

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, September 13, 1938, at 2:45 p.m.

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

Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Thurston, Special Assistant to the
Chairman
Mr. Goldenweiser, Director of the Division of Research and Statistics

Mr. Ransom stated that, in response to a telephone request from the Secretary of the Treasury, he had attended a meeting at the Treasury this morning at which there were also present the Secretary of the Treasury, Assistant Secretary Hanes, Mr. Oliphant, General Counsel for the Treasury Department, Messrs. Upham, Gaston and Graves, Special Assistants to the Secretary of the Treasury, Mr. Crowley, Chairman of the Federal Deposit Insurance Corporation, Mr. Diggs, Acting Comptroller of the Currency, and Mr. Folger, Chief National Bank Examiner. Upon arrival at the meeting, Mr. Ransom said, he learned that the Secretary was concerned about the existing policy of the Bank of America National Trust and Savings Association, San Francisco, California, of paying dividends at a rate which, in the light of the condition of the bank, he thought entirely unjustified, and that it had been concluded by the Treasury and the office of the Comptroller of the Currency that a warning should be issued to the bank under the provisions of Section 30 of the Banking Act of 1933 to discontinue the existing unsound practice and to couple the

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warning with a demand that the bank discontinue the payment of all dividends for the time being. The Secretary advised Mr. Ransom that the reason for the meeting at the Treasury was that a meeting of the board of directors of the bank was being held today in Los Angeles at which it was anticipated that a further dividend would be declared and that it was proposed that a telegram be sent by the office of the Comptroller of the Currency to the National Bank Examiner in Los Angeles with instructions that the telegram be read at the meeting of the board of directors of the national bank.

Mr. Ransom added that the Secretary had asked Mr. Crowley if he supported the Treasury's views in this action, that Mr. Crowley had stated that he did, that the Secretary had then inquired of Mr. Ransom as to the views of the Board of Governors, and that he had replied that he had no authority to speak for the Board, that under the provisions of Section 30 of the Banking Act of 1933, after the Comptroller of the Currency had certified the facts to the Board the Board would be acting in a quasi-judicial capacity, and that he felt that therefore it would be quite improper for any member of the Board at this time to express any opinion in advance of receipt of advice from the Comptroller which might lead to a hearing. He also said that he had stated to the Secretary that in view of the unique situation that exists on the Pacific Coast he hoped that the contemplated action would not be taken without due deliberation on the part of those responsible for such action.

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Mr. Ransom then stated that he was reporting the matter to the Board at the request of the Secretary of the Treasury and that he had promised to telephone the Secretary following this meeting for the purpose of advising him what, if anything, the Board had to say about the matter.

Mr. Ransom read to the members of the Board a copy of a telegram which Mr. Diggs, Acting Comptroller, was sending to Mr. R. E. A. Palmer of their staff in Los Angeles, which Mr. Palmer was being instructed to read at the meeting of the directors today.

After discussion, during which the applicable provisions of Section 30 of the Banking Act of 1933 were read, it was understood that Mr. Ransom would advise the Secretary over the telephone that he had conferred with the other members of the Board who were in Washington and that the Board felt that it would not be proper for it to express any views in advance of the presentation of the facts in the case by the Comptroller of the Currency as contemplated by Section 30 of the Banking Act of 1933.

(Secretary's note) Later in the afternoon Mr. Ransom advised the Secretary's Office that he had communicated the above information to Chairman Eccles who was out of the city, but had been unable to reach Mr. McKee who was aboard ship, and that Mr. Ransom, after talking to Mr. Eccles, had telephoned the Secretary informing him that the other members of the Board with whom he had been able to communicate shared his view that they should not at the present stage of the proceeding express any opinion regarding the contemplated action, but that of course the Board was ready to proceed as the statute required when and if the Comptroller certified facts in the matter to the Board under the provisions of Section 30 of the Banking Act of 1933.

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At this point, Messrs. Thurston and Goldenweiser left the meeting.

The action stated with respect to each of the matters hereinafter referred to was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on September 12, 1938, were approved unanimously.

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

"This refers to your letter of September 7 transmitting the completed schedules requested in the Board's letter of August 18, showing the extent to which member banks in Wisconsin restricted or deferred payment of deposits, obtained waivers from depositors, etc., during the period January 1, 1930 to December 31, 1936, inclusive.

"Although the data in question were requested principally to enable us to compile certain statistics for the use of the Department of Agriculture, it was expected that the data might be useful for the Board's purposes in compiling statistical information on the same subject to supplement the statistics now available on bank suspensions. It was also felt that the Department of Agriculture's study itself might be of interest to the Board. In the circumstances, it was not contemplated that the Department of Agriculture would be requested to reimburse the Reserve banks for compiling or the Board for summarizing the data. Accordingly, it is requested that the expense of \$52.48 covered by the bill inclosed with your letter be absorbed by your bank."

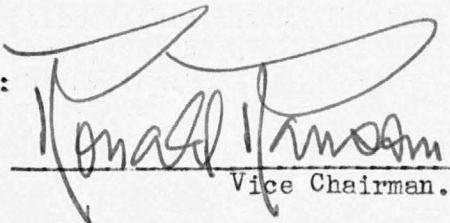
Approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Vice Chairman.