A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, September 16, 1937, at 4:15 p.m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. Broderick
Mr. Szymczak
Mr. McKee
Mr. Davis
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 September 15, 1937, were approved unanimously.

Telegrams to Mr. Young, President of the Federal Reserve Bank of Boston, and Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, stating that the Board approves the establishment without change by the Boston bank on September 15, and by the Philadelphia bank today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Telegram from Mr. Sargent, Secretary of the Federal Reserve Bank of San Francisco, stating that the board of directors of the bank, at its meeting today, voted, for the reasons stated in the telegram, to establish, effective September 17, 1937, a rate of 2 percent on ad-
Advances to member banks under the provisions of Section 10(b) of the Federal Reserve Act and to establish without change the remaining rates in the bank’s existing schedule of rates of discount and purchase.

The rate of 2% on advances under Section 10(b), fixed by the directors of the San Francisco bank, was approved unanimously, effective September 17, 1937.

The establishment by the bank without change of the other rates of discount and purchase in its existing schedule was also approved unanimously.

Memorandum dated September 15, 1937, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Miss Nora V. Elder, Chief Draftsman in the Division, be granted an additional leave of absence with pay on account of illness for a period not to exceed sixty days from September 13, 1937.

Approved unanimously.

Memorandum dated September 15, 1937, from Mr. Goldenweiser, Director of the Division of Research and Statistics, submitting the resignation of Miss Helen Olmstead, a secretary in that Division, and recommending that the Board accept the resignation effective at the expiration of her annual leave.

Approved unanimously.

Memorandum dated September 15, 1937, from Mr. Goldenweiser, Director of the Division of Research and Statistics, submitting the resignation of Mrs. Constance Seals as a clerk in that Division, and
recommending that the Board accept the resignation effective at the expiration of her annual leave.

Approved unanimously.

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

"Your letter of August 27, 1937, asks if the Board will interpose any objection to the employment of a son of one of your directors in the capacity as an examiner in the trust division in the Department of Examination of the Federal Reserve Bank of Cleveland.

"The Board has heretofore taken the position that as a matter of general policy Federal Reserve banks should scrupulously refrain from being placed in a position which might leave them open to criticism and charges of favoritism. Appointments to the examining staff of the Federal Reserve banks must have the advance approval of the Board of Governors and it would not be the policy of the Board of Governors to approve the appointment of a son of a director of a Federal Reserve bank as Examiner or Assistant Examiner for that bank unless there were exceptional and urgent circumstances necessitating the employing of an examiner or assistant examiner and no other person with proper qualifications was available at the time. In such case the Board would be inclined to approve such an appointment on a temporary basis only.

"As indicated above, the answer to your letter is prompted by considerations of general policy and not by circumstances connected with any individual case."

Approved unanimously.

Letter to Mr. Attebery, First Vice President of the Federal Reserve Bank of St. Louis, stating that the Board approves changes in the personnel classification plan of the Little Rock branch of the Federal Reserve Bank of St. Louis, as requested in his letter of September 10, to provide for increases in the maximum salaries for the
Positions of "Shipping Teller and Coin Counter" in the Transit Department, "Guard" in the Protection Department, "Secretary" in the Stenographic, Files, and Telephone and Telegraph Department, and "Head" of Transit Department.

Approved unanimously.

Letter to the board of directors of the "Union Bank and Trust Company", Kokomo, Indiana, stating that, subject to the conditions of membership numbered 1 to 6 contained in the Board's Regulation H, and the following special conditions, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago:

"7. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures.

"8. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of $4,588.63, as shown in the report of examination of such bank as of August 9, 1937, made by an examiner for the Federal Reserve Bank of Chicago."

Approved unanimously, together with a letter to Mr. Schaller, President of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Union Bank and Trust Company', Kokomo, Indiana, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the board of directors of the institution. Two copies of such letter are also inclosed, one of which is for your files and the other of which you are requested to forward to the Director,
"Department of Financial Institutions of the State of Indiana for his information.

"It is understood that the laws of the State of Indiana prohibit the bank from pledging its assets as security for trust funds deposited in its banking department and that trust funds so deposited are preferred claims in event of liquidation of the bank. Standard condition of membership numbered 6, however, has been prescribed in order that its provisions may be invoked at any time in the future if necessary. You are, of course, authorized to waive compliance with the condition until further notice in accordance with the general authorization previously granted by the Board with which you are familiar.

"The report of examination made in connection with the application for membership discloses considerable criticism of the records and operations of the trust department. Your examiner calls attention to the lack of a consistent fee policy and cites instances in which it appears that excessive fees have been collected. It appears that the bank defends its policy on the ground that the fees have been approved by the court and therefore it is of no concern of the bank. As indicated by your examiner such a policy is contrary to accepted trust principles. It is noted also that proper attention has not been given to the collateral held by the bank as trustee under collateral note issues of two finance companies. From the information submitted it appears that there is a definite need for improvement in the operations of the trust department and if the bank becomes a member of the System it is expected that you will take appropriate steps to see that the operations of the department are brought into conformity with approved fiduciary procedure.

"It has been noted from the report of examination that the bank operates separate mortgage, insurance, and rental departments and that all of the assets and liabilities of these departments were not properly reflected on the bank's books. It is requested that you advise the bank that it will be expected to report the assets and liabilities of these departments properly in future reports of condition and published statements.

"The report indicates that a major criticism of the management of the bank was the lack of proper accounting procedure and coordination of departments. In this connection, however, it is noted that steps have been taken to engage an officer to strengthen the management in this respect and it is assumed that this will be done within a short time, if it has not already been accomplished."
Letter to Mr. Clark, Vice President of the Federal Reserve Bank of Atlanta, reading as follows:

"Reference is made to your letter of September 4, 1937, transmitting with a favorable recommendation the request of Mr. Robinson, President of the 'American Bank and Trust Company', Miami, Florida, that the Board withhold for a further period of four months action on the bank's application for membership.

"In a letter dated November 25, 1936, to President Newton the Board stated that it felt it would be preferable to defer action on the bank's application until after the desired strengthening of the management had been effected and the bank had been in operation for a sufficient time to prove that it merits membership, and in a letter dated March 11, 1937, you were advised that, in accordance with the bank's request of March 6, 1937, that the application be held in abeyance for a period of at least six months, the Board would continue to hold the application in abeyance.

"In accordance with the bank's request, the Board will withhold action on its application for membership. Since the bank's application for membership was made prior to the time the bank opened for business, it is suggested that when the bank desires that consideration be given to its application for membership, a new application with appropriate exhibits be submitted. In such case, of course, duplicates of such exhibits as copies of the charter, articles of incorporation, etc., which were submitted with the original application, need not be again submitted but can be incorporated by reference in the current application."

Approved unanimously.

Letter to Mr. Wood, Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"Reference is made to your letter of September 8, 1937, advising that the 'Jefferson-Gravois Bank of St. Louis', St. Louis, Missouri, proposes to reduce its common capital from $500,000 to $350,000 to provide for the elimination of the impairment in such capital and stating that after this had been done it is your belief that the bank may safely exercise fiduciary powers.

"It appears from your letter that the bank has been named by will as co-executor of the estate of one of its
"customers recently deceased and desires to qualify in this capacity. In the circumstances and in view of the information contained in your letter, the Board of Governors will interpose no objection under the general condition of membership to the bank accepting the trust account mentioned with the understanding that prompt action will be taken by the bank to remove the existing impairment in its common capital either through the proposed reduction in such capital or otherwise.

"It is requested that you advise the bank of the Board's action in the premises and inform it that upon advice of the elimination of the impairment existing in its common capital the Board will give consideration to its pending application for permission, under its general condition of membership, to exercise generally the fiduciary powers which it holds."

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 August 26, 1937, recommending that the Board interpose no objection to the proposed purchase of assets and assumption of deposit liabilities of the 'Westwood Trust Company', Westwood, New Jersey, by the 'Peoples Trust Company of Bergen County', Hackensack, New Jersey, and that the establishment of a branch at Westwood, New Jersey, by the Peoples Trust Company of Bergen County be approved.

"In view of all of the circumstances, it does not appear that the proposed transaction will result in any material change in the general character of the assets of, or broadening in the functions exercised by, the Peoples Trust Company of Bergen County within the meaning of the general conditions under which it was admitted to membership, and accordingly, the Board will interpose no objection under the conditions of membership to the proposed transaction. Likewise, in accordance with your recommendation, the Board approves the establishment and operation of a branch at Westwood, New Jersey, by the Peoples Trust Company of Bergen County, Hackensack, New Jersey, provided the establishment of such branch is approved by the appropriate State authorities.

"It is noted that among the assets of the Westwood Trust Company are certain corporate stocks and other securities
"which do not appear to qualify as investment securities under the provisions of section 5136 of the Revised Statutes of the United States and the Comptroller's regulation. In this connection, it is noted that the proposed plan provides that the Peoples Trust Company of Bergen County will purchase from the Westwood Trust Company the stock of the Westwood Investment Company, which owns the building occupied by that bank, and immediately resell the stock, at the purchase price, to the Hackensack Securities Company which procedure is necessary, in the opinion of counsel for the applicant bank, in order to comply with the requirements of the State law in connection with the establishment of the branch. It is suggested that you advise the member banks that corporate stocks and any other ineligible securities owned by the Westwood Trust Company should be disposed of prior to the conclusion of the transaction or as soon thereafter as practicable.

"The Federal Deposit Insurance Corporation has requested the Board to make arrangements to have examiners available to review the assets to be taken over by the Peoples Trust Company of Bergen County from the Westwood Trust Company. It is requested that you make arrangements with the supervising examiner of the Federal Deposit Insurance Corporation at New York for such action and cooperation as might be necessary in completing this transaction."

Approved unanimously, together with

a letter to Mr. Edward C. Tefft, Supervising Liquidator of the Federal Deposit Insurance Corporation, reading as follows:

"Reference is made to your letters of August 4 and 5, 1937, regarding the commitment of the Federal Deposit Insurance Corporation to loan the 'Westwood Trust Company', Westwood, New Jersey, an amount not to exceed $80,000 in connection with a proposed plan of the 'Peoples Trust Company of Bergen County', Hackensack, New Jersey, to purchase the assets and assume the deposit liabilities of the Westwood Trust Company and requesting the assent of the Board of Governors of the Federal Reserve System to the transaction. As your office was advised by telephone, a reply to your letter has been deferred awaiting the submission of an application by the Peoples Trust Company of Bergen County for permission to establish a branch at Westwood, which is a part of the plan.

"The Board assents to the transaction and has today approved the application of the Peoples Trust Company of Bergen County for permission to establish a branch at Westwood, New Jersey, provided the establishment of such branch is approved
"by the appropriate State authorities. The Federal Reserve Bank of New York has been requested to make arrangements with your supervising examiner at New York for such action and cooperation as might be necessary in expediting the transaction."

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

"There is attached a copy of a report of the survey of the Bank Examinations Department of the Federal Reserve Bank of Cleveland recently conducted by Mr. C. E. Cagle of the Board’s Division of Examinations.

"It will be appreciated if you and such of your Board of Directors as are interested will review the attached report of the survey and give the Board the benefit of your reactions to any of the statements or conclusions concerning which you would like to express your views.

"Although the report should be regarded as confidential, the Board sees no objection to the report, or parts thereof, being submitted to, or discussed with, such of the bank’s senior officers as you deem advisable."

Approved unanimously.

Letter to Mr. Kettig, Federal Reserve Agent at the Federal Reserve Bank of Atlanta, reading as follows:

"Reference is made to the report of examination of the Federal Reserve Bank of Atlanta as of July 10, 1937, a copy of which was left with President Newton for you. A copy was also furnished President Newton.

"On page 24 of the report comment was made regarding the long working hours and low pay of the guards at the Birmingham, Jacksonville, and Nashville branches. It was reported that during the examination increases were granted the guards and that the management had stated that investigation of working hours of the guards would be made and such correction as appeared warranted would be effected. It will be appreciated if you will advise the Board of the results of such investigation and of any action which might have been taken as a result thereof.

"It is understood that the Executive Committee continues to meet regularly twice a week and that a review of the minutes..."
of the Committee raises a question of whether such frequent meetings are necessary. Semiweekly meetings of the Executive Committee are more frequent than is usual at the Federal Reserve banks and it is requested that the matter of the frequency of the meetings of the Executive Committee be reviewed by the board of directors, that the Board be advised of the conclusions reached, and, if the directors remain of the opinion that such frequent meetings are necessary for the proper operation of the bank, that the Board be advised of the circumstances which are regarded as necessitating or justifying such frequent meetings.

"It is understood, also, that the Board's examiner discussed with Mr. Newton and Mr. Parker the management situation at the New Orleans Branch and the apparent need for an officer to assist actively in the supervision in the internal operations of the branch and personnel matters. It is assumed that the question thus raised has received your consideration and an expression of your views as to the necessity or desirability of any action in the matter and advice as to any action taken or contemplated with respect to the situation will be appreciated.

"After the report of examination and this letter have received the consideration of the board of directors of the Federal Reserve Bank, the Board will appreciate advice from you as to what action has been taken or will be taken with respect to the matters referred to and to other significant matters which may have been discussed with the management during the course of the examination."

Approved unanimously.

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

"This refers to your letters of July 27, and July 7, 1937, and Mr. Paulger's telegram to you of July 10, relating to the procedure to be followed and the information required where a holding company affiliate which holds a general voting permit has acquired additional banks and desires to obtain a voting permit covering such banks. It is noted from your letter of July 27, that your inquiry was made at the instance of Transamerica Corporation and in order that you might be informed on the subject and be in a position to issue instructions in regard thereto should occasion arise."
A holding company affiliate which holds a general voting permit covering certain member banks and which desires to obtain a permit entitling it to vote the stock owned or controlled by it of additional banks should file a new application on the Board's Form P-1, listing in Exhibit A thereof the additional banks with respect to which a voting permit is desired. Exhibits C, K, M, and O should be submitted with the new application, in accordance with the list of exhibits shown in Form P-1 and the instructions set forth in the Board's letter of January 21, 1936 (X-9456).

In connection with Exhibit B, it is, of course, unnecessary that additional copies of material submitted in Exhibit B of the holding company affiliate's previous application for a voting permit be furnished with a new application, but it is suggested that the documents constituting Exhibit B of the previous application be incorporated by reference in Exhibit B of the new application, and that it be certified that such documents, together with any new documents which may be furnished, constitute the charter or articles of incorporation and by-laws of the holding company affiliate as amended to date.

As a minimum requirement, the other exhibits submitted with the new application should be complete, in accordance with the list of exhibits in Form P-1 and the instructions set forth in X-9456, with respect to all subsidiaries of the applicant and all other organizations with which the applicant or any of its subsidiaries is affiliated which were not covered by the exhibits submitted with the holding company affiliate's previous application for a voting permit, or amendments or supplements thereto. Also, Exhibit D of the new application should include at least a current statement of financial condition of the applicant, showing separately each control account or each principal group or class of assets, liabilities, and net worth. Exhibit G should include at least a list of all subsidiaries of the applicant and all other organizations with which the applicant or any of its subsidiaries is affiliated, including organizations which were covered by Exhibit G of the previous application for a voting permit, together with full information with respect to the functions and relationships of the latter organizations if substantial changes have occurred since the information in the previous application or supplements thereto was filed.

The nature and extent of further detailed information to be furnished by the applicant with regard to its financial condition and management, and with regard to other organizations which were covered by the previous application or amendments or supplements thereto would depend on the circumstances
"of the case, such as the relative importance of the additional banks, other changes in the composition of the group, the nature and extent of information already available from reports of examination, and whether the latest information furnished by the holding company affiliate in connection with its previous application for a voting permit is reasonably current."

"It is the Board's desire to avoid placing any unnecessary burden upon a holding company affiliate in connection with the information required to be submitted with a new application for a voting permit. It is important, however, that the information furnished with a new application set out clearly the existing situation in the group in order that the Board may be informed with regard to all significant changes that have occurred since the filing of the previous application or amendments or supplements thereto. In general, it is necessary, of course, that the current information be adequate for the purposes of the Federal Reserve Bank in making its recommendations to the Board, and for consideration by the Board, as required by law, of the financial condition of the applicant, the general character of its management, and the probable effect of the granting of the permit upon the affairs of the subsidiary banks."

"It is noted from your letter of July 27, 1937, that Transamerica Corporation did not indicate its position with regard to future acquisitions. In this connection, it is suggested that, if a holding company affiliate has acquired control of member banks subsequent to the issuance to it of a general voting permit and is engaged in a program looking toward further expansion or reorganization at an early date, the filing of a new application for voting permit might, in the absence of immediate need for such permit, be deferred until the entire program has been completed, in order to avoid the burden or inconvenience to the holding company affiliate which might result from filing several new applications with necessary supporting details in each case. It is important, however, that a new application be filed at a sufficiently early date to allow ample time for consideration by the Federal Reserve Bank and the Board of the issuance of a general voting permit prior to the next regular annual meetings or special meetings of the shareholders of the banks named in Exhibit A of the new application. Of course, as heretofore, while an application for a voting permit is pending before the Board, Exhibit A of such application may be amended to include additional banks which become subsidiaries of the applicant after the application is filed."
"Attention is directed also to the fact that if a State member bank becomes a subsidiary of a holding company affiliate, such bank must, under the provisions of section 9 of the Federal Reserve Act and section 3 of the Board's Regulation P, obtain from its holding company affiliate an agreement in the form of Exhibit P (Form P-5) within 90 days after the bank becomes a subsidiary, and that such agreement must be filed promptly, irrespective of when an application for a voting permit covering such bank is filed."

Approved unanimously.

Letter to Mr. Donald S. Thompson, Acting Chief of the Division of Research and Statistics of the Federal Deposit Insurance Corporation, reading as follows:

"Reference is made to your letter of July 9 requesting statistics of branch, group and chain bank suspensions and lists showing the names, locations, deposits and dates of suspension of all banks, of banks with branches, and of banks in groups and chains which have suspended since 1921.

The statistics to which you refer on suspensions of banks with branches and of banks in groups contained in the respective studies of the Committee on Branch, Group and Chain Banking have been brought up to date through 1935 and can readily be brought up to date through 1936. The current tabulations are not, however, in the same form as those in the Committee studies to which you refer. Accordingly, it is suggested that you advise our Division of Bank Operations in what detail you want the statistics on suspension of branch and group banks, whereupon they will be furnished to you. We shall also furnish you, for your confidential use, with a list of banks supporting the statistics of branch bank suspensions and a list supporting the statistics of group bank suspensions.

The information on chain bank suspensions contained in the report of the Committee on Branch, Group and Chain Banking has not been brought up to date and we are not, therefore, in a position to furnish you with a list of such banks which have suspended. It is not clear as yet whether satisfactory statistics of chain bank suspensions can be compiled for the period 1932-1936 from available information. If, however, we do make such a compilation, we shall be glad to furnish you with statistics on chain bank suspensions for the period 1921-1936, together with a supporting list of the chain banks that suspended."
"We recently completed our statistical analyses of bank suspensions during the period 1921-1936 by geographic divisions, States, months, years, size and class of bank, and size of town. These were published in the September issue of the Federal Reserve Bulletin, pages 866-910. These statistics are supported by an individual schedule prepared for the Committee on Branch, Group and Chain Banking covering each bank suspended during the period 1921-1930 and an individual card covering each bank suspended during the period 1931-1936, showing the name, location, deposits, date of suspension, etc., of the bank. We do not, however, have available a list of these banks, of which there are approximately 15,000. Such a list could, of course, be prepared from our records, but it would require pulling from our files of the individual statements and cards, sorting, verifying, typing, etc. If, as indicated over the telephone to Mr. Kennedy, the large work sheets for the period 1921-1930 used by the Committee on Branch, Group and Chain Banking, with which you are familiar, together with the accompanying key list showing the names of the banks involved, will serve your purposes it would save the listing of approximately 7,000 banks. We shall be glad to make these sheets and the key list available to you for your confidential use. A list, for your confidential use, covering the approximately 8,000 banks suspended during 1931-1936 will be prepared from our card records if, in accordance with your offer, you will furnish us with the necessary typists and clerks for the work. Detailed arrangements for this purpose should be made directly with the Division of Bank Operations."

Approved unanimously.

Memorandum dated September 14, 1937, from the Personnel Committee recommending, for the reasons stated, that the Board assume the cost of luncheons served to (1) the members and Secretary of the Federal Advisory Council, the members and Secretary of the Presidents' Conference, the visiting members of the Federal Open Market Committee and its executive committee, and the visiting members of the staff of the Federal Open Market Committee, and (2) directors, officers
and employees of Federal reserve banks who are served luncheons as 
guests of members of the Board or its staff.

The memorandum also recommended that the Secretary or an As-
sistant Secretary be authorized to approve for payment by the Board 
luncheon checks covering meals served the groups referred to in No. 
1 above and that the members of the Board and the members of the 
staff who are admitted to the large dining room be authorized to ap-
prove for payment by the Board luncheon checks covering meals served 
to visiting officials of the Federal Reserve System by signing in each 
case the name of the visiting official as a guest followed by the name 
of the member of the Board or its staff of whom the visiting official 
is a guest.

Approved unanimously.

Memorandum dated September 16, 1937, from Mr. Kramer recom-
mending that the Board approve the payment to the George A. Fuller 
Company of $341,024.00 on the contract price for the Board's new 
building, which would leave the sum of $80,000 as an unpaid balance 
consisting of $20,000 for uncompleted work, $10,000 for the replace-
ment of the granite bowl of the west fountain, and $50,000 as a maxi-
mum to cover adjustment of liquidated damages for delay under the 
contract. Mr. Kramer's recommendation had been approved by the Per-
sonnel Committee.

Approved unanimously.
Thereupon the meeting adjourned.

Assistant Secretary.

Approved:

Vice Chairman.