

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, July 21, 1938, at 11:15 a. m.

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

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. Day, President of the Federal Reserve Bank of San Francisco, reading as follows:

"Acknowledgment is made of your letter of July 7, 1938, in which you state that your bank has recently had a considerable increase in industrial loan work and that Mr. H. D. Armstrong, who has been employed by your Counsel, Mr. A. C. Agnew, has been reemployed by the bank as of July 1, 1938, at an annual salary of \$3,900.

"It is noted that the \$2,400 additional compensation to Mr. Agnew for clerk hire, which was approved by the Board of Governors on January 12, 1938, has been discontinued effective July 1, 1938."

Approved unanimously.

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

"This refers to your letter of July 5, 1938, relating to the practice of the New York State authorities to require that, as a condition to the release of securities deposited with them by a national bank in connection

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"with the bank's exercise of trust powers, the bank furnish a certified copy of a court order directing the return of the securities and a letter giving the State authorities permission to make an examination of the trust department records of the bank.

"It appears that, in your discussion of this matter with the State authorities, you have called attention to the provisions of section 11(k) of the Federal Reserve Act which provide that 'nothing in this Act shall be construed as authorizing the State banking authorities to examine the books, records and assets' of a national bank authorized to exercise trust powers. A national bank, however, may permit the State authorities to examine its trust department records if it so desires.

"If you have not already done so, it is believed that attention should be called to the provisions of the last paragraph of section 11(k) to the effect that, upon the issuance of a certificate by the Board certifying that a national bank is no longer authorized to exercise trust powers, the bank 'shall be entitled to have returned to it any securities which it may have deposited with the State authorities for the protection of private or court trusts.' It was primarily with this provision in mind, and with the view of eliminating duplication of requirements and unnecessary expense where such a certificate has been issued, that it was suggested that you might wish to discuss this matter with the State authorities.

"With respect to the inquiry of the State authorities concerning the Board's practice with respect to the surrender of trust powers by a national bank in liquidation, the Board, of course, does follow the same procedure in the case of a bank in voluntary liquidation as in the case of a bank not in liquidation. However, as you know, in some instances, as in the pending case of Quassaick National Bank of Newburgh, Newburgh, New York, it is difficult for a bank in voluntary liquidation to comply with the statutory requirements which must be met before the Board issues its certificate and it may be desirable for the bank to be able to obtain the return of its securities without obtaining the Board's certificate.

"The Board has not had occasion to issue a certificate covering the surrender of trust powers by a national bank in receivership and apparently banks have encountered no difficulty in obtaining the return of their securities without certificates. Without determining what position

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"should be taken with respect to the issuance of certificates in such cases, it seems that ordinarily it would be preferable for a bank in receivership to be able to obtain the return of its securities by the State authorities without obtaining a certificate from the Board, even though the latter were possible.

"With respect to your suggestion with respect to obtaining an opinion of the State Attorney General, the Board sees no objection to your suggesting to the State authorities that consideration be given to obtaining an opinion as to whether it is necessary or proper for them to make any further requirement after the Board has issued its certificate.

"The Board appreciates the cooperative attitude of the State authorities and it should be emphasized that, as indicated above, the question was raised concerning this matter solely with the view of eliminating duplication of requirements and unnecessary expense. If an amendment to the pertinent New York statutes is deemed necessary or desirable, it would appear appropriate, in the circumstances, for such amendment simply to authorize the State authorities to accept, in lieu of any requirements which otherwise must be met, a certified copy of the Board's certificate in any case in which such a certificate has been issued."

Approved unanimously.

Letter to Mr. Fry, Vice President of the Federal Reserve Bank of Richmond, reading as follows:

"Receipt is acknowledged of your letter of July 13, inclosing a copy of a letter received by you from Mr. L. S. Zimmerman, Vice President of the Maryland Trust Company, Baltimore, Maryland, with respect to the necessity of that bank's publishing two reports of condition as of the same call date. Chairman Eccles has also received a letter on this subject from Mr. Heyward E. Boyce, President of the Maryland Trust Company, and in replying thereto has furnished him with a copy of this letter for his information.

"As you know, this matter has been the subject of a good deal of consideration by the Board and, pending the adoption of a standard form of call report which might

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"be used by all Federal agencies and State banking departments, the Board has indicated the manner in which single publication may be brought about of condition reports rendered by State bank members pursuant to the calls made by Federal Reserve banks and State banking departments, respectively. Although the procedure prescribed has been adopted in a number of States, apparently the State banking department of Maryland has not found it practicable to do so. In this connection, we understand that the Maryland call report form is almost identical with that prescribed by the Federal Deposit Insurance Corporation for insured nonmember banks. The face of the Federal Deposit Insurance Corporation form does not differ substantially from the Board's Form 105e except in the arrangement of assets and in the showing of pledged assets.

"Publication of condition reports rendered by State bank members pursuant to the provisions of the Federal Reserve Act, as Mr. Zimmerman points out, is mandatory under the existing provisions of law. The Board is, however, constantly interested in a simplification and improvement of matters of bank supervision, and renewed negotiations are now under way looking toward an early arrangement which will make it possible for every State bank member to publish but one condition report in response to calls as of the same date made by its Federal Reserve bank and its State banking department.

"P.S. The procedure referred to in the second paragraph is outlined in letters X-9395 of December 17, 1935 and X-9519 of March 12, 1936 and telegram Trans 2359 of January 11, 1936. This postscript does not appear on the copy of this letter sent to Mr. Boyce."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrill
Secretary.

Approved:

W. Steeles
Chairman.