

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, April 30, 1938, at 11:30 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 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 28, 1938, were approved unanimously.

Telegram to Mr. Kimball, Secretary of the Federal Reserve Bank of New York, stating that the Board approves the establishment without change by the bank on April 28, 1938, of the rates of discount and purchase in its existing schedule.

Approved unanimously.

Letter to Mr. Harrison, Chairman of the Conference of Presidents, prepared in accordance with the action taken at the meeting of the Board on April 23, 1938, and reading as follows:

"Reference is made to the action taken by the Conference of Presidents at its meeting on March 1, 1938, in voting to recommend to the Board of Governors (1) that it favorably consider recommending to

4/30/38

-2-

"Congress the enactment of legislation to authorize member banks, not located in a city in which a Federal reserve bank or branch is located, to count all or some part of cash in vault as a part of their required reserves; but (2) that, before recommending the enactment of any such legislation, it should make a study to determine the amount of vault cash to be counted as a part of a member bank's required reserves, which amount, in the opinion of the Conference, should not, in any event, exceed fifty per cent of the amount of the member bank's required reserves.

"A review of all phases of bank reserve requirements is under way and the Board has asked me to advise you that the recommendations of the Conference will be considered in that connection."

Approved unanimously.

Letter to Mr. Harrison, Chairman of the Conference of Presidents, prepared in accordance with the action taken at the meeting of the Board on April 23, 1938, and reading as follows:

"Referring to the action taken by the Conference of Presidents at its meeting on March 1, 1938, expressing the view that the Board should concur in the recommendation of the Comptroller of the Currency that the provisions of Section 22(g) of the Federal Reserve Act be amended to extend for one year from June 16, 1938, the period during which loans made prior to June 16, 1933, to executive officers of member banks might be renewed, you are advised that in response to a request of the Bureau of the Budget under date of April 20, 1938, for the Board's comments with regard to the enrolled enactment of Congress: S. 3400, An Act to extend from June 16, 1938, to June 16, 1939, the period within which loans made prior to June 16, 1933, to executive officers of member banks of the Federal Reserve System may be renewed or extended; the Board advised the Acting Director of the Bureau of the Budget that it saw no objection to such enactment."

Approved unanimously.

4/30/38

-3-

Letter to Mr. Harrison, Chairman of the Conference of Presidents, prepared in accordance with the action taken at the meeting of the Board on April 23, 1938, and reading as follows:

"Reference is made to the action taken by the Conference of Presidents at its meeting on March 1, 1938, in agreeing that the Board should recommend to Congress that the provisions of Section 12B(n)(4) of the Federal Reserve Act, which provides for loans by the Federal Deposit Insurance Corporation to banks to avert losses, should be either extended for a period of some years or made permanent.

"Under date of April 23, 1938, the Board advised the Acting Director of the Bureau of the Budget, in response to a letter from his office requesting the benefit of the Board's views with regard to the subject, that the Board offers no objection to an amendment to subsection (n)(4) of Section 12B of the Federal Reserve Act, as amended, which would extend the authority of the Federal Deposit Insurance Corporation to make loans to or purchase assets from insured banks to facilitate mergers, consolidations, and reorganizations of insured banks and reduce or avert threatened losses to the Corporation.

"There is now pending in Congress a joint resolution (H.J.Res. 655), introduced by Representative Goldsborough, which would amend Section 12B(n)(4) by striking out 'Until July 1, 1938, whenever' and inserting in lieu thereof 'Whenever'."

Approved unanimously.

Letter to Mr. Harrison, Chairman of the Conference of Presidents, prepared in accordance with the action taken at the meeting of the Board on April 23, 1938, and reading as follows:

"The Conference of Presidents at its meeting on March 1, 1938, voted that '(1) it is the opinion of the Conference that there are objections at this time to joint meetings of the Board of Governors and the directors of either all Federal reserve banks or groups of such banks; (2) the Conference recommend

4/30/38

-4-

"that the Board of Governors consider the advisability of meeting once during the present year with the directors, or with a committee of the directors, of each Federal reserve bank separately, such meetings to be held in Washington and to be attended by such officers of the Federal reserve bank involved as the directors of such bank may determine; (3) no recommendation be made as to meetings with branch directors at this time; and (4) it is the hope of the Conference that the adoption of the program recommended would not interfere with frequent visits to the Federal reserve banks by individual members of the Board of Governors'.

"The above recommendations of the Conference of Presidents with respect to this matter are receiving consideration by the Board and you will be advised when action is taken thereon."

Approved unanimously.

Letter to Mr. Harrison, Chairman of the Conference of Presidents, prepared in accordance with the action taken at the meeting of the Board on April 23, 1938, and reading as follows:

"Reference is made to the Board's letter of February 3, 1938, requesting that there be placed on the program of the Conference of Presidents, for consideration at a meeting, the question as to ways in which closer contacts might be maintained by each Federal reserve bank with the bank supervisory authorities in each Federal reserve district. In accordance with the Board's request, the topic was considered at a meeting of the Conference of Presidents held on March 1, 1938, at which the Conference agreed upon the following statement of its views:

'The Conference deems it most important that the executive officers of the several Federal reserve banks continue to maintain close cooperative relations with the various bank supervisory authorities in their respective districts, through the representatives both of State banking departments and of the Federal agencies concerned with bank supervision. The Conference also believes that in furtherance of the general objective of maintaining good relations with bank supervisory

4/30/38

-5-

"authorities, it might be appropriate and advisable for the directors, or committees of directors, of the respective Federal reserve banks, to meet informally with such supervisory authorities from time to time, the arrangement and character of such meetings to be determined in the discretion of each bank. The Conference further believes that much might still be accomplished in this general field if the Federal bank supervisory agencies at Washington would make a further study of their respective problems, with a view to coordinating and effecting greater uniformity in their policies and practices wherever possible.'

"The above statement expressing the views of the Conference has been discussed by the Board of Governors, and the Board has asked me to advise you that the problem of coordination of bank examination policies is receiving active attention."

Approved unanimously.

Letter dated April 29, 1938, to Miss M. Terry, New Orleans, Louisiana, reading as follows:

"Reference is made to your letter of April 25, 1938 in which you relate certain facts with reference to your accounts with Marks, Laser & Company. You state that Marks, Laser & Company, between May 15, 1937 and July 17, 1937, refused to transfer funds from your stock account to your commodity account in order to cover a debit balance in the latter account. You inquire whether the broker failed to give you the protection to which you are entitled.

"Under the Board's Regulation T, as in effect during 1937, all financial relationships between a creditor and a customer (with certain exceptions) were considered to be parts of one 'combined account', and the restrictions of the regulation related to the combined account. Regulation T placed no restrictions upon transfers between accounts which were parts of a 'combined account'. However, the regulation did not require a creditor to perform those acts which were permissible under the regulation. As to such matters, the parties were left entirely free to make their own arrangements. There

4/30/38

-6-

"was nothing in Regulation T which prevented a creditor from refusing to make transfers between accounts. Consequently, it would appear from the facts stated that there was no violation of the Board's regulations.

"A copy of Regulation T as in effect between May 15, 1937 and July 17, 1937 is enclosed. If you should have any further questions, it is suggested that you submit them to the Federal Reserve Bank of Atlanta, which will be glad to give them consideration."

Approved unanimously.

Memorandum dated April 27, 1938, from Mr. Morrill stating that, prior to a recent ruling of the United States Employee's Compensation Commission, that employees of the Board of Governors of the Federal Reserve System were not regarded as civil employees of the United States within the meaning of the Federal Employee's Compensation Act of September 7, 1916, employees of the Board who were injured in the course of their employment received free medical service through facilities afforded by the Commission, and that, since such service was no longer available, it was recommended that, pending the making of a permanent arrangement (by taking out Workmen's Compensation Insurance or otherwise) authority be given under which an employee who is injured in line of duty may, after obtaining approval of his immediate superior, obtain medical services from Dr. Barr, the Board's examining physician, or when necessary from the Emergency Hospital, at the Board's expense. The memorandum stated that under the proposed arrangement Dr. Barr would charge his regular fee of \$5.00 for the first visit and \$2.00 for each subsequent visit to his

4/30/38

-7-

office, and from \$3.00 to \$5.00 when he is called away from his office, depending upon the nature of the case, and that the Emergency Hospital would make the regular charge of \$5.00 per trip for an ambulance call and \$3.00 per treatment for "first aid". The memorandum had been approved by Mr. Draper on behalf of the Personnel Committee.

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris  
Secretary.

Approved:

W. C. C. C.  
Chairman.