A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, January 18, 1938, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
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 17, 1938, were approved unanimously.

Letter to Mr. Hale, Acting Secretary of the Federal Reserve Bank of San Francisco, reading as follows:

"In accordance with the request contained in your letter of January 10, the Board of Governors approves the fees and allowances fixed by your Board for the directors of the Federal Reserve Bank of San Francisco and its branches for the year 1938, which it is understood are the same as the fees and allowances paid by the bank in 1937.

"In the Board's telegram of March 11, 1936 your bank was authorized, until further notice, to pay to the member of the Federal Advisory Council representing your district not to exceed $750.00 for each meeting of the Federal Advisory Council attended."

Approved unanimously.

Letter to the board of directors of the "First State Bank of Taos", Taos, New Mexico, stating that, subject to conditions of
membership numbered 1 to 3 contained in the Board's Regulation H and
the following additional conditions, the Board approves the bank's ap-
plication for membership in the Federal Reserve System and for the
appropriate amount of stock in the Federal Reserve Bank of Kansas City:

"4. Such bank shall make adequate provision for depre-
ciation in its furniture and fixtures.

"5. Prior to admission to membership, such bank, if it
has not already done so, shall charge off or other-
wise eliminate estimated losses of $2,776.62, as shown
in the report of examination of such bank as of
November 29, 1937, made by an examiner for the Fed-
eral Reserve Bank of Kansas City."

Approved unanimously, together with
a letter to Mr. Hamilton, President of the
Federal Reserve Bank of Kansas City, read-
ing as follows:

"The Board of Governors of the Federal Reserve System
approves the application of the 'First State Bank of Taos',
Taos, New Mexico, 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 State
Bank Examiner of the State of New Mexico for his informa-
tion.

"It has been noted that, under the Certificate of In-
corporation and by-laws of the bank, the number of its
directors shall not be less than three. As you know, under
the provisions of section 31 of the Banking Act of 1933,
as amended, the directorate of a State member bank shall
consist of not less than five nor more than twenty-five
members. While it appears that the First State Bank of
Taos had five directors at the time of the examination for
membership, it is suggested that you call its attention
to the provisions of section 31 and to the desirability
of taking appropriate action to amend its by-laws to pro-
vide for a minimum of at least five directors in order to
avoid the possibility of any violation of such provisions
in the future."
"It is assumed that, upon the receipt thereof, you will forward a copy of the documentary evidence which you have requested from the bank in connection with the amendments which have been made to its Certificate of Incorporation."

Letter to "The Peoples National Bank of Parkersburg", Parkersburg, West Virginia, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for permission to exercise fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of West Virginia, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System."

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously.

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

"As you know, section 10(c) of the Board's Regulation F, as amended effective December 31, 1937, provides that funds received or held by a national bank as fiduciary shall not be invested collectively except as permitted in section 17 of the regulation.

"In the circumstances, the Board has revised its standard condition of membership numbered 5, as contained in Regulation H, to read as follows:

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

The Board will prescribe the revised condition in the future for all applying State banks and trust companies exercising trust powers at the time of their admission to membership, and in any case in which you are furnished with telegraphic advice of the Board's approval of the particular application, through the use of the code word 'ANCHOROOT', as defined in the Board's letter of February 11, 1936 (X-9486), the reference to condition numbered 5 will mean such revised condition.

The Board feels that any State member bank or trust company which has accepted condition numbered 5, as contained in Regulation H, or a condition having a similar effect, should be permitted to make collective investments of trust funds under the same circumstances and subject to the same requirements as are applicable to national banks. Accordingly, you are authorized, on behalf of the Board, to advise any such bank or trust company in your district that a compliance with the provisions of sections 10(c) and 17 of Regulation F will be considered a compliance with the requirements of the condition to which the institution is subject."

Approved unanimously.

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

"There is attached a copy of a ruling which will be published in the Federal Reserve Bulletin regarding ' Guarantees of Accounts Under Revised Regulation T'. If you deem it advisable you may send copies of this ruling to any national securities exchanges in your district and advise them of the fact that it will appear in the Bulletin."

Approved unanimously.

The ruling referred to above read as follows:

"The Board has recently considered several questions regarding the provisions of section 6(c) of revised Regulation T which relate to guaranteed accounts."
Section 6(c) provides that in order for a guarantee to be given effect pursuant to that provision a duplicate original of the guarantee must have been filed with the secretary of a national securities exchange of which the creditor is a member or through which his transactions are effected. In response to a question as to whether this requirement would be satisfied if the creditor filed the original guarantee with the secretary of an appropriate exchange and merely kept a facsimile for his own records, the Board expressed the opinion that such procedure would comply with the filing requirements of section 6(c).

The Board also stated that if a guarantee was outstanding under the old regulation the adjustments made for such a guarantee pursuant to the old regulation need not be carried over to the new regulation. In effect, all adjustments for guarantees under the old regulation may be considered as having been automatically eliminated so far as the new regulation is concerned, and transactions effected under the old regulation pursuant to such an old guarantee need no longer be reflected in the guarantor's account.

A guarantee may not be given effect under section 6(c) if the guarantor is a creditor. The term 'creditor' as defined in section 2(b) of the regulation includes, among other persons, every member of a national securities exchange, and the term 'member' as defined in section 3(a)(3) of the Securities Exchange Act of 1934 includes, among other persons, 'any firm transacting a business as broker or dealer of which a member is a partner, and any partner of any such firm'. Accordingly, a partner of a member firm is a creditor within the meaning of this provision regardless of whether or not he holds an exchange membership, and a guarantee executed by such a partner may not be given effect under section 6(c) of the regulation.

Thereupon the meeting adjourned.

Approved:

[Signature]
Chairman.

[Signature]
Secretary.