

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, December 6, 1938, at 2:30 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
Mr. Thurston, Special Assistant to the Chairman
Mr. Wyatt, General Counsel
Mr. Paulger, Chief of the Division of Examinations
Mr. Dreibelbis, Assistant General Counsel
Mr. Wingfield, Assistant General Counsel
Mr. Cagle, Assistant Chief of the Division of Examinations

Mr. Ransom reported briefly for the information of the other members of the Board the developments up to date with respect to the absorption of exchange and collection charges by certain member banks. It was understood that he would continue to handle these matters with a view to determining what further steps should be taken to solve the problem.

Reference was made to the memorandum of recommendations of the Federal Advisory Council, submitted by the Council at the meeting with the Board on November 29, 1938, with respect to (1) services to member banks and (2) assignment of claims on the United States. At the request

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of Mr. Ransom, consideration of the memorandum was deferred pending the circulation among the members of the Board of a memorandum being prepared by him relating to the Council's recommendations.

In accordance with the understanding reached at the meeting of the Board on November 23, 1938, the report submitted by Mr. Goldenweiser, Director of the Division of Research and Statistics, at that meeting on the subject of revision of reserve requirements of member banks was brought up for discussion. Members of the Board concurred in the opinion that no action with respect thereto need be taken at this time.

Mr. Davis moved that the report be laid on the table until it is called up for consideration by a member of the Board.

Carried unanimously.

At Mr. McKee's request the Secretary read a memorandum prepared for the files under date of December 5, 1938, by Mr. Cagle relating to the recently announced action of Transamerica Corporation in disposing of its interest in Bankamerica Company and Bancamerica-Blair Corporation. He also read the following draft of a telegram to President Day of the Federal Reserve Bank of San Francisco regarding the matter:

"Reference Clerk's wire November 29 quoting letter received from Transamerica Corporation in regard to Bankamerica Company and Bancamerica-Blair Corporation. In order to enable the Board to reach a conclusion as to compliance with provisions of law relating to divorcement

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"of securities companies it is necessary for Board to have additional information as to details of the transactions. Therefore if you have not already done so please obtain full information respecting (a) manner in which interest in the securities companies was recently disposed of (b) the contracts or conditions of sale (c) the amount and nature of payments received by each of the companies involved (d) the persons by whom the stock was acquired (e) relationships if any which such persons have with Transamerica Corporation or any affiliated organization (f) whether the corporation or any subsidiary or affiliated organization financed such sales by loans or otherwise (g) and such other information as counsel for your bank considers necessary in order to reach a conclusion as to whether or not Transamerica Corporation has complied with the requirements of the law relating to divestment of ownership, control, interest in or participation in management or direction of securities companies. Please advise Board fully as to your opinion and that of your counsel together with all facts developed."

Mr. McKee stated that it was felt necessary that the Board have the information requested in the telegram before it could determine whether Transamerica Corporation had complied with the provisions of subsection (e) of section 5144 of the Revised Statutes which provides that every holding company affiliate shall divest itself of any ownership, control or interest held by it in any securities company within a period of five years after the filing of an application for a voting permit.

Upon motion by Mr. McKee the telegram was approved by unanimous vote.

Mr. Ransom referred to a letter addressed to Chairman Eccles under date of November 23, 1938, by the New York Committee on Interstate Cooperation which contained a request for suggestions of the

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Board as to the most important interstate problems in the field of banking regulation which should be included in the agenda for the Third Regional Conference on Uniform Banking Practices and an expression of hope that a representative of the Board would attend the conference. It was stated that Messrs. Gidney and Davis, Vice President and Assistant Counsel, respectively, of the Federal Reserve Bank of New York, had received invitations and planned to attend the conference, Mr. Davis having attended last year.

It was understood that the Secretary would address a letter to the Committee on Interstate Cooperation stating that the Board has no suggestions to make with respect to the agenda for the conference and that Messrs. Gidney and Davis of the Federal Reserve Bank of New York would be present at the meeting. It was also understood that Mr. Morrill would request President Harrison to send to the Board copies of reports on the conference made by Messrs. Gidney and Davis.

At this point Messrs. Thurston, Wyatt, Paulger, Dreibelbis, Wingfield and Cagle 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 December 1, 1938, were approved unanimously.

The minutes of the meeting of the Board of Governors of the

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Federal Reserve System held on December 2, 1938, were approved and the actions recorded therein were ratified unanimously.

Telegram dated December 5, 1938, to Mr. Gidney, Vice President of the Federal Reserve Bank of New York, reading as follows:

"Relet November 29. Board extends to January 15, 1939, the time within which 'The Patchogue Citizens Bank & Trust Company', Patchogue, New York, may accomplish its membership in the System on condition, however, that the bank, in addition to the estimated losses to be eliminated in accordance with membership condition numbered 9, also agrees to eliminate any other known losses in its assets on the date membership is accomplished. This additional requirement is deemed advisable in view of length of time which has elapsed since membership examination was made which was as of April 27, 1938. Please advise the bank accordingly."

Approved unanimously.

Letter to "The Hailey National Bank", Hailey, Idaho, reading as follows:

"This refers to the resolution adopted on April 12, 1938, by the board of directors of your bank, signifying the bank's desire to surrender its right to exercise fiduciary powers heretofore granted to it.

"The Board, understanding that your bank has never actually accepted or undertaken the exercise of any trust, 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

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"Federal Reserve System to a national bank, such bank (1) shall no 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.

Thereupon the meeting adjourned.

Wesley Morrie
Secretary.

Approved:

W. Steeles
Chairman.