

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, June 5, 1937, at 11:45 a.m.

PRESENT: Mr. Eccles, Chairman  
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:

Bond, in the amount of \$50,000, executed under date of May 27, 1937, by Mr. William H. Kettig as Federal Reserve Agent at the Federal Reserve Bank of Atlanta.

Approved unanimously.

Letter to Mr. Sinclair, President of the Federal Reserve Bank of Philadelphia, reading as follows:

"Referring to your letter of May 28, it is noted that permission of the Retirement Committee has been requested to retain in the service of your bank, until August 31, 1937, Wm. W. Moss, who attained age 65 on October 26, 1934, and until December 31, 1937, David Finlaw and John Kurtz, who will attain age 65 during the current month."

Approved unanimously.

Letter to Mr. Leland Ryder, Cashier, The Putnam County National Bank, Carmel, New York, reading as follows:

"Your letter of May 20 has been forwarded to us by the Federal Reserve Bank of New York.

"The action by the Board increasing reserve requirements was for the purpose of preventing an injurious credit expansion on the basis of the excess reserves held by member

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"banks. It is true that these excess reserves were caused mainly by the gold inflow, but the Board's action was for the purpose of absorbing these reserves, regardless of their source. The Board took into consideration the fact that excess reserves were widely distributed among all classes of banks, and that a relatively few banks would find it necessary to borrow or liquidate assets to adjust their reserve position to the new level of requirements. As a matter of fact, the greatest amount of adjustment to the new requirements was necessary at banks in New York and Chicago, and these banks as a group liquidated some of their assets in order to prevent reserve deficiencies or to build up comfortable margins of excess reserves.

"The statement in the Weekly Advisory Section of Standard Statistics of May 15, to which you referred in your letter, does not take into account the shifts in reserves that occurred during the period of gold imports. While gold shipments to this country generally have arrived at New York and hence have tended at first to increase the reserves of the large money market banks, the new reserves have been rapidly distributed to banks elsewhere through the flow of payments between regions. The process by which reserve funds have moved to country banks is described in some detail on pages 1-4 of the Federal Reserve Bulletin for January 1937, a copy of which is enclosed. At present, with the higher requirements in effect, country banks as a group hold reserve balances of 36 percent in excess of their required reserves, while central reserve city banks have an excess of 10 percent and reserve city banks an excess of 16 percent."

Approved unanimously.

Memorandum dated May 27, 1937, from Mr. Smead, Chief of the Division of Bank Operations, recommending, for the reason stated in the memorandum, that the forms for call reports (Form 105) supplied to State member banks for use on the next call report be identical with those used on the March 31, 1937, call, rather than in the form approved by the Board on April 17, 1937, except that provision be made for reporting as memorandum items the amounts of "Total agricultural loans and loans on farm land" and "Farm real estate owned". The memorandum also recommended that the

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Board authorize the printing of a separate Schedule E, Loans and Dis-  
counts, in accordance with the draft attached to the memorandum, to  
be furnished to each of the 107 State member banks that submit weekly  
condition reports, with the suggestion that, if the State member bank  
desires, it may classify its loans in accordance with the alternate  
schedule rather than in accordance with the schedule which appears on  
Form 105. The memorandum also stated that if the Board approved the  
above recommendation, 1000 copies of the alternate schedule would be  
offered to the office of the Comptroller of the Currency for use in  
that connection.


Approved unanimously.

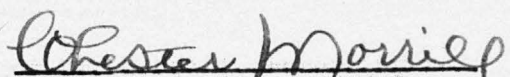
Memorandum dated June 4, 1937, from Mr. Kramer, Superintendent  
of Construction for the Board's new building, transmitting a requisition  
in the amount of \$234,700, submitted by the George A. Fuller Com-  
pany covering the entire estimated value of the work completed on the  
Board's new building during the month of May, less \$10,000 to be added  
to the amount retained by the Board until final completion of all work  
on the building, and recommending, with the concurrence of Mr. Morrill  
and the Personnel Committee, that the requisition be approved.

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

  
Chairman.

  
Secretary.