

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, June 4, 1937, at 11:00 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. Goldenweiser, Director of the Division
 of Research and Statistics
 Mr. Smead, Chief of the Division of Bank
 Operations
 Mr. Parry, Chief of the Division of Security
 Loans
 Mr. Vest, Assistant General Counsel
 Mr. Bradley, Assistant Chief of the Division
 of Security Loans

Consideration was given to a letter dated April 30, 1937, from Mr. Ross H. Palmer, Financial Secretary, Local No. 228, International Union of United Brewery, Flour, Cereal and Soft Drink Workers of America, Spokane, Washington. The letter stated that the union was desirous of transferring a portion of its funds from a checking account to a savings account, that the local bank had advised that it was believed that such a transfer could not be effected under Regulation Q of the Board of Governors, and that the opinion of the Board on the matter was requested.

The prior ruling of the Board that a deposit of a labor union may not be classified as a "savings deposit" was reviewed and consideration was given to the question as to whether or not more liberal or more

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restrictive interpretations of the applicable provisions of Regulation Q should be made.

At the conclusion of the discussion Mr. McKee moved that the Board adhere to its previous ruling and that a letter to Mr. Palmer be prepared advising him accordingly.

Carried unanimously.

In taking this action it was understood that the senior staff would make a further study of the definition of savings deposits in Regulation Q in view of the discussion at this meeting and submit to the Board their recommendations as to any changes which it was felt should be made.

Chairman Eccles stated that there had been left in his office this morning the following petition signed by Mr. T. O. Morton, President and Director of The Taylor National Bank, Campbellsville, Kentucky:

"The respondent, T. O. Morton, notified to appear before the Board to show cause why he should not be removed from office as a director and officer of The Taylor National Bank, and that hearing on such matter is provided by Section 30 of the Banking Act of 1933, be held beginning on the 7th day of June, 1937, at 10 o'clock, before noon, at the offices of the Board on the premises of the Federal Reserve Bank of St. Louis, at St. Louis, Missouri, respectively, represents to the Board that he has defense to the specifications of the Comptroller of the Currency of alleged unsafe and unsound practices in conducting the business of The Taylor National Bank of Campbellsville contained in the certification by the Comptroller to the Board of Governors of the Federal Reserve System under date of April 27, 1937 in which certification is made a part of the notice to show cause served upon this respondent.

"Respondent respectively represents to the Board that certain differences have arisen in the past between him and the banking department of the Federal Government growing out of reports made to the Comptroller by certain national bank examiners. Whilst, the respondent feels that many of the

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"criticisms of his acts as president and director of The Taylor National Bank are unfounded and that many of them are of a technical nature and that none of them are sufficiently fundamental in character to authorize his removal as president and director, yet, he feels that under the circumstances it may be unwise for him to attempt to continue the operation of The Taylor National Bank as a national banking organization.

"For these reasons he and certain men of business standing in Taylor County have concluded that the best interest of the depositors and business community of Taylor County be subserved by the organization of a State bank with a view of its eventually superseding The Taylor National Bank.

"These men so associated with the respondent have filed with the Banking Department of Frankfort, Kentucky, proposed articles of incorporation of a state bank and it is their purpose, if a charter be granted by the State of Kentucky, to negotiate with The Taylor National Bank for the purchase of its assets and resources.

"If this be done and it probably can be accomplished, if at all, in sixty or ninety days from this date, the matters involved upon the hearing proposed to be held by the Board of Governors of the Federal Reserve System will become moot because in that event the respondent will voluntarily retire from the office as president and director of The Taylor National Bank.

"In view of the circumstances herein set forth the respondent respectively requests that the hearing fixed for June 7, 1937 be continued to some future date not less than sixty days from the present date in order that time may be given to solve the questions involved in the hearing free from the attendant inconvenience and expense necessarily connected with such hearing."

Mr. Wyatt stated that Mr. Baumann, Assistant Counsel, who has been designated as trial examiner to preside at the hearing, left for St. Louis yesterday afternoon and that the representatives of the Comptroller of the Currency had arranged to leave for St. Louis today. In this connection there was read a memorandum from Mr. Wingfield to Mr. Wyatt as follows:

"Pursuant to your request I called Mr. Kelly on the telephone and told him that we have received a request from Mr. Morton that the section 30 proceedings be postponed for a period of 60 or 90 days on the basis that a State bank would

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"be organized to take over the assets of the national bank and the national bank be liquidated, thereby eliminating any section 30 question. I requested Mr. Kelly to discuss the matter with other representatives of the Comptroller's office and let me know whether that office would be opposed to such a postponement or would be agreeable to it.

"After discussing the matter with Mr. Kelly and Mr. Lyons, Mr. O'Connor called me on the telephone and advised in substance as follows: Mr. O'Connor felt that the matter was one primarily for the determination of the Board but expressed his views to the effect that if the request was based on ill health or necessary additional time to prepare a defense, the request for a continuance might be granted. However, where the request is based on the formation of a nonmember uninsured bank, which would result in removing Mr. Morton from the jurisdiction of the Board, Mr. O'Connor felt very strongly that the continuance should not be granted. He pointed out that in his opinion the supervisory authorities have a responsibility to the existing depositors of the member bank and that the requested continuance would enable Mr. Morton to carry over such depositors into a nonmember State bank. Mr. O'Connor also pointed out that to permit such a continuance in this case would be a precedent for other requests to escape the Board's jurisdiction where section 30 proceedings are involved. Mr. O'Connor said that he felt very strongly that it is undesirable to grant a continuance on the basis requested and to avoid any misunderstanding in the matter he will forward a memorandum of our conversation for the Board's records."

In the discussion which followed, the opinion was expressed and generally concurred in that the prospective organization of a State bank to succeed The Taylor National Bank was not a sufficient reason for a postponement of the hearing and that as Mr. Morton had already had thirty days in which to prepare for the hearing, the Board, on the basis of the information before it, should not grant at this late date the extension of time requested.

At the conclusion of the discussion the Secretary was requested to advise Mr. Morton that, inasmuch as he had already been given

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thirty days notice and all arrangements had been made by the Comptroller of the Currency for attendance of his witnesses, the Board felt that at this late date it could not properly postpone the commencement of the hearing on the date set; that the Board also felt that the matters set forth in the written statement filed with it on Mr. Morton's behalf did not constitute adequate grounds for postponement of the proceedings; but that, if at the time of the hearing he should show to the Board's representative good and sufficient reasons why he was unable to complete the presentation of all pertinent evidence, the Board's representative had authority to grant a reasonable adjournment.

At this point Messrs. Thurston, Wyatt, Goldenweiser, Smead, Parry, Vest and Bradley left the meeting and consideration was then given to each of the matters hereinafter referred to and the action stated with respect thereto was taken by the Board:

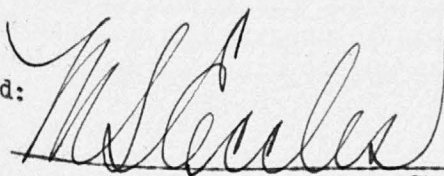
The minutes of the meeting of the Board of Governors of the Federal Reserve System held on June 3, 1937, were approved unanimously.

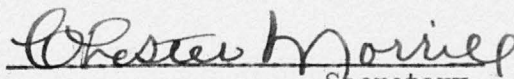
Telegrams to Messrs. Kimball and Clark, Secretaries of the Federal Reserve Banks of New York and Atlanta, respectively and to Mr. McKinney, President of the Federal Reserve Bank of Dallas, stating that the Board approves the establishment without change by the New York bank on June 3, 1937, and by the Atlanta and Dallas banks today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Thereupon the meeting adjourned.

Approved:


Chairman.


Secretary.