A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, June 6, 1938, at 2:30 p.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee
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 June 3, 1938, were approved unanimously.

Memorandum dated June 2, 1938, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending the appointment of Mr. Ray R. Foster as a junior economist in the Division, with salary at the rate of $3,600 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Memorandum dated June 2, 1938, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Miss Josephine F. Bertolini be appointed on a permanent basis as a clerk in the Division, with no change in her present salary at the rate of $1,440
per annum, effective at the expiration of her present temporary appointment at the close of business on June 20, 1938, subject to her passing satisfactorily the usual physical examination.

Approved unanimously.

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

"For your information there is given below an excerpt from a letter recently sent to the Governor of the Federal Home Loan Bank Board with regard to the purchase and retention by State member banks of shares of stock of Federal savings and loan associations.

As indicated in the inclosure with your letter of May 2, the Board of Governors has heretofore expressed the opinion that the provisions of section 5136 of the United States Revised Statutes forbid the purchase by member banks of shares of stock of Federal savings and loan associations. It is the view of the Board of Governors that the exemptions stated in section 5136 do not cover shares of stock of such associations and that the provisions of a State statute authorizing State banks to purchase such shares cannot exempt purchases by member banks, whether State or national, from the operation of the Federal statute.

With respect to the second question presented in your letter, you are advised that it is the view of the Board of Governors that the provisions of section 5136 do not require State banks which have in good faith acquired shares of stock of Federal savings and loan associations or of other corporations while they were nonmember banks to dispose of such shares upon becoming members of the Federal Reserve System. Furthermore, it is not the practice of the Board of Governors to require as a condition of membership that banks dispose of stock, although it may be necessary in particular cases to require banks applying for membership to reduce undue concentrations in stock just as would be done in the case of undue concentrations in any other class of assets. A similar requirement might be necessary if it appeared that a bank contemplating membership had acquired stock for the purpose of evading the prohibition upon the purchase of stock by member banks."

Approved unanimously.
Letter to Mr. Sam Hoefer, c/o Bankers Association of Lafayette-Ray Counties, Higginsville, Missouri, prepared in accordance with the action taken at the meeting of the Board on May 24, 1938, and reading as follows:

"Following the meeting of bankers in Kansas City on January 27, 1938, which was attended by Mr. Millard of the Board's examining staff, Mr. Millard submitted a report covering the information presented at the meeting with respect to the petitions which had been filed by banks in the thirteen counties in Western Missouri for the transfer of the counties from the Eighth to the Tenth Federal Reserve District. The Board has also received reports on currency and coin and check collection operations, submitted on forms prepared by it, from seven member banks and thirty-one non-member banks in the thirteen counties. Other information based on data compiled by the Board and received from the Federal Reserve Banks of St. Louis and Kansas City was available to the Board.

"All of these data have been carefully reviewed and the reasons advanced for the transfer have been studied in the light of the desire of the Federal Reserve System to have the Federal reserve banks render as complete and adequate services as may be practicable in accordance with the purposes for which they were created. However, a careful analysis of all available information at this time has convinced the Board that the Federal Reserve Bank of St. Louis is able to render member banks in the territory proposed to be transferred satisfactory and adequate service and that any possible benefits which might be derived from a change in district lines would not be sufficient to warrant the transfer of the counties from the Eighth to the Tenth Federal Reserve District.

"A copy of this letter is being sent to the Federal Reserve Banks of St. Louis and Kansas City for their information and it will be appreciated if you will advise the petitioning banks of the Board's decision."

Approved unanimously.

Letter dated June 4, 1938, to Mr. McCravey, Secretary of the Federal Reserve Bank of Atlanta, reading as follows:

"While the Board has found the reports showing changes in the payroll of the Federal Reserve Bank of Atlanta, its
branches and agencies, similar to the one transmitted with your letter of May 16, interesting and at times helpful, it does not feel that their value to the Board currently is sufficient to warrant asking your bank to furnish a copy of the report regularly each month.

Should information of the type included in the report be needed by the Board in the future, we shall be glad to communicate with you in respect thereto.

Thank you for your courtesy in furnishing us with this report in the past.

Approved unanimously.

Letter to Honorable Robert F. Wagner, United States Senate, reading as follows:

"Receipt is acknowledged of your letter of June 2, 1938, inclosing a copy of S. 4046 with certain suggested amendments and requesting advice as to whether these proposed changes meet with the approval of the Board of Governors.

The changes in the bill consist of striking out the provisions beginning with the middle of line 5 on page 2 and ending with the middle of line 3 on page 5, and beginning with the middle of line 15 on page 3 and ending with line 2 on page 5. As thus changed, the principal provisions of the bill are as follows:

(a) A national bank or a corporation organized under section 25(a) of the Federal Reserve Act, operating a branch or agency in a foreign country, would be liable upon deposits and other obligations of such branch or agency to no greater extent than a local bank would be liable under the laws of such foreign country on obligations of a similar character.

(b) Within the meaning of this provision, the laws of a foreign country include all acts and regulations of a political or military authority asserting governmental power in the territory of such branch or agency, whether or not recognized as a de facto or de jure government.

(c) A national bank or a corporation organized under section 25(a) of the Federal Reserve Act would be enabled to close any demand deposit account in a foreign branch or agency by offering to pay the depositor the balance in such account and thereupon remain liable only for the current value of the unpaid deposit balance as of the date of the offer.

(d) The Board of Governors of the Federal Reserve System is empowered to promulgate such regulations as it deems necessary to enforce compliance with the provisions of section 25
"of the Federal Reserve Act.

"In the Board's letter of May 13, 1938, commenting upon the provisions of the bill, it was stated that it seems desirable that the depositors and creditors of a branch or agency in a foreign country should be placed on notice of the changes which would be made by this bill in their rights in dealing with such branch or agency and, accordingly, it was suggested that provisions be incorporated in the bill so that these changes would not be effective until appropriate notice thereof has been given. If these provisions regarding notice are to be eliminated from the bill, as is indicated by the proposed amendments, it is suggested that, in lieu of the requirement for notice, the bill be so drafted that its provisions would not become effective until 90 days after its enactment and would not apply to then existing time deposits or other than existing obligations of fixed maturity.

"There is inclosed a revised draft of the bill in which this suggestion as well as the changes indicated in the amended form inclosed with your letter of June 2 are incorporated. You are advised that the Board of Governors offers no objection to the bill in the revised form herewith inclosed."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:  

Chairman.

Approved:  

Secretary.