

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, August 27, 1937, at 10:30 a. m.

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

Mr. Bethea, Assistant Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Thurston, Special Assistant to  
the Chairman  
Mr. Wyatt, General Counsel  
Mr. Paulger, Chief of the Division of  
Examinations  
Mr. Parry, Chief of the Division of  
Security Loans  
Mr. Thomas, Assistant Director of the  
Division of Research and Statistics  
Mr. Van Fossen, Assistant Chief of the  
Division of Bank Operations

Mr. Ransom stated for the information of the other members of the Board that President Harrison of the Federal Reserve Bank of New York called him on the telephone this morning and advised that yesterday afternoon the Guaranty Trust Company of New York and the Chase National Bank of New York had reported to the Federal Reserve Bank that they had been lending to The Yokohama Specie Bank, Limited, Yokohama, Japan, (which institution handles financial transactions for the Japanese Government) on the security of Governments and gold. The Guaranty Trust Company had advised Mr. Harrison, Mr. Ransom stated, that the London banks, which had been making similar advances to The Yokohama Specie Bank, Limited, had informed the Guaranty Trust Company that they had discontinued such transactions on the security of gold but were continuing to lend on Governments. Mr. Ransom also said that Mr. Harrison had stated during his conversation that the two New York banks

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had advised that they proposed to continue to make advances to the Yokohama Specie Bank on both kinds of collateral, that they had called him (Mr. Harrison) for the reason that they wanted the Reserve Bank to be advised of the situation, that there had been a feeling that the State Department in Washington should be advised, and that he (Mr. Harrison) had therefor called Mr. Stanley K. Hornbeck, Chief of the Division of Far Eastern Affairs of the State Department, yesterday and had reported to him the conversations which he had had with the two New York banks. Apparently, Mr. Ransom said, Mr. Hornbeck had no comments to make regarding the matter.

Mr. Ransom then referred to a draft of a letter which was in circulation among the members of the Board to Messrs. Kenefick, Cooke, Mitchell, Bass and Letchworth, Attorneys, Buffalo, New York, with respect to the question whether member banks in New York may pay interest after August 23, 1937 on demand deposits of trust funds. He stated that it did not appear from the correspondence that the firm of attorneys was representing any member bank or had any interest in the determination of the question involved and that he felt that, because of the great amount of work and time required to prepare replies to questions of this kind, the Board should adopt a policy of declining to answer questions with respect to the rights of member banks, unless the inquiry is received from a member bank or from an attorney representing a member bank, or, when the inquiry is from some other person, there appears to be a satisfactory reason why a reply should be made. The other

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members present concurred in Mr. Ransom's suggestion.

There was presented a telegram dated August 27, 1937, from Mr. Young, Vice President of the Federal Reserve Bank of Chicago, stating that the board of directors of the bank on that date voted to establish, effective August 21, 1937, a rate of 2% on advances under Section 10(b) of the Federal Reserve Act and to establish without change the other rates of discount and purchase in the bank's existing schedule.

The rate of 2% on advances under Section 10(b) of the Federal Reserve Act, fixed by the board of directors of the Federal Reserve Bank of Chicago, effective August 21, 1937, and the establishment, without change, of the other rates of discount and purchase in the bank's existing schedule, were approved unanimously.

Mr. McKee stated that if, during the period he is absent from Washington, any of the remaining Federal reserve banks, which now have in effect a rate of 2% on rediscounts of eligible paper for member banks and advances to member banks under the provisions of Sections 13 and 13a of the Federal Reserve Act, voted to reduce such rate to  $1\frac{1}{2}$  percent, he would be in favor of approval by the Board of the reduced rate.

There was also presented a letter to Mr. George L. Harrison, as Chairman of the Presidents' Conference, reading as follows:

"Section 14(d) of the Federal Reserve Act, as amended by the Banking Act of 1935, requires that the Federal reserve banks shall establish rates of discount at least every fourteen days. The experience of the Board of Governors in connection with the approval of the rates established by the Federal reserve banks has convinced the Board that, in the interest of a more expeditious and efficient administration of the law, it is desirable that biweekly meetings of the boards of directors of all Federal reserve banks be held on uniform dates.

"It will be appreciated if you will place this subject on the program for discussion at the next Presidents' Con-

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"ference and request the President of each Federal reserve bank to discuss the matter with the directors of his bank prior to the Conference, with a view to reaching an agreement, if possible, on uniform dates for such meetings every fourteen days."

Approved unanimously.

At this point Messrs. Thurston, Wyatt, Paulger, Parry, Thomas and Van Fossen left the meeting 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 26, 1937, were approved unanimously.

Telegram to Mr. Newton, President of the Federal Reserve Bank of Atlanta, 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.

Letter to Mr. Powell, Secretary of the Federal Reserve Bank of Minneapolis, reading as follows:

"Reference is made to your telegram of August 23, 1937, in which you advised the Board of Governors of the action of your executive committee in establishing rates of  $1\frac{1}{2}\%$  and 2% on rediscounts of eligible paper for member banks and advances to member banks under Sections 13 and 13(a), and on advances to member banks under Section 10(b), respectively, and to the Board's telegraphic reply to you of the same date approving the establishment of such rates effective August 24.

"It is assumed that your executive committee at the same time established, without change, the other rates of discount and purchase in your existing schedule, which action is approved by the Board of Governors."

Approved unanimously.

Memorandum dated August 23, 1937, from Mr. Woodlief Thomas, Assistant Director of the Division of Research and Statistics, recom-

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mending the appointment on a temporary basis for a period of three months of Miss Muriel G. Webb as a clerk in the Division, with salary at the rate of \$120 per month, effective as of the date upon which she enters upon the performance of her duties.

Approved unanimously.

Letter to Mr. Leo Crowley, Chairman of the Federal Deposit Insurance Corporation, reading as follows:

"As requested in your letter of August 20, 1937, the Board of Governors of the Federal Reserve System hereby grants written consent, in accordance with the provisions of subsection (k)(2) of section 12B of the Federal Reserve Act, for examiners for the Federal Deposit Insurance Corporation to examine the affairs of the 'Perth Amboy Trust Company', Perth Amboy, New Jersey, in order that your Corporation may obtain information relative to the progress made in eliminating or adequately adjusting the unsafe and unsound practices for which the bank was cited under date of April 29, 1937, by your Corporation under the provisions of subsection (i)(1) of section 12B of the Federal Reserve Act.

"In your letter it was stated that the statutory period of 120 days allowed the bank in which to effect the required corrections expires on August 27, 1937. Your attention, however, is called to the Board's letter of May 5, 1937, to the Perth Amboy Trust Company, a copy of which was forwarded to your Corporation, in which the trust company was advised that the Board of Governors had fixed the period ending September 2, 1937, 120 days from the date of the Board's letter to the trust company, as the time within which the desired corrections should be effected.

"It is suggested that the Federal Reserve Bank of New York be advised regarding your plans for the examination of the State member bank in order that the Federal Reserve Bank may be kept informed as to developments in the situation and may arrange to participate in the examination if it be deemed advisable."

Approved unanimously, together with a similar letter to Mr. Crowley with respect to "The Raritan Trust Company of Perth Amboy", Perth Amboy, New Jersey.

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Letter to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, reading as follows:

"In response to your letter of August 19, 1937, you are advised that the Board of Governors of the Federal Reserve System has granted its permission under the provisions of section 14(g) of the Federal Reserve Act for Mr. H. C. Timberlake, Statistician of the Federal Reserve Bank of Minneapolis, to visit the various central and commercial banks in Europe for the purpose of gaining such statistical knowledge as he may be able to absorb while he is in Europe during the months of October and November, 1937, as a representative of the American Legion.

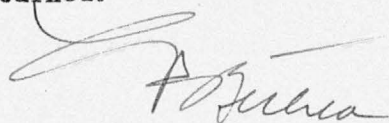
"The Board will appreciate receiving a report covering all of the visits which Mr. Timberlake makes to European banks or bankers during his forthcoming trip."

Approved unanimously.

There was submitted a recommendation, which had been approved by the Personnel Committee, that the Board authorize the purchase of a badge for the Captain of the Guard, rubber link mats and scrub brushes, as listed in purchase orders Nos. 1974, 1976 and 1977, and the purchase and installation of flat key locks for four corner cupboards, as listed in voucher No. 11492, at a total cost of \$382.10.

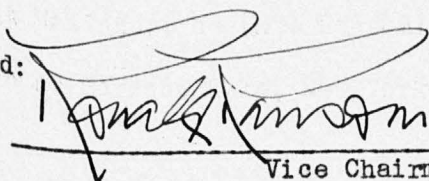
Approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Vice Chairman.