

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, February 24, 1938, at 11:30 a. m.

PRESENT: 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 February 15, 1938, were approved unanimously.

The minutes of the meetings of the Board of Governors of the Federal Reserve System held on February 17, 18, 19, 21 and 23, 1938, were approved and the actions recorded therein were ratified unanimously.

The minutes of the meeting of the Board of Governors of the Federal Reserve System with the Federal Advisory Council held on February 15, 1938, were approved unanimously.

Memorandum dated February 21, 1938, addressed to Mr. Morrill by Mr. Spurney, Building Manager, recommending, for the reason stated in the memorandum, the dismissal of Mrs. Grace Seebold, a charwoman

2/24/38

-2-

on the Board's staff, effective at the close of business on February 15, 1938. Mr. Morrill had noted on the memorandum his approval of Mr. Spurney's recommendation and recommended further that no unused leave accruing to Mrs. Seebold be allowed.

Approved unanimously.

Memorandum dated February 23, 1938, from Mr. Noell, Assistant Secretary, recommending that Rutledge Wheeler, porter, be granted an additional leave of absence with pay on account of illness for a period of thirty days beginning March 2, 1938.

Approved unanimously.

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

"Receipt is acknowledged of your letter of February 18, 1938, advising that the Board of Directors of your bank at a meeting held on February 17, 1938 reappointed Mr. O. P. Cordill as Assistant Cashier of the Omaha branch, and that Mr. William Phillips, Assistant Cashier of the Omaha branch was appointed Assistant Cashier of the Denver branch, effective April 1, 1938, both to serve the remainder of the current year. The Board approves the payment of a salary at the rate of \$4,800 per annum to Mr. Phillips as Assistant Cashier of the Denver branch, effective April 1, 1938. The salary of Mr. Cordill, Assistant Cashier of the Omaha branch, was approved by the Board of Governors on January 15, 1938.

"It is noted from your letter that Mr. J. W. Jones, Assistant Cashier of the Denver branch has been given notice of more than sixty days that his services will not be required after March 31, 1938."

Approved unanimously.

Letter to Mr. Gidney, Vice President of the Federal Reserve Bank of New York, reading as follows:

2/24/38

-3-

"This refers to your letters of January 18 and January 24, 1938, and inclosures, regarding an application by 'Bankers Trust Company', New York, New York, for permission under the provisions of section 25 of the Federal Reserve Act to invest an amount not exceeding \$525,000 in the stock of Bankers Company of New York, a Delaware corporation. It is noted that your bank has recommended the approval by the Board of Governors of this application subject to certain conditions.

"The Board of Governors is prepared to grant the requested permission to Bankers Trust Company upon condition that Bankers Company of New York first execute the inclosed agreement and also upon condition that, prior to investing a sum in excess of \$500,000 in the stock of Bankers Company of New York, Bankers Trust Company shall furnish your bank with satisfactory evidence that the Banking Board of the State of New York has approved such investment.

"Upon receipt of the inclosed agreement duly executed by Bankers Company of New York, the Board will address a letter to Bankers Trust Company granting the requested permission and forward it to you for delivery to Bankers Trust Company. In the letter granting the permission, the Board will state that in accordance with the provisions of section 25 of the Federal Reserve Act the investment by Bankers Trust Company in Bankers Company of New York may be held only so long as the terms and conditions of the inclosed agreement are complied with by Bankers Company of New York and by the proposed British company. The letter will also state that the permission is granted upon condition that the proposed investment in Bankers Company of New York be consummated within six months after the date of permission.

"Please have two copies of the inclosed agreement executed by Bankers Company of New York and forward one executed copy thereof to the Board of Governors. The other executed copy of the agreement should be retained for the records of your office."

Approved unanimously.

The agreement referred to in the above letter read as follows:

"In consideration of the granting by the Board of Governors of the Federal Reserve System (hereinafter referred to as the Board) to Bankers Trust Company, New York, New York, of permission to invest an amount not exceeding \$525,000 in the stock of Bankers Company of New York, a

2/24/38

-4-

"corporation organized under the laws of Delaware (hereinafter referred to as Bankers Company), pursuant to an application heretofore filed with the Board by said Bankers Trust Company under the provisions of section 25 of the Federal Reserve Act, Bankers Company hereby undertakes and agrees with the Board as follows:

1. Change in Nature of Business.

- (a) That the character and scope of the business of Bankers Company, which will consist of holding the stock of the proposed British company described in said application, shall not be broadened or changed without first obtaining the approval of the Board and that Bankers Company shall not establish any branch or agency or acquire stock in any other corporation without first obtaining the approval of the Board;
- (b) That the character and scope of the business of the British company, which will consist of exercising fiduciary powers, receiving deposits, making loans, purchasing and selling bills, dealing in foreign exchange, and engaging in other international or foreign banking functions, in London, England, shall not be broadened or changed without first obtaining the approval of the Board;

2. Compliance with Laws and Business Standards.

That Bankers Company shall cause the British company in the conduct of its business to comply with the applicable laws of England and to be guided by sound banking principles and the highest standards of corporate fiduciaries;

3. Examinations and Reports.

- (a) That, at such times as may be fixed by the Board, Bankers Company shall submit to examination by examiners selected by the Board and shall cause the British company to submit to examination by examiners selected by the Board;
- (b) That Bankers Company shall pay the expense of all such examinations in the amount determined by the Board;
- (c) That Bankers Company shall do everything necessary to facilitate such examinations and shall make available to the examiners all information which they may require;
- (d) That Bankers Company shall make reports to the Board at such times and in such form and covering such matters with regard to Bankers Company and the British company as the Board may prescribe;

2/24/38

-5-

"4. Further Limitations and Restrictions.

That Bankers Company shall restrict its operations and conduct its business and cause the operations and business of the British company to be restricted and conducted in such manner and under such other or further limitations and restrictions as the Board may hereafter from time to time prescribe.

This agreement is executed in duplicate."

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

"This refers to your letter of February 18, 1938, advising that at a regular meeting of the board of directors of the Federal Reserve Bank of Kansas City held on February 17, 1938, the by-laws of the Denver Branch were amended, subject to the approval of the Board of Governors, by striking out the first sentence of section 3 of article II relating to the time of meetings, and substituting in lieu thereof the following:

There shall be a regular meeting of the board on the second Wednesday of each month at 12:45 o'clock P. M., or if that day be a holiday, on the first succeeding full business day.

"You are advised that the Board of Governors approves this amendment. It is understood that four copies of the amended by-laws will be forwarded for our files."

Approved unanimously.

Memorandum dated February 17, 1938, from Mr. Smead, Chief of the Division of Bank Operations, recommending that, for the reason stated in the memorandum, Form F.R. 105, report of condition of State member banks, be revised to eliminate item 9 of Schedule E, "Total loans eligible for rediscount with Federal Reserve Bank". The memorandum stated that, while the report forms to be used by national banks for the next call will contain this item, as such forms were originally

2/24/38

-6-

printed for use for the 1937 fall call which was not made, it was understood that the office of the Comptroller of the Currency would eliminate the item from the form used by national banks for future calls if it were eliminated from the Board's Form F.R. 105.

Approved unanimously.

Letter to Mr. Joseph Pasqual, c/o The Washington Hotel Barber Shop, Washington, D. C., reading as follows:

"In accordance with the arrangements worked out between you and Mr. Koppang, the Board agrees to permit the operation of a barber shop and beauty parlor by you in the basement of its building under the following conditions:

The Board will furnish the permanent equipment such as barber, facial and shampoo chairs, mirrors, cabinets, wash bowls, vanities, hair dryers, side chairs, clothes trees and other such equipment as may in its judgment be required. All other necessary equipment, including tools, linen, soaps and other similar items, will be furnished by you.

Fifteen per cent of the gross receipts from operations will be paid to the Board by you as a rental or concession fee. An accounting of receipts and payment of rental fee shall be made to the Board monthly. A review will be made at the end of the first ninety days of operations to determine whether such payment is equitable and, if not, with the view of making any adjustment in the amount thereof that may be satisfactory to you and to the Board.

You will furnish as many barbers and beauty parlor operators, all of whom shall be competent and satisfactory to the Board, as may be required to handle adequately the business and to have at least one qualified operator available for duty in the barber shop and one in the beauty parlor at all times during the regular hours of service.

You will be responsible for the payment of all expenses, including the salaries of your employees and laundry charges, in connection with the operation

2/24/38

-7-

"of the barber shop and the beauty parlor.

The hours of service will be fixed by agreement between you and the Board's representative.

Service will not be available to the general public.

The cleaning of the barber shop and the beauty parlor, other than the washing of windows and the polishing of window bronze, shall be performed by your employees.

This arrangement may be terminated at the request of you or of the Board's representative on thirty days' written notice.

"Kindly advise in writing whether you agree to assume the responsibility of the operation of a barber shop and a beauty parlor in the Federal Reserve Building under the conditions outlined above."

Approved unanimously, with the understanding that the amount to be expended by the Board for permanent equipment will not exceed \$1,500.

Thereupon the meeting adjourned.

Chester Morris
Secretary.

Approved:

Francis J. Mason

Vice Chairman.