

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, October 5, 1937, at 10:45 a. m.

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

Mr. Morrill, Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Clayton, Assistant to the Chairman  
Mr. Wyatt, General Counsel  
Mr. Paulger, Chief of the Division of Examinations  
Mr. Smead, Chief of the Division of Bank Operations  
Mr. Dreibelbis, Assistant General Counsel  
Mr. Wingfield, Assistant General Counsel  
Mr. Sloan, Federal Reserve Examiner  
Mr. Thompson, General Assistant, Office of the Secretary

ALSO PRESENT: Mr. M. J. Fleming, President of the Federal Reserve Bank of Cleveland  
Mr. W. H. Fletcher, Vice President of the Federal Reserve Bank of Cleveland  
Mr. Sterling Newell, of counsel for the Federal Reserve Bank of Cleveland

Mr. McKee stated that various members of the Board and its staff had met with Messrs. Fleming, Fletcher and Newell yesterday for the purpose of discussing the proposed plan of reorganization of The Union Trust Company, Cleveland, Ohio, and that these gentlemen had been asked to remain in Washington in order that they might present the matter to the Board today. He said that the matter was before the Board for consideration because of the receipt of a preliminary application for membership submitted by the proposed directors on behalf of The Union Bank of Commerce Company, the proposed new bank, and the

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recommendation of the Federal Reserve Bank of Cleveland that the new bank be admitted to membership upon consummation of the plan and on such conditions as the Board might prescribe. Mr. McKee then outlined the proposed plan and stated that the question what action should be taken would depend largely upon whether the Board would consider only the condition of the new bank as it would be after the consummation of the plan or whether, in addition, the history of The Union Trust Company and the provisions of the plan should be considered.

Mr. Newell was then called upon to explain the legal questions involved in the proposal and, after discussing the matter fully, he suggested that the Board might wish to defer action on the application until after it had received satisfactory assurances as to the legality of the plan under the laws of the State of Ohio and to the effect that the depositors of The Union Trust Company fully understood what their position would be under the proposed plan of reorganization as compared with their rights in the event the assets of the trust company continued in liquidation.

Mr. Davis stated that he believed it would be desirable, before action was taken by the Board on the application, that a comparative statement of the depositors' position under the proposed plan and on the basis of liquidating the assets of the trust company be obtained from the Deputy Superintendent of Banks for the State of Ohio, who is in charge of the liquidation of the trust, and that such steps be taken as might be necessary to obtain a decision as to the legality

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of the proposed plan. At the conclusion of a lengthy discussion, Messrs. Fleming, Fletcher and Newell left the meeting at 12:10 p. m.

In connection with the above matter, it was the consensus of the members present that before action is taken by the Board on the application for membership filed on behalf of the proposed new bank, The Union Bank of Commerce Company, the procedure suggested by Mr. Davis should be followed, and that counsel should prepare a letter to the Federal Reserve Bank of Cleveland, for consideration by the Board, requesting that such a statement be obtained and that opinions be obtained from the Attorney General of the State of Ohio and Counsel for the proponents of the plan as to the legality of the plan.

Mr. Ransom referred to the fact that the Rules and Regulations governing the Retirement System of the Federal Reserve Banks provide that one member of the Board of Trustees of the Retirement System shall be designated by the Board to serve at its pleasure and that it was advisable to name someone to succeed Mr. Broderick. Mr. Davis stated that he felt the designation of a member of the Board as trustee should be made on a temporary basis at the present time and that the designation of a trustee on a permanent basis should be considered in connection with the reallocation of the general duties of the several members of the Board after the return to the city of Chairman Eccles.

Mr. Davis thereupon moved that Mr. Szymczak be designated as a member of the Board of Trustees of the Retirement System of the Federal Reserve Banks to serve until a successor is appointed by the Board, with the understanding that the appointment would

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be regarded as temporary and that further consideration would be given to the matter when a general reallocation is made of the duties of the several members of the Board

Carried unanimously.

Consideration was then given to a telegram dated October 1, 1937, from Mr. Harrison, Chairman of the Presidents' Conference, requesting such topics as the Board might care to suggest for consideration at the forthcoming meeting of the Presidents' Conference to convene in Washington on October 18, 1937. Copies of Mr. Harrison's telegram had been distributed previously to the members of the Board and the heads of the various divisions of the Board's organization. Mr. Bethea reported that Mr. Paulger had suggested that it might be well to have a discussion at the Conference of the administration of Regulation U, Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange, and the provisions of Section 5136 of the Revised Statutes relating to dealings in investment securities by national banks, and that Mr. Parry, Chief of the Division of Security Loans, had submitted, with the concurrence of Mr. Szymczak, the question "What has been the experience of the Reserve banks in developing men qualified to handle the specialized work that is being done by the banks, or that should be done by them, in connection with the administration of the Securities Exchange Act of 1934?"

At the conclusion of a discussion of the topics suggested by Messrs. Paulger and Parry,

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Mr. Szymczak moved that they not be included on the program for the Presidents' Conference but that they be brought up informally for discussion during a joint meeting of the Conference and the Board.

Carried unanimously.

In taking the foregoing action, it was understood that the Secretary would advise Mr. Harrison that the Board had no topics to suggest for discussion at the meeting of the Presidents' Conference to be held on October 18 other than the questions of uniform meeting dates of the boards of directors of the Federal reserve banks and the absorption of postage on direct sendings of cash letters, both of which had already been placed on the program in accordance with previous suggestions of the Board.

At this point Messrs. Wingfield and Sloan left the meeting.

Mr. Ransom referred to the action taken by the Board at its meeting on September 30 with respect to the recommendation contained in Mr. Smead's memorandum of September 24 that the text of the weekly statement of condition of Federal reserve banks, which now shows total excess reserves of member banks as a whole, be amplified so as to show also the approximate amounts of excess reserves of central reserve city banks in New York and Chicago, respectively, and suggested that the matter be held on the docket until the return to Washington of Chairman Eccles in order that he may be given an opportunity to consider the matter.

Mr. Ransom's suggestion was concurred in by all of the members of the Board.

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Mr. Ransom also referred to the discussion at the meeting of the Board on September 30 with respect to a letter addressed to Chairman Eccles under date of September 24, 1937, by Mr. Wood, Deputy Chairman of the Federal Reserve Bank of Chicago, regarding general conditions and stated that he had received a telegram from Mr. Wood this morning advising that he would be in Washington on Wednesday, October 6, at which time he hoped to meet with the members of the Board. Mr. Ransom said that it was understood that the members of the Board would discuss with Mr. Wood informally at luncheon tomorrow the matters referred to in his letter.

The Secretary raised the question whether the offices of the Board should be closed to the general public on October 20, the date set for the ceremonies in connection with the official opening of the Board's new building, in order to avoid unnecessary confusion and interference with the ceremonies.

At the conclusion of a discussion of the matter, it was informally agreed that the building should be closed to the general public the entire day of October 20, that employees of the Board's organization who could be spared would be excused from work on that date without the absence being charged against their annual leave, and that members of the Board's staff and persons who have received invitations to be present at the ceremonies should be admitted to the building on that date upon presentation of building passes or cards of admission.

At this point Messrs. Wyatt, Paulger, Smead, Dreibelbis and

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Thompson 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 October 2, 1937, were approved unanimously.

The minutes of the meetings of the Board of Governors of the Federal Reserve System held on September 30, and October 1, 1937, were approved and the actions recorded therein were ratified unanimously.

Telegrams to 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 banks today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Telegram dated October 4, 1937, to Mr. Young, Vice President of the Federal Reserve Bank of Chicago, reading as follows:

"Your wire October 2. In accordance with your recommendation Board extends to November 2, 1937, time within which 'Macomb County Savings Bank', Richmond, Michigan, may accomplish membership in the System. Please advise bank accordingly."

Approved unanimously.

Thereupon the meeting adjourned.

Lester Morris  
Secretary.

Approved:

Franklin D. Roosevelt  
Vice Chairman.