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A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, November 10, 1936, at 10:30 a.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Ransom, Vice Chairman  
Mr. Broderick  
Mr. Szymczak  
Mr. McKee  
Mr. Davis

Mr. Morrill, Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Clayton, Assistant to the Chairman  
Mr. Thurston, Special Assistant to the Chairman  
Mr. Wyatt, General Counsel  
Mr. Paulger, Chief of the Division of Examinations  
Mr. Wingfield, Assistant General Counsel  
Mr. Dreibelbis, Assistant General Counsel

Mr. Ransom stated that pursuant to the action taken at the meeting of the Board yesterday afternoon he, Mr. Wyatt and Mr. Dreibelbis had called on Mr. O'Connor, Comptroller of the Currency, this morning at 9:30 a.m. for a discussion of the procedure to be followed at the hearing set for today of Mr. H. S. Johnson, President of the Point Pleasant National Bank, Point Pleasant, West Virginia, and that in addition to the Comptroller, Deputy Comptrollers Lyons and Prentiss and Messrs. Barse, Kelly and Williams, attorneys in the office of counsel for the Comptroller of the Currency, were present. Mr. Ransom stated that he had read to the Comptroller the statement of procedure prepared by the Board's counsel and approved by the members of the Board, and that the Comptroller had stated that he was fully in agreement therewith. Mr. Ransom said that he had advised the Comptroller that while the proposed procedure would be used

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in the forthcoming hearing of Mr. Johnson it was not to be regarded as setting a precedent for future cases and that the procedure would be altered in any way which seemed to be desirable in connection with such cases; that the Board wished to make no suggestion to the Comptroller as to whether his counsel should be present at the hearing of Mr. Johnson to question the witnesses; but that it was the feeling of the Board that its counsel should not be put in the dual position of conducting the case and advising the Board with respect thereto. Mr. O'Connor expressed agreement, Mr. Ransom stated, with the Board's position in this matter and said that he had felt very reluctant to have counsel for his office appear as a prosecutor in the proceeding and that he felt his duty under section 30 of the Banking Act of 1933 was completed when he certified the facts to the Board as required by the statute and that his position thereunder was very similar to that in cases of violations of law which are reported to the Attorney General for investigation and prosecution if deemed necessary. Mr. Ransom reported that the Comptroller of the Currency, however, agreed to have his examiner, who made most of the examinations upon which the charges in the Comptroller's certificate are based, available to present evidence at the hearing of Mr. Johnson and had stated that should the procedure followed at this hearing prove not to be entirely effective he would be glad to confer with the Board with respect thereto before the date for another hearing under section 30 of the Banking Act of 1933 is set.

In the ensuing discussion it was agreed that the examiner from the office of the Comptroller

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of the Currency should be invited into the hearing and that the decision should be left with him as to whether or not he would be present at any time other than when he presents testimony or answers questions. It was also agreed that the members of the Board and the staff would be free to ask any questions during the hearing that appeared to them to be necessary to develop desired information in connection with the charges made by the Comptroller.

Mr. McKee referred to the action taken at the meeting of the Board on October 20, 1936, when he was requested to discuss with Mr. Crowley, Chairman of the Federal Deposit Insurance Corporation, the matter of an arrangement under which the Corporation will ascertain the Board's attitude regarding membership in the Federal Reserve System of any eligible State bank making application to the Corporation for insurance of deposits before action is taken by the Corporation approving such application and the Board will continue to ascertain from the Corporation whether it is willing to insure the deposits of a State bank making application for membership in the Federal Reserve System before such application is approved by the Board. Mr. McKee stated that, in accordance with this request, he had discussed the matter with Mr. Crowley and had reached an agreement with him regarding it and that Mr. Crowley would address a letter to the Board for its records with respect to the procedure agreed upon.

Mr. H. S. Johnson, President of the Point Pleasant National Bank, Point Pleasant, West Virginia, and Mr. D. O. Starr, Examiner for the Comptroller of the Currency, were invited into the room. Mr. Gregor Macpherson, who had been employed by the Board to make a stenographic record of the hearing in the case of Mr. H. S. Johnson was also present. The hearing

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was then opened by the Chairman and the proceedings are set forth in the typewritten report of Mr. McPherson.

At 12:25 p.m. the hearing recessed, Messrs. Johnson and Starr leaving the room, and the Board discussed the procedure to be followed when the hearing was resumed. There was also a discussion of the additional information that should be requested of the examiners in connection with the charges made by the Comptroller of the Currency. At 12:55 p.m. the meeting of the Board recessed.

At 2:35 p.m. the hearing of Mr. Johnson was resumed with the same attendance as at the morning session.

During the afternoon session of the hearing Mr. I. I. Chorpening, Chief National Bank Examiner for the Fifth Federal Reserve District, was called into the hearing. At 5:30 p.m. a recess was taken, Messrs. Johnson, Chorpening and Starr withdrawing from the room. There followed a discussion by the Board of a request which had been made of the examiners for the Comptroller of the Currency just prior to the recess that they submit to the Board certain detailed information with respect to certain loans, cash items and overdrafts to which reference was made during the hearing, including comments of the examiners with respect thereto which it had appeared were contained in the confidential sections of reports of examination of the national bank, it being understood that copies of all information thus furnished would be sent to Mr. Johnson. In this connection Mr. Chorpening had stated that he felt that before any information in the confidential sections of reports of examination should be

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furnished for this purpose he should take the matter up with the Comptroller of the Currency. It was pointed out that as the confidential sections of the reports of examination are not furnished to the banks and that they usually contain opinions of the examiner and recommendations which he would not feel free to express in the other portions of his report, it might be advisable not to request any information from the confidential sections of the reports. Mr. Dreibelbis stated that for this reason he would recommend that information from the confidential sections of the reports be not asked for.

At the conclusion of the discussion it was agreed unanimously that the examiners should be requested to submit such information with respect to the loans, cash items and overdrafts referred to as they might wish to submit, with the understanding that such information would be sent to Mr. Johnson and an opportunity afforded him to reply thereto.

At 6:20 p.m. Messrs. Johnson and Chorpening returned to the room and the hearing was resumed. Later Mr. Starr also reentered the room. The hearing adjourned at 7:20 p.m.

A complete stenographic record of the hearing as reported by Mr. McPherson has been placed in the Board's files.

Walter M. Mowbray  
Secretary.

Approved:

W. M. Mowbray  
Chairman.