

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, January 6, 1938, at 11:00 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 January 5, 1938, were approved unanimously.

Bonds, in the amount of \$100,000 executed under date of January 1, 1938, by Mr. Frank H. Neely as Federal Reserve Agent at the Federal Reserve Bank of Atlanta, and in the amount of \$50,000 executed under date of December 30, 1937, by Mr. Robert W. Bullock as Alternate Assistant Federal Reserve Agent at the Federal Reserve Bank of New York.

Approved unanimously.

Telegrams to Mr. Young, Secretary of the Federal Reserve Bank of Chicago, Mr. Thomas, Chairman of the Federal Reserve Bank of Kansas City, and Mr. Stewart, Chairman of the Federal Reserve Bank of San

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Francisco, stating that the Board approves the establishment without change by the respective banks today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Letter to Mr. Young, Vice President of the Federal Reserve Bank of Chicago, reading as follows. It was stated that the standard condition with respect to the collective investment of trust funds had been modified, as shown in the proposed letter, in accordance with the recent amendment of Regulation F which authorized national banks exercising trust powers to maintain common trust funds, and that it was contemplated that the revised condition would be the standard condition prescribed in connection with future applications for membership:

"The Board of Governors of the Federal Reserve System approves the application of the 'Washington State Bank', Washington, Iowa, for permission, under the provisions of its condition of membership numbered 1, to exercise the fiduciary powers authorized under its charter and the laws of the State of Iowa. The Board's approval is given subject to acceptance by the bank of the following conditions prescribed in connection with the admission to membership of banks having trust powers:

1. Such bank shall not invest funds held by it as fiduciary in obligations of or property acquired from the bank or its directors, officers, employees, members of their families, or their interests, or in obligations of or property acquired from affiliates of the bank.
2. Such bank, except as permitted in the case of national banks exercising fiduciary powers, shall not invest collectively funds held by the bank as fiduciary and shall keep the securities and investments of each trust separate from those

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"of all other trusts and separate also from the properties of the bank itself.

3. If funds held by such bank as fiduciary are deposited in its commercial or savings department or otherwise used in the conduct of its business, it shall deposit with its trust department security in the same manner and to the same extent as is required of national banks exercising fiduciary powers.

"You are requested to advise the Washington State Bank, Washington, Iowa, of the Board's action, and to obtain an appropriate resolution of the board of directors of the bank accepting these conditions and forward a certified copy thereof to the Board.

"It is requested also that the bank be furnished with a copy of Regulation F as amended and that specific attention be called to sections 10(c) and 17 thereof in connection with the condition of membership regarding the collective investment of trust funds. You will note that, in view of the recent amendments to Regulation F, such condition of membership has been revised."

Approved unanimously.

Memorandum dated December 31, 1937, from Mr. Morrill submitting for approval by the Board a draft of entries for the policy record required by section 10 of the Federal Reserve Act to be kept by the Board, covering actions taken by the Board on December 3, 1937, with respect to the revision of Regulation T, Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges, to become effective January 1, 1938, and an amendment to the old Regulation T, prescribing the method by which brokers, prior to January 1, 1938, might separate customers' outstanding transactions in commodity futures from customers' security accounts.

Approved unanimously.

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Letter to the Presidents of all Federal reserve banks, reading as follows:

"There is attached a copy of a letter which the Securities and Exchange Commission recently referred to the Board from Mr. J. W. Brislawn, Secretary of the Washington Bankers Association. It will be noted that this letter asked how nonmember banks are informed of rulings under Regulation U, and that the reply, of which a copy is also attached, indicated that arrangements were being considered for bringing such rulings specifically to the attention of nonmember banks.

"It seems preferable for such advice to come to a nonmember bank from the Federal Reserve bank of its district rather than from the Board of Governors in Washington. Accordingly, it will be appreciated if you will send to each nonmember bank in your district copies of all rulings regarding Regulation U that have been published in the Federal Reserve Bulletin, indicating those superseded by amendments, and arrange to send such banks copies of all such rulings that may be published in the future. For your convenience there is attached a list indicating such rulings that have been published, and also indicating those which have been superseded by amendments.

"It is suggested that, in order to avoid any misunderstanding it be made clear to the nonmember banks that copies of the rulings are being sent to them merely in order to assist them in keeping currently informed regarding interpretations of the regulation, copies of the regulation having been forwarded to them when it was last reprinted. You also might take the opportunity to point out that inquiries regarding the regulation should be submitted to your bank rather than to the Board, and that your bank will be glad to be of assistance in connection with such questions.

"The Board wishes to leave the procedure in this matter entirely to the discretion of each Federal Reserve bank. However, if any Federal Reserve bank should desire, the Board would be glad to mimeograph copies of past or future published rulings regarding Regulation U and forward them to the Reserve bank to be distributed to the nonmember banks in its district. In the case of such rulings published in the future, the Board would be glad to have additional copies printed from the Bulletin type and forwarded to any Reserve bank that would like to use such copies.

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"It will be appreciated if you will advise the Board as to the procedure which you adopt in this connection and as to whether you would like to have the Board supply your bank with any mimeographed or printed copies of rulings."

Approved unanimously.

Thereupon the meeting adjourned.

Orestes Morrie
Secretary.

Approved:

W. S. ...
Chairman.