

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, April 19, 1938, at 12:45 p. m.

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

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 April 18, 1938, were approved unanimously.

Memorandum dated April 16, 1938, from Mr. Paulger, Chief of the Division of Examinations, submitting the resignation of Mrs. Nancy R. Porter as a stenographer in the Division, to be effective as of June 1, 1938, and recommending that the resignation be accepted.

Accepted with regret.

Letter to "The First National Bank of Dickson", Dickson, Tennessee, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for permission to exercise limited fiduciary powers, and grants you authority to act, when not in contravention of State or local

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"law, as trustee under mortgages or trust indentures in connection with Rural Electrification Administration Project No. 23, Dickson, Tennessee, the exercise of such right to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously, together with a letter to Mr. Parker, First Vice President of the Federal Reserve Bank of Atlanta, reading as follows:

"Reference is made to your letter of March 31, 1938, transmitting the application of 'The First National Bank of Dickson', Dickson, Tennessee, for permission to act as trustee under a mortgage in connection with the Rural Electrification Administration Project No. 23, at Dickson.

"The Board has given consideration to the application and in view of all the circumstances has granted permission to The First National Bank of Dickson to act in the specific trusteeship for which the application was made. A copy of the Board's letter to the bank granting the desired authority is transmitted herewith for your files.

"With reference to the recommendation of your executive committee 'that application be granted, assuming, of course, that Board has no objection in principle to the granting of authority to a national bank to act as trustee in one particular or isolated case,' it may be stated that it has been the general policy of the Board to grant fiduciary powers only in the terms of section 11(k) of the Federal Reserve Act, and not to grant limited powers to act as fiduciary in particular cases or classes of cases. However, exceptions to the Board's policy have been made in a number of instances where, as in the present case, the circumstances were such as to appear to warrant the Board in deviating from its customary practice."

Letter to Mr. J. P. Thornton, Vice President of "The National Metals Bank of Hancock", Hancock, Michigan, reading as follows:

"Receipt is acknowledged of your letter of April 4,

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"1938, making reference to the fact that your bank had surrendered its fiduciary powers, and inquiring whether the Board would grant it authority to act as registrar for the Peninsula Copper Company.

"Your inquiry has been brought to the attention of the Federal Reserve Bank of Minneapolis, which will communicate with you concerning the matter and furnish the necessary blanks for submitting a formal application to the Board if, after further consideration, you should desire to do so."

Approved unanimously, together with a letter to Mr. Swanson, Vice President of the Federal Reserve Bank of Minneapolis, reading as follows:

"There is transmitted herewith a copy of a letter from Vice President Thornton of 'The National Metals Bank of Hancock', Hancock, Michigan, and a copy of the Board's acknowledgment thereof.

"For your information in this connection, it may be stated that it has long been the general practice of the Board to grant fiduciary powers only in the terms of section 11(k), and, when granting a specific power, not to restrict it to particular accounts or classes of accounts, although exceptions to this practice have been made in a few cases where special circumstances appeared to justify such action.

"As you know, this bank held full fiduciary powers for the three year period from October 10, 1934 to October 26, 1937, and, having found the operation of a trust department unprofitable, surrendered its trust powers and obtained the release of securities formerly pledged by it with the State authorities, and it does not seem that the reason now advanced - that of desiring to accommodate a good customer - is of sufficient importance or value to the bank to justify its reentering the trust field even in a small way, and, unless more convincing reasons can be furnished for the bank's contemplated action, it is felt that it would be desirable to endeavor to persuade it that its interests would best be served by its declining the proffered fiduciary account.

"In discussing the matter with the bank it should be pointed out that, if the Board granted the desired authority for handling a single registrar account, the requirements of Regulation F relating to the establishment and maintenance

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"of a trust department would be applicable, and also the probability that a pledge of securities with the State authorities would have to be made. Also that, if the bank is permitted to accommodate one customer in a fiduciary capacity, such action could well establish a precedent which would result in repeated requests for similar authorizations from time to time as other customers might request the bank to act in fiduciary capacities, and, if the bank were unwilling or unable to accept further fiduciary business, it might well result in dissatisfied customer relationships which would far outweigh any advantages to be derived from the one account now in question.

"Should the bank, after further consideration of the matter, still desire authority to accept the account in question, or to apply for one or more specific powers, you may, of course, supply it with the necessary forms and directions for submitting a formal application. In that event as full information as possible should be developed as to the reasons underlying the application, in explanation of the bank's desire to again act in a fiduciary capacity."

Letter to "The First National Bank of Spring Valley", Spring Valley, New York, reading as follows:

"This refers to the resolution adopted on February 1, 1938, by the board of directors of your bank signifying the bank's desire to surrender its right to exercise the trust powers which have heretofore been granted to it under the provisions of section 11(k) of the Federal Reserve Act, as amended.

"The Board understands that your bank has been discharged or otherwise properly relieved in accordance with the law of all of its duties as fiduciary. The Board, therefore, has issued a formal certificate to your bank certifying that it is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act, as amended. This certificate is inclosed herewith.

"In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Board of Governors of the Federal Reserve System to a national bank, such bank (1) shall no

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"longer be subject to the provisions of section 11(k) of the Federal Reserve Act or the regulations of the Board of Governors of the Federal Reserve System made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State or similar authorities for the protection of private or court trusts, and (3) shall not exercise any of the powers conferred by section 11(k) of the Federal Reserve Act except with the permission of the Board of Governors of the Federal Reserve System."

Approved unanimously.

Memorandum dated April 14, 1938, from Mr. Wyatt, General Counsel, submitting a letter addressed to him under date of March 14 by the Commissioner of Banks of the State of North Carolina extending to Mr. Wyatt an invitation to speak before the North Carolina Bankers Conference at its meeting at Chapel Hill, North Carolina, on July 11-15, 1938, on the subject of Federal reserve banking law and the rules and regulations of the Board of Governors of the Federal Reserve System.

The acceptance of the invitation by Mr. Wyatt was approved unanimously.

Memorandum dated April 18, 1938, from Mr. Wyatt, General Counsel, recommending that, for the reason stated in the memorandum, the sum of \$350 be added to the item Printing and Binding in the budget for the Office of General Counsel for 1938 in order to provide an adequate amount for that purpose for the remainder of the current year.

Approved unanimously.

Letter to Mr. Ralph F. Fuchs, New York, New York, reading as follows:

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"Receipt is acknowledged of your letter of April 14 making request for permission to examine certain files of the Board of Governors for the purpose of making a study of the procedure employed in dealing with matters of a regulatory nature. We have noted with interest your explanation of your point of view and purpose in connection with such a study and before making further reply will appreciate it if you will advise us as to the exact manner in which you contemplate utilizing the results of your study and particularly, if it is to be published, in what way you expect to use the material."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. Scales
Chairman.