

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, September 9, 1938, at 10:30 a. m.

PRESENT: Mr. Ransom, Vice Chairman  
Mr. Szymczak  
Mr. Davis  
Mr. Draper

Mr. Bethea, Assistant Secretary  
Mr. Smead, Chief of the Division of Bank Operations  
Mr. Goldenweiser, Director of the Division of Research and Statistics  
Mr. Vest, Assistant General Counsel  
Mr. Piser, Senior Economist in the Division of Research and Statistics  
Mr. Thompson, General Assistant in the Secretary's Office

There were presented telegrams to Mr. Post, Secretary of the Federal Reserve Bank of Philadelphia, Mr. Leach, President of the Federal Reserve Bank of Richmond, Mr. McLarin, Vice President of the Federal Reserve Bank of Atlanta, Messrs. Young and Stewart, Secretaries of the Federal Reserve Banks of Chicago and St. Louis, respectively, Mr. Ziemer, Vice President of the Federal Reserve Bank of Minneapolis, Mr. McKinney, President of the Federal Reserve Bank of Dallas, and Mr. Sargent, Secretary of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on September 6, by the Federal Reserve Banks of Richmond, Chicago, St. Louis, Minneapolis and Dallas on September 8, 1938, and by the Federal Reserve Banks of

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Philadelphia and Atlanta today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

There was then presented a telegram to Mr. Parker, First Vice President of the Federal Reserve Bank of Atlanta, reading as follows:

"Referring your September 6 letter, unissued Federal Reserve notes of the 1928 series held by Havana Agency should be cancelled and forwarded for redemption. No objection to release around September 15 of press statement as read to you by Mr. Morrill on August 22 and to substitution of date of closing, October 1, 1938, for phrase quoted in your letter. Your comments with respect to sale of vault have been noted."

Approved unanimously, with the understanding that, before sending the above telegram to Mr. Parker, Assistant Secretary Bethea would notify the State Department by telephone regarding the action taken by the Board in connection with the release of a press statement by the Atlanta bank announcing the closing of the Havana Agency.

Consideration was then given to a letter dated September 2, 1938, from Mr. Hamilton, President of the Federal Reserve Bank of Kansas City, extending an invitation to the members of the Board of Governors to attend the annual joint meeting of the boards of directors of the Denver, Oklahoma City and Omaha Branches of the Kansas City bank with the board of directors of the head office which has been tentatively set for October 20, at Kansas City. The letter requested that if October 20, or any other date during the week of October 20, was

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not convenient the Kansas City bank be advised of a date which would be suitable to the members of the Board who can arrange to attend the meeting.

At the conclusion of the discussion, during which it was ascertained that Messrs. Szymczak, Davis and Draper would attend the meeting, it was agreed unanimously that President Hamilton should be advised that the date set by his board of directors, October 20, was satisfactory to the members of the Board who propose to attend the meeting.

At this point there was a brief discussion with respect to a letter addressed to the Board under date of September 2, 1938, by the office of the Secretary of the Federal Advisory Council, which had been placed on the docket at the request of Mr. Draper, in which it was stated that Mr. Robert M. Hanes, member of the Federal Advisory Council representing the Fifth Federal Reserve District, had suggested that the Council and the Board of Governors discuss at the forthcoming meeting of the Council on September 19-20, the proposal to form twelve regional banks to lend to small businesses. However, it was the sense of the meeting that no action need be taken at this time regarding Mr. Hanes' suggestion and that the letter should be filed without acknowledgment.

Mr. Smead stated that Mr. Rounds, Vice President of the Federal Reserve Bank of New York, had called him on the telephone this

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morning and advised that the New York bank was giving consideration to the recently enacted Fair Labor Standards Act of 1938, which provides for the establishment of fair labor standards in employments in and affecting interstate commerce, and for other purposes, as it might affect the Federal Reserve System, and inquired whether the Board had given any consideration to the matter, particularly with respect to the question of compliance with the statute by the Federal reserve banks in the event it was determined that its provisions did not affect the reserve banks. Mr. Vest stated that Counsel's office had made a preliminary study of the matter and that the question whether the statute applied to the Federal reserve banks was one open to discussion and depended upon the construction placed upon it by the Administrator of the Wage and Hour Division of the Department of Labor.

At the conclusion of a discussion, it was agreed that, before any action was taken by the Board with respect to the question of policy which would be involved in the event it was determined that the statute did not apply to the Federal reserve banks, Counsel should study the matter from a legal standpoint as to the applicability of the statute to the Federal reserve banks and submit to the Board an opinion with respect thereto.

At this point Messrs. Smead, Goldenweiser, Vest, Piser and Thompson left the meeting.

Thereupon the action stated with respect to each of the matters hereinafter referred to was taken by the Board:

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The minutes of the meeting of the Board of Governors of the Federal Reserve System held on September 7, 1938, were approved unanimously.

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on September 8, 1938, were approved and the actions recorded therein were ratified unanimously.

Memorandum dated September 8, 1938, from Mr. Carpenter, Assistant Secretary, submitting the resignation of Max Lee DeMouy as a page in the Office of the Secretary effective as of the close of business September 7, 1938, and recommending that the resignation be accepted as of that date.

Approved unanimously.

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

"Analysis Form 212 does not conform in a number of respects to the revised form of examination report recently adopted and it is proposed to discuss at the forthcoming Examiners' Conference a revision of Form 212 which would represent a material simplification as compared with the present form.

"Pending issuance of the revised Analysis Form 212, the use of the present Form 212 in connection with reports of examination prepared by examiners for the Federal reserve banks on the new examination report form may be discontinued. It is requested, however, that in connection with each such report of examination there be forwarded a memorandum containing the comments as called for on the last page of the analysis (Form 212-c).

"Pending revision of Form 212, analyses of reports of independent examinations made by State authorities should be forwarded on the present form."

Approved unanimously.

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Letter to Mr. Harrison, Chairman of the Presidents' Conference,  
reading as follows:

"At their conference in Washington on May 26, 1936, the Presidents of the Federal Reserve banks discussed the extent to which local member banks deposited unassorted currency with the Federal Reserve banks at night and called for substantially equal amounts of currency the following morning. The discussion brought out the fact that this practice of using the Reserve bank or branch as a sorting agency appeared to be a growing abuse, and the Conference referred the question to its Committee on Free Services. It is understood that the report of the Committee on Free Services will be considered by the Presidents at their next Conference.

"The Board is advised that in August 1936 the Detroit branch succeeded in its efforts to have Detroit member banks deposit with the branch only mutilated currency and fit currency they did not need in their current operations and that this plan is still in effect. At the time these arrangements were entered into it was the understanding of the Detroit member banks that this same general plan would become universal throughout the Federal Reserve System. Since the Detroit plan does not appear to have been adopted throughout the System, the member banks in Detroit now feel that the question should be reopened with the view of determining whether the present arrangements should not be changed.

"Since the policy of the Federal Reserve banks in handling currency for local member banks has an important effect on their expenses and since substantial uniformity in the practice of all Federal Reserve banks and branches in this respect is essential, the Board hopes that the Presidents at their next Conference will fully review the subject and set forth in the minutes of the Conference the action taken with respect thereto together with the reasons for such action.

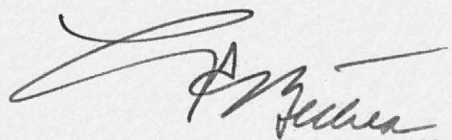
"The Board is suggesting to the Federal Reserve Bank of Chicago that any change in the existing practice at the Detroit branch be deferred until after the next Presidents' Conference."

Approved unanimously.

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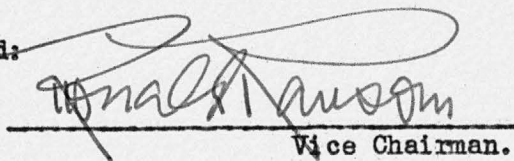
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Thereupon the meeting adjourned.



Assistant Secretary.

Approved:

  
Vice Chairman.