A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, October 7, 1938, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Szymczak
Mr. McKee
Mr. Davis
Mr. Morrill, Secretary
Mr. Bethea, 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:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on October 5, 1938, were approved unanimously.

Mr. Morrill reported that the Comptroller of the Currency today issued a call on all national banks for reports of condition as at the close of business on September 28, 1938, and that, in accordance with the usual practice, a call was made on behalf of the Board of Governors of the Federal Reserve System today on all State member banks for reports of condition as of the same date.

The call made on behalf of the Board was approved unanimously.

Telegrams to Messrs. Kimball and Post, Secretaries of the Federal Reserve Banks of New York and Philadelphia, respectively, Mr. Leach, President of the Federal Reserve Bank of Richmond, Messrs. McCravey, Young and Stewart, Secretaries of the Federal Reserve Banks of Atlanta, Chicago and St. Louis respectively, 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 Banks of St. Louis and San Francisco on October 4, by the Federal Reserve Banks of New York, Richmond, Chicago, Dallas and San Francisco on October 6, 1938, and by the Federal Reserve Banks of Philadelphia and Atlanta today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Telegram to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, replying to his wire of October 6, 1938, and stating that the Board of Governors approves the establishment by the Federal Reserve Bank of Minneapolis of a rate of 3% per annum on advances to individuals, partnerships or corporations secured by direct obligations of the United States under the last paragraph of Section 13 of the Federal Reserve Act, effective October 8, 1938, and the establishment on October 6, 1938, without other change of the rates of discount and purchase in the bank's existing schedule.

Approved unanimously.

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

"It is noted from the minutes of the Conference of Presidents held in Washington on Tuesday, September 20, 1938, that Mr. Schaller referred to the existing arrangement between the Detroit Branch and member banks situated in Detroit whereby currency deposits of such member banks with the Detroit Branch are confined to fit currency not needed by the banks in their current operations and mutilated currency, and stated that the Federal Reserve Bank of Chicago feels that unless similar arrangements are made throughout the Federal Reserve System the present practice of the Detroit Branch should be modified.

"The report of the above mentioned Conference states that
"It was the sense of the Conference that through the efforts of the individual Federal Reserve banks any undue abuse of their currency sorting facilities has already been minimized and that each bank should continue to solicit the cooperation of its member banks in eliminating or modifying such practices as result in unreasonable demands upon, or unwarranted expense to, the Federal Reserve banks. It also appears from the Committee's report that a majority of those present at the Conference expressed the opinion, based upon the experience of their banks in negotiating with member banks respecting this problem, that the adoption of any arbitrary rule, such as that discussed at the meeting, would be inadvisable, as tending to antagonize member banks, and would be unnecessary in view of the progress already made and the further progress that might reasonably be expected to be made through the efforts of the various Federal Reserve banks.

"It is understood that, if the Detroit Branch resorts to the former practice, it will be necessary for it to at least double the number of its currency counters and that if the Chicago office resorts to its former practice it will necessitate a very substantial increase in its expenses. Somewhat similar conditions, it is assumed, exist in greater or lesser degree at some of the other Federal Reserve banks.

"In the report of the Committee on Free Services, dated June 8, 1938, it is stated on page 39 that 'Replies to this item show that in four Reserve districts there are thirty-one member banks that make a practice of depositing currency in the afternoon and drawing out currency the next morning, while in the other eight Reserve districts this practice does not exist.'

"In the circumstances it will be appreciated if you will advise the Board in advance of the next Conference of Presidents as to the progress your bank has made in its efforts to induce member banks to confine their deposits of fit currency with the Reserve bank to currency in excess of their current requirements; whether your bank anticipates that it will, within a reasonable period, be able to achieve approximately the same results that have been accomplished by the Detroit Branch; also if you will furnish the Board with the names and locations of the banks in your Federal Reserve bank and Branch cities that make a practice of depositing unassorted currency at night which includes a substantial amount of fit currency needed by them for current use, and what the approximate annual saving to your bank would be if such practice were discontinued. It will also be appreciated if you will advise the Board of the number of banks that have discontinued this practice since January 1937, and the approximate reduction in expense of the Federal Reserve bank resulting therefrom."

Approved unanimously.
Telegram dated October 6, 1938, to the Presidents of all Federal reserve banks, reading as follows:

"Replies indicate that postponement of examiners' conference to October 31 will be satisfactory to all banks. Accordingly the conference is postponed to that date."

Approved unanimously.

Letter to Mr. Sinclair, President of the Federal Reserve Bank of Philadelphia, reading as follows:

"Reference is made to your letter of October 5 enclosing a letter from Mr. Joseph Wayne, Jr., President of The Philadelphia Clearing House Association, asking that you assist in arranging a meeting with the Board and a committee from the Association for the purpose of discussing the position taken by the Board in its letter of August 10, 1938 (R-290), with regard to extending the time fixed by Congress for the termination of certain relationships under section 8 of the Clayton Act.

"The Board today gave consideration to Mr. Wayne's request, and I have been asked to advise you that the members of the Board who are in Washington will be glad to meet with you and Mr. Wayne's committee at 11:00 a.m. on Thursday, October 13, in the Board Room of the Federal Reserve Building, Washington, D. C."

Approved unanimously.

Thereupon the meeting adjourned.

Approved: [Signature]
Chairman.