

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, March 16, 1938, at 11:30 a. m.

PRESENT: Mr. Ransom, Vice Chairman
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:

Letter to Mr. Young, President of the Federal Reserve Bank of Boston, reading as follows:

"Receipt is acknowledged of your letter of February 10, 1938, relating to the payment of compensation to Associate Counsel Phillips Ketchum in addition to his annual retainer, in response to which you are advised that the Board approves the payment to him of \$1,900 for professional services to December 31, 1937 and \$59.27 for cash disbursements during the same period.

"In this connection, it is noted that Mr. Ketchum's bill is apparently based upon total services for the period extending from April 1, 1934 to December 31, 1937, less the retainer paid, whereas, the Board has understood that the retainer covered general consultation requiring no special study, and that additional compensation would be paid only for special work or litigation.

"The Board realizes that there are circumstances in which, in order to secure the services of competent counsel in special matters or special litigation, payment of an annual retainer bearing some relation to the work normally to be expected may be desirable. The Board also realizes that it may be awkward and undesirable to establish any hard and fast rule relating to a division of work between your General Counsel and your Associate Counsel; that, as

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"stated by you, the time may come when the need for Associate Counsel will be less; and that there may be very little likelihood of embarrassment because of any indefiniteness in the present arrangement.

"However, since the present arrangement, as understood by the Board, is apparently indefinite, it will be appreciated if you will give consideration to clarifying it with Mr. Ketchum with respect to the contemplated scope of his services."

Approved unanimously.

Letter to Honorable William G. McAdoo, United States Senate,
reading as follows:

"This refers to your letter of February 10, 1938, requesting certain information regarding so-called holding companies for banks in the United States and the banks controlled by them.

"In order to indicate clearly the scope of the information presented herewith in reply, it seems desirable to define the terms used in discussing the matter. Data submitted herewith relate to organizations which fall within the definition of the term 'holding company affiliate' as set forth in section 2(c) of the Banking Act of 1933, as amended, which, as you know, includes any corporation, business trust, association, or other similar organization which owns or controls, directly or indirectly, either a majority of the shares of capital stock of a member bank or more than 50 per cent of the number of shares voted for the election of directors of the bank at the preceding election, or controls in any manner the election of a majority of the directors of the bank, or for the benefit of whose shareholders or members all or substantially all the capital stock of a member bank is held by trustees. In compiling data submitted herewith regarding the banks controlled by such holding company affiliates, banks have been regarded as 'controlled' if they were related to a holding company affiliate in any manner described in the statutory definition just referred to, with the exception that banks are included which, although not technically controlled by holding company affiliates, would be subsidiaries of such organizations if the Reconstruction Finance Corporation did not hold preferred stock of the banks.

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"It may be noted in this connection that the information submitted to you with the Board's letter of December 18, 1937, in response to your letter of December 8, 1937, was compiled on the same basis as that outlined above. You will recall that the information submitted to you at that time included a list of 41 holding company affiliates, together with information as to the number and aggregate resources of the national, State member, and nonmember banks controlled by them.

"In compliance with your current request, there is inclosed an additional tabulation of the 41 holding company affiliates and their controlled banks, which shows the State in which each holding company affiliate was organized, the number of banks controlled by each, and the total deposits of such banks. As in the case of the data submitted with the Board's letter of December 18, the inclosed tabulation has been compiled on the basis of the latest information in the Board's records in connection with the issuance of voting permits pursuant to the applicable provisions of the Banking Act of 1933. Also, as in the previous case, the holding company affiliates listed in the tabulation do not include organizations which have been determined by the Board, pursuant to section 2(c) of the Banking Act of 1933, as amended, not to be engaged as a business in holding the stock of, or managing or controlling banks, and which therefore are not subject to the statutory requirements regarding voting permits. To date, the Board has made such determinations with respect to 96 organizations. Although the facts with regard to these determinations varied, the Board's basic consideration in making them has been whether the organizations were engaged in the business of group banking, and in most of the cases the organization controlled only one bank.

"In connection with the controlled banks shown in the tabulation, it must be recognized that the facts regarding control of banks change from time to time by reason of various factors, such as changes in the outstanding capital stock of banks or changes in the proportion of stock owned or controlled by holding company affiliates. The Board does not receive immediate advice as to the occurrence of changes in the status of control, but the data submitted herewith show the situation as indicated by the most recent information in the Board's possession.

"You requested also a statement of the annual increase in the number of holding companies for the years 1930-1937,

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"inclusive. It is regretted that the Board's records do not contain the information necessary to show the net annual increase or decrease in the number of all holding company affiliates for the period indicated. However, the applications for voting permits filed with the Board by holding company affiliates and other information in the Board's records show that 37 of the 41 organizations listed in the inclosed tabulation were organized prior to 1930, and the other four were organized as follows:

<u>Holding company affiliate</u>	<u>Year organized</u>
Barnett National Securities Corporation, Jacksonville, Florida	1930
Hamilton National Associates, Incorporated, Chattanooga, Tennessee	1930
Florida National Group, Inc., Jacksonville, Florida	1932
New Hampshire Bankshares, Inc., Nashua, New Hampshire	1934

"For your further information in connection with the subject of group banking in general, there is inclosed a copy of the Federal Reserve Bulletin for February, 1938, which contains at pages 92-101, inclusive, a statistical survey of group banking in the United States. You will note that, on the basis of statistics as of December 31, 1936, there were 52 groups, comprehending 479 banks with loans and investments of \$5,460,000,000 and deposits of \$6,840,000,000.

"It should be noted particularly that in the Bulletin article, the subject of group banking was approached for statistical purposes on a basis differing in certain respects from the basis of the more current data in the inclosed tabulation. Among the more important differences is the fact that the concepts of group banking and control of banks used in compiling the published statistical data go beyond the statutory definition of the term 'holding company affiliate', as indicated by the definition shown on page 92 of the Bulletin, which included among group banks those which were controlled by 'what is regarded generally as a bank group even though there is technically no "holding company affiliate" as defined in section 2(c) of the Banking Act of 1933'. Also, it will be noted from the footnote numbered 4 on page 92 that the banks included in the published survey were not all controlled banks, but included certain large banks,

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"which had deposits aggregating approximately \$2,100,000,000, which dominated their respective groups rather than being subsidiary banks.

"Moreover, changes in the status of control of some banks have occurred since December 31, 1936. For example, at that time Transamerica Corporation controlled almost all of the stock of Bank of America National Trust and Savings Association, San Francisco, California, but on the basis of the information in the Board's possession, the bank ceased, in 1937, to be technically a subsidiary of such corporation. Accordingly, the bank is not included in the current figures shown in the inclosed tabulation, although it was, of course, included in the statistical survey as of December 31, 1936, and even now might properly be included in group bank figures which are not limited to the statutory definition of control."

Approved unanimously.

Letter to Mr. Parker, First Vice President of the Federal Reserve Bank of Atlanta, reading as follows:

"Reference is made to your telephone conversation of March 9 with Mr. Paulger regarding the problem of obtaining a sufficient number of examiners and assistants to conduct a simultaneous examination of the head office of the Commerce Union Bank, Nashville, Tennessee, and its branches in connection with a proposed consolidation of the State member with its affiliated national bank.

"It is understood that you have made arrangements to obtain the services of some of the national examiners and assistants assigned to that district, of which arrangement Mr. Paulger advised you that there would be no objection. Therefore, the Board approves the use by your bank of any national bank examiner or assistant national bank examiner in the examination of a State member bank made pursuant to the provisions of section 9 of the Federal Reserve Act, such approval being in order to avoid any question as to the right under the law of these examiners to participate in examinations of State member banks. It will not be necessary for you to submit the names of the individuals to the Board in accordance with the procedure outlined in the Board's letter of April 3, 1937 (X-9858), and you will note that under this approval the use of the services of national examiners and assistants is not limited to the Commerce Union Bank."

Approved unanimously.

Letter dated March 15, 1938, to Honorable Hattie W. Caraway,

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United States Senate, reading as follows:

"This refers to your letter of March 12, 1938, requesting advice as to whether or not there is a Federal criminal statute forbidding the making or circulating of false statements derogatory to the financial condition or affecting the solvency or financial standing of a member bank of the Federal Reserve System.

"You are advised that there is no Federal statute of general applicability upon this subject although section 300c of the Code of the District of Columbia, which section was enacted on March 4, 1933, forbids, under penalty of fine or imprisonment or both, the making or repeating of any false statement imputing insolvency or unsound financial condition to any bank, trust company, or building and loan association in the District of Columbia.

"It is hoped that this gives you the desired information regarding the existing Federal statutes on this subject."

Approved unanimously.

Letter to the Comptroller of the Currency, reading as follows:

"It is respectfully requested that you place a special order with the Bureau of Engraving and Printing, supplementing the order requested June 19, 1937, for the printing of Federal reserve notes of the 1934 Series in the amounts and denominations stated for the Federal Reserve Bank of Chicago:

Denomi- nation	Number of sheets	Amount
100	9,000	\$10,800,000
500	1,600	9,600,000"

Approved unanimously.

Memorandum to the heads of all divisions of the Board's staff, reading as follows. The memorandum had been approved by the Personnel Committee:

"There is transmitted herewith a supply of Form F.R. 370, one of which should be filled out for each employee in your division who occupies a position junior to that of assistant head of the division. The information called for by these forms is to be used as a basis for compiling comparative data desired by the Personnel Committee with regard to positions involving similar work or responsibilities within and without the Board's organization.

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"Each employee should be requested to prepare a concise statement enumerating the duties which he performs. He should describe first the class of work which consumes the major portion of his time and indicate his other duties in the order of their importance. The employee also should indicate clearly whether the work is done without close supervision or under the immediate direction of some other person. In the event the employee's duties are entirely or in part of a supervisory character, the kind of supervision exercised and the number of other employees coming under his supervision should be stated. The statement should then be reviewed by the employee's immediate supervisor and any exceptions or omissions noted should be called to the employee's attention. Uniform phraseology should be used wherever possible in the description of the same or similar duties. By way of illustration, typical descriptions of the work of stenographers and of typists are attached.

"When both the employee and his supervisor are in agreement as to the accuracy and completeness of the written statement, it should be typed on Form F.R. 370. In this connection, it is suggested that you designate one person in your division to receive all such statements, type them on Form F.R. 370, obtain the initials of the supervisor thereon, and follow up to see that the forms are otherwise complete. The forms should then be handed to the division head for his approval of the description of the work by initials, subject, of course, to any qualifying remarks he may desire to make regarding any cases in which he feels the description overstates or understates the duties and responsibilities of the employee.

"Please have all completed forms covering employees in your division assembled and forwarded at one time to Mr. Bethea, in his capacity as Budget Officer of the Board, not later than ten days from the date of this memorandum."

Approved unanimously.

Thereupon the meeting adjourned.

Walter Morrie
Secretary.

Approved:

Quartz
Vice Chairman.