

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, August 9, 1937, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman  
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 August 5, 1937, were approved unanimously.

Telegrams dated August 6, to Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, Mr. Taylor, Cashier of the Federal Reserve Bank of Cleveland, and Mr. Young, Secretary of the Federal Reserve Bank of Chicago, and August 9, 1937, to Mr. Sanford, Assistant Secretary of the Federal Reserve Bank of New York, and Mr. Powell, Secretary of the Federal Reserve Bank of Minneapolis, stating that the Board approves the establishment without change by the New York bank on August 5, the Philadelphia, Cleveland and Chicago banks on August 6, and the Minneapolis bank on August 9, 1937, of the rates of discount and purchase in their existing

8/9/37

-2-

schedules.

Approved unanimously.

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

"Reference is made to your letters of May 25, 1937, and July 3, 1937, the latter submitting to the Board, for approval, a final revision of the general form of agreement covering correspondent relationships between your bank and foreign central banks. In reply, you are advised that the Board has considered the final revision in the light of the statements contained in both of the aforesaid letters, and approves the same, subject to the provisions of the established 'Procedure with Respect to Foreign Relationships of Federal Reserve Banks', (X-9774).

"In this connection, since the authority originally granted in the Board's letters of February 9, 1937 and April 28, 1937, relating respectively to the aggregate amount of bankers' acceptances and to the aggregate amount of Government bonds that could be purchased for the account of foreign central banks in accordance with the terms and conditions of the existing agreements, extended only until the revised agreement should be approved, the Board, in the light of its subsequent letter of June 15, 1937 increasing the authority with respect to the purchase of United States Government securities and your request of July 26, 1937, now authorizes your bank:

1. To purchase for the account of foreign central banks, including the Bank for International Settlements, in accordance with the terms and conditions specified in the revised agreement, bankers' acceptances which are eligible for purchase under the regulations of the Board of Governors; provided that the aggregate amount of the liability assumed by the Federal Reserve banks in connection with all such acceptances purchased for all foreign central banks, including the Bank for International Settlements, shall not exceed at any one time the sum of \$25,000,000,

8/9/37

-3-

"without specific authorization, which shall be obtained in advance from the Board.

2. To purchase for the account of foreign central banks, including the Bank for International Settlements, United States Government securities in accordance with the terms and conditions specified in the revised agreement; provided that the aggregate amount of the liability assumed by the Federal Reserve banks in connection with such purchases shall not exceed at any one time the sum of \$150,000,000, without specific authorization, which shall be obtained in advance from the Board.

"As already understood, the authority to exercise your option to repurchase from foreign central banks, Government securities purchased for their account in accordance with the terms and conditions of the revised agreement, is necessarily subject to the condition that your bank will not exercise its option unless such purchase has been authorized by the Federal Open Market Committee by appropriate action in effect at the time of the purchase."

Approved unanimously.

The final revision of the general form of agreement covering correspondent relationships referred to above read as follows:

"I. BALANCES

"We do not ask you to maintain with us a fixed minimum balance. You should bear in mind, however, that we will be able to execute your orders to the debit of your account only to the extent that your account is in funds. In these circumstances, it is essential that you maintain with us balances commensurate with the expected activity of the account. No interest can be paid by us on such balances.

"II. INVESTMENTS

"A. Bankers Acceptances

"We will endeavor to purchase for your account,

8/9/37

-4-

"upon your instructions, prime eligible dollar acceptances, and we will guarantee to you the payment at maturity of acceptances so purchased. Such guarantee will run in your favor only and will be canceled with respect to any acceptances of which you cease to be the sole owner. If at any time before the maturity thereof you request us to dispose of any acceptances purchased by us for your account, we will either (1) purchase the acceptances from you at our then current buying rate, or (2) at our option, offer the acceptances for sale for your account in the market.

"For our guarantee of payment as above, we will charge, for the present and until further notice, a commission at the rate of 1/8th of 1% per annum on the face amount of the acceptances purchased by us for your account; and in the event of the repurchase by us of any such acceptances or the sale thereof for your account, we will rebate such commission, at the rate charged, for each full 30 day period remaining between the date of repurchase or sale and the date of maturity, except that we will make no rebate of commission for any part of the full 30 day period immediately following the date of original purchase of the acceptances for your account.

"B. United States Government and other Securities

"Upon your instructions we will endeavor to purchase or sell for your account in this market, without commission charge for our own services, United States Government and other securities. Acting upon your instructions we will, as agent, also enter for your account, without commission charge for our own services, subscriptions to new offerings of United States Government bonds, notes and certificates and submit tenders, at prices fixed by you, in accordance with Treasury requirements, for United States Treasury bills. With respect to any United States Government securities which we purchase for you or which are allotted to you pursuant to subscriptions or tenders as above, we agree that, if at any time before the maturity thereof you request us to dispose of any such securities, we will either (1) purchase such securities from you at the prices we are then paying therefor, provided we are then in the market to buy such securities, or (2) at our option, offer such securities for sale for your account in the market.

"III. OTHER SERVICES

"We will perform the following services for you, upon the terms indicated and otherwise subject to our

8/9/37

-5-

"usual rules with respect to the performance by us of similar services for domestic banks:

"A. Earmarking of Gold

"We hold a license from the Secretary of the Treasury of the United States to hold under earmark, and to export, gold now so held by us for any foreign government or foreign central bank, or hereafter sent to us from abroad by any foreign government or foreign central bank, or delivered to us for account of any foreign government or foreign central bank by the United States or pursuant to a license granted by the Secretary of the Treasury. Within the authority of, and subject to the terms of our license, we will upon your instructions earmark and hold for your account, individually or as fiscal agent, and subject to your instructions only, gold which is your property or the property of your government or of its exchange equalization or stabilization fund, providing the same facilities for the custody of such gold as we provide for the custody of our own similar property, but beyond that assuming no responsibility. It will be understood that gold which you request us to earmark is your property unless you advise us that it is the property of your government or of its exchange equalization or stabilization fund and in such event you should request us to earmark it in a special gold account in your name with a distinguishing symbol, as, for example, 'Central Bank of \_\_\_\_\_ - Account G', and confirm to us that any gold which you may request us to earmark in such special account belongs to your government or its exchange equalization or stabilization fund, as the case may be.

"B. Earmarking of Silver

"Upon your instructions, we will earmark and hold for your account and subject to your instructions only silver which is your property, providing the same facilities for the custody of such silver as we provide for the custody of our own similar property, but beyond that assuming no responsibility.

"C. Purchase and sale of Foreign Exchange

"Upon your instructions and as your agent, we will endeavor to buy and sell foreign exchange for your account. However, in case of orders for forward delivery we reserve the right to ask you to maintain with us a margin against outstanding contracts.

"D. Custody of Securities

8/9/37

-6-

"Upon your instructions, we will receive and hold in custody for your account, and subject to your instructions only, securities which are your property, providing the same facilities for the custody of such securities as we provide for the custody of our own similar property, but beyond that assuming no responsibility. In checking or advising as to maturities, names, or otherwise, we will assume no responsibility with respect to the form, genuineness or validity of any security or signature, regardless of whether or not such checking or advising is done by us pursuant to instructions from you and regardless of the form of any instructions.

"We will make no charges for holding custody of bankers acceptances which we have purchased for your account as provided in section II hereof, or of United States Government securities, but for holding custody of other securities we will, for the present and until further notice, make a custody charge at the rate of 1/40th of 1% per annum of the principal amount of such securities.

"E. Collection of Checks, Notes, Bills, and other Items, Payable Within the United States

"If you desire, we will act as your agent in the collection of such checks, notes, bills, and other items payable within the United States, as we may receive and accept for collection for your account, and will credit the collected proceeds thereof only when we receive payment therefor in actual and finally collected funds (except that for United States Government checks and warrants we will ordinarily give credit on the day of, or on the next business day after, receipt, subject to payment by the Treasurer of the United States). In this connection we would point out that, under the rules, practices, and customs, affecting the presentation and collection of checks and other items payable in New York City (including the rules, practices, and customs, of the New York Clearing House Association) most of such checks and other items are delivered to the payor banks at or before 10 a. m. through the New York Clearing House Association or otherwise, subject to the right of the payor banks to return such checks or other items unpaid at any time up to 3 p. m. of the day of presentation. Consequently, most of the checks and other items payable in New York City which we handle are not finally collected until after 3 p. m. of the day of presentation, which is usually the day following their receipt by us. Ordinarily, therefore, credit to your account with us

8/9/37

-7-

"for checks and other items payable in New York City will not be given until after 3 p. m. on the next business day following receipt of such checks and other items by us. Advices of the collection and credit of such items will be forwarded by mail, or, if you so instruct us, by cable.

"With respect to items which we receive for collection for your account, you agree that, in conformity with the banking practice in this country, you guarantee all endorsements on such items; and you agree to indemnify us against, and hold us harmless from, any loss resulting from our handling and collection of such items, including the amount of any claim, costs, damages, and expenses which we may pay or incur if, upon proper evidence that any endorsement on any such item is not genuine, correct or regular, or upon proper evidence of forgery, alteration or irregularity of or in any such item, we are called upon to repay the amount or any part of the amount which we collected on the item and credited to your account; and in reliance upon such agreement on your part we will, when presenting or forwarding such items, place our own guarantee of prior endorsements thereon. You further agree that all questions with respect to your obligations by reason of your agreement as above, and with respect to the handling and collection of such items by us, shall be determined in accordance with the laws of the State of New York.

"For the presentation of bonds and coupons (other than bonds and coupons held by us in custody for your account and United States Government bonds and coupons for which we shall make no charge), we shall, for the present and until further notice, make a charge of 1/20 of 1% of the face amount thereof with a minimum charge of 25 cents, and a like minimum charge for each issue, series or maturity of bonds or coupons requiring separate presentation.

"F. Payment of Checks or Drafts which you May Draw on us

"We will pay such checks or drafts only if the balance of collected funds in your account is sufficient to cover them, and only if such checks and drafts are presented to us through regular banking channels and if, when so presented, they bear guarantee satisfactory to us of all prior endorsements.

"G. Transfer of Funds within the United States

"We will act for you in such transfers of funds either by telegraph, by draft or by advice of credit. For the handling of a large volume of small payments

8/9/37

-8-

"to others than banks or bankers we will make a charge, for the present and until further notice of 50 cents per payment.

"IV. EXPENSES AND CHARGES

"The services outlined above will be performed for you without charge for our own services except as herein otherwise provided and except in special cases where large volume is involved or other considerations seem to us to make such charges advisable, and in such cases the amount of our charges will be a matter of special negotiation with you.

"All such charges and, in addition, all necessary out-of-pocket expenses incurred in connection with the operation of your account on our books or other transactions undertaken in your behalf will be charged to such account.

"V. GENERAL PROVISIONS

"A. We reserve the right at any time to limit the total amount of our commitments to you on guarantees of bankers acceptances and the volume of any other transactions undertaken by us for your account.

"B. The operations of foreign central banks in our market are of interest to us and knowledge of such operations is essential to proper credit administration. For this reason we request you to keep us promptly informed of any substantial movements of your funds in this market which are not consummated through your account with us, and also to furnish us with a list of the names of your other correspondents in this country (and from time to time advise us of any changes therein) and authorize and request them to advise us, upon our request, of the amount of funds held by them for your account.

"C. We reserve the right at any time to terminate this arrangement with you, in whole or in part, upon notice to that effect, except as to transactions previously initiated.

"We request that if the foregoing terms and conditions are acceptable to you, you signify your acceptance thereof by having your duly authorized officer or officers sign in your behalf the acceptance at the foot of the enclosed copy of this letter and return to us the copy so signed."

Letter to the George A. Fuller Company, Washington, D. C., reading as follows:



8/9/37

-9-

"I have received from Mr. Fred M. Kramer, the Board's Superintendent of Construction, the 'Disbursement and Progress Report for the Month of July, 1937', showing as 'Value completed since last report' \$128,350.00.

"With my letter of July 16, 1937, I transmitted a voucher in the amount of \$30,910.00 and stated that upon its return to the Board properly executed payment would be made in that amount. As you know, I have had no reply to that letter and that voucher has not been paid for the reason that it has not been returned to me for payment.

"I am directed by the Board to advise you that upon submission of a voucher properly executed payment will be made to you in the amount of \$146,425.00, which represents the total value of materials furnished and work done to and including July, 1937, in accordance with the reports approved by Mr. Kramer, in the amount of \$3,423,250, less previous payments, and less 10% to be retained in accordance with the provisions of Article Five of the contract."

Approved unanimously.

Thereupon the meeting adjourned.

Chesley Morris  
Secretary.

Approved:

W. S. ...  
Chairman.