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 A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, December 19, 1938, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman
 Mr. Ransom, Vice 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 hereinafter 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 17, 1938, were approved unanimously.

Memorandum dated December 17, 1938, from Mr. Paulger, Chief of the Division of Examinations, submitting the resignation of Thomas B. O'Donnell as an assistant Federal reserve examiner, to be effective at the close of business on December 31, 1938, and recommending that the resignation be accepted as of that date.

Approved unanimously.

Letter to Mr. Burke, Chairman of the Federal Reserve Bank of Cleveland, reading as follows:

"This will acknowledge receipt of your letter of December 9 with respect to proposed increases in salaries of certain officers of your bank for the year 1939.

"The salaries as shown in your letter will be reviewed by the Board and if it 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,

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"1939, it will do so before the end of this year."

Approved unanimously.

Letter to Mr. F. C. Harper, Vice President, Investment Management Corporation, reading as follows:

"Receipt is acknowledged of your letter of December 10 regarding the valuation of bond accounts in reports of examination of State banks in the light of the revision of procedure in bank examinations agreed to last summer by the Secretary of the Treasury, the Board of Governors of the Federal Reserve System, the Directors of the Federal Deposit Insurance Corporation, and the Comptroller of the Currency.

"Following the announcement of the agreement, the form of examination report used by the examiners for the Federal reserve banks in the examination of State banks which are members of the Federal Reserve System was revised to give effect to the changed procedure with respect to classification. When forwarding the new report forms to the Federal reserve banks, the Board stated specifically that it was expected that the examinations made by the examiners for the Federal reserve banks would be conducted in strict conformity with the terms, spirit, and purposes of the agreement which had been reached regarding bank examination procedure. This involves, of course, the appraisal of securities in accordance with the basis set forth in the agreement rather than appraisal of all securities on the basis of current market quotations.

"The Board expects that the examiners for the reserve banks will apply the basis set forth in the agreement uniformly in all examinations which they conduct.

"As to the position taken by other supervising agencies, this is a matter, of course, that should be taken up with them."

Approved unanimously.

Letter to Mr. Frank A. Putnam, Vice President of the Chicago City Bank and Trust Company, Chicago, Illinois, reading as follows:

"This refers to your letter of December 12, 1938, inquiring whether in our opinion any legislation might

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"be passed during the year 1939 which would eliminate the distinction between national banks or State member banks and State nonmember banks as to unemployment and old age benefit taxes. It is assumed that you have reference to the Social Security Act.

"During the last session of Congress at least one bill was introduced to amend the Social Security Act, which, among other things, would have had the effect of making national banks and State member banks subject to the provisions of that Act; but no action was taken on this bill by Congress. You may have seen reports in the press from time to time that a similar proposal will probably be presented to the next Congress; but whether or not a bill of this kind is likely to be enacted, we are not in a position to advise you. The Board of Governors has made no recommendation with reference to this subject."

Approved unanimously.

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

"In the Board's letter S-116, dated September 9, 1938, attention was called to the fact that Form 212 did not conform in a number of respects to the revised form of examination report and that a revision would be made following the Examiners' Conference then scheduled, at which it was proposed to discuss the matter.

"Inclosed are two copies of the revised form which the Board has approved, and a supply of the forms is being mailed to each of the Reserve banks under separate cover. Additional supplies may be obtained upon request.

"Form 212 is to be used only in connection with examinations made by examiners for the Federal reserve banks and the forwarding, as a general practice, of analyses of reports of independent examinations made by State authorities may be discontinued. If in any case the report of such an independent examination discloses a situation which should be brought to the attention of the Board or contains information which should be forwarded, the information should be presented in the form best adapted to the particular situation.

"It will be noted that the revised form makes provision for showing the classification of assets by the State examiner, and also for summarizing the corrective measures instituted by the State authorities if the bank

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"involved is in an unsatisfactory condition. In this connection, it is requested that, if the information from the State authorities will not be available for some time, Form 212 be submitted promptly and the missing information supplied later."

Approved unanimously.

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

"The Board concurs in the action of the Conference of Presidents held October 24 - 25, 1938 in approving the following recommendations, or parts of recommendations, of the Standing Committee on Collections, contained in its reports dated September 20, 1938:

'(1) Availability of Cash Items - Reduction in Number of Sorts Required of Member Banks

ITEMS PAYABLE IN OWN FEDERAL RESERVE BANK OR BRANCH CITY

That each Federal reserve bank and branch give immediate credit for items payable in own city if received in time for clearing, provided, however, that any reserve bank may give immediate credit for items payable in own city when received through the mails too late for clearing from its own country member banks.'

'(3) Description of Cash Items Required of Member Banks

That each Federal reserve bank and branch accept cash items without description as to drawee banks on cash letters from its member banks and direct routing member banks of other districts, provided that each member bank desiring to avail itself of this privilege be required to make a photographic record of the face of each undscribed item sent to its Federal reserve bank or branch, or direct to another Federal reserve bank or branch, and to transmit the film containing photographs of all such items in each cash letter to the Federal reserve bank or branch to which the letter was sent with the understanding that such reserve bank or branch will return such film to the member bank after a lapse of not more than two weeks, if the member bank desires to have the film returned. The Committee sees no objection

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"to a Federal reserve bank's permitting its own member banks to retain the films containing photographs of the checks sent to it, provided each such member bank agrees to furnish the reserve bank upon its request with a description of all such items and to indemnify the reserve bank in case of any loss resulting from its failure to do so."

'(4) Closing Hours of Federal Reserve Banks for the Acceptance of Cash Items

That each Federal reserve bank and branch make a careful study of incoming and outgoing mail and express schedules in relation to the additional volume of items that might be received and cleared or dispatched if its closing hours were extended, with a view to adopting later closing hours for the acceptance of cash items if by doing so an appreciable volume of items could be received and collected a day earlier than at present and its expenses would not be increased to an extent incommensurate with the additional service rendered to member banks.

That the established closing hours of each Federal reserve bank and branch for the acceptance of cash items be applicable to items received from other Federal reserve banks and branches and their direct routing member banks as well as to items received from its own member banks.'

"With reference to the remainder of recommendation numbered (1), which was disapproved by the Conference, and recommendation numbered (2), it is noted that the Conference approved in principle the modified plan suggested by the Committee as an alternative to its recommendations regarding availability of cash items payable outside of own Federal Reserve bank or branch city, including direct sendings, but requested the Committee to give further study to the matter."

Approved unanimously.

Memorandum dated December 17, 1938, from Mr. Foulk, Fiscal Agent, recommending that an assessment of two hundred and sixty two

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thousandths of one per cent (.00262) of the total paid-in capital and surplus (Section 7 and Section 13b) of the Federal reserve banks as of the close of business December 31, 1938, be levied to cover the general expenses of the Board during the first six months of 1939, and that the Federal reserve banks be instructed to pay in the assessment in two equal installments on January 3, 1939, and March 1, 1939.

The following resolution levying an assessment in accordance with the Fiscal Agent's recommendation was approved unanimously:

"WHEREAS, Section 10 of the Federal Reserve Act, as amended, provides, among other things, that the Board of Governors of the Federal Reserve System shall have power to levy semiannually upon the Federal reserve banks, in proportion to their capital stock and surplus, an assessment sufficient to pay its estimated expenses and the salaries of its members and employees for the half year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half year, and

"WHEREAS, it appears from a consideration of the estimated expenses of the Board of Governors of the Federal Reserve System that for the six months' period beginning January 1, 1939, it is necessary that a fund equal to two hundred and sixty-two thousandths of one per cent (.00262) of the total paid-in capital stock and surplus (Section 7 and Section 13b) of the Federal reserve banks be created for such purposes, exclusive of the cost of printing, issuing and redeeming Federal reserve notes;

"NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, THAT:

"(1) There is hereby levied upon the several Federal reserve banks an assessment in an amount equal to two hundred and sixty-two thousandths of one percent (.00262) of the total paid-in capital and surplus (Section 7 and Section 13b) of each such bank at the close of business December 31, 1938.

"(2) Such assessment shall be paid by each Federal reserve bank in two equal installments on January 3, 1939, and March 1, 1939, respectively.

"(3) Every Federal reserve bank except the Federal

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"Reserve Bank of Richmond shall pay such assessment by transferring the amount thereof on the dates as above provided through the Interdistrict Settlement Fund to the Federal Reserve Bank of Richmond for credit to the account of the Board of Governors of the Federal Reserve System on the books of that bank, with telegraphic advice to Richmond of the purpose and amount of the credit, and the Federal Reserve Bank of Richmond shall pay its assessment by crediting the amount thereof on its books to the Board of Governors of the Federal Reserve System on the dates as above provided."

Letter to the President of the Senate, reading as follows:

"In response to Senate Resolution 285, Seventy-fifth Congress, Third Session, the following report is submitted:

"David F. O'Sullivan is an elevator operator. He arrived in the United States on November 1, 1926, and filed his declaration of intention to become a citizen on August 31, 1937. He was employed by the Board on August 4, 1937, because he was the best qualified applicant.

"Madalena Bertolini (Mrs.) is assistant supervisor of charwomen. She arrived in the United States on March 18, 1897, and filed her declaration of intention to become a citizen on September 13, 1937. She was employed by the Board on August 5, 1937, because she was the best qualified applicant."

Approved unanimously.

Memorandum dated December 15, 1938, from Mr. Spurney, Building Manager, recommending that the space covered by rooms 1240 and 1242 in the Board's building be allotted as recreation space for the group of colored employees of the Board to be known as the Federal Reserve Board Messenger's Club.

Approved unanimously.

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Thereupon the meeting adjourned.

Chas. H. Morris
Secretary.

Approved: W. S. [Signature]
Chairman.