

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, August 3, 1937, at 12:15 p. m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

Consideration was 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 August 2, 1937, were approved unanimously.

Telegrams to Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis, Mr. McKinney, President of the Federal Reserve Bank of Dallas, and Mr. Sargent, Secretary of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the respective banks today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated July 30, 1937, from Mr. Parry, Chief of the Division of Security Loans, recommending the transfer of Mr. Bonnar Brown, Head of the Department of Security Loan Regulation of the Federal Reserve Bank of San Francisco, to the Board's Division of

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Security Loans as Special Assistant, with salary at the rate of \$3,200 per annum, effective as of September 7, 1937, or such later date as the transfer becomes effective. The memorandum stated that it was assumed that inasmuch as Mr. Brown is at present a member of the Retirement System of the Federal Reserve Banks it would not be necessary for him to take the usual physical examination.

Approved unanimously.

There was submitted a recommendation from Messrs. Spurney and Koppang that the following persons, who had been selected in accordance with the authority granted by the Board on July 12, 1937, and who had passed satisfactory physical examinations, be appointed as charwomen in the Board's new building, each with salary at the rate of 50¢ per hour, effective as of August 3, 1937:

Mrs. Ida M. Beach
 Mrs. Elizabeth Rolando
 Mrs. Mamie L. Boltwood

Approved unanimously.

Telegram to Mr. Sargent, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"Your letter July 22, 1937 re application 'Cowlitz Valley Bank', Kelso, Washington, for permission to retire \$5,000 capital debentures. Purpose of the Board's advice that authority of reserve banks to approve capital reductions under conditions of membership did not apply to reductions below the amount required for the organization of a national bank in that locality was to give the

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"Board opportunity to review cases which involve such reductions for which a bank's membership in the system might be terminated.

"In view of the information submitted with your letter of July 22, it does not appear that, if made, the amount of the reduction of itself would be such as to warrant forfeiture of membership. The reserve bank, therefore, is hereby authorized to approve the proposed reduction if it feels that, as a practical matter, such reduction is justified. This appears to be a close question in view of the continued growth of deposits. Board, however, has no information regarding the current status of bond account or amount of appreciation or depreciation therein, which it is felt would have a significant bearing on the application.

"Board will interpose no objection to the retirement at each semi-annual interest period of such small amounts as will enable the bank to obtain the benefit of the reduced interest rate offered by the Reconstruction Finance Corporation to banks complying with its requirements."

Approved unanimously.

Letter to Mr. Gidney, Vice President of the Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of July 27, 1937, requesting the opinion of the Board as to the applicability of the provisions of section 8 of the Clayton Act as amended to the services of certain individuals who are serving as officers and directors of The Equitable Trust Company of New York and Manufacturers Trust Company, New York, New York.

"It is understood that, in connection with the transaction whereby Manufacturers Trust Company assumed the deposit liabilities and purchased substantially all of the assets of The Equitable Trust Company, as of the close of business June 5, 1937, certain directors and officers of the latter became directors and officers of Manufacturers Trust Company and that these interlocking relationships will be terminated on or before August 5, 1937, except with respect to the services of Messrs. Edward E. Steele and Spencer Baker, Jr., who are serving as officers of both trust companies and who are the only officers familiar with the details of certain very important trust accounts retained by

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"The Equitable Trust Company. Accordingly, the question is presented whether these relationships come within the provisions of section 2(d)(6) and/or section 3(b) of the Board's Regulation L.

"From the information submitted by the firm of Chadbourne, Wallace, Parke & Whiteside, counsel to both trust companies, in its letter of July 19, 1937, to you, it appears that, although the corporate identity of The Equitable Trust Company still exists, Manufacturers Trust Company has taken over all of its deposit liabilities, substantially all of its investment portfolio and loans and certain of its trust accounts; that the assets of The Equitable Trust Company now consist almost exclusively of cash and four loans which were retained because of special relationships existing between the respective borrowers and the estate of the late Mr. Charles Hayden which holds all of the stock of the trust company except directors' qualifying shares; that The Equitable Trust Company has no deposits and is not accepting any new business of any kind or character; that it has a substantial number of trust accounts which, however, it is attempting to eliminate as rapidly as is consistent with sound fiduciary practice; and that it 'does no business at all except such as may be necessary to wind up its present affairs and such as may be necessary to protect the interest of beneficiaries of presently existing trust accounts, all of which are to be shifted as soon as conveniently proper.'

"In view of these facts it appears that The Equitable Trust Company is not at the present time engaged in the business of banking as that term is ordinarily understood and therefore that it is 'not engaged in a class or classes of business' in which Manufacturers Trust Company is engaged within the meaning of the exception set forth in section 2(d)(6) of the Board's Regulation L, and that the prohibition contained in section 8 of the Clayton Act as amended is not now applicable to the services of directors, officers or employees thereof who are serving other banks. However, your attention is directed to the fact that should The Equitable Trust Company resume any regular banking activities so as to be 'engaged in a class or classes of business' in which other banks are regularly engaged a different condition would result. In this connection, it is noted that it is possible that the trust company, instead of being liquidated and dissolved, will be sold by means of a sale of its stock, but that in such event, Messrs. Steele and Baker, the only directors or officers who will be serving the two trust companies after August 5, 1937, will cease to be officers at or before the consummation of the sale.

"Since the relationships involved appear to come within

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"the exception set forth in section 2(d)(6) of the Board's Regulation L, it is unnecessary to determine the applicability of the provisions of section 3(b) of the regulation to such relationships."

Approved unanimously.

Mr. Morrill submitted a recommendation, which had been approved by the Personnel Committee, that the Board authorize the purchase of supplies for the emergency room, soap, caster frames, chair casters, oil, kneeling pads, and perforated mats, as listed in purchase orders Nos. 1843, 1844, 1845, 1846, 1847, 1848, 1849, 1851, 1852, 1854, 1866, 1867, 1868, 1869, 1870 and 1871, at a total cost of \$515.92, and of absorbent cotton and adhesive plaster from the Procurement Division of the Treasury Department, as listed in purchase order No. 204, for use in the Board's new building.

Approved unanimously.

Thereupon the meeting adjourned.

Robert Morrill
Secretary.

Approved:

W. S. Coates
Chairman.