

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, January 27, 1938, at 11:30 a. m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee
Mr. Davis

Mr. Morrill, Secretary
Mr. Bethea, 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 25, 1938, were approved unanimously.

Letter dated January 26, 1938, to Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, reading as follows:

"Referring to your letter of January 24, 1938, the Board approves a salary at the rate of \$25,000 per annum for Mr. J. S. Sinclair, President of the Federal Reserve Bank of Philadelphia, for the calendar year 1938, which salary is the same as that fixed by your board of directors."

Approved unanimously.

Letter to Mr. Helm, Secretary pro tem of the Federal Reserve Bank of Kansas City, reading as follows:

"Referring to your letter of January 20, 1938, the Board approves the reappointment of Messrs. R. L. Gray,

1/27/38

-2-

"Walter J. Berkowitz, D. Bruce Forrester, Ed. S. Miller, and L. F. Rooney as members of the Industrial Advisory Committee for the Tenth Federal Reserve District to serve for terms of one year each, beginning on March 1, 1938."

Approved unanimously.

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

"This refers to your letter of December 22, 1937, to Mr. Paulger and to the copy of a letter inclosed therein from Mr. Heyward E. Boyce, President of the Maryland Trust Company, Baltimore, Maryland, with reference to the question whether certain repurchase agreements comply with the requirements of the regulation of the Comptroller of the Currency governing the purchase of investment securities.

"It is understood that the Maryland Trust Company from time to time purchases on the open market bonds of the Houston Oil Company and the Houston Natural Gas Company at the request of the companies and pursuant to an agreement by the companies to repurchase the bonds from the trust company on a definite date and at the cost to the trust company. These purchases are made in order to enable the companies to acquire bonds for retirement pursuant to sinking fund provisions.

"It is noted that Mr. Boyce suggests that the securities were acquired for the account of the issuing companies and not for the account of the Maryland Trust Company and, accordingly, that in the transactions referred to the test is not the rating given by recognized rating services but rather the credit and ability of the companies to meet their repurchase obligations. However, it appears that the trust company used its own funds to acquire the bonds and received no payment from the issuing companies until the time of the purchase by them from the trust company. In such circumstances it seems clear that the securities were purchased and held during such period by the trust company for its own account. Member banks may purchase investment securities for their own account only in accordance with the provisions of section 5136 of the Revised Statutes and the Comptroller's regulation issued pursuant thereto and, accordingly, the provisions of the regulation are applicable

1/27/38

-3-

"to the purchase of these securities by the Maryland Trust Company.

"With respect to the question whether the agreements between the trust company and the issuing companies comply with the requirements of subdivision (6) of section II of the Comptroller's regulation, it may be said that they do not appear to fall literally within the terms of any one of the three paragraphs of that subdivision. However, in substance though not in form they appear to comply with the provisions of paragraph (b) of subdivision (6), and accordingly no objection will be made to the use of such agreements, if the bonds are eligible for purchase by the trust company and the transaction otherwise complies with the requirements of the regulation. This statement refers only to the agreements under which the issuing companies agree to repurchase the bonds at the cost to the trust company. Mr. Boyce's letter indicated that some of the agreements had provided that the bonds were to be repurchased by the issuing companies at par, but it appears that such agreements would not comply with the requirements of the regulation unless the bonds were purchased by the trust company at par or less.

"It will be appreciated if you will advise the Maryland Trust Company of the views expressed herein."

Approved unanimously.

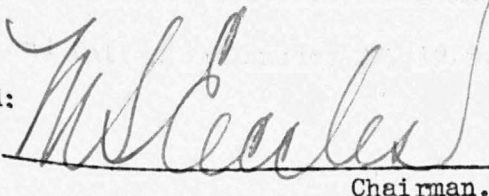
Letter to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, reading as follows:

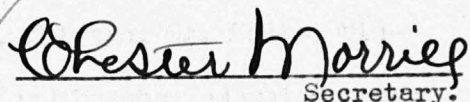
"In view of the statements contained in your letter of January 24, with respect to the problematical value of the premises now occupied by the Helena Branch, the Board approves the action taken by your bank in making a charge-off, \$4,999, sufficient to reduce the book value of that property to \$1."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:


Chairman.


Secretary.