Helmbrecht & Company on June 30, 1937, and raising a question as to whether, in the circum-

5/5/37

-2-

"stances, he should tender his resignation as a member of the board of directors of the Houston branch of your bank.

"The Board feels that the fact that Mr. Renfert will no longer be actively engaged in the cotton business does not in any way disqualify him from serving out his appointment as a director of the Houston branch, and it will be appreciated, therefore, if you will assure Mr. Renfert of the Board's desire that he continue his service on the branch directorate."

Approved unanimously.

Letter to the board of directors of the "Lake Charles Bank and Trust Company", Lake Charles, Louisiana, stating that, subject to the conditions of membership numbered 1 to 6 contained in the Board's Regulation H and the following special conditions, 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 Atlanta:

- "7. Such bank shall make adequate provision for depreciation in banking premises and furniture and fixtures.
- "8. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$22,624.02, as shown in the report of examination of such bank as of March 13, 1937, made by an examiner for the Federal Reserve Bank of Atlanta."

Approved unanimously for transmission through the Federal Reserve Bank of Atlanta.

Letter to Mr. Dillistin, Assistant Vice President of the Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of April 30, 1937, transmitting the request of the 'Bank of New York and Trust Company', New York, New York, for permission, as required under Section 24A of the Federal Reserve Act to increase its

5/5/37

-3-

"investment in banking premises in an amount not exceeding \$750,000.

"The Board has reviewed the information submitted and in view of your recommendation approves the additional investment in banking premises by the Bank of New York and Trust Company."

Approved unanimously.

Letter to Mr. Gidney, Vice President of the Federal Reserve Bank of New York, reading as follows:

"Reference is made to Mr. Dillistin's letter of April 26, 1937, transmitting with a favorable recommendation the request of 'The Summit Trust Company', Summit, New Jersey, for a further extension to July 1, 1938, of the time within which it may comply with the following condition of membership:

18. Not later than July 1, 1934, such bank shall dispose of any stock it holds in the Summit Title and Mortgage Guaranty Company and shall not thereafter hold any stock in such company, directly or indirectly, through any device whatever.

The Summit Trust Company has also requested permission under the provisions of condition of membership numbered 19 to continue to act until July 1, 1938, as trustee in connection with the remaining mortgage participation bonds issued by the Summit Title and Mortgage Guaranty Company. The Board has previously granted three one year extensions of the time within which the bank might comply with condition of membership numbered 18, the last extension expiring on July 1, 1937, and also within which the bank might be permitted to continue to act as trustee in connection with the bonds or other obligations issued by the Mortgage company.

"It has been noted that substantial progress has been made in the liquidation of the business of the Summit Title and Mortgage Guaranty Company. According to the information submitted, the total resources of the company amounted to \$1,038,000 on April 1, 1937, as compared with \$1,440,000 on May 1, 1936, and Mr. Dillistin states that there is an apparent need for additional time within which to carry out an orderly liquidation.

"In view of the circumstances and Mr. Dillistin's recommendation, the Board extends to July 1, 1938, the time within which The Summit Trust Company may comply with the provisions of membership condition numbered 18 and extends also to July

5/5/37

-4-

"1, 1938, the time within which The Summit Trust Company may continue to act as trustee in connection with the outstanding bonds or other obligations issued by the Summit Title and Mortgage Guaranty Company, with the understanding, of course, that the bank will continue to act as trustee for the Summit Title and Mortgage Guaranty Company only in connection with obligations which had been issued by the company prior to the time of the bank's admission to membership.

"It is requested that you advise the bank of the Board's action in the matter."

Approved unanimously.

Letter to The Perth Amboy Trust Company, Perth Amboy, New Jersey, reading as follows:

"Paragraph (1) of subsection (i) of section 12B of the Federal Reserve Act as amended reads in part as follows:

\* \* \* \* Whenever the board of directors (of the Federal Deposit Insurance Corporation) shall find that an insured bank or its directors or trustees have continued unsafe or unsound practices in conducting the business of such bank, or have knowingly or negligently permitted any of its officers or agents to violate any provision of any law or regulation to which the insured bank is subject, the board of directors shall first give to the Comptroller of the Currency in the case of a national bank or a District bank, to the authority having supervision of the bank in the case of a State bank, or to the Board of Governors of the Federal Reserve System in the case of a State member bank, a statement with respect to such practices or violations for the purpose of securing the correction thereof. Unless such correction shall be made within one hundred and twenty days or such shorter period of time as the Comptroller of the Currency, the State authority, or the Board of Governors of the Federal Reserve System, as the case may be, shall require, the board of directors, if it shall determine to proceed further, shall give to the bank not less than thirty days' written notice of intention to terminate the status of the bank as an insured bank, and shall fix a time and place for a hearing before the board of directors or before a person designated by it to conduct such hearing, at which evidence may be produced, and upon such evidence

5/5/37

-5-

"the board of directors shall make written findings which shall be conclusive. \* \* \*" (Statement in parenthesis supplied.)

"Pursuant to the statutory provisions above quoted, the Federal Deposit Insurance Corporation has submitted to the Board of Governors of the Federal Reserve System the following statement with respect to continued unsafe and unsound practices by the Perth Amboy Trust Company for the purpose of securing a correction thereof, of which you will please take notice:

"In the opinion of the Board of Directors of the Federal Deposit Insurance Corporation, the above insured member bank has continued unsafe and unsound practices in the conduct of its business, and the Board has so found. Therefore, at the direction of the Board of Directors of the Federal Deposit Insurance Corporation, and pursuant to paragraph (1), subsection (i) of Section 12B of the Federal Reserve Act, as amended, the following statement with respect to such practices is hereby submitted for the purpose of securing the correction thereof.

"Specifically, the continued unsafe and unsound practices consist, among others, of the following:

- (1) The operation of the bank, although insolvent;
- (2) The carrying of losses in the bank's assets, and thereby failing to disclose a true statement of the bank's condition;
- (3) The maintenance of lax loaning, investment and collection policies; and
- (4) The failure of the board of directors to properly manage and to give proper attention to the affairs of said bank.

Without limiting the generality of said findings, and in support thereof, attention is called to the following:

- (a) The excessive and unwarranted amount of assets classified as "Estimated Losses" by the examiners;
- (b) The excessive and unwarranted amount of past due loans;
- (c) The excessive and unwarranted amount of loans to officers, directors and employees, their interests and affiliates;
- (d) The excessive amount of substandard securities and non-income-producing loans and investments;
- (e) The frozen and extended condition of the loans and the low liquidity ratio;

5/5/37

-6-

- "(f) The failure to support and maintain adequate and current credit information supporting loans;
- (g) The continuous borrowings of the bank in substantial amounts;
- (h) The low earnings of the bank;
- (i) The failure to provide a legally constituted board of directors, and the failure of a number of the directors to attend meetings of the board.

'For evidence supporting such unsafe and unsound practices, reference is made to the following reports of this Corporation's examination of subject bank, namely:

- (a) Report of Examiner Frank A. Wanner, made as of February 17, 1937;
- (b) Report of Examiner E. I. Kemper, made as of February 13, 1936;
- (c) Report of Examiner E. I. Kemper, made as of November 19, 1935;

and to the report of examination made by H. H. Wighton, Examiner for the Federal Reserve System, as of February 6, 1935.

'Therefore, if the subject bank desires to continue its status as an insured bank, it will be necessary that the said continued unsafe and unsound practices be corrected. The Board of Directors request that all measures necessary to correct said unsafe and unsound practices be promptly taken, including the following, viz:

- (1) Eliminate by charge-offs, or otherwise, all estimated losses as set out in the report made upon the examination of the subject bank by Examiner Frank A. Wanner, as of the close of business on February 17, 1937, or show good and satisfactory reasons why such charge-offs should not be made;
- (2) Restore the bank's capital on the basis of the impairment shown in said report; and
- (3) Provide a board of directors as required by the bank's by-laws and strengthen the management of the bank to the satisfaction of the State Banking Department, the Board of Governors of the Federal Reserve System and this Corporation.

'In this connection, your attention is respectfully called to said paragraph (1) of subsection (i) which provides that "unless such correction shall be made within

5/5/37

-7-

"120 days or such shorter period of time as the \* \* \* Board of Governors of the Federal Reserve System \* \* \* shall require" the Board of Directors of this Corporation may proceed to terminate the status of the bank as an insured bank as therein provided.

'We shall appreciate being advised of the action, if any, taken by you to fix the time in which the bank may make the necessary corrections, which time must not exceed 120 days; also, of any action taken by the subject bank to make such corrections.'

"Pursuant to the provisions of section 12B(i)(1) of the Federal Reserve Act, you are hereby directed to effect corrections of the unsafe and unsound practices enumerated in the statement of the Federal Deposit Insurance Corporation quoted above, and the Board of Governors of the Federal Reserve System has fixed the period ending Sept. 2, 1937, 120 days from the date of this letter, as the time within which such corrections shall be effected. You are requested to advise the Federal Reserve Bank of New York on or before Sept. 2, 1937, as to the action which has been taken effecting corrections of the unsafe and unsound practices referred to.

"For your information, there is inclosed a copy of the Federal Reserve Act, and your attention is called to section 12B thereof and particularly to the full text of subsection (i) of section 12B."

Approved unanimously together with  
a letter to The Raritan Trust Company of  
Perth Amboy, Perth Amboy, New Jersey,  
reading as follows:

"Paragraph (1) of subsection (i) of section 12B of the Federal Reserve Act as amended reads in part as follows:

' \* \* \* Whenever the board of directors (of the Federal Deposit Insurance Corporation) shall find that an insured bank or its directors or trustees have continued unsafe or unsound practices in conducting the business of such bank, or have knowingly or negligently permitted any of its officers or agents to violate any provision of any law or regulation to which the insured bank is subject, the board of directors shall first give to the Comptroller of the Currency in the case of a national bank or a District bank, to the authority having supervision of the bank in the case of a State bank, or to the Board of Governors of the Federal Reserve System in the case of a State member bank, a statement with respect to such practices or violations

5/5/37

-8-

"for the purpose of securing the correction thereof. Unless such correction shall be made within one hundred and twenty days or such shorter period of time as the Comptroller of the Currency, the State authority, or Board of Governors of the Federal Reserve System as the case may be, shall require, the board of directors, if it shall determine to proceed further, shall give to the bank not less than thirty days' written notice of intention to terminate the status of the bank as an insured bank, and shall fix a time and place for a hearing before the board of directors or before a person designated by it to conduct such hearing, at which evidence may be produced, and upon such evidence the board of directors shall make written findings which shall be conclusive. \* \* \* (Statement in parenthesis supplied.)

"Pursuant to the statutory provisions above quoted, the Federal Deposit Insurance Corporation has submitted to the Board of Governors of the Federal Reserve System the following statement with respect to continued unsafe and unsound practices by The Raritan Trust Company of Perth Amboy for the purpose of securing a correction thereof, of which you will please take notice:

'In the opinion of the Board of Directors of the Federal Deposit Insurance Corporation, the above insured member bank has continued unsafe and unsound practices in the conduct of its business, and the Board has so found. Therefore, at the direction of the Board of Directors of the Federal Deposit Insurance Corporation, and pursuant to paragraph (1), subsection (i) of Section 12B of the Federal Reserve Act, as amended, the following statement with respect to such practices is hereby submitted for the purpose of securing the correction thereof.

'Specifically, the continued unsafe and unsound practices consist, among others, of the following:

- (1) The operation of the bank, although insolvent;
- (2) The carrying of losses in the bank's assets, and thereby failing to disclose a true statement of the bank's condition;
- (3) The maintenance of lax loaning, investment and collection policies; and
- (4) The failure of the board of directors to properly manage and to give proper attention to the affairs of said bank.

Without limiting the generality of said findings, and in support thereof, attention is called to the following:



5/5/37

-9-

- "(a) The excessive and unwarranted amount of assets classified as "Estimated Losses" by the examiners;
- (b) The excessive and unwarranted amount invested in substandard securities, defaulted bonds and non-income-producing loans and investments;
- (c) The excessive and unwarranted amount of past due loans;
- (d) The frozen and extended condition of the loans and low liquidity ratio;
- (e) The failure to support and maintain adequate and current credit information supporting loans;
- (f) The large and continued borrowings of money by the bank;
- (g) The large amount of assets of the bank pledged as collateral security to borrowings;
- (h) The continued operation of the bank at a loss;
- (i) The failure to collect interest on loans in cash, and the taking of notes in lieu thereof; and
- (j) The failure of a number of the members of the board of directors to regularly attend meetings of the board.

'For evidence supporting such unsafe and unsound practices, reference is made to the following reports of this Corporation's examination of subject bank, namely:

- (a) Report of Examiner B. C. Burke, made as of February 17, 1937;
- (b) Report of Examiner E. W. Edwards, made as of February 13, 1936;
- (c) Report of Examiner E. W. Edwards, made as of November 19, 1935;

and to the report of examination made by H. H. Wighton, Examiner for the Federal Reserve System, as of February 6, 1935.

'Therefore, if the subject bank desires to continue its status as an insured bank, it will be necessary that the said continued unsafe and unsound practices be corrected. The Board of Directors request that all measures necessary to correct said unsafe and unsound practices be promptly taken, including the following, viz:

5/5/37

-10-

- "(1) Eliminate by charge-offs, or otherwise, all estimated losses as set out in the report made upon the examination of the subject bank by Examiner B. C. Burke, as of the close of business on February 17, 1937, or show good and satisfactory reasons why such charge-offs should not be made;
- (2) Restore the bank's capital on the basis of the impairment shown in said report; and
- (3) Strengthen the management of the bank to the satisfaction of the State Banking Department, the Board of Governors of the Federal Reserve System and this Corporation.

"In this connection, your attention is respectfully called to said paragraph (1) of subsection (i) which provides that "unless such correction shall be made within 120 days or such shorter period of time as the \* \* \* Board of Governors of the Federal Reserve System \* \* \* shall require" the Board of Directors of this Corporation may proceed to terminate the status of the bank as an insured bank as therein provided.

"We shall appreciate being advised of the action, if any, taken by you to fix the time in which the bank may make the necessary corrections, which time must not exceed 120 days; also, of any action taken by the subject bank to make such corrections."

"Pursuant to the provisions of section 12B(i)(1) of the Federal Reserve Act, you are hereby directed to effect corrections of the unsafe and unsound practices enumerated in the statement of the Federal Deposit Insurance Corporation quoted above, and the Board of Governors of the Federal Reserve System has fixed the period ending Sept. 2, 1937, 120 days from the date of this letter, as the time within which such corrections shall be effected. You are requested to advise the Federal Reserve Bank of New York on or before Sept. 2, 1937, as to the action which has been taken effecting corrections of the unsafe and unsound practices referred to.

"For your information, there is inclosed a copy of the Federal Reserve Act, and your attention is called to section 12B thereof and particularly to the full text of subsection (i) of section 12B."

In connection with the above matter the following letter to Mr. Harrison, President of the Federal Reserve Bank of New York, and a similar letter relating to The Raritan Trust Company of Perth Amboy, also were approved unanimously:

5/5/37

-11-

"Under the provisions of paragraph (1), subsection (i) of section 12B of the Federal Reserve Act, as amended, the Board of Directors of the Federal Deposit Insurance Corporation has found that the Perth Amboy Trust Company, Perth Amboy, New Jersey, has continued unsafe and unsound practices in the conduct of its business, has so advised the Board of Governors of the Federal Reserve System, and has requested the Board of Governors to fix the time in which the bank shall make the necessary corrections of such practices and to advise the Corporation of any action taken by the bank to effect such corrections.

"There is inclosed a letter the Board has addressed to the Perth Amboy Trust Company, together with three copies thereof, advising of the findings of the Board of Directors of the Federal Deposit Insurance Corporation and fixing Sept. 2, 1937, as the date not later than which the necessary corrections of the unsafe and unsound practices mentioned shall be effected.

"You are hereby authorized to have the inclosed letter, together with a copy of the Federal Reserve Act, personally presented to the Perth Amboy Trust Company, Perth Amboy, New Jersey, the person who does so to make an affidavit of service in the usual form in which such affidavits are made in the State of New Jersey. This affidavit and a copy of the letter to which it is attached should be forwarded to the Board.

"If for any reason it is not feasible to make such a personal presentation, you may have the inclosed letter, together with a copy of the Federal Reserve Act, forwarded by registered mail to the Perth Amboy Trust Company. If this procedure is followed, the person who mails the letter should obtain a receipt therefor and should request a return receipt showing that the letter was delivered to the bank. When the receipt showing delivery of the letter has been returned, the person who mailed the letter should make an affidavit that he forwarded it by registered mail to the bank and received a receipt showing the delivery thereto. This affidavit and a copy of the letter to which it is attached, together with the receipt obtained at the time the letter was mailed and the receipt showing the delivery, should be forwarded to the Board.

"One of the copies of the letter to the bank is for your files and you are requested to forward the other copy to the Commissioner of Banking and Insurance of the State of New Jersey for his information."

Unanimous approval was also given to a letter to the Federal Deposit Insurance Corporation reading as follows,

5/5/37

-12-

together with a similar letter to the Federal Deposit Insurance Corporation relating to The Raritan Trust Company:

"This refers to your letter of April 29, 1937, in which it is stated that the Board of Directors of the Federal Deposit Insurance Corporation has found that the Perth Amboy Trust Company, Perth Amboy, New Jersey, a State member bank, has continued unsafe and unsound practices in the conduct of its business. Pursuant to paragraph (1) subsection (i) of section 12B of the Federal Reserve Act, as amended, your letter contains a statement with respect to such practices for the purpose of securing a correction thereof.

"The Board of Governors has fixed the period ending Sept. 2, 1937, 120 days from the date of a letter addressed to the bank serving notice regarding the required corrections, as the time within which the necessary corrections of the unsafe and unsound practices in the conduct of its business recited in your letter may be effected. You will be informed as promptly as possible of any advice which the Board receives as to any action taken by the bank to effect such corrections. Inclosed for your information are copies of the letters of this date to the Perth Amboy Trust Company and to the President of the Federal Reserve Bank of New York regarding the matter."

Letter to "The Mountain National Bank of Clifton Forge", Clifton Forge, Virginia, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for permission to exercise fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Virginia, the exercise of such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously.

5/5/37

-13-

Letter to Mr. Sargent, Vice President of the Federal Reserve  
Bank of San Francisco, reading as follows:

"Reference is made to your letter of April 1, 1937 regarding the advisability of including in your digest of Regulation U questions regarding a problem which you state as follows:

'If a single loan is made for the purpose of purchasing both registered and unregistered stocks, is the whole loan subject to the regulation or only that part which is used to purchase the registered stock?'

"If the amount which a person wishes to borrow from a bank is clearly divisible into a sum desired to purchase and carry registered stocks and a sum desired to purchase and carry unregistered stocks, there would be no objection to treating the transaction as two separate loans, one relating to registered stocks and subject to Regulation U and the other relating to unregistered stocks and not subject to the regulation. If you feel that it would be desirable to cover this point in your digest you may wish to consider the inclusion of a question reading somewhat as follows:

'Q. A person wishes to borrow \$2500 from a bank for the purpose of purchasing and carrying \$1500 of registered stocks and \$1000 of unregistered stocks. May the transaction be treated as two separate loans, a \$1500 loan subject to the regulation and a \$1000 loan not subject to regulation?

'A. Yes.'

"More difficulty might arise, however, in a situation where it is difficult to differentiate between the amounts desired for one purpose and the amounts desired for other purposes. Presumably it was a situation of this type that prompted the inquiry to which the Board's letter of April 5, 1937 (X-9862, Reg. U-13) related. Incidentally, it is planned to publish this ruling in the May Federal Reserve Bulletin. If you feel that it would be desirable to cover this ruling in your digest you may wish to consider the inclusion of a question reading somewhat as follows:

'Q. A securities dealer wishes to obtain a loan from a bank. The proceeds of the loan would be kept available for acquiring registered or unregistered securities, such securities to be acquired only when a quick sale is in prospect and the securities are to be disposed of promptly. The securities purchased are often unregistered but some registered stocks are so

5/5/37

-14-

"purchased. The dealer does not treat certain transactions separately and obtain loans from time to time for particular purposes so as to present any question as to whether certain loans might thus be excluded from the operation of the regulation. Should the loan in question be considered to be a loan for the purpose of purchasing or carrying registered stocks?"

- 'A. Yes. One purpose of the loan is to purchase or carry registered stocks; and, while the loan may also have certain other purposes, it should be considered to be a loan for the purpose of purchasing or carrying registered stocks. (Board, Bulletin, May 1937).'"

Approved unanimously.

Letter to Mr. Sproul, First Vice President of the Federal Reserve Bank of New York, reading as follows:

"Receipt is acknowledged of your letter of April 30, 1937, inclosing a copy of a letter dated April 20, 1937, which you have received from the Banco de Venezuela inquiring as to what charges your bank would make for holding in custody for that institution 82,382 English gold sovereigns which it is considering transferring from London to the United States.

"The Board approves the action of your board of directors in voting to authorize the officers of your bank to advise the Banco de Venezuela that your bank is prepared to hold in safekeeping for the Banco de Venezuela 82,382 English gold sovereigns (approximately \$679,000) and that the charge for such custody would be one half per mille (1/20 of 1%) per annum, which is the customary charge you make for such custody in the case of foreign central banks which have no accounts with you.

"The Board also approves your advising the Banco de Venezuela that if it desires to open an account with your bank and, if after the opening of such account has been approved by the directors of your bank and the Board of Governors, it does in fact maintain an account with you along substantially the same general lines and subject to substantially the same terms and conditions as for other foreign central banks having accounts with you, no charge would be made for holding this gold in custody."

Approved unanimously.

5/5/37

-15-

Letter to Mr. F. W. Simmonds, Deputy Manager, American Bankers Association, reading as follows:

"This refers to your letter of April 26 requesting earnings and expense figures for State bank members of the Federal Reserve System for the calendar year 1936, by States and by size of banks, corresponding to data heretofore made available to your Association covering the calendar year 1935.

"Last year we made available to your representative so-called 'total sheets' showing figures of earnings, expenses, and deposits of State bank members in each size group in each State. These figures were made available with the understanding that they would be used only in combination with corresponding figures for insured nonmember banks, which you had arranged to obtain from the Federal Deposit Insurance Corporation, and with the further understanding that, if such combined data were published, figures would not be shown separately for any size group comprising less than three banks. The latter condition was laid down because in the case of some States there are only one or two State bank members in a given size group.

"The Board will be glad to make the desired data for the year 1936 available to your representative under the same conditions and with the understanding that, before any of the data furnished to you by the Board are published, the proposed published statement will be submitted to the Board for review. The total sheets are now available at the office of Mr. E. L. Smead, Chief of the Board's Division of Bank Operations, and it is suggested that your representative arrange directly with Mr. Smead for copying the desired data from the total sheets above referred to."

Approved unanimously.

Letter to Mr. Louis S. Reed, Washington, D. C., reading as follows:

"Mr. Clayton has brought to the attention of the Board your letter of April 29 in regard to a meeting of the Committee for Group Medical Service for Federal Employees. Mr. Clayton understands that the meeting is to be held on Friday, May 7, at 6:15 p. m., and that an invitation is extended to the Board to designate someone to attend the meeting. Accordingly, Mr. J. R. Van Fossen,

5/5/37

-16-

"Assistant Chief of the Division of Bank Operations, will arrange to attend the meeting."

Approved unanimously.

Letter to the Presidents of all Federal reserve banks, reading as follows:

"There is inclosed a copy of a self-explanatory letter dated April 20, 1937, from President Schaller, Chairman of the Leased Wire Committee of the Presidents' Conference, recommending the addition to the Federal Reserve Telegraph Code of the code words shown on the list attached to the letter for use by the Federal reserve banks as a means of reducing the number of words sent over the Federal Reserve Leased Wire System.

"The Board of Governors has approved the addition of the list to the Federal Reserve Telegraph Code. The words should be inserted on Page 16 of the code book following the word 'ARMPIT'."

Approved unanimously.

Letter to Mr. Sargent, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"Reference is made to your letter of March 23, 1937, regarding the applicability of the Clayton Act to the services of Mr. R. W. Kinney as a director of Central Bank of Oakland, Oakland, California, and Crocker First National Bank of San Francisco, San Francisco, California, in which you call attention to certain changed conditions, and inquire whether the Board wishes to reconsider again the question whether the two cities are 'adjacent' within the meaning of the statute.

"Although as pointed out in the Board's letter of April 2, 1936, the question was a very close one which the Board might reconsider at some future date on the basis of changed conditions, it does not appear that the circumstances have as yet changed sufficiently to require a reconsideration of the position then taken. Of course, the closeness of the question makes it difficult to predict what changes in the situation may cause the Board to determine that the cities should be considered to be adjacent, but in the absence of such changes it would seem to be desirable as a practical matter to defer further recon-



5/5/37

-17-

"sideration of the Board's previous ruling in this case until some time before February 1, 1939, when interlocking relationships in a number of other cases will probably require review because of the provisions of the Clayton Act."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morier  
Secretary.

Approved:

W. S. Steeles  
Chairman.