

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, June 3, 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 June 2, 1937, were approved unanimously.

Telegrams to Mr. Ziemer, Vice President of the Federal Reserve Bank of Minneapolis, and Mr. Sargent, Secretary of the Federal Reserve Bank of San Francisco, 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.

Telegram to Mr. Douglas Brooks, President, Union Compress and Warehouse Company, Memphis, Tennessee, reading as follows:

"Board of Governors has appointed you director of Memphis Branch of Federal Reserve Bank of St. Louis for unexpired portion of term ending December 31, 1939. Please wire acceptance collect."

Approved unanimously.

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

"Reference is made to your letter of April 26, 1937, and previous correspondence regarding the minimum amount of capital required for the Brighton State Bank, Brighton, Colorado, to be eligible to membership in the System.

"In view of the information submitted and with the understanding that your recommendation is based on a firm opinion that the number of the present inhabitants of Brighton, Colorado, is less than 3,000, the Board feels that there is justification for considering the number of inhabitants of Brighton as less than that number and the Brighton State Bank, therefore, eligible for admission to membership with a capital of \$25,000. However, if in any other case there should be a question as to the number of inhabitants and it should be necessary to determine the population of the place for membership purposes, it will be appreciated if the procedure for determining population as set out in the Board's letters X-7578 and X-4397 is more closely followed.

"In his letter of April 21, 1937, Mr. Rhode, president of both the Brighton State Bank and the Fort Lupton State Bank, which is also considering membership, states that the Colorado laws compel State banks to maintain a ratio of \$1 of capital and surplus to every \$10 of deposits and that such requirement would amply cover the question of sufficiency of capital. In only one of the seven semi-annual statements of the Fort Lupton State Bank for the period December 31, 1933, to December 31, 1936, as shown in Rand McNally Bankers Directories, did the capital structure of the bank, including undivided profits and reserves, equal 10% of deposits. The statement as of June 30, 1934, showed a ratio of 10.7% and the three latest statements as of December 31, 1935, June 30, 1936, and December 31, 1936, showed ratios of 7.8%, 8.6% and 6.7%, respectively. It would appear, therefore, either that the deposits of the Fort Lupton State Bank have fluctuated widely, or that the statutes to which Mr. Rhode refers have not proved as effective as Mr. Rhode indicates in compelling an increase in capital or surplus.

"The previous correspondence has dealt primarily with the minimum amount of capital required for the Brighton State Bank to be eligible for admission to membership, but it would appear that there may be some question as to the adequacy of the capital of the Brighton State Bank and the Fort Lupton State Bank, and it is assumed that this will have your careful consideration in connection with applications of the banks for membership in the System."

Approved unanimously.

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

"This refers to the Board's letter addressed to you under date of July 31, 1936, in which you were advised that you had been designated to make a determination of the fair value of the assets of 'The Birmingham Trust and Savings Company', Birmingham, Alabama, upon the basis of the report of an examination of the bank made by an examiner for the Federal Reserve Bank of Atlanta as of June 2, 1936. The designation was made pursuant to the provisions of section 18 of Article THIRD of the institution's charter, as amended, which, according to the Board's files, reads in part as follows:

'The determination of the fair value of the assets of the Corporation for the purposes of this article Third shall, unless and except as otherwise expressly provided, be made by such person or persons as may be designated to make the same by the Board of Governors of the Federal Reserve System * * * * and be based upon the last available report of examination of the Corporation made under the direction of or approved by such Board of Governors or such other body or agency. Each such determination shall be in writing and filed with the Corporation and be effective until another such determination is so filed. * * * *'

"In view of the provision of the section quoted that each such determination shall be effective until another such determination is filed with the bank and the fact that since the determination made by you on August 4, 1936, the bank has been examined as of January 25, 1937, by examiners for the Federal Reserve Bank of Atlanta in participation with examiners for the Alabama State Banking Department, the Board deems it advisable to request that, until further notice, you make determinations of the fair value of the assets of The Birmingham Trust and Savings Company, in accordance with the provisions of section 18 of Article THIRD of the institution's charter, upon the completion of examinations of that institution made from time to time by examiners for the Federal Reserve Bank of Atlanta. It is suggested that in the future determinations of the fair value of the bank's assets, as in the first one, due consideration be given to any pertinent information, including that disclosed by reports of examination made by examiners for the Alabama State Banking Department, which you may have with respect to the condition of the bank.

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"As such determinations are made from time to time, you are requested to file a written report of your findings with The Birmingham Trust and Savings Company, the Reconstruction Finance Corporation, and the Board. It is suggested, also, that in filing the written report of your findings with The Birmingham Trust and Savings Company you advise the bank that the determination previously made by you has been superseded by the findings embraced in the current report being filed."

Approved unanimously.

Letter to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, reading as follows:

"This refers to your letter of April 7, 1937, with reference to the request of the Montana National Bank, Billings, Montana, that it be permitted to hold Federal Reserve bank cashier's checks as collateral for funds of trusts administered by the bank and carried in its banking department. It has been noted that you have discussed this matter with a representative of the national bank and that you believe that the bank is now completely satisfied. However, you suggested that the Board consider the advisability of amending Regulation F so as to permit national banks to pledge Federal Reserve bank cashier's checks with their trust departments as collateral security for trust funds held in their banking departments.

"Under the present provisions of section 9 of Regulation F, obligations of the United States, obligations fully guaranteed by the United States, readily marketable securities of the classes in which State institutions exercising trust powers are permitted to invest trust funds, and readily marketable securities of the classes defined as 'investment securities' pursuant to section 5136 of the Revised Statutes may be pledged by a national bank as collateral for trust funds carried in its banking department. It would seem improbable that there are any national banks which would not have available for deposit, as collateral, securities of one of the broad classes now specified in the Board's regulations in an amount sufficient to secure trust funds ordinarily carried in the banking department. It is also suggested that if at any time a member bank should have an unusually large amount of uninvested trust funds such funds could be carried for a temporary period with the Federal Reserve bank under the procedure outlined in the Board's letter X-9709 or its letter X-9753.

"It is understood that your suggestion was prompted by an isolated inquiry, and after careful consideration of your

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"suggestion the Board, in view of all the circumstances involved, does not feel that it is desirable to make such an amendment to the regulation."

Approved unanimously.

Memorandum dated May 18, 1937, from Mr. Wyatt, General Counsel, recommending, for the reasons stated in the memorandum, that the Board authorize the expenditure of a sum not to exceed \$13,500 for the purchase of certain law books listed in the memorandum.

Approved unanimously.

Mr. Morrill submitted a recommendation, which had been approved by the Personnel Committee, that the Board authorize the purchase of the following equipment, at the prices shown, for use in the Board's new building:

Sealing machine, model AV Pitney Bowes Special.	\$1,492.50
Pitney-Bowes Ideal Mail Table No. 900.	264.00
Pleger Rotary Gathering Table, model A.	343.00
Challenge Automatic Single Spindle Paper Drill.	258.72
Model "W" Cleveland Folding Machine with motor.	1,300.00
Saxmayer tyer, model No. 6.	254.80

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrill
Secretary.

Approved:

W. C. ...
Chairman.