

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, January 6, 1939, at 10:30 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
Mr. Thurston, Special Assistant to the
Chairman
Mr. Wyatt, General Counsel
Mr. Paulger, Chief of the Division of
Examinations
Mr. Smead, Chief of the Division of Bank
Operations
Mr. Dreibelbis, Assistant General Counsel

There were presented telegrams to Mr. Young, President of the Federal Reserve Bank of Boston, Messrs. Kimball, Post and Hays, Secretaries of the Federal Reserve Banks of New York, Philadelphia and Cleveland, respectively, Mr. Leach, President of the Federal Reserve Bank of Richmond, Mr. McLarin, Vice President of the Federal Reserve Bank of Atlanta, Messrs. Young and Stewart, Secretaries of the Federal Reserve Banks of Chicago and St. Louis, respectively, Mr. Ziemer, Vice President of the Federal Reserve Bank of Minneapolis, Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, Mr. McKinney, President of the Federal Reserve Bank of Dallas, and Mr. Holden, Deputy Chairman of the Federal Reserve Bank of San Francisco, stating that the

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Board approves the establishment without change by the Federal Reserve Bank of St. Louis on December 30, 1938, by the Federal Reserve Bank of San Francisco on January 3, 1939, by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, Minneapolis, Kansas City and Dallas on January 5, 1939, and by the Federal Reserve Banks of Boston, Philadelphia and Atlanta today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Under date of December 21, 1938, Mr. Szymczak sent to each member of the Board a copy of a memorandum prepared by him relating to the proposed transfer of thirteen counties in western Missouri from the Eighth to the Tenth Federal Reserve District. The memorandum stated that Mr. Szymczak met with a number of bankers at the Federal Reserve Bank of Kansas City on August 13, 1938, for a discussion of the proposed transfer following which he asked Mr. Millard, Federal Reserve Examiner, to visit each member bank in the thirteen counties to ascertain whether they were particularly interested in the transfer and, if so, why. There were attached to the memorandum excerpts from Mr. Millard's report and a summary of his comments and recommendations, which were that consideration be given to transferring the northern tier of counties consisting of Harrison, Mercer, Daviess, Grundy, Caldwell, Livingston, Ray, Carroll, and Lafayette counties to the Tenth Federal Reserve District inasmuch as it appeared that the banks

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in these counties, as well as their correspondent banks in Kansas City which handle the major portion of their out-of-town business, could best be served by the Kansas City bank, and that Johnson, Henry, St. Clair, and Cedar counties remain in the Eighth Federal Reserve District as there was neither sufficient merit in the proposal to warrant their transfer nor was it the desire of member banks in these counties to be removed from the jurisdiction of the Federal Reserve Bank of St. Louis. Mr. Millard stated that in making these recommendations the paramount factor considered was the rendering of maximum service by the System to the banks located in the area in question, and that no consideration was given to any precedent that might be established by the recommended action.

At this meeting Mr. Szymczak stated that he felt that the matter involved a larger problem than the question whether the thirteen counties should be transferred, and that if the transfer were approved other banks similarly situated might ask for a transfer to another Federal reserve district.

During the discussion which followed Chairman Eccles suggested that, at some appropriate time in the future, the Board should institute a comprehensive survey, including hearings at which interested parties might present information, with respect to adjustments in Federal reserve district or branch territory lines that might be desirable for the purpose of enabling the Federal reserve banks and their branches

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more effectively to serve their member banks.

At the conclusion of the discussion, Mr. Szymczak moved that Mr. Snead be requested to prepare a draft of letter, for consideration by the Board, to Sam H. Hoefer, Secretary of the Bankers Association of Lafayette-Ray Counties, Missouri, through whom the request for the transfer had been submitted, advising that the Board had again reviewed the matter and that aside from the reasons previously given for not approving the transfer, the Board regarded the request as involving a matter of general policy which was of importance to the entire System and that action was being deferred until the Board has had an opportunity to consider the question from the standpoint of the Federal Reserve System as a whole.

Carried unanimously.

In accordance with the request made at the meeting of the Board on October 14, 1938, Mr. Davis submitted a memorandum which had been prepared by him and Mr. Szymczak under date of January 6, 1939, with respect to a program for a meeting of the Chairmen of Federal reserve banks in Washington in January 1939. The memorandum recommended:

- (1) that the meeting be called for January 30, 1939, at 10:00 a.m.,
- (2) that an invitation to attend be sent to the Chairman of the board of directors of each Federal reserve bank or to the Deputy Chairman at the banks where a Chairman has not been designated, it being understood that if in any case the Chairman or Deputy Chairman could not attend, the third Class C director would be invited as an alternate, (3) that the meeting follow the general pattern of the Presidents'

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Conference with the Chairmen meeting separately at 10:00 o'clock on the morning of January 30 for the purpose of considering matters presented by the Chairmen or suggested by the Board, that a luncheon of the Chairmen and members of the Board be held at 1:00 p.m., and that a joint meeting of the Chairmen and the Board, attended also by the members of the staff who ordinarily attend the Presidents' Conference, be held in the afternoon, and (4) that the following topics be suggested by the Board for discussion with the Chairmen:

- (a) What can be done to make the meetings of the boards of directors of the Federal reserve banks more interesting to the individual members and more useful and significant in the functions of the Federal Reserve System.
- (b) What can be accomplished along similar lines with the meetings of the boards of directors of the branches.
- (c) What suggestions do the chairmen jointly or severally have to make as to Federal reserve policy and for the improvement of the service of the Federal Reserve System.
- (d) Any other topic raised by the chairmens' conference or any member of it.
- (e) Consideration of the question of a future meeting or meetings. If it is felt that such meetings are worthwhile should they be left subject to call when a special topic arises, or should a plan be worked out at this time for periodic meetings in the future.

The memorandum also recommended that the letter of invitation to the Chairmen explain fully the nature and purpose of the meeting and the general field it is expected to cover.

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Chairman Eccles inquired whether it would not be advisable to defer the date of the meeting with the Chairmen until after the Board's annual report for the year 1938, which it had been agreed should contain a review of the problem presented by the existing complexity of the banking structure and its supervision, had been submitted to the Congress so that the matter could be discussed at the meeting.

The question was asked whether the Board's annual report could be ready by that time and Mr. Goldenweiser, Director of the Division of Research and Statistics, was called into the meeting to inform the Board of the present status of the text of the report. Mr. Goldenweiser stated that he hoped to have the first draft of the text in the hands of the members of the Board and the staff by Monday or Tuesday of next week, that if the report was to be expedited it was important that the members of the Board and staff read the draft and submit their suggestions promptly, and that he be advised as promptly as possible whether the draft was along the lines of what the Board had in mind or whether substantial changes were to be made. He also said that consideration was being given to the desirability of eliminating from the complete annual report much of the statistical information included in previous reports which was available to the public in other forms, and to the publication of the remaining material in a single edition of the annual report at the time of the release of the text of the report. No objection was offered to this suggestion.

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There was a discussion of the substance and scope of the annual report which concluded with an agreement that every effort should be made to expedite the report with a view to submitting it to Congress prior to January 30, 1939.

Mr. Davis stated that he and Mr. Szymczak would like to recommend that an additional item, the relation of the audit function at a Federal reserve bank to the chairman and the president of the bank, be added to the program for the meeting of the Chairmen.

At the conclusion of the discussion, Mr. Davis moved that the recommendations of the special committee be approved with the understanding that should the Board's annual report not be ready for submission to Congress prior to January 30, 1939, the substance of the material included in the report with respect to the banking structure and banking supervision might be discussed with the Chairmen without reference to the fact that it was proposed to include the statement in the report.

Carried unanimously.

At this point Messrs. Thurston, Wyatt, Paulger, Smead and Dreibelbis left the meeting.

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

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on January 5, 1939, were approved unanimously.

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Telegram to Mr. Newton, President of the Federal Reserve Bank of Atlanta, reading as follows:

"Referring your letter of December 10 and your telephone request of January 4, Board will approve salary for 1939 at the rate of \$7,500 per annum for Vice President Conniff, if fixed by your board of directors at that rate."

Approved unanimously.

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

"Referring your December 2 letter and your telephone inquiry of January 6, Board will interpose no objection to appointment of Mr. D. L. Davis, former Managing Director of Spokane Branch, as Managing Director of Portland Branch and will approve his salary for 1939 at the rate of \$7,500 per annum, if fixed by your board of directors at that rate. Pending further consideration of matter Board will interpose no objection to appointment of Mr. R. B. West, Managing Director of Portland Branch, as Vice President at the head office and will approve his salary for 1939 at the rate of \$7,500 per annum, if fixed by your board of directors at that rate. Please advise duties it is proposed to assign to Mr. West as Vice President at head office. Mr. West's salary will be reconsidered at time Board considers adjustments in salaries of other officers of your bank."

Approved unanimously.

Telegrams to Mr. Shortt, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, authorizing him to issue limited voting permits to the "Old National Corporation", and "Investment and Securities Co.", both of Spokane, Washington, entitling such organizations to vote the stock which they own or control of "The Old National Bank and Union Trust Company of Spokane", Spokane, Washington,

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and the "First National Bank in Spokane", Spokane, Washington, at any time prior to April 1, 1939, to elect directors of such banks at the annual meetings of shareholders, or any adjournments thereof, and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such banks.

Approved unanimously.

Letter to Brigadier General Frank T. Hines, Administrator of Veterans Affairs, reading as follows:

"As you know, the Reserve Board, under the provisions of the World War Adjusted Compensation Act, some years ago issued its Regulation G relating to the rediscount of notes secured by adjusted service certificates. The Board is now giving consideration to the question whether it may not properly repeal Regulation G.

"It is understood that, as a result of the provisions which Congress has made for the payment of adjusted service certificates, only a very small amount of such certificates are now outstanding. In view of this fact, there does not appear to be any reason, as a practical matter, why Regulation G should be continued in effect; but, before the Board takes any action to repeal the regulation, it will be appreciated if you will advise whether you have any objection to the proposed action. It is understood, of course, that even if Regulation G is repealed, the Federal Reserve banks will comply with the applicable provisions of law if they should be presented with any applications for rediscount of notes secured by adjusted service certificates."

Approved unanimously.

Letter to Mr. Fleming, President of the Federal Reserve Bank of Cleveland, reading as follows:

"This will acknowledge receipt of your letter of December 19 inclosing a folder 'Our Nation-Wide Facilities'.

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"You state that the folder has been approved by your directors and that it is the intention to send a copy of it to each member bank in your district explaining its purpose and offering to furnish the member bank without cost a supply of the folder with the name of the member bank imprinted thereon for distribution to its customers.

"The Board is in sympathy with your efforts to acquaint the public with the services which the Federal Reserve banks are rendering and will be glad to have you advise it of the extent to which member banks decide to use the folder.

"In reading the folder we note that you refer to Federal Reserve exchange drafts. It is assumed that you have taken into consideration the discussion of this subject at the last Presidents' Conference and that you know that the Federal Reserve Bank of Chicago has recently withdrawn the permission to draw Federal Reserve exchange drafts heretofore granted member banks in its district. We also note that you refer to the collection facilities of the Federal Reserve System as rapid, efficient and safe. It appears to us that the word 'safe' as used in this connection may convey an impression which is not intended and that it might be well to change the last line in the second paragraph on page 2 to read 'rapid and efficient'."

Approved unanimously.

Thereupon the meeting adjourned.

Charles Morris
Secretary.

Approved:

W. C. C. C.
Chairman.