BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9776

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 4, 1937.

SUBJECT: Code Words Covering New Issues of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code words have been designated to cover new issues of Treasury Bills:

"NOYWAX" - Treasury Bills to be dated January 6, 1937, and to mature March 18, 1937.

"NOYWEB" - Treasury Bills to be dated January 6, 1937, and to mature October 6, 1937.

These words should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOYVUA" on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO PRESIDENTS OF ALL F. R. BANKS

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9777

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 31, 1936.

Dear Sir:

In confirmation of my telegram of December 31, 1936, there is attached a copy of a resolution adopted by the Board of Governors of the Federal Reserve System levying an assessment upon the various Federal reserve banks in an amount equal to seven hundred twenty-three thousandths of one per cent (.00723) 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, 1936, to defray the estimated expenses and salaries of the members and employees of the Board from January 1 to June 30, 1937, together with $1,424,000 to be applied upon the cost of the erection of a building for the Board of Governors of the Federal Reserve System.

The resolution also confirms the instructions contained in the telegram with regard to the manner in which the payments on the assessment shall be deposited with the Federal Reserve Bank of Richmond.

Very truly yours,

O. E. Foulk

O. E. Foulk,
Fiscal Agent.

Inclosure

TO CHAIRMEN OF ALL FEDERAL RESERVE BANKS.

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RESOLUTION LEVYING ASSESSMENT

WHEREAS, Section 10 of the Federal Reserve Act, as amended, contains the following provisions:

> "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 such assessments may include amounts sufficient to provide for the acquisition by the Board in its own name of such site or building in the District of Columbia as in its judgment alone shall be necessary for the purpose of providing suitable and adequate quarters for the performance of its functions. After approving such plans, estimates, and specifications as it shall have caused to be prepared, the Board may, notwithstanding any other provision of law, cause to be constructed on the site so acquired by it a building suitable and adequate in its judgment for its purposes and proceed to take all such steps as it may deem necessary or appropriate in connection with the construction, equipment, and furnishing of such building. The Board may maintain, enlarge, or remodel any building so acquired or constructed and shall have sole control of such building and space therein.
>
> " *
>
> "The Board shall determine and prescribe the manner in which its obligations shall be incurred and its disbursements and expenses allowed and paid, and may leave on deposit in the Federal reserve banks the proceeds of assessments levied upon them to defray its estimated expenses and the salaries of its members and employees, * * * * and funds derived from such assessments shall not be construed to be Government funds or appropriated moneys."

WHEREAS, it appears from a consideration of the estimated expenses of the Board of Governors of the Federal Reserve System for the six-months period beginning January 1, 1937, and of the amounts which in the judgment of the Board may be needed during such period to provide for the costs, or part thereof, of the erection of a building suitable and adequate for the Board's quarters,

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that it is necessary that a fund equal to seven hundred twenty-three thousandths of one per cent (.00723) 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 seven hundred twenty-three thousandths of one per cent (.00723) of the total paid-in capital and surplus (Section 7 and Section 13b) of each such bank at the close of business December 31, 1936.

(2) Seventeen and six-tenths per cent of such assessment shall be paid in on January 2, 1937, seventeen and six-tenths per cent thereof shall be paid in on March 1, 1937, and the remainder (sixty-four and eight-tenths per cent) shall be paid at such times and in such amounts as the Board may call for the payment thereof during such six-months period beginning January 1, 1937.

(3) Every Federal reserve bank except the Federal Reserve Bank of Richmond shall pay such assessment by transferring the amounts specified for transfer on January 2 and March 1 through the Interdistrict Settlement Fund to the Federal Reserve Bank of Richmond for credit to the Board's Special Fund Account on the books of that bank, with telegraphic advice to Richmond of the purpose and amount of the credit. The remainder of the assessment shall be paid at such times and in such amounts as the Board may call for the payment thereof during the six-months period by transferring the amount called through the Interdistrict Settlement Fund to the Federal Reserve Bank of Richmond for credit to the Board of Governors of the Federal Reserve System - Building Account, on the books of that bank. The Federal Reserve Bank of Richmond shall pay its assessment by crediting to the proper accounts on its books on the dates stated the amounts specified above.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9778

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 4, 1937.

Dear Sir:

Paragraph numbered 6 of the rules and regulations regarding the appointment of directors of branches of Federal reserve banks, which were forwarded to you with the Board's letter of January 9, 1935, X-9083, contains a provision reading as follows:

> "No director, other than the Managing Director, shall be reappointed for a term immediately following six or more years of continuous service as a director."

The question has been presented to the Board whether there would be any objection to the reappointment at this time of a branch director whose term expired on December 31, 1935, after more than six years of continuous service, the appointment to be for the unexpired portion of the term for which the director would have been appointed had he served continuously up to this time. The Board has taken the position that such an appointment would not be in accordance with the provision above referred to as it now stands and that, therefore, the Board could not consistently sanction the reappointment in question.

The Board feels that the regulation should be adhered to in this respect, and, in order to make the provision in question

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more definite is amending, effective immediately, the last sentence of paragraph numbered 6 of its regulation to read as follows:

> "No director, other than the Managing Director, who has had six or more years of continuous service, shall be reappointed as a director to take effect before the expiration of a period, immediately following such service, of at least two years at any branch having five directors or three years at any branch having seven directors."

The Board has also amended paragraph numbered 3 of its regulation to eliminate the requirement that one of the branch directors appointed by it shall reside outside of the city in which the branch is located. The paragraph, as amended, reads as follows:

> "All directors shall be citizens of the district and shall reside within the territory served by the branch, but at least one of the directors appointed by the bank shall reside outside of the city in which the branch is located."

A copy of the regulation, as thus amended, is attached for your convenience.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Inclosure.

TO ALL PRESIDENTS

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1. The board of directors of each branch of a Federal reserve bank shall consist either of seven members or of five members, as may be determined by the Federal reserve bank, subject to the approval of the Board of Governors of the Federal Reserve System. Where the board of directors of the branch consists of seven members, four shall be appointed by the Federal reserve bank and three by the Board of Governors, and, where the board consists of five members, three shall be appointed by the Federal reserve bank and two by the Board of Governors.

2. All directors shall be persons of high character and standing who have established reputations and ability to meet their financial obligations. They shall be persons whose business and financial interests are primarily within and representative of the branch territory rather than of interests controlled or owned outside the territory. The directors appointed by the Federal reserve banks shall be persons who are either well qualified and experienced in banking or actively engaged in agriculture, industry or commerce. The directors appointed by the Board of Governors shall be persons who are actively engaged in agriculture, industry or commerce and who are not primarily engaged in banking (although they may be stockholders or directors of banks).

3. All directors shall be citizens of the district and shall reside within the territory served by the branch, but at least one of the directors appointed by the bank shall reside outside of the city in which the branch is located.

4. One of the directors appointed by the reserve bank shall be the active manager of the branch and shall have the title "Managing Director".

5. The term of office for the director chosen by the reserve bank to act as Managing Director of the branch shall be one year, subject to reappointment from year to year, if such action be desirable.

6. The full term for other directors shall be three years where the branch board consists of seven members and two years where the branch board consists of five members. In order to make practicable an orderly rotation of branch directorships, the terms of directors, other than the Managing Director, shall be so arranged that the term of a director appointed by the Board of Governors and the term of a director appointed by the Federal reserve bank shall expire at the end of each year. No director, other than the Managing Director, who has had six or more years of continuous service, shall be reappointed as a director to take

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effect before the expiration of a period, immediately following such service, of at least two years at any branch having five directors or three years at any branch having seven directors.

7. The board of directors of each branch shall annually elect as chairman of the board the member appointed by the Board of Governors whose term of office expires with the current year.

8. In the event of a vacancy occurring in the board of directors of a branch of a Federal reserve bank, the appointment to fill such vacancy shall be made by the body making the original appointment and such appointment shall be for the unexpired term.

9. As provided in Section 5 of the Federal Reserve Act, directors of branches of Federal reserve banks hold office at the pleasure of the Board of Governors.

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Federal Reserve Bank of St. Louis

X-9779

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For immediate release. January 6,1937.

The Board of Governors of the Federal Reserve System today announced the following designations and appointments of chairmen and deputy chairmen of the Federal reserve banks for the year 1937, and directors of Federal reserve banks and branches for the terms specified:

FEDERAL RESERVE BANK OF BOSTON

CHAIRMAN AND FEDERAL RESERVE AGENT: Mr. F. H. Curtiss of Boston.

FEDERAL RESERVE BANK OF NEW YORK

DEPUTY CHAIRMAN: Mr. Owen D. Young of New York.

FEDERAL RESERVE BANK OF PHILADELPHIA

CHAIRMAN AND FEDERAL RESERVE AGENT: Mr. R. L. Austin of Philadelphia.

FEDERAL RESERVE BANK OF CLEVELAND

CHAIRMAN AND FEDERAL RESERVE AGENT: Mr. E. S. Burke, Jr., of Cleveland.
DEPUTY CHAIRMAN: Mr. G. C. Brainard of Youngstown, Ohio.

Cincinnati Branch of the Federal Reserve Bank of Cleveland

BRANCH DIRECTOR:
For two-year term ending December 31, 1938: Mr. Alexander Thomson of Cincinnati.

FEDERAL RESERVE BANK OF RICHMOND

CHAIRMAN AND FEDERAL RESERVE AGENT: Mr. Robert Lassiter of Charlotte, North Carolina.

Baltimore Branch of the Federal Reserve Bank of Richmond

BRANCH DIRECTORS:
For three-year term ending December 31, 1939: Mr. Charles P. McCormick of Baltimore.
For unexpired portion of term ending December 31, 1938: Mr. W. Frank Thomas of Westminster, Maryland.
For unexpired portion of term ending December 31, 1937: Mr. W. Frank Roberts of Baltimore.

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Charlotte Branch of the Federal Reserve Bank of Richmond

BRANCH DIRECTORS:
For three-year term ending December 31, 1939: Mr. Christie Benet of Columbia, South Carolina.
For unexpired portion of term ending December 31, 1938: Mr. George S. Harris of Charlotte.
For unexpired portion of term ending December 31, 1937: Mr. George M. Wright of Great Falls, South Carolina.

FEDERAL RESERVE BANK OF ATLANTA

DEPUTY CHAIRMAN: Mr. Wm. H. Kettig of Birmingham, Alabama.
CLASS "C" DIRECTOR:
For unexpired portion of term ending December 31, 1938: Mr. Frank H. Neely of Atlanta.

FEDERAL RESERVE BANK OF CHICAGO

DEPUTY CHAIRMAN: Mr. R. E. Wood of Chicago.

FEDERAL RESERVE BANK OF ST. LOUIS

DEPUTY CHAIRMAN: Mr. Paul Dillard of Memphis, Tennessee.

Little Rock Branch of the Federal Reserve Bank of St. Louis

BRANCH DIRECTORS:
For three-year term ending December 31, 1939: Mr. F. K. Darragh of Little Rock.
For unexpired portion of term ending December 31, 1938: Mr. H. H. Tucker of Little Rock.
For unexpired portion of term ending December 31, 1937: Mr. I. N. Barnett, Jr., of Batesville, Arkansas.

Louisville Branch of the Federal Reserve Bank of St. Louis

BRANCH DIRECTOR:
For three-year term ending December 31, 1939: Mr. W. P. Paxton of Paducah, Kentucky.

FEDERAL RESERVE BANK OF MINNEAPOLIS

CHAIRMAN AND FEDERAL RESERVE AGENT: Mr. W. B. Geery of Minneapolis.

Helena Branch of the Federal Reserve Bank of Minneapolis

BRANCH DIRECTOR:
For two-year term ending December 31, 1938: Mr. J. E. O'Connell of Helena.

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FEDERAL RESERVE BANK OF KANSAS CITY

CHAIRMAN AND FEDERAL RESERVE AGENT: Mr. J. J. Thomas of Kansas City.
DEPUTY CHAIRMAN: Mr. Edward P. Brown of Davey, Nebraska.
CLASS "C" DIRECTOR:
For three-year term ending December 31, 1939: Mr. Edward P. Brown of Davey, Nebraska.

Denver Branch of the Federal Reserve Bank of Kansas City

BRANCH DIRECTORS:
For three-year term ending December 31, 1939: Mr. Wilson McCarthy of Denver.
For unexpired portion of term ending December 31, 1938: Mr. James B. Grant of Denver.

Oklahoma City Branch of the Federal Reserve Bank of Kansas City

BRANCH DIRECTOR:
For three-year term ending December 31, 1939: Mr. T. S. Hanna of Oklahoma City.

Omaha Branch of the Federal Reserve Bank of Kansas City

BRANCH DIRECTORS:
For three-year term ending December 31, 1939: Mr. H. L. Dempster of Beatrice, Nebraska.
For unexpired portion of term ending December 31, 1937: Mr. W. H. Schellberg of Omaha.

FEDERAL RESERVE BANK OF DALLAS

CHAIRMAN AND FEDERAL RESERVE AGENT: Mr. C. C. Walsh of Dallas.
CLASS "C" DIRECTOR:
For unexpired portion of term ending December 31, 1938: Mr. J. H. Merritt of McKinney, Texas.

El Paso Branch of the Federal Reserve Bank of Dallas

BRANCH DIRECTORS:
For unexpired portion of term ending December 31, 1938: Mr. Frank M. Hayner of Las Cruces, New Mexico.
For unexpired portion of term ending December 31, 1937: Mr. Jack B. Martin of Tucson, Arizona.

Houston Branch of the Federal Reserve Bank of Dallas

BRANCH DIRECTORS:
For three-year term ending December 31, 1939: Mr. Sam Taub of Houston.
For unexpired portion of term ending December 31, 1938: Mr. H. Renfert of Galveston, Texas.

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San Antonio Branch of the Federal Reserve Bank of Dallas

BRANCH DIRECTOR:
For three-year term ending December 31, 1939: Mr. Edwin F. Flato of Corpus Christi, Texas.

FEDERAL RESERVE BANK OF SAN FRANCISCO

CHAIRMAN AND FEDERAL RESERVE AGENT: Mr. A. O. Stewart of San Francisco.
DEPUTY CHAIRMAN: Mr. A. P. Welch of San Francisco.

Los Angeles Branch of the Federal Reserve Bank of San Francisco

BRANCH DIRECTOR:
For two-year term ending December 31, 1938: Mr. W. S. Rosecrans of Los Angeles.

Salt Lake City Branch of the Federal Reserve Bank of San Francisco

BRANCH DIRECTORS:
For two-year term ending December 31, 1938: Mr. John Thomas of Jerome, Idaho.
For unexpired portion of term ending December 31, 1937: Mr. Herbert S. Auerbach of Salt Lake City.

Spokane Branch of the Federal Reserve Bank of San Francisco

BRANCH DIRECTOR:
For two-year term ending December 31, 1938: Mr. John M. McGregor of Hooper, Washington.

Seattle Branch of the Federal Reserve Bank of San Francisco

BRANCH DIRECTOR:
For two-year term ending December 31, 1938: Mr. U. M. Dickey of Seattle.

Announcement will be made from time to time as remaining vacancies are filled.

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9780

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 6, 1937.

SUBJECT: Conditions of Membership Prohibiting State Member Banks from Engaging in the Sale of Insurance.

Dear Sir:

The Board has recently had occasion to reconsider the general question of conditions of membership prohibiting State member banks from acting directly or indirectly as agents or brokers in the sale of insurance and has decided that, in the absence of any abuse or unsound practices in the transaction of such business by the bank, no condition of membership prohibiting a bank from engaging in such business will be prescribed. It is assumed, of course, that any such business will be conducted in accordance with the applicable provisions of State law and the rulings of the appropriate State authorities.

In the comparatively few cases where such conditions are now in force, the Board has decided to cancel the condition. A separate letter canceling such conditions will be forwarded to the presidents of the reserve banks of the districts in which such banks are located. This is brought to your attention in order that you may be guided accordingly in connection with inquiries regarding membership.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

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Federal Reserve Bank of St. Louis

X-9781

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For immediate release January 7, 1937.

The Board of Governors of the Federal Reserve System today announced the following appointments:

FEDERAL RESERVE BANK OF CLEVELAND

CLASS "C" DIRECTOR:
For three-year term ending December 31, 1939: Mr. Reynold E. Klages of Columbus, Ohio.

FEDERAL RESERVE BANK OF ST. LOUIS

Memphis Branch of the Federal Reserve Bank of St. Louis

BRANCH DIRECTOR:
For unexpired portion of term ending December 31, 1938: Mr. Holmes Sherard of Sherard, Mississippi.

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Federal Reserve Bank of St. Louis

X-9782

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

For immediate release January 7, 1937.

Preliminary figures received by the Board of Governors from the Federal Reserve banks indicate that current earnings of the Federal reserve banks during 1936 amounted to $37,898,000. Of total current earnings $35,180,000 were on U. S. Government securities, and the remainder, $2,718,000, on discounted and purchased bills, industrial advances and miscellaneous items. Operating expenses of the Federal reserve banks during 1936, after deducting reimbursements received for certain fiscal agency and other expenses, amounted to $26,017,000.

Cost of Federal Reserve currency amounted to $2,177,000, and assessments for expenses of the Board of Governors amounted to $1,678,000. Because of additional duties and responsibilities placed upon the Board by the Banking Act of 1933, the Securities Exchange Act of 1934, and the Banking Act of 1935, expenses of the Board have been increasing during the past few years. The addition of assessments for current expenses of the Board and the cost of Federal Reserve currency to net operating expenses gives total net expenses of $29,872,000, a decrease as compared with the year 1935 of $567,000.

Current earnings of $37,898,000 less total net expenses of $29,872,000 leaves current net earnings from normal operations for the year of $8,026,000, as compared with $12,235,000 in 1935. Additions to current net earnings during the year amounted to $9,434,000, of which $8,900,000 came from profits on sales of U. S. Government securities. Deductions from current net earnings include an assessment of $2,008,000 to apply on the cost of the building for the Board of Governors, authorized by the Act of June 19, 1934, which is scheduled to be completed and occupied by the Board during this year; $2,523,000 for prior service contributions to the Retirement System, which will be completed under the present schedule by the end of 1939; and $315,000 for other miscellaneous purposes. Making these additions to and deductions from current net earnings leaves a balance for the year of $12,664,000 available for special reserves, charge-offs, dividends and surplus. This amount was distributed as follows: Dividends to member banks, $7,829,000; payments to the Treasury of the United States under provisions of Section 13b of the Federal Reserve Act, relating to industrial advances, $226,000; special charge-offs on bank premises, in addition to regular depreciation, $734,000; additions to reserves for contingencies, $3,418,000; net additions to surplus accounts, $457,000.

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9783

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 8, 1937.

SUBJECT: Code Word Covering New Issue of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code word has been designated to cover a new issue of Treasury Bills:

"NOYWIG" - Treasury Bills to be dated January 13, 1937, and to mature October 13, 1937.

This word should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOYWEB" on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO PRESIDENTS OF ALL F. R. BANKS

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Federal Reserve Bank of St. Louis

X-9784

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For immediate release January 8, 1937.

The Board of Governors of the Federal Reserve System today announced the following appointments:

FEDERAL RESERVE BANK OF BOSTON

CLASS "C" DIRECTOR:
For three-year term ending December 31, 1939: Mr. Henry S. Dennison of Framingham, Massachusetts.

FEDERAL RESERVE BANK OF RICHMOND

CLASS "C" DIRECTORS:
For three-year term ending December 31, 1939: Mr. W. G. Wysor of Richmond, Virginia.

For unexpired portion of term ending December 31, 1938:
Mr. Donald H. Sherwood of Baltimore, Maryland.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM X-9785
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 9, 1957

Dear Sir:

There is inclosed, for your information, a letter which is being sent today to Mr. H. N. Mangels, Assistant Cashier, Federal Reserve Bank of San Francisco, regarding reimbursement for the cost of sending over the branch lines of the Leased Wire System telegrams chargeable to the Treasury appropriation for miscellaneous and contingent expenses.

Very truly yours,

S. R. Carpenter,
Assistant Secretary.

Inclosure.

TO PRESIDENTS OF ALL F. R. BANKS

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Federal Reserve Bank of St. Louis

X-9785-a

January 9, 1937.

Mr. H. N. Mangels, Assistant Cashier,
Federal Reserve Bank of San Francisco,
San Francisco, California.

Dear Mr. Mangels:

Referring to your letter of December 21, the correspondence which the Board had with the Treasury Department with respect to the question of obtaining reimbursement for the cost of sending telegrams chargeable to the Treasury appropriation for miscellaneous and contingent expenses was confined to the cost of sending such telegrams over the main lines of the leased wire system. However, since the Treasury Department is paying for the cost of sending over the branch lines telegrams chargeable to other appropriations, it would appear proper for your bank to bill the Department for the cost of sending over the branch lines telegrams chargeable to the Treasury appropriation for miscellaneous and contingent expenses.

The cost of all telegrams chargeable to the Treasury appropriation for miscellaneous and contingent expenses should be billed separately on Form 1034 and submitted to "Chief Clerk, Treasury Department".

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Assistant Secretary.

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Federal Reserve Bank of St. Louis

X-9786

January 11, 1937.

Dear Mr. McDonald:

Because I regard the continuance of the guaranty in Title II of the Housing Act as one of the most important measures toward averting the dangers of an acute housing shortage and consequent real-estate inflation within the next few years, I am writing to urge you to take whatever steps you appropriately can to obtain early action by Congress that would relieve mortgage-lending institutions of their present uncertainty as to whether the guaranty will be continued.

My reasons for attaching great importance to the continuance of the guaranty and the further encouragement of insured-mortgage financing under the provisions of the Housing Act are, briefly, as follows:

1. However ample the insurance reserves of the Mutual Mortgage Insurance Fund may prove to be at some later date, the Act has been in operation for far too short a time for the guaranty to be dispensed with as early as July 1 next, which is the limitation now prescribed in the statute.

2. The Housing Act and the State enabling acts supplementary thereto constitute the only means by which all the important groups of mortgage-lending institutions can make loans up to 80 per cent of the property value and with an amortization period up to 20 years.

3. The great bulk of institutional funds now on hand and legally available for mortgage lending are those held by the savings departments of commercial banks and trust companies, the mutual savings banks, and the life insurance companies. The volume of such funds now held by the first-named of these three groups is alone greater, I believe, than that held by all other institutional groups combined.

4. Except as to loans insured under the Housing Act, the only institutions which in general are authorized by State or Federal law to make long-term real-estate loans for a relatively high percentage of the property value are the building and loan associations. This group holds, however, only a very small percentage of the institutional funds now legally available for mortgage lending. Furthermore, the syphoning into the building-and-loan group of any considerable proportion of the funds now held by other groups could be accomplished only by a bidding-up of rates paid for accounts, the natural result of which would be a general increase in mortgage interest rates.

5. In the absence of lending powers that depend solely on the Housing Act and related State laws, the limitations on the three groups holding the great bulk of institutional funds now legally available for mortgage lending would invite a return to practices that the Housing Act

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was especially designed to eliminate--namely, the making of a 50 or 60 per cent short-term first mortgage (the misnamed "renewal" mortgage), followed by a second mortgage and frequently by still further liens. This unrealistic and hazardous method of financing involves, in the long run, enormous costs that at the outset are usually concealed in an unduly high price paid for the mortgaged property.

6. The uniformity of lending powers under the Housing Act, and the safeguards afforded all institutions exercising those powers, puts the several important groups of mortgage-lending institutions on an equal basis that does not otherwise exist, increases their effectiveness in dealing with the housing emergency, and at the same time protects borrowers against exorbitant and hidden charges for mortgage loans.

My own interest in this whole question of mortgage financing is twofold. In the first place, as the Treasury representative on the President's Committee on Housing in 1934, I had an active part in developing the mortgage-financing provisions of the Housing Act. In the second place, the very nature of my present position requires me to be concerned with mortgage credit no less than with other forms of credit, and with any situation that threatens, as an acute housing shortage would, serious repercussions and dislocations throughout the social and economic structure.

It is my considered judgment that, until a sufficient volume of housing has been constructed to meet the existing shortage and the additional demand resulting from population growth and business recovery--that is, until the threat of an acute shortage within the next few years has been removed--the guaranty now provided in Title II of the Housing Act should be retained as a matter of prudent and practical governmental policy.

I think it would also be helpful to the housing situation at this time if the service charge of 1/2 of 1 per cent per annum, which lending institutions are permitted to make on Title II loans in addition to the 5 per cent interest charge, were eliminated. The interest rate of 5 per cent, as a maximum, seems to me to be fair to borrower and lender alike for this type of loan; but in view of the substantial progress which you have made under Title II during the past year, as well as in view of the rates currently prevailing on investments generally and on mortgages which do not have the protection afforded by the Housing Act, I believe that an ample supply of funds would now be forthcoming for Title II loans without the additional inducement of the service charge.

With kindest regards, I am

Sincerely yours,

(signed) M. S. Eccles,
Chairman.

Honorable Stewart McDonald, Administrator,
Federal Housing Administration,
Washington, D. C.

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Federal Reserve Bank of St. Louis

X-9787

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

For immediate release January 9, 1937.

The Board of Governors of the Federal Reserve System today announced the appointment of Mr. Charles F. Larrabee of Bellingham, Washington, as a director of the Seattle Branch of the Federal Reserve Bank of San Francisco for the unexpired portion of the term ending December 31, 1937.

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9788

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 11, 1937.

Dear Sir:

There is attached a copy of the report of expenses of the main lines of the Federal Reserve Leased Wire System for the month of December, 1936.

Please credit the amount payable by your bank to the Board, as shown in the last column of the statement, to the Federal Reserve Bank of Richmond in your daily statement of credits through the Inter-District Settlement Fund for the account of the Board of Governors of the Federal Reserve System, and advise the Federal Reserve Bank of Richmond by wire the amount and purpose of the credit.

Very truly yours,

O. E. Foulk

O. E. Foulk,
Fiscal Agent.

Inclosure.

TO PRESIDENTS OF ALL F. R. BANKS

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Federal Reserve Bank of St. Louis

REPORT OF EXPENSES OF MAIN LINES OF FEDERAL RESERVE LEASED WIRE SYSTEM FOR THE MONTH OF DECEMBER, 1936.

Federal Reserve Bank	Number of words sent	Words sent by N. Y. chargeable to other F.R. Banks	Total words chargeable	Personal services(1)	Wire rental	Total expenses	Pro rata share of total expenses(2)	Credits	Payable to Board of Governors
Boston	48,790	1,906	50,696	$ 314.31	$ --	$ 314.31	$ 667.70	$ 314.31	$ 353.39
New York	173,536	--	173,536	1,214.52	--	1,214.52	2,285.59	1,214.52	1,071.07
Philadelphia	43,152	1,943	45,095	236.39	--	236.39	593.93	236.39	357.54
Cleveland	69,495	1,915	71,410	373.89	--	373.89	940.52	373.89	566.63
Richmond	68,647	1,839	70,486	263.78	230.00	493.78	928.35	493.78	434.57
Atlanta	74,189	1,887	76,076	275.73	--	275.73	1,001.97	275.73	726.24
Chicago	107,317	2,351	109,668	1,166.78	--	1,166.78	1,444.40	1,166.78	277.62
St. Louis	81,469	1,891	83,360	185.59	--	185.59	1,097.91	185.59	912.32
Minneapolis	40,297	1,993	42,290	147.66	--	147.66	556.99	147.66	409.33
Kansas City	80,310	2,184	82,494	259.03	--	259.03	1,086.50	259.03	827.47
Dallas	69,483	1,982	71,465	267.55	--	267.55	941.24	267.55	673.69
San Francisco	115,288	2,007	117,295	473.89	--	473.89	1,544.85	473.89	1,070.96
Board of Governors	769,308	--	769,308	2,571.90	15,241.24	17,813.14	10,132.31	17,813.14	--
Total	1,741,281	21,898	1,763,179	$7,751.02	$15,471.24	$23,222.26	$23,222.26	$23,222.26	$7,680.83

(1) Includes salaries of main line operators and of clerical help engaged in work on main line business, such as counting the number of words in messages; also, overtime and supper money and Retirement System contributions at the current service rate.

(2) Based on cost per word ($.013170676) for business handled during the month.

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Federal Reserve Bank of St. Louis

X-9789

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For immediate release January 11, 1937.

The Board of Governors of the Federal Reserve System today announced the appointment of Mr. George T. Ladd of Pittsburgh, Pennsylvania, as a director of the Pittsburgh Branch of the Federal Reserve Bank of Cleveland for the two-year term ending December 31, 1938.

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Federal Reserve Bank of St. Louis

X-9790

26

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 12, 1937

Dear Sir:

There are enclosed herewith copies of statement rendered by the Bureau of Engraving and Printing, covering the cost of preparing Federal reserve notes for the month of December 1936.

Very truly yours,

O. E. Foulk

O. E. Foulk,
Fiscal Agent.

Enclosure.

TO PRESIDENTS OF ALL F. R. BANKS

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Federal Reserve Bank of St. Louis

X-9790-a

Statement of Bureau of Engraving and Printing
for furnishing Federal Reserve Notes,
December 1 to 31, 1936.

Federal Reserve Notes, Series 1934

	$5	$10	$20	Total Sheets	Amount
Boston	-	100,000	29,000	129,000	$ 12,061.50
New York	-	100,000	50,000	150,000	14,025.00
Philadelphia	-	100,000	20,000	120,000	11,220.00
Cleveland	-	100,000	50,000	150,000	14,025.00
Richmond	-	20,000	20,000	40,000	3,740.00
Atlanta	76,000	-	10,000	86,000	8,041.00
Chicago	-	225,000	100,000	325,000	30,387.50
St. Louis	-	27,000	20,000	47,000	4,394.50
Minneapolis	-	20,000	41,000	61,000	5,703.50
Kansas City	-	30,000	20,000	50,000	4,675.00
San Francisco	50,000	-	20,000	70,000	6,545.00
Total	126,000	722,000	380,000	1,228,000	$ 114,818.00

1,228,000 sheets, @ $93.50 per M, ... $ 114,818.00

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9791
Sec. 5136 R.S.-8

January 12, 1937.

ADDRESS OFFICIAL CORRESPONDENCE TO THE BOARD

Dear Sir:

There is inclosed herewith for your information a copy of a letter dated December 11, 1936, from the Federal Reserve Bank of Richmond requesting a ruling upon the question whether, under the provisions of section 5136 of the Revised Statutes and the Comptroller's regulations governing investment securities, a State member bank may repurchase non-conforming securities which it had lawfully owned prior to February 15, 1936, but which it had sold subsequent to that date in order to establish a loss for income tax purposes.

This question was presented by the Board of Governors to the Comptroller of the Currency for an expression of his views thereon, and a copy of the Comptroller's letter dated December 29, 1936, is inclosed herewith.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Inclosures.

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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Federal Reserve Bank of St. Louis

X-9791-a
Sec. 5136 R.S.-8

FEDERAL RESERVE BANK
OF RICHMOND

December 11, 1936.

Board of Governors
of the Federal Reserve System,
Washington, D. C.

Gentlemen:

Reference is made to report of examination of _____ Bank, _____, _____, as of October 13, 1936, in which criticism is made of purchases of certain securities that do not conform to the provisions of Section 5136 of the Revised Statutes and the regulation of the Comptroller of the Currency issued pursuant thereto.

The transactions are set forth on the attached memorandum copies from supplemental sheet 12-15 of the report. It is to be noted that these securities in like denominations were lawfully held by the bank prior to February 15, 1936, the date of the Comptroller's regulation, but were sold subsequent to that date. When repurchased, the securities were entered on the books in the same amounts at which they were carried at the dates of sales.

We are in receipt of a report submitted to the President and Board of Directors of the bank by a committee appointed to review and study the report of examination. Concerning the criticism with respect to the purchases of non-conforming securities, the committee had the following to say:

> "Relative to the violation of Paragraph 19, Section 9 of the Federal Reserve Act, we find that the bank sold the securities in question for but one purpose only, namely to establish a loss for income tax purposes; that it repurchased a like amount of exactly the same securities, and put them on the bank's books at exactly the same price that they were formerly carried; that the Committee does not feel that this action is in any way a violation of the Act. The bank's reason for repurchasing these securities after establishing a loss was due to the fact that they did not desire to have them taken out of their portfolio, believing that these securities would appreciate in the future."

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Mr. _____, Vice President, visited us recently for the purpose of discussing some of the affairs of his bank, among which was the subject referred to above. He requested that we obtain a ruling on this question from the Board of Governors of the Federal Reserve System.

The matter has been referred to our Counsel and he is definitely of the opinion that the purchases of the securities referred to in the report constituted violations of Section 5136 of the Revised Statutes. We shall appreciate an expression from the Board as to whether or not it concurs in our Counsel's opinion.

Yours very truly,

/s/ J. G. Fry

J. G. Fry,
Vice President.

Inclosure

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The following bonds purchased after February 15, 1936 appeared to be 'distinctly or predominantly speculative' and, therefore, lacking the quality of 'investment securities' are non-conforming. The purchase of securities, which are in default either as to principal or interest, is also prohibited.

---

5 M Lehigh Valley R. R. 4-1/2's - 2003	Purchased 8-10-36
5 M Chic. Mil. St. Paul & Pac. Rwy. 5's - 1975	Purchased 9-9-36
20 M Chic. Mil. St. Paul & Pac. Rwy. Conv. Adj. 5's - 2000	Purchased 9-10-36
5 M Norfolk-Southern R.R. 5's - 1961	2 M purchased 8-5-36 3 M " 8-10-36
25 M S. A. L. Rwy. Stamped 4's - 1950	Purchased 8-25-36
4 M Baltimore Transit A 5's - 1975	Purchased 8-14-36
17 500 Consolidation Coal Co. 5's - 1960	Purchased 8-26-36 thru 9-14-36

Stocks acquired contrary to the provisions of Section 9 of the Federal Reserve Act.

---

40 shares Baltimore Transit Co. pfd	Purchased 8-14-36
315 shares Consolidation Coal Co.	Purchased 8-26-36
105 shares Consolidation Coal Co. pfd	Purchased 8-26-36

Like amounts of the above securities were held by the bank prior to February 15, 1936, but were sold subsequently to this date.

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Federal Reserve Bank of St. Louis

X-9791-b
Sec. 5136 R.S.-8

TREASURY DEPARTMENT

COMPTROLLER OF THE CURRENCY

WASHINGTON

December 29, 1936

The Board of Governors
Federal Reserve System
Washington, D. C.

Gentlemen:

This acknowledges your letter of December 21, 1936, with enclosure from the Federal Reserve Bank of Richmond, requesting a ruling upon the question whether under the provisions of Section 5136 of the Revised Statutes and the Comptroller's Regulations regarding investment securities, a State member bank may repurchase non-conforming securities which it had lawfully owned prior to February 15, 1936, but which it had sold subsequent to that date in order to establish a loss for income tax purposes.

This office would consider such repurchase of non-conforming securities a prohibited purchase of securities in violation of the regulations of this office issued under date of February 15, 1936, pursuant to the provisions of Section 5136 of the Revised Statutes.

Very truly yours,

(Signed) J. F. T. O'Connor

J. F. T. O'CONNOR
Comptroller

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Federal Reserve Bank of St. Louis

X-9792
Reg. U-10

TELEGRAM

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal reserve banks)

January 9, 1937.

_____

_____

Your letter January 2 re applicability of Regulation U to loan by bank to enable person to purchase new stock of _____, _____ ___ Co. pursuant to warrant. It is understood that although the new stock to be purchased by holder of warrant is underwritten by a group of dealers which includes certain members of national securities exchanges and whose compensation is based partly on the total number of shares offered, these underwriters are merely to purchase such stock as is not previously subscribed by warrant holders, and purchaser of stock pursuant to warrant would purchase stock directly from company without interposition of 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. It is understood that payment for the shares is made to the _____ National Bank of _____ which acts as agent for the company to receive such payments. Based on these facts Board agrees with the view of you and your counsel that loan by a bank for the purpose of enabling the warrant holder to make such purchase of stock is exempt from Regulation U under section 2(e) of the Regulation.

(Signed) Chester Morrill

MORRILL

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9793

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 13, 1937.

SUBJECT: Monthly Report of Bank and Public Relations Activities.

Dear Sir:

In response to the Board's letter of August 25, 1936 (X-9680) reports have been received from the Federal reserve banks in recent months covering their bank and public relations activities.

These reports have been helpful, and the care with which they have been prepared is much appreciated. It is requested that in the future they be forwarded to the Board by the 10th of each month, if practicable, so that a summary covering the reports of all the Reserve banks may be made promptly.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

TO ALL PRESIDENTS.

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9794

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 16, 1937.

SUBJECT: Code Word Covering New Issue of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code word has been designated to cover a new issue of Treasury Bills:

"NOYWON" - Treasury Bills to be dated January 20, 1937, and to mature October 20, 1937.

This word should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOYWIG" on page 172.

Very truly yours,

S. R. Carpenter,
Assistant Secretary.

TO PRESIDENTS OF ALL F. R. BANKS

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Federal Reserve Bank of St. Louis

X-9795

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For immediate release January 16, 1937

The Board of Governors of the Federal Reserve System today announced the following appointments:

FEDERAL RESERVE BANK OF NEW YORK

CLASS "C" DIRECTOR:
For unexpired portion of term ending December 31, 1938:
Mr. Beardsley Ruml of New York, New York.

FEDERAL RESERVE BANK OF ST. LOUIS

CHAIRMAN AND FEDERAL RESERVE AGENT FOR REMAINDER OF 1937: Mr. William T. Nardin of St. Louis.
CLASS "C" DIRECTOR:
For unexpired portion of term ending December 31, 1939:
Mr. William T. Nardin of St. Louis.

FEDERAL RESERVE BANK OF ATLANTA

Nashville Branch of the Federal Reserve Bank of Atlanta

BRANCH DIRECTOR:
For unexpired portion of term ending December 31, 1939:
Mr. J. Frank Porter of Columbia, Tennessee.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9796

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 19, 1937.

SUBJECT: Holidays During February, 1937.

Dear Sir:

The Board of Governors is advised that on Tuesday, February 9, the Birmingham and New Orleans Branches of the Federal Reserve Bank of Atlanta will be closed in observance of Mardi Gras Day in Alabama and Louisiana. Please include transit clearing credits of February 9 for the New Orleans Branch with your credits for the following day.

On Friday, February 12, Lincoln's Birthday, the books of the Board's Interdistrict Settlement Fund will be closed and there will be neither transit nor Federal Reserve note clearing through the fund. For your information, the Board is advised that the following Federal Reserve banks and branches will be open for business on February 12:

Boston	Atlanta	St. Louis
	Birmingham	Little Rock
Richmond	Jacksonville	
Baltimore	New Orleans	Kansas City
Charlotte		Oklahoma City

On Monday, February 22, Washington's Birthday, the offices of the Board of Governors and all Federal Reserve banks and branches will be closed.

On Wednesday, February 24, the Havana Agency of the Federal Reserve Bank of Atlanta will be closed in observance of the anniversary of "Grito de Baire".

Please notify branches.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO ALL PRESIDENTS

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9797

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 19, 1937

Dear Sir:

Reference is made to the Board's letter of December 23, 1936 (X-9768) supplying certain code words for use in telegrams between the Federal Reserve Bank of New York and other Federal Reserve banks in connection with transactions in United States Government securities in the System Open Market Account.

Under the procedure adopted effective January 1, 1937, the number of telegrams and the number of entries in the Interdistrict Settlement Fund involved in purchase and sale transactions could be reduced considerably by making settlement between the New York bank and each other Federal Reserve bank in a single amount representing the net amount due to the Federal Reserve Bank of New York, or due from the Federal Reserve Bank of New York, as a result of such transactions on a given day. Accordingly, Mr. W. Randolph Burgess, Manager of the System Open Market Account, has suggested that two new code words be furnished for use in this manner in lieu of the code words furnished in the Board's letter referred to above.

Pursuant to this suggestion the following code words have been designated for use in connection with transactions in United States Government securities in the System Open Market Account and should be inserted

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on page 134 of the Federal Reserve Telegraph Code, following the word

JUMTOLD:

JUMTYNE - We credit you today in the Interdistrict Settlement Fund, (A) $_____ representing the net amount due you as a result of transactions today in United States Government securities in System Open Market Account as follows: Credits due you, (B) $_____ par value, (C) $_____ premium, (D) $_____ accrued interest, (E) $_____ discount, (F) $_____ profit on sale, less credits due us, (G) $_____ premium, (H) $_____ accrued interest, (I) $_____ discount, (J) $_____ loss on sale. The classification of your pro rata share in total holdings at the close of business today is (K) $_____ par value Treasury bills, (L) $_____ par value Treasury notes, (M) $_____ par value Treasury bonds.

JUMYAK - Credit us today in the Interdistrict Settlement Fund, (A) $_____ representing the net amount due us as a result of transactions today in United States Government securities in System Open Market Account as follows: Credits due us, (B) $_____ par value, (C) $_____ premium, (D) $_____ accrued interest, (E) $_____ discount, (F) $_____ loss on sale, less credits due you, (G) $_____ premium, (H) $_____ accrued interest, (I) $_____ discount, (J) $_____ profit on sale. The classification of your pro rata share in total holdings at the close of business today is (K) $_____ par value Treasury bills, (L) $_____ par value Treasury notes, (M) $_____ par value Treasury bonds.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9798

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 21, 1937.

Dear Sir:

At a recent meeting of the Board of Governors, the Board reviewed its policy with respect to the retirement of officers and employees upon attainment of age 65 and directed that the Federal Reserve banks be advised that, except in particular cases involving exceptional circumstances which should be submitted to the Board for consideration in advance, the Board would not in the future approve a salary beyond the end of the calendar year in the case of any officer or employee who was 65 years of age or more at the end of the preceding calendar year. This action of the Board does not apply, of course, to Presidents and First Vice Presidents who have been appointed for terms of 5 years.

In the future, therefore, the Board should be advised of each request submitted to the Retirement Committee with respect to the retention in service of an officer or employee after attainment of age 65, with a full statement of the exceptional circumstances which in the judgment of the Board of Directors of the bank justify such retention, and the Board's approval of the payment of salary involved for any period beyond the end of the year in which such officer or employee attains the age of 65 should be obtained in advance.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

TO ALL PRESIDENTS.

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9799

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 22, 1937.

SUBJECT: Authority to Act in Board's Behalf in Connection with Certain Conditions of Membership.

Dear Sir:

In letters dated October 17, 1934 (X-8082), December 15, 1934 (X-9048), and April 2, 1935 (X-9169), the Board has heretofore authorized the Federal Reserve Agents to act in its behalf in connection with transactions requiring action by the Board under certain conditions of membership which it has prescribed.

In response to inquiries received from the Presidents of two of the Federal Reserve banks at which the transfer of the non-statutory functions of the Federal Reserve Agents had been consummated, the Board authorized such Presidents to act in its behalf in the cases in which authority to so act had previously been conferred upon the Federal Reserve Agents by the Board's letters of December 15, 1934 (X-9048) and April 2, 1935 (X-9169). The non-statutory functions of the Federal Reserve Agents have now been transferred at all of the Federal Reserve banks, and after a review of the matter as applicable in all of the districts the Board authorizes each Federal Reserve bank, through its President, in lieu of the Federal Reserve Agent, to act in the Board's behalf in the cases described

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in its letters of October 17, 1934 (X-8082), December 15, 1934 (X-9048), and April 2, 1935 (X-9169), within the limitations and subject to the conditions outlined in such letters. However, the President, if he so desires, may delegate such authority in writing to the First Vice President or to the Vice President in charge of examinations.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9800

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 23, 1937

SUBJECT: Code Word Covering New Issue of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code word has been designated to cover a new issue of Treasury Bills:

"NOYWUZ" - Treasury Bills to be dated January 27, 1937, and to mature October 27, 1937.

This word should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOYWON" on page 172.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO PRESIDENTS OF ALL F. R. BANKS

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9801

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 23, 1937.

SUBJECT: Applications of national and State member banks for fiduciary powers.

Dear Sir:

There is being mailed to you, under separate cover, a supply of a third page of Form F. R. 61a, for use in submitting to the Board applications of national banks for trust powers. The information called for on this page should also be submitted with all applications of State member banks for permission, under the so-called general condition of membership, to exercise fiduciary powers.

While the comments to be supplied under the various headings should be stated concisely, full information is desired in each instance in order that, when considering an application for trust powers, the Board may have available as complete a record as possible of the pertinent facts and circumstances in connection therewith.

For example, information relating to the proposed trust officer should include his commercial banking and other business experience, if any, as well as his training and experience in fiduciary matters. If the proposed trust officer has had no previous experience in handling fiduciary matters for a trust institution but has acted as trustee, executor, administrator or in other fiduciary capacities as an individual,

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a statement of the nature and extent of such activities is desired. If he is personally known to you, an expression of your views as to his fitness for the position is also desired.

Information relating to the proposed trust investment committee should include the business or other occupation and any training or experience of its members bearing upon their fitness to serve in such capacities.

It is the desire of the Board to give full and fair consideration to every application for fiduciary powers, and, as it must necessarily rely to a large extent upon the information furnished by the reserve bank, your cooperation in developing the necessary data will be appreciated, and will result in eliminating the delay occasioned when, as has been the case in some instances, it has been necessary to defer consideration of a fiduciary application until additional information could be developed.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO ALL PRESIDENTS.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9802

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 26, 1937.

Dear Sir:

Referring to the Board's letter of July 26, 1935 (X-9271), with respect to the audit of the accounts of the Fiscal Agent of the Board of Governors by the auditor of the Federal Reserve Bank of Cleveland, there is transmitted herewith, for your information, a copy of the auditor's certificate in connection with his audit of the Board's accounts for the period September 20 to December 31, 1936, inclusive.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Inclosure.

TO ALL PRESIDENTS.

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Federal Reserve Bank of St. Louis

I, F. V. Grayson, hereby certify:

(a) That a complete audit has been made of all entries in the accounts, "Board of Governors of the Federal Reserve System-Special Fund", "Board of Governors of the Federal Reserve System-Building Account", "Board of Governors of the Federal Reserve System-Fiscal Agent" and "Board of Governors of the Federal Reserve System-Fiscal Agent Building Account", for the period September 20 to December 31, 1936, inclusive, which completes an audit of the accounts for the full year of 1936.

(b) That all cash receipts received by the Board as shown by the "Collection Schedules" furnished the Fiscal Agent by the Secretary's office have been deposited by the Fiscal Agent and properly credited by the Federal Reserve Bank of Richmond in the account, "Board of Governors of the Federal Reserve System-Special Fund" except several schedules totaling $210.95 which were forwarded too late to be credited in December, but were credited in January, 1937.

(c) That all remittances made direct to the Richmond bank for the account of the Board of Governors of the Federal Reserve System by the Federal reserve banks and others in compliance with the Board's instructions have been properly credited to the accounts, "Board of Governors of the Federal Reserve System-Special Fund" and "Board of Governors of the Federal Reserve System-Building Account."

(d) That each expenditure made by the Fiscal Agent was properly authorized by an administrative officer of the Board.

(e) That the items of receipts and expenditures shown by the books of the Fiscal Agent have been reconciled with the items shown in the statements of the Board of Governors of the Federal Reserve System's accounts prepared by the Federal Reserve Bank of Richmond.

(f) That the balances in each account as shown by the books of the Fiscal Agent have been reconciled with the balances standing to the credit of the Board of Governors of the Federal Reserve System on the books of the Federal Reserve Bank of Richmond as certified by the auditor of that bank.

(g) That all "Transfers of Funds" have been properly authorized by the Chairman or Vice Chairman of the Board.

Respectfully submitted,

(signed) F. V. Grayson

January 21, 1937. Auditor.

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Federal Reserve Bank of St. Louis

X-9803

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in morning papers, Thursday, January 28, 1937.

The following summary of general business and financial conditions in the United States, based upon statistics for December and the first three weeks of January, will appear in the February issue of the Federal Reserve Bulletin and in the monthly reviews of the Federal Reserve banks.

The Board's index of industrial production showed a sharp advance in December after allowance is made for the usual seasonal changes. There was a marked expansion in employment and payrolls and retail trade continued at high levels.

Production and employment

Actual volume of industrial production showed little change from November to December, at a time when a sharp seasonal decline is usual, and the Board's adjusted index advanced from 114 to 121 percent of the 1923-1925 average. There was a further rise in activity at textile mills to the highest level on record and output of other nondurable manufactures was maintained. Declines in production of steel and lumber were smaller in December than are usual in that month. At automobile factories there was a marked increase in output. In the first three weeks of January activity at steel mills increased somewhat, but there was a decline in assemblies of automobiles as a result of shutdowns occasioned by strikes. Coal production declined seasonally from

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November to December, while output of crude petroleum increased, contrary to seasonal tendency.

Value of construction contracts awarded, according to figures of the F. W. Dodge Corporation, showed a seasonal decrease in December.

Factory employment expanded further between the middle of November and the middle of December, contrary to the usual seasonal movement. Increases were general among the durable goods industries, with the largest advances at plants producing automobiles and machinery. In the nondurable goods industries there were marked increases in the number employed at textile mills and at shoe factories. Reflecting principally the higher level of employment and advances in wage rates, factory payrolls increased sharply in December, particularly at steel mills and in the textile industries. In retail trade, employment rose more than seasonally and in most other non-agricultural pursuits there were increases, when allowance is made for seasonal changes.

Distribution

Retail sales in December increased seasonally at department stores and by more than the usual seasonal amount at variety stores and mail order houses serving rural areas.

Freight-car loadings showed a smaller decrease than is usual in December, and the Board's seasonally adjusted index advanced further.

Commodity prices

Wholesale prices, for both industrial and agricultural commodities, continued to advance in the second half of December and the first half

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of January. There were marked increases in prices of industrial raw materials, particularly nonferrous metals, lumber, hides, and wool, and prices of a number of finished goods, such as steel products, paper, and textiles also advanced. Since the middle of January there has been a decline in prices of commodities traded in on the organized exchanges.

Bank credit

Loans and investments of reporting member banks in leading cities declined in the first three weeks of January, as a result of reductions in commercial loans and in loans to brokers. The decrease in loans reflected in part the retirement of notes issued by the Commodity Credit Corporation last July and in part repayment of other loans, which had increased sharply in preceding weeks. Holdings of Government obligations declined further at New York City banks but increased at banks in other leading cities. Demand deposits decreased at the turn of the year, but thereafter increased somewhat, reflecting chiefly the return of currency from holiday use.

The rate on 90-day bankers' acceptances was raised 1/16 of 1 percent on January 13 and now stands at 1/4 of 1 percent. Market discount rates on Treasury bills have also increased, with bills offered in the week ending January 16 selling at a discount of over 1/3 of 1 percent, as compared with a rate of about 1/10 of 1 percent early in December.

Excess reserves of member banks increased from $1,880,000,000 to $2,130,000,000 in the four weeks ending January 20, reflecting largely the post-holiday return flow of currency from circulation.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9804

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 29, 1937.

SUBJECT: Code Word Covering New Issue of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code word has been designated to cover a new issue of Treasury Bills:

"NOYWYL" - Treasury Bills to be dated February 3, 1937, and to mature November 3, 1937.

This word should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOYWUZ" on page 172.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO PRESIDENTS OF ALL F. R. BANKS

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Federal Reserve Bank of St. Louis

X-9805

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For release in morning newspapers
of Sunday, January 31, 1937 January 30, 1937

The Board of Governors of the Federal Reserve System today increased reserve requirements for member banks by 33-1/3 percent, as follows: On demand deposits, at banks in central reserve cities, from 19-1/2 to 26 percent; at banks in reserve cities, from 15 to 20 percent; and at "country" banks, from 10-1/2 to 14 percent; on time deposits, at all banks, from 4-1/2 to 6 percent. For the purpose of affording member banks ample time for orderly adjustment to the changed requirements, one half of the increase will become effective as of the opening of business on March 1, 1937, and the remaining half will become effective as of the opening of business on May 1.

The following table shows what the reserve requirements are at present, what they will be from March 1 through April 30, and what they will be commencing May 1:

Reserve Requirements.
(percent of deposits)

Class of bank	Demand Deposits			Time Deposits		
	Present Requirements	March 1 through April 30	May 1 and after	Present Requirements	March 1 through April 30	May 1 and after
Central reserve city	19-1/2	22-3/4	26	4-1/2	5-1/4	6
Reserve city	15	17-1/2	20	4-1/2	5-1/4	6
"Country"	10-1/2	12-1/4	14	4-1/2	5-1/4	6

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This action completes the use of the Board's power under the law to raise reserve requirements to not more than twice the amount prescribed for member banks in section 19 of the Federal Reserve Act.

The section of the law which authorizes the Board to change reserve requirements for member banks states that when this power is used it shall be "in order to prevent injurious credit expansion or contraction." The significance of this language is that it places responsibility on the Board to use its power to change reserve requirements not only to counteract an injurious credit expansion or contraction after it has developed, but also to anticipate and prevent such an expansion or contraction.

By its present action the Board eliminates as a basis of possible credit expansion an estimated $1,500,000,000 of excess reserves which are superfluous for the present or prospective needs of commerce, industry, and agriculture and which, in the Board's judgment, would result in an injurious credit expansion if permitted to become the basis of a multiple expansion of bank credit. The Board estimates that, after the full increase has gone into effect, member banks will have excess reserves of approximately $500,000,000, an amount ample to finance further recovery and to maintain easy money conditions. At the same time the Federal Reserve System will be placed in a position where such reduction or expansion of member bank reserves as may be deemed in the public interest may be effected through open-market operations, a more flexible instrument, better adapted for keeping the reserve position of member banks currently in close adjustment to credit needs.

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As the Board stated on July 15, 1936, in its announcement of the previous increase of reserve requirements, excess reserves then held by member banks had resulted almost entirely from the inflow of gold from abroad rather than from the System's credit policy. Since that time the country's gold stock has been further increased by a large inflow of gold, amounting to $600,000,000. Between the time of the banking holiday in 1933 and December 24, 1936, when the United States Treasury put into effect its program for preventing acquisitions of gold from adding to the country's banking reserves, the gold inflow aggregated approximately $4,000,000,000. This inflow of gold had the effect of adding an equal amount to the reserves of member banks as well as to their deposits. The total amount of deposits in banks and the Postal Savings System, plus currency outside of banks, is now $2,000,000,000 larger than in the summer of 1929.

The present volume of deposits, if utilized at a rate of turnover comparable to pre-depression levels, is sufficient to sustain a vastly greater rate of business activity than exists today. In order to sustain and expand recovery, the country's commerce, industry, and agriculture, therefore, require a more complete and productive utilization of existing deposits rather than further additions to the amount now available.

The excess reserves of about $1,500,000,000 eliminated as a base of further credit expansion by this action could support an increase in the supply of money, in the form of bank credit, which beyond any doubt would constitute an injurious credit expansion.

The present is an opportune time for action because, as was the case when the Board announced its prior action last July, excess reserves are widely distributed among member banks, and balances with correspondent banks are twice

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as large as they have generally been in the past. All but a small number of member banks have more than sufficient excess reserves and surplus balances with other banks to meet a 33-1/3 percent increase in reserve requirements. As of January 13, the Board's survey indicates that only 197 of the 6,367 member banks lacked sufficient funds to meet such an increase in reserve requirements by utilizing their present excess balances with the reserve banks and not more than one-half of their balances with correspondent banks. On this basis these 197 banks, in order to meet the full requirements, would have needed an additional $123,000,000, of which $110,000,000 would have been needed by banks in central reserve cities, $11,000,000 by banks in other reserve cities and only $2,300,000 by country banks.

Another reason for action at this time is that, as stated by the Board last July, "it is far better to sterilize a part of these superfluous reserves while they are still unused than to permit a credit structure to be erected upon them and then to withdraw the foundation of the structure."

The available methods of absorbing excess reserves have been under consideration. It has been decided that under present circumstances changes in reserve requirements should precede reduction in reserves through open-market operations, because changes in requirements affect all banks, regardless of their reserve position, and consequently should be made while reserves are widely distributed.

This action increases reserve requirements to the full extent authorized by law. It is not the present intention of the Board to request from Congress additional authority to absorb excess reserves by means of raising reserve requirements.

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It is the Board's expectation that, with approximately $500,000,000 of excess reserves remaining with the banks, credit conditions will continue to be easy. At the same time the Reserve System will be in a position to take promptly such action as may be desirable to ease or tighten credit conditions through open-market and rate policy.

In announcing the previous increase in reserve requirements, the Board said:

> "The prevailing level of long-time interest rates, which has been an important factor in the revival of the capital market, has been due principally to the large accumulations of idle funds in the hands of individual and institutional investors. The supply of investment funds is in excess of the demand. The increase in reserve requirements of member banks will not diminish the volume of deposits held by those banks for their customers and will, therefore, not diminish the volume of funds available for investment. The maintenance of an adequate supply of funds at favorable rates for capital purposes, including mortgages, is an important factor in bringing about and sustaining a lasting recovery."

The same considerations apply with equal force at the present time. The Board's action does not reduce the large volume of existing funds available for investment by depositors, and should not, therefore, occasion an advance in long-term interest rates or a restrictive policy on the part of institutional and other investors in meeting the needs for sound business, industrial and agricultural credit.

In view of all these considerations, the Board believes that the action taken at this time will operate to prevent an injurious credit expansion and at the same time give assurance for continued progress toward full recovery.

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Federal Reserve Bank of St. Louis

X-9808

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

Immediate Release January 30, 1937

Chairman Steagall, of the House Banking and Currency Committee, and Chairman Wagner, of the Senate Banking and Currency Committee, have requested the Board of Governors of the Federal Reserve System to postpone the effective date of the definition of interest contained in subsection (f) of section 1 of the Board's Regulation Q, which the Board on December 21, 1936, announced would become effective on February 1, 1937.

The Board, after careful consideration, had reached the conclusion that the law and the existence of certain banking practices required the adoption of this definition but the Board feels that the request which these two Chairmen have now made should be granted in view of the fact that the Board has been informed that a number of Members of Congress are giving consideration to the question of the advisability of amending the law under which the Board's regulation was issued, and desire additional time for that purpose. The Board, therefore, has postponed from February 1 to May 1, 1937, the effective date of subsection (f) of section 1 of Regulation Q, which contains the definition of interest.

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9807

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 1, 1937.

Dear Sir:

There is attached a copy of a letter received from Mr. Frank J. Wilson, Chief of the Secret Service Division of the Treasury Department, with respect to the redistribution by Federal Reserve banks of circular letters describing new counterfeit notes.

It is understood that some of the Federal Reserve banks have followed the practice in the past of redistributing circular letters describing new counterfeit notes, and it is assumed that your bank will find it practicable to comply with the request contained in the attached letter from the Chief of the Secret Service Division.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Inclosure.

TO ALL PRESIDENTS

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Federal Reserve Bank of St. Louis

X-9807-a

TREASURY DEPARTMENT

Office of the Secretary

Secret Service Division

Washington

January 23, 1937.

Secretary,
Federal Reserve Board,
Washington, D. C.

Sir:

Mr. Baber, of this office, has advised me of his telephone conversation with Mr. John R. Van Fossen yesterday regarding the re-distribution by Federal Reserve Banks of circular letters describing new counterfeit notes.

For many years this office has been forwarding these mimeographed circulars to each of the Federal Reserve Banks and some of the latter have cooperated splendidly in reproducing these warnings for distribution to branch and member banks.

We are anxious to have the information embodied in these descriptive circulars reach as many banks as possible, and it will be appreciated if you will request the twelve Federal Reserve Banks to re-print the department circulars when they are received and forward one copy each to the branch and member banks, and all other affiliated banks.

Respectfully,

(Signed) Frank J. Wilson

Chief.

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X-9308
Reg. T-51

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal reserve banks)

January 28, 1937.

Mr. _____,
_____,
_____, _____.

Dear Sir:

The Securities and Exchange Commission has referred to the Board your letter of January 5, 1937, regarding margin requirements on bona fide arbitrage transactions. For your convenience there is enclosed a copy of Regulation T which the Board has issued on the subject of margin requirements. Section 3(d) of this regulation deals with arbitrage accounts.

You ask whether the simultaneous or nearly simultaneous purchase and sale of convertible or equivalent securities would constitute bona fide arbitrage. You are advised that such a purchase and sale would constitute a bona fide arbitrage transaction within the meaning of section 3(d) if the security purchased is exchangeable or convertible within a reasonable time, without restriction other than the payment of money, into the security sold. For example, the security purchased might be a convertible bond or a convertible preferred stock or a right or warrant. However, the purchase of debentures or bonds and the sale of other debentures or bonds of another series equally secured under the same indenture, or the purchase of one stock and the sale of stock of another issue sharing equally in

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assets or income, would not constitute such a bona fide arbitrage transaction unless the securities purchased were so exchangeable or convertible into the securities sold.

You also ask whether the margin requirements specified for arbitrage accounts in the regulation would be complied with if there was a net credit balance in the account sufficient to cover complete liquidation of the account at any time. It should be understood, of course, that a broker may impose additional margin requirements upon an account because of a rule of an exchange of which he is a member, or for some other reason entirely independent of Regulation T; and the regulation would not prevent the imposition of any such additional requirement. However, the margin requirement of section 3(d) of Regulation T would be complied with if there was such a net credit balance in the arbitrage account sufficient to cover complete liquidation of the account.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9809

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 6, 1937.

SUBJECT: Code Word Covering New Issue of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code word has been designated to cover a new issue of Treasury Bills:

"NOZACS" - Treasury Bills to be dated February 10, 1937, and to mature November 10, 1937.

This word should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOYWYL" on page 172.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO PRESIDENTS OF ALL F. R. BANKS

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9810

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 8, 1937.

Dear Sir:

The Board has decided to publish a list of stocks registered on national securities exchanges, as of January 31, 1937, and three supplementary lists to be issued quarterly during the year 1937. These lists, to be published by the Board to facilitate compliance by banks with the provisions of Regulation U, will be similar in form to those published by the Board last year.

The Board will furnish one copy of the list and of each supplementary list free of charge to each member and nonmember bank in the United States and to all bank examiners and supervisory authorities, and will send additional copies to those in this group who request them for their own use. Upon request the Board will also furnish copies free of charge to national securities exchanges, government officials, members of Congress, press representatives and educational institutions for their own use.

The lists will also be supplied to brokers or other persons who may request them at a charge of 25 cents for the annual number and the three supplements. On bulk orders calling for five or more copies, the rate will be 20 cents per copy, and on orders for fifty or more copies the rate will be 15 cents. The Board will send a notice of the 1937 publication and an order form directly to each person who requested copies of the lists in 1936, other than those who will continue receiving copies gratis.

Please notify the Board as soon as possible of the number of copies of these lists which your bank will require for its own use, including the requirements of its examiners. Please refer to the Board any requests or orders which you may receive from other persons.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO ALL PRESIDENTS.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9811

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 9, 1937.

Dear Sir:

Reference is made to my letter of December 31, 1936 (X-9777) with which was transmitted a copy of a resolution adopted by the Board of Governors of the Federal Reserve System, levying an assessment upon the various Federal reserve banks to defray the estimated general expenses of the Board for the period January 1 to June 30, 1937, together with approximately $1,424,000 to be applied upon the cost of the erection of a building for the Board of Governors.

It has been decided to transfer to the Federal Reserve Bank of Richmond on February 17, 1937, a part of the remaining unpaid portion of the assessment, and you are requested, therefore, to credit the Federal Reserve Bank of Richmond on February 17, 1937, with fifty-three per cent (53%) of the unpaid sixty-four and eight-tenths per cent (64.8%) in your daily statement of credits through the Inter-district Settlement Fund for credit to the account of the Board of Governors of the Federal Reserve System - Building Account, with telegraphic advice to Richmond of the purpose and amount of the credit.

Very truly yours,

O. E. Foulk

O. E. Foulk,
Fiscal Agent.

TO PRESIDENTS OF ALL F.R.
BANKS EXCEPT RICHMOND.

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Federal Reserve Bank of St. Louis

X-9812

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

FEDERAL DEPOSIT INSURANCE CORPORATION

JOINT STATEMENT FOR THE PRESS

For release in morning newspapers
of Friday, February 12, 1937.

In view of widespread differences of opinion in the law-making and administrative branches of the Government as to the intent of the law and as a result of further consultations between the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System, their respective regulations relating to the payment of interest on demand deposits have been brought into uniformity by amendments adopted by the Board and by the Corporation.

The definition of "interest" has been eliminated from Regulation Q of the Board and from Regulation IV of the Federal Deposit Insurance Corporation and paragraph (a) of section 2 of each regulation has been amended by inserting after the first sentence the following: "Within this regulation, any payment to or for the account of any depositor as compensation for the use of funds constituting a deposit shall be considered interest."

The effect of these amendments is to declare existing law rather than to interpret and apply the law to particular practices. This will permit the general application by each agency of a uniform law and a determination of specific cases based upon the facts involved. It will also permit each agency to determine, with respect to cases coming before it, whether or not any practice involved in any such cases is a "device" within the meaning of the statute employed by the banks to evade the prohibition of the law.

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The Board of Governors, in its original definition of the term "interest" (section 1(f)), specified that such term should include the payment or absorption of exchange or collection charges which involve out-of-pocket expenses. The present action of the Board of Governors removes this finding or specification from its regulation.

Henceforth under both regulations the question of what in a particular case is a payment of interest upon a demand deposit or a device to evade the prohibition against the payment of such interest, becomes, for both agencies, a matter of administrative determination under the general law in the light of experience and as specific cases may develop.

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Federal Reserve Bank of St. Louis

X-9813

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 11, 1937.

Dear Sir:

There is attached a copy of the report of expenses of the main lines of the Federal Reserve Leased Wire System for the month of January, 1937.

Please credit the amount payable by your bank to the Board, as shown in the last column of the statement, to the Federal Reserve Bank of Richmond in your daily statement of credits through the Inter-District Settlement Fund for the account of the Board of Governors of the Federal Reserve System, and advise the Federal Reserve Bank of Richmond by wire the amount and purpose of the credit.

Very truly yours,

O. E. Foulk

O. E. Foulk,
Fiscal Agent.

Inclosure.

TO PRESIDENTS OF ALL F. R. BANKS

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Federal Reserve Bank of St. Louis

REPORT OF EXPENSES OF MAIN LINES OF FEDERAL RESERVE LEASED WIRE SYSTEM FOR THE MONTH OF JANUARY, 1937.

Federal Reserve Bank	Number of words sent	Words sent by N. Y. chargeable to other F.R. Banks	Total words chargeable	Personal services(1)	Wire rental	Total expenses	Pro rata share of total expenses(2)	Credits	Payable to Board of Governors
Boston	40,958	2,504	43,462	$ 251.45	$ --	$ 251.45	$ 695.45	$ 251.45	$ 444.00
New York	145,986	--	145,986	1,215.15	--	1,215.15	2,335.98	1,215.15	1,120.83
Philadelphia	35,630	2,525	38,155	236.39	--	236.39	610.53	236.39	374.14
Cleveland	54,447	2,572	57,019	373.89	--	373.89	912.38	373.89	538.49
Richmond	60,358	2,562	62,920	263.78	--	263.78	1,006.81	263.78	743.03
Atlanta	63,257	2,469	65,726	275.73	--	275.73	1,051.71	275.73	775.98
Chicago	87,979	2,839	90,818	1,199.40	--	1,199.40	1,453.21	1,199.40	253.81
St. Louis	62,926	2,516	65,442	185.59	--	185.59	1,047.16	185.59	861.57
Minneapolis	34,539	2,418	36,957	135.55	--	135.55	591.36	135.55	455.81
Kansas City	68,198	2,608	70,806	259.03	--	259.03	1,133.00	259.03	873.97
Dallas	62,580	2,437	65,017	267.55	--	267.55	1,040.36	267.55	772.81
San Francisco	98,905	2,544	101,449	406.52	--	406.52	1,623.32	406.52	1,216.80
Board of Governors	573,261	--	573,261	2,577.16	15,027.04	17,604.20	9,172.96	17,604.20	--
Total	1,389,024	27,994	1,417,018	$7,647.19	$15,027.04	$22,674.23	$22,674.23	$22,674.23	$8,431.24

(1) Includes salaries of main line operators and of clerical help engaged in work on main line business, such as counting the number of words in messages; also, overtime and supper money and Retirement System contributions at the current service rate.

(2) Based on cost per word ($.01600137) for business handled during the month.

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9814

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 11, 1937.

SUBJECT: Code Word Covering New Issue of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code word has been designated to cover a new issue of Treasury Bills:

"NOZAEL" - Treasury Bills to be dated February 17, 1937, and to mature November 17, 1937.

This word should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOZACS" on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO PRESIDENTS OF ALL F. R. BANKS

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9815

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 12, 1937.

Dear Sir:

There is attached a corrected copy of the report of expenses of the main lines of the Federal Reserve Leased Wire System for the month of January, 1937.

Please credit the amount payable by your bank to the Board, as shown in the last column of the statement, to the Federal Reserve Bank of Richmond in your daily statement of credits through the Inter-District Settlement Fund for the account of the Board of Governors of the Federal Reserve System, and advise the Federal Reserve Bank of Richmond by wire the amount and purpose of the credit.

Very truly yours,

O E Foulk

O. E. Foulk,
Fiscal Agent.

Inclosure.

TO PRESIDENTS OF ALL F. R. BANKS

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Federal Reserve Bank of St. Louis

CORRECTED STATEMENT

X-9815-a

REPORT OF EXPENSES OF MAIN LINES OF FEDERAL RESERVE LEASED WIRE SYSTEM FOR THE MONTH OF JANUARY, 1937.

Federal Reserve Bank	Number of words sent	Words sent by N. Y. chargeable to other F.R. Banks	Total words chargeable	Personal services(1)	Wire rental	Total expenses	Pro rata share of total expenses(2)	Credits	Payable to Board of Governors
Boston	40,958	2,504	43,462	$ 251.45	$ --	$ 251.45	$ 702.51	$ 251.45	$ 451.06
New York	145,986	--	145,986	1,215.15	--	1,215.15	2,359.67	1,215.15	1,144.52
Philadelphia	35,630	2,525	38,155	236.39	--	236.39	616.73	236.39	380.34
Cleveland	54,447	2,572	57,019	373.89	--	373.89	921.64	373.89	547.75
Richmond	60,358	2,562	62,920	263.78	230.00	493.78	1,017.02	493.78	523.24
Atlanta	63,257	2,469	65,726	275.73	--	275.73	1,062.37	275.73	786.64
Chicago	87,979	2,833	90,813	1,199.40	--	1,199.40	1,467.95	1,199.40	268.55
St. Louis	62,926	2,516	65,442	185.59	--	185.59	1,057.78	185.59	872.19
Minneapolis	34,539	2,418	36,957	135.55	--	135.55	597.36	135.55	461.81
Kansas City	68,198	2,608	70,806	259.03	--	259.03	1,144.49	259.03	885.46
Dallas	62,580	2,437	65,017	267.55	--	267.55	1,050.91	267.55	783.36
San Francisco	98,905	2,544	101,449	406.52	--	406.52	1,639.79	406.52	1,233.27
Board of Governors	573,261	--	573,261	2,577.16	15,027.04	17,604.20	9,266.01	17,604.20	--
Total	1,389,024	27,994	1,417,018	$7,647.19	$15,257.04	$22,904.23	$22,904.23	$22,904.23	$8,338.19

(1) Includes salaries of main line operators and of clerical help engaged in work on main line business, such as counting the number of words in messages; also, overtime and supper money and Retirement System contributions at the current service rate.

(2) Based on cost per word ($.016163683) for business handled during the month.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

Not to be released until
officially presented to
the Senate.

February 15, 1937.

Attached is a copy of the reply of the Board of Governors in response to Senate Resolution 78.

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February 15, 1937.

The President of the Senate.

Sir:

Reference is made to Senate Resolution 78, of February 5, 1937, requesting the Board of Governors of the Federal Reserve System to transmit to the Senate, as soon as practicable, a report setting forth the reasons for the issuance of the recent order of the Board increasing the reserve requirements of member banks after May 1, 1937, the actual and probable effect of such order with respect to interest rates upon public and private obligations, and its probable effect upon the banking system of the country.

The Resolution was referred to the Board of Governors and in response thereto it has directed me to transmit to you the following: (1) the statement contained in the Board's minutes of January 30, which sets forth the substance of the action taken by the Board and the reasons therefor; (2) material, authorized by the Board for inclusion in the Federal Reserve Bulletin for February, 1937, which relates to the ability of the banking system of the country to meet the present and prospective credit requirements of agriculture, commerce and industry, to the reserve position of the member banks of the Federal Reserve System, and to the effects of proposed changes in reserve requirements; and (3) additional data with respect to interest rates upon public and private obligations.

The statement contained in the Board's minutes of January 30, setting forth the substance of its order increasing the reserve requirements of member banks and the reasons for this action is as follows:

> "The Board of Governors of the Federal Reserve System today increased reserve requirements for member banks by 33-1/3 percent, as follows: On demand deposits, at banks in central reserve cities, from 19-1/2 to 26 percent; at banks in reserve cities, from 15 to 20 percent; and at 'country' banks, from 10-1/2 to 14 percent; on time deposits, at all banks, from 4-1/2 to 6 percent. For the

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purpose of affording member banks ample time for orderly adjustment to the changed requirements, one half of the increase will become effective as of the opening of business on March 1, 1937, and the remaining half will become effective as of the opening of business on May 1.

"The following table shows what the reserve requirements are at present, what they will be from March 1 through April 30, and what they will be commencing May 1:

Reserve Requirements.
(percent of deposits)

Class of bank	Demand Deposits			Time Deposits		
	Present Requirements	March 1 through April 30	May 1 and after	Present Requirements	March 1 through April 30	May 1 and after
Central reserve city	19-1/2	22-3/4	26	4-1/2	5-1/4	6
Reserve city	15	17-1/2	20	4-1/2	5-1/4	6
'Country'	10-1/2	12-1/4	14	4-1/2	5-1/4	6

"This action completes the use of the Board's power under the law to raise reserve requirements to not more than twice the amount prescribed for member banks in section 19 of the Federal Reserve Act.

"The section of the law which authorizes the Board to change reserve requirements for member banks states that when this power is used it shall be 'in order to prevent injurious credit expansion or contraction.' The significance of this language is that it places responsibility on the Board to use its power to change reserve requirements not only to counteract an injurious credit expansion or contraction after it has developed, but also to anticipate and prevent such an expansion or contraction.

"By its present action the Board eliminates as a basis of possible credit expansion an estimated $1,500,000,000 of excess reserves which are superfluous for the present or prospective needs of commerce, industry, and agriculture and which, in the Board's judgment, would result in an injurious credit expansion if permitted to become the basis of a multiple expansion of bank credit. The Board estimates that, after the full increase has gone into effect, member banks will have excess reserves of approximately $500,000,000, an amount ample to finance further recovery and to maintain easy money conditions. At the same time the Federal Reserve System will be

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placed in a position where such reduction or expansion of member bank reserves as may be deemed in the public interest may be effected through open-market operations, a more flexible instrument, better adapted for keeping the reserve position of member banks currently in close adjustment to credit needs.

"As the Board stated on July 15, 1936, in its announcement of the previous increase of reserve requirements, excess reserves then held by member banks had resulted almost entirely from the inflow of gold from abroad rather than from the System's credit policy. Since that time the country's gold stock has been further increased by a large inflow of gold, amounting to $600,000,000. Between the time of the banking holiday in 1933 and December 24, 1936, when the United States Treasury put into effect its program for preventing acquisitions of gold from adding to the country's banking reserves, the gold inflow aggregated approximately $4,000,000,000. This inflow of gold had the effect of adding an equal amount to the reserves of member banks as well as to their deposits. The total amount of deposits in banks and the Postal Savings System, plus currency outside of banks, is now $2,000,000,000 larger than in the summer of 1929.

"The present volume of deposits, if utilized at a rate of turnover comparable to pre-depression levels, is sufficient to sustain a vastly greater rate of business activity than exists today. In order to sustain and expand recovery, the country's commerce, industry, and agriculture, therefore, require a more complete and productive utilization of existing deposits rather than further additions to the amount now available.

"The excess reserves of about $1,500,000,000 eliminated as a base of further credit expansion by this action could support an increase in the supply of money, in the form of bank credit, which beyond any doubt would constitute an injurious credit expansion.

"The present is an opportune time for action because, as was the case when the Board announced its prior action last July, excess reserves are widely distributed among member banks, and balances with correspondent banks are twice as large as they have generally been in the past. All but a small number of member banks have more than sufficient excess reserves and surplus balances with other banks to meet a 33-1/3 percent increase in reserve requirements. As of January 13, the Board's survey indicates that only 197 of the 6,367 member banks lacked sufficient funds to meet such an increase in reserve requirements by utilizing their present excess balances with the reserve banks and not more than one-half of their balances with correspondent banks. On this basis these 197 banks, in order to meet the full requirements, would have needed an additional $133,000,000, of which

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$110,000,000 would have been needed by banks in central reserve cities, $11,000,000 by banks in other reserve cities and only $2,300,000 by country banks.

"Another reason for action at this time is that, as stated by the Board last July, 'it is far better to sterilize a part of these superfluous reserves while they are still unused than to permit a credit structure to be erected upon them and then to withdraw the foundation of the structure.'

"The available methods of absorbing excess reserves have been under consideration. It has been decided that under present circumstances changes in reserve requirements should precede reduction in reserves through open-market operations, because changes in requirements affect all banks, regardless of their reserve position, and consequently should be made while reserves are widely distributed.

"This action increases reserve requirements to the full extent authorized by law. It is not the present intention of the Board to request from Congress additional authority to absorb excess reserves by means of raising reserve requirements.

"It is the Board's expectation that, with approximately $500,000,000 of excess reserves remaining with the banks, credit conditions will continue to be easy. At the same time the Reserve System will be in a position to take promptly such action as may be desirable to ease or tighten credit conditions through open-market and rate policy.

"In announcing the previous increase in reserve requirements, the Board said:

> "'The prevailing level of long-time interest rates, which has been an important factor in the revival of the capital market, has been due principally to the large accumulations of idle funds in the hands of individual and institutional investors. The supply of investment funds is in excess of the demand. The increase in reserve requirements of member banks will not diminish the volume of deposits held by these banks for their customers and will, therefore, not diminish the volume of funds available for investment. The maintenance of an adequate supply of funds at favorable rates for capital purposes, including mortgages, is an important factor in bringing about and sustaining a lasting recovery.'

"The same considerations apply with equal force at the present time. The Board's action does not reduce the large volume of existing funds available for investment by depositors, and should not, therefore, occasion an advance in long-term interest rates or a re-

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strictive policy on the part of institutional and other investors in meeting the needs for sound business, industrial and agricultural credit.

"In view of all these considerations, the Board believes that the action taken at this time will operate to prevent an injurious credit expansion and at the same time give assurance for continued progress toward full recovery."

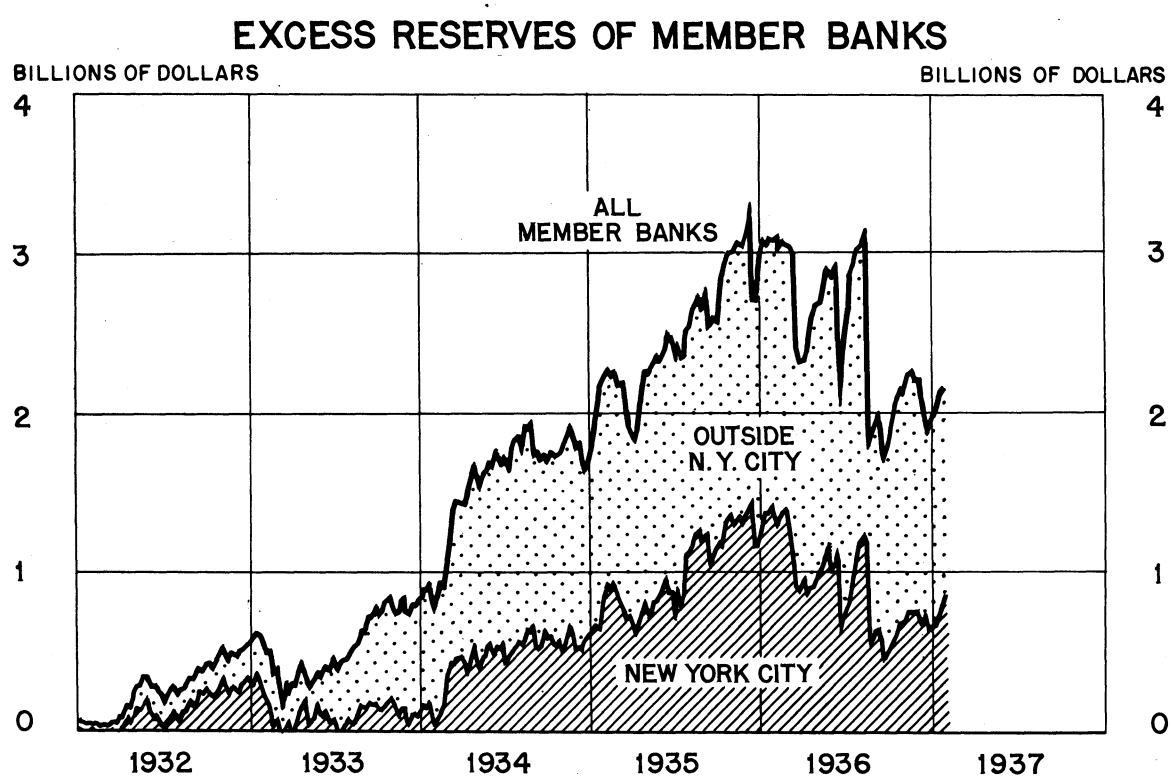
The following material, authorized by the Board for inclusion in the Federal Reserve Bulletin for February, 1937, relates to the ability of the banking system of the country to meet the present and prospective credit requirements of agriculture, commerce and industry, to the reserve position of the member banks of the Federal Reserve System, and to the effects of proposed changes in reserve requirements:

"Member bank reserve balances with Federal Reserve banks on January 27 were $6,770,000,000, of which $4,620,000,000 were required reserves, leaving excess reserves of $2,150,000,000, as shown in the chart (page 6). After reserve requirements were increased by 50 percent last August, excess reserves grew from $1,800,000,000 to $2,200,000,000 in November and early December. They were then temporarily reduced to $1,880,000,000 on December 23 as a result of withdrawals of currency into circulation to meet holiday demands and of the building up of Treasury deposits at the Reserve banks.

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The President of the Senate - (6) February 15, 1937.



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"In the subsequent five weeks excess reserves increased once more as currency returned from circulation and Treasury deposits were reduced. Further growth of $120,000,000 in the country's gold stock from December 23 to January 27 was more than offset by an increase of $160,000,000 in Treasury holdings of cash, including inactive gold. An increase of foreign-bank and other nonmember deposits, amounting to $60,000,000 in the five weeks and to $100,000,000 since the beginning of December, has also withdrawn funds from member bank reserves.

"The increase in money in circulation in the three months preceding Christmas amounted to $450,000,000, the largest in several years, while the decrease of $360,000,000 in the following five weeks was somewhat less than the usual seasonal amount, indicating that the growth of money in circulation, which has been pronounced in the past two years, continued over the holiday period.

"Effects of the announced increase in reserve requirements upon the various classes of member banks are shown approximately in the following table based upon the reserve position of the banks as of January 27, 1937. It is not possible to show precisely how each group will be affected, because by the time of the effective dates of the two increases in requirements the total amount of reserves and their distribution among the various classes of banks and also the amount of deposits on which required reserves are based may have changed, although the changes within the next month will probably not be substantial. The figures indicate what the results would have been if the increase in reserve requirements had become effective on January 27. A factor that may considerably affect the distribution of reserves will be the withdrawal of bankers' balances by country banks from their city correspondents for the purpose of providing additional reserves needed.

Reserve Position of Member Banks,
January 27, 1937
(In millions of dollars. Figures partly estimated)

Class of bank	Reserves with Federal Reserve banks			Excess reserves after increase in required reserves of--	
	Total	Required	Excess	16-2/3 percent	33-1/3 percent
Central reserve city banks	3,378	2,371	1,007	612	217
Reserve city banks	2,147	1,492	655	406	158
'Country' banks	1,248	756	492	366	240
All member banks	6,773	4,619	2,154	1,384	615

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"Figures in the table show that banks in each class taken as a whole, on the basis of their January 27 position, would still have had large excess reserves after the first 16-2/3 percent increase in requirements, with country banks having the largest relative amount. The effect of the second increase will depend upon changes that may take place in the amount and distribution of member bank reserves by the end of April, but it would appear from the present situation that all the classes of banks would still have substantial excess reserves.

"As pointed out in the Board's statement of January 30, a recent survey by the Board showed that all but 197 member banks, taken individually, were able to meet an increase of 33-1/3 percent in reserve requirements either from excess reserves or by using one half of their balances with correspondents, and all but 60 banks could meet an increase of 16-2/3 percent in that way. The Board's survey covered the situation on January 13 and the additional reserves needed by banks in the various classes to meet increases in requirements of 16-2/3 and 33-1/3 percent as of that date are shown in the following table:

Additional Reserves Required by Member Banks to Meet Increase in Requirements, Position as of January 13, 1937.
(In millions of dollars)

Class of bank	Increase of 16-2/3 percent			Increase of 33-1/3 percent		
	Total	Obtainable by using one-half of bankers' balances	Required after using one-half of bankers' balances	Total	Obtainable by using one-half of bankers' balances	Required after using one-half of bankers' balances
Central reserve city banks	28.0	8.0	20.0	147.1	37.6	109.5
Reserve city banks	48.0	47.8	.2	159.0	148.0	11.0
'Country' banks	24.4	23.8	.6	70.4	68.1	2.3
All member banks	100.4	79.6	20.8	376.5	253.7	122.8

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"These figures indicate that to meet a 16-2/3 percent increase in requirements, member banks outside of the central reserve cities would need to raise about $70,000,000 of additional reserve funds, most of which would probably be obtained by withdrawals from balances with city correspondents. Probably half of these balances are held with reserve city banks, and some of the withdrawals will be absorbed by correspondent banks with adequate excess reserves, but a substantial portion of the withdrawals from reserve city banks will be met in turn by withdrawals from central reserve city banks. As a consequence, a large part of the additional reserve funds obtained from bankers' balances will in the end come from central reserve city banks, 15 of which on the basis of their position as of January 13 would need to raise $28,000,000 of additional reserves, in addition to meeting such withdrawals by correspondents as may occur. The other 35 central reserve city banks would still have over $500,000,000 of excess reserves. Since this survey was made the New York City banks as a whole, as shown in the chart on page 6, have increased their excess reserves by $100,000,000 and are in a position to meet the increase with a smaller amount of readjustment.

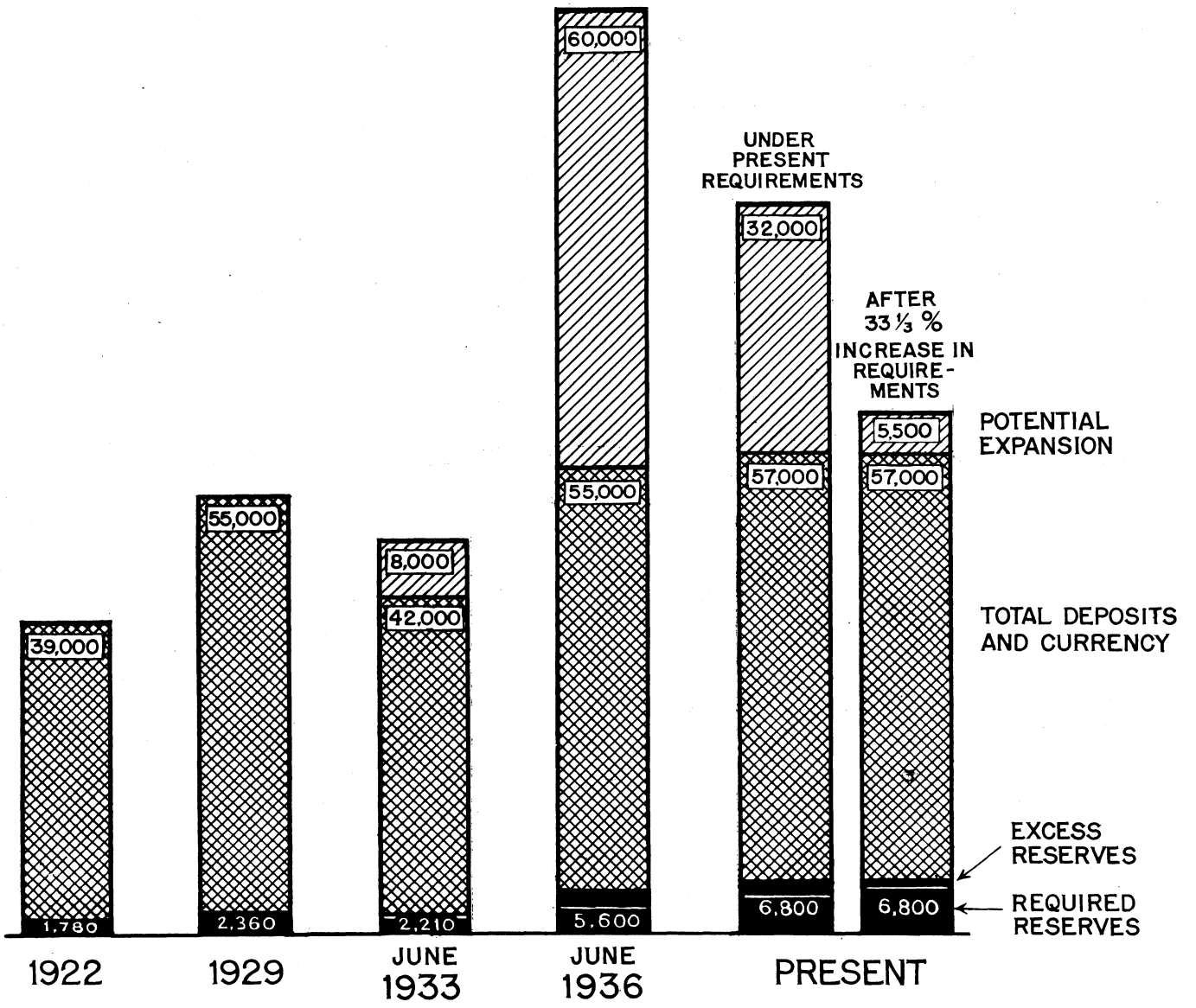
"These figures indicate that the amounts involved in the necessary adjustment of reserve positions of member banks to the increase of 16-2/3 percent in reserve requirements at the end of February will be smaller than those needed at the time of the 50 percent increase in requirements last August. At that time the change was accomplished with little effect on the money market. The effect of the final increase at the end of April will depend to a large extent upon the distribution of the excess reserves remaining at that time.

"Growth of bank deposits and of currency in use by the public is limited by the amount of reserves held by banks. The total of deposits and currency outside banks is now larger than at any previous time, and the excess reserves held by member banks provide the basis for a further expansion in deposits. Increases in reserve requirements substantially reduce the magnitude of possible further credit expansion not only by decreasing the volume of excess reserves but also by lowering the ratio of expansion possible on the basis of a given amount of reserves. The chart (page 10) shows for selected dates the relationship between member bank reserves, on the one hand, and all bank deposits plus currency outside of banks on the other, and also indicates the potential expansion on the basis of excess reserves outstanding on the dates shown.

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RESERVES AND CREDIT EXPANSION

(In millions of dollars)



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"In 1922 member banks held $1,780,000,000 of reserve balances with Federal Reserve banks and all bank deposits and currency at the disposal of the public aggregated about $39,000,000,000, or 22 times member bank reserves. By 1929 deposits and currency had expanded to $55,000,000,000 and reserves were $2,360,000,000, giving a ratio of more than 23 to one. In those years member banks held only the minimum amount of reserves required. In June 1933 deposits and currency were $13,000,000,000 smaller than in 1929, but reserves held were only slightly smaller, and member banks held $360,000,000 of excess reserves, which would have permitted on the basis of the 1922 ratio an expansion of $8,000,000,000 in deposits. From June 1933 to June 1936, notwithstanding an increase in deposits and currency to the 1929 level, the growth of member bank reserves was so great that there were $2,700,000,000 of excess reserves. These reserves were sufficient to permit a further theoretical expansion of $60,000,000,000 in deposits. The increase in reserve requirements made last August considerably reduced the possible expansion, but at the beginning of this year, with deposits and currency $2,000,000,000 larger than the previous maximum, the $2,200,000,000 of excess reserves held by member banks could still support a further expansion of $32,000,000,000 in bank deposits and currency, an amount far in excess of the present or prospective needs of the country. The final increase in reserve requirements will reduce the amount of potential expansion in deposits and currency, on the basis of existing reserves without recourse to the Reserve banks, to a maximum of $5,500,000,000.

"In making these computations deposits of nonmember banks, as well as those of member banks, are included because nonmember banks hold most of their reserves with member banks, so that in the final analysis reserve deposits of member banks constitute reserves back of all deposits in the United States. Changes in currency are also reflected in and limited by available member bank reserves.

"The figures for potential expansion indicate the maximum possible expansion on the basis of reserves. The figures for June 1933 and June 1936 were computed by applying to excess reserves on those dates the 1922 ratio of reserves to deposits and currency. In computing potential expansion on the basis of excess reserves now outstanding the 1922 ratio was reduced by one-third to allow for the 50 percent increase in reserve requirements last August and by one-half to provide for the further increase to double previous requirements. In 1929 and 1933 corresponding ratios were somewhat larger than in 1922.

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"These figures indicate in a general way the nature of the changes in the credit situation effected by the further increase in reserve requirements; they are not exact measurements of what as a practical matter could have happened had there been no such increase. An expansion of as much as $60,000,000,000 or even of $32,000,000,000 in deposits and currency would not have been likely, because other forces would have prevented it, but a substantial movement in that direction would have been injurious to the business and credit system. The extent to which deposits and currency actually will expand in the future depends upon developments that may influence the attitude of borrowers and lenders, change the volume of reserves, or affect the composition of deposits and therefore the ratio of deposits and currency to required reserves. Increases or decreases in the amount of currency in circulation, for example, would affect reserves as well as the total supply of means of payment, and shifts in the relative importance of demand and time deposits, of deposits in the various classes of reserve cities, or of those at member and nonmember banks would change the ratio of potential expansion on the basis of a given amount of reserves."

The foregoing statements set forth the Board's expectation that credit conditions would continue to be easy after the increase in reserve requirements goes into effect. Inasmuch as the increase has not yet gone into effect, since the Board's order provides that half of the increase shall be effective at the opening of business March 1, 1937, and the remaining half at the opening of business May 1, 1937, whatever influence the Board's action may have had up to this time has been anticipatory and psychological in character. The possibility of such action by the Board has been the subject of discussion for some months past and it is thought that market expectations that such action would be taken have had some influence. On the other hand, so many factors affect interest rates that, in the Board's opinion, it would not be accurate to ascribe changes in these rates exclusively to the Board's action or to expectation that action would be taken.

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A table giving the course of the principal available quotations of long and short-time money rates in recent months follows:

Money Rates in New York City
(Percent per annum)

	In week ending				
	July 18, 1936	Dec. 5, 1936	Jan. 23, 1937	Jan. 30, 1937	Feb. 6, 1937
Bankers' acceptances, 90-day unendorsed	1/8	3/16	1/4	1/4	5/16
Commercial paper, prime, 4-6 months	3/4	3/4	3/4	3/4	3/4
Stock exchange call loans	1.00	1.00	1.00	1.00	1.00
U.S. Government obligations					
Treasury bills, 9 months	.12	.09	.36	.40	.37
Treasury notes, 3-5 years	1.18	.94	1.19	1.20	1.19
Treasury bonds, 8 years and over	2.50	2.25	2.30	2.31	2.31
Corporate bonds, high-grade	3.22	3.11	3.08	3.13	3.17
Federal Reserve bank					
Rediscount rate	1-1/2	1-1/2	1-1/2	1-1/2	1-1/2
Buying rate for bankers' acceptances, 90-day endorsed	1/2	1/2	1/2	1/2	1/2

The Board hopes that the foregoing information meets fully the desires of the Senate as expressed in its Resolution.

I am also directed by the Board to say that if there is any further information which the Senate may desire to have in connection with this subject, the Board will be pleased to furnish it if it is available.

Respectfully submitted,

Chester Morrill,
Secretary.

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Federal Reserve Bank of St. Louis

X-9817

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For release in afternoon newspapers
of Tuesday, February 16, 1937 February 16, 1937.

The Board of Governors of the Federal Reserve System has been giving consideration to the proposed amendment of Regulation T to eliminate the practice commonly known as "three-day riding," whereby customers who purchase securities on margin have been permitted by brokers to sell during the period allowed by the regulation for providing the margin and by this means to avoid furnishing the amount of margin prescribed by the Board under the law.

During discussions which have taken place since the Board's statement to the press of November 20, 1936, it has been shown that there is general agreement that the practice in question should be eliminated. It has been represented to the Board of Governors, on behalf of national securities exchanges, that the occasion for amending the regulation for the specific purpose of preventing "three-day riding" would disappear if appropriate action should be taken by the New York Stock Exchange and other national securities exchanges.

The Board has been advised by representatives of the New York Stock Exchange that the Exchange is prepared to take such action promptly by adopting and enforcing rules and regulations which, in the opinion of the Exchange, would effectively eliminate the practice referred to within the field of jurisdiction of the New York Stock Exchange. The Board has also been advised that the Exchange would require that members keep certain records and make certain reports to the Exchange, which would result in the accumulation of a substantial quantity of information in regard to the manner in which margin requirements are met, and that the Exchange would cooperate with the Board in making available to it, in convenient form, the information thus accumulated.

Having given further consideration to the problem, and taken account of the representations made in behalf of the New York Stock Exchange and other national securities exchanges, the Board has deferred adoption of the proposed amendment of Regulation T in order to afford to the New York Stock Exchange and other national securities exchanges an opportunity to eliminate the practice. The Board's action is without prejudice to its complete freedom to promulgate such an amendment, or any other amendment, at any time when it seems advisable to do so either for the purpose of eradicating the practice referred to or for any other reason which, in the judgment of the Board, justifies such action.

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Federal Reserve Bank of St. Louis

X-9818

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For immediate release. February 16, 1937.

The first meeting of the Federal Advisory Council for 1937 was held on Tuesday, February 16. Mr. Walter W. Smith was re-elected President and Mr. Howard A. Loeb was re-elected Vice President. These officers as ex-officio members and Messrs. Steele, Aldrich, Brown and Kemper will comprise the Executive Committee. Mr. Walter Lichtenstein was reappointed Secretary.

The Council is composed of the following members:

Federal Reserve District		
	No. 1.	Thomas M. Steele, of New Haven, Conn.
	No. 2.	Winthrop W. Aldrich, of New York, N. Y.
	No. 3.	Howard A. Loeb, of Philadelphia, Pa.
	No. 4.	Lewis B. Williams, of Cleveland, Ohio.
	No. 5.	Charles M. Cohen, of Huntington, West Virginia.
	No. 6.	Edward Ball, of Jacksonville, Fla.
	No. 7.	Edward E. Brown, of Chicago, Ill.
	No. 8.	Walter W. Smith, of St. Louis, Mo.
	No. 9.	John Crosby, of Minneapolis, Minn.
	No. 10.	W. T. Kemper, of Kansas City, Mo.
	No. 11.	R. E. Harding, of Fort Worth, Texas.
	No. 12.	Paul S. Dick, of Portland, Ore.

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9819

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 16, 1937.

Dear Sir:

There are enclosed herewith copies of statement rendered by the Bureau of Engraving and Printing, covering the cost of preparing Federal reserve notes for the month of January, 1937.

Very truly yours,

O. E. Foulk

O. E. Foulk,
Fiscal Agent.

Enclosure.

TO ALL F. R. PRESIDENTS.

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Federal Reserve Bank of St. Louis

X-9819-a

Statement of Bureau of Engraving and Printing
for furnishing Federal Reserve Notes,
January 4 to 29, 1957.

Federal Reserve Notes, Series 1934

	$5	$10	$20	Total Sheets	Amount
Boston,.....	--	84,000	-	84,000	$7,854.00
New York,.....	-	100,000	50,000	150,000	14,025.00
Philadelphia,..	-	80,000	-	80,000	7,480.00
Cleveland,.....	-	15,000	50,000	65,000	6,077.50
Richmond,.....	-	40,000	-	40,000	3,740.00
Atlanta,.....	90,000	77,000	24,000	191,000	17,858.50
Chicago,.....	-	105,000	25,000	130,000	12,155.00
St. Louis,.....	-	-	39,000	39,000	3,646.50
Minneapolis,...	-	18,000	-	18,000	1,683.00
Kansas City,...	-	60,000	20,000	80,000	7,480.00
San Francisco,.	-	-	30,000	30,000	2,805.00
	90,000	579,000	238,000	907,000	$84,804.50

907,000 sheets, @ $93.50 per M,..... $84,804.50

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9820

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 18, 1937.

SUBJECT: Code Word Covering New Issue of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code word has been designated to cover a new issue of Treasury Bills:

"NOZAGH" - Treasury Bills to be dated February 24, 1937, and to mature November 24, 1937.

This word should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOZAEL" on page 172.

Very truly yours,

S. R. Carpenter

S. R. Carpenter,
Assistant Secretary.

TO PRESIDENTS OF ALL F. R. BANKS.

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X-9821

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

February 18, 1937.

ADDRESS OFFICIAL CORRESPONDENCE TO THE BOARD

SUBJECT: Holidays During March, 1937.

Dear Sir:

The Board of Governors of the Federal Reserve System is advised that the following holidays will be observed by Federal reserve banks and branches during the month of March:

Tuesday, March 2,	Dallas El Paso Houston San Antonio	Texas Independence Day
Thursday, March 25,	Baltimore	Maryland Day
Friday, March 26,	Philadelphia	Good Friday
	Pittsburgh	
	Baltimore	
	Jacksonville Nashville New Orleans Havana Agency	
	Memphis	
	Minneapolis	
Monday, March 29,	Charlotte	Easter Monday

On the dates given the offices concerned will not participate in either the transit or the Federal reserve note clearing through the Inter-district Settlement Fund. Please include transit clearing

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credits for the offices affected on each of the holidays with your credits for the following business day. No debits covering shipments of Federal reserve notes for account of the head offices concerned should be included in your note clearings of March 2 and 26.

Please notify branches.

Very truly yours,

S. R. Carpenter,
Assistant Secretary.

TO PRESIDENTS OF ALL F. R. BANKS.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9822
Reg. H-11

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 19, 1937.

SUBJECT: Withdrawal from Membership of Banks which Desire to Continue to Be Insured Banks.

Dear Sir:

The Board has recently considered the case of a bank which desired to withdraw from membership but also wished to continue without interruption its status as an insured bank, and to that end had made application to the Federal Deposit Insurance Corporation for acceptance as an insured nonmember bank. The bank had requested waiver of the usual six months' notice of intention to withdraw, which was granted. It subsequently appeared questionable, however, whether arrangements for acceptance as an insured nonmember bank could be completed within two months from the date of the waiver of the six months' notice of intention to withdraw. Accordingly, the Board advised the Federal reserve bank that, notwithstanding the provisions of section 10 (c) of Regulation H, the time within which the particular bank in question, and any other bank which has made application to the Federal Deposit Insurance Corporation for continuation of insurance as a nonmember bank, may accomplish the termination of its membership is extended to four months from the date of waiver of the six months' notice

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of intention to withdraw. Such extension of time is applicable without reference of individual cases to the Board. Please be guided accordingly.

Very truly yours,

S. R. Carpenter

S. R. Carpenter,
Assistant Secretary.

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9823

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 19, 1937.

Dear Sir:

The Board notes from the minutes of the meeting of the Conference of Presidents held in Washington on Monday, January 25, 1937, that consideration was given to a letter dated December 1, 1936, from President Fleming of the Federal Reserve Bank of Cleveland addressed to Mr. Morrill, Secretary of the Board of Governors, and to Mr. Morrill's reply thereto dated December 11, 1936, with respect to a suggested uniform policy under which the Federal reserve banks would have authority to spend up to $100 for each employee retiring after long service for a gift that might be retained as a personal remembrance of the employee's association with the bank and its personnel. It is also noted that the Conference decided that this is a matter which should be left to the board of directors of each Federal reserve bank.

Such information as is available at the Board's offices would indicate that none of the Federal reserve banks has made it a practice to purchase gifts with bank funds for employees leaving the service of the Federal reserve bank and it is assumed that no

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Federal reserve bank will inaugurate such a practice without first taking the matter up with the Board of Governors.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

TO ALL PRESIDENTS

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9824

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 23, 1937.

Dear Sir:

The copies of the Board's letter of February 19, 1937, (X-9822) which were sent you omitted the designation "Regulation H-11", and there are accordingly inclosed corrected copies which it is suggested you substitute for the copies previously sent you.

Very truly yours,

S. R. Carpenter,
Assistant Secretary.

Inclosures.

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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Federal Reserve Bank of St. Louis

X-9825
Reg. T-52

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal reserve banks)

February 23, 1937.

Mr. _____,
Assistant Cashier,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

This refers to your letter of January 6, 1937 addressed to Mr. Parry, Chief of the Division of Security Loans, regarding the following situation under Regulation T:

> " * * *, a customer cabled his broker instructions * * * to purchase listed securities costing $10,600, which were purchased for his account. Prior to this transaction, the account was restricted to tne extent of a few hundred dollars. During the preceding thirty days dividends in the amount of approximately $500 had been credited to the account and not withdrawn, and there had been no transactions in the account subsequent to the crediting of the dividends until the subject transaction."

Section 8(b) of the regulation permits the withdrawal of the dividends here involved, and you present the question whether it is permissible for the broker to deduct the withdrawable dividends from the amount of the demand for margin, merely demanding the difference of about $5400. Otherwise, of course, the broker would be required to demand the full amount of margin in the sum of about $5900, possibly forwarding with such a demand for margin a check for the approximately $500 of dividends.

The Board agrees with your view that it is permissible

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for the broker to deduct the amount of the withdrawable dividends from the amount of the demand for margin instead of demanding the full amount of margin without deduction of the dividends. In order to make it clear, however, that the dividends are not thereafter available for other purposes, and also to comply fully with the requirement of the regulation that margin be demanded upon the basis of the aggregate transactions in the account on a given day, the notation that the dividends are no longer withdrawable (which in effect amounts to a withdrawal and redeposit of the dividends) should be made on the date of the transaction in question rather than on the later date on which margin is deposited in response to the demand.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9326

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 24, 1937.

Subject: Applications of national banks for fiduciary powers.

Dear Sir:

You are hereby advised that the Board's Form 61c, "Analysis of report of examination", heretofore used in connection with applications of national banks for permission to exercise trust powers, is being discontinued, and you are authorized, therefore, to omit that form when submitting such applications to the Board.

Very truly yours,

S. R. Carpenter

S. R. Carpenter,
Assistant Secretary.

TO ALL PRESIDENTS

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9827

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 25, 1937.

Dear Sir:

In the Board's telegram Trans 2094 of September 28, 1934, each Federal Reserve agent was requested to notify each other Federal Reserve agent and the Board, by telegraph, of the name and location of every nonmember bank which files an agreement with the Board pursuant to the provisions of Section 8(a) of the Securities Exchange Act of 1934. On the basis of these telegrams the Federal Reserve agents keep up to date the list of nonmember banks which have filed such agreements, which list is intended to be available for distribution to interested persons as provided by Section 10, paragraph (b), of Regulation T.

It has been suggested to the Board by one of the Federal Reserve banks that the notices of changes are not of sufficient urgency to justify the use of the wires for the purpose. The Board concurs in this view and, accordingly, it is requested that hereafter each Federal Reserve agent notify each other Federal Reserve agent by mail of additions to the list of nonmember banks which have filed agreements with the Board pursuant to the provisions of Section 8(a) of the Securities Exchange Act. The Board, however, should be advised by telegram, by code word "Alightable" assigned for the purpose, unless notice can be mailed in time to reach the Board's offices within two days from the date on which the nonmember bank files the agreement.

Very truly yours,

S. R. Carpenter,
Assistant Secretary.

TO ALL FEDERAL RESERVE AGENTS.

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Federal Reserve Bank of St. Louis

X-9828
Reg. U-11

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal reserve banks)

February 23, 1937.

Mr. _____, _____,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

This refers to Mr. _____ letter of January 20, 1937, addressed to Mr. Parry, Chief of the Division of Security Loans, regarding Regulation U. The inquiry refers to a case in which a bank makes an agreement with an out of town customer to lend a certain sum of money on a registered stock, the amount being 45 per cent of its then market value. The borrower delivers the stock and the note as promptly as possible on the next day, but the market value of the stock becomes lower in the interval so that the amount the bank has agreed to lend is in excess of 45 per cent. The question presented is whether Regulation U permits the bank to carry out its commitment.

In a case such as that presented in which the bank enters into an enforceable commitment, the details of the loan are perfected insofar as practicable on the first day, and the negotiations for and completion of the loan take place as nearly contemporaneously as the circumstances of the case permit, it is the view of the Board that the market value of the stock for the purpose of completing the loan may properly be determined as of the time when the bank and customer

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agree upon the amount and terms of the loan. The Board feels, however, that any clearly foreseeable change in the stock during the interval such as a split-up of the shares or the stock selling "ex" a dividend of any kind, should be taken into account in such a determination.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9829

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 26, 1937

Dear Sir:

The Board has given further consideration to the subject of Federal reserve bank participation in, and support of, the activities of the American Institute of Banking in the light of the action taken at the Presidents' Conference on November 18, 1936, when the opinion was expressed that circumstances and conditions make it impracticable for all Federal reserve banks to pursue exactly the same course with respect to encouragement and support of the American Institute of Banking and that the manner and extent to which the Federal reserve banks give such encouragement and support to the local chapters of the American Institute of Banking and the Graduate School of Banking at Rutgers University should be left to the judgment of the several Federal reserve banks.

The Board of Governors feels that the officers and employees of the Federal reserve banks should be encouraged to participate in the educational activities of the American Institute of Banking and the Graduate School of Banking at Rutgers University and to this end that the Federal reserve banks should follow a system policy which is as nearly uniform in its application as may be practicable in view of the varying local conditions and responsibilities of the individual Federal reserve banks. With this principle in mind, however, expenditures for this purpose should not exceed those which would be permitted under the procedure proposed in the statement attached to the Board's letter of October 30, 1936, X-9729, and therefore advance approval of the Board should be obtained for expenditures exceeding those provided for by that statement.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

TO ALL PRESIDENTS

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Federal Reserve Bank of St. Louis

X-9830

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in morning papers, Sunday, February 28, 1937.

The following summary of general business and financial conditions in the United States, based upon statistics for January and the first three weeks of February, will appear in the March issue of the Federal Reserve Bulletin and in the monthly reviews of the Federal Reserve banks.

Industrial activity, adjusted for seasonal changes, showed a decline in January following a rapid rise in November and December. Distribution of commodities to consumers declined more than seasonally.

Production and employment

Volume of industrial production, which usually increases at this time of year, declined from December to January, and the Board's seasonally adjusted index was 115 percent of the 1923-1925 average as compared with 121 in December and 114 in November. Steel production increased, though by less than the usual seasonal amount, and was larger in January than at any other time during the recovery period. In the first three weeks of February output of steel increased somewhat further. Output of automobiles was curtailed by strikes in January and the first half of February but after the strikes were settled production rose sharply. At lumber mills there was a considerable decrease in activity in January, reflecting in part the effects of unusually cold weather in the Western lumber regions. Production of plate glass declined further in January but toward the end of the month the strikes which had

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restricted output since October were settled. At textile mills activity declined from the exceptionally high level reached in December, and in the meatpacking industry there was also a decrease, while output at shoe factories increased. Mineral production was smaller in January than in December, reflecting a reduction in output of coal. There was a further rise in output of crude petroleum.

Value of construction contracts awarded showed a considerable rise in January, according to figures of the F. W. Dodge Corporation, and was substantially larger than a year ago. The most marked increases over December were in factory building, which recently has been in larger volume than at any time since 1930, and in residential building. The increase in residential building was largely in publicly-financed apartment construction.

Factory employment and payrolls showed about the usual seasonal decline between the middle of December and the middle of January. Among the durable goods industries there were increases in employment at blast furnaces and steel mills and at foundries and machine shops, while in the automobile industry there was a considerable decline. In industries producing nondurable goods employment declined by less than the usual seasonal amount, with increases at textile mills and in the chemical industries, and seasonal reductions in working forces in most other lines.

Distribution

Department store sales showed the usual seasonal decrease in January, while sales at variety stores and mail order houses declined considerably more than is usual. Car loadings of revenue freight also

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declined in January, reflecting in part the effects of floods. There were substantial declines in shipments of forest products, coal, and miscellaneous freight.

Commodity prices

The general level of wholesale commodity prices, which, according to the Bureau of Labor Statistics, had advanced more than 5 percent from the end of October to the middle of January, showed little change from the middle of January to the third week of February. Prices of agricultural commodities declined slightly, while industrial commodities as a group continued to advance. There were substantial increases in nonferrous metals, lumber, and petroleum and smaller increases in a wide variety of finished products, while prices of glass and certain cotton textiles declined, following rapid increases in other recent months.

Bank credit

Total loans and investments of weekly reporting member banks in leading cities declined somewhat further during the four weeks ending February 17, reflecting principally a decrease in holdings of United States Government obligations. Commercial loans, following a seasonal decline in January, increased at reporting banks outside New York City and remained practically unchanged in New York.

On January 31 the Board of Governors raised reserve requirements for member banks by 33 1/3 percent, half of the increase to become effective on March 1 and half on May 1. This action completes the use of the Board's authority under the law to raise reserve requirements.

Excess reserves of member banks showed little change in the five

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weeks ending February 24; there was a further substantial increase at New York City banks and a small decline at banks elsewhere.

The rate on bankers' acceptances was raised 1/16 of 1 percent on February 1, following a similar increase on January 16. Market yields on short and medium-term Treasury obligations also increased slightly in January and the early part of February, while yields on long-term Government bonds showed little change.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9831

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 27, 1937.

SUBJECT: Code Words Covering New Issues of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code words have been designated to cover new issues of Treasury Bills:

"NOZAIL" - Treasury Bills to be dated March 3, 1937, and to mature June 16, 1937.

"NOZAKA" - Treasury Bills to be dated March 3, 1937, and to mature December 1, 1937.

These words should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOZAGH" on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO PRESIDENTS OF ALL F. R. BANKS.

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Federal Reserve Bank of St. Louis

X-9832

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For immediate release February 27, 1937.

The Board of Governors of the Federal Reserve System today announced the appointment of Mr. George G. Chance of Bryan, Texas, as a director of the Houston branch of the Federal Reserve Bank of Dallas for the unexpired portion of the term ending December 31, 1937.

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INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal reserve banks)

February 25, 1937

_____
_____

Relet February 11, 1937, transmitting copy of letter from _____ _____ Company, _____, _____, from which it appears that such company desires to know whether cash, accounts receivable, or notes receivable may be considered readily marketable assets acquired in compliance with section 5144 of the Revised Statutes for purpose of possible claim for tax credit under section 26(d) of Revenue Act of 1936. Board feels that it should rule upon questions of this nature only in making certifications under section 26(d) with respect to claims made for tax credit in tax returns and upon basis of all facts involved in particular claims. It is assumed that _____ _____ Company has in mind that even though particular kinds of assets might constitute readily marketable assets within meaning of section 5144, the question whether a holding company affiliate is entitled to a tax credit for any increase in amount of such assets during a taxable year involves other questions, including whether such increase resulted from devotion of earnings or profits to acquisition of such assets. It is suggested that you call attention of holding company affiliate to desirability of furnishing full information upon which any such claim is predicated as provided in regulation of Bureau of Internal Revenue inclosed with Board's letter X-9737.

(Signed) Chester Morrill
MORRILL

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9834

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 1, 1937.

SUBJECT: Code Words Covering New Issues of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code words have been designated to cover new issues of Treasury Bills:

"NOZALT" - Treasury Bills to be dated March 10, 1937, and to mature June 16, 1937.

"NOZAM" - Treasury Bills to be dated March 10, 1937, and to mature December 8, 1937.

These words should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOZAKA" on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO PRESIDENTS OF ALL F. R. BANKS

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Federal Reserve Bank of St. Louis

X-9855

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For immediate release March 6, 1937.

The Board of Governors of the Federal Reserve System today announced the appointment of Mr. Jay Taylor of Amarillo, Texas, as a class "C" director of the Federal Reserve Bank of Dallas for the unexpired portion of the term ending December 31, 1939.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9836

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 6, 1957

Dear Sir:

For your guidance in connection with any similar situations in your district, there is inclosed a copy of a letter sent to Mr. S. G. Sargent, Vice President of the Federal Reserve Bank of San Francisco, with respect to the manner in which a State bank member with capital debentures outstanding may show its capital accounts in condition reports rendered pursuant to the provisions of Section 9 of the Federal Reserve Act.

Very truly yours,

S. R. Carpenter,
Assistant Secretary.

Inclosure.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS EXCEPT SAN FRANCISCO.

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X-9836-a

March 6, 1937.

Mr. S. G. Sargent, Vice President
Federal Reserve Bank of San Francisco
San Francisco, California.

Dear Mr. Sargent:

This refers to your letter of January 25, 1937, inclosing a letter from the Superintendent of Banks of the State of Oregon with respect to the publication of reports of condition of State member banks in accordance with the Board's Form 105e and the acceptance of such published statements by the State banking department. It is noted that the State banking department feels that the manner in which the capital account is set up under Item 31 of the Board's Forms 105 and 105e "does not permit the proper reporting of capital debentures, which under Oregon laws do not affect the actual amount of common stock outstanding but operate to reduce the stockholders equity therein", and that the department suggests a somewhat different set-up to accomplish the desired purpose.

The Board will interpose no objection if the three State bank members in Oregon which have capital debentures outstanding show their capital accounts on Forms 105 and 105e in the manner proposed by the State banking department provided that it is also made clear that the reported amount of surplus represents the amount of surplus if no account is taken of the bank's liability on capital debentures outstanding. This may be accomplished along the general lines indicated by the Board's letter X-9379 of November 29, 1935, by amending the caption "Surplus" to read "Surplus before provision for capital debentures". In such event, the capital account as of December 31, 1936 of the _____ Bank, _____, Oregon, for example, would be shown as follows, after eliminating the capital account sub-items for which no amounts are reported and which, accordingly, do not have to be published:

Capital notes and debentures sold to Reconstruction Finance Corporation *($20,000)) Common stock, 500 shares, par $100 per share)	$50,000
Surplus before providing for capital debentures	15,000
Undivided profits	6,731.71
Total capital account (*Includes capital debentures)	$71,731.71

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Assistant Secretary.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9837

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 8, 1937.

Dear Sir:

There are enclosed herewith copies of statement rendered by the Bureau of Engraving and Printing, covering the cost of preparing Federal reserve notes for the month of February, 1937.

Very truly yours,

O. E. Foulk

O. E. Foulk,
Fiscal Agent.

Enclosure.

TO ALL F. R. PRESIDENTS.

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X-9837-a

Statement of Bureau of Engraving and Printing
for furnishing Federal Reserve Notes,
February 1 to 26, 1937.

Federal Reserve Notes, Series 1934, 12-subject

	$5	$10	$20	Total Sheets	Amount
Boston,.....	-	66,000	-	66,000	$ 6,171.00
New York,.....	-	150,000	-	150,000	14,025.00
Philadelphia,.	-	78,000	20,000	98,000	9,163.00
Cleveland,....	-	97,000	50,000	147,000	13,744.50
Richmond,.....	-	36,000	20,000	56,000	5,236.00
Chicago,.....	-	50,000	-	50,000	4,675.00
Minneapolis,..	-	77,000	20,000	97,000	9,069.50
Kansas City,..	-	21,000	20,000	41,000	3,833.50
San Francisco,	50,000	-	20,000	70,000	6,545.00
	50,000	575,000	150,000	775,000	$72,462.50

775,000 sheets, @ $93.50 per M,.....$72,462.50

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X-9838

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 11, 1937.

Dear Sir:

There is attached a copy of the report of expenses of the main lines of the Federal Reserve Leased Wire System for the month of February, 1937.

Please credit the amount payable by your bank to the Board, as shown in the last column of the statement, to the Federal Reserve Bank of Richmond in your daily statement of credits through the Inter-District Settlement Fund for the account of the Board of Governors of the Federal Reserve System, and advise the Federal Reserve Bank of Richmond by wire the amount and purpose of the credit.

Very truly yours,

O. E. Foulk

O. E. Foulk,
Fiscal Agent.

Inclosure.

TO PRESIDENTS OF ALL F. R. BANKS

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Federal Reserve Bank of St. Louis

REPORT OF EXPENSES OF MAIN LINES OF FEDERAL RESERVE LEASED WIRE SYSTEM FOR THE MONTH OF FEBRUARY, 1937.

Federal Reserve Bank	Number of words sent	Words sent by N. Y. chargeable to other F.R. Banks	Total words chargeable	Personal services(1)	Wire rental	Total expenses	Pro rata share of total expenses(2)	Credits	Payable to Board of Governors
Boston	35,547	2,537	38,084	$ 251.45	--	$ 251.45	$ 720.32	$ 251.45	$ 468.87
New York	130,392	--	130,392	1,240.52	--	1,240.52	2,466.22	1,240.52	1,225.70
Philadelphia	31,858	2,561	34,419	236.39	--	236.39	651.00	236.39	414.61
Cleveland	47,152	2,604	49,756	394.19	--	394.19	941.08	394.19	546.89
Richmond	61,766	2,515	64,281	195.46	--	195.46	1,215.80	195.46	1,020.34
Atlanta	63,588	2,505	66,093	275.73	--	275.73	1,250.08	275.73	974.35
Chicago	78,497	2,375	81,372	1,113.81	--	1,113.81	1,539.06	1,113.81	425.25
St. Louis	76,034	2,507	78,541	184.84	--	184.84	1,485.52	184.84	1,300.68
Minneapolis	25,887	2,438	28,325	135.55	--	135.55	535.74	135.55	400.19
Kansas City	59,139	2,511	61,650	259.03	--	259.03	1,166.04	259.03	907.01
Dallas	57,476	2,451	59,927	267.55	--	267.55	1,133.45	267.55	865.90
San Francisco	81,746	2,578	84,324	449.43	--	449.43	1,594.90	449.43	1,145.47
Board of Governors	429,066	--	429,066	2,577.16	15,233.42	17,810.58	8,115.32	17,810.58	--
Total	1,178,148	28,082	1,206,230	$7,581.11	$15,233.42	$22,814.53	$22,814.53	$22,814.53	$9,695.26

(1) Includes salaries of main line operators and of clerical help engaged in work on main line business, such as counting the number of words in messages; also, overtime and supper money and Retirement System contributions at the current service rate.

(2) Based on cost per word ($.018913913) for business handled during the month.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9839

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 12, 1937.

SUBJECT: Code Words Covering New Issues of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code words have been designated to cover new issues of Treasury Bills:

"NOZAND" - Treasury Bills to be dated March 17, 1937, and to mature June 17, 1937.

"NOZAPE" - Treasury Bills to be dated March 17, 1937, and to mature December 15, 1937.

These words should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOZAM" on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO PRESIDENTS OF ALL F. R. BANKS

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X-9840

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For release in morning newspapers
of Tuesday, March 16, 1937.

March 15, 1937

Statement of Chairman Eccles with reference

to his position on credit and monetary policies.

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I wish to correct erroneous interpretations which have been circulated with reference to my position on credit and monetary policies.

I have been and still am an advocate of an easy money policy and expect to continue to be an advocate of such a policy so long as there are large numbers of people who are unable to find employment in private industry, which means that the full productive capacity of the nation is not being utilized. Under such conditions, to restrict the available supply of capital and thus to make it difficult, if not impossible, to employ these people would not only be anti-social but uneconomic.

I do not believe that sharp price rises in certain basic commodities should be controlled at this stage of the recovery by a restrictive money policy which would tend to freeze and might bring about an actual reduction in the total volume of employment and production. The price rises to which I refer are the result primarily of non-monetary factors including foreign armament demands, strikes and monopolistic practices by certain groups both in industry and organized labor. These conditions have in turn led to speculative security and commodity buying which serves to accelerate the price advances.

Money must be used as the servant to increase production and employment at home and not to restrict employment and production at a time when the national income is still many billions below what it has been in the past and many more billions short of what it could and should be in the future. Therefore, other means than a restrictive money policy must be used under present conditions to control unwarranted price advances which result in the rise of the cost of living.

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The way to control unjustifiable price advances is by increasing production. This can be done so long as there is idle labor willing to work, so long as there are unused natural resources and an abundance of money at reasonable rates. All three of these conditions are present at this time.

With reference to the volume of money, after the full increase in reserve requirements goes into effect on May 1, there will be more bank deposits and currency in circulation by fully two billion dollars than at the peak of 1928 and 1929. There will also be excess reserves upon which billions of further credit can be extended by the banks without the need for borrowing from the Federal reserve banks. In other words, the supply of money to finance increased production at low rates is ample. Furthermore, with the ample reserves of the Federal reserve banks additional supplies of money can be made available when needed to finance expanded production at reasonable rates by the purchase of government securities in the open market. At the same time, the Reserve System has instruments for controlling directly the diversion of bank credit into security speculation.

With reference to labor, numerically there are still millions of unemployed people able and willing to work and several millions more engaged on public works who could be diverted from public to private payrolls. But there is approaching a special problem of skilled labor shortages developing in certain fields. This situation should be anticipated and met as rapidly as it develops by releasing skilled workers from public to private employment and by vocational and increased apprenticeship training.

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Finally, there was not at the peak of 1929 and there is not now any lack of raw materials and natural resources to furnish the means of production.

Under such conditions, the country needs the full and co-ordinated utilization of the three essential factors of man power, natural resources and capital until we have attained a maximum production and distribution of real wealth in the form of housing, clothing and all other goods necessary to maintain and improve the standard of living of all of our people. It is not sound public policy and it is not in the ultimate interest of either capital, labor, or agriculture for any one of the three groups, broadly speaking, to try to gain an advantage at the expense of the others, which only makes for instability of the national economy and hence is bound to be temporary.

Increased wages and shorter hours when they limit or actually reduce production are not at this time in the interest of the public in general or in the real interest of the workers themselves. When wage increases are passed along to the public, and particularly when industries take advantage of any existing situation to increase prices far beyond increased labor costs, such action is short-sighted and indefensible policy from every standpoint.

Wage increases and shorter hours are justified and wholly desirable when they result from increasing production per capita and represent a better distribution of the profits of industry. When they retard and restrict production and cause price inflation, they result in throwing the buying power of the various groups in the entire economy out of balance, working a

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particular hardship upon agriculture, the unorganized workers, the recipients of fixed incomes and all consumers. The upward spiral of wages and prices into inflationary price levels can be as disastrous as the downward spiral of deflation. If such conditions develop, the Government should intervene in the public interest by taking such action as is necessary to correct the abuses.

The remedy for a price inflation when the country has unused man power, natural resources and capital, is through more, not less production, through an orderly, balanced use of these three fundamental factors and not by creating a needless, artificial shortage of any one of them.

What, then, is the function of the monetary authorities of the Government? It is to help bring about and maintain the essential element of an adequate supply of funds at reasonable rates to call forth and facilitate production and distribution. A policy of easy money in order to make available an adequate supply of capital at reasonable rates cannot, however, of itself succeed in maintaining a stable economy. The Federal Reserve System, which is an arm of the Government, is powerless to maintain a stable economy unless other essential non-monetary factors necessary to stability are brought into line either by private interests or by the Government. The Federal Reserve System has exerted the greatest possible influence to bring about and maintain easy money conditions as a necessary integral part of the recovery movement. An ample supply of funds at reasonable rates exists and will exist after the increased reserve requirements take full effect on May 1. So far as I am concerned, I am convinced that such a supply of funds should continue to be made available at rates that will encourage full re-

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covery and help to maintain it.

Under present conditions of an accelerating recovery, a continued easy money policy to be successful in achieving and maintaining a balanced recovery must be accompanied by a prompt balancing of the Federal budget and the subsequent retirement of public debt by the Government in relationship to the expansion of private credit. I have not been and I am not now in favor of balancing the budget at the expense of the destitute and the unemployed who are unable to find private employment, but I am in favor of increasing taxes on incomes and profits if necessary to sustain the volume of relief and at the same time bring the budget into balance and permit the paying down of public debt as private debt expands. Only by this process can monetary inflation be prevented.

If, in the meantime, however, stable recovery is endangered by unwarranted price and cost increases arising from non-monetary causes, they must be combatted by other than monetary means. To resort to monetary restraints under such conditions would involve the risk of halting recovery and precipitating another deflation before we have recovered from the last one and before the Government is in position to bear the costs of it without causing a monetary inflation.

I cannot favor at this juncture the remedy of "tight money" and high interest rates, to reach special conditions. Such a remedy if invoked now in the attempt to control unjustifiable and monopoly-created prices would result in a reduction of the nation's buying power. Otherwise this remedy would not be effective in bringing prices down. A decline in buying power would, in turn, result in increasing the already large volume of

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unemployment which would have to be supported out of public funds and in a decrease in the national income, with the consequence that the budget would be thrown hopelessly out of balance.

The remedy lies not in a restrictive monetary policy, but in vigorous government intervention with all the powers at its command to deal directly with the causes that might endanger the progress of a stable and enduring recovery.

With reference to these broad policies in connection with the budget and government finances, the President stated in his budget message in January, "We shall soon be reaping the full benefits of these programs (to combat the depression) and shall have at the same time a balanced budget that will also include provision for reduction of the public debt." And in his radio address on March 9, the President said, "In 1933, you and I knew that we must never let our economic system get completely out of joint again--that we could not afford to take the risk of another great depression. We also became convinced that the only way to avoid a repetition of those dark days was to have a government with power to prevent and to cure the abuses and the inequalities which had thrown that system out of joint. We then had a program of remedying those abuses and inequalities--to give balance and stability to our economic system--to make it bombproof against the causes of 1929."

A policy of monetary restraint at this juncture would be calculated to prevent attainment of this objective of balance and stability in our economic system.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9841

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 15, 1937.

Dear Sir:

Reference is made to the report of the Committee on Destruction of Records maintained by the Federal Reserve banks and Agents, which was approved by the Conference of Presidents at the meeting held in Washington on November 18, 1936.

On page 9 of the report it is recommended that the Board seek continuing authority from the Congressional Committee for the destruction of certain fiscal agency and depositary records. The Board has requested the Secretary of the Treasury to obtain such authority, and after a reply has been received you will be advised in regard thereto. In its letter to the Secretary of the Treasury the Board also requested advice with respect to the recommendation contained in the report that if continuing authority cannot be obtained for the destruction of fiscal agency and depositary records requests for authority to destroy such records be made simultaneously by all Federal Reserve banks during 1937 and at intervals of five years thereafter.

Since the nonstatutory duties formerly handled by the Federal Reserve Agents have been transferred to the banks it will not be necessary to obtain Congressional authority for the destruction of records of such departments accumulated since the date of the transfer. It is requested, however, that no records of the Bank Examination Department be destroyed without the advance approval of the Board of Governors. The Board does not feel that it would be warranted in asking for Congressional authority to destroy records accumulated by the Agents in the performance of certain nonstatutory functions for the full period from the date of the organization of the Federal Reserve banks to the date of the transfer of the nonstatutory duties of the Agents to the Federal Reserve banks until after a lapse of a reasonable period of time following the transfer. Accordingly, the destruction of such records will be taken up with you by the Board of Governors at a later date.

Congressional approval need not be obtained for the destruction of books, periodicals, newspapers, etc., that have been printed by others for general distribution, or for the destruction of surplus copies

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of like material printed at your bank for general distribution. It is also unnecessary to obtain Congressional approval for the destruction of auditing records, as such records are accumulated by the Chairman of the Board of Directors, not the Federal Reserve Agent.

With respect to records in connection with Federal Reserve note issues, the report recommends that all such records be held permanently by the Federal Reserve Agents except Item 7 on page 5 and the last five items in Schedule A, for which a minimum retention period of two years is recommended in each case. While it is not thought essential that these records be retained for a longer period than the two years recommended, it is understood that the records are not voluminous and occupy very little space. In order, therefore, to avoid making frequent requests to the Congressional Committee for authority to destroy records that do not occupy much space, it is recommended that requests of Federal Reserve Agents for authority to destroy these records be deferred until requests are submitted for authority to destroy statistical and other records which were accumulated by the Agents prior to the transfer of the nonstatutory duties to the bank and that requests for authority to destroy such records be submitted thereafter at intervals of five years.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

TO ALL FEDERAL RESERVE AGENTS.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9842

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 15, 1937

Dear Sir:

There is inclosed, for your information, a copy of a letter which the Board today is sending to Mr. George L. Harrison, Chairman, Conference of Presidents of the Federal Reserve Banks, with respect to the report of the Committee on Destruction of Records maintained by the Federal Reserve banks which was approved by the Conference of Presidents, at the meeting held in Washington on November 18, 1936.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Inclosure.

TO ALL PRESIDENTS.

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Federal Reserve Bank of St. Louis

X-9842-a

March 15, 1937.

Mr. George L. Harrison, Chairman,
Conference of Presidents of the Federal Reserve Banks,
c/o Federal Reserve Bank of New York,
New York, New York.

Dear Mr. Harrison:

The Board is in receipt of a letter, dated December 12, 1936, from Mr. H. F. Strater, Secretary, Conference of Presidents of the Federal Reserve Banks, advising of the approval by the Conference of Presidents, at the meeting held in Washington on November 18, 1936, of the report of the Committee on Destruction of Records maintained by the Federal Reserve banks.

Attention was directed in the Secretary's letter to the recommendation contained in the report that the Board seek continuing authority from the joint Congressional Committee for the destruction of certain fiscal agency and depositary records. The Board has requested the Secretary of the Treasury to obtain such authority and after a reply has been received you will be advised in regard thereto.

In its letter to the Secretary of the Treasury the Board also requested advice with respect to the recommendation contained in the report that if continuing authority cannot be obtained for the destruction of fiscal agency and depositary records, requests for authority to destroy such records be made simultaneously by all Federal Reserve banks during 1937, and at intervals of five years thereafter. It is assumed that pending receipt of advice from the Secretary of the Treasury no requests will be made by the Federal Reserve banks to destroy any fiscal agency and depositary records.

Certain recommendations with respect to records of the Federal Reserve Agents are contained on pages 3 - 6 of the report and in the accompanying schedules A, B and C relating to Federal Reserve note issues, bank examination, library, statistical, printed circulars, and auditing. The Board is advising the Federal Reserve Agents with respect to the procedure which should be followed in connection with the destruction of records relating to Federal Reserve note issues and also records accumulated by the Agents in their capacity as such prior to the transfer to the bank of the nonstatutory functions formerly performed by them. Since the nonstatutory duties formerly handled by the Federal Reserve Agents have been transferred to the banks it will not be necessary to obtain Congressional authority for the destruction of records of such

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departments accumulated since the date of the transfer. It is requested, however, that no records of the Bank Examination Department be destroyed without the advance approval of the Board of Governors. Auditing records may also be destroyed without obtaining the Board's approval as such records are accumulated in the Agent's capacity as Chairman of the Board of Directors.

A copy of this letter is being forwarded by the Board to the President of each Federal Reserve Bank.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

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Federal Reserve Bank of St. Louis

X-9843
Sec. 11(m) FRA-1

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal reserve banks)

March 12, 1937.

Mr. _____,
Assistant Vice President,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

This refers to your letter of February 13, 1937, and inclosures, with regard to certain loans made on the security of stock or bond collateral by The _____ Bank of _____, _____, _____, which the examiner, in the report of examination as of September 26, 1936, states are in excess of the 10 per cent limitation prescribed by section 11(m) of the Federal Reserve Act. It appears that certain officers of and counsel for The _____ Bank of _____ maintain that surplus, for the purposes of section 11(m), includes not only the bank's stated surplus but its undivided profits and reserves for contingencies as well, in which event the loans in question would not be in excess of the 10 per cent limitation; but that it is your view that the term "surplus", as used in section 11(m) of the Federal Reserve Act, does not include undivided profits or reserves for contingencies, and that counsel for your bank is in accord with this view.

Careful consideration has been given to the question raised in your letter and the Board is in agreement with your view and that of your counsel with regard to this matter. It is suggested

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X-9843
Sec. 11(m), FRA-1

that you advise The _____ Bank of _____ of the Board's position in this matter and request the bank to take such steps as are necessary to bring its loans secured by stock or bond collateral within 10 per cent of its capital and surplus, exclusive of undivided profits and reserves for contingencies, as prescribed in section 11(m) of the Federal Reserve Act.

Very truly yours,

(Signed) L. P. Bethea,

L. P. Bethea,
Assistant Secretary.

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X-9844
Reg. D-5

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal reserve banks)

March 12, 1937.

Mr. _____, President,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

This refers to your letter of February 25, 1937 presenting the question whether deposits received by a member bank as collateral to loans of United States Government securities constitute deposits against which reserves are required to be carried with the Federal Reserve bank of the district.

It is understood that the member bank lends United States Government securities to certain of its customers who are dealers in securities and as collateral for such loans accepts deposits from the customers. The agreement under which the loans of United States Government securities are made contains, among others, the following provisions:

> "To secure re-delivery as outlined in the preceding paragraph, and to secure performance and payment by you of any other of your obligations to us, you have deposited with us $_____ in cash and the following securities:
>
> "Upon failure to make re-delivery as required above, we shall be entitled, at our option, to retain said cash and securities deposited by you as our absolute property in lieu of the securities loaned to you."

You state that the member bank does not consider deposits made under an agreement of this kind as constituting a part of its deposit liability subject to reserve because of the view that so long as its

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records indicate that these deposits are segregated for this particular purpose, the funds should be considered as collateral and not as deposits subject to reserve. It is understood from your letter, however, that the funds on deposit are mingled with the bank's other general assets.

In a ruling published at page 572 of the Federal Reserve Bulletin for 1922, the Board took the position that all funds received by a bank in the course of its commercial or fiduciary business must be considered as deposits against which reserves are required to be carried, unless such funds are trust funds and are actually segregated from the other assets of the bank. Since the date of the above ruling, the principle stated therein has been applied on a number of occasions and was recently applied in a ruling published at page 113 of the Federal Reserve Bulletin for February, 1937.

It appears that the deposits in question create an ordinary debtor-creditor relationship between the bank and the customer and that the funds on deposit under the arrangement referred to above are not trust funds and are not actually segregated from the other assets of the bank. Accordingly, it is the view of the Board that the provisions of section 19 of the Federal Reserve Act require that reserves be carried against these deposits.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9845

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 17, 1937.

SUBJECT: Holidays during April, 1937.

Dear Sir:

The Board of Governors of the Federal Reserve System is advised that the following holidays will be observed by Federal reserve banks and branches during the month of April:

Monday, April 5	Detroit	General Election Day
Monday, April 12	Charlotte	Halifax Day
Tuesday, April 13	Birmingham	Birthday of Thomas Jefferson
Monday, April 19	Boston	Patriot's Day
Wednesday, April 21	Dallas El Paso Houston San Antonio	San Jacinto Day
Thursday, April 22	Omaha	Arbor Day
Monday, April 26	Atlanta Birmingham Jacksonville	Southern Memorial Day

On the dates given the offices listed will not participate in either the transit or the Federal reserve note clearing through the Interdistrict Settlement Fund. Please include transit clearing credits for the offices affected on each of the holidays with your

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credits for the following business day. No debits covering shipments of Federal reserve notes for the head offices concerned should be included in your note clearings of April 19, 21 and 26.

Please notify branches.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO ALL PRESIDENTS

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X-9846
Reg. Q-29.

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal reserve banks)

March 18, 1937.

Mr. _____,
Vice President and Cashier,
_____ National Bank in _____,
_____, _____.

Dear Sir:

This refers to your letter of March 8, 1937 regarding the question whether the absorption by your bank of the expense of printing customers' names on checks or the numbering thereof would be considered a payment of interest within the meaning of section 19 of the Federal Reserve Act and Regulation Q.

The regulation as amended effective February 11, 1937 contains the following provision: "Within this regulation, any payment to or for the account of any depositor as compensation for the use of funds constituting a deposit shall be considered interest."

For the present the Board of Governors will not attempt to issue detailed interpretations or rulings with reference to questions as to whether the absorption of certain expenses constitutes a payment of interest, but will rely upon the cooperation and good faith of the member banks in adapting their practices to conform to the spirit and purpose of the statutory provisions prohibiting the direct or indirect payment of interest on demand deposits. The determination of such questions involves a due

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recognition of the spirit and intent of the law and the exercise of judgment on the part of the bank in the light of the provisions of the regulation and of all the circumstances of the case. If, after considering such a question in this light, there appears to be any serious problem with respect to the matter, it is believed that it can best be handled in due course upon a review of all the facts shown by the records of the bank and the examiner's reports, if the necessity arises. The Board trusts that through the co-operation of the member banks in this matter the necessity for numerous detailed rulings on the subject may be avoided.

Very truly yours,

(Signed) Chester Morrill,

Chester Morrill,
Secretary.

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X-9847
Reg. F-8

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal reserve banks)

March 17, 1937.

Mr. _____, President,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

This refers to your letter of February 9, 1937, stating that in connection with a recent examination of _____ Bank of _____ ____, _____, _____, a question had arisen concerning the propriety of the bank's selling to itself as trustee certain mortgage loans insured under Title II of the National Housing Act and inquiring whether such transactions should be criticized. This matter was again mentioned in your letter of February 17, 1937, and the report of examination of the bank as of December 28, 1936, inclosed therewith.

It appears that in connection with the two transactions in question the bank executed declarations of trust in the so-called "short form" prepared by the Federal Housing Administration. Such form and a so-called "long form" of trust agreement were prepared in 1935 and distributed for the guidance of trust institutions. Subsequently it was suggested that certain provisions of such forms and the accompanying memoranda appeared to contemplate practices which might not be in accordance with sound principles of trust administration

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and might result in abuses. The matter was discussed by representatives of the Board, the Comptroller of the Currency, and the Federal Housing Administration and, in order to clarify the situation, the Federal Housing Administration advised those to whom the forms had been sent that such forms should be disregarded and, in lieu thereof, it suggested certain clauses which, in view of certain requirements applicable to insured mortgage loans, should be included in trust agreements under which insured mortgage loans are to be held. It was pointed out that it is essential that all trust instruments be prepared in accordance with sound trust practices and that this principle is in no wise affected by the inclusion of insured mortgage loans in the corpus of the trust. In this connection, your attention is called to the Board's letter of December 18, 1935, (X-9396), and its inclosures.

The transactions to which you refer must be judged in the light of the same principles of trust administration which would be applicable if assets other than insured mortgage loans were involved. It is needless to point out the evils and dangers inherent in self-dealing by trustees. However, in some instances, a trustee may be required by the terms of the trust to invest trust funds in assets purchased from itself and in the light of such a requirement or other facts and circumstances, particular transactions may not be improper in the absence of applicable statutes or regulations prohibiting such transactions, although self-dealing as a general practice is subject to severe criticism. In the absence of complete information as to what took

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place prior to the execution of the declarations of trust in the two cases to which you refer, it is impossible to express a definite opinion concerning the question whether the transactions were improper. However, it should be noted that since any transaction involving self-dealing by a trustee is subject to question and a trustee should not enter into such a transaction unless it is fully prepared to defend its action, it would appear desirable that the propriety of such action be clearly shown by the terms of the instrument evidencing or creating the trust. If, after consideration of the particular transactions in the light of the foregoing discussion, you or your examiner should have any question, the Board, of course, will be glad to advise you.

You also inquire generally whether transactions similar to those to which you refer would be in violation of the provisions of section 11(a) of Regulation F if they were entered into by national banks. However, the Board prefers, as a matter of policy, not to undertake to pass upon questions of a hypothetical nature, where it does not have before it the specific facts and circumstances of actual cases which must be acted upon.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.

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X-9848
Reg. U-12

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal reserve banks)

March 16, 1937.

Mr. _____, Vice President,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

Reference is made to your letter of January 29, 1937, requesting advice as to the applicability of the provisions of Regulation U in a situation disclosed in a recent examination of the _____ Bank & Trust Company, _____, _____, described as follows:

> "* * * on April 28, 1936, the bank loaned $4,330 to a customer to enable him to purchase certain stocks registered on a national securities exchange, and * * * on July 29, 1936, the bank loaned the same customer $1,800 additional for a similar purpose, and at the same time renewed the $4,330 note referred to above, taking a single new note from him in the sum of $6,130 to cover both the new advance and a renewal of the old loan. In both cases the advances were secured partly by stocks.
>
> "At the time the new note was taken, the collateral held by the bank had a market value sufficient to meet the requirements of Regulation U for a loan of $1,800, but not sufficient for a loan of $6,130."

In this connection you refer to section 3(d) of the regulation which provides that:

> "The renewal or extension of maturity of a loan need not be treated as the making of a loan if the amount of the loan is not increased except by the addition of interest or service charges on the loan or

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Federal Reserve Bank of St. Louis

of taxes on transactions in connection with the loan."

Since this provision states that the renewal or extension of maturity of a loan need not be treated as the making of a loan if the amount of the loan is not increased except by the items specified, it is reasonably to be implied that the increasing of a loan in any other manner should be treated as the making of a loan. While the provision does not expressly state whether or not it applies to loans made before May 1, 1936, it is the view of the Board that it should be construed as applying to such loans. Thus the renewal or extension of maturity of such a loan need not be treated as the making of a loan if the amount of the loan is not increased except by the items specified. Similarly, any other increase should be treated as the making of a loan, and it would seem that such an increase should be so considered even in the absence of section 3(b). For example, it would seem that in the present case, even without section 3(b), the $4,330 loan is the only loan which could properly be considered to have been made prior to May 1, 1936 since neither the new loan of $1,800 nor what might be considered the combined loan of $6,130 came into existence until after that date.

For these reasons, it is the opinion of the Board that although section 3(d) permits the $4,330 loan to be continued as a loan made prior to May 1, 1936 it does not permit the $1,800 loan to be so treated. While the $4,330 loan need not be

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considered to have lost its status as an old loan merely because it is now represented by the same note which represents the new loan of $1,800, the $1,800 loan can not take on the status of the old loan merely because it is represented by that note.

As indicated in the Board's letter (X-9599) of June 1, 1936, the $1,800 loan could be made in this case without obtaining additional collateral and, therefore, it would seem that the bank has not violated the regulation. It should be understood, however, that a loan for the purpose of purchasing or carrying stocks registered on a national securities exchange has been made after May 1, 1936 in the amount of $1,800 and, therefore, is subject to the provisions of the regulation. This should be taken into account in making further loans to the borrower or permitting withdrawals or substitutions of collateral; and if the bank prefers to have a single note represent both the old loan and the new loan, it seems advisable that the identity of the two loans be indicated in some way, such as by a notation on the note, so that confusion may not result in the future.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9849

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 20, 1937.

SUBJECT: Code Words Covering New Issues of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code words have been designated to cover new issues of Treasury Bills:

"NOZARK" - Treasury Bills to be dated March 24, 1937, and to mature June 17, 1937.

"NOZASP" - Treasury Bills to be dated March 24, 1937, and to mature December 22, 1937.

These words should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOZAPE" on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO PRESIDENTS OF ALL F. R. BANKS

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X-9350

(Superseding X-9736)

FEDERAL RESERVE SYSTEM

The Federal Reserve System was established pursuant to authority contained in the Act of Congress approved December 23, 1913, known as the Federal Reserve Act, the purposes of which, as stated in the preamble, are "To provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes." The system comprises the Board of Governors of the Federal Reserve System, which exercises supervisory functions, the Federal Advisory Council, which acts in an advisory capacity to the Board of Governors, the Federal Open Market Committee, the twelve Federal reserve banks situated in different sections of the United States, and the member banks, which include all national banks in the United States and such State banks and trust companies as have voluntarily applied to the Board of Governors for membership and have been admitted to the System.

The Federal reserve banks are located in Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas and San Francisco. There are also in operation twenty-five branches and two agencies of the Federal reserve banks, all of which are located in other cities of the United States, except one agency in Havana, Cuba.

The capital stock of the Federal reserve banks is entirely owned by the member banks and may not be transferred or hypothecated. Every national bank in existence in the United States at the time of the

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establishment of the Federal Reserve System was required to subscribe to the capital stock of the Federal reserve bank of its district in an amount equal to six per cent of the subscribing bank's paid-up capital and surplus. A like amount of Federal reserve bank stock must be subscribed for by every national bank in the United States organized since that time and by every State bank or trust company (except mutual savings banks) upon becoming a member of the Federal Reserve System; and, when a member bank increases or decreases its capital or surplus, it is required to alter its holdings of Federal reserve bank stock in the same proportion. A mutual savings bank which is admitted to membership in the Federal Reserve System must subscribe for Federal reserve bank stock in an amount equal to six-tenths of one per centum of its total deposit liabilities; and thereafter such subscription must be adjusted semiannually on the same percentage basis. One-half of the subscription of each member bank must be fully paid and the remainder is subject to call by the Board of Governors of the Federal Reserve System; but call for payment of the remainder has not been made.

After all necessary expenses of a Federal reserve bank have been paid or provided for, its stockholding member banks are entitled to receive an annual dividend of six per cent on the paid-in capital stock, which dividend is cumulative. After these dividend claims have been fully met, the net earnings are paid into the surplus fund of the Federal reserve bank. In case of liquidation or dissolution of a Federal reserve bank, any surplus remaining after payment of all debts, dividends, and the par value of its capital stock becomes the property of

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the United States Government. Federal reserve banks, including the capital stock and surplus therein and the income derived therefrom, are exempt from Federal, State and local taxation, except taxes upon real estate.

The board of directors of each Federal reserve bank is composed of nine members, equally divided into three classes, designated Class A, Class B and Class C. Directors of Class A are representative of the stockholding member banks. Directors of Class B must be actively engaged in their district in commerce, agriculture or some other industrial pursuit, and may not be officers, directors or employees of any bank. Class C directors may not be officers, directors, employees, or stockholders of any bank. The six Class A and B directors are elected by the stockholding member banks, while the Board of Governors of the Federal Reserve System appoints the three Class C directors. The term of office of each director is three years, so arranged that the term of one director of each class expires each year.

One of the Class C directors appointed by the Board is designated as chairman of the board of directors of the Federal reserve bank and as Federal reserve agent, and in the latter capacity he is required to maintain a local office of the Board on the premises of the Federal reserve bank. Another Class C director is appointed by the Board as deputy chairman.

Each Federal reserve bank has as its chief executive officer a president appointed for a term of five years by its board of directors with the approval of the Board of Governors of the Federal Reserve System.

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There is also a first vice-president appointed in the same manner and for the same term.

Federal reserve banks are authorized, among other things, to discount for their member banks notes, drafts, bills of exchange and bankers' acceptances of short maturities arising out of commercial, industrial or agricultural transactions, and short term paper secured by obligations of the United States; to make advances to their member banks upon their promissory notes for periods not exceeding ninety days upon the security of paper eligible for discount or purchase and for periods not exceeding fifteen days upon the security of obligations of the United States and certain other securities; to make advances upon security satisfactory to the Federal reserve banks to member banks for periods not exceeding four months at a rate of interest at least one-half of one per cent higher than that applicable to discounts and advances of the kinds mentioned above; in certain exceptional circumstances and under certain prescribed conditions, to make advances to groups of member banks; under certain prescribed conditions, to grant credit accommodations to furnish working capital for established industrial or commercial businesses for periods not exceeding five years, either through the medium of financing institutions or, in exceptional circumstances, directly to such businesses, and to make commitments with respect to the granting of such accommodations; in unusual and exigent circumstances when authority has been granted by at least five members of the Board of Governors, to discount for individuals, partnerships or corporations, under certain prescribed conditions, notes, drafts and bills of exchange of the kinds and maturities made eligible for discount for member banks;

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to make advances to individuals, partnerships or corporations upon their promissory notes secured by direct obligations of the United States for periods not exceeding ninety days; to purchase and sell in the open market bankers' acceptances and bills of exchange of the kinds and maturities eligible for discount, obligations of the United States and certain other securities; to receive and hold on deposit the reserve balances of member banks; to issue Federal reserve notes and Federal reserve bank notes; to act as clearing houses and as collecting agents for their member banks, and under certain conditions for nonmember banks, in the collection of checks and other instruments; to act as depositaries and fiscal agents of the United States; and to exercise other banking functions specified in the Federal Reserve Act.

Federal reserve notes are a first and paramount lien on all the assets of the Federal reserve banks through which they are issued and are also obligations of the United States. They are issued against the security of gold certificates and of commercial and agricultural paper discounted or purchased by Federal reserve banks, and, until June 30, 1939, when authorized by the Board of Governors may also be secured by direct obligations of the United States. Every Federal reserve bank is required to maintain reserves in gold certificates of not less than forty per cent against its Federal reserve notes in actual circulation and is also required to maintain reserves in gold certificates or lawful money of not less than thirty-five per cent against its deposits.

Federal reserve bank notes are the obligations of the Federal reserve bank procuring them and are redeemable in lawful money of the United States on presentation at the United States Treasury or at the bank of

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issue. They may be issued against the security of direct obligations of the United States in an amount equal to the face value of such obligations and against the security of notes, drafts, bills of exchange or bankers' acceptances in an amount equal to not more than ninety per cent of the estimated value thereof. Each Federal reserve bank must maintain on deposit in the Treasury of the United States in lawful money a redemption fund equal to five per cent of its liability on Federal reserve bank notes in actual circulation, or such other amount as may be required by the Treasurer of the United States with the approval of the Secretary of the Treasury, and is required to pay a tax of one-fourth of one per cent each half year upon the average amount of its Federal reserve bank notes in circulation. No such Federal reserve bank notes may be issued after the President shall have declared by proclamation that the emergency recognized by him in his proclamation of March 6, 1933, has terminated.

Broad supervisory powers are vested in the Board of Governors of the Federal Reserve System which has its offices in Washington. The Board of Governors is composed of seven members appointed by the President with the advice and consent of the Senate. In selecting these seven members, the President is required to have due regard to a fair representation of the financial, agricultural, industrial and commercial interests, and geographical divisions of the country. No two members may be from the same Federal reserve district.

Among the more important duties of the Board of Governors is the review and determination of discount rates charged by the Federal reserve banks on their discounts and advances. Each member of the Board of

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Governors is also a member of the Federal Open Market Committee whose membership, in addition, includes five representatives of the Federal reserve banks, each such representative being elected annually by the boards of directors of certain specified Federal reserve banks. Open-market operations of the Federal reserve banks are conducted under regulations adopted by the Committee with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country; and no Federal reserve bank may engage or decline to engage in open-market operations except in accordance with the direction of and regulations adopted by the Committee.

In connection with its supervision of Federal reserve banks the Board of Governors is also authorized to make examinations of such banks; to require statements and reports from such banks; to require the establishment or discontinuance of branches of such banks; to supervise the issue and retirement of Federal reserve notes; and to exercise special supervision over all relationships and transactions of the Federal reserve banks with foreign banks or bankers.

For the purpose of preventing the excessive use of credit for the purchase or carrying of securities, the Board of Governors is authorized to regulate the amount of credit that may be initially extended and subsequently maintained on any security (with certain exceptions) registered on a national securities exchange. Certain other powers have been conferred upon the Board which are likewise designed to enable it to prevent an undue diversion of funds into speculative operations.

The Board of Governors also passes on the admission of State banks and trust companies to membership in the Federal Reserve System and on

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the termination of membership of such banks; it has the power to examine member banks and affiliates of member banks; it receives condition reports from State member banks and their affiliates; it limits by regulation the rate of interest which may be paid by member banks on time and savings deposits; it is authorized, in its discretion, to issue voting permits to holding company affiliates of member banks entitling them to vote the stock of such banks at any or all meetings of shareholders of the member bank; it may issue general regulations permitting interlocking relationships in certain circumstances between member banks and organizations dealing in securities or, under the Clayton Antitrust Act, between member banks and other banks; it has the power to remove officers and directors of a member bank for continued violations of law or unsafe or unsound practices in conducting the business of such bank; it may, in its discretion, suspend member banks from the use of the credit facilities of the Federal Reserve System, for making undue use of bank credit for speculative purposes or for any other purpose inconsistent with the maintenance of sound credit conditions; it may, within certain limitations and in order to prevent injurious credit expansion or contraction, change the requirements as to reserves to be maintained by member banks against deposits; it passes on applications of State member banks to establish out-of-town branches; it passes on applications of national banks for authority to exercise trust powers or to act in fiduciary capacities; it may grant authority to national banks to establish branches in foreign countries or dependencies or insular possessions of the United States, or to invest in the stock of banks or corporations engaged in

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international or foreign banking; and it supervises the organization and activities of corporations organized under Federal law to engage in international or foreign banking. Another function of the Board is the operation of a settlement fund, by which balances due to and from the various Federal reserve banks arising out of their own transactions or transactions of their member banks or of the United States Government are settled in Washington through telegraphic transfer of funds without physical shipments of currency.

In exercising its supervisory functions over the Federal reserve banks and member banks, the Board of Governors promulgates regulations, pursuant to authority granted by the law, governing certain of the above-mentioned activities of Federal reserve banks and member banks. To meet its expenses and to pay the salaries of its members and its employees, the Board makes semiannual assessments upon the Federal reserve banks in proportion to their capital stock and surplus. The Board keeps a complete record of all action taken by it and by the Federal Open Market Committee on any question of policy, and in the annual report which it makes to the Speaker of the House of Representatives for the information of Congress as required by law, it includes a full account of all such action and also a copy of the records required to be kept in that connection.

The Federal Advisory Council acts in an advisory capacity, conferring with the Board of Governors on general business conditions and making recommendations concerning matters within the Board's jurisdiction and the general affairs of the Federal Reserve System. The Council is composed of twelve members, one from each Federal reserve district being

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selected annually by the board of directors of the Federal reserve bank of the district. The Council is required to meet in Washington at least four times each year and oftener if called by the Board of Governors.

March 15, 1937.

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X-9851

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in morning papers,
Saturday, March 27, 1937

The following summary of general business and financial conditions in the United States, based upon statistics for February and the first three weeks of March, will appear in the April issue of the Federal Reserve Bulletin and in the monthly reviews of the Federal Reserve banks.

Volume of production, employment, and trade increased more than seasonally in February and wholesale prices of industrial commodities continued to advance.

Production and employment

The Board's index of industrial production, which makes allowance for changes in the number of working days and for usual seasonal variations, was 116 percent of the 1923-1925 average in February as compared with 114 in January and an average of 115 in the last quarter of 1936. At steel mills activity continued to increase in February and the first three weeks of March and, although the growth was somewhat less than seasonal, output currently is at about the peak level reached in the summer of 1929. Automobile production, while fluctuating considerably with strikes at important plants, has been larger for the year to date than in the corresponding period last year. Output of plate glass in February showed a sharp rise from the low level of the two preceding months when strikes curtailed production. At textile mills and shoe factories activity continued at a high level, while output at meatpacking establishments declined somewhat further. Mineral production increased, reflecting chiefly greater output of coal and a

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further rise in crude petroleum production.

Value of construction contracts awarded this year, according to the F. W. Dodge Corporation, has been considerably larger than a year ago, reflecting an increased volume of private residential building and other types of private construction, while the volume of publicly-financed work has been smaller.

Factory employment and payrolls increased from the middle of January to the middle of February by more than the usual seasonal amount. The number employed in the machinery industries increased considerably and there were smaller increases at automobile and plate glass factories. In the nondurable goods industries as a group there was a seasonal rise in employment.

Distribution

Department store sales increased from January to February and the Board's seasonally adjusted index advanced from 93 to 95 percent of the 1923-1925 average. Sales at variety stores also increased more than seasonally, while mail order sales, largely in rural areas, showed less expansion than is usual at this time of year. Total freight-car loadings increased in February and the first half of March, owing in part to seasonal influences.

Commodity prices

The general level of wholesale commodity prices advanced from the middle of February to the third week of March, reflecting principally further substantial increases in the prices of industrial materials. Prices of iron and steel, non-ferrous metals, lumber, cotton, rubber, and hides advanced considerably and there were also increases in the prices of cotton goods, paper, and furniture. Wheat prices have advanced in recent weeks following

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a decline in the latter part of February.

Bank credit

On March 1, when the first half of the recent increase in reserve requirements went into effect, excess reserves of member banks declined from $2,100,000,000 to about $1,300,000,000. In the next three weeks, which included the March tax collection period, excess reserves showed moderate fluctuations around the new level. In connection with the increase in reserve requirements there were some withdrawals of bankers' balances from city banks but practically no borrowing by member banks from the Reserve banks.

Holdings of United States Government obligations at reporting member banks in leading cities declined by $280,000,000 in the four weeks ending March 17, a part of the decline reflecting large maturities of Treasury bills. Commercial loans increased further at reporting banks and on March 17 were above last year's high level reached on December 30. Loans to brokers and dealers in securities increased sharply.

Money rates

Since the beginning of March the rate on 90-day bankers' acceptances advanced from 5/16 of 1 percent to 9/16 of 1 percent and commercial paper rose from a flat 3/4 percent to a range of between 3/4 and 1 percent.

Bond yields, which until recently had been near the extreme low point reached last December, advanced by between 1/4 and 1/2 percent and on March 24 were at about the levels prevailing early in 1936.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9852

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 26, 1937.

SUBJECT: Code Words Covering New Issues of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code words have been designated to cover new issues of Treasury Bills:

"NOZAUB" - Treasury Bills to be dated March 31, 1937, and to mature June 18, 1937.

"NOZBAT" - Treasury Bills to be dated March 31, 1937, and to mature December 29, 1937.

These words should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOZASP" on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO PRESIDENTS OF ALL F. R. BANKS

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9853

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 29, 1937

Dear Sir:

Referring to the Board's letter of March 17, 1937, X-9845, subject, Holidays during April, the Board is now advised that the Governor of Utah has declared Monday, April 12 a legal holiday in that State in observance of Arbor Day and that the Salt Lake City Branch of the Federal Reserve Bank of San Francisco will be closed on that day. Please include transit clearing credits of April 12 for the Salt Lake City Branch with your credits for April 13.

Please notify branches.

Very truly yours,

J. C. Noell,
Assistant Secretary

TO ALL PRESIDENTS

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X-9854

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For immediate release April 1, 1937

The Board of Governors of the Federal Reserve System today announced the following appointments:

FEDERAL RESERVE BANK OF SAN FRANCISCO

CLASS "C" DIRECTOR:
For unexpired portion of term ending December 31, 1939:
Mr. Carlyle Thorpe of Los Angeles, California.

Portland Branch of the Federal Reserve Bank of San Francisco

BRANCH DIRECTOR:
For unexpired portion of term ending December 31, 1938:
Mr. A. E. Engbretsen of Astoria, Oregon.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

April 2, 1937.

ADDRESS OFFICIAL CORRESPONDENCE TO THE BOARD

SUBJECT: Monthly Report of Bank and Public Relations Activities.

Dear Sir:

There is inclosed for your information a summary of the bank relations reports submitted by the Federal reserve banks for the month of February in response to the Board's letter of August 25, 1936 (X-9680).

As the summary discloses, the reports submitted by the various reserve banks have been much more comprehensive and informative in some cases than in others. Although it is not desired that the reports follow a set pattern, it will be appreciated if the banks will supply as far as practicable or available the kinds of information referred to in the Board's letter of August 25, 1936.

As stated in the Board's letter of January 13, 1937 (X-9793), it will be helpful if the reports can be submitted by the 10th of each month in order that they may be brought to the attention of the members of the Board as soon as practicable after the period to which they relate.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Inclosure.

TO ALL PRESIDENTS.

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X-9855-a

March 23, 1937

TO The Board

SUBJECT: Summary of Bank Relations reports.

FROM Mr. Hammond, Division of Bank Operations

Reports of bank relations as requested in the Board's letter of August 25, 1936 (X-9680) have been received for the month of February and excerpts therefrom will be found on the following pages. A table showing for all twelve banks the number of visits made, meetings attended, and addresses delivered has also been prepared and follows the quotations.

New York's report gives considerable attention to activity in the field of mortgage loans, particularly in Brooklyn and in outside areas near New York City. This discussion is quoted only in part. Philadelphia inclosed with its report a printed booklet recounting the proceedings at a meeting of the committee on Federal Reserve relations at the Federal Reserve Bank of Philadelphia February 5. At this meeting officers of the Reserve bank reported on recent activities of the bank and of the System and discussed questions raised by the member bankers about System policies and measures. The reports submitted by Cleveland and St. Louis give considerable attention to the effect of the flood upon banking conditions.

The attitude toward the Federal Reserve System

Reserve requirements and par collection continue to be the subjects most frequently mentioned with respect to the attitude of member banks toward the Federal Reserve System. A good many of the visits reported were made before the original definition of interest was eliminated from Regulation Q. In the case of reserve requirements some banks are reported as being directly inconvenienced by the action. A greater number, however, appear to object to the increase on general grounds and, as reported by St. Louis especially feel that in their part of the country there was no such credit expansion as would warrant the tying up of additional reserves. The reports also show however that a considerable number of bankers, especially in the east and on the Pacific coast, are not dissatisfied by the Board's action.

Banking conditions

Bankers continue to comment upon the difficulty of keeping their funds employed. Even in the middle west areas hurt by flood, and in California areas hurt by the freezing weather, bankers seem to anticipate little or no difficulty in meeting credit demands. In the east, particularly in the neighborhood of New York City, considerable activity in the mortgage loan field is already in evidence or appears to be developing.

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General economic conditions

Reports of economic activity continue to be favorable. Information covering the Second and Third Federal Reserve districts is particularly full and indicates on the whole very substantial and profitable activity both in agriculture and in manufacturing.

Excerpts from the reports follow:

Boston

(The Boston report contains only reference to meetings attended.)

New York

As compared with figures of a year ago, deposits and bond totals (of banks in Dutchess County) are generally higher, while loan and discount totals in most cases show a decrease. Demand for accommodation still continues light, but a rate of 6 per cent on loans is generally maintained, and only a few of the banks have made a special effort to stimulate loans through the media of personal loan departments and/or loans under provisions of the National Housing Act.

A number of officers of savings banks located in different sections of Brooklyn were interviewed. Three banks have reduced the rate charged on all mortgage loans to 5 per cent whereas all the other savings banks are charging 5½ per cent generally, except in those cases where mortgagors are able to reduce their loans to an amount within at least 60 per cent of present day values and also make regular stipulated amortization payments, under which circumstances the rate is lowered to 5 per cent. All mortgages placed within the last few years comply with the latter requirements as to appraised value of properties and amortization, and accordingly receive the benefit of the 5 per cent rate.

Presidents of several savings banks in residential sections (of Brooklyn) report that there is a good demand for single houses and apartments for rent, one banker saying that the present demand is the best he has witnessed in over ten years. The majority of bankers say, however, that very few sales of properties acquired through foreclosure have been made. Practically all banks have gone to considerable expense in repairing and improving their properties, have set up elaborate real estate departments, and are prepared to continue in the real estate business for several years to come, the policy being to await the return of a good market for used properties rather than dispose of any on hand at a sacrifice.

It is said that many insurance companies have been competing for mortgage loans on new apartment houses and that they have not only been cutting the rate charged in some instances below 5 per cent, but are

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New York continued

loaning as high as $1,000 to $1,100 a room compared with cost to build of about $1,300 a room; also they are generally requesting an annual amortization of only 2 per cent.

In general, deposits of Essex County (New Jersey) banks have shown a substantial increase during the past year, the increase in demand deposits having been larger than in savings deposits in most banks. While most of the savings banks pay 2 per cent on deposits regardless of the amount, a majority of the commercial banks have established a sliding scale of interest rates, paying 2 per cent on balances up to $5,000 ($1,000 in some banks) and then 1 per cent on the excess above that amount. The Montclair banks have established a rate of 1½ per cent on savings accounts effective March 1. Several of the smaller banks pay 2 per cent regardless of the size of the balance, while several of the larger banks either refuse large savings deposits or pay no interest on amounts in excess of $10,000.

The real estate situation in Newark has shown some improvement in that values have shown a tendency to stiffen, and rents have increased in modernized homes and apartments and to a lesser degree in office buildings. Vacancies in factory property have practically disappeared, and have decreased with respect to business and residential properties. However, in the poorer sections of the city there still are many vacancies in both types of property and there is a field for slum clearance work over a sizeable area. Building permits issued in Newark during 1936 showed a slight increase over 1935 but the total is still far below the pre-depression level.

Most of the new building in Essex County is taking place outside of Newark in the residential communities such as Maplewood, Millburn, Montclair, Bloomfield, Livingston and the Oranges. Here real estate values are just beginning to improve, rents have been increased from five to ten per cent, and vacancies in homes and apartments are few while vacancies in business property are decreasing.

At the twenty-sixth annual conference of the Trust Division of the American Bankers Association on Tuesday, February 10, there was an open forum on trust business problems conducted by Mr. Gilbert T. Stevenson. At this meeting the investment of trust funds and trust statistics were among the subjects discussed. Mention was made of the part of the recent report of the Comptroller of the Currency dealing with trust department assets of national banks. Referring to trust department statistics, Mr. Stevenson asked whether those in attendance favored an eventual assemblage and publication of statistics regarding the volume and type of trust assets and types of trust accounts for all member banks by a governmental authority, preferably the Board of Governors of the Federal Reserve System. A vote by show of hands indicated that a majority favored the proposition.

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Philadelphia

The areas covered by our report present a comprehensive picture of the principal activities within the Third District: manufacturing, farming, mining and lumbering. It was found that in all lines but mining, conditions were definitely improved. Labor conditions are unsettled in the larger centers due to strikes called or threatened in the hosiery, rayon, and bituminous coal mining industries.

Many of the bankers have adopted the 2 per cent interest rate and others are contemplating similar action. In only one county has a loaning rate of less than 6 per cent been adopted as a matter of policy.

The Treasurer of a non-member institution with deposits of approximately $4,000,000 who formerly was interested in membership, stated that this institution will not join the System until it becomes compulsory. There is, he says, too much politics in the System now, too many regulations and too much supervision.

The President of a non-member institution, the total deposits of which are approximately $900,000, stated that he is not interested in membership because it would mean more reports for him to make and he has too many now.

The President of a National bank in a town of about 2,000 served by two institutions stated that he feels the Comptroller's Office is driving loans from the bank by insisting upon financial statements for lines as small as $500. Efforts to obtain these statements, he said, would result in many loans being paid off with funds borrowed at institutions not requiring statements, with a consequent loss of income to his bank.

The President of a member State institution commented on a news article relative to the F. D. I. C. taking over some of the functions of the Treasury Department and the reserve banks. He expressed the hope that this will never happen.

The Cashier of a National bank with deposits of about $900,000 referred to the increase in reserve requirements and said that he felt this was done at the instance of the bankers in the large cities, in an endeavor to bring higher money rates. His attention was invited to the fact that those banks would be affected most by higher reserve requirements and that any increase in money rates would affect all banks.

Industrial, trade, and agricultural conditions in Bedford, Blair, Clearfield, Huntingdon, Juniata, Perry, and Mifflin counties as a whole have improved greatly during the past three years of recovery and the present activity continues at relatively high levels. Production, employment, and income from all sources have been increasing and last year reached the largest volume since 1930.

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Federal Reserve Bank of St. Louis

Philadelphia continued

All of the counties covered here have experienced substantial recovery from the low levels of the depression years. This is true not only of industry, trade, and agriculture but also of banking. Such preliminary computations as are available for some of these counties indicate that net earnings from current operations of member banks increased last year, and in most cases recoveries and profits from securities were almost sufficient to offset losses and depreciation.

Cleveland

(Cleveland submitted no summary, but only copies of reports of individual bank visits.)

Richmond

At our bank relations conference on Febraury 4-5 a program for this year was decided upon. We will continue as heretofore to make one visit at least to each member bank in our district during the current year, and, in addition, we will undertake to see every nonmember bank in the district regardless of whether such nonmember bank is eligible for membership with respect to capital or is par or nonpar. Our schedule also includes a greater number of visits by officers of our bank and its two branches.

(Richmond reports that in response to its circular letter on the recent increase in the reserve requirements, it received a letter from a certain member bank officer who "commented rather bitterly" upon the increase. The letter implied that the bank, which is a national bank, contemplated withdrawal from the System. Rather than enter into a controversy with the officer, it was decided to visit the bank and meet with the directors and discuss the questions and implications raised by the letter. A conference was arranged with seven directors of the bank in addition to the active officer who had written the letter, the cashier of the bank, and the bank's attorney. Richmond's account of the conference follows:)

Our meeting, which lasted approximately three hours, was conducted throughout in a perfectly friendly and cooperative spirit, but it was immediately apparent that the directors of the bank, including the president, had only a meager knowledge of the banking business generally and of the subject of our meeting particularly. They rely upon the active officer of the institution. The officer is involved in his own personal affairs. He is resentful of supervision and criticism. He would like to return to the "good old days" in banking, described by him as that period of his banking career prior to the organization of the Federal Reserve System. We talked very fully about all of these questions and it is believed that the directors of the bank have a better knowledge of the situation than heretofore and it is further believed that the bank has no intention of making any change in its affairs at the present time but the officer of the bank felt the necessity of expressing himself and relieved his mind to some extent perhaps of an accumulation of petty grievances.

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Federal Reserve Bank of St. Louis

Atlanta

The bank officials of the banks visited (in Florida) appeared optimistic and generally reported improved local conditions; also increases in deposits and loans over balances shown on their books a year ago. Practically all of the non-member banks appeared friendly toward the Federal Reserve System. The member banks registered no complaints regarding the facilities of the Federal Reserve Bank they are using.

Chicago

(The Chicago report contains only statistical information as to visits and addresses made, meetings attended, luncheon guests entertained, etc.)

St. Louis

An officer of a large member State bank in Kentucky, who with others had gone to Washington to protest with the Board of Governors against proposed sub-section (f), stated that he had visited the FDIC and is of the opinion that Mr. Crowley favors banks charging exchange on checks drawn on them received through the mail, and that it would not surprise him if the examiners for the FDIC would encourage banks to get off the par list.

The active officers of a national bank stated that they were not favorably impressed with the impending increase in reserve requirements, owing to expected demand for credit from persons in the flood area. Suggestion regarding use of rediscount facility brought forth the comment that by so doing the bank would be paying a discount fee for the use of its own money and that the bank would lend its idle funds only.

A national bank in Kentucky is at a loss to see the necessity for the increase in reserve requirements which become effective shortly, and feels that the increase is somewhat of an imposition on the small banks which are endeavoring to care for credit needs in their communities, especially as such advances are being confined to funds necessary for farmers to carry on their work.

One bank in Kentucky stated that as soon as further adjustments are completed, officers will give serious thought to the matter of membership.

Another (bank in Kentucky) stated that its Louisville correspondent supplies all needed services.

No consideration whatever is being given to membership by a State bank visited; officers stated that if any change is made, it will be conversion into a national bank.

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Federal Reserve Bank of St. Louis

St. Louis continued

Loss of revenue from exchange would be an insurmountable obstacle to any serious consideration of membership by one nonmember, which derives an income of $150 per month from exchange charges.

Many of the banks visited in the flood area reported that most of the losses were suffered by farmers in the bottoms, who lost buildings, household goods, fences, feed, and some livestock. However, only a few loans had been made for rehabilitation purposes. The banks stated that they had plenty of money and would be glad to make rehabilitation loans on sound basis. Most of them do not anticipate any losses as a result of the flood, and said that as the situation straightens out it is apparent that the first estimates of losses were exaggerated.

As to their own loans, most of the banks expected little, if any, loss. Deposits of at least one bank have increased since the flood on account of the spending by Government agencies.

So far no inquiries in regard to industrial loans have been received (as a result of the flood), although some applications may develop later. In view of the idle funds carried by local banks, the feeling is that any going concern can secure adequate credit accommodations. The suggestion was made, however, that we go easy for the time being on outstanding 13b loans.

Less use is being made of custody facilities by a small bank in Tennessee, because commercial correspondent gives immediate credit for maturing coupons on the due date rather than on receipt of advice of actual payment, and the plan is liked because it simplifies bookkeeping entries.

Needs of a Mississippi country bank are fully cared for by correspondent banks, even in connection with rediscounting. It is very likely that this bank will not again attempt to borrow from the FRB in view of the attitude toward compliance with FRB requirements in connection with credit information to support notes of customers.

Another member believes that commercial correspondents are fully able to render all assistance which the bank may need, and at present feels that it is quite able to function satisfactorily without aid from any source.

An officer of a Kentucky member, whose attitude toward the System is friendly, stated that arrangements for meeting needs of the bank were entered into with correspondents many years ago, and inasmuch as its correspondents have always endeavored to be of utmost possible service, he could see no reason for disturbing existing relations unless he was convinced that better results might be secured from other sources.

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Federal Reserve Bank of St. Louis

Minneapolis

In some banks (Southeastern Minnesota) there was a sharp increase in deposits in the territory visited, while in others there had been no material change. Interest paid on deposits varied from 1½ to 2½% without any noticeable effect; even in towns where there was more than one bank the rates varied. Some of the banks do not carry deposit insurance, feeling secure without it. In fact their deposits have shown a marked increase regardless of the lack of insurance. Most of the banks, however, thought deposit insurance was necessary, although it had not been much discussed by their customers. Earnings of most banks in this area were approximately 25%. Several of the banks paid bonuses to their employees at Christmas-time. Practically no mention was made by National bankers of the increased requirement in reserves.

This territory (South central Minnesota) represents one of the most productive agricultural sections of Minnesota. Although the farmers throughout this area have not escaped some lean years, nevertheless they have never sustained complete crop failures. Good crops and the advance in agricultural prices have increased their incomes, and as a result the banks' deposits have increased. The banks as a whole find that their real problem is the investment of their excess funds.

It would appear there is a slight increase in local loans involving real estate mortgages and the financing of agricultural machinery, automobiles, etc. Last fall a number of banks granted many loans for the purchase of feeder live stock. As a result of trading in government and general market securities, many bankers have made substantial profits since 1933. The trend of gossip connotes that some are still speculating in low-grade securities, and that many of these banks which sustained high bond investment losses five or six years ago, according to local rumors, are now falling back into the same old practices of purchasing speculative securities, and that rather than confining their major lending activities locally, - which to a great extent they could do - they are looking to the bond market for investments. Fear was expressed by many of the bankers visited as to the possibility of a downward trend in securities, and many conjectures were advanced as to whether such banks were making wise and prudent investments and whether they would not later encounter serious losses if these practices were continued.

As a result of the advanced live stock and grain prices, the farmer is now earning a greater income than he has for a number of years, and as is characteristic of the Northwest farmer, is overexpanding. In anticipation that this income will continue, he is purchasing corn pickers, tractors, other expensive agricultural machinery. It seems he is never content to maintain a reserve fund, but must use his idle funds in the acquisition of adjoining farm lands, farm machinery, and additional buildings.

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Kansas City

(The Kansas City report reflects relatively little bank relations activity for the month of February and no excerpts have been taken from it.)

Dallas

The administration and policies of the Federal Reserve System were not criticized by any of the bankers visited, although several did express the opinion that the announced increase in the reserve requirement might interfere with their ability to meet the demand for loans at the peak of the lending season, these few bankers stating that they would not borrow to meet requirements beyond what their own resources could support.

San Francisco

(With respect to the effect upon the citrus industry of the severe frost, which occurred the fore part of January,) the general opinion was that, while in individual cases losses may prove ruinous, the total income to be received by the growers as a whole this year will compare favorably with that anticipated before the freeze, due to the higher prices expected for that portion of the crop which was saved.

The coming increase in reserve requirements was apparently well received by the bankers interviewed, and almost without exception it was indicated that the change will be accomplished without the necessity of borrowing.

Attachment

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Federal Reserve Bank of St. Louis

X-9855-a

PUBLIC RELATIONS ACTIVITIES OF FEDERAL RESERVE BANKS

FEBRUARY, 1937

Federal Reserve Bank	Visits to banks			Meetings attended		Addresses made	
	Member	Non-member	Total	Number	Attendance	Number	Attendance
Boston	None	None	None	3	*	None	None
New York	123	52	175	5	4,435	None	None
Philadelphia	*	*	75	7	2,350	5	1,250
Cleveland	149	62	211	2	2,600	1	125
Richmond	15	33	48	4	1,990	None	None
Atlanta	19	21	40	none	None	None	None
Chicago	13	19	32	1	225	1	101
St. Louis	47	38	85	1	*	None	None
Minneapolis	8	12	20	3	2,360	5	352
Kansas City	None	None	None	1	1,221	None	None
Dallas	52	2	54	8	4,490	None	None
San Francisco	79	15	94	13	818	2	72

*Number not indicated.

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9856

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 2, 1937.

Dear Sir:

Prior to the transfer of the nonstatutory duties of the Federal Reserve Agents to the banks the persons designated as "Assistant Federal Reserve Agent" were regarded as officers. Since such transfer such persons are regarded as employees and provision for the position of "Assistant Federal Reserve Agent" has been made in the personnel classification plans. While it is the practice to make all official appointments on a calendar-year basis, appointments to non-official positions continue until terminated by appropriate authority. Accordingly, it will not be necessary to reappoint each year persons serving as Assistant Federal Reserve Agents, Alternate Assistant Federal Reserve Agents, or Federal Reserve Agent's Representatives at the branches.

Most of the revised personnel classification plans provide a maximum salary for the position of Assistant Federal Reserve Agent. This maximum salary should be regarded as the maximum which may be paid for the position but in view of the provisions of the Federal Reserve Act no change should be made in the salary of an Assistant Federal Reserve Agent without obtaining the Board's prior approval thereof.

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Federal Reserve Bank of St. Louis

Since Alternate Assistant Federal Reserve Agents at the Head Offices and Federal Reserve Agent's Representatives at the branches are engaged for only a small portion of their time in the issuance and retirement of Federal Reserve notes and devote most of their time to other duties, such other duties are taken into consideration in fixing their annual compensation. As in the case of Assistant Federal Reserve Agents, however, no change should be made in the salary of a person designated as an Alternate Assistant Federal Reserve Agent or as a Federal Reserve Agent's Representative without obtaining the Board's prior approval thereof. The maximum salaries provided in the personnel classification plans for the positions to which Alternate Assistant Federal Reserve Agents and Federal Reserve Agent's Representatives devote most of their time will be taken into consideration by the Board of Governors in fixing the salaries of such employees.

It is requested that if you have not already done so steps be taken within a reasonable period to change the title of each person, other than the Assistant Federal Reserve Agent, who assists the Federal Reserve Agent in the issuance and retirement of Federal Reserve notes at the Head Office to "Alternate Assistant Federal Reserve Agent" and the title of each person designated to assist the Federal Reserve Agent at a branch to "Federal Reserve Agent's Representative". When this change in title is made it will be necessary, of course, to have appropriate changes made in the oaths of office

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and bonds covering such employees and before the change in title actually becomes effective the revised bond should be approved by the bank's counsel. After approval by the bank's counsel the bond should be forwarded to the Board of Governors for approval. A mimeographed copy of the form of bond to be executed by Federal Reserve Agent's Representatives at the branches is attached.

Provision for the position "Assistant Federal Reserve Agent" has been made in the personnel classification plans of all banks. In order to provide for the position "Alternate Assistant Federal Reserve Agent" a note reading as follows: "In the absence of the Assistant Federal Reserve Agent or when he is not available, an Alternate Assistant Federal Reserve Agent appointed by the Federal Reserve Agent with the approval of the Board of Governors will perform the duties described above", has been appended to the description of work for the position of Assistant Federal Reserve Agent as shown in the revised personnel classification plans recently approved by the Board. The position of Alternate Assistant Federal Reserve Agent need not be otherwise provided for in the personnel classification plan.

Where an employee at a branch is authorized to act for the Federal Reserve Agent in the issuance and retirement of Federal Reserve notes provision should be made in the personnel classification plan of such branch for the position "Federal Reserve Agent's Representative". The description of the duties for the position "Federal

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Federal Reserve Bank of St. Louis

Reserve Agent's Representative", as approved by the Board, is shown on the inclosed Form A page.

In all lists of employees submitted to the Board of Governors, each employee at the head office designated as "Alternate Assistant Federal Reserve Agent" and each employee at a branch designated as "Federal Reserve Agent's Representative" should be listed as such and the note "Also performs duties of _____*_____" should be appended to their names. No Form A maximum salary need be shown on such lists for employees designated as Alternate Assistant Federal Reserve Agents.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Inclosure.

* Insert title of position to which regularly assigned when not engaged in duties of Alternate Assistant Federal Reserve Agent or Federal Reserve Agent's Representative.

TO ALL FEDERAL RESERVE AGENTS

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Federal Reserve Bank of St. Louis

X-9856-a

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

BOND OF FEDERAL RESERVE AGENT'S REPRESENTATIVE

(Read carefully and follow strictly
rules and instructions on reverse side)

KNOW ALL MEN BY THESE PRESENTS, that we _____ of _____, as principal, and _____ of _____, as surety, are held and firmly bound unto the United States of America in the full and just sum of _____ thousand dollars ($_____), lawful money of the United States; for which payment, well and truly to be made, we bind ourselves, jointly and severally, our joint and several heirs, executors, and administrators, successors, and assigns, firmly by these presents.

Sealed with our seals and dated this _____ day of _____, in the year one thousand nine hundred and _____.

THE CONDITION OF THE FOREGOING OBLIGATION IS SUCH, that whereas the Federal Reserve Agent at the Federal Reserve Bank of _____ hath, pursuant to law, duly constituted and appointed the said principal as an assistant to the Federal Reserve Agent, with the title Federal Reserve Agent's Representative, and such appointment hath been approved by the Board of Governors of the Federal Reserve System.

NOW, THEREFORE, if the said principal during his service as an assistant to the Federal Reserve Agent, under any existing or future appointment and so long as he shall continue to serve as such, shall have well and truly executed, performed, and discharged all of the duties which have been or may hereafter be assigned to him, safely keeping and correctly accounting for, delivering, and paying over to the party or parties entitled thereto all moneys, notes, securities, documents, records, or other property, of any and every kind and character, coming into his possession or custody or for which he may be accountable from time to time by virtue of said office, without loaning, using, depositing, or exchanging them, except as allowed by law, then the above obligation shall be void and of no effect; otherwise it shall remain in full force and virtue.

(Signed, sealed, and delivered in the presence of __

_____) (As to
_____)principal)
_____)

_____) (As to
_____) surety)
_____)

_____(Affix seal or
(Principal sign here) scroll by way
of seal)

_____(Affix corporate
(Name of surety) seal of surety)

By_____
Attorney in Fact.

The rate of premium on this bond is $_____ per thousand; the total amount of premium charged is $_____

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THE FOLLOWING RULES MUST BE OBSERVED IN THE EXECUTION OF THIS BOND:

1. A corporate surety, duly qualified under the Act of Congress of August 13, 1894, as amended, is preferred, and may be accepted in amounts not exceeding one-tenth of its capital and surplus on any one bond.

2. The full name and residence of principal and surety must be clearly written in the body of the bond.

3. The bond must bear date as of the day upon which it was actually executed.

4. The bond must be signed by the principal and surety, and the signature of each party must be made in the presence of two persons, who must sign their names as witnesses.

5. A seal of wax or wafer or scroll by way of seal must be attached to the signature of the principal. A corporate surety must affix its corporate seal.

6. Evidence of the qualification of a surety company under Treasury Department regulations, and of the authority of its officers or agents executing the bond on its behalf, must be filed in the Treasury Department, but must not be attached to the bond.

7. The bond should not contain any erasures or interlineations; and, in the event that any deviation from the form of the bond contained on the obverse side hereof should be necessary in any particular case, the bond should be executed in typewritten form with such changes as may be necessary incorporated therein and the letter transmitting it to the Board of Governors of the Federal Reserve System should call attention to such changes and state the reasons why they are considered necessary.

8. A statement as to the rate of premium and the amount of premium charged must be made in the blank provided for that purpose.

OFFICIAL BOND
OF

Federal Reserve Agent's Representative

FEDERAL RESERVE BANK

of _____

Dated _____, 19

$ _____

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
OFFICE OF THE SECRETARY

Respectfully referred, by direction of the Chairman, to the Section of Surety Bonds, Office of the Commissioner of Accounts and Deposits of the Treasury Department, for approval as to the within corporate surety and return to the Secretary of the Board of Governors of the Federal Reserve System.

_____
Assistant Secretary.

TREASURY DEPARTMENT
OFFICE OF THE COMMISSIONER OF ACCOUNTS AND DEPOSITS

_____, 19

Examined and approved as to the within corporate surety and returned to the Secretary of the Board of Governors of the Federal Reserve System.

_____
Commissioner of Accounts and Deposits.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
OFFICE OF THE GENERAL COUNSEL

_____, 19

Examined and approved as to form and execution.

_____
Assistant Counsel.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Approved by the Board

_____, 19

_____
Secretary.

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Federal Reserve Bank of St. Louis

X-9856-b

Board of Governors
of the Federal Reserve System
Form A (Revised March, 1936)

Page No. ___

PERSONNEL CLASSIFICATION PLAN

FEDERAL RESERVE BANK OR BRANCH,_____

Date of Bank's letter submitting this page_____

Date of Board's letter of approval_____

Department	Title of position	Maximum annual salary
	F. R. Agent's Representative	

Description of Work

Upon specific authority from the Federal Reserve Agent or an Assistant Federal Reserve Agent at the Head Office issues Federal Reserve notes at the request of the branch; also accepts Federal Reserve notes from the branch for retirement.

Maintains joint custody with the branch of all unissued Federal Reserve notes.

Supervises maintenance of custody of collateral (other than gold certificates) deposited by branch as security for outstanding Federal Reserve notes.

Renders such reports as are required by the Federal Reserve Agent and by the Board relative to receipts and withdrawals of Federal Reserve notes and to changes in collateral with the Federal Reserve Agent as security for outstanding Federal Reserve notes.

When not engaged in above duties may with approval of the Federal Reserve Agent and the President or the Manager of the branch perform such work for the branch as, in the opinion of the Federal Reserve Agent, is not inconsistent with his position as Federal Reserve Agent's representative.

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Federal Reserve Bank of St. Louis

X-9857

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For immediate release April 2, 1937

The Board of Governors of the Federal Reserve System today announced the appointment of Mr. Hobart D. Myrick of Square Butte, Montana, as a director of the Helena Branch of the Federal Reserve Bank of Minneapolis for the unexpired portion of the term ending December 31, 1937

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9858

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 3, 1937

Subject: Use of employees of other departments to assist in examinations.

Dear Sir:

The Board understands that in some of the Federal reserve banks it has been the practice, when a large staff was required to examine some of the larger State banks, to use employees of other departments to lend clerical assistance to the regular examiners and assistant examiners, and that in some cases the names of such employees to be used in examination work have not been submitted to the Board for approval. In order to avoid any question as to the right under the law of such employees to participate in examinations made under the provisions of section 9 of the Federal Reserve Act, it is felt that any person who participates in an examination of a State member bank made by direction of a Federal reserve bank should be designated as an examiner or assistant examiner, as the case may be, and that such designation be formally approved by the Board.

It is requested, therefore, that, if it has not already been done, the names of any officers and employees of your bank it is desired be designated as examiners or assistant examiners, in order that their services may be available to assist your regular examining staff

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Federal Reserve Bank of St. Louis

when necessary, be submitted to the Board for approval, and that no officer or employee of a Federal reserve bank participate in an examination made by the Federal reserve bank unless he has been approved by the Board of Governors for such work. Such approval, once given, will be a continuing approval, good until revoked, and need not, of course, be obtained prior to each examination in which such individual participates.

When such names are submitted with the understanding that the individuals will be used solely to lend temporary assistance to your regular examining staff and that they will not be transferred permanently to examination work without the Board's approval, it will not be necessary to submit the detailed information requested in the Board's letter of September 20, 1933, X-7595. Such employees, of course, will be classified under your personnel classification plan in accordance with their regular duties and not as examiners or assistant examiners.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9859

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 3, 1937.

SUBJECT: Code Words Covering New Issues of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code words have been designated to cover new issues of Treasury Bills:

"NOZBEG" - Treasury Bills to be dated April 7, 1937, and to mature June 18, 1937.

"NOZBIN" - Treasury Bills to be dated April 7, 1937, and to mature January 5, 1938.

These words should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOZASP" on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO PRESIDENTS OF ALL F. R. BANKS

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Federal Reserve Bank of St. Louis

X-9860

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For immediate release April 3, 1937.

The Board of Governors of the Federal Reserve System today announced the appointment of Mr. Albert K. Mitchell of Albert, New Mexico, as a director of the Denver branch of the Federal Reserve Bank of Kansas City for the unexpired portion of the term ending December 31, 1937.

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Federal Reserve Bank of St. Louis

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal reserve banks)

April 3, 1937

Mr. _____, Vice President,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

This refers to your letter of March 8, 1937, and inclosures, regarding the question whether deposits made by a national bank in its savings department of trust funds awaiting investment belonging to several trust estates may be classified as savings deposits under the definition contained in subsection 1(e) of Regulation Q. It is understood that in the case presented the national bank deposits all of its trust funds awaiting investment in its savings department in two savings deposits, one covering private trusts and the other covering court trusts.

Under the definition of the term "savings deposit" contained in subsection 1(e) of Regulation Q, such a deposit may consist of funds held by any fiduciary if the entire beneficial interest therein is held by one or more individuals or a corporation, association or other organization operated primarily for religious, philanthropic, charitable, educational, fraternal or other similar purposes and not operated for profit. The following language of the subsection recognizes that such a deposit may consist of funds held by the bank itself in a fiduciary capacity:

> "The presentation by any officer, agent or employee of the bank of a pass book or a duplicate thereof retained by the bank or by any of its officers, agents or employees is not a presentation of the pass book within the meaning of this regulation except where the pass book is held by the bank as a part of an estate of which the bank is a trustee or other fiduciary, or where the pass book is held by the bank as security for a loan."

Since a deposit may be classified as a savings deposit under the definition in Regulation Q only if the entire

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Federal Reserve Bank of St. Louis

beneficial interest therein is held by an individual or organization of the kinds described in subsection 1(e), a deposit of trust funds awaiting investment belonging to several trust estates may not be classified as a savings deposit if any beneficiary of any of the estates is not of the classes described in the definition of "savings deposits." The Board is in accord with the opinion of your Counsel that an account of the kind under consideration may not be split so as to permit the payment of interest on the savings deposit to the extent that it represents funds on which interest may properly be paid, and to deny the payment of interest as to the remainder. However, such an account might be made eligible as a savings deposit by eliminating therefrom the funds of all estates of which any of the beneficiaries would not be permitted to maintain savings deposits.

As suggested by your Counsel, it may be doubtful whether it is appropriate to deposit all trust funds awaiting investment under a contract requiring not less than thirty days' written notice or reserving the right to require such notice prior to withdrawal. However, section 11(k) of the Federal Reserve Act and Regulation F do not prohibit such deposits by a national bank in its savings department, provided collateral security therefor is furnished as required by the law and Regulation F. The provisions of Regulation F referred to by your Counsel are not deemed to prohibit a national bank from commingling, in a single bank deposit, trust funds awaiting investment belonging to several trusts, but adequate records showing the interest of each trust in such a deposit should be maintained.

Very truly yours,

(S) Chester Morrill

Chester Morrill,
Secretary.

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Federal Reserve Bank of St. Louis

X-9862
Reg. U-13

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal reserve banks)

April 5, 1937

Mr. _____,
Vice President and Secretary,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

This refers to your letter of February 18, 1937, regarding the question whether a certain loan which the _____ Bank of _____, _____, _____, wishes to make to a certain dealer should be considered to be a loan for the purpose of purchasing or carrying stocks registered on a national securities exchange and therefore subject to Regulation U.

In the copy of the bank's letter which you forwarded, the bank asks whether the loan value of stocks securing the loan should be limited to 60 per cent. However, since there is nothing to indicate that the loan would come within the requirements specified in the supplement to the regulation for such a special loan value, the question, as you indicate, would seem to be whether or not the stocks securing such a loan should be limited to a loan value of 45 per cent.

It is understood that the proceeds of the loan are not to be employed immediately but would be kept available for use in

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acquiring registered or unregistered securities. The securities are only acquired when a quick sale is in prospect and they are disposed of promptly. The securities purchased are often unregistered, but some registered stocks are so purchased and the _____ Bank of _____ wishes to know, in effect, whether such purchases of registered stocks cause the loan to be subject to the regulation.

It seems clear from the borrower's business as a dealer that one purpose of the loan is to purchase or carry registered stocks. Therefore, while the loan may also have certain other purposes, it is the opinion of the Board that the loan should be considered to be a loan for the purpose of purchasing or carrying registered stocks.

In advising the _____ Bank of _____ of the Board's views with respect to this matter, you may wish to consider mentioning the possibility that this dealer might separate certain transactions and obtain loans from time to time for particular purposes, so that certain loans to the dealer would not be for the purpose of purchasing or carrying registered stocks or would come within exemptions specified in the regulation, and would thus be excluded from the operation of the regulation.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

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X-9865

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For immediate release April 7, 1937.

The Board of Governors of the Federal Reserve System today announced the appointment of Mr. Donald Comer of Birmingham, Alabama, as a director of the Birmingham branch of the Federal Reserve Bank of Atlanta for the unexpired portion of the term ending December 31, 1938.

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9864

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 7, 1937.

Dear Sir:

Referring to the Board's letter of March 17, 1937, X-9845, subject, Holidays during April, the Board is now advised that the Governor of Oklahoma has proclaimed Thursday, April 22 a legal holiday in that State in observance of Eighty-niners' Day and that the Oklahoma City Branch of the Federal Reserve Bank of Kansas City will be closed on that day.

Please notify branches.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO ALL PRESIDENTS.

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9865

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 10, 1937.

SUBJECT: Code Word Covering New Issue of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code word has been designated to cover a new issue of Treasury Bills:

"NOZBOG" - Treasury Bills to be dated April 14, 1937, and to mature January 12, 1938.

This word should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOZBIN" on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO PRESIDENTS OF ALL F. R. BANKS

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9866

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 12, 1937.

Dear Sir:

There are enclosed herewith copies of statement rendered by the Bureau of Engraving and Printing, covering the cost of preparing Federal reserve notes for the month of March, 1937.

Very truly yours,

O. E. Foulk

O. E. Foulk,
Fiscal Agent.

Enclosure.

TO ALL F. R. PRESIDENTS.

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Statement of Bureau of Engraving and Printing
for furnishing Federal Reserve Notes,
March 1 to 31, 1937.

Federal Reserve Notes, Series 1934

	$5	$10	$20	Total Sheets	Amount
Boston,.....	-	50,000	-	50,000	$4,675.00
New York,.....	-	227,000	-	227,000	21,224.50
Philadelphia,...	-	-	34,000	34,000	3,179.00
Cleveland,.....	-	-	50,000	50,000	4,675.00
Richmond,.....	-	30,000	20,000	50,000	4,675.00
Chicago,.....	-	100,000	-	100,000	9,350.00
Minneapolis,....	-	-	20,000	20,000	1,870.00
Kansas City,....	-	-	20,000	20,000	1,870.00
Dallas,.....	54,000	-	-	54,000	5,049.00
San Francisco,..	50,000	-	60,000	110,000	10,285.00
	104,000	407,000	204,000	715,000	$66,852.50

715,000 sheets, @ $93.50 per M,.....$66,852.50

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9867

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 12, 1937.

Dear Sir:

There is attached a copy of the report of expenses of the main lines of the Federal Reserve Leased Wire System for the month of March, 1937.

Please credit the amount payable by your bank to the Board, as shown in the last column of the statement, to the Federal Reserve Bank of Richmond in your daily statement of credits through the Inter-District Settlement Fund for the account of the Board of Governors of the Federal Reserve System, and advise the Federal Reserve Bank of Richmond by wire the amount and purpose of the credit.

Very truly yours,

O. E. Foulk

O. E. Foulk,
Fiscal Agent.

Inclosure.

TO PRESIDENTS OF ALL F. R. BANKS EXCEPT RICHMOND

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X-9867-a

REPORT OF EXPENSES OF MAIN LINES OF FEDERAL RESERVE LEASED WIRE SYSTEM FOR THE MONTH OF MARCH, 1937.

Federal Reserve Bank	Number of words sent	Words sent by N. Y. chargeable to other F.R. Banks	Total words chargeable	Personal services(1)	Wire rental	Total expenses	Pro rata share of total expenses(2)	Credits	Payable to Board of Governors
Boston	48,338	2,872	51,210	$ 314.31	$ --	$ 314.31	$ 700.70	$ 314.31	$ 386.39
New York	189,218	--	189,218	1,116.27	--	1,116.27	2,589.03	1,116.27	1,472.76
Philadelphia	41,738	2,913	44,651	236.39	--	236.39	610.95	236.39	374.56
Cleveland	61,353	2,946	64,299	352.92	--	352.92	879.79	352.92	526.87
Richmond	75,032	2,367	78,359	195.46	--	195.46	1,079.01	195.46	883.55
Atlanta	85,290	2,873	88,163	275.73	--	275.73	1,206.32	275.73	930.59
Chicago	105,774	3,209	108,983	1,096.17	--	1,096.17	1,491.19	1,096.17	395.02
St. Louis	91,538	2,860	94,398	188.59	--	188.59	1,291.63	188.59	1,103.04
Minneapolis	38,097	2,914	41,011	180.24	--	180.24	561.15	180.24	380.91
Kansas City	77,909	2,863	80,772	259.03	--	259.03	1,105.19	259.03	846.16
Dallas	73,033	2,853	75,886	267.55	--	267.55	1,038.33	267.55	770.78
San Francisco	109,356	2,919	112,275	417.78	--	417.78	1,536.24	417.78	1,118.46
Board of Governors	574,489	--	574,489	2,256.33	14,793.38	17,049.71	7,860.62	17,049.71	--
Total	1,572,125	32,089	1,604,214	$7,156.77	$14,793.38	$21,950.15	$21,950.15	$21,950.15	$9,189.09

(1) Includes salaries of main line operators and of clerical help engaged in work on main line business, such as counting the number of words in messages; also, overtime and supper money and Retirement System contributions at the current service rate.

(2) Based on cost per word ($.013682806) for business handled during the month.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9868

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 13, 1937.

SUBJECT: Daylight Saving, 1937.

Dear Sir:

The Board of Governors of the Federal Reserve System is advised that, beginning Monday, April 26, and ending Saturday, September 25, the following Federal Reserve banks and branches will operate under daylight saving time:

Boston	Pittsburgh
New York	Atlanta
Buffalo	
	Chicago
Philadelphia	

Please notify branches.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO PRESIDENTS OF ALL F. R. BANKS

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Federal Reserve Bank of St. Louis

X-9869

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For immediate release April 13, 1937

AMENDMENT OF REGULATION T

Amendment No. 9 of Regulation T - Effective April 23, 1937.

Section 5 of Regulation T is hereby amended by striking out the date "July 1, 1937" in subsections (c) and (d) of said section and substituting therefor the date "January 1, 1938".

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM X-9870
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 14, 1937

SUBJECT: Changes in Interdistrict
Time Schedule.

Dear Sir:

Upon request of the Federal Reserve Bank of Dallas the Board of Governors of the Federal Reserve System has approved the following changes in the Interdistrict Time Schedule for cash items:

	From	To
Houston to San Francisco	4 days	3 days
San Antonio to San Francisco	4 days	3 days

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO ALL PRESIDENTS

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9871

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 17, 1937.

SUBJECT: Code Words Covering New Issues of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code words have been designated to cover new issues of Treasury Bills:

"NOZBUM" - Treasury Bills to be dated April 21, 1937, and to mature September 16, 1937.

"NOZBYE" - Treasury Bills to be dated April 21, 1937, and to mature January 19, 1938.

These words should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOZBOG" on page 172.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO PRESIDENTS OF ALL F. R. BANKS

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X-9872
Reg. F-9

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal reserve banks)

March 15, 1937.

Mr. _____,
Assistant Vice President,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

On August 4, 1936, you transmitted to the Board a letter of July 31, 1936, and its inclosures, received from The National _____ Bank of _____, _____, _____, requesting a ruling concerning the question whether certain features of the plan adopted by such bank with respect to the operations of its trust investment committee are in conformity with the requirements of section 6(c) of Regulation F. Subsequently, this matter was discussed informally by representatives of the bank and members of the Board's staff and the bank submitted a memorandum describing the operations of its trust department and that of its affiliate, _____ Trust Company, and discussing the problems hereinafter considered.

The first question presented is whether it is proper for the bank to provide that 2 of the 6 members of its trust investment committee shall constitute a quorum. The underlying purpose of the provisions in the regulation pertaining to the trust investment committee was to provide: (1) that collective rather than individual judgment govern the investment of trust funds; and (2) that responsibility for the investment of trust funds be definitely placed in a committee

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functioning as such, rather than in two or more officers acting as individuals.

The bank has pointed out that the regulation permits of a trust investment committee consisting of only three members, and in view of the fact that two members of such a committee would constitute a quorum, suggests that the purpose of the regulation would be served by considering two members a quorum of a committee of six. While the collective judgment of two individuals would be the same, whether they were members of a committee of three or of six, it is not believed that the responsibility of the committee as such, or the continuity of the committee's action, could be so well maintained if such a proportionately small number of the members could act for the committee. While the regulation does not state specifically what percentage of a trust investment committee shall constitute a quorum, the Board is of the opinion that, in accordance with the usual rule, a majority of the committee is necessary to constitute a quorum in order to comply with the requirements of the regulation.

The bank has suggested that, if the Board does not deem it proper to provide that two of the six members of such investment committee shall constitute a quorum, the bank's by-laws might be amended to provide for a committee of three members and to provide further for the appointment of alternates to serve in place of the regular members of the committee. The Board recognizes that it may be proper to appoint alternates to serve in place of the regular members of the committee in certain circumstances. However, unless there were some

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restrictions upon the service of the alternates, it would seem that the bank's suggestion would result in a change merely in form and not in substance and, in the absence of definite information as to the circumstances in which such alternates would serve, the Board is not in a position to express an opinion with reference to such an amendment to the by-laws.

The second question presented is whether it is proper to provide that trust investments may be made or disposed of upon written approval of a quorum of the trust investment committee without a meeting of the committee. The Board does not consider it inconsistent with the purposes of the pertinent provisions of Regulation F, and will not deem it a violation of such regulation, for trust investments to be made or disposed of upon written approval by a majority of the members of the trust investment committee, provided such action is promptly reported to the committee and the report is incorporated in the minutes of the committee.

It has been noted that the rules prescribed by the bank's trust committee provide that any vice president or trust officer may purchase for any trust any investment which the bank is authorized to purchase for such trust and which is included in the list of investments approved by the trust investment committee as appropriate investments for trust funds; and that such investments may be purchased prior to action by the trust investment committee with respect to specific transactions although all such transactions are required

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to be promptly reported to a meeting of the committee. According to the information submitted, the rules require that each new trust be brought to the attention of the trust investment committee promptly for the determination of an investment program adapted to the needs of the particular trust. It is assumed that, under the procedure followed by the bank, all purchases by a trust officer from the approved list are made in accordance with a pre-determined policy of the trust investment committee for the particular trust involved, which policy is currently in effect.

The Board desires that the provisions of its regulation shall be such that it is entirely practicable for the operations of large as well as small trust departments to be carried on efficiently thereunder. To this end, as you know, before the revision of Regulation F was adopted, the Board obtained, through the cooperation of the American Bankers Association, suggestions from men actively engaged in the operation of trust departments. Some of these men were officers of banks having large trust departments, and the provisions of the regulation under discussion in this letter are in conformity with the suggestions received from them. The development of the procedure under the regulation to be followed by a particular bank involves practical matters of administrative detail which the bank should be able to work out in the exercise of sound judgment. Of course, if it should develop that banks with large trust departments cannot operate efficiently and in a practical manner under the provisions of the

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regulation, it will be necessary to give consideration to whether an amendment of major importance should be made to the regulation. Any such amendment would require careful consideration of the Board, which would undoubtedly consult with men actively engaged in the operation of trust departments.

The Board appreciates the fact that the directors and officers of The National _____ Bank of _____ have given careful consideration to the operating procedure of the trust department in an effort to adapt the procedure to the spirit and purpose of the regulation.

Very truly yours,

(S) Chester Morrill

Chester Morrill,
Secretary.

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Federal Reserve Bank of St. Louis

X-9873
Reg. F-10

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal reserve banks)

April 10, 1937

Honorable J. F. T. O'Connor,
Comptroller of the Currency,
Washington, D. C.

Dear Mr. Comptroller:

This refers to Mr. Gough's letter of March 31, 1937, inclosing a copy of a letter from The _____ National Bank, _____, _____, requesting rulings concerning two questions involving interpretations of the Board's Regulation F.

It appears that it is the practice of the national bank to purchase from time to time for its various trusts one or more of a series of notes of the same obligor and secured by the same deed of trust on real estate, without purchasing all of the notes. It further appears that the bank in its own right has no interest in any of the series of notes and that such notes are purchased after an independent appraisal on behalf of the trust department. It is understood that the bank desires to know whether the investment of trust funds in this manner is in conflict with the requirements of the Board's Regulation F.

The only provisions of Regulation F which might be construed as prohibiting the practice described above are those contained in section 12 of the regulation which are to the effect that securities and investments of each trust shall be kept separate from those of all other trusts. However, it is the view of the Board that these provisions do not forbid the investment of trust funds in the manner described; it being understood, of course, that in any case the investments are otherwise proper investments for particular trusts in view of all the circumstances relating to each trust and that such investments are not otherwise subject to criticism.

The bank's second question has to do with the renewal for trust accounts of real estate mortgage notes purchased prior to the effective date of the Board's Regulation F through a corporation which is principally owned by a director of the bank or his immediate family. It appears that, prior to the effective date of the regulation, the bank invested funds of trusts administered by it in real estate mortgage notes purchased through

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such corporation. It is understood that the corporation receives a commission from the borrower as compensation for securing the renewal of such notes from time to time. The question is raised as to whether, in view of all the circumstances, the renewal of these notes would be prevented by provisions of Regulation F.

Section 11 of the Board's Regulation F provides, among other things, that trust funds held by a national bank shall not be invested in property acquired from directors, officers, or employees of the bank or their interests. These provisions relate to the investment of trust funds and they do not require that assets which had already been acquired at the time of the effective date of the regulation shall be removed from trusts held by a national bank. The Board does not feel that a renewal of a note held as an asset of a trust at the time of the effective date of the regulation should be considered as an investment of trust funds within the meaning of these requirements of the regulation. Therefore, it is the view of the Board that the regulation does not prevent the renewal of the notes held by trusts as described above; it being understood, of course, that the investments are otherwise proper investments for particular trusts in view of all the circumstances relating to each trust and that such investments are not otherwise subject to criticism.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9874

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 22, 1937.

SUBJECT: Holidays during May, 1937.

Dear Sir:

On Monday, May 31, in observance of Memorial Day, which falls on Sunday, there will be neither transit nor Federal reserve note clearing and the books of the Board's Inter-district Settlement Fund will be closed. The offices of the Board of Governors and of all Federal reserve banks and branches will be closed on that day except those listed below:

Atlanta	Little Rock
Birmingham	Memphis
Jacksonville	
Nashville	Oklahoma City
New Orleans	

The Board of Governors is further advised that holidays also will be observed during the month of May, as follows:

Monday, May 10,	Charlotte	Confederate Memorial Day
Thursday, May 20,	Charlotte	Mecklenburg Independence Day
	Havana Agency	Cuban Independence Day

On May 10 and 20, the Charlotte Branch will not participate in the transit clearing through the Inter-district Settlement Fund. Please include transit clearing credits for the Charlotte Branch on

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May 10 and 20 with your credits for the following business days.

Please notify branches.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO PRESIDENTS OF ALL F. R. BANKS

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Federal Reserve Bank of St. Louis

X-9875

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For immediate release April 22, 1937.

The Board of Governors of the Federal Reserve System today announced the appointment of Mr. F. W. Peck of St. Paul, Minnesota, as a class "C" director of the Federal Reserve Bank of Minneapolis for the unexpired portion of the term ending December 31, 1939.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9876

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 23, 1937.

SUBJECT: Monthly Report of Bank and
Public Relations Activities.

Dear Sir:

There is inclosed for your information a summary of the bank relations reports submitted by the Federal Reserve banks for the month of March in response to the Board's letter of August 25, 1936 (X-9680).

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Inclosure.

TO ALL PRESIDENTS

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Federal Reserve Bank of St. Louis

X-9876-a

April 19, 1937

The Board — Summary of Bank Relations

Mr. Hammond, Division of Bank Operations — reports.

Reports of bank relations as requested in the Board's letter of August 25, 1936 (X-9680) have been received for the month of March and excerpts therefrom will be found on the following pages. A table showing for all twelve banks the number of visits made, meetings attended, and addresses delivered has also been prepared and follows the quotations.

The attitude toward the Federal Reserve System

As usual, par clearance is frequently mentioned in the reports as seriously affecting the attitude of bankers toward membership in the System. A good many non-members are reported to feel that membership in the Federal Deposit Insurance Corporation makes membership in the Federal Reserve System unnecessary. There is also a feeling on the part of non-members, as reported before, that membership under national charter is preferable to membership under state charter. A considerable number of bankers, while not hostile to the System, say that they will not seek membership voluntarily but will wait until it is made obligatory.

Banking conditions

The reports indicate that the two subjects of greatest present interest to bankers are the change in reserve requirements and the decline in the bond market. A good many banks had depreciation in their bond accounts, and in the New York district the question was being raised as to whether supervisory authorities would require the charge-off of depreciation below par on government securities. Bankers were also seeking assurance that they could borrow on government bonds regardless of future depreciation. Elsewhere a good many banks are reported as having expressed the opinion that the government should do something about the decline in bonds. Although liquidation of government securities had been wide-spread, it is indicated that extremely few bankers had sold because they needed the funds to meet the new reserve requirements.

General economic conditions

Bankers continued to report favorable economic conditions on the whole, but in several districts there was apprehension as to strikes and the disturbance that they would entail for business generally.

Excerpts from the reports follow:

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Boston

Matters of interest brought up by visiting bankers have been questions relative to particular operations, interpretation of laws and regulations, earnings possibilities and the future of securities portfolios. There has been a slight increase in demand for commercial bank loans, but the institutions will have no difficulty in meeting the requirements of their customers or the prospective increase in reserve requirements without borrowing. There has been a larger number of banks borrowing from the Federal Reserve Bank temporarily owing to tax situations at this season of the year in New Hampshire and Connecticut. Industrial loan inquiries and applications have fallen off. One member Trust Company has taken steps to withdraw from the System owing to its inability, under State law, to make a valid pledge of securities with its Trust Department to secure funds deposited in its Banking Department - necessitating a transfer of such funds to other banks; and the fear of loss of valuable accounts if required to publish reports of so-called affiliates - two manufacturing companies.

New York

Nassau County, New York

Nineteen of the fifty-seven banks in the county have reduced the rate of interest paid on savings deposits below 2 per cent; four pay 2 per cent up to $1,000 and 1 percent over $1,000; ten pay a flat rate of 1½ percent and five pay 1 percent.

A number of banks have tried to build goodwill or to increase their income by offering pay-as-you-go service in their communities, such as the checkmaster plan of selling checks, ten for a dollar with no minimum balance required. Bankers say that these systems have been recently installed and they, therefore, hesitate to express an opinion as to whether the venture into this field has been, or will be, profitable.

As a result of the continued decline in market value of securities during the past month, a number of the banks now have a slight depreciation in their bond accounts. About 40 percent of the security holdings of the Nassau County institutions are in United States government bonds, the total having increased slightly since the first of the year.

About twenty-five banks have established personal loan departments but only two or three have as much as $100,000 in loans of this type on their books today and one bank recently discontinued its personal loan department because it was felt that there was not sufficient demand for loans of this type to continue a special department.

Only one of the sixteen nonmember commercial banks has indicated that it expects to file application for membership shortly. Four other banks expect to take some action on this subject as soon as they are in better condition. The other eleven banks show little interest in membership and appear to be indifferent about joining the System at the present time.

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Federal Reserve Bank of St. Louis

New York continued

Bergen County, New Jersey

Only a few of the banks have had any appreciable increase in demand for business or collateral loans and the development of personal loan departments has proceeded rather slowly. In many of the smaller banking institutions, the interest rate on all types of loans has been maintained at 6 percent with lower rates granted only in a few exceptional cases. In some of the larger banks real estate mortgage loans can be obtained at 5 or 5½ percent providing the borrower can make regular amortization payments. As regards collateral, municipal and other loans, the lowest interest rate mentioned by any bank officer was 3½ percent. Higher interest rates on loans and mortgages in this county than those obtained by banks in Hudson and Essex counties are partially explained by the fact that there are no savings banks in Bergen County and also because the commercial banks have attempted to maintain the 6 percent rate.

A number of the bankers are seeking some definite assurance that the Federal Reserve Bank will loan the par amount against government bonds regardless of the amount of future depreciation and they also are seeking assurance from the supervisory authorities that they will not be required to charge off any depreciation below par on United States government securities. Several bank officers expressed the hope that the increase in reserve requirements to become effective May 1 may be waived by the Board of Governors of the Federal Reserve System, not because they expect any difficulty in meeting the increased reserve requirements, but in the hope that such waiver would have a stabilizing effect upon the government bond market.

Hunterdon County, New Jersey

Demand for accommodation is generally characterized as being light, and loan and discount lists, as a result, have shown no growth in recent months except in the case of four banks which report increases varying up to 18 percent. The rate of interest is 6 percent on almost all loans, exception being made in the case of well secured loans (5 percent) and in the case of public borrowing when the rate varies from 4 percent to 5 percent. One bank, however, maintains a uniform rate of 5 percent on all loans.

Warren County, New Jersey

Officers of only three of the banks reported a material increase in the size of their bond portfolios during the past twelve months. United States government holdings average 45 percent of the total, and in most cases it was stated that the list still showed a slight appreciation. Great concern was, however, expressed in all quarters, over the recent market recessions, particularly in the case of government obligations.

Executive officers of both the nonmember trust companies were exceedingly cordial but stated that no serious thought was being given to membership for the present. One has a number of real estate problems which he first wishes to clear up; the other remarked that his board of directors wishes to "await further developments in local conditions and in national affairs".

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Philadelphia

The area covered by these visits (in Delaware and southern New Jersey) is largely rural and sparsely settled. Agricultural activities provide the chief sources of income, as industrial enterprises are concentrated in a few of the larger cities. Credit demand was found to be somewhat stronger but below the seasonal expectations, particularly in strictly agricultural communities because of the tendency of many of the farmers to use the funds which they had on deposit in the bank before asking for credit. This tendency was said to be due to the lower interest paid on savings deposits which makes it less attractive to keep money on deposit continuously even though it might be necessary to borrow for short periods. Deposits except for the effect produced by this tendency continued to show an upward trend. Due to the recent market decline, a few institutions reported that their securities accounts reflected a depreciation from the book-value, for the first time in a long while. Due to the depressed prices of bonds, some institutions reported that in order to meet their seasonal demand it was necessary to borrow or to sell securities at a loss. Considerable comment was made relative to the recent market decline and the assertion was freely made that the Government should correct and prevent this condition.

The investment portfolios of many of the institutions visited showed a heavy concentration in obligations of local and nearby municipalities. Information given indicated that these municipalities are improving their financial position. While industrial conditions show a definite upward trend, the bankers interviewed expressed much concern about the unsettled labor conditions; strikes and threats of strikes were already affecting business and industrial conditions in several communities.

The real estate market, particularly in the larger towns and cities, is improving to the point where some banks are beginning to realize profits from their other real estate owned.

The labor situation in this territory shows considerable unrest, particularly around Trenton and Camden, and Wilmington where a strike is about to take place involving building trade unions, taxi drivers, common municipal laborers, and stationary engineers. While at the moment this development does not seem to be widespread it contains seeds of trouble, especially in those parts where industries have been operating on the open-shop basis. The principal cause of the labor unsettlement appears to lie in the general attempt to unionize these open shops, although the question of higher wages plays an important part.

Cleveland

(Cleveland submitted only statistical information as to the number of banks visited, addresses made, and meetings attended.)

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Richmond

In our district a very large percentage of nonpar nonmember banks are in North Carolina and South Carolina, and while the total number of nonpar nonmember banks in the district is approximately 28% of the total number of banking institutions in the district, their total deposits are only about 7% of the total deposits of all banking institutions in the district. It is therefore apparent that the nonpar nonmember banks include a large number of small institutions, with a limited scope of operations, which find it extremely difficult to make operating expenses from earnings and likely would not make operating expenses without the inclusion of exchange charges. It is interesting to observe that while discussions concerning membership and the System generally, with nonmember bank officers, are extremely frank, such discussions are conducted upon a very friendly basis and without any show of feeling. Next to the exchange question, we most frequently hear the statement that Federal Deposit insurance for insured banks makes membership unnecessary.

The criticisms of our bank and of the Board of Governors which came to our attention in the month of March were centered for the most part around the increase in reserve requirements of member banks and the recent decline in the bond market. Many bankers, member and nonmember, see, or think they see, a connection between the two incidents. In only a few cases have member banks said to us that they would be compelled to sell some securities in order to meet the increase effective on May 1st. Needless to say, the decline in the bond market, particularly in Government securities, has been the subject of considerable comment by all banking institutions in the district. Nearly every bank officer has his own remedy for the situation. One of our representatives expressed the opinion that, while with few exceptions no member bank would be compelled to sell its securities in order to meet reserve requirements as increased, the situation generally afforded banks an opportunity, or an excuse, or a reason, call it what you will, to lighten their security portfolios.

Atlanta

In Louisiana twenty-one banks were visited and all of the bankers interviewed stated that business conditions were greatly improved; that their banks are receiving satisfactory demands for loans; and that deposits are more than at the same period in 1936. They look forward to greater improvement during the current year.

Twenty banks were visited in Georgia and Tennessee and with one or two exceptions, the bankers interviewed stated that collections for 1936 were good, the banks are having a good demand for loans, and deposits exceed those of twelve months ago. A few of the bankers located in rural sections stated that the demand for loans by farmers is more than anticipated and in some instances the borrowers are asked to reduce the amounts shown in their applications, for the reason that it is believed the present prices for farm products

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Atlanta continued

are an incentive for the farmers to increase their acreage beyond the point of safety for the particular borrowers.

It seems to be the consensus of opinion in the sections visited that the activities of Governmental loan agencies have not interfered with bank operations. It was stated that in most cases the loan agencies make loans to persons who would not be able to obtain funds from banks and that such loans benefit the banks by releasing additional funds in the country to be used as working capital.

Only one of the member banks visited advised that it would be compelled to sell a part of its holdings of Government securities in order to obtain funds to increase its reserve to the required amount beginning May 1st.

Chicago

(Chicago submitted only statistical information as to the number of banks visited, addresses made, and luncheon guests.)

St. Louis

The only adverse comment made by the officer of a national bank in Indiana was in connection with increased reserve requirements, of which he disapproves. He expressed the wish that when demand for loans becomes normal, that the Board of Governors will take some action toward lowering the reserve requirements to approximately former ratios.

The cashier of another Indiana bank appears to be irritated over the increase in reserve requirements, which he maintains was uncalled for and unnecessary, at least so far as the average country bank is concerned.

Another banker did not appear to be quite as well satisfied with membership as he was a year ago, but would make no definite statement as to the reason, except in reference to increased reserves to which he is decidedly opposed.

The opinion was expressed by the officer of a Kentucky member that with the present small volume of loans he could not be convinced that a check on over-expansion of credit was any good or valid reason for the increase so far as Kentucky country banks are concerned.

An officer of a national bank in Kentucky stated that he had been criticised by the examiners in connection with maintenance of credit statements, but stated that while he will do his best to improve his file, he does not propose to drive business away from the bank on that account. Similar views were expressed by several others who felt that nonmember banks would quickly

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Federal Reserve Bank of St. Louis

St. Louis continued

take advantage of such a situation and that with volume of loans at such a low point members cannot afford to lose good loans. One banker felt that it would be inimical to the interests of the bank to try to enforce any rule about credit information or statements, and he believes that in any emergency he can realize all funds necessary on the Government bonds held in the bank's portfolio.

A Kentucky banker in discussing the Government bond market, felt confident that there would be no decline which would justify banks of his class in disposing of their present holdings. Another said that he is decidedly pessimistic as to the future of the security market, expecially Government bonds, and is strongly inclined to dispose of most of the holdings of his bank while the appreciation exists.

Minneapolis

Our officers have visited 175 banks, and apparently no one of these banks has offered any objection to the increase in reserve requirements. While most of them seem to be indifferent to the increase, those who express themselves feel that the increase was desirable. There is every reason to believe that these 175 banks represent a cross-section of feeling in this territory.

1936 has been a prosperous year for the banks in this section of the State (Central Minnesota). A great percentage of them have enjoyed the greatest net profit in their history. In many instances, banks with a small capital have earned over 30%, in spite of the fact that their deposits are less than $200,000.00.

Banks have banded into county groups and installed uniform float, service, and exchange charges. I was informed that in some instances, however, exceptions were made by banks in granting special privileges to certain customers.

Interest rates vary from 1½% to 2½%. As a rule, however, rates in the same communities are fairly uniform.

The banks in the territory visited are exchange-minded. But 4 of the 30 non-member state banks visited are on our par list, and I am positive that 3 of those 4 would not be on our par list if it were not for the fact that there is a national bank in the same town. It was apparent from conversation that exchange is a necessary factor if banks in the small communities are to continue in business.

Two non-member banks referred to the fact that they were accumulating cashier's checks issued by the Federal Reserve Bank of Minneapolis because they could not find suitable investments and they preferred to have their funds in this form. One of these banks had over $23,000 of such checks, one of the checks being issued over a year ago.

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Minneapolis continued

(Southeastern Minnesota) While too early for much information as to crop conditions, the bankers were glad to discuss matters generally and were particularly concerned over the future of bond prices. Not many had sold any quantity of their holdings and so far as U. S. securities were concerned, most bankers seemed to feel that the Government would support the market if a serious break threatened. Other bank men have expressed themselves as expecting some market losses and were willing to accept such losses if caused from other demand which would broaden the need for advances and at better rates.

Many auction sales are being held and mostly for cash. At one sale, near Stillwater, the total receipts were $7,000, of which only $200 represented payment by note.

(Central Minnesota) All but one of the banks visited showed a material gain in deposits. Interest rates varied from 1% to 2½%. There was but a slight demand for advances, probably because of the late spring. Rates varied from 4½% on real estate security to 8%; the common rate being 7%. These banks are meeting the insurance companies' and others' real estate rates. There is considerable investment in installment paper, principally automobile and farm tractors. The experience thus far has been very satisfactory and the interest income from this class of investment averages about 12%.

Bankers in this territory were very optimistic. Their small grain crops last year were excellent; markets high; corn from fair to good crops; live stock market prices were high; creameries have increased their output; the farmer's income apparently was better than the average; auction sales were at a minimum. With normal spring rains, the prospects appear to be excellent.

Kansas City

As on all previous visits, eligible nonmembers (in Oklahoma) were appreciative of being called on for the purpose of discussing the question of membership. A few indicated their probable intention of making application at later dates but more of them, while entirely friendly toward the System, were doubtful of the need in their individual cases of becoming members. The national banks without exception also were pleased at being visited and the discussions developed no criticisms nor suggestions as regards our operations.

The officers of four banks were called on and in each bank there was some discussion as to the new reserve requirements, with the general consensus of opinion among all of the officers of the banks that there had been no undesirable effect as yet from the requirements which went into effect March 1.

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Dallas

(Mr. McKinney, President of the Federal Reserve Bank of Dallas, called on a large number of banks in the Rio Grande Valley during March and reported in detail upon his visits. The report is devoted largely to comment upon the management and condition of the banks visited, their attitude toward the System and their local prospects.)

San Francisco

(Imperial Valley, California) The only independent member bank in the Valley, at Holtville, is of the opinion that no borrowings will be necessary, either on account of increased reserve requirements or to care for its normal operations.

(Winslow, Arizona) There is a considerable volume of livestock in the vicinity, and copious snowfall this winter should assure ideal range conditions throughout the year. The town has enjoyed a limited amount of new residential construction, and increased tourist traffic has proved of benefit. The local bank is in an easy position and no borrowings are anticipated.

(Holbrook, Arizona) A cattle and sheep country, with conditions best in several years. Tourist traffic has greatly improved the last year or so, and a modest amount of new residential construction is in evidence. Because of a severe winter, there is an unusual demand for money from livestock men to finance feed.

(Country banks south and west of Portland, Oregon) During January and February, retail business fell off considerably because of an unusual amount of snowfall. Local trade was also affected by the marine strike, which closed logging camps and slowed up the movement of dried prunes. Weather conditions the past two weeks have permitted the opening of a few logging camps and others will be in operation as soon as the snow and the roads in the coast mountains will permit. Farmers have had a good year, and business prospects are favorable. Nearly all banks complain of the lack of profitable loans.

The member banks anticipate no difficulty in meeting increased reserve requirements and generally feel the increase to be justified.

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X-9876-a

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PUBLIC RELATIONS ACTIVITIES OF FEDERAL RESERVE BANKS

MARCH, 1937

Federal Reserve Bank	Visits to banks			Meetings attended		Addresses made	
	Member	Non-member	Total	Number	Attendance	Number	Attendance
Boston	None	None	None	None	None	None	None
New York	110	45	155	1	300	3	257
Philadelphia	*	*	134	3	2,025	1	275
Cleveland	223	83	306	2	200	4	169
Richmond	21	59	80	4	750	None	None
Atlanta	24	26	50	6	891**	None	None
Chicago	21	21	42	None	None	3	158
St. Louis	58	59	117	1	**	1	**
Minneapolis	156	285	441	None	None	1	Radio
Kansas City	17	24	41	3	236	2	76
Dallas	34	13	47	None	None	1	**
San Francisco	64	26	90	13	1,026	5	900#

*Number not indicated
**Attendance at one not reported
#Not including one radio audience.

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9877

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 23, 1937

SUBJECT: Code Words Covering New Issues of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code words have been designated to cover new issues of Treasury Bills:

"NOZCAR" - Treasury Bills to be dated April 28, 1937, and to mature September 16, 1937.

"NOZCEA" - Treasury Bills to be dated April 28, 1937, and to mature January 26, 1938.

These words should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOZBYE" on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO PRESIDENTS OF ALL F. R. BANKS

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Federal Reserve Bank of St. Louis

X-9878

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in morning papers, Monday, April 26, 1937

The following summary of general business and financial conditions in the United States, based upon statistics for March and the first three weeks of April, will appear in the May issue of the Federal Reserve Bulletin and in the monthly reviews of the Federal Reserve banks.

In March industrial activity continued to increase and payrolls at factories and mines showed a substantial rise. Prices of basic commodities after advancing rapidly in March declined in the first half of April.

Production and employment

Industrial production increased from February to March and the Board's seasonally adjusted index advanced from 116 percent of the 1923-1925 average to 118 percent. The rise reflected a sharp increase in output of minerals, chiefly coal, and an increase of somewhat more than the usual seasonal amount in manufacturing. The larger output of coal in March was due in part to stocking by consumers in anticipation of a possible strike at bituminous coal mines on April 1 when the agreement between mine operators and the miners' union expired. A new agreement was reached on April 2 but, owing partly to the previous accumulation of stocks, production in the first ten days of April showed a sharp decline. During March activity at steel mills increased seasonally and in the first three weeks of April was over 90 percent of capacity. In the automobile industry output showed about the usual seasonal increase in March and the first three weeks of April, considerable fluctuations

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during this period being largely in response to developments in the labor situation. Lumber production expanded considerably in March, and there was a sharp rise in output of nonferrous metals. Cotton consumption, which has been at an unusually high level in recent months, increased further in March and in actual amount was larger than in any previous month. Production at woolen mills and shoe factories continued in large volume.

Value of construction contracts awarded in March, as reported by the F. W. Dodge Corporation, was at about the same level as in February and substantially higher than a year ago. Privately-financed work increased, while the amount of publicly-financed work continued to decline. The increase in privately-financed projects reflected a larger volume of residential building and of factory and commercial construction.

Employment and payrolls increased by considerably more than the usual seasonal amount between the middle of February and the middle of March. The expansion in payrolls was larger than in employment, reflecting in part a further rise in wage rates. In manufacturing, the principal increases in employment were in industries producing durable goods, particularly steel, machinery, and lumber. The number employed in the production of nondurable manufactures showed slightly more than the usual seasonal rise.

Distribution

Distribution of commodities to consumers showed about the usual seasonal increase from February to March. Mail-order sales expanded considerably but the rise in department store sales was less than seasonal,

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considering the early date of Easter this year.

Commodity prices

Prices of nonferrous metals, steel scrap, rubber, cotton, and wheat, which had advanced rapidly in March, declined considerably in the first half of April. Since the middle of March prices of coke, tin plate, and rayon have advanced and there have been smaller increases in a wide variety of other industrial products. Dairy products have declined, reflecting in part seasonal developments.

Bank credit

In the four-week period from March 24 to April 21 excess reserves of member banks increased from $1,270,000,000 to $1,590,000,000, reflecting principally disbursements by the Treasury from balances with Federal Reserve banks and purchases of U. S. Government obligations by the Federal Reserve System. The bulk of the increase in excess reserves was at banks in New York City and Chicago.

Total loans and investments of reporting member banks, which had declined sharply in March, reflecting sales of U. S. Government obligations, showed little change in the two weeks ending April 14. Loans to brokers and dealers in securities declined from the middle of March to the middle of April, while other loans, which include loans for commercial, industrial, and agricultural purposes, showed a substantial increase. These loans have increased almost continuously over the past year.

Demand deposits, after declining in March, increased somewhat in the first half of April, and there was an increase in foreign bank balances, reflecting an inward movement of short-term funds from abroad.

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Money rates

The rate on prime commercial paper advanced from 3/4 percent to 1 percent in the latter part of March. Bond yields, which had advanced sharply in March, showed no pronounced change in the first three weeks of April.

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X-9879
Reg. T-53

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal reserve banks)

April 24, 1937

Mr. _____,
Assistant Vice President,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

Reference is made to your letter of February 27, 1937, with respect to the distribution of X letters regarding Regulation T. In this connection you point out that the Board's Trans. No. 2102 of October 2, 1934 (X-8038) requested Federal Reserve Agents to see that certain rulings regarding Regulation T "are furnished promptly to appropriate officials of each securities exchange in his district", while the Board's letter (X-9673) of August 18, 1936 indicates that X letters should not be distributed as received but that the substance may be used in answering inquiries.

As you know, 48 rulings numbered consecutively from 1 through 48 were issued for public distribution as numbered rulings interpreting Regulation T, and all such numbered rulings were published in the Federal Reserve Bulletin. However, subsequent interpretations of Regulation T have not been in the form of such numbered rulings, but have been in the usual form of X letters similar to those relating to other matters. These subsequent X letters regarding Regulation T contain identifying serial numbers in accordance with X-9673; but, while these numbers were continued from the number 48, this was done merely as a matter of convenience and was not intended as a continuation of the numbered rulings interpreting Regulation T. Only one of these subsequent X letters has been published in the Bulletin.

It was intended that only the 48 rulings which were designated as numbered rulings interpreting Regulation T should be distributed in accordance with X-8038. Other X letters should be treated in accordance with X-9673, although rulings which are published from time to time in the Federal Reserve Bulletin may, of course, be referred to and given public distribution as such. The Board feels that national securities exchanges should not be treated differently from other persons with respect to the use of X letters in accordance with X-9673.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

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Federal Reserve Bank of St. Louis

X-9880
Reg. T-54

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal reserve banks)

April 28, 1937

Mr. _____,
_____,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

Reference is made to your letter of March 10, 1937, regarding the inquiry received from _____ & Co., Inc., as to whether or not the company is subject to Regulation T.

It is understood that _____ & Co., Inc., is not a member of a national securities exchange and that the sole question presented is whether it should be considered a "broker or dealer who transacts a business in securities through the medium of any such member" within the meaning of section 7 of the Securities Exchange Act of 1934. Since this question necessarily depends upon questions of fact it will be seen that, in general, each case must turn upon the facts involved in that particular situation and could not be determined without giving careful consideration to all such relevant facts. However the firm in question presents the specific inquiry of whether it would cease to be a "broker or dealer who transacts a business in securities through the medium of any such member" if it ceased to handle any business in registered securities.

In this connection it is to be noted that the language involved does not refer to transacting a business in registered securities but refers to transacting a business in securities. Therefore, the Board feels that the mere failure to handle any business in registered securities would not, in itself, be sufficient to keep a person from being a broker or dealer who transacts a business in securities through the medium of such a member.

The Board has not seen fit to specify any conditions or factual situations which would prevent a person from being a broker or dealer who transacts a business in securities through the medium of a member; and for your confidential information it may be stated that, in general, it seems advisable for all doubts to be resolved in favor of the presumption that the broker or dealer does transact a business in securities through the medium of a member. In this connection it is understood

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that a number of firms who express doubt as to whether they actually "transact a business in securities through the medium of any such member" follow the provisions of Regulation T and thus avoid any question in the matter.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9881

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 30, 1937.

SUBJECT: Code Words Covering New Issues of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code words have been designated to cover new issues of Treasury Bills:

"NOZCIV" - Treasury Bills to be dated May 5, 1937, and to mature September 17, 1937.

"NOZCOD" - Treasury Bills to be dated May 5, 1937, and to mature February 2, 1938.

These words should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOZCEA" on page 172.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO PRESIDENTS OF ALL F. R. BANKS

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9882

ADDRESS OFFICIAL CORRESPONDENCE TO THE BOARD

May 1, 1937.

SUBJECT: Authority to Approve on Behalf of the Board Reductions of Preferred Stock or Capital Notes or Debentures.

Dear Sir:

In the letter X-9799 dated January 22, 1937, the Federal reserve banks, in lieu of the Federal reserve agents, were authorized, through their presidents, to approve on behalf of the Board reductions of preferred stock or capital notes or debentures by State member banks in cases where the Board's approval of such reduction is required under a condition of membership. Such authorization was granted within the limitations and subject to the conditions outlined in the Board's letter X-9048 dated December 15, 1934.

The Board has had occasion to consider whether such authority should be extended, and in furtherance of the policy of decentralization of administration under general policies, has decided to, and hereby does, extend the authority to approve reductions of preferred stock or capital notes or debentures heretofore conferred in letters X-9048 and X-9799 to cover all cases where the Board's approval is required under a condition of membership, subject only to the condition that the Federal reserve bank is of the opinion that the proposed reduction is justified as a matter of sound banking policy and that it may be legally accomplished.

Adequacy of capital, of course, is essential to a sound banking system, and it is expected that the maintenance of an adequate capital structure will be the primary consideration in passing upon applications for permission to retire preferred stock or capital notes or debentures. In this connection the Board wishes to call attention to, and to emphasize, the views set forth in its letter dated December 13, 1935, X-9393, regarding the general policies which it feels should govern the retirement of preferred stock and capital notes and debentures, whether held by the Reconstruction Finance Corporation or by local investors. However, since the letter in question was written, the Reconstruction Finance Corporation has announced conditions under which banks may obtain a reduction of 1/2 per cent in the rate on the

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preferred stock or capital notes or debentures held by the Reconstruction Finance Corporation. It is recognized that in some cases you may feel justified in permitting retirements in the minimum amount necessary to allow banks to obtain the benefit of the reduced rate, whereas in the absence of this consideration you might not be so disposed.

As stated in letter X-9048 to the Federal reserve agents, if for any reason a Federal reserve bank is in doubt as to the wisdom of the proposed reduction or is unwilling to approve or disapprove an application under the authority granted herein, the bank's application may be submitted to the Board for determination, together with current information as to the condition of the applying bank, its reason for desiring to effect the reduction and any other information, including the comments and recommendations of the Federal reserve bank, which may be of assistance to the Board in passing upon the application.

It is requested that the Board be furnished with copies of all letters approving on behalf of the Board retirements of preferred stock or capital notes or debentures.

It has been noted that, in a few instances, approval has been given by a Federal reserve bank or Federal reserve agent on behalf of the Board to a reduction in preferred stock or capital notes or debentures when the bank's unimpaired capital and surplus was not equal to 10 per cent of its deposits. In order that there may be no question in the future as to compliance with the condition of membership regarding the Board's approval for such reductions, the Board hereby ratifies such approvals previously given on its behalf.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

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Federal Reserve Bank of St. Louis

X-9883

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For immediate release May 3, 1937.

The Board of Governors of the Federal Reserve System today announced the appointment of Mr. R. E. Sherman of El Paso, Texas, as a director of the El Paso branch of the Federal Reserve Bank of Dallas for the unexpired portion of the term ending December 31, 1939.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9884

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 5, 1937.

Dear Sir:

There is inclosed a copy of a self-explanatory letter dated April 20, 1937, from President Schaller, Chairman of the Leased Wire Committee of the Presidents' Conference, recommending the addition to the Federal Reserve Telegraph Code of the code words shown on the list attached to the letter for use by the Federal reserve banks as a means of reducing the number of words sent over the Federal Reserve Leased Wire System.

The Board of Governors has approved the addition of the list to the Federal Reserve Telegraph Code. The words should be inserted on Page 16 of the code book following the word "ARMPIT".

Very truly yours,

S. R. Carpenter,
Assistant Secretary.

Inclosures.

TO THE PRESIDENTS OF ALL F. R. BANKS.

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Federal Reserve Bank of St. Louis

COPY X-9884-a

FEDERAL RESERVE BANK OF CHICAGO

April 20, 1937

Board of Governors of the Federal Reserve System
Washington
D. C.

Attention of Mr. S. R. Carpenter
Assistant Secretary

Dear Mr. Carpenter:

A number of the Federal Reserve banks have installed automatic teletypewriter exchange service between their head offices and branches in place of the full-time wire service. Similar service has also been installed between several of the head offices. This service is paid for on the basis of the actual time the wire is used. Under these circumstances, it is desirable to reduce the number of words in telegrams to a minimum and, when practicable, that greater use be made of code words.

In connection with transfers of funds, the names of commercial banks in many cases involve a number of words. For instance, in the case of the Continental Illinois National Bank and Trust Company, Chicago, Illinois, there are nine words, whereas if this name were converted into the present Federal Reserve Code, it would be reduced to "Continental Illinois National Howling, Chicago," or five words. The Leased Wire Committee has given consideration to simplifying the Federal Reserve Code further by designating individual code words to apply in place of complete names of banks, and it is believed that the use of such individual code words would be preferable to the use of the present Federal Reserve Code in connection with bank names. To illustrate, the single code word "Armreaper" could be used to designate Continental Illinois National Bank and Trust Company, Chicago, Illinois. A list of the proposed code words was submitted to each Federal Reserve bank with the suggestion that after checking the list they submit the names of any additional banks in their respective districts which they deemed it advisable to add to the list. Replies have been received from all of the banks and the additional names which have been suggested have been incorporated in the list submitted herewith.

Two of the banks indicated that while the use of the proposed code words would undoubtedly effect savings for the System as a whole

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in the transmission of wire messages, this savings would be offset to some extent by the cost of the additional personnel which would be needed for coding and decoding transfers. The committee recognizes that the savings to be effected might be offset to some extent by additional expense in coding and decoding. This, however, it is believed would adjust itself in the course of time. In so far as the Federal Reserve Bank of Chicago is concerned, we doubt that it would be necessary to add any help to our present code staff, but it is realized that volume and circumstances might make it necessary to add some help in other offices. The use of the proposed code words should materially reduce the volume of business, and it may be possible because of such reduced volume to convert other main line wires from full-time facilities to TWX with the result that substantial savings might be realized.

Four of the banks suggested that the use of the proposed code words might increase the possibility of errors in making transfers, and while they did not submit this suggestion as an objection to the proposed list they offered the thought for the consideration of the committee. The question as to the increased possibilities of errors was recognized by the committee; it was felt, nevertheless, that with the efficiency under which the various code divisions operate, errors under the proposed additional names should not be experienced to any greater extent than under the present code. In the final analysis the value of any code system is contingent upon the accuracy and efficiency with which it is operated, and the committee believes that no serious difficulty would be experienced.

Several of the other Federal Reserve banks made suggestions with respect to certain code words that involve similarities, and adjustments have been made and additions provided in accordance with the various recommendations.

It is respectfully recommended that the list of code words attached hereto be added to the regular Federal Reserve Code. If the recommendation meets with the approval of the Board of Governors of the Federal Reserve System, the Board will no doubt wish to notify the banks, and we shall be pleased to provide your office with a sufficient supply of the list for distribution to all of the banks in the usual manner.

Very truly yours,

(Signed) Geo. J. Schaller

Chairman,
Leased Wire Committee

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X-9884-b

LIST OF ADDITIONAL CODE WORDS

Armpitch	Abilene, Tex. Farmers & Merchants National Bank
Armplace	Adrian, Mich. Lenawee County Savings Bank
Armplay	Albany, N.Y. First Trust Co.
Armplead	Albany, N.Y. National Commercial Bank & Trust Co.
Armplenty	Albany, N.Y. The State Bank of Albany
Armplight	Albert Lea, Minn. First National Bank
Armplow	Albuquerque, N.M. Albuquerque National Trust & Savings Bank
Armplug	Albuquerque, N.M. First National Bank
Armpoach	Algona, Ia. Iowa State Bank
Armpod	Alpha, Mich. First National Bank
Armpoint	Amarillo, Tex. Amarillo National Bank
Armpoker	Amarillo, Tex. First National Bank
Armpony	Ann Arbor, Mich. Ann Arbor Savings & Commercial Bank
Armpool	Ann Arbor, Mich. State Savings Bank
Armpoppy	Ansonia, Conn. Ansonia National Bank
Armportly	Asheville, N.C. Wachovia Bank & Trust Co.
Armpose	Atlanta, Ga. Citizens & Southern National Bank
Armpotter	Atlanta, Ga. First National Bank
Armpounce	Atlanta, Ga. Fulton National Bank
Armprance	Atlanta, Ga. Trust Company of Georgia
Armpress	Augusta, Me. Depositors Trust Co.
Armpride	Austin, Tex. American National Bank
Armprong	Austin, Tex. Austin National Bank
Armproper	Baltimore, Md. First National Bank
Armproud	Baltimore, Md. Maryland Trust Co.
Armprovide	Baltimore, Md. Union Trust Co. of Maryland
Armproviso	Bangor, Me. Merchants National Bank
Armprovoke	Bartlesville, Okla. First National Bank
Armproxy	Baton Rouge, La. City National Bank
Armprudent	Battle Creek, Mich. Central National Bank
Armpry	Battle Creek, Mich. City National Bank & Trust Co.
Armpulse	Battle Creek, Mich. Security National Bank
Armpuma	Bay City, Mich. National Bank of Bay City
Armpumice	Beaumont, Tex. American National Bank
Armpunch	Beaumont, Tex. First National Bank
Armpupil	Bellingham, Wash. First National Bank
Armpurely	Bennington, Vt. First National Bank
Armpurity	Bethlehem, Pa. First National Bank & Trust Co.
Armpurl	Billings, Mont. Midland National Bank
Armpurpose	Billings, Mont. Montana National Bank
Armpurse	Billings, Mont. Security Trust and Savings Bank
Armpurvey	Birmingham, Ala. Birmingham Trust and Savings Co.
Armpylon	Birmingham, Ala. First National Bank
Armpyre	Blencoe, Ia. Blencoe State Bank
Armpyx	Boise, Ida. First Security Bank of Idaho
Armquad	Boise, Ida. Idaho First National Bank

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Armquail	Boston, Mass. First National Bank
Armquake	Boston, Mass. Merchants National Bank
Armquash	Boston, Mass. National Rockland Bank
Armqueen	Boston, Mass. National Shawmut Bank
Armquell	Boston, Mass. New England Trust Co.
Armquire	Boston, Mass. Second National Bank
Armquiver	Boston, Mass. State Street Trust Co.
Armquota	Bridgeport, Conn. First National Bank & Trust Co.
Armracer	Brownsville, Tex. State National Bank
Armradio	Buffalo, N. Y. Liberty Bank
Armrafter	Buffalo, N.Y. Manufacturers & Traders Trust Co.
Armrage	Buffalo, N.Y. Marine Trust Co.
Armraid	Burlington, Ia. First National Bank
Armrainy	Burlington, Vt. Howard National Bank & Trust Co.
Armraise	Butte, Mont. First National Bank
Armraking	Butte, Mont. Metals Bank & Trust Co.
Armrally	Camden, N.J. First Camden National Bank & Trust Co.
Armramble	Canadian, Tex. Southwest National Bank
Armramrod	Cedar Rapids, Ia. Merchants National Bank
Armramus	Charleston, S.C. South Carolina National Bank
Armrancho	Charleston, W. Va. Charleston National Bank
Armrancid	Charlotte, N.C. American Trust Co.
Armranger	Charlotte, N.C. Commercial National Bank
Armrankle	Charlotte, N.C. Union National Bank
Armransom	Chattanooga, Tenn. American Trust & Banking Co.
Armrapid	Chattanooga, Tenn. Commercial National Bank
Armrashly	Chattanooga, Tenn. Hamilton National Bank
Armrasper	Cheyenne, Wyo. Stockgrowers National Bank
Armration	Chicago, Ill. Amalgamated Trust & Savings Bank
Armravine	Chicago, Ill. American National Bank & Trust Co.
Armrazor	Chicago, Ill. City National Bank & Trust Co.
Armreaper	Chicago, Ill. Continental Illinois National Bank & Trust Co.
Armrebuff	Chicago, Ill. District National Bank
Armrebuke	Chicago, Ill. Drovers National Bank
Armrebus	Chicago, Ill. First National Bank
Armrecall	Chicago, Ill. Halsted Exchange National Bank
Armrecess	Chicago, Ill. Harris Trust & Savings Bank
Armrecoil	Chicago, Ill. Live Stock National Bank
Armrecord	Chicago, Ill. Main State Bank
Armrecount	Chicago, Ill. Mercantile Trust & Savings Bank
Armrecoup	Chicago, Ill. Merchandise Bank & Trust Co.
Armrecruit	Chicago, Ill. Mid-City National Bank
Armrecurve	Chicago, Ill. National Builders Bank
Armredman	Chicago, Ill. Northern Trust Co.
Armredress	Chicago, Ill. Terminal National Bank
Armreduce	Chicago, Ill. Upper Avenue National Bank
Armreef	Childress, Tex. First National Bank
Armrefine	Chippewa Falls, Wis. First National Bank

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Armreflex	Chippewa Falls, Wis. Lumbermen's National Bank
Armreform	Cincinnati, O. Central Trust Co.
Armrefuge	Cincinnati, O. Fifth Third Union Trust Co.
Armregent	Cincinnati, O. First National Bank
Armreign	Cleburne, Tex. City National Bank
Armrejoin	Cleveland, O. Central National Bank
Armrelate	Cleveland, O. Cleveland Trust Co.
Armrelent	Cleveland, O. National City Bank
Armrelief	Clinton, Ia. City National Bank
Armremind	Coffeyville, Kan. Condon National Bank
Armremiss	Columbia, S.C. South Carolina National Bank
Armremote	Columbus, O. Huntington National Bank
Armrenew	Concord, N.H. First National Bank
Armrepast	Corpus Christi, Tex. Corpus Christi National Bank
Armrepay	Council Bluffs, Ia. City National Bank
Armrepent	Council Bluffs, Ia. First National Bank
Armreplace	Dallas, Tex. Dallas National Bank
Armrepose	Dallas, Tex. First National Bank
Armrepress	Dallas, Tex. Mercantile National Bank
Armreproof	Dallas, Tex. National Bank of Commerce
Armrepute	Dallas, Tex. Republic National Bank
Armresent	Danielson, Conn. Windham County National Bank
Armreside	Darrouzett, Tex. First National Bank
Armresign	Davenport, Ia. Davenport Bank & Trust Co.
Armresolve	Dayton, O. Third National Bank & Trust Co.
Armrespond	Dayton, O. Winters National Bank & Trust Co.
Armresult	Decatur, Ill. Citizens National Bank
Armretort	Decatur, Ill. Millikin National Bank
Armreview	Decatur, Ill. National Bank of Decatur
Armribbon	Denison, Ia. First National Bank
Armriding	Denison, Tex. Citizens National Bank
Armrigger	Denver, Colo. American National Bank
Armright	Denver, Colo. Colorado National Bank
Armrigid	Denver, Colo. Denver National Bank
Armrigor	Denver, Colo. First National Bank
Armrimple	Denver, Colo. United States National Bank
Armrimplug	Des Moines, Ia. Bankers Trust Co.
Armringing	Des Moines, Ia. Central National Bank & Trust Co.
Armrival	Des Moines, Ia. Iowa Des Moines National Bank & Trust Co.
Armroast	Detroit, Mich. Detroit Bank
Armrocker	Detroit, Mich. Manufacturers National Bank
Armroof	Detroit, Mich. National Bank of Detroit
Armrotor	Dothan, Ala. First National Bank
Armroyal	Dubuque, Ia. First National Bank
Armrugged	Duluth, Minn. First and American National Bank
Armrule	Duluth, Minn. Minnesota National Bank
Armrunner	Duluth, Minn. Northern National Bank

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Armrustic	Durant, Okla. Durant National Bank
Armsaddler	Durant, Okla. First National Bank
Armsafely	Eagle Pass, Tex. First National Bank
Armsailing	East Chicago, Ind. First National Bank in East Chicago
Armsailor	East Chicago, Ind. Union National Bank of Indiana Harbor at East Chicago
Armsalary	East Pepperell, Mass. First National Bank in Pepperell
Armsalmon	Eau Claire, Wis. American National Bank & Trust Company
Armsalute	Eau Claire, Wis. Union National Bank
Armsalvage	Eldora, Ia. Hardin County National Bank
Armsaving	Ellsworth, Me. Union Trust Co.
Armscanty	El Paso, Tex. El Paso National Bank
Armscape	El Paso, Tex. State National Bank
Armscarf	Escanaba, Mich. First National Bank
Armschool	Essex, Ia. First National Bank
Armscout	Evansville, Ind. Citizens National Bank
Armscript	Evansville, Ind. National City Bank
Armsearch	Evansville, Ind. Old National Bank
Armsecure	Fairhaven, Mass. National Bank of Fairhaven
Armsedan	Fair Haven, Vt. Allen National Bank
Armsentry	Fairland, Ind. The Fairland National Bank
Armsequel	Fall River, Mass. B.M.C. Durfee Trust Co.
Armseries	Fall River, Mass. Fall River National Bank
Armseton	Falls Village, Conn. National Iron Bank
Armshade	Fargo, N.D. Dakota National Bank
Armshawl	Fargo, N.D. First National Bank & Trust Co.
Armsheaf	Farragut, Ia. First National Bank
Armshield	Flint, Mich. Citizens Commercial & Savings Bank
Armshirt	Flint, Mich. Genesee County Savings Bank
Armshock	Flint, Mich. National Bank of Flint
Armshould	Fond Du Lac, Wis. National Exchange Bank
Armshovel	Fort Dodge, Ia. Fort Dodge National Bank
Armsignal	Fort Madison, Ia. Fort Madison Savings Bank
Armsketch	Fort Smith, Ark. First National Bank
Armslander	Fort Smith, Ark. Merchants National Bank
Armsleeve	Fort Wayne, Ind. Fort Wayne National Bank
Armsleuth	Fort Wayne, Ind. Lincoln National Bank & Trust Co.
Armslimsy	Fort Worth, Tex. Continental National Bank
Armslipper	Fort Worth, Tex. First National Bank
Armsloop	Fort Worth, Tex. Fort Worth National Bank
Armsloven	Galveston, Tex. City National Bank
Armslumber	Galveston, Tex. First National Bank
Armslump	Galveston, Tex. Hutchings Sealy National Bank
Armsmear	Galveston, Tex. United States National Bank
Armsmile	Gladstone, Mich. Gladstone State Savings Bank

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Armsmithy	Grand Rapids, Mich. National Bank of Grand Rapids
Armsmooth	Grand Rapids, Mich. Old Kent Bank
Armsmudge	Great Falls, Mont. First National Bank
Armsmutty	Great Falls, Mont. Great Falls National Bank
Armsnaffle	Green Bay, Wis. Kellogg Citizens National Bank
Armsnapper	Greenfield, Mass. Franklin County Trust Co.
Armsnatch	Greenville, Miss. First National Bank
Armsnigger	Greenville, Tex. Citizens National Bank
Armsnuffy	Greenville, Tex. Greenville National Exchange Bank
Armsoccer	Harrisburg, Ill. City National Bank
Armsocial	Harrisburg, Ill. First National Bank
Armsojourn	Hartford, Conn. Capitol National Bank & Trust Co.
Armsolemn	Hartford, Conn. First National Bank
Armsomber	Hartford, Conn. Hartford National Bank & Trust Co.
Armsontag	Hartford, Conn. Phoenix State Bank & Trust Co.
Armsordid	Hastings, Neb. Hastings National Bank
Armsorrel	Haverhill, Mass. Haverhill National Bank
Armsortie	Havre, Mont. Montana National Bank
Armsound	Helena, Mont. First National Bank & Trust Co.
Armsource	Helena, Mont. Union Bank & Trust Co.
Armsouth	Holland, Mich. Holland State Bank
Armspace	Houghton, Mich. Houghton National Bank
Armspadix	Houlton, Me. First National Bank
Armsparkle	Houston, Tex. City National Bank
Armspence	Houston, Tex. First National Bank
Armsphere	Houston, Tex. Guardian Trust Co.
Armspider	Houston, Tex. Houston National Bank
Armspigot	Houston, Tex. National Bank of Commerce
Armspindle	Houston, Tex. San Jacinto National Bank
Armspinner	Houston, Tex. Second National Bank
Armspiral	Houston, Tex. South Texas Commercial National Bank
Armspleen	Houston, Tex. State National Bank
Armsplice	Houston, Tex. Union National Bank
Armsplint	Hugo, Okla. National Bank of Commerce
Armsplurge	Huntington, W. Va. First Huntington National Bank
Armsponge	Huron, S. D. Farmers & Merchants Bank
Armsponsor	Hutchinson, Kan. Exchange National Bank
Armspotted	Hutchinson, Kan. First National Bank
Armspouse	Idabel, Okla. Idabel National Bank
Armsprain	Idaho Falls, Ida. American National Bank
Armspring	Indianapolis, Ind. Fletcher Trust Co.
Armsprout	Indianapolis, Ind. Indiana National Bank
Armspruce	Indianapolis, Ind. Merchants National Bank
Armsquall	Iron Mountain, Mich. First National Bank
Armsquare	Jackson, Mich. National Bank of Jackson
Armsquawk	Jackson, Miss. Capital National Bank

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Armstaff	Jackson, Miss. Jackson State National Bank
Armstage	Jackson, Tenn. National Bank of Commerce
Armstamp	Jacksonville, Fla. Atlantic National Bank
Armstanza	Jacksonville, Fla. Barnett National Bank
Armstaple	Jacksonville, Fla. Florida National Bank
Armstarch	Jersey City, N.J. Commercial Trust Co. of New Jersey
Armstartle	Jersey City, N.J. New Jersey Title Guarantee & Trust Co.
Armstatic	Joplin, Mo. First National Bank
Armstation	Joplin, Mo. Joplin National Bank & Trust Co.
Armstatue	Kalamazoo, Mich. American National Bank
Armsteady	Kansas City, Kans. Commercial National Bank
Armstencil	Kansas City, Mo. City National Bank & Trust Co.
Armstifle	Kansas City, Mo. Commerce Trust Co.
Armstitch	Kansas City, Mo. First National Bank
Armstone	Kansas City, Mo. Interstate National Bank
Armstorage	Kansas City, Mo. Stockyards National Bank
Armstores	Kansas City, Mo. Union National Bank
Armstorm	Keene, N.H. Keene National Bank
Armstrand	Kenosha, Wis. First National Bank
Armstrap	Klamath Falls, Ore. First National Bank
Armstratus	Knoxville, Tenn. Hamilton National Bank
Armstreak	Knoxville, Tenn. Park National Bank
Armstrength	Lancaster, O. Fairfield National Bank
Armstress	Lansing, Mich. American State Savings Bank
Armstretch	Lansing, Mich. Lansing National Bank
Armstrict	Lapeer, Mich. First National Bank
Armstride	Lincoln, Neb. Continental National Bank
Armstring	Lincoln, Neb. First National Bank
Armstrob	Lincoln, Neb. National Bank of Commerce
Armstruggle	Little Falls, Minn. American National Bank
Armstrum	Little Rock, Ark. Commercial National Bank
Armstub	Little Rock, Ark. Peoples National Bank
Armstucco	Little Rock, Ark. Union National Bank
Armstudio	Little Rock, Ark. W. B. Worthen Co. Bankers
Armstuff	Longview, Tex. First National Bank
Armstump	Los Angeles, Cal. Bank of America National Trust & Sav. Assn.
Armstyle	Los Angeles, Cal. California Bank
Armsubject	Los Angeles, Cal. Citizens National Trust & Savings Bank
Armsubmit	Los Angeles, Cal. Farmers & Merchants National Bank
Armsubsidy	Los Angeles, Cal. Security-First National Bank
Armsuburb	Los Angeles, Cal. Union Bank & Trust Co.
Armsuccess	Louisville, Ky. Citizens Union National Bank
Armsuction	Louisville, Ky. First National Bank
Armsudden	Louisville, Ky. Kentucky Title Trust Co.
Armsuede	Louisville, Ky. Liberty National Bank & Trust Co.
Armsuffix	Louisville, Ky. Lincoln Bank & Trust Co.

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Armsugar	Louisville, Ky. Louisville Trust Co.
Armsultan	Lubbock, Tex. Lubbock National Bank
Armsultry	Lynn, Mass. Manufacturers National Bank
Armsummer	Lynn, Mass. National City Bank
Armsundae	Macon, Ga. Citizens & Southern National Bank Branch of Savannah
Armsupply	Macon, Ga. First National Bank & Trust Co.
Armsupport	Madill, Okla. First National Bank
Armsuppress	Madill, Okla. Madill National Bank
Armsurat	Madison, Wis. First National Bank
Armsurf	Manchester, N.H. Amoskeag National Bank
Armsurvey	Manchester, N.H. Merchants National Bank
Armsurvive	Manchester Center, Vt. Factory Point National Bank
Armsustain	Mankato, Minn. National Citizens Bank
Armswagger	McAlester, Okla. First National Bank
Armswallow	McKinney, Tex. Collin County National Bank
Armswank	Memphis, Tenn. First National Bank
Armsward	Memphis, Tenn. National Bank of Commerce
Armswear	Memphis, Tenn. Union Planters National Bank & Trust Co.
Armsweep	Meriden, Conn. Home National Bank
Armswell	Miami, Fla. First National Bank
Armswerve	Miami, Fla. Florida National Bank & Trust Co.
Armswift	Miami Beach, Fla. Miami Beach First National Bank
Armswim	Middletown, Conn. Central National Bank
Armswivel	Milwaukee, Wis. First Wisconsin National Bank
Armsworded	Milwaukee, Wis. Marine National Exchange Bank
Armsymbol	Milwaukee, Wis. Marshall and Ilsley Bank
Armsyntax	Minneapolis, Minn. First National Bank and Trust Co.
Armstable	Minneapolis, Minn. Marquette National Bank
Armtackle	Minneapolis, Minn. Northwestern National Bank and Trust Co.
Armtaffy	Missoula, Mont. First National Bank
Armtalent	Mitchell, S. D. Commercial Trust & Savings Bank
Armtalk	Mobile, Ala. American National Bank and Trust Co.
Armtalon	Mobile, Ala. First National Bank
Armtandem	Mobile, Ala. Merchants National Bank
Armtangle	Monroe, La. Ouachita National Bank
Armtankard	Muncie, Ind. Merchants National Bank
Armtanning	Munising, Mich. First National Bank of Alger County
Armtaper	Muskegon, Mich. Hackley Union National Bank
Armtaps	Muskegon, Mich. National Lumberman's Bank
Armtarget	Muskogee, Okla. Citizens National Bank
Armtariff	Muskogee, Okla. Commercial National Bank
Armtartan	Muskogee, Okla. First National Bank & Trust Co.
Armtaunt	Nashua, N.H. Indian Head National Bank
Armteach	Nashville, Tenn. American National Bank
Armteam	Nashville, Tenn. Broadway National Bank

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Armtease	Nashville, Tenn. Third National Bank
Armteller	Natchez, Miss. Britton and Koontz National Bank
Armtemple	National Stockyards, Ill. National Stockyards National Bank of National City
Armtender	Negaunee, Mich. First National Bank
Armtendril	Newark, N.J. Federal Trust Co.
Armtennis	Newark, N.J. Fidelity Union Trust Co.
Armtent	Newark, N.J. National Newark and Essex Banking Co.
Armtenure	Newark, N.J. National State Bank
Armterrace	New Bedford, Mass. First National Bank
Armterse	New Britain, Conn. New Britain National Bank
Armthanks	New Haven, Conn. First National Bank and Trust Co.
Armtheory	New Haven, Conn. Second National Bank
Armtherm	New Haven, Conn. Tradesmens National Bank
Armthesis	New Haven, Conn. Union and New Haven Trust Co.
Armthick	New London, Conn. New London City National Bank
Armthirst	New Orleans, La. American Bank & Trust Co.
Armthong	New Orleans, La. Hibernia National Bank
Armthorax	New Orleans, La. National Bank of Commerce
Armthrall	New Orleans, La. Whitney National Bank
Armthrift	Newport News, Va. First National Bank
Armthroat	New York, N.Y. Bankers Trust Co.
Armthrust	New York, N.Y. Bank of New York and Trust Co.
Armthumb	New York, N.Y. Bank of the Manhattan Co.
Armticket	New York, N.Y. Central Hanover Bank & Trust Co.
Armtidal	New York, N.Y. Chase National Bank
Armtiger	New York, N.Y. Chemical Bank and Trust Co.
Armtilt	New York, N.Y. Commercial National Bank & Trust Co.
Armtimber	New York, N.Y. Continental Bank & Trust Co.
Armtinge	New York, N.Y. Corn Exchange Bank Trust Co.
Armtinsel	New York, N.Y. Fifth Avenue Bank of New York
Armtippet	New York, N.Y. First National Bank
Armtissue	New York, N.Y. Grace National Bank
Armtitan	New York, N.Y. Guaranty Trust Co.
Armtocsin	New York, N.Y. Irving Trust Co.
Armtoggle	New York, N.Y. Manufacturers Trust Co.
Armtoken	New York, N.Y. Marine Midland Trust Co.
Armtong	New York, N.Y. National City Bank
Armtonic	New York, N.Y. New York Trust Co.
Armtooth	New York, N.Y. Public National Bank & Trust Co.
Armtorch	New York, N.Y. Sterling National Bank & Trust Co.
Armtorrent	Norfolk, Va. National Bank of Commerce
Armtorsion	Norfolk, Va. Seaboard Citizens National Bank
Armtotem	North Bennington, Vt. First National Bank
Armtourney	North Kansas City, Mo. National Bank in North Kansas City
Armtowel	Norwich, Conn. Uncas-Merchants National Bank
Armtractor	Oakland, Cal. Central Bank of Oakland
Armtrade	Oak Park, Ill. Oak Park Trust & Savings Bank

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Armtraffic	Ogden, Utah, Commercial Security Bank
Armtravel	Ogden, Utah, First Security Bank of Utah National Association
Armtreaty	Oklahoma City, Okla. City National Bank & Trust Co.
Armtremor	Oklahoma City, Okla. Fidelity National Bank
Armtrestle	Oklahoma City, Okla. First National Bank & Trust Co.
Armtrial	Oklahoma City, Okla. Liberty National Bank
Armtribe	Oklahoma City, Okla. Tradesmens National Bank
Armtriblet	Omaha, Neb. First National Bank
Armtribune	Omaha, Neb. Live Stock National Bank
Armtrick	Omaha, Neb. Omaha National Bank
Armtricot	Omaha, Neb. Packers National Bank
Armtrident	Omaha, Neb. Stock Yards National Bank
Armtried	Omaha, Neb. United States National Bank
Armtrill	Paducah, Ky. Peoples National Bank
Armtriple	Pana, Ill. First National Bank
Armtripod	Pasadena, Cal. First Trust & Savings Bank
Armtrojan	Pekin, Ill. American National Bank
Armtrolley	Pekin, Ill. Herget National Bank
Armtroop	Pensacola, Fla. American National Bank
Armtrot	Pensacola, Fla. Citizens and Peoples National Bank
Armtrouble	Peoria, Ill. Central National Bank & Trust Co.
Armtrough	Peoria, Ill. Commercial Merchants National Bank & Trust Co.
Armtrover	Peoria, Ill. First National Bank
Armtrowel	Perryton, Tex. First National Bank
Armtruant	Perryton, Tex. Perryton National Bank
Armtruce	Petoskey, Mich. First National Bank
Armtruly	Petoskey, Mich. First State Bank
Armtrunk	Philadelphia, Pa. Central Penn National Bank
Armtruss	Philadelphia, Pa. Corn Exchange National Bank & Trust Co.
Armtrusty	Philadelphia, Pa. Fidelity Philadelphia Trust Co.
Armtruth	Philadelphia, Pa. First National Bank
Armtryout	Philadelphia, Pa. Girard Trust Co.
Armtuba	Philadelphia, Pa. Market Street National Bank
Armtubby	Philadelphia, Pa. Pennsylvania Company for Insurance on Lives & Granting Annuities.
Armtubing	Philadelphia, Pa. Philadelphia National Bank
Armtucker	Philadelphia, Pa. Provident Trust Co.
Armtucum	Philadelphia, Pa. Tradesmens National Bank & Trust Co.
Armtuft	Phoenix, Ariz. First National Bank
Armtuition	Phoenix, Ariz. Valley National Bank
Armtulip	Pine Bluff, Ark. National Bank of Commerce
Armtulle	Pine Bluff, Ark. Simmons National Bank
Armtumble	Pittsburgh, Pa. Farmers Deposit National Bank
Armtuner	Pittsburgh, Pa. First National Bank
Armtunic	Pittsburgh, Pa. Mellon National Bank
Armturban	Pittsburgh, Pa. Union Trust Co.
Armturbid	Pontiac, Mich. Community National Bank

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Armturbot	Port Arthur, Tex. Merchants National Bank
Armturco	Port Huron, Mich. First National Trust & Savings Bank
Armturkey	Portland, Me. Canal National Bank
Armturmoil	Portland, Me. First National Bank
Armturn	Portland, Me. National Bank of Commerce
Armturnip	Portland, Me. Portland National Bank
Armturret	Portland, Ore. Bank of California National Association
Armturtle	Portland, Ore. First National Bank
Armtuscan	Portland, Ore. United States National Bank
Armtusk	Portsmouth, Va. American National Bank
Armtussal	Providence, R.I. Blackstone Canal National Bank
Armtutor	Providence, R.I. Industrial Trust Co.
Armtuxedo	Providence, R.I. Phenix National Bank
Armtwang	Providence, R.I. Rhode Island Hospital National Bank
Armtweed	Pueblo, Colo. First National Bank
Armtwice	Racine, Wis. First National Bank & Trust Co.
Armtwinkle	Raleigh, N.C. Wachovia Bank & Trust Co.
Armtwist	Rapid City, S.D. First National Bank
Armtycoon	Rapid City, S.D. Rapid City National Bank
Armtympan	Red Wing, Minn. First National Bank
Armtypal	Red Wing, Minn. Goodhue County National Bank
Armtype	Reno, Nev. First National Bank in Reno
Armvalid	Richmond, Ind. First National Bank
Armvalor	Richmond, Ind. Second National Bank
Armvalue	Richmond, Va. Central National Bank
Armvanish	Richmond, Va. First and Merchants National Bank
Armvanity	Richmond, Va. State-Planters Bank & Trust Co.
Armvantage	Roanoke, Va. First National Exchange Bank
Armvault	Rochester, N.Y. Lincoln-Alliance Bank & Trust Co.
Armveil	Rockford, Ill. Illinois National Bank & Trust Co.
Armvellum	Rockford, Ill. Third National Bank
Armvelure	Rumford, Me. Rumford National Bank
Armvelvet	Rutland, Vt. Clement National Bank
Armvenire	Rutland, Vt. Killington National Bank
Armverdict	Saginaw, Mich. Second National Bank & Trust Co.
Armversant	Salt Lake City, Utah, Continental National Bank & Trust Co.
Armverse	Salt Lake City, Utah, First National Bank
Armversion	Salt Lake City, Utah, Tracy Loan & Trust Co.
Armvesper	Salt Lake City, Utah, Utah Savings & Trust Co.
Armvessel	Salt Lake City, Utah, Utah State National Bank
Armvestry	Salt Lake City, Utah, Walker Bank & Trust Co.
Armvetch	San Angelo, Tex. San Angelo National Bank
Armveto	San Antonio, Tex. Alamo National Bank
Armvexed	San Antonio, Tex. Bexar County National Bank
Armviands	San Antonio, Tex. Frost National Bank
Armvibrant	San Antonio, Tex. Groos National Bank

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Armvicar	San Antonio, Tex. National Bank of Commerce
Armvictual	San Antonio, Tex. National Bank of Fort Sam Houston
Armview	San Antonio, Tex. San Antonio National Bank
Armvigil	San Antonio, Tex. South Texas National Bank
Armvigor	San Francisco, Cal. American Trust Co.
Armviking	San Francisco, Cal. Anglo California National Bank
Armvilla	San Francisco, Cal. Bank of America National Trust & Savings Association.
Armvinery	San Francisco, Cal. Bank of California National Association
Armvinous	San Francisco, Cal. Crocker First National Bank
Armviola	San Francisco, Cal. Pacific National Bank
Armvirgin	San Francisco, Cal. Wells Fargo Bank & Union Trust Co.
Armvirile	San Rafael, Cal. First National Bank in San Rafael
Armvisage	Santa Barbara, Cal. County National Bank & Trust Co.
Armvision	Santa Barbara, Cal. First National Trust & Savings Bank
Armvisit	Santa Fe, N.M. First National Bank
Armvitals	Savannah, Ga. Citizens and Southern National Bank
Armvitric	Scranton, Pa. The First National Bank of Scranton
Armvitrify	Seattle, Wash. Bank of California National Association
Armvivid	Seattle, Wash. National Bank of Commerce
Armvixen	Seattle, Wash. Pacific National Bank
Armvizor	Seattle, Wash. Peoples Bank and Trust Co.
Armvocal	Seattle, Wash. Seattle-First National Bank
Armvodka	Seattle, Wash. Seattle Trust & Savings Bank
Armvoice	Seattle, Wash. University National Bank
Armvolant	Sherman, Tex. Merchants and Planters National Bank
Armvolley	Shreveport, La. Commercial National Bank
Armvolt	Shreveport, La. Continental-American Bank & Trust Co.
Armvoluble	Shreveport, La. First National Bank
Armvortex	Sioux City, Ia. First National Bank
Armvoter	Sioux City, Iowa, Livestock National Bank
Armvoyage	Sioux City, Iowa, Security National Bank
Armwade	Sioux City, Iowa, Toy National Bank
Armwaffle	Sioux Falls, S.D. First National Bank & Trust Co.
Armwagon	South St. Joseph, Mo. First St. Joseph Stockyards Bank
Armwaist	South St. Paul, Minn. Stockyards National Bank
Armwaken	Spokane, Wash. First National Bank in Spokane
Armwallet	Spokane, Wash. Old National Bank & Union Trust Co.
Armwalnut	Spokane. Wash. Security State Bank
Armwalrus	Spokane, Wash. Spokane & Eastern Div. of Seattle-First National Bank
Armwaltz	Spokane, Wash. Washington Trust Co.
Armwares	Springfield, Ill. First National Bank
Armwarrant	Springfield, Ill. Illinois National Bank
Armwash	Springfield, Ill. Springfield Marine Bank
Armwealth	Springfield, Mass. Springfield National Bank
Armweapon	Springfield, Mass. Third National Bank & Trust Co.

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Armweather	Springfield, Mass. Union Trust Co.
Armweave	Springfield, Mo. Union National Bank
Armweb	Springfield, Ohio, First National Bank & Trust Co.
Armwedding	St. Albans, Vt. Welden National Bank
Armwedge	St. Ignace, Mich. First National Bank
Armweekly	St. Joseph, Mo. American National Bank
Armweight	St. Joseph, Mo. First National Bank
Armwelkin	St. Joseph, Mo. Tootle-Lacy National Bank
Armwelsh	St. Louis, Mo. Boatmen's National Bank
Armwhack	St. Louis, Mo. First National Bank
Armwhale	St. Louis, Mo. Jefferson-Gravois Bank
Armwheat	St. Louis, Mo. Manufacturers Bank & Trust Co.
Armwheel	St. Louis, Mo. Mercantile-Commerce Bank & Trust Co.
Armwhine	St. Louis, Mo. Mississippi Valley Trust Co.
Armwhistle	St. Louis, Mo. United Bank & Trust Co.
Armwhite	St. Paul, Minn. American National Bank
Armwhoop	St. Paul, Minn. Empire National Bank & Trust Co.
Armwiden	St. Paul, Minn. First National Bank
Armwidow	Syracuse, N.Y. First Trust & Deposit Co.
Armwidth	Syracuse, N.Y. Lincoln National Bank & Trust Co.
Armwind	Syracuse, N.Y. Merchants National Bank & Trust Co.
Armwinkle	Syracuse, N.Y. Syracuse Trust Co.
Armwinter	Tampa, Fla. Exchange National Bank
Armwizard	Tampa, Fla. First National Bank
Armwolf	Terre Haute, Ind. Merchants National Bank
Armwoman	Texarkana, Ark. State National Bank
Armwonder	Texarkana, Tex. Texarkana National Bank
Armwood	Toledo, O. Toledo Trust Co.
Armwork	Topeka, Kan. Central National Bank
Armworld	Topeka, Kan. Fidelity Savings Bank
Armworry	Topeka, Kan. Merchants National Bank
Armwren	Topeka, Kan. National Bank of Topeka
Armwriting	Torrington, Conn. Torrington National Bank & Trust Co.
Armwrought	Traverse City, Mich. Traverse City State Bank
Armyacht	Trenton, N.J. The First-Mechanics National Bank
Armyager	Tucson, Ariz. Southern Arizona Bank & Trust Co.
Armyama	Tulsa, Okla. First National Bank & Trust Co.
Armyank	Tulsa, Okla. National Bank of Tulsa
Armyankee	Utica, N.Y. First Citizens Bank & Trust Co.
Armyarrow	Utica, N.Y. Oneida National Bank & Trust Co.
Armyawl	Vicksburg, Miss. First National Bank & Trust Co.
Armyawning	Vicksburg, Miss. Merchants National Bank & Trust Co.
Armyear	Vincennes, Ind. American National Bank
Armyeast	Waco, Tex. Citizens National Bank
Armyellow	Waco, Tex. First National Bank

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Armyeoman	Waco, Tex. National City Bank
Armyerba	Wallingford, Conn. First National Bank
Armyodel	Washington, D. C. American Security & Trust Co.
Armyolk	Washington, D. C. Hamilton National Bank
Armyoung	Washington, D.C. National Metropolitan Bank
Armyowl	Washington, D. C. Riggs National Bank
Armyucca	Washington, Ind. Washington National Bank
Armzander	Waterbury, Conn. Colonial Trust Co.
Armzealous	Wells River, Vt. National Bank of Newbury
Armzebra	Westfield, Mass. First National Bank
Armzebub	Wichita, Kan. First National Bank
Armzenith	Wichita, Kan. Fourth National Bank
Armzephyr	Wichita, Kan. Union National Bank
Armzero	Wichita, Kan. Union Stock Yards National Bank
Armzibet	Wichita Falls, Tex. City National Bank
Armzinc	Wichita Falls, Tex. First National Bank
Armzion	Wichita Falls, Tex. Wichita National Bank
Armzircon	Willimantic, Conn. Windham National Bank
Armzither	Wilmington, Del. Wilmington Trust Co.
Armzodiac	Wilmington, N.C. Wilmington Savings & Trust Co.
Armzoker	Winchester, Ky. Clark County National Bank
Armzonal	Winsted, Conn. First National Bank
Armzoo	Winston-Salem, N.C. Wachovia Bank & Trust Co.
Armzoril	Worcester, Mass. Mechanics National Bank
Armzymic	Worcester, Mass. Worcester County Trust Co.
Armzymoid	Yazoo City, Miss. Delta National Bank

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9885
Reg. T-55

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 6, 1937.

Dear Sir:

For your information there is attached a copy of an excerpt from the Federal Register for Wednesday, April 7, 1937, 2 F. R. 775, indicating that the Secretary of the Treasury has designated "securities issued by the Federal Home Loan Bank Board or the Federal Home Loan Banks under the authority of section 11 of the Federal Home Loan Bank Act, as amended" for exemption pursuant to the provisions of section 3(a)(12) of the Securities Exchange Act of 1934 regarding "exempted securities."

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Inclosure.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

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Federal Reserve Bank of St. Louis

X-9885-a
Reg. T-55

EXCERPT FROM FEDERAL REGISTER APRIL 7, 1937
2 F. R. 775

Exempt Securities--Securities Exchange Act
Designation of Consolidated Federal Home Loan Bank Debentures for Exemption Under Securities Exchange Act of 1934.

April 5, 1937.

SECURITIES AND EXCHANGE COMMISSION,
1778 Pennsylvania Avenue, N. W.,
Washington, D. C.

GENTLEMEN:

Paragraph 12 of Section 3(a) of the Securities Exchange Act of 1934 provides in part that the term "exempted security" or "exempted securities" as used in such act shall include "such securities issued or guaranteed by corporations in which the United States has a direct or indirect interest as shall be designated for exemption by the Secretary of the Treasury as necessary or appropriate in the public interest or for the protection of investors."

In accordance with the provisions of this paragraph, I am designating for exemption securities issued by the Federal Home Loan Bank Board or the Federal Home Loan Banks under the authority of Section 11 of the Federal Home Loan Bank Act, as amended. This designation for exemption may be revoked, modified, or amended at any time with respect to securities not issued prior to such time.

Very truly yours,

WAYNE C. TAYLOR,
Acting Secretary of the Treasury.

(SEAL)

(F.R.Doc. 37-1003; Filed, April 6, 1937; 12:07 p.m.)

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9886

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 7, 1937.

SUBJECT: Code Words Covering New Issues of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code words have been designated to cover new issues of Treasury Bills:

"NOZCUB" - Treasury Bills to be dated May 12, 1937, and to mature September 17, 1937.

"NOZCYK" - Treasury Bills to be dated May 12, 1937, and to mature February 9, 1938.

These words should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOZCOD" on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO PRESIDENTS OF ALL F. R. BANKS

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9387

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 10, 1937.

Dear Sir:

There are enclosed herewith copies of statement rendered by the Bureau of Engraving and Printing, covering the cost of preparing Federal reserve notes for the month of April, 1937.

Very truly yours,

O. E. Foulk

O. E. Foulk,
Fiscal Agent.

Enclosure.

TO ALL F. R. PRESIDENTS.

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X-9887-a

Statement of Bureau of Engraving and Printing
for furnishing Federal Reserve Notes,
April 1 to 29, 1937.

Federal Reserve Notes, Series 1934

	$5	$10	$20	Total Sheets	Amount
Boston,.....	-	50,000	-	50,000	$ 4,675.00
New York,.....	-	273,000	50,000	323,000	30,200.50
Cleveland,....	-	-	50,000	50,000	4,675.00
Richmond,.....	-	-	50,000	50,000	4,675.00
Chicago,.....	-	150,000	-	150,000	14,025.00
St. Louis,....	-	44,000	-	44,000	4,114.00
Kansas City,..	-	-	29,000	29,000	2,711.50
Dallas,.....	13,000	34,000	-	47,000	4,394.50
San Francisco,	50,000	100,000	22,000	172,000	16,082.00
	63,000	651,000	201,000	915,000	$85,552.50

915,000 sheets, @ $93.50 per M, ... $85,552.50

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9388

May 11, 1937.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

Dear Sir:

There is attached a copy of the report of expenses of the main lines of the Federal Reserve Leased Wire System for the month of April, 1937.

Please credit the amount payable by your bank to the Board, as shown in the last column of the statement, to the Federal Reserve Bank of Richmond in your daily statement of credits through the Inter-District Settlement Fund for the account of the Board of Governors of the Federal Reserve System, and advise the Federal Reserve Bank of Richmond by wire the amount and purpose of the credit.

Very truly yours,

O. E. Foulk

O. E. Foulk,
Fiscal Agent.

Inclosure.

TO PRESIDENTS OF ALL F. R. BANKS EXCEPT RICHMOND

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Federal Reserve Bank of St. Louis

X-9888-a

REPORT OF EXPENSES OF MAIN LINES OF FEDERAL RESERVE
LEASED WIRE SYSTEM FOR THE MONTH OF APRIL, 1937.

Federal Reserve Bank	Number of words sent	Words sent by N. Y. chargeable to other F.R. Banks	Total words chargeable	Personal services(1)	Wire rental	Total expenses	Pro rata share of total expenses(2)	Credits	Payable to Board of Governors
Boston	40,833	2,774	43,607	$ 256.45	$ --	$ 256.45	$ 658.47	$ 256.45	$ 402.02
New York	166,453	--	166,453	1,115.27	--	1,115.27	2,513.46	1,115.27	1,398.19
Philadelphia	36,091	2,832	38,923	236.39	--	236.39	587.74	236.39	351.35
Cleveland	56,916	2,860	59,776	310.98	--	310.98	902.62	310.98	591.64
Richmond	63,459	2,739	66,253	195.46	--	195.46	1,000.50	195.46	805.04
Atlanta	71,633	2,719	74,352	275.73	--	275.73	1,122.72	275.73	846.99
Chicago	101,742	3,192	104,934	1,114.96	--	1,114.96	1,584.51	1,114.96	469.55
St. Louis	86,067	2,735	88,802	184.84	--	184.84	1,340.92	184.84	1,156.08
Minneapolis	31,558	2,760	34,318	183.56	--	183.56	518.21	183.56	334.65
Kansas City	69,834	2,785	72,619	259.03	--	259.03	1,096.56	259.03	837.53
Dallas	64,729	2,797	67,526	267.55	--	267.55	1,019.65	267.55	752.10
San Francisco	99,607	2,840	102,447	411.74	--	411.74	1,546.96	411.74	1,135.22
Board of Governors	506,929	--	506,929	2,266.85	14,468.19	16,735.04	7,654.68	16,735.04	--
Total	1,395,851	31,093	1,426,944	$7,078.31	$14,468.19	$21,547.00	$21,547.00	$21,547.00	$9,080.36

(1) Includes salaries of main line operators and of clerical help engaged in work on main line business, such as counting the number of words in messages; also, overtime and supper money and Retirement System contributions at the current service rate.

(2) Based on cost per word ($.015100102) for business handled during the month.

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X-9889
Reg. U-14

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal reserve banks)

May 7, 1937

Mr. _____, Vice President,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

Reference is made to your letter of April 28, 1937, regarding certain questions which have been presented to you under Regulation U by _____ Bank & Trust Company, _____, _____. You state these questions as follows:

> "(1) May a bank, without regard to Regulation U, make a loan to a firm having membership in a national securities exchange on securities owned by the firm, if the purpose of the loan is to furnish cash working capital for the conduct of the brokerage business of the firm; i.e., for purchasing and carrying securities for the account of customers but not for the firm's account?
>
> "(2) May a bank, without regard to Regulation U, make a loan to a partner of such a member firm for the purpose of enabling such partner to make a capital contribution to his firm?
>
> "(3) May a bank make either of the above loans if the firm maintains for the partner a margin account in which there is a debit balance?"

While, as you indicate, all the facts involved in these cases are not entirely clear, upon the basis of the given facts and assuming the loans to be secured by stocks, the Board agrees with your view that the loans in each of the three instances referred to would ordinarily be subject to Regulation U. The situation represented by question numbered (1) seems to be quite similar to that covered in the Board's letter of April 5, 1937, (X-9862, Reg. U-13) and, on the principle stated in that letter, would seem to be a loan for the purpose of purchasing or carrying registered stocks. The other loans would seem to be subject to the regulation for substantially similar reasons.

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You refer to the question of whether or not it would be advisable to amend the regulation to exempt certain loans of the type here involved. Careful consideration has been given to the various aspects of the problem, including those phases of the matter discussed in your letter; and the problem will, of course, be given further study. It would seem to be preferable, however, for the present inquiry to be answered without regard to questions concerning such an amendment.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

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Federal Reserve Bank of St. Louis

X-9890

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

May 13, 1937

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

Dear Sir:

Referring to the Board's letter of April 22, 1937, X-9874, subject, Holidays during May, the Board is now advised that the Governor of Oklahoma has proclaimed Monday, May 31 a legal holiday in that State in observance of Memorial Day and that the Oklahoma City Branch of the Federal Reserve Bank of Kansas City will be closed on that day.

Please notify Branches.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO ALL PRESIDENTS

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9091

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 15, 1937.

SUBJECT: Code Words Covering New Issues of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code words have been designated to cover new issues of Treasury Bills:

"NOZDAW" - Treasury Bills to be dated May 19, 1937, and to mature September 18, 1937.

"NOZDEL" - Treasury Bills to be dated May 19, 1937, and to mature February 16, 1938.

These words should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOZCYK" on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO PRESIDENTS OF ALL F. R. BANKS

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Federal Reserve Bank of St. Louis

X-9892

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 17, 1937.

SUBJECT: Monthly Report of Bank and Public Relations Activities.

Dear Sir:

There is inclosed for your information a summary of the bank relations reports submitted by the Federal reserve banks for the month of April in response to the Board's letter of August 25, 1936 (X-9680).

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Inclosure.

TO ALL PRESIDENTS

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Federal Reserve Bank of St. Louis

X-9892-a

May 14, 1937

Memorandum to the Board

Subject: Summary of Bank Relations Reports.

From: Mr. Hammond, Division of Bank Operations.

Reports of bank relations as requested in the Board's letter of August 25, 1936 (X-9680) have been received for the month of April and excerpts therefrom will be found on the following pages. A table showing for all twelve banks the number of visits made, meetings attended, and addresses delivered has also been prepared and follows the quotations.

The attitude toward the Federal Reserve System

The objections of non-members to joining the System, as brought out in present and preceding reports, appear to be mainly as follows:

1. The income from exchange charged on customers' checks would have to be given up.
2. Capital requirements would be difficult or impossible to meet.
3. Too many reports would have to be submitted.
4. Charge-offs would be required and lines of credit to officers and special customers would have to be curtailed.
5. Branch offices would have to be given up.

Banking conditions

Reserve requirements and the bond market appear to be of most general interest. Complaints as to increased reserves come principally from small bankers in the middle west, many of whom say that its purpose was to enable the Federal Reserve banks to hold more securities. In the east and north, cash payments for agricultural supplies and equipment seem common. In the same parts of the country banks are increasingly interested in mortgage loans, personal loans, and pay-as-you-go checking accounts. In the south, seed and fertilizer requirements appear to have created more demand for credit by farmers than elsewhere. In the west bankers complain considerably of government lending agencies and particularly of the Production Credit Associations.

General economic conditions

Both industrial and agricultural conditions appear to be generally good, and such dissatisfaction as bankers express relates chiefly to government finances and the slack demand for credit from private enterprise.

Excerpts from the reports follow: (The reports themselves are attached to the original hereof).

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Boston

(In addition to statistics of visits to banks and meetings attended, the Boston report contains a statement regarding President Young's trip to Portland on April 7 to address a group of bankers.)

New York

Delaware, Madison, Otsego, and Schoharie Counties

Bond portfolios in the majority of banks in these counties were said to show some appreciation, although greatly reduced in amount as a result of the market reaction of the past few weeks. Officers of eleven banks, however, stated that the book value of their securities was less than market value. United States government bonds in some cases comprised as much as 60 - 70 per cent of the total portfolio value, the average being about 40 per cent, and considerable apprehension was expressed by many of the officers interviewed with respect to the future of the entire bond market, and the possible attitude of examiners toward present or further depreciation in government obligations.

Queens County

Several banks have inaugurated a no-minimum balance pay-as-you-go checking account plan using, under contract, the copyrighted system developed by the National Safety Bank and Trust Company of New York known as the Checkmaster Plan. A charge of five cents is made for each item handled (deposit slips, checks drawn, etc.). One National bank (deposits $1,800,000) started the plan five months ago and has already opened 757 accounts. The balance on deposit in these accounts on day of visit was $37,300 or an average of about $50 per account. The officer interviewed said that at present the income from this class of business amounts to approximately $12 a day. He pointed out that there is a fertile field in Flushing for development of a substantial personal loan department and checkmaster plan of checking accounts on account of the large population of the white collar class. He commented that through the checkmaster plan the "bank has something that every man on the street can use", and he estimates that within two or three years his bank should have 4,000 such accounts which would give an annual income ranging from $12,000 to $15,000.

Suffolk County

Loans and discounts of the county banks now total $22,349,000 showing a decrease of about $1,500,000 since the first of the year. The decline is due largely to the fact that many farmers this year are in a much improved financial condition because of the good income received from last year's crops of potatoes and cauliflower, so that they are paying cash for seed and fertilizer instead of borrowing.

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Philadelphia

Lackawanna County

The prevailing interest rate is two per cent but one institution recently announced a reduction to 1½ per cent and while it experienced some withdrawals, the management stated the total was not so great as they had expected.

The prevailing loaning rate is six per cent but the same institution which reduced the interest rate on deposits to 1½ per cent, has reduced its loaning rate to five per cent, and stated that as a result of this it had experienced an increase in credit demand of $600,000 of which $400,000 is considered to be business which would not have been available at the six per cent rate. This action forced other banks in this immediate vicinity to reduce the rate to five per cent on some of their lines of credit.

Northern part of Third District

In nearly all of the communities visited it was reported that general business conditions had improved during the past year with beneficial effects upon the loan portfolios of the respective banks. Credit demand, however, continues to be light. The increase which might be expected at this season of the year due to the needs of the farmers has so far failed to reach the usual proportions.

All of the member banks appeared to be in a position to meet the increased reserve requirements without much difficulty although many of the bankers contended the recent increases were poorly timed for the banks in the coal mining and agricultural regions, as this is the period when deposits may be expected to decline and the demand for loans to increase. Several of them expressed doubt that the Board of Governors would lower the requirements when business increased, expressing the opinion that this authority was used for the sole purpose of providing funds to finance the operations of the Open Market Committee.

Much concern was expressed over the possibility of an enactment by the Pennsylvania Legislature reducing the maximum legal rate of interest to 5 per cent, as this matter is receiving consideration from State officials at this time.

It was found that an increasing number of banks are extending personal and equipment loans with very satisfactory results. In many instances this was found to constitute the chief demand for credit.

The cashiers of two non-member institutions, both of which will be required to become members by 1942 in order to retain deposit insurance, stated that under the reserve requirements, as effective May 1st they

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Federal Reserve Bank of St. Louis

Philadelphia continued

are in a better position as non-member institutions, for while under the Pennsylvania State law they are required to carry slightly higher total reserves than under the Federal reserve regulations, they are permitted to have one-third of this reserve represented by Government bonds or obligations of political sub-divisions or the Commonwealth of Pennsylvania. One of these officers also stated that membership would bar several officers of his bank from borrowing from the bank, even for business purposes, which was also a factor in their decision to remain out of the System for awhile longer.

Cleveland

The principal item of interest to bankers generally continues to be the future course of the Government bond market. Many banks express strong resentment that the market is being managed; that bond prices should be allowed to seek their own level thus affording the investors an opportunity to better determine what the trend of prices would be. Some concern was expressed over the attitude examiners would take in respect of how Governments should be carried in a bank's statement in the event of a major decline, and what the policy of the Reserve banks would be in such event with respect to the loan value of Governments pledged to secure member bank notes.

There is continued protest on the part of small banks against the increase in reserve requirements, based upon the necessity for keeping employed every possible dollar as an earning asset. This protest comes particularly from banks which have found it necessary to sell investments in order to meet the added reserve requirements. Many of these banks have not paid dividends for years because of restricted earnings. Low earnings are the result of a number of factors, such as the refusal of these institutions to apply service charges; the fact that the larger part of their deposits is time deposits upon which an average rate of 2 per centum interest is paid; the yield on investments is low; many of them are paying interest on debentures sold to the R. F. C., and many, particularly in mining towns, are affected by the handling of large payroll accounts, which tends to increase expense with no compensating income.

There is continued complaint of competition between banks and the Federal Land Bank, and Production Credit Corporation. It has been said that farmers, normally an independent class, were being demoralized by so-called patronage and subsidies. Our own observation is that protest comes largely from banks which have tried to maintain rates on loans at the levels prevailing in past years. There apparently is still a number of bankers who would prefer to make no loans at 7 or 8 per centum to making loans at 4 or 5 per centum.

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Federal Reserve Bank of St. Louis

Cleveland continued

There is a steady increase in the number of banks instituting personal loan or small loan departments as well as in a number of banks now handling automobile instalment notes. The experience to date has been that this business is highly profitable and losses are negligible.

Richmond

There is a remarkable similarity to the reaction of nonmember banks with respect to membership in the Federal Reserve System, and rather than repeat extracts from reports of our field representatives, which in substance say the same things over and over, suppose we consider what might be a typical case.

There have been very few new banks chartered in our district in recent years; therefore, most of our nonmember banks have been in existence for several years. Generally speaking, they are located in the agricultural sections of our district and, as a consequence, they have idle funds when crops are sold and probably need to borrow to maintain their cash position during the planting season. Almost without exception officers of nonmember banks will readily agree that the Federal Reserve Act is a remarkable legislative effort and that the system has wonderful possibilities in developing the banking structure of this country. However, with respect to their own particular bank they feel that there are certain adjustments to be made before a definite application for membership should be given us. There are, perhaps, assets to be put in better condition, or in any event the time is just not exactly right for a serious consideration of membership. With respect to the nonpar banks, of which there are over 300 in our district, their main consideration is their ability to charge exchange for the payment of checks drawn by their customers. This exchange revenue amounts in many cases to a considerable sum, and when nonpar bankers give any thought (which they seldom do) to the principles involved in discounting their customers' checks, they rather easily convince themselves that as long as other banks charge exchange and receive the resulting revenue they might also. One nonpar nonmember State bank in South Carolina told our representative that last year revenue derived from charging exchange on customers' checks amounted to nearly $6,000. The bank has deposits of $600,000.

There is no lack of friendliness on the part of nonmember banks to our representatives or to the official staff of our bank, but there is a decided inertia with respect to taking the steps necessary to qualify for and apply for State bank membership. It must be frankly admitted that the large city banks, nearly all of which are members of the System, do not encourage nonmember banks to become members. They argue somewhat along this line: that the city bank can and will do practically everything for the present nonmember that the Federal Reserve Bank could do

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Federal Reserve Bank of St. Louis

Richmond continued

and that, in addition, the nonmember bank will be relieved of what are generally regarded as an excessive amount of details relating to red tape.

Our representatives report a noticeable tendency to rebel against excessive supervision. For instance, one nonmember State bank in South Carolina told our representative that frankly he did not know anything about the Federal Reserve System, and upon being engaged in conversation about the System by our representative he said that if membership in the System involved membership in the Federal Deposit Insurance Corporation he would be opposed to such a step. This was a small bank, with deposits of $150,000.

In discussing their affairs with nonmember banks our representatives report a number of very unusual lending policies; as, for instance, very large loans in relation to capital structure are frequently made when it would appear to be apparent that the loans in question would be slowly repaid. As an example, one nonmember bank told our representative of the loan of $50,000 on local church property which it had made, and, as our representative expressed it, "the bank literally built the church." The loan is being reduced at the rate of about $1,000 a year, and in the meantime the bank has practically all of its capital invested in this one loan.

We are compelled to report, reluctantly, that while without exception our visits have been of the most friendly nature there is no real interest at this time in State bank membership in our district. At the same time, we do not see any evidence of impending withdrawals from our par list. So, it appears that our district, with regard to the respective relations of member banks, par nonmember banks, and nonpar nonmember banks, will remain substantially the same.

Atlanta

Nashville and adjoining trade territory

The business of the city and trade territory is reported to be active and profitable in most lines, and there is a better demand for funds in mercantile and industrial establishments. In this section agriculture and live stock raising predominates and without exception the officers of the banks reported business conditions as being generally good and stated that they confidently looked forward to a continuance of present conditions during the remainder of 1937. Tobacco is grown extensively and the price received for this crop last season provided the section with substantial funds, which were supplemented by good prices received for hogs, lambs, and beef cattle. This section of the state is also noted for the raising of fine mules, for which there has been an excellent demand during the past twelve months.

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Federal Reserve Bank of St. Louis

Atlanta continued

Southern Alabama

The farmers are increasing their acreage for cultivation and are purchasing fertilizer in larger quantities than for several years past. Because of the increased acreage and large purchases of fertilizer the farmers are finding it necessary to borrow rather heavily from their bankers, resulting in an increase in the volume of loans by country banks to farmers. A majority of the banks visited stated that their volume of loans is in excess of that at the same date in 1936. The chief crops of this section are cotton and corn, but a large percentage of the farmers have learned the wisdom of diversification and in some sections Irish potatoes, peanuts and other crops are grown for the purpose of supplementing the so-called "money crop" (cotton) of this section.

Southwest Georgia and southeast Alabama

The bankers in this section of the district stated that weather conditions had been exceedingly fine for the preparation of farm lands. The two main crops -- cotton and corn -- are now up, and from present indications increased production may be expected. The farmers are reported to have used fertilizer this year in generous proportions, thereby increasing business for the fertilizer companies and the amount of loans to farmers. It was gratifying to learn that the farmers of this section are each year enlarging their acreage in what is termed "supplemental crops", such as peanuts, Irish potatoes and tomatoes, and the raising of cattle and hogs.

Chicago

Illinois

Due to the April 1 tax period, there was a considerable decline in deposits, particularly in Chicago banks, which caused a few banks to borrow at the Federal Reserve bank for a short time. Most of these funds have come back to the district. Some slight increase in loans at member banks has been reported.

Indiana

Some labor trouble is reported in certain sections. However, the situation is apparently better than in some of the neighboring states. Farm labor is scarce and some skilled labor in other lines is hard to obtain. Wage increases have been somewhat general. The farming situation is said to be sold out on hay and grain.

Several non-member bankers called at the Federal Reserve bank during the month to discuss membership in the System. Some of these banks are considered favorable prospects for membership.

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Federal Reserve Bank of St. Louis

Chicago continued

Iowa

A number of banks report that loans on real estate have increased. Other demand for money is principally for feed and seed. Some tenant farmers who were unable to secure accommodations locally have been applying to county agencies for loans. A very small amount of corn is in the hands of farmers.

Michigan

Calls were made on the principal Detroit banks during the month. Opinions received during interviews can be summarized as follows:

Loans are increasing
Installment payments are somewhat in arrears due to labor trouble
On one day, 276 cases involving evictions on account of non-payment of rent were presented to the Circuit Court Commissioners.
There is laxity in making of mortgage loans, due to competition.
A gradual increase in over-the-counter money rates is expected.
Friendly toward the Federal Reserve System.

Wisconsin

Labor situation is reported critical, particularly in Milwaukee, where a number of strikes are in progress and others are threatened. Business generally is good. One large manufacturer comments on the fact that a very large percentage of sales of farm machinery is being made for cash.

St. Louis

Southern Indiana and Illinois

Custody service was considered of prime importance by two of the banks visited. One concentrates securities at the head office because of superior marketing conditions there. The other is of the opinion that it would be appreciated by country members if the facilities were extended to permit the deposit of securities of customers as well as securities belonging to member banks.

In connection with purchase or sale of Government bonds, several bank officers stated that results were better through the Federal Reserve Bank than when those transactions were placed with brokerage houses, one having taken the trouble to make some comparative tests between Chicago brokerage houses and the Federal Reserve Bank of St. Louis.

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Federal Reserve Bank of St. Louis

St. Louis continued

Several banks reported increased use of non-cash collection facilities and commented on the excellent results of that service, especially the direct sending privilege.

The only adverse comment made by several members was in connection with increased reserve requirements. One was especially emphatic in his views regarding the matter though he admitted that the bank was carrying excess balances in an amount fully equaling the additional reserve required. Others also contended that there is no undue expansion of credit in this area, and that so far as country banks are concerned, the increased requirements are wholly unnecessary.

Minneapolis

Territory adjacent to the Twin Cities

One member banker was anxious to obtain further information in regard to the revisions of Regulations D and Q, and we spent more than an hour reviewing them. At the end of that time, he asked the specific question, "Why can't all these regulations be worded so that the country banker can understand them?"

A few bankers expressed their pleasure that the Federal Reserve and Treasury authorities had not rushed in to support the market when the price of government bonds first began to slip. By allowing the market to find its own level, they felt it was a "free" market instead of a "pegged" market which they believed had been in existence for many months. The hope was also expressed that now that the spell of the $2,430 million figure had been broken the Federal Reserve authorities would not be afraid to sell when the opportunity came, not only the securities recently acquired but a portion of the previous holdings. There was a question in the minds of some of the bankers as to the actual necessity of increasing reserve requirements the full 100 per cent, although none of them would have any difficulty in meeting the additional requirements. They seemed to be of the opinion that it might have been better to have left requirements at the level reached March 1 in order that changes might be made in either direction as circumstances demanded, at some time in the future.

While only a few of the banks admitted that they were actually losing loans to Production Credit Associations, other bankers complained that their customers were using the lower PCA rates as a club to procure lower rates on barnyard loans from the banks and that this indirect loss of income was greater than that sustained from actual transfers of loans to the PCA. As has been noted on other trips, there seems to be a

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Federal Reserve Bank of St. Louis

Minneapolis continued

number of discontented borrowers constantly shifting from one loaning agency to another, some borrowers obtaining loans from a bank to pay off PCA indebtedness and vice versa. Several bankers commented on the changed attitude of farmers toward their obligations and felt that both the state and federal governments had contributed toward this new attitude by moratoria and the almost compulsory debt compromises in recent years.

Bankers were unanimous in their praise of the FHA Title I and Title II loans. One banker had about decided to dispose of all of his government bonds replacing them with purchased FHA insured loans. He felt that by insuring the loans the government guaranteed them and thus there was exactly the same credit behind the FHA loans as government bonds. In addition to the much more satisfactory yield on the FHA loans, he thought that by so doing he would avoid the "jittery" feeling he had experienced during the last month. Because of the unusually large volume of building in one of the former summer resort sections, which is in the process of being converted to a suburban tract section, one bank has made a larger volume of FHA Title II loans than it expects to be able to hold and consequently is considering selling some and is holding them at 3 point premium.

Land sales have been few but practically all farms that have been in distress or tied up in estates have been purchased and with these off the market, bankers are looking for a farm land boom next fall if a satisfactory crop is obtained this year.

Northern Minnesota

Most of the banks in the smaller towns are paying a rate of 2½ per cent on deposits and the banks in the larger centers are paying a rate of 2 per cent, although there is some variation. Interest rates on chattel mortgage loans usually range from 7 per cent to 8 per cent, most of such loans being made at the latter figure. Farm mortgages ordinarily carry a rate of 4½ percent to 6 percent, but the bankers are exceedingly careful in making such loans at this time, and if they do make them, restrict the amounts and obtain ample collateral security.

Prices at auction sales uniformly have been high. Average milk cows usually sold at from $50 to $60 although prices ranging from $80 to $85 were reported. Settlement at such sales was largely on a cash basis.

There is an increasing demand for land in this agricultural section, both for rental purposes and to purchase. As early as last fall, inquiries were being received for land to rent this spring and many additional inquiries were received during the early spring months. Many

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farmers looking for land to rent were from the drought stricken regions of North Dakota. It was reported that the representative of a farm mortgage company at Crookston had sold thirty-three farms since January 1, 1937. Some sales were reported at other points. In many instances, the land was sold at prices ranging from one-third to one-half the peak prices. At one point, an 80 acre farm, with fair buildings, was recently sold to a local buyer at $45 per acre or $3,600, of which $1,300 was paid in cash and the remaining $2,300 financed locally at 4 per cent.

Northern Wisconsin

The stations or branches operated by State banks in northern Wisconsin appear to be profitable, and the bankers expressed themselves as being very well satisfied with their venture in this limited form of branch banking. The _____ State Bank of _____operates several stations, and the management took a great deal of pleasure in showing me the earnings and expense statements of these branches for 1936. Every branch earned a profit, ranging from $700 to $2,500 after paying all direct expenses and a proportion of head office overhead based on the distribution of deposits.

Kansas City

Bankers visited reacted in very different ways regarding the increase in reserve requirements. Some voiced no objection since they say it will have little bearing on their situation. However, many of these same bankers have their misgivings, for they feel that the increased reserves are piling up funds in the reserve banks to invest in Government bonds at a time when these bankers are unwilling to put their own funds in any substantial amount in long-term obligations. Other bankers report it will cause them to borrow or sell bonds and the bonds will be sold first. Some bankers are not disturbed by the weakness in the bond market as they expect to hold their securities until maturity. On the whole, country bankers seem to be at a considerable loss to understand the reason for the increase in reserve requirements for country banks. They understand that the policy is related to the problem of curbing speculation, to rapidly rising commodity prices, and to near boom conditions in certain industries, but they feel that is a world apart from themselves. Their problem as they see it is to take care of farmers and small business men, and in cases where the new reserve requirements pinch somewhat they are unable to see a reason for it. In short, many country bankers complain of the inflexible nature of reserve requirement changes.

Dallas

Eastern New Mexico

Banking conditions in this State are satisfactory and well stabilized. All banks are in excellent cash position. Although the demand

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Federal Reserve Bank of St. Louis

Dallas continued

for loans is somewhat stronger than a year ago, interest rates are lower. Previously, loans on livestock, with negligible exceptions, were made at the rate of ten percent per annum. All such loans are now being made at eight percent. Holdings of government securities were freely discussed, but there was no indication of any panicky feeling. Many of the banks said they were in a position to maintain their holdings, and for that reason they have scarcely more than an academic interest in market fluctuations. A few banks mentioned the increase in reserve requirements. They seem to accept it as a necessary step in the control of credit expansion. Only one New Mexico bank is rediscounting with us, and only two indicated that they would possibly borrow from us this summer. These happen to have government securities which they do not care to sell to meet seasonal needs. Banks in this state do not go in for crop financing to the extent that is customary in other states of the district. While loans to farmers are freely made in the agricultural sections, they are usually based on the worth and reputation of the farmers rather than upon chattel mortgages or crop prospects.

Northern Louisiana

The President of a comparatively new State member bank expressed satisfaction with membership, although he said it cost his bank the loss of some very desirable business. He had reference to the relinquishment of two branches, which were established after February 25, 1927, and for that reason were ineligible to be retained after his bank's admission to membership. These branch offices served as valuable "feeders", and when closed were promptly replaced with branches established by a nonmember competitor. Recently oil was discovered in the region served by one of these branches and the resulting influx of capital considerably augmented the nonmember bank's deposits. Needless to say, the latter institution is not interested in membership and will not be interested so long as the Federal Reserve Act retains its present restrictions with respect to branch banking.

The Vice-president of a National bank denounced the competitive methods and activities of the government-sponsored Production Credit Associations, stating that the local agency is not only sending representatives to the homes of local farmers in an effort to win their business from the banks, but had gone so far as to solicit the business of his bank's customers in his own lobby. He approves the deletion of the definition of "interest" from Regulation Q, and also the recent increase in reserve requirements. He attributes the late disturbance in the government bond market to economic forces beyond the control of the Board of Governors - an inevitable "swing" toward a higher level of interest rates.

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Dallas continued

The effects of the increase in reserve requirements on two of the banks in this section present a striking contrast. The first bank, with deposits of $170,000, has already about exhausted its loanable funds in loans to cotton farmers, and fears that it will be necessary to borrow rather heavily to meet its enlarged reserve requirements. To the second bank, on the other hand, the new requirements are only a matter of academic interest, as it has no net demand deposit liabilities subject to reserve requirements. Its demand deposits of $500,000 are more than offset by its "due from banks".

San Francisco

During April visits were made to banks in Kellogg, Wallace, and Wardner (Idaho) for the purpose of ascertaining the reaction of the bankers to their affiliation having been changed from the Spokane to the Seattle Branch. We found no opposition to the change, the only criticism being that on one or two occasions supplies of currency had been delayed, which matter has since been checked up with the Post Office Department.

Kent and Auburn (Washington) are located in a valley south of Seattle where the raising of garden truck is the principal agricultural pursuit. The banks in these communities find a good demand for loans, particularly in view of the fact that there has been a recent increased development in the freezing of fresh peas, corn, beans, and spinach. It is possible that one or two of the banks might be required to rediscount with the Federal Reserve Bank later this season.

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PUBLIC RELATIONS ACTIVITIES OF FEDERAL RESERVE BANKS

APRIL, 1937

Federal Reserve Bank	Visits to banks			Meetings attended		Addresses made	
	Member	Non-member	Total	Number	Attendance	Number	Attendance
Boston	4	1	5	2	95	1	60
New York	104	29	133	9	3,244	4	335
Philadelphia	88	38	126	7	1,014*	#	#
Cleveland	159	83	242	4	492	3	202
Richmond	63	68	131	15	2,381	1	150
Atlanta	60	70	130	1	400	1	65
Chicago	12	5	17	3	950	None	None
St. Louis	35	28	63	3	#	1	#
Minneapolis	101	182	283	2	210	2	150
Kansas City	9	10	19	10	1,049	6	585
Dallas	29	7	36	2	225	2	130
San Francisco	30	8	38	16	1,101	3	78

* Attendance at 2 not reported
\# Number not indicated

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Federal Reserve Bank of St. Louis

X-9893

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

May 20, 1937.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

Dear Sir:

Reference is made to my letter of December 31, 1936 (X-9777), with which was transmitted a copy of a resolution adopted by the Board of Governors of the Federal Reserve System, levying an assessment upon the various Federal reserve banks to defray the estimated general expenses of the Board for the period January 1 to June 30, 1937, together with approximately $1,424,000 to be applied upon the cost of the erection of a building for the Board of Governors, and to my letter of February 7, 1937 (X-9811), requesting payment of 53% of the building assessment.

It has been decided to transfer to the Federal Reserve Bank of Richmond on May 28, 1937, the remaining unpaid portion of the assessment, and you are requested, therefore, to credit the Federal Reserve Bank of Richmond on May 28, 1937, with the unpaid 47% of the assessment, in your daily statement of credits through the Interdistrict Settlement Fund for credit to the account of the Board of Governors of the Federal Reserve System - Building Account, with telegraphic advice of the purpose and amount of the credit.

Very truly yours,

O. E. Foulk,
Fiscal Agent.

TO PRESIDENTS OF ALL

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Federal Reserve Bank of St. Louis

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X-9894

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 21, 1937.

SUBJECT: Code Words Covering New Issues of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code words have been designated to cover new issues of Treasury Bills:

"NOZDIZ" - Treasury Bills to be dated May 26, 1937, and to mature September 18, 1937.

"NOZDOF" - Treasury Bills to be dated May 26, 1937, and to mature February 23, 1938.

These words should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOZDEL" on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO PRESIDENTS OF ALL F. R. BANKS

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Federal Reserve Bank of St. Louis

X-9895

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 24, 1937.

Dear Sir:

The Board's letter of August 18, 1936 (X-9673) stated, among other things, that X-letters which do not contain rulings or interpretations would not be affected by the new procedure outlined therein but would continue in each case to bear only an X-number as in the past. It also stated that thereafter X-numbers would be applied only to communications sent to all Federal reserve banks so that the numbers on such communications would run consecutively in all cases.

Recently, in reviewing material to which X-numbers have been assigned, it was noted that many routine items were being designated by the "X" symbol and investigation disclosed that during the past two years approximately forty-five per cent of the items assigned X-numbers were of a routine character. It seems desirable, therefore, in the future, to segregate all circular communications sent to all Federal reserve banks into two classifications, one containing rulings, interpretations and instructions and the other including all routine items. To this end it has been suggested that the "X" series of numbers be discontinued as of the close of May 31, 1937 and be superseded by two new series of numbers which shall be known as the "S" and "R" series respectively. The Board has approved this proposal, and beginning June 1, 1937 (1) S-numbers will be assigned to all mimeographed communications sent to all Federal reserve banks which contain rulings and interpretations of the statutes and the Board's regulations, and instructions relating to policy or administrative matters; and (2) R-numbers will be assigned to all routine mimeographed matters, statements, press releases, etc. sent to all Federal reserve banks.

As a general rule it will be the intention to limit items to which S-numbers will be assigned to those which may be literally classified as rulings, interpretations or instructions, but it will be necessary to exercise some discretion as to whether "instructions" are of a sufficiently general character or of such a continuing nature that they should be preserved by the Federal reserve banks and possibly indexed and digested for their future guidance. In other words, letters containing instructions which are limited to short

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periods of time or to compliance with a single request for information or reports would not represent the type of instructions which it is proposed would fall within the "S" classification and, therefore, such items will be given R-numbers. In addition, items such as those listed below which have heretofore been assigned X-numbers will, beginning June 1, 1937, be classified as routine matters and assigned R-numbers.

1. All statements for the press (including National Summary of Business Conditions)

2. Letters designating code words to cover new issues of Treasury bills

3. Letters listing holidays to be observed by the reserve banks and branches during the ensuing month

4. Letters to all Chairmen levying assessments on the reserve banks for expenses of Board

5. Letters reporting on expenses of main lines of leased wire system for preceding month

6. Letters transmitting statement of Bureau of Engraving and Printing covering cost of preparing Federal reserve notes for preceding month

7. Letters advising of changes in interdistrict time schedule

8. Letters transmitting copies of auditor's certificate in connection with periodical audits of Board's accounts

9. Letters transmitting summary of monthly reports received regarding bank and public relations activities of the reserve banks

10. Any other mimeographed communications sent to all Federal reserve banks which may be regarded as purely routine, such as, letters requesting specific information, letters of transmittal, etc.

Certain other items sent to the Federal reserve banks in the past bearing designations prefixed by "B", "Exam" or other division symbols will in the future be given S- or R-numbers, although S- or R-letters may occasionally transmit inclosures bearing symbols used by the various divisions of the Board. These symbols are as follows: "Z" - Office of the Secretary; "L" - Office of General Counsel; "B" - Division of Bank Operations; "Exam" - Division of Examinations; "R&S" -

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Division of Research and Statistics; and "SL" - Division of Security Loans. However, the "S" and "R" series will be confined strictly to mimeographed material sent to all Federal reserve banks and the numbers in each classification will run consecutively, therefore each bank should have no difficulty in checking the completeness of its files of such items.

The Board has also approved the discontinuance, beginning June 1, 1937, of the series of numbers heretofore assigned to so-called "trans wires", and thereafter routine telegrams sent simultaneously to all Federal reserve banks will not bear any distinguishing symbol or number. However, all telegrams containing rulings, interpretations or instructions sent to all Federal reserve banks will be assigned S-numbers at the time they are dispatched. The transmission of the S-number will have no significance other than to put the Federal reserve bank on notice that the particular telegram has been dispatched to all of the other Federal reserve banks and to indicate that in due course a mimeographed copy of the wire will be forthcoming for the completion of its file of "S" communications. Under the present procedure it has been customary to send out mimeographed copies of telegrams bearing an appropriate X-number in all cases where rulings or interpretations are involved. The proposed method of handling S-telegrams is in reality a continuation of the existing procedure which is being modified only to the extent of eliminating trans numbers and substituting the proper S-number at the time the wire is dispatched, rather than indicating it only on the mimeographed copy of the wire. Since no good purpose would be served by distributing to the Federal reserve banks mimeographed copies of routine telegrams, the revised procedure contemplates, as indicated above, that R-numbers will not be assigned to routine telegrams.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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Federal Reserve Bank of St. Louis

X-9896

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO THE BOARD

May 25, 1937.

SUBJECT: Holidays During June, 1937.

Dear Sir:

The Board of Governors of the Federal Reserve System is advised that the following holidays will be observed by Federal reserve banks and branches during the month of June:

Thursday, June 3	Richmond	Louisville Memphis	Confederate Memorial Day and Jefferson Davis' Birthday
	Atlanta Birmingham Jacksonville Nashville New Orleans	Dallas El Paso Houston San Antonio	
Monday, June 14	Philadelphia		Flag Day
Thursday, June 17	Boston		Bunker Hill Day

On the dates given the offices mentioned will not participate in either the transit or the Federal reserve note clearing through the Inter-district Settlement Fund. Please include transit clearing credits for the offices affected on each of the holidays with your credits for the following business day. No debits covering Federal reserve note shipments for account of the head offices concerned should be included in your note clearings of June 3, 14 and 17.

Please notify branches.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO ALL PRESIDENTS

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in morning papers,
Thursday, May 27, 1937

The following summary of general business and financial conditions in the United States, based upon statistics for April and the first three weeks of May, will appear in the June issue of the Federal Reserve Bulletin and in the monthly reviews of the Federal Reserve banks.

Industrial activity in April and the first half of May was maintained at the relatively high level of recent months. The general level of wholesale commodity prices declined somewhat, reflecting considerable reductions in prices of many raw materials and semi-finished products.

Production, employment, and trade

The Board's seasonally adjusted index of industrial production in April continued at 118 percent of the 1923-1925 average. Manufacturing production rose further, reflecting increased output of durable goods. Activity at steel mills was at a rate slightly higher than in March and about equal to that in the peak month of 1929. Automobile production continued to expand. In the first three weeks of May output in these industries was maintained at the levels reached at the close of April. Increases in output in April were also reported for lumber and plate glass. At textile mills where output has been at a high level in recent months there was a slight reduction in activity.

At bituminous coal mines output declined sharply following an increase in March, when consumers accumulated stocks of coal in anticipation of a

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strike. Crude petroleum output, which had risen sharply from November to March, showed further growth in April. Production of most metals also increased.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, increased more than seasonally from March to April and continued higher than a year ago, reflecting, as in earlier months of the year, a larger volume of residential building and of other privately-financed work. Contracts awarded for publicly-financed construction have been considerably smaller in the first four months of this year than in the corresponding period of 1936.

Employment rose further between the middle of March and the middle of April. There was a considerable growth in the number of persons employed in manufacturing and on the railroads, little change in those employed in the public utility industries and in trade, and a decline at bituminous coal mines. At factories the principal increases in employment were reported by the steel, machinery, and automobile industries, while the number employed in the clothing industry declined. Working forces at textile mills were maintained, although a decrease is usual at this season. Factory payrolls increased more than employment, reflecting chiefly further increases in wage rates.

In April sales at department stores showed little change and mail order sales were also maintained at the March level, while sales at variety stores declined.

Commodity prices

The general level of wholesale commodity prices, as measured by the

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index of the Bureau of Labor Statistics, declined from 88.3 percent of the 1926 average at the beginning of April to 86.9 in the middle of May. Prices of nonferrous metals, steel scrap, cotton, and rubber declined considerably and there were also decreases in the prices of grains, cotton goods, silk, hides, and chemicals, while prices of shoes and clothing showed further small advances. Since the middle of May prices of hogs and pork have advanced sharply and grain prices have also risen.

Bank credit

Following upon the final increase in reserve requirements, which became effective on May 1, excess reserves of member banks declined from $1,600,000,000 to about $900,000,000, and in the first three weeks of May fluctuated around the new level. Adjustments by banks to the new requirements were reflected in a decrease in interbank balances and in a small increase in borrowings. The Federal Reserve System in April purchased $96,000,000 of United States Government securities, for the purpose of easing the adjustment to the new requirements and preserving orderly conditions in the money market.

Total loans and investments of reporting member banks showed a small decline from the middle of April through May 19. Holdings of United States Government obligations and other securities showed some decline, which was offset in part by increases in loans.

While domestic interbank and United States Government deposits declined further, balances of foreign banks and other demand and time deposits at reporting member banks increased.

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Money rates

The open-market rate on 90-day bankers' acceptances, which between January and the latter part of March had advanced from 3/16 to 9/16 percent, was reduced to 1/2 percent on May 7, and the rate on nine-months Treasury bills declined to .62 percent on May 24 compared with a high point of .74 percent on May 3. Other short-term rates have shown little change in recent weeks. Yields on long-term Treasury and other high-grade bonds have declined somewhat.

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X-9898

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 27, 1937.

SUBJECT: Code Words Covering New Issues of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code words have been designated to cover new issues of Treasury Bills:

"NOZDUK" - Treasury Bills to be dated June 2, 1937, and to mature September 18, 1937.

"NOZDYV" - Treasury Bills to be dated June 2, 1937, and to mature March 2, 1938.

These words should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOZDOF" on page 172.

Very truly yours,

J. C. Noell
Assistant Secretary.

TO PRESIDENTS OF ALL F. R. BANKS

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Federal Reserve Bank of St. Louis

X-9899

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For immediate release May 28, 1937.

The Board of Governors of the Federal Reserve System today announced the designation of Mr. W. H. Kettig of Birmingham, Alabama, as Chairman and Federal Reserve Agent at the Federal Reserve Bank of Atlanta for the remainder of the current year. The Board also announced the following appointments:

FEDERAL RESERVE BANK OF NEW YORK
Buffalo branch of the Federal Reserve Bank of New York
BRANCH DIRECTOR:
For unexpired portion of term ending Dec. 31, 1939: Mr. Gilbert Prole of Batavia, New York

FEDERAL RESERVE BANK OF ATLANTA
Birmingham branch of the Federal Reserve Bank of Atlanta
BRANCH DIRECTOR:
For unexpired portion of term ending Dec. 31, 1939: Mr. Howard Gray of Huntsville, Alabama
New Orleans branch of the Federal Reserve Bank of Atlanta
BRANCH DIRECTOR:
For unexpired portion of term ending Dec. 31, 1938: Mr. Alexander Fitzhugh of Vicksburg, Mississippi

FEDERAL RESERVE BANK OF CHICAGO
Detroit branch of the Federal Reserve Bank of Chicago
BRANCH DIRECTOR:
For unexpired portion of term ending Dec. 31, 1938: Mr. L. Whitney Watkins of Manchester, Michigan

FEDERAL RESERVE BANK OF ST. LOUIS
Memphis branch of the Federal Reserve Bank of St. Louis
BRANCH DIRECTOR:
For unexpired portion of term ending Dec. 31, 1937: Mr. Oscar Johnston of Scott, Mississippi

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-1

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 3, 1937.

Dear Sir:

The Board's letter of June 26, 1936 (X-9632) designated the code word "BROKISH" effective July 1, 1936, for use in telegrams sent by the Commissioner of Accounts and Deposits, Treasury Department, to the Federal reserve banks, covering authorization to hold for a temporary period collateral as security for deposits made with general and limited depositaries of public moneys.

In order to further reduce the phraseology of these telegrams the code word "BROKISH" is cancelled and the following code words substituted therefor, effective June 10, 1937.

"BROKLAW". You are hereby authorized to accept the following collateral tendered by the bank named as security for Government deposits under the terms of Treasury Circular 176. This collateral should be held for the account of the Secretary of the Treasury, subject to the order of the Commissioner or Assistant Commissioner of Accounts and Deposits or the Chief, or Assistant Chief, Division of Deposits. (Followed by description of collateral and name of bank.)

"BROKMEN". You are hereby authorized to release to the bank named the collateral described below now held as security for Government deposits under the terms of Treasury Circular 176. (Followed by description of collateral and name of bank.)

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"BROKOLI". You are hereby authorized to make the following substitution in the collateral, held as security for Government deposits under the terms of Treasury Circular 176 for the account of the bank named. This collateral should be held for the account of the Secretary of the Treasury, subject to the order of the Commissioner or Assistant Commissioner of Accounts and Deposits or the Chief, or Assistant Chief, Division of Deposits. (Followed by description of collateral to be released and the collateral accepted in addition to the name of the bank.)

These code words should be inserted in the Federal Reserve Telegraph Code Book following the code word "BROKENLY" on page 36.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

R-2.
June 3, 1937.

Dear Sir:

Referring to the Board's letter B-1186 of January 5, 1937, following is a statement of changes during May in the list of nonmember banks that have filed agreements with the Board pursuant to the provisions of Section 8(a) of the Securities Exchange Act of 1934:

Additions

Kentucky
Dayton — State Bank

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

TO ALL FEDERAL RESERVE AGENTS

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Federal Reserve Bank of St. Louis

R-3

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For immediate release June 3, 1937.

The Board of Governors of the Federal Reserve System today announced the appointment of Mr. F. H. Neely of Atlanta, Georgia, as Deputy Chairman of the board of directors of the Federal Reserve Bank of Atlanta for the remainder of the current year. The Board also announced the following appointment:

FEDERAL RESERVE BANK OF ST. LOUIS
Memphis branch of the Federal Reserve Bank of St. Louis
BRANCH DIRECTOR:
For unexpired portion of term ending Dec. 31, 1939: Mr. Douglas W. Brooks of Memphis, Tennessee

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-4

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 4, 1937.

SUBJECT: Code Word Covering New Issue of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code word has been designated to cover a new issue of Treasury Bills:

"NOZEAG" - Treasury Bills to be dated June 9, 1937, and to mature March 9, 1938.

This word should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOZDYV" on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO PRESIDENTS OF ALL F. R. BANKS

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Federal Reserve Bank of St. Louis

R-5

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 7, 1937.

SUBJECT: Code Words Covering Federal Farm Loan and Home Owners Loan Corporation Bonds.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code words have been designated to cover Home Owners Loan Corporation and Consolidated Federal Farm Loan bonds:

"NOWCOVE" - Consolidated Federal Farm Loan 3% Bonds due July 1, 1945-55.

"NOWCUB" - Home Owners Loan Corporation 3% Bonds, A-1952, due May 1, 1952.

"NOWDAF" - Home Owners Loan Corporation 2¼% Bonds G-1944, due July 1, 1944.

These words should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOWCOT" on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO PRESIDENTS OF ALL F. R. BANKS

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Federal Reserve Bank of St. Louis

R-6

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 8, 1937.

Dear Sir:

There are enclosed herewith copies of statement rendered by the Bureau of Engraving and Printing, covering the cost of preparing Federal reserve notes for the month of May, 1937.

Very truly yours,

O. E. Foulk

O. E. Foulk,
Fiscal Agent.

Enclosure.

TO PRESIDENTS OF ALL F. R. BANKS.

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R-6-a

Statement of Bureau of Engraving and Printing
for furnishing Federal Reserve Notes,
May 3 to 28, 1937.

Federal Reserve Notes, Series 1934

	$5	$10	$20	Total Sheets	Amount
Boston,.....	-	56,000	-	56,000	$ 5,236.00
New York,.....	-	250,000	59,000	309,000	28,891.50
Cleveland,....	-	-	30,000	30,000	2,805.00
Richmond,.....	-	-	28,000	28,000	2,618.00
Chicago,.....	-	213,000	-	213,000	19,915.50
St. Louis,....	-	40,000	-	40,000	3,740.00
Dallas	100,000	34,000	-	134,000	12,529.00
San Francisco,	56,000	100,000	-	156,000	14,586.00
	156,000	693,000	117,000	966,000	$90,321.00

966,000 sheets, @ $93.50 per M,.....$90,321.00

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-7

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 8, 1937.

SUBJECT: Code Words Covering New Issues of Treasury Notes.

Dear Sir:

In connection with telegraphic transactions between Federal reserve banks covering Government securities, the following code words have been designated to cover new issues of Treasury Notes:

"NOWLAUGH" - 1-3/8% Treasury Notes, Series D-1939, to be dated June 15, 1937, and to mature September 15, 1939.

"NOWLED" - 1-3/4% Treasury Notes, Series A-1942, to be dated June 15, 1937, and to mature March 15, 1942.

These code words should be inserted in the Federal Reserve Telegraph Code book, on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO PRESIDENTS OF ALL F. R. BANKS

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-8

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 9, 1937

Dear Sir:

Referring to our letter of May 7, 1937 (B-1215), there are being forwarded to your bank copies of the revised Form E for use during 1937.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

TO ALL PRESIDENTS

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-9

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 10, 1937.

Dear Sir:

For use in preparing the July 1, 1937 issue of the "Federal Reserve Inter-District Collection System" (Par List), please mail to the Board on June 28 a copy of the January 1, 1937 issue with changes for your district up to that time indicated therein covering the Par List, the list of State bank members, and the list of nonmember clearing banks, and on July 2 please wire additional changes, if any, to July 1.

It will be appreciated if you will follow the same procedure in connection with future issues of the Par List, that is, two days before the last business day of June and December please mail to the Board a copy of the latest semi-annual issue of the Par List with the necessary changes indicated therein, and on July 2 and January 2, please wire additional changes, if any, to July 1 and January 1, respectively.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

TO ALL PRESIDENTS

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-10

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 11, 1937

Dear Sir:

An "R" number was inadvertently assigned to our letter of June 10 with respect to the printing of the semi-annual "Federal Reserve Interdistrict Collection System" (Par List).

Please destroy that letter (R-9) and substitute in its place the attached letter S-2.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-11

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 11, 1937

SUBJECT: Earnings and Dividends Reports of
State Bank Members, Form 107.

Dear Sir:

There have been forwarded to you today under separate cover copies of Form 107 to be used by State bank members in submitting their reports of earnings and dividends for the six months ending June 30, 1937. The form is identical with the one that was used in submitting reports for the semi-annual period ended December 31, 1936.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-12

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 12, 1937.

Dear Sir:

There is attached a copy of the report of expenses of the main lines of the Federal Reserve Leased Wire System for the month of May, 1937.

Please credit the amount payable by your bank to the Board, as shown in the last column of the statement, to the Federal Reserve Bank of Richmond in your daily statement of credits through the Inter-District Settlement Fund for the account of the Board of Governors of the Federal Reserve System, and advise the Federal Reserve Bank of Richmond by wire the amount and purpose of the credit.

Very truly yours,

O E Foulk

O. E. Foulk,
Fiscal Agent.

Inclosure.

TO PRESIDENTS OF ALL F. R. BANKS EXCEPT RICHMOND

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REPORT OF EXPENSES OF MAIN LINES OF FEDERAL RESERVE LEASED WIRE SYSTEM FOR THE MONTH OF MAY, 1937.

Federal Reserve Bank	Number of words sent	Words sent by N. Y. chargeable to other F. R. Banks	Total words chargeable	Personal services(1)	Wire rental	Total expenses	Pro rata share of total expenses(2)	Credits	Payable to Board of Governors
Boston	39,534	1,833	41,367	$ 251.45	$ --	$ 251.45	$ 652.15	$ 251.45	$ 400.70
New York	149,211	--	149,211	1,133.65	--	1,133.65	2,352.30	1,133.65	1,218.65
Philadelphia	33,813	1,826	35,639	236.39	--	236.39	561.85	236.39	325.46
Cleveland	55,202	1,840	57,042	324.53	--	324.53	899.26	324.53	574.73
Richmond	64,083	1,828	65,911	195.46	--	195.46	1,039.08	195.46	843.62
Atlanta	68,428	1,799	70,227	275.73	--	275.73	1,107.12	275.73	831.39
Chicago	92,902	2,215	95,117	1,102.93	--	1,102.93	1,439.51	1,102.93	336.58
St. Louis	86,104	1,790	87,894	184.84	--	184.84	1,385.64	184.84	1,200.80
Minneapolis	27,717	1,784	29,501	135.55	--	135.55	465.08	135.55	329.53
Kansas City	67,391	1,806	69,197	259.03	--	259.03	1,090.88	259.03	831.85
Dallas	60,609	1,801	62,410	267.55	--	267.55	983.89	267.55	716.34
San Francisco	90,677	1,812	92,489	411.74	--	411.74	1,458.08	411.74	1,046.34
Board of Governors	504,985	--	504,985	2,261.59	14,415.44	16,677.03	7,961.04	16,677.03	--
Total	1,340,656	20,334	1,360,990	$7,040.44	$14,415.44	$21,455.88	$21,455.88	$21,455.88	$8,715.99

(1) Includes salaries of main line operators and of clerical help engaged in work on main line business, such as counting the number of words in messages; also, overtime and supper money and Retirement System contributions at the current service rate.

(2) Based on cost per word ($.015764906) for business handled during the month.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-13

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 12, 1937.

SUBJECT: Code Word Covering New Issue of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code word has been designated to cover a new issue of Treasury Bills:

"NOZEDS" - Treasury Bills to be dated June 16, 1937, and to mature March 16, 1938.

This word should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOZEAG" on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO PRESIDENTS OF ALL F. R. BANKS

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-14

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 15, 1937.

Dear Sir:

There are inclosed copies of page 30, as revised, of the Board's Manual of Instructions Governing the Preparation of Earnings and Expense Reports and Profit and Loss Statements of the Federal Reserve Banks.

You will note that the last two paragraphs under "A" have been revised. Changes made are to conform with revised instructions of the Farm Credit Administration, issued in its letter of November 6, 1935, to the Federal Reserve banks, regarding expenses of handling and shipping Federal land bank and Federal farm loan bonds, and of the Treasury Department, to which your attention was called in the Board's letter of June 1, 1937 (S-1), regarding the cost of certain telegrams.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Inclosures.

TO ALL PRESIDENTS.

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 15, 1937.

SUBJECT: Holidays During July, 1937.

Dear Sir:

On Monday, July 5, the offices of the Board of Governors of the Federal Reserve System and all Federal reserve banks and branches will be closed in observance of Independence Day, which falls on Sunday.

The Board has been advised that holidays also will be observed during July by the following Federal reserve banks and branches:

Tuesday, July 13	Nashville Memphis	Birthday of General Bedford Forrest
Saturday, July 24	Salt Lake City	Pioneer Day

On the dates given the offices mentioned will not participate in either the transit or the Federal reserve note clearing through the Inter-district Settlement Fund. Please include transit clearing credits for the offices affected on each of the holidays with your credits for the following business day.

Please notify branches.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO ALL PRESIDENTS

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-16

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 17, 1937.

SUBJECT: Call Reports of State Bank Members and their Affiliates.

Dear Sir:

There have been forwarded to you today under separate cover the indicated number of copies of the seven forms attached hereto, for the use of State bank members and their affiliates in submitting reports as of the next call date:

Number of copies	Form
	Form 105, Report of condition of State bank member.
	Form 105b (Schedule "O"), Loans and advances to affiliates and investments in and loans secured by obligations of affiliates.
	Form 105e, Publisher's copy of report of condition of State bank member.
	Form 105g, Alternate Schedule E, Loans and Discounts.
	Form 220, Report of affiliate or holding company affiliate.
	Form 220a, Publisher's copy of report of affiliate or holding company affiliate.
	Form 220b, Instructions for preparation of reports of affiliates and holding company affiliates.

The only change made in the forms since the last call for reports is the addition of two memorandum items at the bottom of page 4 of Form 105. These items appeared on the form used on the June 30, 1936 call, and were reported on a supplementary form (105f) as of the

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December 31, 1936 call.

An alternative loan schedule (Form 105g) has been provided for the use of State bank members that submit weekly condition reports, Form B-21. The alternative schedule is consistent with the new loan classification recently adopted by the Board for the weekly condition reports, Form B-21, but it contains a number of sub-items which appear in Schedule E of Form 105. Please advise each weekly reporting State bank member that it may, at its option, fill out either the alternative loan schedule (Form 105g) or Schedule E appearing on page 3 of Form 105.

The same procedure should be followed as on the last call for condition reports in mailing blank forms to State bank members, examining the reports, and forwarding copies thereof to the Board.

Please have compiled from the next call reports and mailed (by air mail, if necessary, with an extra copy by ordinary mail) in time to reach the Board within 3 weeks after the date on which the call is made, if practicable, a summary statement showing separately for Central Reserve city member banks, reserve city member banks, and country member banks, the amount of (1) each class of loans and discounts as shown against Items 1 to 8 of Schedule E, (2) each class of United States Government obligations, direct and/or fully guaranteed, as shown against Items 1(a) to 2(c) of Schedule F, and (3) total other bonds, stocks and securities, as shown against Asset Item 4 (total of Schedule G). A separate summary statement should be furnished in accordance with Form 105g giving the classification of loans of the weekly reporting member banks that use the alternate loan schedule. The loan figures covering such banks should not be, but the investment figures should be, combined with the corresponding figures of other member banks in the district.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Inclosures.

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

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Federal Reserve Bank of St. Louis

R-17

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For immediate release June 17, 1937

The Board of Governors of the Federal Reserve System today announced the following appointments:

FEDERAL RESERVE BANK OF ATLANTA

CLASS "C" DIRECTOR:
For unexpired portion of term ending December 31, 1939:
Mr. J. F. Porter of Columbia, Tennessee

FEDERAL RESERVE BANK OF SAN FRANCISCO

Portland Branch of the Federal Reserve Bank of San Francisco

BRANCH DIRECTOR:
For unexpired portion of term ending December 31, 1937:
Mr. George T. Gerlinger of Portland, Oregon

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For immediate release June 17, 1937

Following his appointment as a class "C" director of the Federal Reserve Bank of Atlanta, Mr. J. F. Porter of Columbia, Tennessee, has tendered, and the Board of Governors of the Federal Reserve System has accepted, his resignation as a director of the Nashville branch of the Federal Reserve Bank of Atlanta.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-19

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 19, 1937.

SUBJECT: Code Word Covering New Issue of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code word has been designated to cover a new issue of Treasury Bills:

"NOZEMY" - Treasury Bills to be dated June 23, 1937, and to mature March 23, 1938.

This word should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOZEDS" on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO PRESIDENTS OF ALL F. R. BANKS

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-20

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 23, 1937.

Dear Sir:

There is attached a copy of a resolution adopted by the Board of Governors of the Federal Reserve System levying an assessment upon the various Federal reserve banks in an amount equal to three hundred and nineteen thousandths of one per cent (.00319) of the total paid-in capital stock and surplus (Section 7 and Section 13b) of the Federal reserve banks as of the close of business June 30, 1937, to defray the estimated expenses and salaries of the members and employees of the Board from July 1 to December 31, 1937, the estimated expenditures for furniture, equipment, furnishings, supplies, and expense of moving, in connection with the occupancy of the Board's new building, and the estimated cost of maintenance and operation of the building for the six months' period ending December 31, 1937.

The resolution also contains instructions with regard to the manner in which the payments on the assessment shall be deposited with the Federal Reserve Bank of Richmond.

Very truly yours,

O E Foulk

O. E. Foulk,
Fiscal Agent.

Inclosure.

TO CHAIRMEN OF ALL FEDERAL RESERVE BANKS.

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R-20-a

RESOLUTION LEVYING ASSESSMENT

WHEREAS, Section 10 of the Federal Reserve Act, as amended, contains the following provisions:

"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 such assessments may include amounts sufficient to provide for the acquisition by the Board in its own name of such site or building in the District of Columbia as in its judgment alone shall be necessary for the purpose of providing suitable and adequate quarters for the performance of its functions. After approving such plans, estimates, and specifications as it shall have caused to be prepared, the Board may, notwithstanding any other provision of law, cause to be constructed on the site so acquired by it a building suitable and adequate in its judgment for its purposes and proceed to take all such steps as it may deem necessary or appropriate in connection with the construction, equipment, and furnishing of such building. The Board may maintain, enlarge, or remodel any building so acquired or constructed and shall have sole control of such building and space therein.

" *

"The Board shall determine and prescribe the manner in which its obligations shall be incurred and its disbursements and expenses allowed and paid, and may leave on deposit in the Federal reserve banks the proceeds of assessments levied upon them to defray its estimated expenses and the salaries of its members and employees, * * * and funds derived from such assessments shall not be construed to be Government funds or appropriated moneys."

WHEREAS, it appears from a consideration of the estimated expenses of the Board of Governors of the Federal Reserve System for the six months' period beginning July 1, 1937, including expenditures for furniture, equipment, furnishings, supplies, and expense of moving, in connection with the occupancy of the Board's new building, and the cost of maintenance and operation of the building, that it is necessary that a fund equal to three hundred and nineteen thousandths of one per cent (.00319) of the total

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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 three hundred and nineteen thousandths of one per cent (.00319) of the total paid-in capital and surplus (Section 7 and Section 13b) of each such bank at the close of business June 30, 1937.

(2) Such assessment shall be paid by each Federal reserve bank in two equal installments on July 1, 1937, and September 1, 1937, respectively.

(3) Every Federal reserve bank except the Federal Reserve Bank of Richmond shall pay such assessment by transferring the amount thereof on the dates as above provided through the Inter-district 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.

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R-21

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For immediate release June 23, 1937.

The Board of Governors of the Federal Reserve System today announced the appointment of Mr. Henry G. Chalkley, Jr., of Lake Charles, Louisiana, as a director of the New Orleans branch of the Federal Reserve Bank of Atlanta for the unexpired portion of the term ending December 31, 1939.

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-22

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 24, 1937.

SUBJECT: Facilities Available at Reserve Banks for Purchasing Supplies at a Discount.

Dear Sir:

Recently the Washington representative of the Retailers National Council called at the Board's offices and stated that the National Retail Dry Goods Association had taken up with him a protest lodged with that association by an association of merchants in one of the Federal reserve bank cities. This representative stated that the purchasing agent of one of the Federal reserve banks buys various articles for the employees of the Federal reserve bank at substantial reductions below retail prices, and that the local merchants are protesting such action on the part of the purchasing agent. The Washington representative of the Retailers National Council did not voice any opposition to employees of the Reserve banks forming associations for the purpose of purchasing supplies at a discount, provided the supplies were not purchased through the bank's purchasing agent. The Washington representative stated that the association lodging the protest was informed that all Federal reserve banks had arrangements similar to the one complained of, and asked whether that were true.

For the information of the Board, it will be appreciated if you will advise whether arrangements exist whereby employees at your bank or branches, if any, may purchase merchandise at considerably less than retail prices, and, if so, how the arrangements were established; whether the purchases made for the account of employees are made direct by the employees themselves, upon proper credentials, or whether they are purchased for the account of the employees by one of their own representatives or by the purchasing agent of the bank; and whether the purchases are paid for direct by the employees themselves, by their own representatives, or by the bank and reimbursement obtained from the employees. The Board will also appreciate advice as to whether, in your opinion, employees of

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a Federal reserve bank should be allowed to make purchases of supplies through the bank's purchasing agent.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-23

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 24, 1937.

SUBJECT: Monthly Report of Bank and
Public Relations Activities.

Dear Sir:

There is inclosed for your information a summary of the bank relations reports submitted by the Federal reserve banks for the month of May in response to the Board's letter of August 25, 1936 (X-9680).

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Inclosure.

TO ALL PRESIDENTS

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R-23-a

June 21, 1937

TO The Board

SUBJECT: Summary of Bank Relations Reports.

FROM Mr. Hammond, Division of Bank Operations

Reports of bank relations as requested in the Board's letter of August 25, 1936 (X-9680) have been received for the month of May and excerpts therefrom will be found on the following pages. A table showing for all twelve banks the number of visits made, meetings attended, and addresses delivered has also been prepared and follows the quotations.

There are certain subjects which are mentioned recurringly and which stand out in perusal of the reports more prominently than the quotations on the following pages may indicate. Among these are the following:

Language of regulations. There is complaint by member bankers that regulations and instructions which they are supposed to follow are too hard to understand.

Reserve requirements. The increase in reserve requirements is a common subject of complaint.

Nationalization. There is a tendency to feel that membership by way of nationalization is preferable to state membership.

Production Credit Associations. Some bankers - particularly in the middle west - complain of the competitive lending activities of these associations; other bankers - particularly in the south - do not want the type of loan the associations made, and find no fault with their activities.

Exchange. Exchange as a source of income is more frequently and emphatically mentioned than any other one thing affecting membership.

Decline of small towns. Decline in the independent business activity in small towns is indicated to be an important factor affecting the business of banking; it is most explicitly mentioned by Richmond and Minneapolis. (These are districts where there is great dependence upon exchange charges.)

Excerpts from the reports follow: (The reports themselves are attached to the original hereof.)

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Boston

(The Boston report contains only statistical information as to visits to banks, meetings attended, and addresses made.)

New York

Albany and Schenectady Counties

In Albany the commercial banks are granting business and collateral loans with interest rates varying from 4½ per cent to 6 per cent and a few special loans have been made at rates of less than 4½ per cent. In Schenectady average rates are slightly higher and an effort has been made to maintain a 6 per cent interest rate whenever possible. In the smaller nearby communities the yield from loans is higher than in the larger centers. One bank in Albany reports a recent increase in demand for commercial loans somewhat more than the usual seasonal increase. In general, mortgage borrowers can obtain a 5 per cent interest rate in Albany if satisfactory amortization payments are arranged. In Schenectady the savings bank and the commercial banks have attempted to maintain a 6 per cent rate on mortgages.

Central New York

Farmers are generally said to be somewhat more comfortable financially although the severe drought of 1936 resulted in short crops of grapes and hay, and a May (1936) frost produced a disastrous effect throughout the fruit belt excepting orchards located near Lake Ontario. A number of orchardists, however, after finding their fruit ruined, turned to the production of vegetable crops (particularly red kidney beans) with considerable success; and vineyardists who combined other activities with their vineyards also came through comparatively well, since wool prices have been good and dairying as a rule has returned some profit in spite of the high price of feed. Vegetable growers for the most part are said to have very little to complain of, since muckland crops - being affected less by the drought - were good, and the prices received for products quite favorable. Prospects for a large crop of apples, cherries, peaches, pears, and grapes, for the 1937 season, are exceedingly bright at this time.

Officers of six member banks objected rather strongly to the present high reserve requirements, one or two expressing the belief that the lending power of their banks will be adversely affected as a result of the recent increases, and one saying that he did not feel that his institution owed the Federal Reserve Bank any thanks for its services in view of the excessive reserve balance it was now compelled to carry.

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New York continued

One non-member executive remarked that he was now chiefly concerned with paying off the remaining 25 per cent of the debentures sold to the Reconstruction Finance Corporation, after which he hoped it would be possible, in some way, to withdraw from the Federal Deposit Insurance Corporation.

New Jersey (Jersey City)

The president of a large savings bank in Jersey City stated that there were formerly 25,000 home owners in Jersey City, whereas at present there are only about 9,000 people who own their own homes, indicating that a large number of properties have been taken over by various mortgage lending institutions such as banks, insurance companies, building and loan associations, etc. He indicated that these various institutions stand ready to sell as soon as prices advance to the point where sales can be made without too great a sacrifice, that such a situation will tend to keep real estate depressed, and that there seems to be little light ahead for real estate in Jersey City. Several other bankers commented that building and loan associations were in an even worse plight then the banks. Their situations are such that it is practically impossible to sell new series of building and loan shares to investors, and without new shares keeping up the cycle of furnishing funds with which to make new loans, the building and loan associations will gradually go into liquidation.

Philadelphia

Reduction of the rate of interest paid depositors is receiving serious consideration from all but two of the county bankers' associations within the area visited and it is expected that during the next two months at least 50 per cent of the banks covered by this report will take action to adopt a rate of 2 per cent. Low earnings due to high securities' prices, poor credit demand and greater amounts of uninvested funds, rather than a necessity of absorbing losses from earnings is generally responsible for this desire to reduce the rate. The policy of keeping larger amounts uninvested was said to have been adopted because bankers generally seem to fear the coincidence of a demand for money at a time when bond prices are depressed.

Probably the most encouraging factor noted was that in many of the institutions visited it was reported that the credit demand was improving. This applies particularly to other than strictly agricultural communities. In that type of community the credit demand was said to be about normal.

It is frequently said that a regulation should be issued reducing further the maximum rates of interest. This statement usually is made

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Philadelphia continued

by member bankers; non-member bankers seldom state that similar action should be taken by the FDIC.

One of the most perplexing circumstances noted is the lack of interest in membership experienced among the non-member bankers. While few of them have anything other than commendation for the System, too few are willing to discuss membership seriously. There undoubtedly are many banks which need to have material corrections in their asset condition before they would be regarded as acceptable but there are other institutions which it is believed could meet membership requirements with little difficulty.

The executive vice president of a non-member institution, having total resources of $675,000, stated that membership had been given some consideration by the Board of Directors. However, when it was found that the provisions of the Banking Act of 1935 and the regulations of the Federal Reserve Board barred executive officers from borrowing more than $2,500 they lost interest, for they have two inactive vice presidents who, because of business needs, occasionally have direct and indirect obligations at the bank in excess of the permissible amount.

Cleveland

Generally speaking the attitude of non-member banks is friendly - in some instances it has been described as cordial - irrespective of the fact that membership in the System at the present time appears to be of not more than casual interest. In a few instances banks have expressed a desire to become members but are doubtful whether applications would be favorably considered at this time in view of the substantial amount of real estate loans being carried.

There has been some criticism of the increase in reserve requirements based upon a continuation of activity on the part of governmental lending agencies. It seems to have been understood by many banks that the government would withdraw from the lending field as bank credit expanded, and the comment is made that, now that bank credit is expanding, the brakes are applied through the medium of increased reserve. As reported in the past, however, this criticism comes mainly from small banks.

One officer of a large member bank expressed the opinion that check collection service of the Reserve bank should be brought up to date by the use of new facilities such as air mail. He regretted the apparent necessity for a large bank, such as his, to establish

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Cleveland continued

reciprocal relations with other banks throughout the country merely to expedite the collection of checks.

Richmond

The usual attitude prevails among small non-member banks with respect to membership, viz.: they have not sufficient capital structure, they have some cleaning up to do, they do not wish to be deprived of the revenue from exchange charges and they do not wish additional supervision; moreover quite a few express resentment against the FDIC.

In one small non-member bank, with a capital of $25,000 and deposits of $117,000, our representative reports that the management of the bank appeared to entertain the idea that the Federal Government is planning to obtain control of all banks in the country in some way or other, and further, the officers of the bank seem to feel that the visit of our representative was prompted by some ulterior motive having to do with a campaign to take over all banks. Our representative undertook to reassure the gentlemen with respect to the object of our visit but they appeared to feel so strongly that the independence of the small country bank is in jeopardy that no definite impression of our friendly interest in their affairs was made.

A certain bank in lower South Carolina was formerly a State bank member but withdrew some seven or eight years ago. It is not now technically eligible for membership since it operates an out-of-town branch and has not sufficient capital to qualify. The officials of this bank, while courteous to our representative, were extremely critical of the Federal Reserve System. During the time of membership we had the distinct impression that the bank had a policy of expanding its loans through the use of borrowed funds from the Federal Reserve Bank, not particularly as a seasonal operation but more or less regularly as a source of income.

In visiting the rural sections last month, our representatives were impressed by the fact, frequently discussed by us, that the development of highway systems has not only affected the local independent mercantile establishments but has to a like degree affected the smaller banks by the diversion of trade from the local community to a larger center. One of our representatives reported that in a community visited by him, there were at one time fifteen local business concerns but now there is only one independent concern and two chain stores. There are, of course, a number of reasons why the larger centers attract patronage from the small towns, and in the small communities it is generally recognized now that this type of business will not

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Richmond continued

again become localized. With respect to the local banks, the only replacement which they have for the loss of this business is the purchase of securities, and in this field very few of the smaller banks, member or non-member, are qualified to deal.

Our representatives report that banks in agricultural sections are not generally alarmed or resentful of competition from Federal lending agencies in the agricultural production field. Our banks visited seem to feel, generally speaking, that certain types of production loans, because of their maturities and unsatisfactory collateral, are not desirable bank assets, particularly during the present time. So while our banks just visited appear to have made and to be willing to make production local loans which are good credit risks, they do not mind if certain production loans are financed from other sources.

Atlanta

East Central Alabama

A few of the bankers complained of the activity on the part of the Production Credit Association, stating that those connected with the Association had gone out in the field and actively solicited loans. These bankers claim that a large number of loans have been made by the Association that should have been made by the banks. However, a majority of the bankers in this territory state that the activity of the governmental loan agencies has not been hurtful to their business, but on the contrary, the agencies have made loans that were not acceptable to the banks.

Middle Tennessee

The attitude of the banks toward the Federal Reserve System appears to be very good, the non-member banks giving as their reasons for not joining the System lack of capital funds, loss of exchange charges on incoming cash letters, and their ability to obtain services similar to those offered by the Federal reserve bank from city correspondents. One member banker stated that he had no criticism of the Federal Reserve System except that, in his opinion, regulations promulgated by the Board are worded in language too technical for the average banker and that it would be a great help if the regulations could be simplified.

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Chicago

Reports generally indicate that loans are not increasing in the industrial centers. Following are some of the comments made by bankers interviewed:

Loans increasing, but not substantially.

Loans not increasing, but hope to make a few so-called "Intermediate loans" at 5-1/2 per cent, which would be classified as Capital loans.

Loans not increasing; disposed to keep funds uninvested rather than buy commercial paper at 3/4 of 1 per cent.

Loans increasing, due largely to installment paper buying.

Increase in loans during last three months has been in short-time commercial paper.

Loans increased somewhat, but net increase very small due to liquidation of loans previously made.

All of the banks in one manufacturing town report a decline in their loans since January 1, although loans are from 30 to 50 per cent higher than they were a year ago.

A number of banks in agricultural communities report a slight increase in loans.

Business usually reported good. One manufacturer stated that while he is now making money, if he were paying the present market price for raw material he would be operating at a loss and questions whether the industry will be able to pass on the increased cost of material to the consumer in the coming year. The State payroll and the industrial payroll combined have made merchants very prosperous. Three manufacturing towns report many new small houses are being constructed.

Bankers interviewed report that while it is early to discuss the outlook for crops, in most sections farmers are optimistic due to the unusual amount of rainfall. In several points in Iowa the statement was made that there is more moisture this year at this season than there has been for the past three years. Some reference was made to the scarcity of feeding cattle and the lack of stock growers due to the involved condition of many of the farmers who in previous years had not only raised a number of cattle but had been heavy purchasers of stock cattle at the market.

Some of the bankers interviewed expressed themselves as disturbed by the fluctuation in the Government bond market. One banker advised that the beneficiaries of trusts administered by him seriously object to any surplus money in the trusts being used to buy Government bonds at present. He stated that the majority seem to

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Chicago continued

favor keeping the money in cash.

The following questions were frequently asked:

Will the Federal Open Market Committee continue to buy bonds to support the market?

Will the Federal Open Market Committee sell bonds from time to time?

What is the outlook for future prices on long-term corporate bonds?

St. Louis

Many favorable comments were made regarding the use of Federal Reserve bank non-cash collection facilities, especially the direct sending privilege.

The officer of one member questioned the advisability of the increase in reserve requirements, largely because it necessitated withdrawing balances from correspondents which resulted in notification that present balances would not warrant free service.

The only adverse comment made by another banker was in connection with the number of reports that must be compiled and forwarded to the Reserve bank.

During the past year one member has diverted most of its cash items to correspondent banks because of their willingness to accept all classes of items, including coupons, over one total, and this eliminates some clerical work. However, items for large amounts are still forwarded to the Reserve bank for collection because Federal Reserve bank service is superior to that rendered by commercial correspondents.

As the result of suggestions made by officers of its correspondent (a national bank), another member has discontinued the use of the Federal Reserve bank check collection facility entirely and the use of the non-cash collection service has been restricted to maturing coupons. The president stated that under existing arrangements the bank receives immediate credit for all items, both cash and non-cash, and that because of the saving effected in bookkeeping it was thought advisable to accept the proposition. He stated, however, that the change was not in any way due to dissatisfaction with Federal Reserve bank service, and that if the present arrangement is changed or terminated, the bank will again send its items to the Reserve bank.

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Minneapolis

Eastern and Northeastern South Dakota

Because of the very substantial decline in deposits during the five to ten year less-than-normal crop production period, 1927-1936, earnings of banks in this territory from loans and investments have decreased materially from the 1920-1930 level. Most of the non-member banks have inaugurated a schedule of exchange charges which together with checking account and float charges and adequate fees for services performed for the customer, produce enough income to pay expenses, provide for losses, and in a majority of cases, permit the payment of at least an occasional dividend. At least two of our State member banks and one National bank visited have made detailed studies of the amount of income they cannot obtain because of "par collection". Mr. _____ of _____ has determined that Federal Reserve membership costs his bank $1,500 per year and in addition has indirectly resulted in complaints from some of his customers. In order to "come out even" he is forced to collect his standard float charge plus the non-par bank's exchange charge when cashing or accepting checks for deposit. He is not contemplating immediate withdrawal, but said that if earnings continued as low as they have been in recent years, his bank "cannot stand a $1,500 loss forever". Mr. _____ at _____ said that membership cost his bank $2,500 per year based on exchange income during the 18 months it was on the non-par list in 1932-33 and it was his opinion that the velocity of deposits was now far above the 1932-33 level. Mr. _____ at _____ is seriously considering conversion to a State bank in order to obtain exchange income, now that he no longer needs to rediscount. His first question was, "What can the Federal Reserve System recommend as a solution to our problem of insufficient earnings--conversion?"

Two bankers evidenced some concern in regard to the continued purchase of gold at $35 per ounce. Mr. _____ of _____ wanted to know how long we were going to purchase all offerings at that price and Mr. _____ of _____ inquired as to what use we were going to make of it now that we had it. He felt that it is just as poor business for the government to pay interest on money borrowed to buy something it did not need nor want as it is for an individual.

It seems to be the general opinion that farmers will not be able to pay their accumulation of debt with the proceeds of less than 3 or 4 average crops. If 3 crops are obtained consecutively, most bankers feel that the farmers will again have enough equity in their chattels and real estate so that it would be safe to do business with them again.

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Minneapolis continued

PCA's seem to give little competition to banks located 20-25 or more miles away from their headquarters but are a decided "thorn in the flesh" of bankers located nearby. The PCA's do not take over all loans, of course, but when it is conveniently located, farmers threaten to change over and often do change over unless the banker makes concessions of one kind or another. Furthermore, the relations between PCA officers and bankers are not pleasant. However, the PCA's have not engaged in farm-to-farm canvasses for loans as has been reported in other sections. When the PCA office is 25 or more miles away, farmers apparently prefer to pay 8 percent (plus a small inspection fee if necessary) than to pay 5 per cent plus more inspection fees and go through all the red tape that is necessary whenever even a slight change is made in the collateral. Mr. _____ at _____ helps to create their preference for local borrowing by refusing even small temporary cash advances to farmers whose principal loan is with the PCA.

Bankers freely admit that payments by Relief Agencies, the AAA, Resettlement Administration and Soil Conservation have kept the non-county seat towns alive since 1933, but wonder whether it has been worth the price. With good roads and autos there is now little need for a town in every township and it might eliminate much economic waste if they "folded up".

Western North Dakota

In several towns National banks have been converted into State banks and this has resulted in additional revenue of approximately $3,000 per year to these institutions from exchange. One National bank, which converted into a State bank, did not take out deposit insurance and the official of the institution said that no decline in business had been noticed; on the contrary, deposits had been increased materially.

Kansas City

Banks in this District are taking aggressive action in a variety of matters that have a bearing on bank earning power. One of these has to do with the competition of governmental lending agencies such as the Production Credit Corporation. Bankers are concerned with the lack of earning assets, and they feel that the competition of governmental lending agencies is a very important cause of this unsatisfactory condition. The postal savings system is another publicly subsidized

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Kansas City continued

agency that is coming in for much criticism. There is widespread demand that postal savings be done away with, and especially that the rate of interest being paid on postal savings deposits be reduced or eliminated.

There is also a growing realization that earning power must be buttressed by an adequate system of service charges. Not only must such a system be adequate but it should be uniform among banks. There is much activity among individual bankers, group meetings, and State associations in regard to service charges.

This problem of the lack of earning assets is also having a bearing on the par collection of checks. More than half of the State banks in Nebraska are off the par list. These nonpar banks tend to be the small banks located in small towns. There are influential State bankers in that State who are sympathetic to exchange charges and the widespread lack of earning power is the greatest potential danger to the par collection system.

Finally, the precarious earning position of the small unit bank is an important factor in the present active opposition to branch bank proposals now before Congress. The small unit bank has always feared the competition of a system of branch banks, but under present earning conditions the threat of this competition is especially disturbing.

The subject uppermost in the minds of bankers visited in May is the farm prospect. This is only natural as many banks are located in communities that have not had a crop for years. Bankers report that as many as a third of the farmers in these drought regions are receiving public relief.

The fact that April was one of the driest Aprils on record in many parts of the Tenth District undoubtedly explains the anxiety of bankers in May, which month represents the beginning of the growing season in most sections. Opportune rains in early May tided over a critical situation in many parts of the District, but western Kansas and adjacent regions where wheat is the great cash crop received no relief until the very end of the month. Preponderant opinion is that irreparable damage has been done to western Kansas wheat. Much the same situation obtains in western Nebraska and parts of Wyoming. The situation is particularly acute in northwest Nebraska where some cattle have already been moved to other sections and unless moisture is soon received many other herds will have to find other locations or be marketed.

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Kansas City continued

A highly critical situation exists in eastern Nebraska. In this region the subsoil is bone dry, yet opportune light rains have kept the surface sufficiently moist to keep growing crops in fine shape. Should it now turn hot and dry as it did in 1934 and 1936, an acute farm situation would develop almost over night.

Contacts with bankers during the month brought to light the fact that there is still a good deal of grumbling regarding the increase in reserve requirements that has recently gone into effect; but, at the same time, there seemed to be little or no difficulty in meeting the new requirement. The average banker in rural communities fails to see the need for the increase, and since he realizes it may in the future place limits on his ability to make loans, he naturally is skeptical.

Dallas

The president of a State member bank (deposits $100,000) said the increased reserve requirements would necessitate rediscounting more of his paper with us than he had expected to. He quoted another member banker as saying that it would be necessary to collect some choice cattle loans in order to meet the increase. The vice president of another State member bank (deposits $335,000) mildly criticised the higher reserve requirements, facetiously remarking that it looked like the increase was merely a device to permit the System to buy more Government securities at a higher yield. The opinion prevails generally in the Texas Panhandle that the increase came at an unfortunate time for the banks in this section, whose deposits and cash resources have been depleted by a series of crop failures.

Some concern was expressed by a few banks regarding the competitive activities of Production Credit Associations. Both of the two non-member banks visited were members of the System some years ago. One expressed objections to the numerous reports required of member banks. The other intimated that its failure to seek readmission is due to its unwillingness to have its deposits insured, the bank having had quite a costly experience in connection with the disastrous losses of the old Texas Guaranty Fund System.

West Texas

Most of the member banks visited commented on the increased reserve requirements in connection with the possibility of the enactment of the Patman Act. While they seemed to believe that increasing the

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Dallas continued

reserves is a proper course at this time, they felt that it might be a step toward more complete Government control. Apparently they hold the opinion that Government ownership of the Federal Reserve System would mean the end of small, independent banks, or at least a serious handicap to them, whether members or non-members.

South Texas

A majority of member banks commented upon the confusing effect of the numerous new laws and regulations affecting member banks, and expressed the view that the increase in reserve requirements, although sound in principle, was not made with proper regard for its burdensome effects upon country banks.

A significant fact developed by the visits to seven non-member banks was that in nearly every case the interviewed institution indicated that if it ever became a member of the System it would prefer to do so by nationalizing. Apparently there has recently developed a growing belief among non-member banks that a national charter clothes a country bank with a somewhat greater degree of prestige than does membership in the System under a State charter. In fact, several of the non-members in this area told our representative that they expect to give serious consideration to nationalizing in the event the Texas Legislature fails to enact pending legislation looking to the termination of the double liability of State bank shareholders.

San Francisco

California (Alameda and San Diego Counties)

The non-member banks visited were very cordial and seemed desirous of discussing the Federal Reserve System at some length. They seem to feel, from past experience, that they have no use for the discount facilities, and that the free shipment of currency, if continued, would be the principal advantage of membership. They consider the number of examining agencies to which they must report to be the principal disadvantage. In two communities visited deposits have decreased since the end of the year, and there is a better demand for borrowed money. However, banks do not expect to borrow during the coming season.

Washington (Wenatchee, Cle Elum, and Ellensburg)

The bankers are looking forward to a satisfactory year, but this can only be determined when June has passed. It was also too early to make any predictions as to whether or not it might be

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San Francisco continued

necessary for our member banks to discount for crop harvesting purposes, but the banks stated that, at the present time, small advances are being made for spray and that crop financing will be handled on a very careful basis this year. We understand that the producers' credit associations will again assist in the financing of the crops as they mature.

The banks report that because of highly satisfactory prices for potatoes and hay last year there was considerable liquidation of their loans. Satisfactory prices are being received this year for wool and lambs, with the result that the banks appear to have sufficient funds of their own to carry them through this season. It is doubtful if they will require any additional assistance from us.

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PUBLIC RELATIONS ACTIVITIES OF FEDERAL RESERVE BANKS

MAY, 1937

Federal Reserve Bank	Visits to banks			Meetings attended		Addresses made	
	Member	Non-member	Total	Number	Attendance	Number	Attendance
Boston	4	4	8	1	325	1	20
New York	119	82	201	9	2,965	None	--
Philadelphia	40	15	55	6	2,255	2	130
Cleveland	103	63	166	4	1,300	2	140
Richmond	47	58	105	8	1,348	1	200
Atlanta	35	41	76	2	900	None	--
Chicago	35	9	44	18	7,164	5	243
St. Louis	24	6	30	8	4,075	2	385
Minneapolis	137	237	374	3	1,363	8	632*
Kansas City	29	17	46	10	4,447	1	75
Dallas	42	14	56	1	600	None	--
San Francisco	87	40	127	17	2,981	3	156

*Not including one radio address.

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R-24

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 25, 1937.

SUBJECT: Code Word Covering New Issue of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code word has been designated to cover a new issue of Treasury Bills:

"NOZENT" - Treasury Bills to be dated June 30, 1937, and to mature March 30, 1938.

This word should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOZEMY" on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO PRESIDENTS OF ALL F. R. BANKS

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in morning papers, Sunday, June 27, 1937.

The following summary of general business and financial conditions in the United States, based upon statistics for May and the first three weeks of June, will appear in the July issue of the Federal Reserve Bulletin and in the monthly reviews of the Federal Reserve banks.

Volume of industrial production in May continued at the level of the two preceding months. Commodity prices declined slightly in May and the first three weeks of June.

Production, employment, and trade

In May the Board's seasonally adjusted index of industrial production remained unchanged at 118 percent of the 1923-1925 average. Output of iron, steel, automobiles, and lumber increased further. At cotton and woolen mills and at shoe factories activity continued at a high level, while at silk mills, meatpacking establishments, and sugar refineries there were considerable decreases. Crude petroleum production continued to rise and output of bituminous coal increased somewhat, following a sharp decline in April. Shipments of iron ore in May were larger than in the corresponding month of any previous year. In the first three weeks of June automobile production declined seasonally and, largely owing to labor disturbances, steel output was reduced to 77 percent of capacity as compared with 90 percent in May.

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Federal Reserve Bank of St. Louis

Value of construction contracts awarded in May was smaller than in April, according to figures of the F. W. Dodge Corporation. There were declines in awards for residential and other private projects, while contracts for public projects increased. In the first half of June awards for both private and public work were at a somewhat higher rate than in May.

Factory employment, which usually declines at this season, showed little change from April to May and the Board's adjusted index advanced somewhat further. Employment in the durable goods industries continued to increase while employment in other lines declined seasonally. Factory payrolls remained at the April level, following sharp increases in earlier months.

Distribution of commodities to consumers continued in May at the level of other recent months. Sales at department stores and at variety stores showed a seasonal rise and mail-order sales were maintained.

Commodity prices

Between the middle of May and the third week of June, prices of grains, except spring wheat, declined considerably and there were smaller declines in cotton, cotton goods, wool, rubber, and steel scrap, while prices of most other commodities showed little change.

Bank credit

Excess reserves of member banks, which had been about $900,000,000 after the May 1 increase in reserve requirements, declined by about $180,000,000 during the week ending June 16, in connection with

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Federal Reserve Bank of St. Louis

Treasury operations, but increased in subsequent days and on June 23 were at a level of $810,000,000.

At reporting member banks in leading cities holdings of United States Government obligations, after several weeks of little change, increased sharply during the week ending June 16, reflecting purchases of the new issues of Treasury notes.

Commercial loans at member banks continued to increase in the four weeks ending June 16. This increase was largely at banks in New York City, which also showed a growth in loans to other New York banks and to brokers and dealers in securities.

Money rates

The open-market rate on 90-day bankers' acceptances, which had been reduced from 9/16 to 1/2 of 1 percent on May 7, was further reduced to 7/16 of 1 percent on June 22. Other money rates have shown little change in recent weeks.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM R-26
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 30, 1937

Gentlemen:

Some thought is being given to the question whether it would be advantageous to adopt a questionnaire form for the purpose of obtaining information from persons named as references by applicants for positions with the Board's organization and from their previous employers. In the event your bank uses such a form it will be appreciated if you will send the Board a copy, together with any comments or suggestions regarding its use based on your experience.

In this connection, please indicate whether you have been able to obtain more prompt replies and more satisfactory information through the use of questionnaire forms and whether in other respects you have found the use of such forms to be more economical and efficient than signed typewritten communications.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO ALL FEDERAL RESERVE BANKS

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-27

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 30, 1937.

SUBJECT: Code Word Covering New Issue of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code word has been designated to cover a new issue of Treasury Bills:

"NOZERP" - Treasury Bills to be dated July 7, 1937, and to mature April 6, 1938.

This word should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOZENT" on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-1

June 1, 1937

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

Dear Sir:

In the Board's letter of March 26, 1936, X-9534, with respect to expenses of the Leased Wire System, there was contained a statement setting forth the respective appropriations to which telegrams sent over the Federal Reserve Leased Wire System for the account of the Treasury should be charged. The statement requested that the cost of telegrams relating to the redemption of national bank notes, silver certificates and other forms of Treasury currency should be charged to the appropriation, "Miscellaneous and Contingent Expenses - Treasury Department".

Vouchers submitted by a Federal reserve bank in accordance with these instructions were questioned by the Treasury Department and the Federal reserve bank referred the matter to the Board with a request that the Board ascertain from the Treasury Department whether the statement contained in the Board's letter X-9534 should be revised. The Treasury Department has advised this office under date of May 27, 1937, that the cost of telegrams relating to the redemption of national bank notes is chargeable to the appropriation "Contingent Expenses, National

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Currency (Reimbursable)", and should be vouchered to the Treasurer of the United States and that the cost of the following telegrams should be billed against the appropriation "Contingent Expenses, Public Moneys" and the vouchers sent to the Division of Bookkeeping and Warrants:

> Telegrams sent by the Federal reserve banks and branches to the Treasurer of the United States relating to disbursing officers' balances, payment of checks, etc.
>
> Telegrams relating to the redemption of Silver certificates, United States notes, and other forms of Treasury currency.
>
> Telegrams sent to the Treasurer of the United States acknowledging receipt of and advising of credit for United States currency shipped by Treasurer of the United States.
>
> Telegrams relating to shipment of coin for account of Treasurer of the United States.

Vouchers submitted by your bank in the future should be prepared in accordance with the revised instructions. Inasmuch as the cost of redemption of national bank notes is chargeable to a separate appropriation, it is suggested that in the future telegraphic advice sent by your bank relating to such redemptions be contained in a separate telegram and not included in telegrams carrying information with respect to the redemption of Treasury currency.

Very truly yours,

S. R. Carpenter,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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Federal Reserve Bank of St. Louis

S-2

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 10, 1937.

Dear Sir:

For use in preparing the July 1, 1937 issue of the "Federal Reserve Inter-District Collection System" (Par List), please mail to the Board on June 28 a copy of the January 1, 1937 issue with changes for your district up to that time indicated therein covering the Par List, the list of State bank members, and the list of nonmember clearing banks, and on July 2 please wire additional changes, if any, to July 1.

It will be appreciated if you will follow the same procedure in connection with future issues of the Par List, that is, two days before the last business day of June and December please mail to the Board a copy of the latest semi-annual issue of the Par List with the necessary changes indicated therein, and on July 2 and January 2, please wire additional changes, if any, to July 1 and January 1, respectively.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

TO ALL PRESIDENTS

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S-3

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 15, 1937.

SUBJECT: Annual Leave in Excess of Vacation Period.

Dear Sir:

Referring to the Board's letters X-7303 of December 5, 1932, and X-9550 of April 16, 1936, in the future the approval of the Board of Governors need not be obtained for annual leave beyond the regular vacation period granted to officers and employees by the directors of your bank. It is requested, however, that a record be kept of all leave beyond the regular vacation period granted to officers or employees of your bank, and that such record be made available to examiners of the Board of Governors.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

TO ALL PRESIDENTS

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S-4
Reg. U-15

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal reserve banks)

June 16, 1937.

Honorable J. F. T. O'Connor,
Comptroller of the Currency,
Washington, D. C.

Dear Mr. O'Connor:

Reference is made to Deputy Comptroller Gough's letter of April 8, 1937 regarding the question whether the purchase by a national bank of certain debentures of _____ is subject to the Board's Regulation U which relates to loans by banks for the purpose of purchasing or carrying stocks registered on a national securities exchange.

It is understood that the debentures in question are issued for the purpose of obtaining funds to acquire certain stocks which are registered on a national securities exchange. These stocks are pledged with a trustee that is to maintain the collateral for the debentures at a certain level, calling debentures for redemption and liquidating collateral as may be necessary for this purpose.

While it seems clear that the purpose of the issue of debentures is to purchase or carry stocks registered on a national securities exchange, it is to be noted that Regulation U is expressed almost entirely in terms of "loans" instead of using the somewhat broader term of "extend credit" which appears in the provisions of section 7 of the Securities Exchange Act of 1934 under which the regulation is issued. This, of course, would not prevent the scope of the regulation from being broadened in this respect if such a change should appear to be advisable.

The information in the inquiry is not entirely clear as to the status of the debentures; but it is the view of the Board that, if the debentures comply with the requirements of section 5136 of the Revised Statutes and your regulations issued thereunder with respect to the purchase of investment securities, the purchase of the debentures, whether directly from the issuer or from some other source, would not be subject to the present provisions of Regulation U since the regulation is at present expressed in terms of loans. If the

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debentures are securities that fail to meet these requirements, the inability of the national bank to purchase the debentures would prevent any question from arising in the present case as to the application of Regulation U.

If the facts are such that the debentures should not be considered to be securities and thus would not be subject to section 5136, they should, of course, be treated as loans. The facts stated in the inquiry would seem to indicate that if the debentures should be treated as loans they would be loans subject to Regulation U.

As requested, the inclosures forwarded with Mr. Gough's letter are returned herewith.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 22, 1937.

Dear Sir:

Recently the Federal Reserve Bank of San Francisco referred to the Board a question relating to the manner in which the cost of certain telegrams sent over the leased wires on behalf of the Farm Credit Administration should be billed. The question was taken up with the Farm Credit Administration and the Board is now in receipt of a letter dated June 10, 1937, in which the question is answered. A copy of the letter is inclosed for your information in the event similar telegrams are sent by your bank.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Inclosure.

TO PRESIDENTS OF ALL F. R. BANKS

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S-5-a

FARM CREDIT ADMINISTRATION

WASHINGTON, D. C.

June 10, 1937.

Mr. S. R. Carpenter,
Assistant Secretary,
Board of Governors of the
Federal Reserve System,
Washington, D. C.

Dear Sir:

We understand from telephone conversations with your office that the Federal Reserve Bank of San Francisco has requested you to advise it regarding expenses incident to wire transfers of funds to the Treasurer of the United States, for credit to Farm Credit Administration account, Symbol No. 19-697. We also understand that the question has arisen in connection with deposits to the symbol account made through the Federal Reserve Bank of San Francisco, directed by the Federal Land Bank of Berkeley and the Federal Intermediate Credit Bank of Berkeley, and that in some instances it has not been clear to the Federal Reserve Bank of San Francisco in which expense vouchers the cost of telegrams relating to wire transfers of funds should be included.

It is suggested that you advise the Federal Reserve Bank of San Francisco that expenses relating to transfers of funds arising in connection with the sale and distribution of consolidated Federal intermediate credit bank debentures or deposits for the redemption of maturing debentures should be billed to the twelve Federal intermediate credit banks, while those expenses which relate to transfers of funds for the payment of called Federal farm loan bonds or interest on Federal farm loan bonds, as well as any other expenses relating to Federal farm loan bonds, should be billed to the twelve Federal land banks. The expenses which are chargeable to the respective groups of banks should be included in separate vouchers submitted to this office.

We will be glad to have you advise us of any further questions that may arise in this connection.

Very truly yours,

(Signed) W. T. McKeown

W. T. McKeown
Chief, Securities Subdivision

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-6

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 23, 1937.

Subject: Program for strengthening banking situations where such need is indicated in the case of State member banks.

Dear Sir:

As you will recall, at the recent meeting of the presidents of the Federal Reserve banks, members of the Board brought up for discussion the desirability, as a System matter, of working out programs to take care of any State member banks which may be in a weakened condition or faced with such unfavorable prospects as to raise a question as to their future. In reality, such a concerted program would be a continuation of the rehabilitation program begun in the summer of 1933, with the difference that, whereas the earlier phase of the program was concerned primarily with the strengthening of the capital position of the banks, the current phase of the program, while not ignoring the question of adequacy of capital or neglecting efforts to obtain adjustments where needed, would be concerned primarily with the fundamental questions of management and economic justification for a bank.

In accordance with the understanding reached at the Presidents' Conference, therefore, it is requested that a survey be made by each Federal Reserve bank of the banking situation in communities in its district where State member banks are located, with a view to determining which, if any, banks are faced with serious difficulties, either because of an over-banked community, lack of economic justification on any other grounds, inefficient management, or any other reason.

If a bank's difficulties are due to an inefficient management, every effort should be made to effect an improvement in the management. Such a suggestion does not contemplate, of course, that the Reserve banks are to attempt to run the State member banks, select their managements, or dictate to the managements. It does contemplate, however, that, if a bank is suffering because of management or its future appears uncertain on that account, the situation be brought clearly and emphatically to the attention of the directors of the bank, and that

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the directors be urged to fulfill their primary responsibility of providing a proper management. In such situations it is felt that efforts should be made to enlist the cooperation of the appropriate State authorities, if they are not already working on the problem. If the directors are unable or unwilling to provide adequate management in the circumstances, it would seem that the Federal Reserve bank and State authorities should consider carefully whether the best interests of the depositors, the stockholders, the community itself, and the Federal Deposit Insurance Corporation would not require that the bank be absorbed by some other institution or placed in voluntary liquidation at a time when the deposits may be paid off without loss to the depositors or the Federal Deposit Insurance Corporation, and the stockholders may yet receive something on their stock.

If the question is not one of management, but of the lack of basic justification for the existence of the bank, a similar program for absorption or voluntary liquidation would seem to be in order.

The suggested program involves, of course, cooperation to the fullest extent by the Federal Reserve banks, the State authorities, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Reconstruction Finance Corporation where that Corporation is interested, as situations may indicate all manners of consolidations or mergers, State member banks with other State member banks, with national banks, or with insured nonmember banks, or any other combination of the three classes of banks; perhaps even the organization of a new bank to assume the liabilities of existing institutions. In this connection you are familiar with the fact that the Federal Deposit Insurance Corporation has made a number of absorptions possible through loans on unacceptable assets, and it should be noted that the right of the Federal Deposit Insurance Corporation to purchase assets or make such loans expires July 1, 1938.

The Board appreciates the fact that, working along the lines discussed in this letter, the Federal Reserve banks have been instrumental in a number of cases in bringing about mergers and effecting changes in managements, and that in other cases the Reserve banks are working on definite programs to improve existing banking situations. It is believed, however, that intensification of efforts along these lines and a development of a program for the System as a whole is highly desirable.

It is requested that a report be submitted to the Board by September 1, 1937, as to the results of the survey, the accomplishments to date, and the status of each of the other cases where it is felt that action of some kind or degree along the lines discussed is desirable. In asking for a report by September 1, it is realized, of course,

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that considerable time will be necessary in working out some of the individual programs, but the Reserve banks are familiar with the situations in their respective districts, and it is hoped that some of the situations on which they have been working may have been satisfactorily adjusted by that time.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

TO ALL PRESIDENTS

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-7

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 24, 1937.

Dear Sir:

The amendment to subsection 2 of Section 3 of the Rules and Regulations of the Retirement System of the Federal Reserve Banks reducing the minimum age for retirement on a special service retirement allowance to 50, and eliminating the reduction in the pension of 5 percent for each year a pensioner lacks of having attained age 60 on retirement, necessitates some modification of the authority given in the Board's letters X-9405 of December 27, 1935, X-9541 of April 6, 1936, and X-9707 of September 28, 1936, to pay dismissal wages to employees involuntarily separated from the service or to make special contributions to the Retirement System for their benefit. Accordingly, the authority granted by the above mentioned letters is rescinded.

If, on the separation of an employee from the service of the bank, your directors are of the opinion that a contribution by the bank in the form of a dismissal wage or otherwise is advisable and should be made, either to him or to the Retirement System for his benefit, your bank is authorized:

(a) To pay an amount equal to not more than 10 percent of terminal salary for each year of service up to five

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in the case of any employee separated from the service, with or without a retirement allowance, including those retired for disability. Such payment may be made to the Retirement System for the purpose of supplementing the immediate or deferred retirement allowance, if any, to which the employee is entitled, or, except in the case of an employee 65 years of age or more, may be paid to the employee in cash, either in a lump sum or in not to exceed six monthly payments; provided, however, that no more than an amount equal to three months' salary may be paid in cash to an employee who is to receive a pension, immediate or deferred. In addition to the above, where an employee not entitled to receive a pension leaves his accumulated contributions with the Retirement System for the purpose of purchasing an annuity to begin at or after age 50 a further payment may be made to the Retirement System, for the purpose of supplementing such annuity, equal to 3 percent of terminal salary for each year of service rendered in excess of five.

Or

(b) To pay to the Retirement System, in lieu of any payments authorized in paragraph (a), for the benefit of an employee separated from service after attaining age 50 (including those retired for disability), a special contribution sufficient to increase the regular retirement allowance to which the employee is entitled to a retirement allowance on a straight life basis equal to $4.50 for each month of service up to 15 years, or to the actuarial equivalent thereof under any option offered by the Retirement System that the employee may select. Such retirement allowance in the case of an employee under age 65 shall be deferred to age 65, or be converted into a retirement allowance of equal actuarial value beginning at an earlier age.

In applying the above any salary in excess of $12,000 per annum shall be treated as a salary of $12,000, and in computing length of service all service to date of retirement may be counted, even though a portion of such service may not be creditable service

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as defined in Section 1 of the Rules and Regulations of the Retirement System.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

TO ALL PRESIDENTS

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-8

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 25, 1937.

SUBJECT: Indebtedness and Outside Business Activities of, and Ownership of Bank Stock by, Officers and Employees of Federal Reserve Banks.

Dear Sir:

In view of the transfer of the nonstatutory duties of the Federal reserve agents to the Federal reserve banks, the Board's letters X-7425 dated April 29, 1933, and B-1125 dated December 26, 1935, are rescinded, and the reports to the Board referred to in those letters regarding indebtedness and outside business activities may be discontinued. It is expected, however, that the reports to the boards of directors of the Federal reserve banks regarding indebtedness and outside business activities of officers and of employees occupying responsible positions will be continued and that in the future such reports will cover also indebtedness and outside business activities of Assistant Federal reserve agents and other employees of the Federal reserve agents' departments occupying responsible positions. The Board's examiners have instructions, in connection with each examination of a Federal reserve bank, to review the reports referred to above and advise the Board of Governors of any unusual situations presented thereby.

The discontinuance of the reports previously made to the Board and the cancelation of letters X-7425 and B-1125 does not, of course, reflect any modification of the position previously expressed that officers and employees of the Federal reserve banks should refrain from being placed in any position which might result in questions being raised as to the independence of their judgment and their disinterestedness in the discharge of their official responsibilities.

The Board also feels that, in accordance with such a principle, officers of the Federal reserve banks and employees occupying responsible positions should not purchase stock in a member bank or an affiliate thereof (except possibly in the case of affiliates where the actual relationship to the member bank is remote)

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and that they should dispose of any such stock which they may now have, or may hereafter acquire, as soon as practicable without undue hardship. It is requested, therefore, that the annual reports of officers and employees to the board of directors regarding indebtedness and outside business activities also include information regarding the ownership of bank stock and stock of affiliates of banks.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

TO ALL PRESIDENTS

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S-9
Reg. Q-31

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal reserve banks)

TELEGRAM

June 25, 1937.

YOUNG - BOSTON
HARRISON - NEW YORK
SINCLAIR - PHILADELPHIA
FLEMING - CLEVELAND
LEACH - RICHMOND
NEWTON - ATLANTA
SCHALLER - CHICAGO
MARTIN - ST. LOUIS
PEYTON - MINNEAPOLIS
HAMILTON - KANSAS CITY
McKINNEY - DALLAS
DAY - SAN FRANCISCO

In response to an inquiry from a Federal Reserve bank re interpretation of section 3(d) of Regulation Q, Board has reached conclusion that where fifth day of any calendar month is Sunday or full holiday, a member bank may pay interest calculated from the first day of month on a savings deposit received on next business day after such fifth day of month.

(Signed) Chester Morrill

MORRILL

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-10

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 26, 1937.

SUBJECT: Cooperation with the Federal Deposit Insurance Corporation in Connection with Applications of Noninsured Banks for Membership in the System.

Dear Sir:

The Board's letter dated July 10, 1936, X-9647, relates to cooperation with the Federal Deposit Insurance Corporation in connection with the applications of insured nonmember banks for membership in the System. Admission of a noninsured bank to membership in the System automatically gives the bank the benefits of deposit insurance through the Federal Deposit Insurance Corporation, and it is felt that the cooperation of the Federal reserve banks with the Federal Deposit Insurance Corporation in the manner outlined in the letter X-9647 with respect to applications for membership should be extended to cover applications of noninsured banks as well as applications of insured nonmember banks.

Accordingly it is requested that, in connection with an application of a noninsured bank, which would include a newly organized bank which expected to open for business as a member bank, the Federal reserve bank communicate with the supervising examiner of the Federal Deposit Insurance Corporation in order that the Reserve bank might be furnished with any information available to the Corporation which might be helpful in considering the application. It is requested, also, that when applications of noninsured banks for membership in the System are forwarded to the Board, the data accompanying the applications include reference to the information, advice, or suggestions received from the supervising examiner of the Federal Deposit Insurance Corporation with respect to the application.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO ALL PRESIDENTS

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S-11
Reg. U-16

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal reserve banks)

June 25, 1937.

Mr. _____,
_____,
_____,
_____.

Dear Mr. _____:

Reference is made to your letter of April 26, 1937, regarding the inquiry of _____ National Bank, _____, _____, as to the possible effect under Regulation U of the substitution of registered stocks as collateral for a loan originally supposed to have been made for the purpose of purchasing unregistered stocks. The question is presented in the following excerpt which you quote from the bank's letter:

> "Another point has been raised by one of our officers in connection with a substantial loan which was made for the purpose of purchasing unlisted stocks which are pledged as security with an additional margin of unlisted stocks. The borrower subsequently withdrew on trust receipt part of the unlisted stocks, sold the same and purchased listed stocks which were substituted as part of the collateral. The original loan of course was not interpreted as being subject to Regulation U, and the question now arises as to whether this substitution of listed stocks for unlisted stocks, without any change in the amount of the principal of the loan, creates a situation which involves Regulation U in any manner."

This question was considered when Regulation U was being prepared, and it was realized that there would be some possibility of evasion of the regulation if the original purpose of the loan was made the determining factor. However, this possibility did not seem to be so great as to justify the increased difficulties which would be caused banks in operating under the regulation if a different rule were followed; and, accordingly, the regulation was drafted so that, at least for the present, the original purpose of the loan is controlling.

It should be borne in mind in this connection, however, that the original purpose of the loan should not be determined upon a

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narrow analysis of the immediate use to which the proceeds of the loan are put. Instead, the fundamental purpose of the loan should be considered to be controlling. As you state in your letter:

> "* * * it might be established that the purpose of the borrower from the outset was the purchase of registered stocks. In this case, the regulation would probably apply if the bank were aware of the intention. At any rate, it might be concluded that any repetition of the practice would overcome the presumption of the bank that the purpose was correctly stated by the borrower. The bank might not be considered as acting 'in good faith' if it accepted a statement by the borrower that the loan was not subject to the regulation."

In the case presented by _____ National Bank the question of whether the loan was originally subject to Regulation U would depend upon the intention of the borrower when the loan was obtained. If the loan was obtained with the idea of purchasing the unregistered stocks merely as a temporary expedient and shortly thereafter selling the unregistered stocks and purchasing registered stocks, the loan should be considered to be a loan for the purpose of purchasing or carrying registered stocks. The circumstances related would seem to raise at least some question as to whether the loan was not of this type.

Of course, a bank would not be responsible for misrepresentations made to it by its borrowers if the bank operates diligently and in entire good faith; but a bank should carefully scrutinize cases in which there is any indication that the borrower is concealing the true purpose of the loan and, as you suggest, there would be reason for special vigilance if registered stocks are substituted for unregistered stocks soon after the loan is made, or on more than one occasion.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

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Z-33

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

FOR THE PRESS

SPEECH OF
CHESTER C. DAVIS,
MEMBER, BOARD OF GOVERNORS,
FEDERAL RESERVE SYSTEM,

at

MONTANA BANKERS' ASSOCIATION,
GLACIER NATIONAL PARK,
MONTANA

Friday afternoon,
June 25, 1937.

For release in morning newspapers
of Saturday, June 26, 1937.

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PUBLIC OPINION AND THE CREDIT SYSTEM

While I do not recall ever attending a meeting of the Montana Bankers' Association during the fifteen years I lived in your State, nevertheless I know so many of you that this feels like a return to home pastures to me. As is always the case in a home-coming, there is much to talk about, - so much that a choice isn't easy. To be sure, my subject is laid out for me. But it would be unthinkable to meet with this audience and ignore the critical condition in which farmers over a considerable part of the state find themselves.

Montana is a state of marvelous diversity. No general statement that is true of one section will be true of others. One of its greatest assets is the courage and bull-dog tenacity of its sturdy citizenry. They have been tried to the limits of human endurance by conditions over which, as individuals, they have little control.

A man who has made a close study of weather conditions in the northern Great Plains told me the other day that this continent gives no precedent under the White Man's civilization for the kind of a thing which Montana has suffered for the last fifteen years. There is no point in reviewing the record. Everyone in the line of responsibility, from Montana to Washington, is studying what can be done about it.

There is no quick magic to make these problems disappear. Readjustments in types of farming are going on, and will have to go much farther. They will take time. Meanwhile, the public responsibility

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for economic casualties cannot be evaded. It can be assumed that drouth-stricken families will be assisted through work relief and through grants. Of course I am in no position to speak with authority or from inside information, but I see no reason to suppose that the work relief program will not be directed toward permanent and helpful projects in the areas affected - small flood irrigation districts, dams, and farm-to-market roads. The prospect will clear up speedily when the pending relief bill passes.

Naturally, we all want to see Montana's agriculture founded on practices that will afford reasonable stability and safety even when weather conditions are bad. The institutions of the State of Montana are to be congratulated because of their foresight in preparing, probably more completely than any other state, the information which is essential to development of a sound land-use program.

There are stretches of Montana, plowed up within our times, which will have to be assisted to return to livestock range - and that takes time. In the non-irrigated general farming districts, some significant practices have been developed which, when generally adopted, will mean a great deal to this state. I have in mind particularly the use of contour dykes which hold all the rainfall on farm land so that it will not run off at all. Then, strip farming is being developed to prevent soil blowing.

There are definite ways in which federal and state governments can cooperate to secure district-wide adoption of these practices. I am told that progress along this line in the Southern Dust Bowl has

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been more rapid and has yielded better results than in the area of which Montana is a part.

The experience of recent years has taught many lessons. After all, it isn't safe to judge a region from the top of the peak, or from the bottom of the trough. No one knows what kind of weather is ahead. It is best to do everything possible to get along under the weather, no matter what it may be.

I have faith in Montana, and in the strength of her people. The hard-hit sections of the Northwest are like the man in the bottom of the well, with no place to go but up - but they won't go up except through joint effort of nation, state, and individual. And no matter how much ground is regained, the scars of late years will be with us for a long time.

I turn somewhat reluctantly from the vital problems that must be faced in fitting Montana's agriculture to meet its hazards, to the domain of money and credit, which concerns you directly and to which the title announced for my talk commits me. It is still much easier for me to think in the old terms than to deal with the words and ideas of the new field to which I was transferred just one year ago today.

When I left the Agricultural Adjustment Administration, I felt that I was sailing from a storm-tossed sea into a comparatively smooth and protected harbor. Now that I have had a chance to survey the new scene, I am not so sure. You want to make credit and money safely serve the common good. So do we. But it isn't as easy as it sounds. My short experience has convinced me that the greatest difficulties have their

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roots in the general lack of sound information in the public mind. There are certain fundamentals in money and credit policy which must be understood before public opinion can exert its influence in the direction of orderly and uninterrupted progress. In the last analysis public opinion controls the policies of a democracy.

Occasionally a friend asks me, "Well, what are you doing now?" I tell him I am connected with the Federal Reserve System. Usually he responds with a blank look, and that part of the conversation ends lamely with his asking, "Well, how do you like being a banker?"

It isn't strange that the Federal Reserve System is a thing of mystery. We live in a complex world. We haven't much time to spend in study of a subject not plainly seen as a part of our daily life and interest. And while a thing remains a mystery, it is easy for it to become an object of some suspicion - especially when a persuasive voice tells us we ought to be suspicious.

The fact that only 66 out of Montana's 117 operating banks are members of the Federal Reserve System tempts me to open up and talk to you about its functions. That subject, however, will have to wait for another opportunity, and a better qualified speaker. If I spoke on it, I am afraid the main point I want to drive home here today would be lost. But before I state that main point, there is one announcement I am privileged to make, which concerns primarily a Federal Reserve System matter.

The Board of Directors of the Federal Reserve Bank of Minneapolis,

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with the approval of the Board of Governors at Washington, has taken steps looking toward the construction of a new building in Helena which will adequately, and I hope permanently, house the activities of the Helena Branch Bank which serves this state.

The central thought I want to engrave on your minds is this. The laws and rules under which the vital functions of money, credit and banking are carried on are written by the Congress and the several legislatures. In the long run, Congresses are responsive to public opinion. Yet how can public opinion exert constructive force in a field in which there is so little general understanding and thought? And what are the bankers of the United States - the bankers of Montana - doing about it?

One year ago a distinguished member of your profession, in an address to your annual convention, urged bankers to inform their depositors "in regard to money, credit, and the elements of sound public finance upon which rests to so great a degree the banking structure." I am in entire agreement with that advice, even though I totally disagree with the conclusions which the distinguished speaker wished you to carry to your depositors.

I may be wrong, but it has seemed to me that many if not most great meetings of bankers in this country are addressed by men whose chief concern seems to be to get us back to the status quo ante.

The depression from which we are emerging paints the condition which I want you to see as the background for my discussion. Surely the man is an incurable optimist who believes our problems are settled, or

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can be settled, without continued action by people through their government, perhaps along unprecedented lines. Surely the man cannot read lessons of history who believes all will be well if we of the United States can only turn the clock back to the feverish late 'twenties.

We live in an unfinished house, to which we are constantly adding, or from which we are taking away. The chances are it will never be finished. In a democracy, the people themselves select the architects and pass on their changing plans. My point is that the people of a democracy must have complete light while the building to meet changing conditions goes on. Otherwise, the plans will be those demanded by articulate and influential men who, even though sincere, may have been hopelessly misled and deluded upon vital issues.

It is no indictment of their sincerity if they reflect the views of their economic group and their associates, or if they merely repeat dogmas and theories that have been dinned into their ears in former days when conditions were vastly different from those of today. As Mr. Keynes, the British economist, has said, "Practical men who believe themselves to be quite exempt from any intellectual influence are usually the slaves of some defunct economist."

Particularly, men are likely to believe that all is best in this best of worlds and that the sum total of the self-interest of individuals composing a society must work for the greatest good of the greatest number. What we must all learn firmly is that the so-called doctrine of laissez-faire, which may work for a rough measure of justice and public welfare in a young society with an unexplored frontier, does not work advantageously

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in a highly organized society. There all the frontiers are internal frontiers, and the good of the greatest number can be attained only by the surrender of that portion of individualism that is inconsistent with steady progress of the group.

We are not very far removed from the day when disease and pestilence were regarded as acts of God, which only the godless would seek to avert or eliminate. Many of us appear to be in the same attitude of mind yet today regarding attempts to control and minimize the harmful effects of the business cycle.

Speaking historically, I believe that has nearly always been the attitude of governments. Quite recently Mr. Keynes, whom I quoted a moment ago, introduced a series of articles in THE TIMES of London on the subject of "How to Avoid Another Slump," by saying:

> "This means that all of us - politicians, bankers, industrialists and economists - are faced with a scientific problem which we have never tried to solve before. I emphasize that point. Not only have we never solved it; we have never tried to. Not once. The booms then the slumps of the past have neither been courted nor contrived against."

Today we are asking ourselves: Is it not possible that we can so shape our future course and so direct our policy that the government will serve in effect to counterbalance the cycles which private enterprise, left to itself, has inevitably generated in the past and undoubtedly will continue to generate with increasing intensity in the future unless we

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devise better methods of managing our broad economic problems? Is it not necessary to have the government prepared to check speculative inflation and to intervene as an offset if deflation threatens in the future?

When business was local and commerce small in volume, the cycles spent themselves before too much momentum gathered on the swing toward the top or to the bottom. Now that agriculture, finance, commerce, and industry are closely interwoven and in delicate balance, these cycles assume different proportions.

There comes to my mind Victor Hugo's vivid story of the battle between men and the cannon that had broken loose in the ship hold during a storm at sea. With each lurch and sway the cannon gathered more destructive momentum until it threatened to batter the ship to pieces. Men captured and chained it.

The main economic problem of our generation is to devise a system wherein the flow of money will be steady and uninterrupted, increasing only in proportion to our ability to produce more goods. I have remarked elsewhere that farmers, perhaps more than any other class, suffer from the alternation of floods and drouths in the money flow - in the ups and downs of the business cycle. But what cycles have done to depositors and stockholders of banks is appalling. From 1921 to 1929, bank suspensions tied up $1,565,000,000 of depositors' money, and from 1929, through the bank holiday, tied up an additional $3,600,000,000, while altogether more than 11,000 banks went to the wall. Vast swings over which individual bankers had little or no control created this havoc.

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Banks went under which had administered their affairs wisely according to all existing standards, whose responsible leaders thought, at least, they had been making good loans and avoiding bad ones.

When these swings are under way the individual banker is about as potent to influence or direct them as a toad under the farmer's harrow. Fair-minded men will agree that, while many bank failures were caused by poor management, the banker is not responsible in every case for the failure of his bank. To quote from an American economist who works for the Federal Reserve System, "In an economy like ours, where nine-tenths of the money is in the form of bank deposits,***a drop in the national income to less than one-half of its normal level must inevitably result in the destruction of a considerable part of the value of bank assets. And since the bank's liabilities are not thereby reduced, the total value of the assets would no longer equal the total of their deposit liabilities. With full recognition of the fact that a part of our banking trouble arose from mismanagement and speculation, it is nevertheless certain that the major part of the catastrophe, particularly after 1929, was not due to mismanagement alone and in many banks was not due to mismanagement at all, but represented the effect on the banks of a collapse in the value of national wealth and income."

And again, further on, "Management, no matter how prudent, could not save a bank in a community whose income had been destroyed. And that is particularly true of a bank which has served the needs of its community adequately when the skies were clear. The answer is, therefore, that some of the banks that have survived are not banks at all, but pawn

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shops or open market investment houses. But there are others which have served their communities conscientiously and generously and have been managed wisely, and have survived. We congratulate them, but it is probable that their survival has been due in part to the element of luck. *** There never has been a battle in which all the participants were killed, and those who have survived have not always nor necessarily been the bravest or the strongest. They may not only be the ones who ran away but they may also be the ones whom the enemy fire happened to miss."

We all know what happened after 1929. It was not due either to the wickedness or greed or blindness of the bankers as a class, but they, like all the rest of us, were overtaken by supposedly natural forces which indiscriminately destroyed the prudent along with the imprudent, the good along with the bad bankers. Of course, the banker always was and, I presume, always will be an ideal scapegoat. He is supposed to know something about money, and in about every depression that I ever heard of the first mass conviction that rises out of the disaster is that it is the money mechanism that has gone wrong.

If we are going to convict anybody for past money and banking smashes, let's line up the rest of the defendants along with the bankers. On second thought, that's too much of a job. I imagine most everyone free to move under his own power would have his place in the panel. At any rate, if we are going to get anywhere, we will have to admit for national and state governments their share of guilt. To hold the banking system alone responsible would be like saying that the homesteader and

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the settler were alone guilty of the radical transformation which changed the permanent grass ranges in vast areas to hazardous annual crops, without adequate knowledge of the risks ahead of the new undertakings. Surely most of us were equally guilty. The national government with its homestead laws; the states and railroads with their high-pressure land settlement drives; the chambers of commerce down to the individual - they all took a hand.

So it has been in banking. The fever to get new banks chartered in this or that system developed a competition in laxity which couldn't escape disaster. Even today, there is such diffusion of public responsibility, such lack of unity, such diversity of regulation in the American banking system that it falls far short of the workable ideal. These are public shortcomings for which bankers as individuals and in the mass are not alone responsible. Yet in the situation there is enough of danger from the viewpoint of private bank ownership and operation to challenge the bankers to insist on and lead in progressive and intelligent reform. If another crisis finds the American banking system disorganized and ineffective, the American citizenry, inherently conservative though it undoubtedly is, may nevertheless seize a short cut. Certainly public opinion at such a time will have scant patience with past timidity and inertia of bankers, and with petty bickerings for power among official agencies, when it searches for the causes of disunity and incompetence.

Experience of the past few years has shown that great coordinated national effort is possible if it is backed by mass thinking. The worth of what is accomplished depends, as do all enduring efforts of a

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democracy, upon intelligent understanding among the masses of the people. I had some experience, during two and one-half years in the Agricultural Adjustment Administration, with such a national effort. I know that its force and vitality, its appeal to Congress as the law-making body, if you please, sprang from dissemination of economic facts upon which men based their thinking. Recent observations have made me wish that some comparable educational force existed in the field of banking, money and credit.

It is clear to me that we are in a period of far-reaching change and evolution in our money and credit policies, and in the agencies that are concerned with them. What is done will affect vitally every man, woman and child of the nation. Our experiences of the early 'twenties, and again in the early 'thirties, are still fresh in our minds. Yet it has seemed to me that in this field there is almost a total lack of the general information which is essential to clear and unprejudiced thinking.

Much of our thinking about money goes back to the day when currency of one form or another, usually with fixed value in gold or silver, constituted the medium of exchange. Today about 95 percent of our business is settled by bank checks. The banker who extends credit creates money by an entry on his books or on the books of another bank - money that can build a house, pay for making a crop, or run a business or a railroad. It pays the wages of labor, or buys raw material for a factory.

Similarly, when banks restrict credit or when banks fail, they cause a contraction of our bank currency, of our money, just as truly as though the government collected bank notes and destroyed them. This is why credit

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control must be exercised by a public body representing the interests of the whole nation.

The power to create and destroy money is a gigantic power and a heavy responsibility. No thread of common policy runs through the banks that possess this power. Nearly two-thirds of them in number are not members of the Federal Reserve System, although 86 percent of the volume of checking accounts is carried by System banks. The more than 15,000 banks are chartered, supervised or examined by at least 51 separate and distinct authorities.

There are many questions about which people ought to be thinking. What is the function of gold in the future monetary system? Shall we again pin our faith to gold or some other metal or combination of metals as a sort of automatic regulator of our money system? Or is the world going to move still farther in the direction of what is called managed money - that is, managed by human agencies rather than by theoretically automatic gold or some other disembodied mechanism? What steps shall be taken to bring unity into the banking system, and with what agency or agencies shall public responsibility be placed? What can be done to make credit as available to the farmer and the small business man, and on as reasonable terms, as to the large urban borrowers? Have we taken adequate steps to avoid future waves of bank failures and financial liquidation? What is the inter-relationship of our banks and other investors with the public debt? Should the government abandon the almost universal practice of issuing interest-bearing bonds when it borrows on credit, and turn to the issuance of non-interest bearing notes in their stead?

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I could add to these questions indefinitely and so could any of you. I would not attempt to answer them to your satisfaction even if there were no limits to my time and your patience. I assure you that the questions are not unimportant or remote. Every one of them is in the foreground or background of public consideration today.

I say there's no time for answers here. Perhaps a little comment may be in order, even at the risk of drawing out this afternoon's program unduly. I don't mind your looking at your watches as this talk drags on, but as Sir Josiah Stamp once told an audience, I would feel hurt if you started holding them to your ears to see if they had stopped running.

One very common belief which to me seems a delusion is that transfusion of vast quantities of new currency into the bloodstream of this land would quicken the patient's pulse and speedily make him well. The obvious, though perhaps superficial comment is that, in March 1933, at the blackest hour of the depression, the quantity of money in circulation was the largest in our country's history - over seven and a half billions, in fact, compared with four and a half billion average for the four years 1926 to 1929 inclusive. No matter how much currency is issued, only so much of it as is convenient for purposes of business will ordinarily stay in circulation. The rest moves into banks and finds its way into banking reserves. It is what happens from that point on that counts. Excessive banking reserves that are used for undue and dangerous expansion of credit - for unwise inflation - may indeed quicken the patient's pulse

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and make him feel well for a time, but surely none of us, for the sake of the first effects, wants to risk what must inevitably follow when the pendulum has swung the other way.

One other comment. We hear a lot of talk about the nature of the Federal Reserve System. Here's the way it looks to me: The Federal Reserve System was created as a national instrument in which certain powers to influence and, to a degree, control credit conditions and policies have been vested. As such a national instrument, it seems reasonable to assume that the general public interest must be paramount in determination of System policy even if at times it may seem to run counter to private banking interest. One thing seems clear: - the policies of such a national instrument should never be dominated either by private or by partisan interests.

You may not like all the things that are being said these days about credit and money and banking, but I hope you will agree with me that it is a healthy thing to have discussion going on. Perhaps much that is said strikes you as biased or incorrect. Let it be a challenge to provoke you, both to think things through yourself, and to help make available in your community the basic facts which alone will aid public opinion to choose that which is true, from that which is not true.

In conclusion, let me remind you that history has not yet answered the gloomy prophecy uttered by Lord Macaulay nearly a century ago who said: "I have long been convinced that institutions purely democratic must, sooner or later, destroy liberty, or civilization, or both." Nor, on the other hand, the conclusions of a present-day Englishman, John

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Strachey, that the capitalistic system carries within itself the seeds of its own destruction.

Certainly I do not come before you today with the answers. Nor do I want to echo the customary crop of commencement address in which members of the older and aging generation pretend to inspire the youth to do better the tasks we have done all too poorly.

We live in a swiftly changing world. Governments will play an increasingly important role in assisting their citizens to make adjustments. This will be true of money and credit, as well as of other economic and social factors. In determining what government can do, the all-important thing is the attitude of those to whom you delegate its powers. If they sit tight and inflexible, eyes glued to the past, while the vast mechanism of this country ensnarls, another and more serious explosion may occur. If they combine intelligent understanding with courage - the willingness to act; if they use, change, discard, or supplement existing means as changing conditions or experience indicate; then government may assist its people to direct the nation's boundless energies along the road of orderly progress.

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