

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, December 23, 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. 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:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on December 22, 1938, were approved unanimously.

Telegrams to Mr. Young, President of the Federal Reserve Bank of Boston, Messrs. Kimball and Hays, Secretaries of the Federal Reserve Banks of New York and Cleveland, respectively, Mr. Leach, President of the Federal Reserve Bank of Richmond, Mr. McLarin, Vice President of the Federal Reserve Bank of Atlanta, Messrs. Young, Stewart and Powell, Secretaries of the Federal Reserve Banks of Chicago, St. Louis and Minneapolis, respectively, Mr. Thomas, Chairman of the Federal Reserve Bank of Kansas City, Mr. McKinney, President of the Federal Reserve Bank of Dallas, and Mr. Sargent, Secretary of the Federal

12/23/38

-2-

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 December 20, by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, Minneapolis, Kansas City and Dallas on December 22, 1938, and by the Federal Reserve Banks of Boston and Atlanta today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Letter to Mr. Harrison, President of the Federal Reserve Bank of New York, reading as follows:

"Mr. Ransom has advised the Board of his telephone conversation with you with respect to the continuation of the employment of W. B. Matteson, Assistant Vice President in charge of the securities department of your bank, for a period of not to exceed six months beyond the end of the current year. It is understood that Mr. Matteson became 65 years of age on August 10, 1938, and that ordinarily he would retire at the end of this year. However, because of the recent resignation of Mr. Burgess and your desire to relieve Mr. Sproul as soon as possible of responsibility in connection with the administration of the System open market account, you feel it is necessary that the employment of Mr. Matteson be continued for a further period to afford an opportunity to make the necessary arrangements for his successor.

"In these circumstances, the Board approves the payment of salary at the present rate to Mr. Matteson for a period of not to exceed six months from January 1, 1939, on condition, however, that before the period of extended employment becomes effective you will obtain from him a written statement that he is fully aware of the difference between the payments that would be made by the retirement system should he die while in active service and the payments which would be made should his death occur after

12/23/38

-3-

"retirement. The Board will appreciate it if you will furnish it with a copy of this statement for its files."

Approved unanimously.

Letter to Mr. Newton, President of the Federal Reserve Bank of Atlanta, prepared in accordance with the action taken at the meeting of the Board on December 21, 1938, and reading as follows:

"Reference is made to your letter of December 10, 1938, submitting a list of the changes proposed to be made in the salaries of officers of your bank for the year 1939.

"There will be sent to you under separate cover a letter stating the general policy of the Board with respect to changes in salaries of officers of Federal reserve banks. The procedure contemplated in that letter is not intended to apply to the salary proposed by your directors for Mr. H. C. Frazer in connection with the transfer to his new position as Assistant Manager of the New Orleans Branch and the Board has requested me to advise you that it is willing to approve a salary at the rate of \$6,500 per annum for Mr. Frazer in the new position if fixed by your directors at that rate, effective January 1, 1939."

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. McLarin, Vice President of the Federal Reserve Bank of Atlanta, which requested approval by the Board of changes in the personnel classification plans of the Atlanta bank and its New Orleans branch to provide for the creation of the new positions of "Junior

12/23/38

-4-

"Economist" and "Librarian" in the Statistical and Analytical Department, and five new positions in the Service Department, for the discontinuance of the position of "Chef" in the Service Department, and for a change in the maximum salaries for four positions at the head office, and for the creation of the positions of "Senior Clerk" in the General Department, "Chief Clerk" in the Currency and Coin Department and "General Clerk" in the F.A.C. & D. (R.F.C. Custody) Department, of the New Orleans branch. The memorandum stated that the proposed changes had been reviewed and recommended that they be approved.

Approved unanimously.

Memorandum from Mr. Carpenter, Assistant Secretary, stating that the recent elections at Federal reserve banks resulted in the election of the following Class A and B directors, each for a term of three years beginning January 1, 1939:

"Class A Directors

<u>Name</u>	<u>Business Affiliation</u>	<u>Bank</u>
* Allan Forbes	President, State Street Trust Company, Boston, Massachusetts.	Boston
* Otis A. Thompson	President, The National Bank and Trust Company of Norwich, Norwich, New York.	New York

12/23/38

-5-

<u>"Name</u>	<u>Business Affiliation</u>	<u>Bank</u>
* Joseph Wayne, Jr.	President, Philadelphia National Bank, Philadelphia, Pennsylvania.	Philadelphia
* F. F. Brooks	President, First National Bank, Pittsburgh, Pennsylvania.	Cleveland
* L. E. Johnson	Chairman, First National Bank, Alderson, West Virginia.	Richmond
* G. J. White	President, First National Bank, Mount Dora, Florida.	Atlanta
* F. D. Williams	Exec. V.P. & Cashier, First Capital National Bank, Iowa City, Iowa.	Chicago
Sidney Maestre	President, Mississippi Valley Trust Company, St. Louis, Missouri.	St. Louis
J. R. McKnight	President, Pierre National Bank, Pierre, South Dakota.	Minneapolis
* E. E. Mullaney	President, Farmers & Merchants Bank, Hill City, Kansas.	Kansas City
Ford Seale	President, Citizens National Bank of Denison, Denison, Texas.	Dallas
Reno Odlin	President, Puget Sound National Bank, Tacoma, Washington.	San Francisco

"Class B Directors

* P. R. Allen	Chairman, Bird & Son, Inc., E. Walpole, Massachusetts.	Boston
* W. C. Teagle	Chairman, Standard Oil Company of New Jersey, New York, New York.	New York
Harry L. Cannon	President, H. P. Cannon & Son, Inc., Bridgeville, Delaware.	Philadelphia
* G. D. Crabbs	President, Philip Carey Mfg. Co., Cincinnati, Ohio.	Cleveland
* Edwin Malloy	Pres. & Treas., Cheraw Cotton Mills, Inc., Cheraw, S. C.	Richmond
* E. T. George	Pres. & Chm., Seaboard Refining Company, Ltd., New Orleans, La.	Atlanta
* N. H. Noyes	Secy. & Treas., Eli Lilly and Company, Indianapolis, Ind.	Chicago
J. R. Stanley	Secy., Treas. & Gen. Mgr., Stanley Clothing Co., Evansville, Ind.	St. Louis
* J. E. O'Connell	President, Eddy Bakeries, Helena, Montana.	Minneapolis
* L. E. Phillips	Phillips Petroleum Company, Bartlesville, Oklahoma.	Kansas City

12/23/38

-6-

<u>"Name</u>	<u>Business Affiliation</u>	<u>Bank</u>
* J. D. Middleton	President, Texas Refining Company, Greenville, Texas.	Dallas
* W. G. Volkmann	Vice President, A. Schilling and Company, San Francisco, Calif.	San Francisco

* Reelected."

Noted.

Telegram to Mr. Wood, Vice President of the Federal Reserve Bank of St. Louis, referring to the application of the "Peoples Bank of Indianola", Indianola, Mississippi, for permission to withdraw immediately from membership in the Federal Reserve System, and stating that the Board waives the usual requirement of six months notice of intention to withdraw, and that, accordingly, upon surrender of the Federal reserve bank stock issued to the Peoples Bank of Indianola, the Federal Reserve Bank of St. Louis is authorized to cancel such stock and make appropriate refund thereon. The telegram also stated that it was understood that the Peoples Bank of Indianola desired to continue without interruption its status as an insured bank and that it was assumed that termination of its membership in the Federal Reserve System would be deferred until it could simultaneously be accepted by the Federal Deposit Insurance Corporation as a nonmember insured bank.

Approved unanimously, together with a letter to Mr. Leo T. Crowley, Chairman of the Federal Deposit Insurance Corporation, reading as follows:

12/23/38

-7-

"The Board has today approved the application of 'Peoples Bank of Indianola', Indianola, Mississippi, for permission to withdraw from membership in the System and waived the usual six months' notice of intention to withdraw.

"It is understood that the bank desires to continue, without interruption, its status as an insured bank and that it desires the insurance on deposits as a nonmember to become effective simultaneously with its termination of membership in the System.

"It is understood also that you may desire to make an examination of the bank; therefore, in accordance with the provisions of subsection (k)(2) of section 12B of the Federal Reserve Act, the Board hereby grants written consent for examiners for the Federal Deposit Insurance Corporation to examine the Peoples Bank of Indianola, Indianola, Mississippi, in connection with its application for continuation of deposit insurance as a nonmember bank."

Telegram to Mr. Evans, Vice President of the Federal Reserve Bank of Dallas, reading as follows:

"Relet December 17, 1938, regarding membership application of Liberty State Bank, Dallas, Texas. Board has no objection to proposed plan for changes in bank's capital structure. Existing interlocking directorate relationships between such bank and Republic National Bank of Dallas may be lawfully continued. Ruling respecting holding company affiliate relationship awaits receipt of copy of proposed trust instrument and you may wish to obtain your counsel's views concerning this matter."

Approved unanimously.

Letter to "The Washington County National Bank of Abingdon", Abingdon, Virginia, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for permission to exercise fiduciary powers, and grants you authority to act, when not in contravention of State or

12/23/38

-8-

"local law, as trustee, executor, administrator, guardian of estates, and committee of estates of lunatics, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the Regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously.

Letter to Mr. Day, President of the Federal Reserve Bank of San Francisco, prepared in accordance with the action taken at the meeting of the Board on December 20, 1938, and reading as follows:

"This refers to your letter of October 31, 1938, and its inclosures, in which you advised the Board that, at its meeting on October 20, 1938, the Board of Directors of the Federal Reserve Bank of San Francisco reviewed a report on the hearing held on October 11 on the question of the re-establishment of the Spokane Branch and voted to recommend to the Board of Governors that the Spokane Branch be not re-established.

"After reviewing the transcript of the hearing held in Spokane on Tuesday, October 11, 1938, and the other material inclosed with your letter, the Board of Governors at its meeting on December 20, 1938, approved the recommendation of the Directors of your bank that the Spokane Branch be not re-established."

Approved unanimously.

Letter to Mr. Crowley, Chairman of the Federal Deposit Insurance Corporation, reading as follows:

"The Board of Governors has received a letter from the Federal Reserve Bank of New York from which the following is quoted:

'We were recently consulted by one of our large member banks, the Central Hanover Bank and

12/23/38

-9-

"Trust Company, New York City, with reference to its handling of about \$45,000,000 received by it in connection with the redemption by call of a bond issue of which it is trustee. We understand that the indenture under which the bonds were issued provides that when the bonds are called for redemption the redemption price shall be deposited with the trustee and thereafter held in trust for the bond holders and distributed to them on and after the redemption date, and that upon such deposit the trustee shall cancel and discharge the lien of the indenture and return to the issuer any collateral then held as security for the bonds.

'The Central Hanover Bank and Trust Company stated that if this fund were made subject to Federal Deposit Insurance Corporation assessment, such assessment would amount to substantially more than \$100 a day; and it raised the question whether it would be possible for its trust department to deposit the funds with the Federal Reserve Bank of New York in a special account, taking the position that if this were done the member bank would have no deposit liability, and would therefore not be subject to Federal Deposit Insurance Corporation assessment, in relation to the fund. We indicated that we have from time to time been requested to open special accounts for trust departments of member banks but had always declined to do so.

'The possibility of the Central Hanover Bank and Trust Company, as trustee, obtaining and holding Federal Reserve notes, or checks certified by the Federal Reserve Bank of New York, was also discussed. We were asked if we would certify such checks if requested, and we indicated that we would do so if the checks were properly drawn against collected funds, as it had always been our policy to certify checks so drawn on us by member banks.

'On October 29, 1938, two checks drawn on us by the Central Hanover Bank and Trust Company to the order of itself as trustee under the indenture, in the amounts of \$30,602,587.50 and

12/23/38

-10-

"\$14,415,252.50, respectively, were presented to us for certification and were certified by us. It is our understanding that these checks are being held by the trust department of the Central Hanover Bank and Trust Company and will continue to be so held until the funds are needed to redeem the bonds, and that the banking or commercial department of the bank shows no liability on its books to the trust department for the amount of the checks.

'We anticipate that banks may receive large sums in connection with the redemption and refunding of bonds and in other transactions, and that we may be requested to certify checks in large volume representing such funds. In the circumstances, it seems to us that we should inform the Board of Governors of the Federal Reserve System of this transaction, believing that the matter may be of interest both to the Board and to the Federal Deposit Insurance Corporation, and that the Board may wish to inform the Federal Deposit Insurance Corporation of it.'

"If there is any further information regarding this matter which the Board of Governors can furnish, we shall be glad to do so, and if any ruling is made or any action is taken by your Corporation in connection with the above matter, it will be appreciated if you will advise the Board of Governors with respect thereto."

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

"This refers to Mr. Rice's letter of November 10, 1938, regarding the method of handling funds deposited with the Central Hanover Bank and Trust Company in trust for the purpose of redeeming a bond issue of which the bank is trustee. The Federal Deposit Insurance Corporation has been notified of this transaction, and a copy of the letter to the Corporation is inclosed herewith for your information.

"The manner in which the Central Hanover Bank and Trust Company reported in the October 26, 1938, weekly

12/23/38

-11-

"condition report the \$45,000,000 deposit of funds to redeem a called bond issue of which the bank is trustee, was discussed by members of your staff and members of the staff of the Board of Governors. It is assumed that as a result of these discussions the Central Hanover Bank and Trust Company has been advised of and fully understands the position of the Board of Governors as expressed in the ruling of the Board published at page 572 of the 1922 Federal Reserve Bulletin, that funds received by a member bank from a corporate debtor to meet the corporation's maturing obligations constitute deposit liabilities unless they are received as trust funds and are kept at all times segregated from the bank's general assets.

"It is understood that at the time the October 26, 1938, weekly condition report of the Central Hanover Bank and Trust Company was made, the funds in question had been deposited by the trust department with the commercial department of the bank and in turn had been deposited by the commercial department in the bank's reserve account with the Federal Reserve Bank of New York. Under these circumstances, the funds in question were not segregated from the general assets of the bank within the meaning of the Board's ruling referred to above, and should have been included in the deposit liabilities of the bank."

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

"The Board's letter of June 23, 1938 (R-267) transmitted copies of a form for use in obtaining reports as of June 30, 1938, from all holding company affiliates having general voting permits, and stated that consideration was being given to requesting such holding company affiliates to submit annual reports, beginning with a report for the year ending December 31, 1938. After further consideration of the matter, and on the basis of experience with the reports as of June 30, 1938, it has been decided to obtain such annual reports for the year ending December 31, 1938, or for the holding company affiliate's fiscal year if it differs from the calendar year.

"There is inclosed a copy of a form for such reports (Form F.R. 437), additional copies of which are being

12/23/38

-12-

"forwarded to your bank under separate cover. It will be noted that the form is similar to that used in obtaining the reports of holding company affiliates as of June 30, 1938. It has, however, been revised in certain respects, after careful consideration of the comments and suggestions received.

"Please deliver immediately to each holding company affiliate, which has its principal executive office in your district and which now holds a general voting permit, three copies of Form F.R. 437, with the request that the report be filed in duplicate with your bank not later than February 1, 1939. As in the case of the reports as of June 30, 1938, one complete copy of each report filed with your bank should be forwarded promptly to the Board. It will be appreciated if you will forward to the Board any further information, comments, or suggestions which you may have regarding each case after you have had an opportunity to review the reports filed and to obtain from the respective holding company affiliates such additional data and explanations as you may deem necessary to complete the reports.

"The Board's letter of June 23, 1938, contained certain other instructions regarding the procedure to be followed in obtaining the reports which are substantially applicable to the handling of the annual reports now requested. Accordingly, such instructions are reproduced for ready reference in the attached memorandum, with certain changes and additions.

"Although it was considered necessary to obtain reports, in the form provided, as of June 30, 1938 and December 31, 1938, it is not now contemplated that such reports will be requested regularly as of June 30. However, it is contemplated that regular annual reports as of the end of the calendar year, or the holding company affiliate's fiscal year, and such other reports as are necessary in the light of facts and circumstances, will be requested.

"We shall be glad to have the benefit of any comments, criticisms, and suggestions regarding Form F.R. 437 which may occur to you or to the examination department of your bank in obtaining and reviewing the annual reports of the various holding company affiliates."

Approved unanimously.

Memorandum dated December 22, 1938, from the Personnel Committee,

12/23/38

-13-

stating that the Committee had reviewed the proposed budget covering salaries and expenses of the Board for the calendar year 1939 and recommending that it be approved as submitted to the members of the Board with Mr. Bethea's memorandum of December 5, 1938, with the understanding that appointments, resignations, salary changes or other adjustments approved by the Board subsequent to December 1, 1938, would increase or decrease the budget accordingly. The proposed budget aggregating \$1,579,082.40, including personal and non-personal services, was as follows:

PERSONAL SERVICES:

Salaries	\$1,234,422.40	
Retirement System contributions for current service	<u>55,702.00</u>	\$1,290,124.40

NON-PERSONAL SERVICES:

Traveling Expenses	\$ 85,650.00	
Postage and Expressage	1,583.00	
Telephone and Telegraph	58,950.00	
Printing and Binding	53,500.00	
Stationery and Supplies	22,365.00	
Furniture and Equipment	16,325.00	
Books and Subscriptions	5,985.00	
Light, Heat, Power and Water	27,000.00	
Repairs and Alterations to Building	3,000.00	
Rental and Repairs (Furniture and Equipment)	3,045.00	
Medical Service and Supplies	450.00	
Insurance	2,095.00	
Miscellaneous	<u>9,010.00</u>	<u>288,958.00</u>
		\$1,579,082.40

Approved unanimously.

Memorandum dated December 21, 1938, from Mr. Smead, Chief of the Division of Bank Operations, submitting the requests of the Federal

12/23/38

-14-

reserve banks for authority to pay dividends, to set aside certain reserves and to make certain charge-offs at the end of 1938, and recommending that the requests of the Federal reserve banks be approved as set forth in the memorandum. The memorandum stated that current earnings during 1938 would amount to approximately \$36,200,000 and current expenses to approximately \$28,800,000, leaving current net earnings of about \$7,400,000, that during the period January 1 to December 14, 1938, a total profit of \$8,276,000 was realized on the sale of Government securities from the system open market account; and that other credits to profit and loss less \$5,047,000 for prior service contributions and other charges to profit and loss, would result in a net credit to profit and loss of approximately \$2,194,000 which would give net earnings of about \$9,583,000. The memorandum also stated that all Federal reserve banks (with the exception of Kansas City which was to take formal action on December 22) had requested authority to pay in 1938 the amount scheduled to be paid in 1939 on prior service liability to the Retirement System of the Federal Reserve Banks, as recommended by the Conference of Presidents at their recent meeting in Washington; that if this payment were made by the twelve Federal reserve banks and the Board the prior service liability to the Retirement System would be discharged, and, beginning with 1939, contributions to the Retirement System would represent payments on account of current service only; that all of the Federal reserve banks, except possibly

12/23/38

-15-

Kansas City and Dallas, had sufficient earnings to cover the payment, and the slight deficiency, if any, in the case of these two banks could be covered by a withdrawal from reserves for contingencies; and that in view of the Board's previous action on the matter it was assumed that it would wish to authorize payment this year of amounts due to the Retirement System in 1939 on account of prior service liability. The memorandum stated further that under Section 13b of the Federal Reserve Act the Federal reserve banks were required to pay to the United States Treasury two percent yearly, if earned, on the total payments received from the Secretary of the Treasury for the purpose of making industrial advances and commitments; that it was estimated that the two percent payment this year would amount to approximately \$119,000; that the remaining net earnings resulting from the use of funds received from the Secretary of the Treasury under Section 13b of the Federal Reserve Act, amounting to approximately \$3,000 at the Federal Reserve Bank of Philadelphia, would be transferred to Section 13b surplus; and that if additions to reserves for losses on industrial advances and commitments recommended in the memorandum were authorized, approximately \$424,000 would be charged to Section 13b surplus by four Federal reserve banks. The memorandum stated also that it was estimated that after providing for all expenses, dividends, and special reserves and charge-offs, the Federal reserve banks would have net earnings remaining for transfer to surplus in accordance

12/23/38

-16-

with the provisions of Section 7 of the Federal Reserve Act of approximately \$1,861,000.

The recommendations contained in the memorandum were approved unanimously as follows:

1. Each Federal reserve bank was authorized to pay the usual semi-annual dividend at the close of the year.
2. Each Federal reserve bank was authorized to pay to the Retirement System at the end of this year the amount scheduled to be paid in 1939 for prior service liability, with the understanding that the Board would also pay to the Retirement System at the close of this year the amount due in 1939 on account of prior service liability.
3. The Federal Reserve Bank of New York was authorized to set aside a special reserve of \$737,000 on the New York bank building so that a continuance of the two percent annual depreciation charge will result in an accumulated reserve equal to gross book value at the end of approximately 40 years from date of occupancy instead of 50 years as originally contemplated.

The Federal Reserve Bank of Atlanta was authorized to set aside a special reserve of \$60,000 on the Jacksonville branch building to cover the cost of air conditioning and repairs and alterations to the building, a part of the cost of repairs and alterations to be capitalized during 1939 and a part to be charged to current expenses; and to charge-off \$62,564 and to set aside a special reserve of \$61,419 on the Atlanta building to offset the cost of improvements and repairs charged to building or to the reserve for depreciation on building, and a special reserve of \$199,697 on fixed machinery and equipment to offset the cost of repairs and alterations charged to fixed machinery and equipment or to the reserve for depreciation on fixed machinery and equipment. These special charge-offs at Atlanta were requested by the board of directors of the Atlanta bank in order that the repairs

12/23/38

-17-

and improvements made during 1938 would not result in an increase in the net book value of the building. It was understood that the advice to the Atlanta bank would state that the Board does not in general look with favor on the setting aside of a reserve in one year to cover contemplated expenditures of a subsequent year.

The Federal Reserve Bank of Chicago was authorized to charge-off \$516,149.26 on the site of the Chicago building in order to bring the book value of the land down to \$1,600,000, an amount more nearly in harmony with the present market value.

The Federal Reserve Bank of Minneapolis was authorized to charge-off \$4,074.07 on the Helena branch building to reduce the book value of the building to estimated replacement cost, in accordance with the established procedure, and \$5,027.50 on the Helena branch site to reduce the book value of the land to estimated market value of \$10,000.

4. The Federal reserve banks listed below were authorized to set aside reserves on industrial advances and commitments in the approximate amounts shown, as being necessary to cover estimated losses on specific advances outstanding:

Boston	\$ 69,000	Atlanta	\$25,000
New York	453,000	Minneapolis	25,000
Philadelphia	30,000	Dallas	28,000
Cleveland	20,000	San Francisco	46,000
Richmond	168,000		

5. The Federal Reserve Banks of Cleveland and Minneapolis were authorized to withdraw from their surplus accounts (Section 7) and credit to reserves for contingencies an amount equal to net earnings of these banks for 1938 after providing for dividends, charge-offs and special reserves.
6. The Federal Reserve Banks of Kansas City and Dallas were authorized to withdraw from reserves for contingencies amounts sufficient to cover any charge that would otherwise have to be made to surplus Section 7.

12/23/38

-18-

Letter to Mr. Logan, General Counsel, Federal Reserve Bank of New York, reading as follows:

"Receipt is acknowledged of your letter of December 15, 1938 inclosing a copy of the bill of Messrs. Covington, Burling, Rublee, Acheson and Shorb, of Washington, D. C., for legal services rendered in behalf of your Bank from January 10, 1936 to December 1, 1938 in connection with the case of British American Tobacco Company, Ltd., v. Federal Reserve Bank of New York, together with copies of an analysis and summary of the nature of the work and actual time spent on the case and of Mr. Acheson's letter of December 13, 1938.

"The Board's approval to the payment of such bill is requested and in response, you are advised that the Board approves the additional payment of \$46,675 which, together with the \$10,000 already paid on account, represents the amount of the bill.

"In this connection the Board has noted Mr. Acheson's comment with respect to the basis upon which future bills will be submitted. While the Board is sure that Mr. Acheson did not intend to commit the Board to any predetermined basis by which its future action will be guided, it will be appreciated if, in order to avoid the possibility of any misunderstanding, you will call Mr. Acheson's attention to this point."

Approved unanimously.

Letter to Mr. Harrison, Chairman of the Presidents' Conference, reading as follows:

"The minutes of the Presidents' Conference held October 24 - 25, 1938 state that it was voted to accept the report, dated October 18, 1938, of the Committee on Standardization and Purchase of Supplies and to approve the recommendations therein contained; also, that the Conference agreed that the Committee on Standardization and Purchase of Supplies should deal directly with the Federal Reserve banks as to questions of specific purchases instead of presenting such questions to the Conference.

12/23/38

-19-

"The Board concurs in the action taken by the Presidents' Conference and assumes that the further study to be made by the Committee will include purchases made by the Board of Governors as well as those of the Federal Reserve banks."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morie
Secretary.

Approved:

W. C. ...
Chairman.