

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, February 7, 1939, at 4:30 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. Dreibelbis, Assistant General Counsel
Mr. Wingfield, Assistant General Counsel

Mr. Ransom referred to a memorandum addressed to the members of the Board by Mr. Wingfield under date of February 6, 1939, relating to the provisions in the Barkley Trust Indenture Bill (S.477) with respect to the use by the Securities and Exchange Commission of information contained in reports of examination of banks. The memorandum pointed out that the bill authorized the Securities and Exchange Commission, in addition to obtaining information from bank supervisory agencies, to make its own investigations of banks named as trustee in trust indentures for the purpose of determining in any case whether or not the proposed trustee was qualified and that no obligation was imposed upon the Commission by the bill to treat as confidential any information thus obtained although the bill did require that information obtained

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from bank supervisory agencies be not divulged except in confidence to the Attorney General of the United States. Mr. Ransom stated that the memorandum had raised a question in Mr. Draper's mind whether the language of the bill, in the light of recent developments in connection with the order issued by the Securities and Exchange Commission to Transamerica Corporation to show cause why its stock should not be delisted from national securities exchanges, adequately protects the confidential nature of information contained in reports of examination of banks made by examiners for bank supervisory agencies and that this meeting had been called to consider whether a further amendment to the bill should be recommended.

In this connection Mr. Ransom said that he and members of the Board's staff had held numerous conferences during the last three years with Chairman Douglas and other representatives of the Securities and Exchange Commission, that Mr. Douglas had been very cooperative in considering changes in the bill suggested by the Board's representatives, and that he (Mr. Ransom) felt that if an amendment were to be recommended it should be sent to Mr. Douglas promptly so that he would have an opportunity to present it to the Senate committee before hearings on the bill which are now being conducted by the committee are concluded. He added that it is expected that the hearings will be closed tomorrow or the next day and that any action to be taken should be decided upon by the Board immediately.

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In the ensuing discussion of the pertinent provisions of the trust indenture bill it was suggested that the existing confusion in the situation with respect to examinations of banks by Federal supervisory authorities would be increased by granting further authority to the Securities and Exchange Commission to make independent investigations of banks and that an amendment to the trust indenture bill should be proposed which would require the Securities and Exchange Commission to obtain desired information with respect to banks examined by the Board, the Comptroller of the Currency, or the Federal Deposit Insurance Corporation from those agencies.

It was agreed unanimously to request Counsel to draft a form of amendment along the lines suggested during the discussion for consideration at a meeting of the Board to be held tomorrow at 10:30 a.m.

At this point Messrs. Thurston, Wyatt, Dreibelbis and Wingfield left the meeting and 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 February 6, 1939, were approved unanimously.

Memorandum dated February 3, 1939, from Mr. Noell, Assistant Secretary, recommending, with the concurrence of Mr. Morrill, that Miss Annie-Arden Ball, a temporary file clerk in the Office of the

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Secretary, be transferred to the stenographic section of the Secretary's Office as a stenographer on a permanent basis, with salary at the rate of \$1,320 per annum, effective as of February 16, 1939, subject to her passing satisfactorily the usual physical examination.

Approved unanimously.

Memorandum dated February 3, 1939, from Mr. Morrill recommending that, for the reason stated in the memorandum, the appointments listed below be made in the Building Operation and Maintenance Section of the Secretary's Office, with salary at the respective rates shown, all to be effective as of the dates upon which the respective employees enter upon the performance of their duties after having passed satisfactorily the usual physical examination:

Royal Joseph Murphy	marble maintainer	\$1,800	per annum
Chester Barrett Dampley	painter	1,500	" "
Harry Eugene Kern	porter	1,080	" "
Percy Clinton Riston	porter	1,080	" "

Approved unanimously.

Letter to Mr. Gidney, Vice President of the Federal Reserve Bank of New York, reading as follows:

"In accordance with the request contained in your letter of January 26, the Board approves the appointments of Lawrence E. Quackenbush and George C. Smith, at present assistant examiners, as examiners for the Federal Reserve Bank of New York, and the appointments of Richard C. Connolly, Frederick W. Forberg, William F. Holland and Nathan N. Muzzy, as regular assistant examiners. The Board approves also the designation of John T. Lamont as an assistant examiner in order that he may lend clerical assistance

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"in examinations, such approval being on the understanding that he will not be transferred permanently to examining work without the Board's approval."

Approved unanimously.

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

"In accordance with the request contained in your letter of February 4, the Board approves the designations as assistant examiners of John George, Walter Mack and Lew Johnson, employees of the Detroit Branch, such designations being in order that they may lend clerical assistance to your regular examiners. Approval is given with the understanding, of course, that the employees listed will not be transferred permanently to examining work without the Board's approval."

Approved unanimously.

Letter to Mr. Martin, President of the Federal Reserve Bank of St. Louis, reading as follows:

"In view of the circumstances set forth in your letter of February 1, 1939, the Board approves the payment of a salary to Mr. O. C. Phillips, formerly an Assistant Cashier, at the rate of \$4,200 per annum, which is \$600 in excess of the maximum annual salary provided in the personnel classification plan of your bank for the position of Head of Money Department, to which Mr. Phillips has been transferred."

Approved unanimously.

Letter to the board of directors of "The Gnadenhutten Bank", Gnadenhutten, Ohio, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, the Board

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approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Cleveland.

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

"The Board of Governors of the Federal Reserve System approves the application of 'The Gnadenhutzen Bank', Gnadenhutzen, Ohio, for membership in the Federal Reserve System, subject to the conditions prescribed in the inclosed letter which you are requested to forward to the board of directors of the institution. Two copies of such letter are also inclosed, one of which is for your files and the other of which you are requested to forward to the Superintendent of Banks for the State of Ohio for his information.

"Since the losses classified in the report of examination for membership are only nominal in amount, the usual condition of membership regarding the elimination of estimated losses has not been prescribed.

"If the bank completes its membership it is assumed that the matter of bringing the handling of time and savings deposits into conformity with the provisions of State laws and the Board's regulations, which matter is referred to in the examiner's comments on page 2 of the report, will be followed for the necessary corrective action.

"It has been noted that the officers of the bank, and all of the active employees are officers, are bonded only in the amount of \$1,000 each and that the Federal Deposit Insurance Corporation has been endeavoring to have the bonds increased. It is felt that the coverage is entirely inadequate and it is suggested that you discuss with the management the desirability of providing additional protection in this respect.

"The copies of the bank's articles of incorporation and certificate of authority to commence business, submitted with its application, have not been certified by the appropriate State official as required by the Board's

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"Form 83A. In this instance, no further action need be taken if, as we assume, you are satisfied that the articles of incorporation have not been amended. In future cases, however, it will be appreciated if you will obtain a certificate from the appropriate State official to the effect that such documents are true copies and include copies of all amendments to the articles of incorporation to date."

Thereupon the meeting adjourned.

Chester Morris
Secretary.

Approved:

W. S. ...
Chairman.