

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, August 10, 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 9, 1937, were approved unanimously.

Telegram to Mr. Sargent, Secretary of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the bank today of the rates of discount and purchase in its existing schedule.

Approved unanimously.

There was submitted a recommendation from Messrs. Spurney and Koppang that Mrs. Katie V. Taylor, who had been selected in accordance with the authority granted by the Board on July 12, 1937, and who had passed a satisfactory physical examination, be appointed as a charwoman in the Board's new building, with salary at the rate of 50¢ per hour, effective as of August 10, 1937.

8/10/37

-2-

Approved unanimously.

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

"Reference is made to your letter of July 23, 1937, and Mr. Paulger's reply of July 30, regarding the application of the Hudson Trust Company, Union City, New Jersey, for membership in the system, which is pending at your bank.

"In view of the circumstances the Board concurs in your position that you continue to hold the application in abeyance pending composition of the differences between the trust company and the Federal Deposit Insurance Corporation.

"In this connection it is suggested that, since you have participated with the Federal Deposit Insurance Corporation in the last two examinations of the trust company, as of June 16, 1936, and February 20, 1937, it might be advisable for you to defer further examination of the trust company until you have reason to believe that the differences between the trust company and the Federal Deposit Insurance Corporation have been composed or are capable of composition on a program which you would feel justified in recommending to the Board for incorporation in the conditions of membership."

Approved unanimously.

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

"Receipt is acknowledged of your letter of August 3 in which you referred to the Board's letter X-7952, advised that the Metropolitan Trust Company of Chicago, which is primarily a trust company and has no deposit liabilities, has requested blanks for making an application for membership, and requested advice whether, assuming that the trust

8/10/37

-3-

"company is in good condition, you can consider an application of such character.

"There has been no change in the Board's position regarding such applications since the Board publicly announced in July 1934 (X-7952) that it would give consideration to applications for membership from trust companies which did substantially no commercial banking business. Since that time the Board has approved the application for membership of a trust company which confines its activities to fiduciary business and does no deposit banking business. Accordingly, the mere fact that a trust company engages primarily in fiduciary activities and has no deposit liability is no reason why you should not consider its application for membership."

Approved unanimously.

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

"Reference is made to your letter of July 19, 1937, relative to the proposed transaction whereby the 'Bank of Nutley', Nutley, New Jersey, will purchase the assets and assume the liabilities of The Franklin National Bank of Nutley, also of Nutley, New Jersey.

"The Board has noted your opinion that in view of the fact that both banks have the same general type of assets and are doing the same kind of business the transaction would not involve any change in the general character of assets of the Bank of Nutley or broadening in the functions exercised by such bank within the meaning of condition numbered 5 under which the bank was admitted to membership. In the circumstances the Board likewise does not regard the transaction as coming within the scope of the aforementioned condition and the approval of the Board to the transaction is, therefore, not required.

"It is noted that after the proposed transaction the Bank of Nutley will have a relatively low capital ratio and that as a result of the acquisition of the assets of the national bank the investment of the bank in fixed assets and other real estate will exceed its capital structure. In such circumstances the Board does not regard with favor plans which provide for withdrawal of substantial amounts of capital in cash. It is understood, however, that while you would greatly prefer that the transaction be accomplished without the proposed cash payment to the minority stockholders, you are satisfied that it can not be accomplished

8/10/37

-4-

"on any other basis and that in view of all of the circumstances, it is advisable that the transaction be effected. It is assumed, moreover, that the management of the bank will devote its unremitting efforts to strengthening the capital structure and disposing of its other real estate.

"It is noted also that among the assets of The Franklin National Bank of Nutley are certain securities and corporate stocks which member banks are prohibited from purchasing under the provisions of sections 5136 and 5201 of the Revised Statutes of the United States and the Comptroller's regulation governing the purchase of investment securities. It is suggested that you advise the member bank that such securities and stocks should be disposed of prior to the conclusion of the transaction or as soon thereafter as practicable."

Approved unanimously.

Letter to Mr. Fenner, Chief Examiner, Federal Reserve Bank of Philadelphia, reading as follows:

"In accordance with the recommendation contained in your letter of August 3, 1937, and pursuant to the authority granted to the Board of Governors by Section 9 of the Federal Reserve Act, as amended, the Board extends to September 1, 1937 the time within which The Pennsylvania Company for Insurances on Lives and Granting Annuities, Philadelphia, Pa., shall file and publish the reports of its affiliates on Forms 220 and 220a, respectively, as of June 30, 1937.

"Form 105b (Schedule 'O'), to which you also refer, is a part of the bank's condition report. The law does not empower the Board to extend the time within which State bank members may submit their condition reports. It would appear, however, that all of the information called for by Schedule 'O' can be supplied from the bank's records except the figures of capital, surplus, and undivided profits of the affiliate. If the capital figures of the affiliate are not available as of June 30, 1937, the latest available figures may be shown in Schedule 'O', with a note giving the date to which they relate and the reason why later figures are not available."

Approved unanimously.

8/10/37

Thereupon the meeting adjourned.

Chester Morrie

Secretary.

Approved:

[Handwritten Signature]

Chairman.