

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, December 17, 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. 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 December 16, 1938, were approved unanimously.

Letter to Mr. Lassiter, Chairman of the Federal Reserve Bank of Richmond, reading as follows:

"This will acknowledge receipt of your letter of December 13 advising that your Board of Directors on December 8 voted unanimously to increase the salary of President Leach to \$25,000 per year.

"This action will be considered by the Board and if it desires to discuss the matter with you before formal action is taken by your directors at their first meeting in January, 1939, it will do so before the end of this year."

Approved unanimously.

Memorandum dated December 16, 1938, from Mr. Smead, Chief of the Division of Bank Operations, submitting a letter dated December 12 from Mr. Martin, President of the Federal Reserve Bank of St. Louis,

12/17/38

-2-

which requested approval by the Board of a change in the personnel classification plan of the bank to provide for an increase in the maximum salary for the position of "Reserve Requirement Clerk" in the Accounting Department of the bank. The memorandum stated that the proposed change had been reviewed and recommended that it be approved.

Approved unanimously.

Letter to the board of directors of the "Louisiana Savings Bank & Trust Company", New Orleans, Louisiana, stating that, subject to conditions of membership numbered 1 to 4 and 6 contained in the Board's Regulation H, and the following additional 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 Atlanta:

- "5. Such bank, except as permitted in the case of national banks exercising fiduciary powers, shall not invest collectively funds held by the bank as fiduciary and shall keep the securities and investments of each trust separate from those of all other trusts and separate also from the properties of the bank itself.
- "7. Such bank shall make adequate provision for depreciation in its furniture and fixtures.
- "8. Prior to admission to membership, such bank, if it has not already done so, shall increase its surplus account to \$100,000.
- "9. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses totaling \$300.41, as shown in the report of examination of such bank as of November 21, 1938, made by an examiner for the Federal Reserve Bank of Atlanta."

The letter also contained the following special comments:

12/17/38

-3-

"In connection with the condition of membership numbered 8, it is understood that the matter of an increase in the surplus account has been discussed with the officers of the Federal Reserve Bank of Atlanta, and that it is proposed to effect the increase by transfer of \$48,000 from undivided profits to surplus."

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

"The Board of Governors of the Federal Reserve System approves the application of the 'Louisiana Savings Bank & Trust Company', New Orleans, Louisiana, 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 State Bank Commissioner of the State of Louisiana for his information.

"Listed on page 16 (1) of the report of examination for membership are several savings accounts which do not appear to conform to the definition of savings deposits as contained in the Board's regulations. It is assumed, of course, that in the event the bank completes its membership, such accounts will be brought into conformity with the regulations.

"On page 17 of the report of membership examination the examiner states that President Sitges is a vice president and director of the St. Bernard Bank and Trust Company, Arabi, Louisiana, and that if the applicant should become a member bank this relationship should be terminated on or before August 1, 1939. In this connection, it has been noted that Mr. Sitges has served continuously as an officer of the applicant bank since 1934 but did not become a director of the institution until July 11, 1938, and that he has served continuously as an officer and director of the Arabi bank for the past fourteen years. It appears, therefore, that under the present statute and the Board's Regulation L, as amended, Mr. Sitges may legally serve as an officer of the applicant (if it should become a member bank) and a director and officer of the Arabi bank until August 1, 1939, but that he may not legally serve as director and officer of the applicant and as a director and officer of the Arabi bank after July 11, 1939."

12/17/38

-4-

Memorandum dated December 2, 1938, from Mr. Paulger, Chief of the Division of Examinations, submitting memoranda and letters with respect to a question raised by examiners for the State of Maryland as to the legality of borrowings and prospective borrowings of Federal Reserve Examiner L. A. A. Siems from the Equitable Trust Company, Baltimore, Maryland, a nonmember bank, because of the possibility that a Federal reserve examiner may have authority to examine a nonmember bank. The memorandum recommended that the matter be cleared up by changing the wording of the certificate issued to the Board's examiners to limit the examiner's authority to Federal reserve banks, member banks and corporations operating under Sections 25 or 25 (a) of the Federal Reserve Act.

Approved unanimously, with the understanding that the amended certificate would read as follows:

"This is to certify that _____ has been appointed an Examiner to examine Federal reserve banks, member banks of the Federal Reserve System, and corporations operating under the provisions of Sections 25 and 25 (a) of the Federal Reserve Act, for all purposes of the Federal Reserve Act and of all other Acts of Congress pertaining to examinations made by, for, or under the direction of the Board of Governors of the Federal Reserve System, and that he has been designated as a (or an Assistant) Federal Reserve Examiner."

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

"The Board approves, effective January 1, 1939, the changes set forth below in the uniform paragraphs of the noncash collection circulars of the Federal Reserve banks

12/17/38

-5-

"recommended by the Standing Committee on Collections in its reports dated December 17, 1937 and September 20, 1938, as approved by the Conference of Presidents at its meetings on February 28 - March 1, 1938 and October 24 - 25, 1938, and in the Committee's report dated May 26, 1938, as revised and approved by the Conference of Presidents at its meeting on October 24 - 25, 1938.

"Paragraph (4) under caption 'Definition of Noncash Items', as revised.

(See report of Committee dated September 20, 1938 and minutes of Presidents' Conference dated October 24 - 25, 1938.)

(4) Maturing bonds and coupons (other than obligations of the United States and of Governmental agencies, which are redeemed by Federal reserve banks as fiscal agents separately from this collection service).

"Paragraph (3) under caption 'Terms of Collection', as revised.

(See report of Committee dated December 17, 1937, and minutes of Presidents' Conference dated February 28 - March 1, 1938.)

(3) A Federal reserve bank will forward such items payable in another district for collection to the Federal reserve bank (or branch) of such other district; provided, however, that a Federal reserve bank, in its discretion, may route direct to the place of payment in another Federal reserve district any item the size or character of which, or the circumstances in connection with which, would seem, in the judgment of the Federal reserve bank, to justify such direct routing.

"Paragraphs under caption 'Collection Charges', as revised.

(See report of Committee dated May 26, 1938 and minutes of Presidents' Conference dated October 24 - 25, 1938.)

The Federal reserve banks make no charge for their services in collecting non-cash items (except as provided below) and, therefore, any item payable in a city where there is a Federal reserve bank or branch, the collection of which is not restricted, will be collected at par. If any such item is payable through or collectible by a specified bank or other collecting agent, any charge made by such agent will be deducted and the net proceeds of the item credited.

12/17/38

-6-

"With respect to the collection of non-cash items payable outside of Federal reserve bank and branch cities, it is recognized that any bank selected by a Federal reserve bank as agent to collect any such item (except checks and bank drafts) renders a service, in presenting, collecting and remitting, for which a reasonable charge may be made if it cares to do so, and when such a charge is made, it will be deducted and credit given for the net proceeds.

Items sent to the Federal reserve banks for collection are subject to the following charges:

- (1) Charges made by collecting banks or agents, referred to above.
- (2) Charges made in the discretion of the Federal reserve banks for handling or collecting securities.
- (3) A service charge of 15¢ per item on all collection items returned unpaid and unprotested. This charge will not apply to items that are protested.
- (4) Expenses incurred for postage and insurance or express in forwarding items by registered mail or express.
- (5) All telephone and telegraph costs. (See paragraph below, 'TELEGRAPHIC ADVICE'.)

"Paragraphs under caption 'Direct Routing to Other Federal Reserve Districts', as revised.

(See report of Committee dated December 17, 1937 and minutes of Presidents' Conference dated February 28 - March 1, 1938.)

Member banks may be permitted to route collection items payable in other Federal reserve districts direct to the Federal reserve banks and branches of the districts in which the items are payable for the account of the Federal Reserve Bank of _____, and are encouraged to apply for permission to exercise this privilege since it is of distinct advantage to them.

The Federal Reserve Bank of _____ reserves the right to require member banks to route collection items payable in other districts direct

12/17/38

-7-

"to the other Federal reserve banks and branches, when, in our judgment, in any particular case the number, amount or nature of collections handled would appear to justify such procedure."

Approved unanimously.

Thereupon the meeting adjourned.

Chesler Morrie
Secretary.

Approved:

W. C. C. C.
Chairman.