

4/28/38 A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, April 28, 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 herein- after 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 27, 1938, were approved unanimously.

Telegram to Mr. Young, President of the Federal Reserve Bank of Boston, replying to his wire of April 27, 1938, and stating that the Board of Governors approves the establishment by the Federal Reserve Bank of Boston of a rate of $2\frac{1}{2}\%$ per annum on advances to individuals, partnerships or corporations secured by direct obligations of the United States under the last paragraph of section 13 of the Federal Reserve Act, effective April 29, 1938, and the establishment on April 27, 1938, without other change of the rates of discount and purchase in the bank's existing schedule.

Approved unanimously.

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Telegrams to Mr. Hays, Secretary of the Federal Reserve Bank of Cleveland, Mr. Leach, President of the Federal Reserve Bank of Richmond, Mr. McLarin, Vice President of the Federal Reserve Bank of Atlanta, Messrs. Young, Stewart and Powell, Secretaries of the Federal Reserve Banks of Chicago, St. Louis and Minneapolis, respectively, Mr. Thomas, Chairman of the Federal Reserve Bank of Kansas City, Mr. McKinney, President of the Federal Reserve Bank of Dallas, and Mr. Sargent, Secretary of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on April 26, by the Federal Reserve Banks of Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City and Dallas on April 28, and by the Federal Reserve Bank of Atlanta on April 29, 1938, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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

"Referring to your letter of April 26, it is noted that application has been made to the Retirement Committee for permission to retain in service until December 31, 1938, Mr. Walter B. Matteson, Assistant Vice President of your bank, who will attain age 65 on August 10, 1938."

Approved unanimously.

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

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"In your letter of April 15, 1938, with which was inclosed a memorandum outlining a proposed plan presented at a conference held on April 14, 1938, for strengthening the banking situation in Plainfield, New Jersey, by merging the Mid-City Trust Company with the State Trust Company, the latter institution then assuming the deposits of the First National Bank, you stated that those who were present at the conference indicated that they would appreciate having the Board's staff arrange for a conference to be held in Washington, attended by representatives of the Reconstruction Finance Corporation, Federal Deposit Insurance Corporation, Comptroller of the Currency, New Jersey State Banking Department, and representatives of each of the three banks involved. You asked for advice as to whether such a conference could be arranged.

"Copies of your memorandum of April 14, 1938, were supplied to representatives of the Federal Deposit Insurance Corporation and the Reconstruction Finance Corporation, with the suggestion that they confer on the plan proposed for the purpose of determining whether there appeared to be any provisions which should be the subject of further discussion before the proposed conference was arranged. The Federal Deposit Insurance Corporation has informally advised that the proposals made contain certain provisions which are unacceptable to that Corporation, that the tentative plan has been discussed recently with Supervising Examiner Taylor of the New York office, who is familiar with the Corporation's position, and that, in the circumstances and in view of the position taken by representatives of the two trust companies on certain phases of the proposed plan, the Federal Deposit Insurance Corporation does not feel that the suggested conference would be fruitful. However, it has been informally stated that the Corporation is willing at any time to meet with representatives of the banks involved and other interested parties when a willingness is manifested by the two trust companies to negotiate on terms which the Corporation feels to be reasonable and to which it feels it can give consideration.

"The Reconstruction Finance Corporation has indicated that while it cannot, at this time, undertake to state the extent and conditions under which it will be willing to assist in strengthening the Plainfield banking situation, it is ready to participate in discussions looking to this end.

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"We will, of course, be glad to undertake to arrange for a conference of the interested parties in Washington when it appears that such a conference may be fruitful, and it is assumed that, in collaboration with the local representatives of the Federal Deposit Insurance Corporation and the Reconstruction Finance Corporation, you will endeavor to iron out some of the difficulties which apparently stand in the way of the successful completion of the program. It is assumed, also, that in the event the plan for the merger of the two trust companies and the assumption of the deposits of the national bank has to be abandoned, appropriate steps will be undertaken to strengthen the situation in the trust companies."

Approved unanimously.

Letter to Mr. Sonne, Chief Examiner, Federal Reserve Bank of San Francisco, reading as follows:

"This refers to your letter of April 12, 1938, inquiring whether a note of an executive officer of a national bank, acquired by such bank in the absorption of another bank, may be renewed in an amount exceeding \$2,500 when reduction is not possible and renewal thereof appears to be in the best interests of the bank.

"Your letter does not identify the national bank or the other bank involved in the transaction and does not contain a full statement of the facts regarding the acquisition of the note in question. However, it is assumed from the question that the absorption to which you refer was a 'merger or consolidation of banks or a similar transaction by which a bank acquires assets and assumes liabilities of another bank or other organization' within the meaning of section 1(c) of Regulation O. An obligation of an executive officer of a member bank acquired by his bank in this manner does not constitute a loan to the officer under the regulation, and the Board of Governors has heretofore held that a renewal of an outstanding loan does not constitute a loan or extension of credit within the meaning of section 22(g) of the Federal Reserve Act. Accordingly, the provisions of Regulation O are not applicable to a renewal of an obligation of an executive officer of

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"a member bank acquired by the bank in the manner described."

Approved unanimously.

Letter to Mr. Schaller, President of the Federal Reserve Bank of Chicago, reading as follows:

"Reference is made to Mr. Snyder's letter of April 22 in connection with a penalty of \$2.60 for a deficiency in the reserves of the First National Bank of Churdan, Iowa, which occurred during the semi-monthly period ended March 31, 1938.

"It is noted that the deficiency was caused by an oversight of the bank in permitting its balance to be below the required amount for a few days, during which time the management was working on a plan for the voluntary liquidation of the bank, and that the bank has since been succeeded by a new State bank which has made application for membership in the Federal Reserve System. In these circumstances, the Board will interpose no objection to your waiving the penalty referred to above."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. C. ...
Chairman.