A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, October 27, 1938, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Szymczak
Mr. McKee
Mr. Davis
Mr. Draper
Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

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

The minutes of the meetings of the Board of Governors of the Federal Reserve System held on October 25, and 26, 1938, were approved unanimously.

The minutes of the meeting of the Board of Governors with the Presidents of the Federal Reserve Banks held on October 25, 1938, were approved unanimously.

Letter dated October 26, 1938, to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, reading as follows:

"This will acknowledge receipt of your letter of October 17, in which you show the salary for each officer of your bank as approved by the Board of Directors of your bank for the year 1939, subject to the approval of the Board of Governors.

The salaries as shown in your letter will be reviewed by the Board of Governors and if the Board desires..."
"to take up any question with respect thereto with you before formal action is taken by your Directors at their first meeting in January 1939, it will communicate with you with respect thereto before the end of this year."

Approved unanimously.

Letter to the board of directors of the "Halsey State Bank", Halsey, Oregon, stating that, subject to the conditions of membership numbered 1 to 3, inclusive, contained in the Board's Regulation H and the following special conditions, 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 San Francisco:

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

"5. Such bank shall increase the number of its directors to not less than five, the minimum number required in the case of all member banks under the provisions of section 31 of the Banking Act of 1933, as amended."

Approved unanimously, together with a letter to Mr. Day, President of the Federal Reserve Bank of San Francisco, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Halsey State Bank', Halsey, Oregon, 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 Superintendent of Banks of the State of Oregon for his information.

"Inasmuch as the bank has reported that the excess loan listed in the report of examination for membership has since been reduced to legal limits, the special condition of membership recommended by the executive committee regarding the loan has not been prescribed.

"If practicable, the increase in the number of directors required by condition of membership numbered 5 should be effected prior to admission to membership. In view of the circumstances, however, the Board will not object to the admission of the bank prior to the increase in the directorate if you are satisfied that it is impracticable to effect the increase within the time allotted for completion of membership but are satisfied that the required increase will be accomplished within a reasonable time."

Letter to Mr. McRae, Chief Examiner for the Federal Reserve Bank of Boston, reading as follows:

"Reference is made to your letter of October 21, 1938, regarding the provision of section 6(c) of Regulation T which prevents a guarantee of a general account from being given effect for the purposes of the regulation if the guarantor is a 'creditor' as defined in the regulation.

"As you point out in your letter, the Board stated in the ruling (S-66; Reg. T-67) published at page 90 of the February 1938 Federal Reserve Bulletin that this restriction applies to guarantees by partners of member firms because the term 'creditor' is defined in section 2(b) of the regulation to include, among others, any 'member' and the latter term is in turn defined in section 3(a)(3) of the Securities Exchange Act to include, among others, 'any firm transacting a business as broker or dealer of which a member is a partner, and any partner of any such firm.'

"The Board agrees with your view that the restriction applies to a guarantee by a special partner of such a firm..."
"as well as to a guarantee by a general partner."

"As you indicate, the rules of an exchange might per-
mit a guarantee by such a special partner to be given effect
for certain purposes in connection with such rules, but
this would not alter the fact that such a guarantee could
not be given effect for the purposes of Regulation T."

Approved unanimously.

Letter to Mr. Hitt, First Vice President of the Federal Reserve

Bank of St. Louis, reading as follows:

"Referring to your letter of October 21, the plan
for settlement between your bank and the Federal Reserve
Bank of Chicago for Federal Reserve notes of your bank
shipped by the Federal Reserve Bank of Chicago to member
banks in your district, and for Federal Reserve notes
of the Chicago bank shipped by your bank to member banks
in the Chicago district, has been noted and we have no
further suggestions to make with respect thereto."

Approved unanimously.

Memorandum dated October 8, 1938, from Mr. Morrill submitting
for approval by the Board drafts of entries for the policy record re-
quired by Section 10 of the Federal Reserve Act to be kept by the
Board, covering actions taken by the Federal Open Market Committee on
March 1, April 22 and April 29, 1938.

Approved unanimously.

There were submitted, with the recommendation of the Office
of General Counsel that they be approved for publication in the
November issue of the Federal Reserve Bulletin, rulings with respect
to the following subjects:
Withdrawal from General Account Followed by Other Transactions on Same Day

Broker or Dealer Who Transacts a Business in Securities Through the Medium of a Member

Approved unanimously.

Thereupon the meeting adjourned.