

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, May 2, 1938, at 5:00 p.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee
Mr. Davis

Mr. Morrill, Secretary

Messrs. Ransom and McKee stated that they had learned today from Senator Glass that the sub-committee of the Banking and Currency Committee of the Senate planned to hold a meeting tomorrow morning during which consideration would be given to bill S. 3575, "To provide for the regulation of bank holding companies and affiliates, and for other purposes", and that, inasmuch as the bill had to do with a matter in which the Board was charged with responsibility, he would like to receive before the meeting a letter stating the Board's position with respect to the provisions of the bill.

As the members of the Board were in agreement that there were grave objections to important provisions of the bill, the members of the Board, by unanimous vote, directed the Secretary to send the following letter to Senator Glass before the meeting tomorrow morning:

"The Board has asked me to advise you of its appreciation of your thoughtfulness in informing it as to the meeting tomorrow morning of the subcommittee of the Senate Banking and Currency Committee for the purpose of considering bill S. 3575 "To provide for the regulation of bank holding companies and affiliates, and for other purposes" and for the expression

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"of your desire to have the views of the Board on the subject.

"The Board is of the opinion in the light of its experience with bank holding companies under the authority conferred upon it by the Banking Acts of 1933 and 1935 that there are grave objections to important provisions of the bill. Therefore the Board would like to have an opportunity when the subcommittee or the committee decides to hold hearings of presenting its views in detail as to these provisions, or any substitutes that may be offered therefor, and also to submit alternative proposals which it feels would be preferable.

"The Board will be glad to be advised as to your further wishes in this connection."

Consideration was then 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 30, 1938, were approved unanimously.

Memorandum dated April 28, 1938, from Mr. Thomas, Assistant Director of the Division of Research and Statistics, recommending, with the approval of Mr. Goldenweiser, Director of the Division, that the probationary appointment of Mr. Roman L. Horne as a senior economist in the Division be extended for a period of one year from the date of expiration of his present appointment on May 7, 1938, with no change in his present salary at the rate of \$5,000 per annum.

Approved unanimously.

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

"At the recent Conference of Presidents approval was given to a recommendation of the Leased Wire Committee that certain changes be made in the regulations governing telegraphic transfers of funds for the purpose of clarifying the provisions of the regulations with respect to transfers of funds eligible for transmission over the Leased Wire System. The Board has approved the suggested changes as set forth in the report of the Leased Wire Committee and has amended the regulations as set forth in its letter of January 3, 1936, X-9411, to read as follows:

"1. Telegraphic transfers of funds over the leased wires will be accepted from and paid to member banks only. They must represent bank balances and can be made only for round amounts, i.e., multiples of \$1,000. The term 'bank balance' shall be construed to mean an accumulation of funds comprising an established account carried by one bank with another bank. Transfers for the benefit or use of an individual, firm, corporation, or nonmember bank will not be made over the leased wires.

"2. The information given in telegrams transferring funds over the leased wires must be limited to the name of the sending member bank, name of its correspondent member bank requesting the transfer, name of the member bank receiving credit, and name of its correspondent member bank.

"3. The Federal reserve code, including test word, must be used for all messages involving the transfer of funds and, in the interest of economy, all other telegrams should be sent in code when its use shortens the message materially.

"4. In addition to the usual mail advice to the bank receiving credit for telegraphic transfers of funds, immediate advice by telegraph, or otherwise, should be given by the Federal reserve bank receiving the transfer in cases where the sending bank or the credited bank has stated that other than the usual mail advice is necessary, or where the nature of the transaction or the amount involved indicates that the additional expense is justified, as to which the receiving Federal reserve bank will exercise its discretion. All such wire advices should be at the expense of the bank receiving credit and, therefore,

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"should be sent collect.

"5. Requests for telegraphic transfers of funds for consummation on date of receipt should not be accepted by Federal reserve banks later than thirty (30) minutes prior to the closing hour of the Federal reserve bank to which transfer is to be made. Any telegraphic transfers of funds requested after such time will be made at the discretion of the Federal reserve bank receiving credit.

"6. The leased wires shall not be used for tracing or advising payment or non-payment of any non-cash collection items, nor for transferring the proceeds thereof.

"7. The leased wires shall not be used for reconciling exceptions in accounts between Federal reserve banks, except where a loss might be involved.

"8. Any loss resulting from negligence on the part of the Federal reserve system in the transmission of telegrams transferring funds over the leased wires through relay stations shall be borne by the sending Federal reserve bank, unless responsibility can be definitely placed upon the Federal reserve bank to which the telegram was addressed.

"9. Telegrams must be worded as concisely as possible. Telegrams should not be sent when communication by mail will suffice. For the purpose of enforcing these regulations, provision should be made in each Federal reserve bank so that any misuse of the leased wires will be brought to the attention of a designated officer for reference to the originating department, or, in the case of incoming messages, to the sending Federal reserve bank.

"The following clauses under the respective headings should be included by all Federal reserve banks in their circulars to member and nonmember clearing banks relating to telegraphic transfers of funds:

TRANSFERS OVER LEASED WIRES

"1. Only transfers of bank balances in round amounts, that is multiples of \$1,000, will be made over the Federal reserve leased wires. The term 'bank balance' shall be construed to mean an accumulation of funds comprising an established account maintained by a member bank with its Federal reserve bank or with another member bank. Transfers for the benefit or use of an individual, firm,

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"corporation, or nonmember bank will not be made over the leased wires.

"2. Telegraphic transfers of funds over the leased wires will be made for and paid to member banks only. Such transfers will be made without cost to member banks.

"3. The descriptive data in telegrams transferring bank balances over the leased wires must be limited to the amount to be transferred, name of the member bank to receive credit, and when necessary, name of its correspondent member bank, and name of member bank with which request originated.

"4. Transfers of the proceeds of individual collection items or individual cash letters will not be made over the leased wires.

"5. The Federal reserve banks maintain, at large expense, a leased wire system over which it is necessary to transmit a heavy volume of important communications. Member banks are requested to cooperate with us in attempting to avoid overcrowding the leased wires by not making requests for telegraphic transfers of small amounts, or those which can be made as well through the mails. Each Federal reserve bank reserves the right to decline to effect over the leased wires any transfer which, in its opinion, is an abuse of the wire transfer facilities.

TRANSFERS OVER COMMERCIAL WIRES

"1. Telegraphic transfers of funds for any purpose and in any amount and without limitation as to descriptive data will be made over the commercial telegraph wires for member banks. While such transfers will be accepted from and paid to member banks only, they may be for the use of any bank, individual, firm or corporation.

"2. Telegraphic transfers of bank balances in round amounts, that is multiples of \$100, will be made over the commercial telegraph wires for nonmember clearing banks. Such transfers will be accepted from any member bank for the credit of any nonmember clearing bank, and from any nonmember clearing bank for the credit of any member bank or any other nonmember clearing bank.

"3. The cost of all telegrams between Federal reserve banks transferring funds over the

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"commercial telegraph wires will be charged to the member and nonmember clearing banks for which the transfers are made. Member and nonmember clearing banks should prepay the cost of telegrams requesting such transfers, and telegrams to member and nonmember clearing banks advising credit will be sent 'Collect'.

LIABILITY OF THE FEDERAL RESERVE BANK

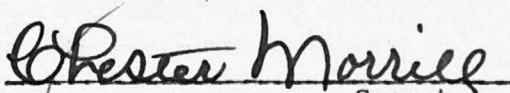
"The Federal Reserve Bank of
will use due diligence and care in the transfer of
funds by telegraph to the receiving Federal reserve
bank for credit to the account of the payee bank,
but will not be responsible for errors or delays
caused by circumstances beyond its control."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:


Chairman.


Secretary.