

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, April 7, 1938, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Szymczak
Mr. McKee
Mr. Davis
Mr. Draper

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 April 6, 1938, were approved unanimously.

Letter to Mr. Fleming, President of the Federal Reserve Bank of Cleveland, reading as follows:

"In accordance with the request contained in your letter of April 4, the Board approves the appointment of C. Gordon Hieber as an examiner for the Federal Reserve Bank of Cleveland. Please advise us of the date the appointment becomes effective, and also of the date the services of Mr. Reilender as an assistant examiner are terminated.

"It is understood that it is agreeable with Chief Examiner Leyburn's office for Mr. Hieber to leave the national force and accept a position with the Reserve bank."

Approved unanimously.

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

"There is inclosed a copy of a letter dated March 29, 1938, from the firm of Milbank, Tweed & Hope, attorneys for The Chase Bank, with regard to the change in location of the branches of The Chase Bank in Shanghai, Hongkong, and Tientsin, China.

"In a letter dated July 30, 1931, the Board approved the establishment of these branches to be located at 6 Kiu-kiang Road, Shanghai, China, at 6 Queens Road Central,

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"Hongkong, China, and at 1 Victoria Road, Tientsin, China. It will be noted from the inclosed copy of letter that the Shanghai branch was moved to 99 Nanking Road on February 21, 1938; that the Hongkong branch was moved to 15 Queens Road Central on December 16, 1935; and that the Tientsin branch was moved to 80 Victoria Road on May 31, 1937. The Board approves these changes in location.

"It is noted that the failure of the corporation to advise the Board of these changes at the time thereof was through oversight.

"It will be appreciated if you will advise The Chase Bank and Messrs. Milbank, Tweed & Hope in accordance with the above."

Approved unanimously.

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

"This refers to your letter of March 22, 1938, requesting a ruling as to whether the board of directors of a national bank may delegate to executive officers of the bank the power to renew or extend loans made to an executive officer prior to June 16, 1933.

"The pertinent provision of section 22(g) of the Federal Reserve Act provides:

"* * * that loans made to any such officer prior to June 16, 1933, may be renewed or extended for periods expiring not more than five years from such date where the board of directors of the member bank shall have satisfied themselves that such extension or renewal is in the best interest of the bank and that the officer indebted has made reasonable effort to reduce his obligation, these findings to be evidenced by resolution of the board of directors spread upon the minute book of the bank * * *."

"Similar requirements are contained in section 4 of Regulation O.

"The fact that the statute requires a 'resolution of the board of directors' spread upon the minute book of the bank as evidence that the 'board of directors' shall have satisfied 'themselves' as to the matters specified makes it clear that Congress contemplated action by the board of directors and not by a committee or officers of the bank. You are advised, therefore, that in order that a loan to an executive officer made prior to June 16, 1933, may be validly renewed or extended within the limitations of the law, the board of directors of a member bank must itself by resolution make the findings required

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"by the statute and this duty may not be delegated by the board of directors to others."

Approved unanimously.

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

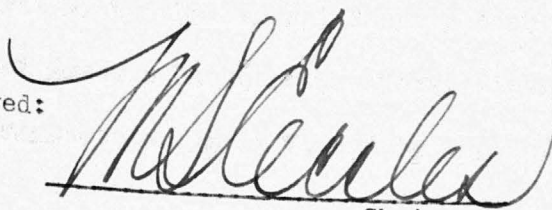
"At their conference held in Washington on February 28 and March 1, 1938, the Presidents of the Federal Reserve banks considered the recommendation of Presidents Martin and Fleming that it be the uniform policy of the Federal Reserve banks to favor the making of reciprocal arrangements between adjacent Federal Reserve districts which will allow a Federal Reserve bank, on request of member banks in its district or on request of a Federal Reserve bank in an adjacent district, to make shipments of currency to member banks in adjacent districts without expense to the member banks receiving the shipments. The Conference concurred in this recommendation with the understanding that any request to a Federal Reserve bank to enter into such an arrangement should originate with the member bank which is to receive the shipments and should be made to its own Federal Reserve bank.

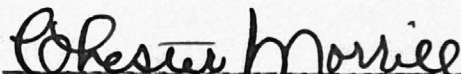
"The Board will interpose no objection to a Federal Reserve bank's entering into the arrangements set forth above, as approved by the Presidents' Conference. If and when your bank enters into such arrangements, advice thereof, including the names of the cities in other districts to which your bank is requested to make currency shipments will be appreciated."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:


Chairman.


Secretary.