

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, December 8, 1938, at 11:30 a. 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

The action stated with respect to each of the matters herein after 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 7, 1938, were approved unanimously.

Memorandum dated December 6, 1938, from Mr. Paulger, Chief of the Division of Examinations, referring to recent correspondence with Chairman Nardin of the Federal Reserve Bank of St. Louis with regard to the temporary assignment of one of the Board's senior examiners to the examination department of the Federal Reserve Bank of St. Louis pending the selection of a successor to Mr. Wood, and recommending that H. O. Koppang, Federal Reserve Examiner, be so assigned, with the understanding that his assignment will terminate when a successor to Vice President Wood has assumed his duties.

Approved unanimously, it being understood that while absent from Washington Mr.

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Koppang will be allowed travel and subsistence expenses as provided by the Board's travel regulations.

Telegram to Mr. Burke, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, stating that, subject to the conditions set forth in the telegram, the Board of Governors of the Federal Reserve System authorizes the issuance of a general voting permit under the provisions of Section 5144 of the Revised Statutes of the United States, to "BancOhio Corporation", Columbus, Ohio, entitling such organization to vote the stock which it owns or controls of "The First National Bank of Delaware", Delaware, Ohio, at all meetings of shareholders of such bank. The conditions contained in the telegram upon which the permit was authorized were as follows:

- "(1) Prior to issuance of general voting permit authorized herein, applicant shall execute and deliver to you in duplicate an agreement in same form as that which applicant executed on January 5, 1938, as condition to issuance of permit dated January 7, 1938.
- "(2) Prior to issuance of general voting permit authorized herein, applicant shall deliver to you in duplicate Exhibit L (Form P-3) executed by Broad Realty Company, Columbus, Ohio, and Exhibit N (Form P-4) executed by applicant and consented to by Broad Realty Company, or furnish assurances satisfactory to you that it will deliver such exhibits within thirty days after issuance of permit.
- "(3) Prior to issuance of general voting permit authorized herein, Federal Reserve Bank of Cleveland shall ascertain and be satisfied (a) that all provisions of agreements executed by applicant on December 15,

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"1936, and January 5, 1938, have been complied with, and (b) that applicant has charged off or otherwise eliminated all depreciation in stocks and other securities (other than stocks of subsidiary banks), and all estimated losses in notes receivable, as shown by the report of examination of BancOhio Corporation dated June 27, 1938, made by a national bank examiner, except such portions thereof as Federal Reserve Bank of Cleveland determines should not be considered losses on basis of reports of examination, independent appraisals, or other information satisfactory to it."

The telegram also stated that the period within which a permit may be issued is limited to thirty days from the date of the telegram unless an extension is granted by the Board, and requested that the agent proceed in accordance with instructions contained in the Board's letter of December 3, 1935.

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

"This refers to the application of BancOhio Corporation for a voting permit and to your letter of November 12, 1938, with which you inclosed a memorandum relating to the relationships between BancOhio Corporation and BancOhio Securities Company.

"It is understood that you are satisfied that BancOhio Corporation has complied with the applicable requirements relating to the divorcement of securities companies. In view of such understanding and the information now available, the Board does not feel that the voting permit desired by BancOhio Corporation should be withheld pending further investigation and, accordingly, in its telegram of this date to Mr. Burke, the Board is authorizing the issuance of such permit.

"However, if you have not done so, it is suggested that you develop full information with respect to (1) whether any stockholders, directors, officers, or employees

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"of BancOhio Securities Company are in the employ of BancOhio Corporation or any of its subsidiaries; (2) whether the sale of the stock of BancOhio Securities Company by BancOhio Corporation was financed by the latter or any of its subsidiaries through loans or otherwise; and (3) whether BancOhio Securities Company or its stockholders have entered into any agreements by virtue of which BancOhio Corporation or any of its subsidiaries may have an interest in or participate in the management or direction of BancOhio Securities Company.

"After developing the foregoing information and any other information which your counsel deems necessary in order to reach a conclusion with respect to whether BancOhio Corporation has complied with the requirements relating to the divorcement of securities companies, we shall appreciate advice concerning the information obtained and the conclusions reached by you and your counsel in the light thereof."

Letter to Mr. Young, Secretary of the Federal Reserve Bank of Chicago, reading as follows:

"This will acknowledge receipt of your two letters of November 29, 1938, one relating to a proposed charge-off of \$500,000 on the land on which the building of the Federal Reserve Bank of Chicago is located, and the other relating to the setting up of reserves out of this year's earnings to cover expenditures to be incurred next year for the purchase of currency counting machines and installation of air conditioning at the Detroit Branch.

"The Board will give consideration to these requests prior to the end of the year when it considers requests of all the banks as to the payment of dividends, setting up special reserves, and making unusual charge-offs at the end of the year.

"With respect to the charge-off of \$500,000 on the land on which the Chicago building is located, it occurs to us that you might wish to give consideration to the advisability of making the charge-off in such amount as to reduce the carrying value of the land to a round figure, instead of asking authority to make a charge-off of \$500,000 to reduce the book value of the land to \$1,616,149.26. Such a charge-off would be included in

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"Special reserves and charge-offs on bank premises' as shown on page 73 of the Board's Annual Report for 1937.

"With respect to setting up reserves to cover the cost of currency counting machines and the installation of air conditioning equipment at Detroit, it would be helpful if you would submit to the Board a statement as to why it is considered advisable to provide in the current year for expenditures of this character and amount which it is contemplated will be incurred next year."

Approved unanimously.

Letter to Mr. Sinclair, President of the Federal Reserve Bank of Philadelphia, reading as follows:

"Receipt is acknowledged of your letter of November 28, 1938, requesting the Board's approval of payment to Messrs. Moore & Butler, attorneys of Atlantic City, of the sum of \$2200. representing your bank's proportionate share of a fee to be charged by that firm to the Equitable Trust Company of Atlantic City.

"The Board has considered the circumstances outlined in your letter and since you are satisfied in assuming a proportionate part of the fee and your counsel approves the amount charged as being fair and reasonable, the Board authorizes the payment as requested."

Approved unanimously.

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

"Mr. Steele undoubtedly has advised you of the discussion at the recent meeting of the Board of Governors with the Federal Advisory Council in connection with a recommendation of the Council that the Board encourage and foster more frequent contacts on the part of the officials of the Federal reserve banks with member banks and that to that end periodical meetings of representatives of member banks be held in each Federal reserve district. It was agreed at the meeting that the members of the Council would advise the boards of directors of their respective



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"Federal reserve banks of the discussion, stating that the Board agreed with the suggestion that the Federal reserve banks arrange for such meetings from time to time.

"The members of the Council and of the Board concurred in the opinion that the Federal reserve banks should not pay the traveling expenses of representatives of member banks in attending such meetings inasmuch as it is felt that there should be sufficient value in the meetings and interest on the part of those attending to make the member banks willing to defray the traveling expenses incurred. As yours appears to be the only Federal reserve bank which pays these expenses, the Board has asked me to advise you of its conclusion with the thought that you will wish to bring the matter to the attention of your directors in order that they may be guided accordingly in making arrangements for future meetings of representatives of member banks in your district.

"In May 1925, the Board approved the payment by the Federal Reserve Bank of Boston of the expenses incurred by the members of your stockholders' advisory committee in attending not to exceed three meetings each year. Considerable time has elapsed since the organization of the advisory committee and the Board would appreciate receiving an expression from you as to the effectiveness of the committee in furthering cooperative relationships between the Federal reserve bank and its member banks and whether you feel the continuation of the payment of expenses of the members of the committee is justified."

Approved unanimously.

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

"With your letter of November 7, 1938, submitting information as to interlocking directorates under the Clayton Act, you inclosed an opinion of your Counsel in which he raises the question whether certain institutions in your district engaged in Morris Plan banking should be considered 'banks' within the meaning of the Clayton Act. He suggests that the question is doubtful in view of the fact that they are not authorized to receive deposits subject to check and that their powers are also limited

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"in other respects.

"As your Counsel points out, the question has already been considered by the Board, and the same is true with respect to the institutions referred to in the last paragraph of his memorandum. The question is undoubtedly a close one, but although the Board recognized that these were borderline cases, it felt that since the institutions were authorized to accept what were in effect time or savings deposits, and were also authorized to make loans, they should be regarded as banks within the meaning of this statute. The question has been reconsidered from time to time, both formally and informally, and was again the subject of discussion at the time the Board amended Regulation L a month ago. The press statement which accompanied those amendments referred to the discrimination between member and nonmember banks, but as you know, the Board likewise extended the date of the termination of its permission granted by Regulation L respecting a Morris Plan bank or similar institution, and this extension was to the same date as the other extension referred to in the press statement, namely, August 1, 1939.

"In the circumstances, it would seem that the proper course would be to reserve the questions raised by your Counsel for consideration in connection with any amendments to the statute which may be proposed in the forthcoming session of Congress, since it is possible that Congress may itself wish to establish more definitely the line of demarcation between institutions which are included and excluded from the operation of the statute."

Approved unanimously.

Memorandum dated December 5, 1938, from Mr. Wyatt, General Counsel, recommending that, for the reason stated in the memorandum, the sum of \$250 be added to the 1938 budget for the Office of General Counsel to provide for telephone and telegraph expenses during the remainder of the current year.

Approved unanimously.

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Thereupon the meeting adjourned.

Chesley Morris  
Secretary.

Approved:

W. C. ...

Chairman.