

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, August 23, 1937, at 4:00 p.m.

PRESENT: Mr. Ransom, Vice Chairman  
Mr. Szymczak  
Mr. McKee  
Mr. Davis

Mr. Bethea, Assistant Secretary  
Mr. Carpenter, Assistant Secretary

Attention was called to a telegram received today from Mr. Powell, Secretary of the Federal Reserve Bank of Minneapolis, stating that the executive committee of the bank, under authority of the board of directors, had voted to establish, for the reasons set forth in the telegram, a rate of  $1\frac{1}{2}\%$  on rediscounts for member banks and advances to member banks under the provisions of sections 13 and 13a of the Federal Reserve Act and a rate of  $2\%$  on advances under section 10(b) of the Federal Reserve Act, both effective on the first business day following that on which approved by the Board of Governors.

The two rates established by the executive committee of the Federal Reserve Bank of Minneapolis were approved unanimously, effective August 24, 1937, for the reasons stated by the Board in connection with its approval on August 20, 1937, of rate reductions by the Federal Reserve Banks of Atlanta and Chicago.

There was presented a draft of a reply, reading as follows, to a letter received from the George A. Fuller Company dated August 18, 1937, requesting that the Board release the company from responsibility for continuing to carry fire insurance on the Board's new building:

"You are hereby notified that the Board of Governors of the Federal Reserve System releases you from further

8/23/37

-2-

"responsibility for maintaining fire insurance upon its building as required in Article 26 of the construction contract.

"This release, of course, will not be treated in any way as evidencing the completion of the work or any portion of it or as signifying the Board's acceptance of the work or any part of it."

In connection with the proposed reply consideration was given to a memorandum dated August 19 from Mr. Kramer, Superintendent of Construction for the Board's new building, in which he stated that, inasmuch as the Board had taken over the greater portion of the building, he would recommend that the release requested by the construction company be granted. There was also a discussion of what action should be taken by the Board to provide insurance to cover risks incident to the occupation of the new building and it was stated that, inasmuch as the building was as nearly fire proof as it was possible to make it and it would probably be cheaper for the Board to carry the risk of fire damage to the building proper than it would be to purchase fire insurance, it had not been contemplated that such insurance would be provided.

At the conclusion of a discussion, upon motion by Mr. McKee, the proposed letter to the George A. Fuller Company was approved unanimously, with the understanding that an investigation would be made as to the fire insurance which had been provided to cover other buildings in Washington which are owned by independent agencies or similar establishments and the desirability of such insurance on the Board's building, as well as fire insurance on the furniture and equipment in the building, public liability insurance, flood insurance, and other types of insurance available to building owners, and that pending the submission of the report of investigation and action thereon by the Board no insurance of the kinds referred to would be purchased.

8/23/37

-3-

Mr. Ransom stated that during a telephone conversation this afternoon with Acting Secretary of the Treasury Wayne C. Taylor, the latter had stated that the Treasury would release a statement to the press this afternoon to the effect that September 15 financing would consist of the refunding of \$817,000,000 of notes maturing on that date with new securities and that no new money would be provided for.

At this point Mr. Thurston, Special Assistant to the Chairman, joined the meeting.

There was also presented a draft of a telegram to Mr. Martin, President of the Federal Reserve Bank of St. Louis, reading as follows:

"Your telegram August 23. Pending receipt and consideration of an application by the 'Farmers Bank and Trust Company' of Blytheville, Arkansas, for permission to establish a branch at Manila, Arkansas, the Board, in accordance with your recommendation, will take no action regarding the establishment by the bank of a teller's window at Manila in the circumstances described in your telegram."

Upon motion by Mr. McKee, the telegram was approved unanimously.

Mr. Thurston then left the room and consideration was then 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 20, 1937, were approved unanimously.

Memorandum dated August 19, 1937, from Mr. Noell, Assistant Secretary, recommending that Miss Vera Romans, who was appointed on June 17, 1937, as a stenographer in the Secretary's Office for a tem-



8/23/37

-4-

porary period of six months, be given an appointment on a permanent basis as a stenographer, with no change in her present salary at the rate of \$1,500 per annum, effective as of the date upon which she passes satisfactorily the usual physical examination.

Approved unanimously.

There was submitted a recommendation from Messrs. Spurney and Koppang that Mrs. Anna E. Cockrell, 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 23, 1937.

Approved unanimously.

Letter to Mr. Sargent, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"Reference is made to your letter of August 3, 1937, regarding the increase in investment in banking premises by 'The Bank of Carmel', Carmel, California, through the recent purchase of a site for a bank building for the consideration of \$27,000, which, through inadvertence, was not submitted to the Board in advance in accordance with the provisions of condition of membership numbered 8 which require that before any investment is made in a site for a bank building the matter be submitted to the Board for consideration.

"It is noted that the building program outlined by the bank provides for a further investment of approximately \$35,000 in improvements on the property purchased, thereby making a total investment in new banking premises of \$62,000, and that the present banking premises and adjoining property carried at \$20,400 are to be sold for a consideration of \$40,000 or more and that the proceeds of the sale will be used to reduce the bank's investment in banking house and fixtures to approximately \$42,000. Since the bank's present

8/23/37

-5-

"Investment in new banking premises, together with the expenditure it contemplates making for improvements thereon, will exceed the amount of its capital stock, it appears that the building program comes within the provisions of section 24A of the Federal Reserve Act.

"Your letter does not contain a definite recommendation as to what action should be taken by the Board, but in view of the opinion expressed that the present investment of \$47,400 in banking premises would not endanger the bank's solvency or liquidity, it is assumed that you have given consideration to the entire building program and that you feel that the bank should be permitted to carry out the program which involves an additional investment of approximately \$35,000 and the sale of the present banking premises.

"In view of all the circumstances, the Board approves the recent investment of \$27,000 in a new banking site by The Bank of Carmel and the further investment of approximately \$35,000 in improving the premises, provided the bank's program for disposing of the present banking quarters and adjoining building and lot and reducing the investment in new premises is carried out as outlined in its letter of July 30, 1937."

Approved unanimously.

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

"Reference is made to your letter of July 30, 1937, transmitting to the Board a copy of a memorandum prepared by your trust examiner, Mr. Johnson, under date of July 27, 1937, in regard to an informal examination made of the trust department of 'The Peoples Savings Bank of Grand Haven', Grand Haven, Michigan, as of July 22, 1937.

"In the report of examination as of February 8, 1937, the examiner commented that criticisms set out in previous examinations of the trust department had not been corrected, and it is noted that your trust examiner in his memorandum of July 27, 1937, reports that there has been no appreciable change for the better in the matter of books and records or in other operating and supervisory matters. He reports also that the bank's management states that the trust department is maintained solely as an accommodation to customers, that no business is sought and that what there is is a nuisance.

"While it is appreciated that the trust department of this bank is small and comparatively inactive it is felt

8/23/37

-6-

"that, if the bank is unwilling to maintain adequate records and to conduct the affairs of the trust department in a satisfactory manner, it should not handle fiduciary matters, and that unless prompt correction of the criticized matters is made, the bank should discontinue its trust department."

Approved unanimously.

Letter to Mr. Sargent, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"The last three reports of examination of the 'Largilliere Company, Bankers', Soda Springs, Idaho, as of April 13, 1937, April 21, 1936, and May 11, 1935, respectively, have shown that the bank had on deposit in excess of \$80,000 in a savings account with the Continental National Bank and Trust Company, Salt Lake City, Utah, the report of examination as of April 13, 1937, showing a balance of \$85,649.64 on which interest was paid at the rate of 2 per cent on \$5,000 and  $1\frac{1}{2}$  per cent on the remainder.

"As you know, such an account cannot be classified as a savings account under the provisions of Regulations D or Q, and in view of the fact that the apparent violation of the regulations on the part of the national bank has continued over an extended period of time, it is suggested that, if you have not already done so, you consult with the Chief National Bank Examiner regarding the matter and report to the Board what action has been or will be taken to have the practices of the national bank conform with the requirements of the Board's regulations."

Approved unanimously.

Memorandum dated August 14, 1937, from Mr. Smead, Chief of the Division of Bank Operations, referring to the action taken by the Board on June 5, 1937, when it approved the printing of a separate Schedule E, Loans and Discounts, (Form 105g), with the understanding that copies of the schedule would be furnished to each of the State member banks that submit weekly condition reports, with the suggestion in each case that, if the State member bank desired, it could classify its



8/23/37

-7-

loans, as of the June call, in accordance with the alternate schedule rather than in accordance with the schedule which appears on Form 105; and recommending that, in view of the circumstances set forth in the memorandum, the Board again give the weekly reporting State member banks the option of classifying their loans in accordance with the alternate loan schedule. The memorandum also recommended approval of the call report form as submitted for use in connection with the next call for reports of condition of State member banks.

Approved unanimously.

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

"Further reference is made to your letter of August 13, 1937, inquiring whether it is permissible under Regulation L for an individual to serve a State member bank and a Morris Plan bank which has become a member of the Federal Reserve System, even if both are located in the same city.

"The exception contained in section 3(a) of Regulation L applies to any 'Morris Plan bank' and the exception is equally applicable whether or not the Morris Plan bank has become a member of the Federal Reserve System.

"However, as a matter of information, it would be appreciated if you will advise the Board as to the situation which prompted your inquiry."

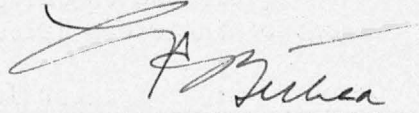
Approved unanimously.

There was submitted a recommendation, which had been approved by the Personnel Committee, that the Board authorize the purchase of rubber desk shoes, and oil disinfectant, and the cutting and chasing of threads on faucets, as listed in purchase orders Nos. 1966, 1967, and 1968, at a total cost of \$174.86.

Approved unanimously.

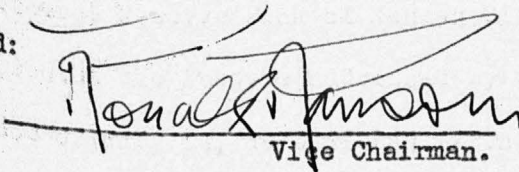
8/23/37

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Vice Chairman.