

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, April 20, 1938, at 10:45 a. m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice 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 19, 1938, were approved unanimously.

Letter to Mr. Foulk, Fiscal Agent of the Board of Governors, reading as follows:

"The attention of the Board has been drawn to the following comment contained in the report of survey of the Office of the Secretary and the Office of the Fiscal Agent, dated December 18, 1937, which was prepared by Messrs. Cagle, Conkling and Jones:

'While it appears that the Fiscal Agent, in the discharge of his official duty, should review the voucher and supporting papers sufficiently to satisfy himself that the expenditure is proper, it appears to be an unnecessary operation for him to check footings and extensions and otherwise duplicate the detailed audit of the Voucher Clerk, and it is suggested that he

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"rely upon the audit of the Voucher Clerk in this respect and be held accountable only for matters of policy and that the necessary approvals of the expenditure are in order."

"The Board understands that you are in full accord with the thought that it should be unnecessary for you to duplicate the work of the Secretary's Office by making a detailed check in cases where vouchers sent to your office are regular in every respect on their face, properly executed and signed, and accompanied by the necessary documents, with the understanding that you will be free in any case to make such review and check as you deem advisable to assure yourself either as to the correctness of a particular voucher or that the proper procedure is being followed, and that in any case you may return the voucher for review by the Secretary's Office or explanation or other appropriate action.

"Without relieving you in any way from the over all responsibility for the receipt and disbursement of funds, the Board recognizes that unnecessary duplication of work in connection with the audit and verification of vouchers should be avoided. In the circumstances, the Board has taken the position that in the discharge of your responsibilities as Fiscal Agent you are not under an obligation to check footings and extensions and otherwise duplicate the detailed audit of vouchers made in the Secretary's Office; that you should pay all vouchers which bear the certification and administrative approval of a duly authorized approving officer, are supported by purchase orders, receipts or other necessary attachments, and are regular in every respect on their face; and that when a voucher is not entirely regular on its face you should make such verification of the voucher as in your judgment may be necessary before payment.

"In this connection, Counsel has called attention to the fact that your bond, as well as that of the Deputy Fiscal Agent, is more than four years old and, in accordance with the usual practice, should be renewed. The Board concurs in this view and requests that you take the necessary steps, with the advice of Counsel, to renew the surety bond covering you as Fiscal Agent and the surety bond covering Miss Lally as Deputy Fiscal Agent as soon as practicable. In order that there may be no question regarding the liability of the surety company, the Board desires that the renewal be made the occasion for calling attention to the

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"change in the procedure followed in connection with the verification of vouchers."

Approved unanimously.

Letter to Mr. Keesee, Secretary of the Federal Reserve Bank of Richmond, reading as follows:

"This refers to your letter of April 14, 1938, advising that, subject to the approval of the Board of Governors, section 12 of article IV of the by-laws of the Baltimore Branch and of the Charlotte Branch of the Federal Reserve Bank of Richmond have been amended by striking out the name of the city in which the branch is located, in each place where it appears in such sections, and by inserting in lieu thereof the words 'the place in which the meeting is held'.

"You are advised that the Board of Governors approves these amendments in the form set forth in your letter of April 14, 1938. It will be appreciated if you will forward for our files one copy of the amended by-laws of each branch."

Approved unanimously.

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

"This refers to your letter of April 13, 1938, with which you inclosed a copy of a letter dated April 11, 1938, from the Cashier of the Hazleton National Bank, Hazleton, Pennsylvania, referring to practices of the Hazleton Federal Savings and Loan Association which he considers unfair competition. It is noted that you have received numerous complaints of like character in the past several months and the Board is advised that objections by Savings and Commercial banks to the competitive practices of the Federal Savings and Loan Associations have been widespread.

"The questions of advertising and competitive practices have been considered by representatives of the American Bankers Association and the National Association of Mutual Savings Banks, who have recently met with representatives of the United States Building and Loan League and the Federal Home Loan Bank Board. According to published

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"reports, plans are being developed to eliminate or minimize the abuses which have been complained of and it is hoped that the discussions and plans will prove successful in eliminating any unfair practices."

Approved unanimously.

Memorandum dated April 14, 1938, from Mr. Morrill submitting for approval by the Board a draft of entry for the policy record required by section 10 of the Federal Reserve Act to be kept by the Board covering action taken by the Board on March 17, 1938, with respect to an amendment of Regulation T, Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges.

Approved unanimously.

Thereupon the meeting adjourned.

Robert Morrill
Secretary.

Approved:

W. S. [Signature]
Chairman.