

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, December 27, 1938, at 12:15 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

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 23, 1938, were approved unanimously.

Mr. Morrill reported that, as a result of an altercation on Friday, December 23, 1938, between porters Russell Accrocco and Rutledge Wheeler, they were suspended without pay and that for reasons set forth in a memorandum prepared for the personnel records of the two employees by Mr. Spurney, Building Manager, it was recommended that they be suspended without pay until the end of the year with the distinct understanding that they would be on probation for a period of six months beginning January 1, 1939, and that any further difficulty of this kind would result in their immediate dismissal. The

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recommendation was concurred in by the members of the Personnel Committee.

The recommendation was approved unanimously.

Letter to Mr. D. C. Borden, Vice President, The National City Bank of New York, New York, New York, reading as follows:

"This refers to your letter of December 19, 1938, advising that the board of directors of 'The National City Bank of New York' by resolution adopted December 13, 1938, have authorized at this time the investment of \$1,000,000 additional in the stock of International Banking Corporation, a corporation which has entered into an agreement with the Board of Governors of the Federal Reserve System pursuant to the provisions of section 25 of the Federal Reserve Act, under the permission granted December 31, 1935, by the Board of Governors. There was also transmitted with your letter an application for an extension until January 1, 1940 of the time within which The National City Bank of New York may invest additional amounts not exceeding \$1,000,000 in the aggregate in the stock of such corporation.

"Pursuant to such application, the Board of Governors of the Federal Reserve System hereby extends until January 1, 1940 the time within which The National City Bank of New York may invest, under the authorization granted December 31, 1935, additional amounts not exceeding \$1,000,000 in the aggregate in the stock of International Banking Corporation, provided, however, that the total investment of The National City Bank of New York in the stock of banks or banking corporations under the provisions of section 25 of the Federal Reserve Act (including such \$1,000,000 or the portion thereof proposed to be invested together with the investment of \$1,000,000 authorized by the board of directors as mentioned in the first paragraph hereof), does not exceed ten per cent of its paid-in capital stock and surplus at the time such additional investments of not exceeding \$2,000,000 are made."

Approved unanimously.

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Letter to Mr. Sargent, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to your letter of December 14, 1938, and its inclosure, relating to the holding company affiliate status of American Investment Corporation, Ogden, Utah, and the general voting permit held by such corporation.

"We have noted the information concerning the probable termination of the holding company affiliate relationship between American Investment Corporation and Commercial Security Bank, Ogden, Utah, and your comment that, in order to clear the matter of noncompliance with the provisions of section 5144 of the Revised Statutes requiring such corporation to possess readily marketable assets other than bank stocks, it might not be inappropriate to suggest to American Investment Corporation that it voluntarily surrender its voting permit.

"It is believed that any action concerning this matter should await the receipt of information concerning the number of shares of stock of Commercial Security Bank voted at the election of directors of such bank to be held on January 10, 1939, and the number of shares so voted which are owned or controlled by American Investment Corporation. It will be appreciated if you will obtain and forward to the Board such information as soon as it is available."

Approved unanimously.

Letter to Mr. Carl W. Fenninger, Chairman, Special Committee Common Trust Funds, c/o Provident Trust Company, Philadelphia, Pennsylvania, reading as follows:

"This refers further to your letter of November 10, 1938, submitting a draft of a Plan covering the operation of a Common Trust Fund under the Board's Regulation F.

"The Board's staff has reviewed and discussed the provisions of the proposed Plan and there are inclosed

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"herewith fifteen (15) copies of a memorandum describing certain questions which were raised with reference to the Plan. After your Committee has had an opportunity to review these questions, it would seem desirable for representatives of your Committee and the Board's staff to have an informal conference and discuss the questions raised. Such a conference can be arranged at the offices of the Board on such date as will suit the convenience of your Committee. If you agree with the suggested procedure, it will be appreciated if you will advise on what date, and if possible on what alternative dates, it would be convenient for your Committee to confer on this matter. If you should desire additional copies of the inclosed memorandum, we shall be glad to furnish them.

"A representative of the Bureau of Internal Revenue has participated in the informal conferences which the Board's staff has held on this matter, but, in view of the numerous tax questions involved in the Plan, it is assumed that before the Plan is finally adopted by your Committee a clearance will be obtained from the Bureau of Internal Revenue with regard to any doubtful questions which may be involved in the Plan relating to taxation of Common Trust Funds."

Approved unanimously.

Letter to Senator David I. Walsh, Clinton, Massachusetts, reading as follows:

"Reference is made to your letter of December 15, inclosing a letter from Mr. Walter H. Wilcox, President of the Tanners National Bank in Woburn, Massachusetts, regarding the question whether Mr. Osborne Bezanson may serve at the same time as a director of the Middlesex County National Bank, Everett, Massachusetts, and of the Tanners National Bank.

"Mr. Wilcox has reference to the provision of section 8 of the Clayton Act (U. S. Code, title 15, section 19) the pertinent provisions of which prohibit a director of a member bank of the Federal Reserve System from being at the same time a director of any other bank located, or

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"having a branch, in the same city, town or village as that in which the member bank is located 'or in any city, town, or village contiguous or adjacent thereto.'

"The question whether Mr. Bezanson can serve the two banks therefore depends upon whether Woburn and Stoneham, where the Middlesex County National Bank has a branch, are 'contiguous or adjacent' within the meaning of the statute. Upon receipt of your letter, the Federal Reserve Bank of Boston was requested to advise the Board regarding the relative location of Woburn and Stoneham, and a reply has been received stating that the corporate limits of these two towns actually touch or coincide for a certain distance.

"The two towns are therefore 'contiguous', and consequently the proposed interlocking relationship of Mr. Bezanson would not be permissible in view of the provisions of the statute.

"There is inclosed a copy of the Board's Regulation L relating to this subject. The statute is quoted in the appendix. (The pertinent provision of the statute is the paragraph numbered (5), which is dealt with in section 2(d)(5) of the regulation.)

"Pursuant to your request, Mr. Wilcox's letter is returned to you herewith. A copy has been retained for the files of the Board of Governors. I trust that this letter will furnish you with the information you desire, but if you have any further inquiries regarding the matter, the Board will of course be glad to receive them."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morley
Secretary.

Approved:

W. S. Wilcox
Chairman.