

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, July 31, 1937, at 11:30 a. m.

PRESENT: Mr. Eccles, Chairman
Mr. Szymczak

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:

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

"The Board of Governors of the Federal Reserve System approves the application of 'The Carroll County Trust Company', Conway, New Hampshire, for permission, under the provisions of its condition of membership numbered 1, to exercise the fiduciary powers authorized under its charter and the laws of the State of New Hampshire. The Board's approval is given subject to acceptance by the trust company of the following standard conditions prescribed in connection with the admission to membership of banks having trust powers:

1. Such bank shall not invest funds held by it as fiduciary in obligations of or property acquired from the bank or its directors, officers, employees, members of their families, or their interests, or in obligations of or property acquired from affiliates of the bank.
2. Such bank shall not invest funds held by the bank as fiduciary in participations in pools of mortgage bonds or other securities, and the securities and investments of each trust shall be kept separate from those of all other trusts and separate also from the properties of the bank itself; provided, however, that the Board of Governors of the Federal Reserve System will not object to the collective investment of trust funds where the cash balances to the credit of certain trust estates are

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"too small to be invested separately to advantage, if the bank owns no participation in the securities in which such collective investments are made and has no interest in them except as trustee or other fiduciary, and if such collective investment is not prohibited by State law or the instrument creating the trust.

3. If funds held by such bank as fiduciary are deposited in its commercial or savings department or otherwise used in the conduct of its business, it shall deposit with its trust department security in the same manner and to the same extent as is required of national banks exercising fiduciary powers.

"You are requested to advise The Carroll County Trust Company, Conway, New Hampshire, of the Board's action, and to obtain an appropriate resolution of the board of directors of the bank accepting these conditions and forward a certified copy thereof to the Board."

Approved unanimously.

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

"Receipt is acknowledged of your letter of July 24, 1937, with regard to the proposed retirement by 'The Hanover National Bank of Wilkes-Barre', Wilkes-Barre, Pennsylvania, of \$1,250 of its outstanding preferred stock held by the Reconstruction Finance Corporation.

"In view of all the circumstances, and in accordance with your recommendation, the Board interposes no objection to the proposed retirement of preferred stock, provided that a corresponding amount will be placed in the bank's reserve for dividends payable in common stock, in compliance with the requirements of the Comptroller of the Currency. Please advise the bank accordingly.

"Inasmuch as it is possible that the bank will have occasion to make further small retirements of preferred stock before it is able to complete the liquidation of its trust department, and the Comptroller's office may make such retirements contingent upon approval thereof by the Board, the Federal Reserve Bank of Philadelphia is hereby authorized to approve such retirements on behalf of the Board upon terms and conditions similar to those which are applicable to the present case."

Approved unanimously.

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Letter to Mr. Louis Schreck, Cashier, Templeton Savings Bank,
Templeton, Iowa, reading as follows:

"Receipt is acknowledged of your letter of July 10, 1937, in which you refer to certain features of membership of the Federal Reserve System which you feel are unfair.

"Under the law as applicable in your State, no bank which is a member of the System may establish a branch or additional office outside the city in which it is situated unless it has a paid in and unimpaired capital stock of not less than \$500,000. This requirement can be altered only by an amendment to the law. Accordingly, in the instance you mention, under the existing law there is no authority to permit you, with your present capital, to accept the invitation you received from the people of a neighboring community to establish and maintain an office therein.

"The recent increase in the amount of legal reserves required to be maintained by member banks was a measure adopted by the Board of Governors under authority delegated to it by Congress. As you may have noticed by reading the Federal Reserve Bulletin particularly the issues of August 1936 and February 1937, the Board's action was taken only after the probable effects upon individual banks as well as classes of banks had been carefully studied and considered.

"This is brought out more fully in the inclosed copy of the Board's Annual Report for the year 1936, on pages 14 to 21 of which is a discussion of the Board's recent action with respect to reserve requirements. On pages 14 and 15 in particular is a statement of the reasons for increasing the requirements and a description of the effects.

"According to your statement of condition as of March 31, 1937, you had on deposit with the Federal Reserve Bank of Chicago at that time over \$38,000, and with your correspondent banks about \$55,000. On the basis of your net demand deposits and time deposits subject to reserve requirements at that date, your balance of \$38,000 with the Federal Reserve Bank of Chicago was approximately equal to the increased requirements which subsequently went into effect. It is assumed, therefore, that you were able to meet the increased requirements without substantial reduction of the balances you maintained with your correspondents.

"Your statement that the reserve which you have to maintain with the Federal Reserve bank is not available implies that you do not make as much use as you might of the clearing and collection privileges open to you at the Federal

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"Reserve Bank of Chicago. In this connection it may be pointed out that some member banks effect all or nearly all of their collections through their Federal Reserve banks. The Federal Reserve banks also offer other services to their member banks, and the Federal Reserve bank will be glad to inform you of them if you are not aware of what they are. In this connection the Federal Reserve Bank of Chicago is being furnished a copy of your letter and of this reply.

"The Board is concerned with the problems of the small banks and is glad to have your views. You may be sure that the Board and the Federal Reserve banks give careful consideration to such expressions of views as well as to the probable effects upon member banks of any action that may be taken, when discretion may be exercised under the law."

Approved unanimously.

Thereupon the meeting adjourned.

Chester H. Jones
Secretary.

Approved:

W. C. ...
Chairman.