

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, February 13, 1939, at 2:45 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. Goldenweiser, Director of the Division  
of Research and Statistics  
Mr. Dreibelbis, Assistant General Counsel  
Mr. Wingfield, Assistant General Counsel

Mr. Ransom referred to the discussions of the Board last week with respect to the Barkley trust indenture bill (S.477), and stated that on February 9, 1939, Chairman Douglas, of the Securities and Exchange Commission, called on the telephone and advised that he agreed in principle with the proposed amendment to the bill inclosed with the Board's letter of February 8, but that he hoped the Board would withhold the presentation of the proposed amendment to the Senate Committee on Banking and Currency on February 9 as there were numerous provisions in the bill which he wanted members of the staff of the Securities and Exchange Commission to check to determine whether any change in the amendment proposed by the Board was necessary. A

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memorandum containing a statement of Mr. Ransom's telephone conversation with Chairman Douglas had been circulated among the members of the Board before this meeting.

Mr. Wyatt reported that following Mr. Ransom's conversation with Chairman Douglas, Messrs. Burke and McKellar of the Securities and Exchange Commission called on him and advised that, while they had not discussed the amendment proposed by the Board with Chairman Douglas, they did not see how the Commission could satisfactorily discharge its duties under the bill if it were under necessity of getting information from the bank supervisory authorities and keeping that information secret, but that they would study the amendment and communicate with Mr. Wyatt again prior to the closing of the record on the bill by the Senate Committee on Banking and Currency on Thursday of this week.

Mr. Ransom stated that the question had been raised whether or not the bill would have an undesirable effect on the securities markets and that he would like to have the Board determine (1) whether or not it desired to take a position on this broad question, and (2) what action is to be taken in the event the Securities and Exchange Commission does not agree with the amendment inclosed with the Board's letter of February 8 and is unwilling to transmit it to the Senate Committee on Banking and Currency.

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During the discussion which followed of the testimony given at hearings on the bill before the subcommittee of the Committee on Banking and Currency last week, Mr. Ransom referred to the report on the bill filed in May 1938 by the Committee on Corporate Financing of the Chamber of Commerce of the United States and there were read the sections from that report relating to the economic effects of the bill and the alternative method suggested in the report that the field of supervision contemplated in the bill be assigned to the Board of Governors.

Mr. Wingfield also reviewed briefly the points covered in a memorandum prepared by him under date of February 13, 1939, on the subject of the possible additional costs which would result from, and the deflationary aspects of, the trust indenture bill.

Mr. Ransom stated that he felt it was important for the Board to reach a decision before the record of the hearings on the bill are closed on Thursday of this week on the two questions presented by him and that if it were decided to submit any further statement to the subcommittee of the Senate Committee on Banking and Currency the statement should first be submitted to Chairman Douglas with advice of the Board's intention to submit it to the Congressional committee.

At the conclusion of the discussion, Mr. Ransom suggested that Mr. Wyatt be requested to keep in touch with the representatives of the Securities and Exchange Commission who had called on him, for the



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purpose of ascertaining as promptly as possible whether the Commission is willing to submit the amendment, or a satisfactory revision thereof, to the Senate Committee. He also suggested that Mr. Wyatt be requested to prepare, for consideration by the Board before Thursday, a draft of letter to Chairman Wagner, of the Senate Committee on Banking and Currency, stating in effect that, without expressing an opinion as to the merits of the bill, the Board desires to suggest consideration of the attached amendment to the bill which is believed to be desirable for reasons stated in the letter. This procedure was proposed, Mr. Ransom said, so that, in the event the Securities and Exchange Commission is unwilling to transmit the proposed amendment, or any revision thereof agreeable to the Board's Counsel, to the Senate Committee on Banking and Currency the Board will be in a position to transmit the letter to the Senate Committee early on the morning of Thursday, February 16.

The procedure suggested by Mr. Ransom was agreed to unanimously.

Chairman Eccles stated that he had raised a question as to the possible deflationary effects of the bill and whether the Board, in view of the changed circumstances under which the bill was now being considered, should take a position on the broader question of the effects of the bill on the flotation of securities. As a result of a discussion of this question it was agreed that, inasmuch as the Board has not at any time been asked for a report on the bill, as

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Chairman Douglas of the Securities and Exchange Commission had been cooperative in incorporating the suggestions of the members of the Board and its staff in revisions of the bill, and as a committee of the American Bankers Association had taken the position that, while the legislation was unnecessary, the banks could function thereunder, the Board should not offer objection to the bill at this time.

During the discussion, Mr. Paulger, Chief of the Division of Examinations, joined the meeting.

Mr. McKee reported that Mr. Nichols, Chief Examiner for the Federal Deposit Insurance Corporation, called him on the telephone while this meeting was in session and had stated that he was going to New Jersey this afternoon to meet Chairman Crowley of the Federal Deposit Insurance Corporation at Jersey City tomorrow morning. Mr. Nichols stated, Mr. McKee said, that the Federal Deposit Insurance Corporation had been informed that The New Jersey Title Guarantee and Trust Company would not open tomorrow morning, that the board of directors was arranging to meet at the home of Walter P. Gardner, president of the bank, tonight at 9:00 p.m. to decide whether they would assume responsibility for closing the bank and that if they did not close it the State banking authorities would take it over tomorrow morning. Mr. McKee added that Mr. Nichols had said that the Federal Deposit Insurance Corporation was prepared to make a statement for publication in the morning papers of the decision

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reached and that Mr. Crowley planned in an interview tomorrow to state that a program had been agreed upon which contemplated that the Federal Deposit Insurance Corporation would make contributions to banks in Hudson County, New Jersey, through the medium of loans or otherwise to the extent of approximately \$25,000,000 and that, while The New Jersey Title Guarantee and Trust Company was being allowed to close principally because of its contingent liability on mortgages, assistance would be rendered to other institutions in that county.

At this point Messrs. Thurston, Wyatt, Goldenweiser, Dreibelbis, Paulger 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 10, 1939, were approved unanimously.

Letter to Mr. Kimball, Secretary of the Federal Reserve Bank of New York, reading as follows:

"In accordance with the request contained in your letter of February 9, 1939, the Board approves the salaries fixed by your Board of Directors at a meeting held on February 9, for the officers of the Bank for the period February 1 to February 28, 1939, which salaries are at the rates in effect for such officers on December 31, 1938."

Approved unanimously.



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

"Reference is made to your letter of February 6, 1939, concerning the acquisition on that date by the 'Camden Trust Company', Camden, New Jersey, of assets amounting to \$800,320.43 in consideration for assuming the deposit liabilities of 'The American National Bank', Camden, New Jersey, in like amount.

"It is understood that the transaction is in accordance with the general plan outlined when the merger of the Camden Trust Company and the West Jersey Trust Company was under consideration last year; that the loans and investments included among the assets acquired were appraised and classed as acceptable by one of your examiners; that Camden Trust Company does not expect to operate a branch in the quarters occupied by the American National Bank; and that your counsel has advised you informally, after reviewing the agreement under which the transaction was effected, that, in his opinion, the transaction will result in no change in the general character of the assets of or broadening in the functions exercised by the Camden Trust Company, such as will tend to affect materially the standard maintained by the member bank prior to the consummation of the transaction.

"In view of the nature of the transaction, the character of the assets acquired, and the comparatively small amount of the deposits assumed by the member bank, it does not appear that the transaction comes within the scope of general condition of membership numbered 3. The approval of the transaction by the Board, therefore, is not required."

Approved unanimously.

Thereupon the meeting adjourned.

Chessee Morrie  
Secretary.

Approved:

W. C. ...  
Chairman.