

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, June 12, 1939, at 11:30 a. m.

PRESENT: Mr. Eccles, Chairman  
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 June 7, 1939, were approved unanimously.

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on June 9, 1939, were approved and the actions recorded therein were ratified unanimously.

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

"There is returned herewith galley proof of the Annual Report of the Federal Reserve Bank of Philadelphia, which has been modified in accordance with the understanding reached between yourself and the Board at a conference on June 7. The Board sees no objection to the publication of the report in its present form.

"There is one additional suggestion, however, that the Board wishes to make. On the galley slide 13 in the paragraph immediately following the first table, it is suggested that after the words 'during 1938' the following clause be inserted between commas: 'resulting in transfers of funds from other districts to member banks in the Philadelphia district.' This is for the purpose

6/12/39

-2-

"of making it clear that Treasury expenditures do not add to member bank reserves for the country as a whole and only add to those in a given district if they result in a gain of funds by the district from other districts."

Approved unanimously.

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

"At the Conference of Presidents on March 6, 1939, approval was given to a recommendation of the Leased Wire Committee that telegrams between Federal Reserve banks and branches now being sent over commercial wires be sent over the Federal Reserve leased wires, except in cases where undesirable circuitous routing is involved, and that a charge be made for the service on the basis of commercial wire rates. This action was taken by the Conference with the understanding that telegraphic advices between Federal Reserve banks and branches regarding dishonored items would continue to be sent over the leased wires and that charges for such advices would be assessed. The Board of Governors approves these suggested changes and has amended the regulations set forth in its letter of May 2, 1938, S-93, regarding telegraphic transfers of funds and the Federal Reserve leased wires to read as follows, effective July 1, 1939:

"1. The leased wires should be used for all telegrams between the Federal Reserve banks and branches, unless these wires are overcrowded or transmission over the leased wires would involve undue delay or undesirable circuitous routing.

"2. Telegraphic transfers between Federal Reserve banks and branches of bank balances in multiples of \$1,000 will be made for member banks without charge. Such transfers will be made for and paid to member banks only. The term 'bank balance' shall be construed to mean an accumulation of funds comprising an established account carried by one bank with another bank. The descriptive data in telegrams transferring such bank balances without charge must be limited to the

6/12/39

-3-

"name of the sending member bank, name of its correspondent member bank requesting the transfer, name of the member bank receiving credit, and name of its correspondent member bank.

"3. When a Federal Reserve bank makes a charge against a member or nonmember clearing bank in connection with a telegram sent to or received from another Federal Reserve bank or branch, such charge should be based on the commercial wire rate (without tax on messages transmitted over the leased wires) regardless of whether the message is transmitted over leased or commercial wires. Proceeds of such charges shall be retained in each case by the Federal Reserve bank assessing the charge.

"4. The Federal Reserve code, including test word, must be used for all messages involving the transfer of funds.

"5. In addition to the usual mail advice to the bank receiving credit for telegraphic transfers of funds, immediate advice by telegraph, or otherwise, should be given by the Federal Reserve bank receiving the transfer in cases where the sending bank or the credited bank has stated that other than the usual mail advice is necessary, or where the nature of the transaction or the amount involved indicates that the additional expense is justified, as to which the receiving Federal Reserve bank will exercise its discretion. All such wire advices should be at the expense of the bank receiving credit and, therefore, should be sent collect.

"6. Requests for telegraphic transfers of funds for consummation on date of receipt should not be accepted by Federal Reserve banks later than thirty (30) minutes prior to the closing hour of the Federal Reserve bank to which transfer is to be made. Any telegraphic transfers of funds requested after such time will be made at the discretion of the Federal Reserve bank receiving credit.

"7. Except where a loss might be involved, the mails rather than the leased wires shall be used for reconciling exceptions in accounts between Federal Reserve banks.

6/12/39

-4-

"8. Any loss resulting from negligence on the part of the Federal Reserve System in the transmission of telegrams transferring funds over the leased wires through relay stations shall be borne by the sending Federal Reserve bank, unless responsibility can be definitely placed upon the Federal Reserve bank to which the telegram was addressed.

"9. Telegrams must be worded as concisely as possible. Telegrams should not be sent when communication by mail will suffice. For the purpose of enforcing these regulations, provision should be made in each Federal Reserve bank so that any misuse of the leased wires will be brought to the attention of a designated officer for reference to the originating department, or, in the case of incoming messages, to the sending Federal Reserve bank.

"The following paragraphs under the respective headings should be included by all Federal Reserve banks in their circulars to member and nonmember clearing banks relating to telegraphic transfers of funds:

Transfers of Bank Balances for Member Banks

"1. Telegraphic transfers between Federal Reserve banks and branches of bank balances in multiples of \$1,000 will be made for member banks without charge. Such transfers will be made for and paid to member banks only. The term 'bank balance' shall be construed to mean an accumulation of funds comprising an established account maintained by a member bank with its Federal Reserve bank or with another member bank.

"2. The descriptive data in telegrams transferring bank balances without charge must be limited to the name of the sending member bank, name of its correspondent member bank requesting the transfer, name of the member bank receiving credit, and the name of its correspondent member bank.

"3. Transfers for the benefit or use of an individual, firm, corporation, or nonmember bank and transfers of the proceeds of individual collection items or individual cash letters will not be made without charge.

6/12/39

-5-

"Other Transfers

"1. Telegraphic transfers of funds for any purpose and in any amount and without limitation as to descriptive data will be made for and paid to member banks subject in each case to a charge which will approximate but not exceed the commercial wire rate for the telegram or telegrams involved in the transfer. While such transfers will be accepted from and paid to member banks only, they may be for the use of any bank, individual, firm or corporation.

"2. Telegraphic transfers of bank balances in multiples of \$100 will be made for nonmember clearing banks subject to a charge as outlined in the preceding paragraph. Such transfers will be accepted from any member bank for the credit of any nonmember clearing bank, and from any nonmember clearing bank for the credit of any member bank or any other nonmember clearing bank.

"3. Member and nonmember clearing banks should prepay the cost of telegrams requesting transfers that are subject to a charge, and telegrams to member and nonmember clearing banks advising of credit will be sent 'collect'.

Liability of the Federal Reserve Bank

"The Federal Reserve Bank of \_\_\_\_\_ will use due diligence and care in the transfer of funds by telegraph to the receiving Federal Reserve bank for credit to the account of the payee bank, but will not be responsible for errors or delays caused by circumstances beyond its control."

Approved unanimously, the letter having first been approved by the Subcommittee of the Leased Wire Committee and Standing Committee on Collections.

6/12/39

-6-

Thereupon the meeting adjourned.

Charles Morrie  
Secretary.

Approved:

W. C. ...  
Chairman.