

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, July 6, 1937, at 2:30 p.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Ransom, Vice Chairman  
Mr. Broderick

Mr. Morrill, Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Clayton, Assistant to the Chairman

Mr. Morrill reported that the Comptroller of the Currency today issued a call on all national banks for reports of condition as at the close of business on June 30, 1937, and that, in accordance with the usual practice, a call was made on behalf of the Board of Governors of the Federal Reserve System on all State member banks for reports of condition as of the same date.

The call made on behalf of the Board was approved unanimously.

Consideration was given to each of the matters hereinafter referred to and the action stated with respect thereto was taken by the Board:

Telegrams to Mr. Leach, President of the Federal Reserve Bank of Richmond, 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.

Memorandum dated July 1, 1937, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that the temporary

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appointment of Mr. Arthur D. Gayer as a senior economist in the Division be extended for such an additional period after July 14, 1937, the date of the expiration of his present temporary appointment, as may be necessary to enable him to take whatever annual leave will be due him.

Approved unanimously.

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

"In accordance with the request contained in your letter of June 30, the Board approves the appointment of E. P. Neilan as an examiner for the Federal Reserve Bank of Philadelphia."

Approved unanimously.

Letter to Mr. Walden, First Vice President of the Federal Reserve Bank of Richmond, advising that the Board approves a change in the personnel classification plan of the bank, requested in his letter of June 28, 1937, to provide for a change in the title of "Examiner for Industrial Advisory Committee" in the Credit Department to "Secretary, I. A. Committee".

Approved unanimously.

Letter to Mr. Preston, First Vice President of the Federal Reserve Bank of Chicago, stating that the Board approves a change in the personnel classification plan of the bank, requested in his letter of June 25, 1937, to provide for changes in the titles of nine positions in various departments of the bank to eliminate the word "Examiner" from such titles and for the discontinuance of the position of "Check Examiner" in the Emergency Relief Checks Department.

Approved unanimously.

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Telegram to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, referring to the application of the "First State Bank of Wykoff", Wykoff, Minnesota, for permission to withdraw immediately from membership in the Federal Reserve System, and stating that the Board waives the usual requirement of six months' notice of intention to withdraw, and that, accordingly, upon surrender of the Federal reserve bank stock issued to the First State Bank of Wykoff, the Federal Reserve Bank of Minneapolis is authorized to cancel such stock and make appropriate refund thereon. The telegram also stated that it is assumed that in accordance with the bank's desire the termination of its membership in the System will be deferred until it can simultaneously be accepted by the Federal Deposit Insurance Corporation as a nonmember insured bank.

Approved unanimously, together with a letter to Mr. Crowley, Chairman of the Federal Deposit Insurance Corporation, reading as follows:

"The Board has today approved the application of the 'First State Bank of Wykoff', Wykoff, Minnesota, for permission to withdraw from membership in the System and waived the usual six months' notice of intention to withdraw. It is understood, however, that the bank desires to continue, without interruption, its status as an insured bank, and that it desires the insurance on deposits as a nonmember to become effective simultaneously with its termination of membership in the System.

"It is assumed, therefore, that you may desire to make an examination of the bank and, in accordance with the provisions of subsection (k) (2) of section 12B of the Federal Reserve Act, the Board hereby grants written consent for examiners for the Federal Deposit Insurance Corporation to examine the First State Bank of Wykoff in connection with its application for continuation of deposit insurance as a nonmember bank."

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Letter to Mr. Young, President of the Federal Reserve Bank of Boston, reading as follows:

"Reference is made to Mr. McRae's letter of April 3, 1937, and subsequent correspondence, relative to the application of 'The Carroll County Trust Company', Conway, New Hampshire, for permission to exercise the fiduciary powers authorized under its charter and the applicable provisions of State law.

"In considering this application it has been noted from the report of examination as of April 20, 1937, that, although the capital impairment which formerly existed has been eliminated, there still remains in the assets of the bank a large amount of securities depreciation, most of which is in stocks and defaulted bonds and which seriously impairs the bank's profit and guaranty fund accounts. This situation is of long standing, and it appears from correspondence with your bank, that efforts to obtain its elimination, either by means of a capital reduction, application of the guaranty fund, or otherwise, were unsuccessful, due, in part at least, to the position taken by the State Bank Commissioner that the proposed steps were not for the best interests of the bank.

"It is understood that the State Legislature has recently passed a law providing for the elimination of the double liability feature of the common capital stock of State banks in New Hampshire, accomplishment of which in the case of the applicant would eliminate one of the objections previously raised to a capital reduction. It is understood further that the management of the applicant intends to take the steps necessary to remove the double liability on its common stock, and also has under consideration an adjustment of its capital structure through a reduction in common stock which would enable it to eliminate the existing securities depreciation, and a possible conversion of preferred stock into common in order to have but one class of capital stock.

"The Board feels that the applicant should accomplish the elimination of, at least, the depreciation on its holdings of stock and defaulted bonds, before it assumes additional responsibilities and liabilities such as are involved in the exercise of fiduciary powers. It has, therefore, deferred action on the pending application awaiting the outcome of any steps the applicant may take toward effecting such eliminations. In the meantime, no objection will be made to the bank's administering the one trust account it now holds. Please advise The Carroll County Trust Company accordingly."

Approved unanimously.

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

"Reference is made to your letter of June 25, 1937, concerning the possible violation of the law and the Board's Regulation U by three nonmember banks in New York City, particularly the Underwriters Trust Company, in connection with their activities as clearing agents for over-the-counter brokers and dealers.

"It has been noted that the Underwriters Trust Company has advised you that it is now conducting its operations in conformity with requirements and will continue to do so. In the circumstances, the Board accepts your recommendation that no action be taken at the present time.

"It is understood that you will continue to cooperate with the Banking Department of New York State and the Federal Deposit Insurance Corporation to insure proper compliance on the part of all the banks involved and that any developments of importance will be brought to the attention of the Board.

"Your suggestion with reference to the possible amendment of Regulation U designed to make the regulation more effective in such situations has been noted and will be given careful consideration."

Approved unanimously.

Letter to Mr. David A. Wyckoff, Urbana, Illinois, reading as follows:

"Receipt is acknowledged of your letter of June 28, 1937, requesting that you be supplied with a copy of the Board's Annual Report and a copy of the report used by examiners in making an examination of a member bank, and that your name be placed on the mailing list for special information or reports.

"There has been mailed to you, under separate cover, a copy of the text of the Board's Annual Report for 1936, and as soon as the complete report for the year is available for distribution a copy thereof will be sent to you.

"There is inclosed herewith a list of press releases issued by the Board from time to time. Should you desire to receive any of these publications, please check the items in which you are interested and return the list to the Board.

"It is contrary to the policy of the Board to supply copies of the examination report form which you desire to the public generally, and the Board is therefore unable to comply with your request in that regard. It is possible, however, that the Federal Reserve Bank of your district (Chicago), upon proper showing

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"as to the use to be made of the form, would be willing either to supply you with a copy of such form, or permit your inspection thereof."

Approved unanimously.

Mr. Morrill submitted a recommendation, which had been approved by the Personnel Committee, that the Board authorize the purchase of fire extinguisher equipment and swivel chairs for use in the Board's new building, as listed in purchase orders numbered 1734 and 1739, at a total cost of \$1,583.28.

Approved unanimously.

Thereupon the meeting adjourned.

C. E. Morrill  
Secretary.

Approved:

W. S. [Signature]  
Chairman.