

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, August 10, 1939, at 11:30 a. m.

PRESENT: Mr. Eccles, Chairman
Mr. Szymczak

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary

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

The Board had received a letter from Mr. N. C. Lenfesty, Cashier of The National City Bank of New York, New York, New York, under date of July 19, 1939, stating that the bank was giving consideration to the advisability of opening a branch at Barranquilla, Republic of Colombia, and inquiring whether it could do so under the permission granted by the Board on July 30, 1928, to open a branch at Barranquilla which was never availed of. On July 24 the Board requested the Federal Reserve Bank of New York to communicate with The National City Bank of New York and to suggest that, in view of the lapse of time since the original permission was granted, it would be advisable to file with the Federal Reserve Bank of New York a formal application for permission to establish such a branch. On July 28 Mr. Gidney, Vice President of the Federal Reserve Bank of New York, submitted the application received from The National City Bank of New York for permission to establish a branch at Barranquilla and recommended that it be approved. Advice was subsequently received from the Comptroller of the Currency that

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his office knew of no objection to the Board granting the application.

Accordingly, the following order was adopted by the Board:

"WHEREAS The National City Bank of New York has made application to the Board of Governors of the Federal Reserve System, pursuant to the provisions of section 25 of the Federal Reserve Act, for permission to establish a branch at Barranquilla, Republic of Colombia; and

"WHEREAS it appears that the said bank may properly be authorized to establish a branch at Barranquilla, Republic of Colombia;

"NOW, THEREFORE, IT IS ORDERED that The National City Bank of New York be and it hereby is authorized to establish a branch at Barranquilla, Republic of Colombia upon the condition that unless the branch hereby authorized is actually established and opened for business on or before August 15, 1940, all rights hereby granted as to such branch shall be deemed to have been abandoned and the authority hereby granted as to it shall automatically terminate; but, if the branch shall be established and opened for business on or before said date, the said bank may operate and maintain the same subject to the provisions of section 25 of the Federal Reserve Act."

In connection with the above matter, the following letter to Mr. Gidney, Vice President of the Federal Reserve Bank of New York, was also approved unanimously:

"Reference is made to your letter of July 28, 1939, transmitting the application of The National City Bank of New York, New York, for permission to establish a branch at Barranquilla, Republic of Colombia.

"Pursuant to the provisions of section 25 of the Federal Reserve Act, the Board of Governors of the Federal Reserve System has authorized The National City Bank of New York to establish a branch at Barranquilla, Republic of Colombia, upon the condition that the branch be actually established and opened for business on or before August 15, 1940.

"There is enclosed herewith a certified copy of the order adopted by the Board authorizing the establishment

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"of the branch which you will please deliver to the bank. There is also enclosed a copy of the order for your files."

Letter to Mr. William R. White, Secretary, Executive Committee of the National Association of State Bank Supervisors, New York, New York, reading as follows:

"Referring to your letter of August 7 and pursuant to a subsequent telephone conversation with you, we are asking the Federal Reserve banks to advise the State banking departments of the States in their respective Federal Reserve districts of the adoption of the condensed form of State bank member call report. We are also requesting them to furnish a copy of the condensed form to each such banking department.

"It is suggested that you bring the condensed form to the attention of the Executive Committee of the National Association of State Bank Supervisors, and 20 proof copies of the condensed form are enclosed for your use in that connection. As explained in our letter to you dated August 4, existing arrangements for the single publication of condition reports rendered by State bank members to Federal Reserve banks and State banking departments, respectively, are not affected.

"In response to your inquiry, the proposed adoption of the condensed form was informally brought to the attention of Mr. Thompson, Chief of the Division of Research and Statistics of the Federal Deposit Insurance Corporation. Inasmuch, however, as the Federal Deposit Insurance Corporation calls for condition reports only as of the June and December call dates, the forms which it uses will not be affected by the use of the condensed form for the spring and autumn calls."

Approved unanimously.

Letter to Mr. Sawyer, Division of Security Loans, Federal Reserve Bank of Boston, reading as follows:

"Reference is made to your letter of August 2, 1939, regarding the question whether a member of a national securities exchange may, under section 6(d) of Regulation T, accept the transfer of an account, the adjusted debit

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"balance of which exceeds the maximum loan value of the securities in the account, from a foreign broker who 'transacts a business in securities through the medium of a member'.

"Section 6(d) provides in part that:

'In the event of the transfer of a general account from one creditor to another, such account may be treated for the purposes of this regulation as if it had been maintained by the transferee from the date of its origin: Provided, That the transferee accepts in good faith the signed statement of the transferor that no cash or securities need be deposited in the account in connection with any transaction that has been effected in the account or, in case he finds that it is not practicable to obtain such a statement from the transferor, accepts in good faith such a signed statement from the customer.'

"The term creditor is defined in section 2(b) to mean 'any member of a national securities exchange or any broker or dealer who transacts a business in securities through the medium of any such member'.

"As your letter points out, the Board recently ruled (S-169, Reg. T-84) that a foreign broker who 'transacts a business in securities through the medium of a member' comes within the meaning of the term 'creditor' so far as to qualify under section 5(c) as a person from whom a domestic broker may borrow, subject to certain requirements, in the ordinary course of business on registered securities.

"The Board is of the view that a foreign broker who 'transacts a business in securities through the medium of a member' also comes within the meaning of the term 'creditor' so far as to qualify as a person from whom a member of a national securities exchange may accept the transfer of an account pursuant to section 6(d). It is the Board's view further that, if margin was obtained in amounts that would have met the requirements of Regulation T and the account was otherwise maintained in such a way that it would have satisfied these requirements, it may properly be said that 'no cash or securities need be deposited in the account in connection with any transaction that has been effected in the account'.

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"Accordingly, the Board agrees with the suggestion in your letter that the transfer from such a foreign broker of an account meeting these requirements would be permissible under section 6(d)."

Approved unanimously.

Letter to Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, reading as follows:

"Upon receipt of your letter of August 3, I brought it to the attention of Messrs. Szymczak and Davis and they have advised me as to your discussion of the matter of the proposed change in the by-laws with them when they were in Kansas City. The correspondence has also been brought to the attention of the other members of the Board who are here and I have been asked to advise you that in view of all the circumstances and in the light of the explanation of the situation which you have made to Messrs. Szymczak and Davis, the Board offers no objection at this time to the first paragraph of Section 1 of Article III of the By-laws of the Federal Reserve Bank of Kansas City, as amended in the paragraph of which a copy was enclosed with your letter."

Approved unanimously.

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

"Board has held that two institutions which transact trust business are transacting same class of business with the result that exception contained in section 2(d)(6) of Regulation L is not applicable. Therefore, in view of the facts stated in your telegram, it would appear that Mr. McMillan should resign from one of the institutions he is serving, assuming that he may continue to serve both the others until February 1, 1940 under section 3(e)."

Approved unanimously.

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Thereupon the meeting adjourned.

Cheser Morice
Secretary.

Approved:

W. S. ...
Chairman.