A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, June 24, 1938, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Szymczak
Mr. Draper

Mr. Morrill, Secretary
Mr. Bethea, 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:

Telegrams to Mr. Young, President of the Federal Reserve Bank of Boston, Mr. Kimball, Secretary of the Federal Reserve Bank of New York, Mr. Wagner, Secretary pro tem of the Federal Reserve Bank of Cleveland, Mr. Walden, First Vice President of the Federal Reserve Bank of Richmond, Mr. McLean, 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, and Mr. McKinney, President of the Federal Reserve Bank of Dallas, stating that the Board approves the establishment without change by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City and Dallas, on June 23, 1938, and by the Federal Reserve Banks of Boston and Atlanta today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.
Letter to Mr. Sproul, First Vice President of the Federal Reserve Bank of New York, reading as follows:

"In accordance with the request contained in your letter of June 20, 1938, the Board of Governors approves the payment of a salary at the rate of $5,000 per annum for the remainder of the calendar year to Mr. Harold A. Bilby, as Assistant General Auditor of your bank, effective July 1, 1938."

Approved unanimously.

Letter to the board of directors of the "Monroe County Savings Bank & Trust Co.", Columbia, Illinois, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special condition, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of St. Louis:

"4. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures."

Approved unanimously, together with a letter to Mr. Martin, President of the Federal Reserve Bank of St. Louis, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Monroe County Savings Bank & Trust Co.', Columbia, Illinois, for membership in the Federal Reserve System, subject to the conditions prescribed in the inclosed letter which you are requested to forward to the board of directors of the institution. Two copies of such letter are also inclosed, one of which is for your files and the other of which you are requested to forward to the Auditor of Public Accounts of the State of Illinois for his information."
"In his comments in the report of examination for membership, the examiner recounts that the bank has one loan secured by stocks in excess of the limits prescribed by Section 11(m) of the Federal Reserve Act, a loan to an executive officer in excess of the limitations of Section 22(g), and a security investment exceeding the limits prescribed by Section 51.56, U.S.R.S. He states further, however, that these matters were discussed during the examination and that the management understands the limitations and restrictions of these sections and their applicability to member banks. Mr. Wood suggests in his letter transmitting the application that the Board make appropriate comment to the bank regarding these three items, but it is not clear just what comment would be appropriate. The statutory provisions cited by the examiner are, of course, not applicable to nonmember banks; therefore, the applicant institution would not be required by such provisions to reduce the loans and investment in question to within the stated limits upon its admission to membership. If the bank understands this point, further emphasis appears unnecessary. In this connection, however, if the bank was led to believe that after its admission to membership these two loans and the investment would constitute violations of the sections of law referred to, unless reduced to within the limits prescribed by those sections, such an impression is erroneous and should be corrected.

"It has been noted that the bank has been granted trust powers but that such powers are not being exercised. Therefore, the application has been approved on the same basis as if the bank did not have trust powers, and should it desire in the future to exercise these powers, application for permission to do so should be made to the Board in accordance with the provisions of condition of membership numbered 1.

"Inasmuch as the balance a member bank may lawfully carry with a State nonmember bank is limited by Section 19 of the Federal Reserve Act to 10 per cent of the depositing bank's capital and surplus, the special condition of membership recommended by the Executive Committee has not been prescribed. It has been noted, however, that the matter has been called to the bank's attention and it is assumed that the reduction to legal limits of any excess balances will be followed to a conclusion."
"According to the report of examination for membership, the bank has one loan secured in part by fifteen shares of its own stock, such stock having been taken as additional security to a debt previously contracted. A bank's own stock is not desirable as collateral, even in such circumstances, and it will be expected that, as soon as practicable, the bank will work out some plan whereby it will not be necessary to hold such stock as collateral."

Memorandum dated June 24, 1938, from Mr. Smead, Chief of the Division of Bank Operations, submitting the resolutions adopted by the boards of directors of all Federal reserve banks which provided for the payment on June 30, 1938, of dividends to stockholding member banks, at the rate of 6% per annum for the first six months of 1938. The memorandum called attention to the fact that the estimated amount available for dividends for all of the Federal reserve banks was approximately $5,760,000 in excess of estimated dividend requirements, and that each Federal reserve bank would have net earnings more than ample for dividends. The memorandum also stated that the dividend resolutions had been reviewed and recommended that the payment of the regular semi-annual dividend by each Federal reserve bank be approved by the Board.

Approved unanimously.

Letter to Mr. McKinney, President of the Federal Reserve Bank of Dallas, reading as follows:

"Reference is made to the report of the Fiscal Agency Survey made at the Federal Reserve Bank of Dallas as of May 23, 1938, by Messrs. Myrick and Porter of the Board's Division of Bank Operations, a copy of which was left for your information."
"After the report of the survey has received consideration by you and your staff, the Board would like to have your comments with respect thereto."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

[Signature]

Chairman.

[Signature]

Secretary.