

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, February 8, 1939, at 10:30 a.m.

PRESENT: Mr. Ransom, Vice Chairman  
Mr. Szymczak  
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. Goldenweiser, Director of the Division of Research and Statistics  
Mr. Dreibelbis, Assistant General Counsel  
Mr. Wingfield, Assistant General Counsel  
Mr. Gardner, Senior Economist in the Division of Research and Statistics

Mr. Ransom submitted two drafts of an amendment to the Barkley Trust Indenture Bill (S. 477), which had been prepared by Counsel in accordance with the request made at the meeting of the Board yesterday afternoon. One of the amendments would provide that, notwithstanding any other provision of law, neither the Securities and Exchange Commission nor any member, officer, employee, or agency thereof shall make any examination, inspection, or investigation of, or require reports from, or subpoena the books or other records of, any bank, banking association, savings bank, trust company or other similar institution which is subject to examination by the Comptroller of the Currency, the

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Board of Governors, or the Federal Deposit Insurance Corporation.

The second amendment would provide that nothing in the trust indenture bill shall be construed as authorizing the Securities and Exchange Commission or any member, officer, agent, or employee thereof to make any examination, inspection, or investigation of, or to require reports from, or to subpoena the books or other records of, any bank, banking association, savings bank, trust company, or other similar institution which is subject to examination by the Comptroller of the Currency, the Board of Governors or the Federal Deposit Insurance Corporation. Mr. Ransom also presented a draft of letter to Chairman Douglas of the Securities and Exchange Commission, transmitting such amendment as might be agreed upon by the Board. After discussion it was agreed that the proposed amendment should be restricted so as to apply only to the provisions of the Barkley bill.

Upon motion by Mr. Draper, the letter and a revised draft of an amendment were approved unanimously as set forth below with the understanding that copies of the letter and enclosure would be sent to the Comptroller of the Currency and to the Chairman of the Federal Deposit Insurance Corporation:

"The Securities and Exchange Commission, and particularly you, as its Chairman, have been most considerate of our point of view on several questions involved in the drafting of the trust indentures act, which in its last form is S. 477. You have from time to time invited our

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"suggestions, and we have tried to be helpful in drawing on the past experience of our Board in the field of bank examination.

"The Board in its annual report to the Congress which was made at the end of January called attention to the already confused condition in the field of Federal bank examinations. It would feel remiss if, in the light of this report, it should fail to call attention to the possibility, however remote, that this pending legislation might unintentionally add further to this state of confusion in the course of time, if not now clarified by a positive statement. Therefore, we wish to recommend an additional change in the way of amendment, a draft of which is attached hereto, and request that you give this consideration.

"From the beginning of the discussions between the Commission and the Board, we have been assured that the Commission did not wish the bill to be the means of placing on the Commission responsibility or authority for bank examinations. We anticipate your agreement to this amendment and will appreciate it if you will have it inserted before the consideration of the bill by the Senate Committee is closed. We would like to have the opportunity of conferring with you this afternoon, if possible, so that we can submit the suggested change to the Committee if you prefer that we give it that direction."

The enclosure referred to in the above letter read as follows:

"On page 47, line 9, before the comma following the word 'authorized', insert the words 'and directed'.

"Strike out everything commencing with line 24 on page 48 through and including line 18 on page 49 and substitute the following:

'(d) Nothing in this title shall be construed as authorizing the Commission or any member, officer, agent or employee thereof to make any examination, inspection, or investigation of, or to require reports from, or to subpoena the books, papers, correspondence, memoranda, contracts, agreements or other records of, any bank, banking association, savings bank, trust company, or any other institution, which is subject to examination by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, or the Federal Deposit Insurance Corporation.'"

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Mr. Ransom stated that advice had just been received from Mr. Williams, Assistant Counsel, that in accordance with informal instructions given him yesterday he had ascertained from Senator Wagner, Chairman of the Senate Banking and Currency Committee, that the hearings on the trust indenture bill would be continued today and through tomorrow and that Senator Wagner had stated that ample opportunity would be afforded the Board to offer amendments if it desired to do so. Mr. Williams advised Senator Wagner, Mr. Ransom stated, that if the Board decided to submit an amendment it would be submitted first to the Chairman of the Securities and Exchange Commission.

At this point Messrs. Goldenweiser, Wingfield and Gardner left the meeting.

Mr. Ransom stated that while Counsel was engaged in the consideration of what, if any, action the Board of Governors could take in connection with the situation surrounding the possible closing of the New Jersey Title Guarantee and Trust Company, Jersey City, New Jersey, Mr. McKee on Saturday, February 4 received from Chairman Crowley of the Federal Deposit Insurance Corporation copies of letters addressed by the Corporation to the member bank and the Commissioner of Banking of New Jersey, in which the position was taken that the bank should be closed immediately. Mr. Ransom said that, in view of this development, there appeared to be nothing more that

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the Board could do in the matter except to furnish copies of the letters to the Federal Reserve Bank of New York with the request that it keep the Board advised as to all further developments with respect to the situation referred to in the letters, and that this was done on February 4.

Mr. Paulger stated that yesterday afternoon Mr. Gidney, Vice President of the Federal Reserve Bank of New York, called on the telephone and advised that representatives of the trust company had called at the Federal Reserve bank for a conference with respect to what action might be taken by the trust company, that the representatives felt that the position of the Federal Deposit Insurance Corporation had been taken without offering the trust company an adequate opportunity to be heard, and that the representatives were opposed to closing the company without a further conference with the Federal Deposit Insurance Corporation. Mr. Gidney stated, Mr. Paulger said, that the representatives of the trust company had called Mr. Crowley by telephone and arranged to come to Washington for a conference with him today and that, while the representatives felt that it would be a mistake to close the bank, they would take steps at once to close it voluntarily if the Federal Deposit Insurance Corporation was unwilling to lend assistance. Mr. Paulger said that Mr. Gidney had made the further statement that the Commissioner of Banking felt that it would be a mistake to close the bank, that President Harrison

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of the Federal Reserve Bank of New York felt the same way, and that the latter was coming to Washington today in connection with another matter and would discuss the situation with members of the Board. It was agreed that, inasmuch as the Board of Governors had not been invited to attend the conference of the representatives of the trust company with the Federal Deposit Insurance Corporation, there was no further action to be taken at this time by the Board.

At this point Messrs. Thurston, Wyatt, Paulger and Dreibelbis 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 7, 1939, were 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 1, addressed to Mr. Paulger, the Board approves the designations as assistant examiners of the following employees, such designations being in order that they may lend clerical assistance to your regular examiners:

Arthur A. Cahill  
Earl H. Sollenbarger  
Bruce L. Smyth  
H. O. Benson  
W. W. Turner

"Approval of these designations is given with the understanding, of course, that none of the employees

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"listed will be transferred permanently to examining work without the Board's approval."

Approved unanimously.

Memorandum dated February 6, 1939, from Mr. Smead, Chief of the Division of Bank Operations, submitting a letter dated February 2 from Mr. Powell, First Vice President of the Federal Reserve Bank of Minneapolis, which requested approval by the Board of a change in the personnel classification plan of the bank to provide for the creation of the new position of "Coin Teller" in the Currency and Coin Department. The memorandum stated that the proposed change had been reviewed and recommended that it be approved.

Approved unanimously.

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

"Reference is made to your letter of January 31, 1939, requesting the Board to suggest a procedure to be followed by your bank in appointing a successor to Mr. H. D. Swengel, Federal Reserve Agent's Representative at the Los Angeles branch, who is to be transferred to the Salt Lake City branch.

"Since there is a vacancy in the office of the Federal Reserve Agent at your bank, it is suggested that Mr. W. D. Shortt, Assistant Federal Reserve Agent, submit to the Board of Governors for approval a recommendation for the appointment of a Federal Reserve Agent's Representative at the Los Angeles branch to succeed Mr. Swengel. The recommendation should set forth the salary it is proposed to pay the employee recommended to fill this position."

Approved unanimously.

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Telegram to the Presidents of all Federal reserve banks, reading as follows:

"Relet R-392 January 25, no change will be made for time being in the form of the Board's weekly member bank press statement, that is, 'U.S. Government direct obligations' will continue to be shown as a single item, and the items 'Demand deposits-adjusted' and 'Time deposits' will continue to include deposits of States and political subdivisions."

Approved unanimously.

Letter to Mr. Curtiss, Chairman of the Federal Reserve Bank of Boston, reading as follows:

"Some of the Chairmen who were present at the meeting of the Board of Governors with the Chairmen of Federal Reserve banks on January 30 expressed a desire to have a record of the comments made by the Chairmen at the meeting. For the purpose of complying with this request, there is attached a copy of the minutes of the meeting for the confidential information of yourself and the other members of your board.

"It is understood that a memorandum with respect to the discussions of the Chairmen of the Federal Reserve banks at their meeting on the morning of January 30 was sent to you yesterday."

Approved unanimously, with the understanding that similar letters would be sent to the other Chairmen and Deputy Chairmen who attended the meeting on January 30 and to Mr. Wood, Deputy Chairman at Chicago.

Thereupon the meeting adjourned.

*Chester Morrie*  
Secretary.

Approved:

*Francis Tamm*  
Vice Chairman.