A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, June 17, 1938, at 10:30 a.m.

PRESENT: 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
Mr. Wyatt, General Counsel
Mr. Smead, Chief of the Division of Bank Operations
Mr. Goldenweiser, Director of the Division of Research and Statistics
Mr. Dreibelbis, Assistant General Counsel
Mr. Horbett, Assistant Director of the Division of Bank Operations

There were presented telegrams to Messrs. Kimball, Post, Young and Sargent, Secretaries of the Federal Reserve Banks of New York, Philadelphia, Chicago and San Francisco, respectively, stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on June 14, by the Federal Reserve Banks of New York, Chicago and San Francisco on June 16, 1938, and by the Federal Reserve Bank of Philadelphia today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

In connection with an informal discussion of desirable changes in the form of State member bank call report (Form 105), Mr. Smead stated that at the present time "commercial, industrial, and agricultural
"loans" and "all other loans" are segregated in the report of condition of weekly reporting member banks in 101 leading cities into "loans on securities" and "otherwise secured and unsecured", that it was felt by the Divisions of Bank Operations and Research and Statistics that, since the segregation during the period that it has been made has indicated that the volume of such loans on securities is relatively stable in proportion to the total, it did not appear that the value of the segregation was sufficient to continue it, and that, therefore, it was recommended that the segregation be eliminated from the published report beginning with the weekly statement as of June 22, 1938. Mr. Smead said that in making this recommendation he realized that there might be some opposition on the part of some financial services and possibly others to the discontinuance of the segregation but that he felt that any purpose served by the segregation was not of sufficient importance to justify it. Mr. Goldenweiser concurred in Mr. Smead's recommendation.

Following a discussion, Mr. McKee moved that Mr. Smead's recommendation be approved.

Carried unanimously.

At this point Messrs. Wyatt, Smead, Goldenweiser, Dreibelbis and Horbett left the meeting and 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 June 16, 1938, were approved unanimously.

Memorandum dated June 15, 1938, from Mr. Morrill recommending, for the reason stated in the memorandum, that Peter W. Beers be appointed on a permanent basis as a page in the Secretary's Office, with no change in his present salary at the rate of $1,080 per annum, effective as of the date upon which he passes satisfactorily the usual physical examination; and that Robert C. Petrey be appointed on a temporary basis for a period of not to exceed four months as a page in the Secretary's Office, with salary at the rate of $90.00 per month, effective as of the date upon which he enters upon the performance of his duties.

The recommendations were approved unanimously.

Memorandum dated June 16, 1938, from Mr. Carpenter, Assistant Secretary, recommending, for the reason stated in the memorandum, that W. W. Jemison, File Clerk in the Secretary's Office, be granted such additional leave of absence on account of illness with pay as may be necessary up to ninety days from June 13, 1938.

Approved unanimously.

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

"This refers to your letter of June 14, 1938, regarding Mr. Pitman, an examiner for your bank, who has been on leave of absence without pay since May 4, 1936, while serving with the Federal Deposit Insurance Corporation in Washington. In accordance with your request, the Board
"approves your continuing to carry Mr. Pitman on your records at a salary rate of $6,000 a year while he is on leave serving the Federal Deposit Insurance Corporation."

Approved unanimously.

Letter to Mr. W. B. Callen, Cashier, The Victoria National Bank, Victoria, Texas, reading as follows:

"This refers to your letter of June 9, 1938, regarding the difficulties of your bank in competing with an uninsured nonmember bank for deposits of county and school funds.

You asked to be advised as to whether there is in contemplation any change in the laws relating to the authority of national banks to pay interest on demand deposits of public funds. Prior to August 23, 1937, several bills were introduced extending the period during which member banks might pay interest on certain demand deposits of public funds, but none of these bills has been passed.

You state that you are under the impression that in special circumstances the Board of Governors has power to grant a member bank special privileges and you ask to be advised whether the Board can be of assistance to you in the situation described in your letter. In view of the mandatory provisions of the law forbidding the payment of interest on demand deposits, the Board of Governors has no authority to permit a member bank to pay interest on such deposits under any circumstances.

We sincerely regret the fact that the uninsured nonmember bank is able to place your bank at a competitive disadvantage because the former is not subject to the laws to which your bank is subject, but under the circumstances there appears to be no way in which the Board can relieve this situation."

Approved unanimously.

Memorandum dated June 15, 1938, from Mr. Vest, Assistant General Counsel, recommending that there be published in the July issue of the Federal Reserve Bulletin statements in the form attached to the memo-
Randum with respect to recent rulings of the Board on the following subjects:

- Limitation on Amount of Paper of One Borrower Acquired by a Federal Reserve Bank
- Reports by Executive Officers of Member Banks of Indebtedness to a Federal Land Bank or the Land Bank Commissioner
- Applicability of Section 22(g) of Federal Reserve Act to Acquisition by Member Bank from its Affiliate of Note Guaranteed by Executive Officer
- Loans to Executive Officers - Substitution of Executive Officer's Note for That of Wife
- Waiver of Double Liability of Stockholders by Federal Deposit Insurance Corporation
- Authority of Federal Deposit Insurance Corporation to Make Loans to or Purchase Assets from Insured Banks

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

[Signature]
Secretary.

[Signature]
Vice Chairman.