

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, April 11, 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 8, 1938, were approved unanimously.

Letter to the board of directors of "The Bank of Woodward", Woodward, Oklahoma, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special condition, the Board approves the bank's application 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 depreciation in its banking house and furniture and fixtures."

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

"The Board of Governors of the Federal Reserve System approves the application of 'The Bank of Woodward', Woodward, Oklahoma, for membership in the Federal Reserve System, subject

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"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 Bank Commissioner of the State of Oklahoma for his information.

"The usual condition of membership regarding elimination of estimated losses as shown in the report of examination made in connection with the bank's application for membership has not been prescribed, since, according to the examiner's comments in connection with the individual items, all estimated losses were charged off at the conclusion of the examination.

"It has been noted that on page 21(a)-1 of the report the statement was made that profits on securities sold should be credited to recoveries and not to miscellaneous income. The Board's form of report of earnings and dividends, Form 107, makes provision for the reporting under caption 4(b) of recoveries on securities, and under caption 4(c) of profits on securities sold. While it is true that neither profits nor recoveries should be credited to miscellaneous income, a general statement that profits should be credited to recoveries might be misleading, and in advising banks as to the proper accounting in security transactions, it is suggested that the distinction between profits and recoveries be made clear."

Letter to Mr. McRae, Chief Examiner for the Federal Reserve Bank of Boston, reading as follows:

"The December 31, 1937 condition report of the Wellesley Trust Company, Wellesley Hills, Massachusetts, showed in Schedule L, 'Other Assets', an amount of \$50,000 'Pledged with the Merchants National Bank of Boston to secure excess deposits of the Town of Wellesley'. The condition report was accompanied with a copy of a letter from the president of the member bank to the effect that in accordance with a telephone conversation with your Examination Division the condition report had been changed by transferring the \$50,000 in question from 'Other Assets' to item 1(b) of Schedule I, 'Due from banks elsewhere in the United States'. It is our understanding that your bank also requested that the \$50,000 be shown as 'Cash pledged' against memorandum items 34 and 36(b) below liabilities.

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"It is assumed that, under an arrangement between the banks and the Town of Wellesley, the Wellesley Trust Company has certain funds on deposit with the Merchants National Bank of Boston which it does not have the right to withdraw without the consent of the Town of Wellesley. On the basis of this assumption, it is the Board's view that the funds on deposit under this arrangement do not constitute 'Balances due from other banks (except Federal Reserve banks and foreign banks)' within the meaning of the tenth paragraph of Section 19 of the Federal Reserve Act, as amended. As you know, the amounts reported against items 1 and 2 of Schedule I of condition reports of both national and State bank members are intended to represent the aggregate 'amount deductible from demand deposits in determining amounts subject to reserve'. This is indicated by the text matter appearing in parentheses following the caption of item 2.

"In the circumstances, unless there are other facts which you feel should be called to our attention, it is suggested that the Wellesley Trust Company be advised that in the future such pledged correspondent balances should be reported in Schedule L, 'Other Assets'."

Approved unanimously.

Letter to Mr. Vincent S. Welch, Second Vice President, The Equitable Life Assurance Society of the United States, New York, New York, reading as follows:

"Mr. Eccles has referred to me for reply your letter of April 4 which I understand refers to a group life insurance plan which customarily involves not only the payment of premiums by the employees but also contributions by the employer. As you may know, the Federal reserve system has in operation a retirement plan which includes benefits for the estates of employees who die in the service and also disability retirement allowances.

"In the circumstances, while the Board would offer no objection to any voluntary participation by its employees in a group life insurance plan, for which the premiums would be paid solely by them, it does not feel warranted in obligating any of its funds for the purpose."

Approved unanimously.

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Thereupon the meeting adjourned.

Chester Morrie

Secretary

Approved:

W. S. ...

Chairman.