

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, December 18, 1937, at 11:45 a. m.

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

Letter to Mr. Newton, President of the Federal Reserve Bank of Atlanta, reading as follows:

"In accordance with the recommendation contained in your letter of December 11, 1937, the Board approves the designation of Mr. Parker, First Vice President of the bank, as the officer to supervise the bank examination department under the procedure outlined in the Board's letter of August 20, 1936, regarding the transfer to the Federal Reserve banks of the non-statutory functions which had theretofore been performed by the Federal Reserve Agents.

"The Board approves also the designation of Mr. Parker as an examiner for the Federal Reserve Bank of Atlanta."

Approved unanimously.

Letter to the board of directors of "The Oakland County State Bank", Milford, Michigan, stating that, subject to the conditions of

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membership numbered 1 to 3 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:

- "4. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures.
- "5. Prior to admission to membership such bank shall increase the aggregate of its capital and surplus by not less than \$25,000."

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 Oakland County State Bank', Milford, Michigan, for membership in the Federal Reserve System, subject to the conditions prescribed in the inclosed 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 Commissioner of the Banking Department for the State of Michigan for his information.

"It has been noted from the presentation memorandum accompanying the application that, in the event the bank completes its membership, you will call attention to the necessity of transferring from savings deposits certain accounts which do not conform to the provisions of the Board's Regulation Q, and that the institution will be requested to reduce the balance with a nonmember bank to within the limitations fixed by section 19 of the Federal Reserve Act.

"The report of examination for membership discloses that there has been considerable activity in the bank's investment account during this year, which activity in the opinion of the examiner has the appearance of an attempt to speculate in the account. The examiner also pointed out

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"that the same tendency is apparent in The Wayne State Bank, Wayne, Michigan, a member bank which is under the same domination as the applicant, and it has been noted that reports of examination of that bank contain repeated criticisms for infractions of the provisions of Section 5136 U.S.R.S. In view of the comments of the examiner with respect to the investment activities of the applicant and The Wayne State Bank, it is assumed that it will be made clear to the management of the applicant that, as a member bank, strict compliance with both the spirit and the letter of the provisions of Section 5136 and the Comptroller's regulations issued pursuant thereto will be expected."

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

"Reference is made to your letter of December 14, 1937, recommending that the Board interpose no objection to the recent purchase of a new bank building by the 'Peoples State Bank of Bronson', Bronson, Michigan, which through inadvertence, was not submitted to the Board in advance as required by the provisions of condition of membership numbered 8.

"It is noted that on October 22, the bank sold for the consideration of \$7,500 its old bank building and fixtures which were carried on its books at \$3,873 and \$1,330, respectively, and that on the same date it purchased for \$7,500 the former national bank building and fixtures which it carries at \$6,000 and \$1,500, respectively.

"As stated in your letter the investment made by the bank in banking premises does not appear to be unduly large and in accordance with your recommendation the Board interposes no objection to such investment."

Approved unanimously.

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

"The application of 'The City National Bank of South Bend', South Bend, Indiana, for full fiduciary powers which was transmitted to the Board with your letter of December 3, 1937, was, in accordance with the usual practice,

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"referred to the Comptroller of the Currency for a recommendation in the premises.

"There is inclosed herewith a copy of the reply received from the office of the Comptroller of the Currency, which is self-explanatory, and in view of which action on the application in question is being deferred awaiting further advice from that office."

Approved unanimously.

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

"Reference is made to your letter of November 19 regarding the question whether a loan is subject to Regulation U if the loan was made to purchase a stock and the stock was registered on a national securities exchange at the time the loan was made but has since become unregistered.

"As you point out in your letter, the ruling contained in the Board's letter (S-31, Reg. U-20) of September 2, 1937 and published at page 995 of the October, 1937 Federal Reserve Bulletin dealt with the converse situation in which a stock had become registered after the loan was made. That ruling stated that the question of whether or not the loan there in question was made for the purpose of purchasing or carrying a stock 'registered on a national securities exchange' should be determined on the basis of the present status of the stock.

"The Board agrees with your view that, at least under the existing regulation, the question now presented should also be determined on the basis of the present status of the stock and that, accordingly, in the circumstances described, the loan would not be subject to the regulation."

Approved unanimously.

Letter to Honorable William G. McAdoo, United States Senate, reading as follows:

"This refers to your letter of December 8, 1937, requesting information relating to holding company affiliates and banks controlled by them.

"In compliance with your request, there are inclosed a list of holding company affiliates and a tabulation of the

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"number and aggregate resources of the banks controlled by such holding company affiliates, arranged by States, which have been compiled on the basis of the latest information readily available to the Board in connection with the issuance of voting permits pursuant to the applicable provisions of the Banking Act of 1933.

"The holding company affiliates which now hold general voting permits are indicated on the list by asterisks. The list does not include organizations which have been determined by the Board, pursuant to section 2(c) of the Banking Act of 1933, as amended, not to be engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, and which therefore are not holding company affiliates except for the purposes of section 23A of the Federal Reserve Act and are not subject to the statutory requirements regarding voting permits.

"As you know, the law does not require an organization which controls only nonmember banks to obtain a permit from the Board or to submit information such as is required in connection with the issuance of voting permits to holding company affiliates controlling member banks. It is regretted that sufficient information is, therefore, not readily available to the Board to comply with your request with respect to nonmember bank groups at the present time."

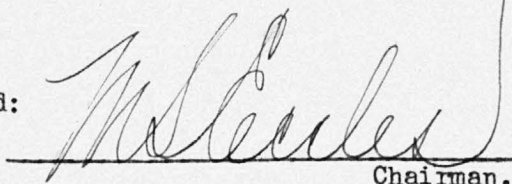
Approved unanimously.

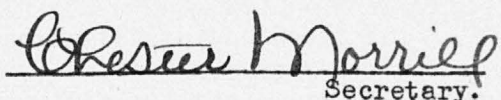
Memorandum dated November 16, 1937, from Mr. Morrill submitting for approval by the Board drafts of entries for the policy records, required by Section 10 of the Federal Reserve Act to be kept by the Board, covering actions taken by the Federal Open Market Committee and the Board of Governors on September 12, 1937.

Approved unanimously.

Thereupon the meeting adjourned.

Approved:


Chairman.


Secretary.