

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, September 20, 1937, at 11:30 a.m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. Broderick
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 17, 1937, were approved unanimously.

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

"Reference is made to your letter of September 14 regarding changes in the list of the employees of the Cincinnati Branch who have been designated as assistant examiners for the purpose of lending temporary assistance to your regular examining staff.

"In accordance with your recommendation, the Board approves the designation of the following employees as assistant examiners:

Clyde Daniel	H. C. Kohte
I. C. Baker	R. C. Brannon
Geo. Frede	Robert Schafer

Approval has been given with the understanding, of course, that such employees will be used only to lend temporary assistance to your regular examiners, and will not be transferred permanently to examination work without the Board's approval.

"In accordance with your advice, the names of the following employees have been removed from the list of employees who have been designated as assistant examiners in order to furnish temporary assistance to your regular examining staff:

Wm. H. Baehr	Howard E. Taylor
Lester Dieringer	Arthur F. Wiegand, Jr."

Approved unanimously.

9/20/37

-2-

Letter dated September 18, 1937, to the Presidents of all Federal reserve banks, reading as follows:

"There are inclosed herewith twelve copies of a tentative draft (L-501) of an amendment to the Board's Regulation F which would permit the operation of Common Trust Funds by national banks.

"It is requested that the tentative draft of amendment be considered by the appropriate officers of your bank, including the counsel for the bank, and that you forward to the Board your comments and suggestions thereon at the earliest practicable date and not later than thirty days from the date of this letter.

"Under the provisions of section 169 of the Revenue Act of 1936 not only national banks but any bank operating a Common Trust Fund in conformity with the Board's regulation applicable to national banks would be entitled to certain tax exemptions. Accordingly, it is requested that you furnish copies of the tentative draft of amendment to the State banking authorities in each of the States in your district for their information and comments and forward any comments received from the State banking authorities to the Board at the same time you forward your own comments.

"It has been suggested that the provisions of subsection (b) of section 6 of Regulation F relating to a committee which may, among other things, approve the acceptance of trust accounts should be construed to the effect that such committee may be composed of officers or directors of the bank and not merely of directors. It is requested that this suggestion be considered by the appropriate officers of your bank, including the counsel for the bank, and that the Board be furnished with your comments as to whether or not subsection (b) should be amended so as clearly to provide that the committee referred to therein may be composed of capable and experienced officers as well as directors.

"The provisions of subsection (c) of section 6 of Regulation F relating to a trust investment committee contemplate that there shall be only one such committee for each bank. It has been represented to the Board that in some instances the provisions of the regulation in this respect are impractical unless alternates may serve in place of regular members of the committee when the regular members are unable to serve on account of illness, vacations, or other duties. It has been suggested that it might be appropriate for the Board to amend the regulation by adding the following footnote to subsection (c) of section 6:

'It is contemplated that there shall be a committee the members of which shall have a continuity of responsibility for the discharge of the duties of the

9/20/37

-3-

"committee. However, alternates appointed by the board of directors may serve in place of regular members of the committee who are unable to serve on account of vacations, illness, or other good and sufficient reasons if the service is under such circumstances that it does not destroy continuity of responsibility of the members of the committee and if, whenever an alternate serves in the place of a regular member of the committee, the minutes of the committee show the reason for such service in place of the regular member.'

"It may be stated that this suggested amendment would represent an extension of a previous ruling of the Board permitting service by alternates when regular members of the committee are absent from the bank and that the suggested amendment would apply not only to cases where regular members are absent from the bank but also to cases where they are present in the bank but are unable to serve.

"It is requested that the appropriate officers of your bank, including the counsel for the bank, consider this suggested amendment to subsection (c) and that you forward to the Board your comments and suggestions thereon."

Approved unanimously, together with a letter of the same date to Mr. Tom K. Smith, President of the American Bankers Association, reading as follows:

"There are inclosed herewith twelve copies of a tentative draft (L-501) of an amendment to the Board's Regulation F which would permit the operation of Common Trust Funds by national banks. Your attention is invited to the fact that under the provisions of section 169 of the Revenue Act of 1936 any bank operating a Common Trust Fund in conformity with the Board's regulation applicable to national banks would be entitled to certain tax exemptions.

"The Board will be glad to have any comments or suggestions which the American Bankers Association may care to submit regarding this draft and it will be appreciated if you will submit any such comments or suggestions at the earliest practicable date. The inclosed draft has been prepared by the Board's staff after consideration of certain suggestions received from a committee of the Trust Division of the American Bankers Association but it has not been acted upon by the Board and you will understand, of course, that it is not intended for publication.

"It has been suggested that the provisions of subsection (b) of section 6 of Regulation F relating to a committee which may, among other things, approve the acceptance of trust

9/20/37

-4-

"accounts should be construed to the effect that such committee may be composed of officers or directors of the bank and not merely of directors. The Board will be glad to have any comments which your Association may care to submit as to whether or not subsection (b) should be amended so as clearly to provide that the committee referred to therein may be composed of capable and experienced officers as well as directors.

"The provisions of subsection (c) of section 6 of Regulation F relating to a trust investment committee contemplate that there shall be only one such committee for each bank. It has been represented to the Board that in some instances the provisions of the regulation in this respect are impractical unless alternates may serve in place of regular members of the committee when the regular members are unable to serve on account of illness, vacations, or other duties. It has been suggested that it might be appropriate for the Board to amend the regulation by adding the following footnote to subsection (c) of section 6:

'It is contemplated that there shall be a committee the members of which shall have a continuity of responsibility for the discharge of the duties of the committee. However, alternates appointed by the board of directors may serve in place of regular members of the committee who are unable to serve on account of vacations, illness, or other good and sufficient reasons if the service is under such circumstances that it does not destroy continuity of responsibility of the members of the committee and if, whenever an alternate serves in the place of a regular member of the committee, the minutes of the committee show the reason for such service in place of the regular member.'

"It may be stated that this suggested amendment would represent an extension of a previous ruling of the Board permitting service by alternates when regular members of the committee are absent from the bank and that the suggested amendment would apply not only to cases where regular members are absent from the bank but also to cases where they are present in the bank but are unable to serve.

"The Board will be glad to have any comments which your Association may care to submit with regard to this suggested amendment to subsection (c)."

In connection with the above matter, unanimous approval was also given to letters dated September 18, 1937, to Mr. Walter Lichtenstein, Secretary of the Federal Advisory Council, Honorable J. F. T. O'Connor, Comptroller of the Currency, and the Federal Deposit Insurance

9/20/37

-5-

Corporation stating that the Board will be glad to have any comments or suggestions that they may care to submit regarding the proposed amendments to Regulation F.

Letter dated September 18, 1937, to Mr. Walter Lichtenstein, Secretary of the Federal Advisory Council, reading as follows:

"Reference is made to your letter of September 3, 1937, advising that the next meeting of the Federal Advisory Council will be held in Washington on Thursday and Friday, October 7 and 8, 1937, and requesting advice of the topics which the Board of Governors desires the Council to discuss at that time.

"The Board has been giving consideration to certain proposed amendments to its Regulation 'F', Trust Powers of National Banks, one of which would permit the operation of common trust funds by national banks. A separate letter with respect to these amendments is going forward to you today, and while it may not be possible for the members of the Council to submit their comments or suggestions with respect thereto at the time of their meeting, they may wish to place the matter on the program for discussion.

"The Board of Governors will be pleased to meet with the Council on October 8 and wishes to extend to the members of the Council an invitation to luncheon in the dining room of its new building on that day."

Approved unanimously.

Memorandum dated September 9, 1937, from Mr. Carpenter, Assistant Secretary, recommending, for the reasons stated in the memorandum, that the sum of \$250 be added to the printing budget of the Secretary's Office to meet necessary expenditures for printing for the balance of the year.

Approved unanimously.

There was presented a recommendation, which had been approved by the Personnel Committee, that the Board authorize the payment of a


9/20/37

-6-

voucher in the amount of \$702.00, for additional electrical work in the new building as shown on change sheets numbered RB-7 and 70, as well as the purchase of bulletin and key boards and desk pads, the furnishing and installation of a bronze bumper for the "C" Street vestibule doors, the removal of certain plate glass in the Board members' section and in Room 2266, additional electrical work in the building, the changing of the motor on a checkwriter in the Fiscal Agent's office, and the furnishing of all labor and material to install towel bars, as listed in purchase orders Nos. 2076, 2105, 2109, 2110, 2113, 2120 and 2135, at a total cost of \$597.36.

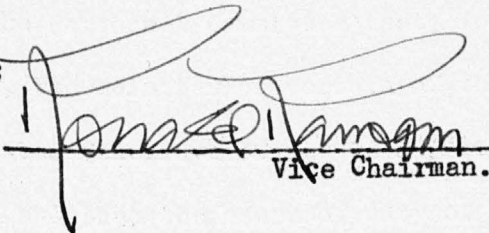
Approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Vice Chairman.