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March 17, 1938

Dear Mr. Secretary:

At the last meeting of the interdepartmental committee held in your office March 14th to consider recommendations to the President regarding bank legislation, and particularly to suggest a brief statement dealing with bank holding companies to be included in his message to Congress, you asked that the committee have further meetings and endeavor to arrive at, first, a suggested statement for the President's message, second, a definition of what constitutes a bank holding company and, third, what governmental agency should be charged with the enforcement of any Bank Act affecting holding companies.

We have had two meetings and a free discussion of the problems to be considered.

I attach the suggested statement for the President to include in his message to Congress. This represents the views of Governor Ransom of the Federal Reserve Board, Acting Comptroller of the Currency Marshall Diggs, Leo Crowley, Chairman of the Federal Deposit Insurance Corporation, and the Reconstruction Finance Corporation.

It is the unanimous opinion that the operations of bank holding companies should not be allowed to expand. This being true is an admission that the principle of bank holding companies is not in the best interests of the country and that something should be done about them. It is with this thought that the last paragraph of the statement is included.

Should the President determine to use it and the Congress act upon his recommendation, the question of branch banking will naturally enter into the discussions.

The committee feels that other factors than a specific percentage of share ownership will enter into a proper definition of control. At all events it requires more time for study than we have had and should properly be developed in the Congressional Committee hearings.

As to the supervising authority, Mr. Crowley, Chairman of the Federal Deposit Insurance Corporation, has stated that the present Glass-McAdoo-Steagall Bill represents approximately his views, but thinks that the President or Congress should decide.

Governor Ransom and the Comptroller see no reason for transferring this authority which now rests with the Federal Reserve Board and the Comptroller, although they feel that if a change is made it should be the responsibility of one agency.

The directors and executive force of the Reconstruction Finance Corporation are of the opinion that this control is so involved with the question of bank supervision that the two should be considered together and ultimately rest with the Federal Deposit Insurance Corporation.

Sincerely yours,

(Signed) JESSE JONES

Chairman

Honorable Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.