

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, September 26, 1938, at 11:00 a.m.

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

Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

The action stated with respect to each of the matters herein-after referred to was taken by the Board:

Memorandum dated September 23, 1938, from Mr. Bethea, Assistant Secretary, recommending that, for the reasons set forth in a memorandum prepared by Mr. Spurney under date of September 20, Thomas F. Andrews be appointed on a permanent basis as assistant gardener, with salary at the rate of \$1,140 per annum, effective as of October 1, 1938, subject to his passing satisfactorily the usual physical examination.

Approved unanimously.

Letter dated September 24, 1938, to Mr. Post, Secretary of the Federal Reserve Bank of Philadelphia, reading as follows:

"Reference is made to your letter of September 17, 1938, regarding an inquiry under Regulation T as to whether a broker should obtain an extension of time from the appropriate committee of a national securities exchange in connection with a certain sale of United States Government securities.

"It is understood that the exempted securities in question were registered in the name of the corporation which sold them, that they were sold as coupon bonds, and that the broker through whom the securities were sold requested the selling corporation to exchange the registered bonds for coupon bonds and to deliver them to him against payment after they had been so exchanged.

9/26/38

-2-

"Due to the time required for this change in the securities, they were not delivered to the broker until a month after the date of the transaction, during which time the sale constituted the only account or transaction between the broker and the corporation.

"In the circumstances described it would not be necessary to obtain an extension of time."

Approved unanimously.

Letter to Mr. Leach, President of the Federal Reserve Bank of Richmond, reading as follows:

"This refers to your letter of September 12, 1938, and inclosures, regarding an inquiry made by Mr. Philip Woollcott, President of The Morris Plan Bank of Asheville, Asheville, North Carolina, as to whether an executive officer of a member bank is required to report to the board of directors of his bank the details of each note discounted with The Morris Plan Bank of Asheville by a partnership in which such officer has a majority interest. You ask to be advised as to what answer should be made to Mr. Woollcott.

"It is understood that an executive officer of a member bank has a majority interest in a partnership which sells electrical appliances; that most of the partnership sales are made on the installment plan under which the partnership takes the purchaser's note secured by a conditional sales contract; and that the partnership discounts such notes at The Morris Plan Bank of Asheville. It is noted that the executive officer has been reporting such discounts to his member bank as contemplated by section 22(g) of the Federal Reserve Act but in view of the burden involved in making such reports, due to the volume and frequency of sales, a ruling has been requested as to whether each individual item so discounted should be reported to the board of directors of the member bank.

"Careful consideration has been given to the analysis of the question made by counsel for your bank in this connection. It is the view of the Board that it is the intent of the statute that loans made by a bank to a partnership in which one or more executive officers of a member bank have a majority interest should be reported to the board of directors of such member bank just as are loans made to an executive officer of a member bank. However, in the circumstances stated in your letter, it is suggested that you

9/26/38

-3-

"advise Mr. Woollcott that, if the executive officer makes a written report to his board of directors fully describing the line of credit granted to his partnership by The Morris Plan Bank of Asheville and also reports, at least once a month, the amount of such indebtedness outstanding on the date such report is made together with the aggregate volume of such discounts made since the date of the preceding report, the Board will regard such reports as a substantial compliance with the law and the regulation. It is also suggested that you consider the desirability of ascertaining the name of the member bank involved and advising it to the same effect."

Approved unanimously.

Letter to Mr. Hamilton, President of the Federal Reserve Bank of Kansas City, reading as follows:

"In accordance with the action taken by your Directors on September 15, as set forth in your letter of September 16, 1938, the Board approves an expenditure of approximately \$176,228 by your bank to cover the cost of installation of eight new elevators in the Kansas City building and an expenditure of approximately \$64,200 to cover the cost of a power plant in the Kansas City building, in the event it is found that substantial savings in operating costs will be effected thereby.

"Your request that the bank be permitted to set up on its books as a capital asset the cost of these installations and to charge off annually one-third or one-fifth of the cost is noted. This matter apparently comes within the provisions with respect to replacements, purchases and depreciation of fixed machinery and equipment, as set forth on page 18 of the Instructions Governing the Preparation of Earnings and Expense Reports and Profit and Loss Statements by the Federal Reserve Banks and, therefore, would not require further approval by the Board."

Approved unanimously.

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

9/26/38

-4-

"In compliance with the request contained in the Board's letter of February 4, 1933 (B-876), all Federal Reserve banks now forward to the Board, not later than the fifteenth of each month, a list of all holidays scheduled to be observed by banks in the several districts in the following calendar month.

"It is requested that the official opening and closing hours of the Federal Reserve bank and each branch, if any, be given in connection with the above mentioned report for the month of November and that each subsequent monthly report contain advice either to the effect that there has been no change in opening and closing hours or that specified changes have been made or are in contemplation."

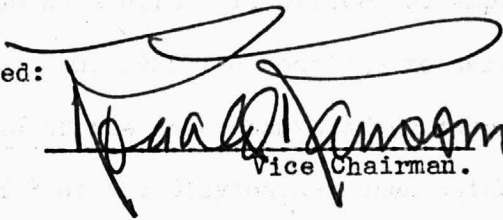
Approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Vice Chairman.