

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, February 16, 1939, at 11:45 a.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Ransom, Vice Chairman  
Mr. Szymczak  
Mr. Draper

Mr. Bethea, Assistant Secretary  
Mr. Clayton, Assistant to the Chairman

The action stated with respect to each of the matters herein-after referred to was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on February 15, 1939, were approved unanimously.

Letter to Mr. McCravey, Secretary of the Federal Reserve Bank of Atlanta, reading as follows:

"Referring to your letter of February 11, 1939, the Board approves the reappointment of Messrs. W. W. French, A. M. Lockett, I. C. Milner, John E. Sanford, and George Winship as members of the Industrial Advisory Committee for the Sixth Federal Reserve District to serve for terms of one year each beginning March 1, 1939."

Approved unanimously.

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

"Reference is made to your letter of February 11, 1939, advising that The Southampton Bank, Southampton, New York, has completed arrangements for the readjustment of its present capital structure and the introduction

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"of \$50,000 new capital. You advise that the program includes the following features:

- (1) Sale of \$49,500 par value 'A' preferred stock, retirable at \$99,000 to the Reconstruction Finance Corporation, concurrent with the retirement of \$99,000 principal amount of 'A' debentures presently held by the Reconstruction Finance Corporation;
- (2) Sale of \$25,000 par value 'B' preferred stock to local interests, such stock to be sold for \$50,000 and retirable at that amount;
- (3) Reduction of the present aggregate par value of common stock from \$100,000 to \$50,000.

"You further advise that inasmuch as the bank's capital position will be improved by the addition of \$50,000 in new funds, and since the program will make possible the elimination of a substantial portion of questionable assets, it is your recommendation that the Board of Governors approve a reduction of the common stock of The Southampton Bank from \$100,000 to \$50,000.

"In view of all the circumstances, the Board of Governors of the Federal Reserve System approves a reduction from \$100,000 to \$50,000 in the common stock of The Southampton Bank, Southampton, New York, provided that none of the funds released by the reduction in common capital is returned to shareholders and your counsel is satisfied as to the legal aspects of the plan."

Approved unanimously.

Letter to Honorable Robert F. Wagner, Chairman, Committee on Banking and Currency, United States Senate, prepared in accordance with the action taken at the meeting of the Board on February 13, 1939, for the signature of Chairman Eccles, and reading as follows:

"There is inclosed herewith for the consideration of your Committee a draft of certain proposed amendments to Senate Bill 477 which the Board of Governors of the Federal Reserve System believes should be incorporated in the bill before it is reported on by your Committee.

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"In its Annual Report to the Congress which was made at the end of January, the Board called attention to the already confused situation in the field of Federal bank examination and supervision. 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 in the bill.

"The Comptroller of the Currency, the Federal Reserve System and the Federal Deposit Insurance Corporation, which are the three principal Federal bank supervisory agencies, regularly examine banks and require the publication of reports of their condition. With the inclosed amendment, the bill would not only authorize but require these bank supervisory agencies to furnish to the Securities and Exchange Commission such information respecting banks and trust companies as the Commission may need to enable it to discharge its responsibilities under the bill.

"In the drafting of the bill the Commission has been most considerate of the Board's point of view on questions involving bank examination and supervision and has from time to time invited the Board's suggestions; and the Board has tried to be helpful in drawing on its past experience in the field of bank regulation. 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.

"The inclosed amendments are designed to make it clear that the Commission shall not duplicate or supplement any of the work done by the bank supervisory agencies but shall rely on information which such agencies would be directed to furnish under the provisions of section 318(b), page 47, lines 6 to 22, as amended by the proposed amendment inclosed herewith.

"Without expressing any opinion as to the merits of the bill as a whole, the Board respectfully requests the Committee's favorable consideration of these amendments.

"P.S.: After the above letter had been prepared, I received your letter of February 15, 1939, requesting the Board's opinion as to the merits of this proposed legislation, which will receive the Board's consideration

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"as soon as practicable."

Approved unanimously.

Letter to Honorable William O. Douglas, Chairman, Securities and Exchange Commission, reading as follows:

"There is inclosed, for your information, a copy of the Board's letter of this date to Honorable Robert F. Wagner, Chairman, Committee on Banking and Currency, United States Senate, submitting, for the consideration of the Committee, a draft of certain proposed amendments to Senate Bill 477 which the Board believes should be incorporated in the bill before it is reported out by the Committee.

"The proposed amendments submitted to the Committee are identical with those forwarded to you with Vice Chairman Ransom's letter of February 8."

Approved unanimously, together with similar letters to Messrs. Preston Delano, Comptroller of the Currency, and Leo T. Crowley, Chairman of the Federal Deposit Insurance Corporation.

Letter to The President of the United States, prepared for the signature of Chairman Eccles and reading as follows:

"In response to your note of February 4, 1939, there is attached a proposed reply to Senator Thomas' letter of January 31, 1939, to you."

Approved unanimously, the proposed reply to Senator Thomas reading as follows:

"I have read with interest your letter of January 31, 1939, dealing with monetary problems and the stabilization of prices.

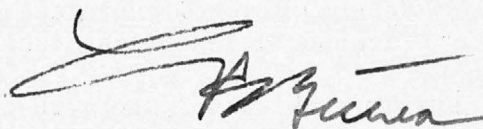
"As you know, these questions have continued to be matters of vital concern to me, and in February of last

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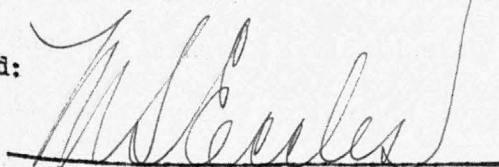
"year I issued a statement to the press, a copy of which is attached, relating to the effect of prices on our national economy, which still represents my views on this important subject. I trust that these views and the questions raised by your proposal will be given consideration by the committees of Congress primarily concerned with legislation in this field."

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Chairman.