

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, May 10, 1939, at 11:30 a. m.

PRESENT: Mr. Eccles, Chairman  
Mr. Ransom, Vice Chairman  
Mr. McKee  
Mr. Davis

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

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

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on May 9, 1939, were approved unanimously.

Bond, in the amount of \$50,000, executed under date of April 27, 1939, by Mr. G. W. Relf as Federal Reserve Agent's Representative at the Federal Reserve Bank of San Francisco.

Approved unanimously.

Memorandum dated May 10, 1939, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that, for the reason stated in the memorandum, Mrs. Ella Henry be employed on a temporary basis for a period of not to exceed two weeks as a draftsman in the Division, with salary at the rate of \$10 per day for each working day, including Saturdays, effective as of the date upon which she enters upon the performance of her duties.

Approved unanimously.

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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 May 6, the Board approves the appointment of Mr. Hugh J. Helmer as an examiner for the Federal Reserve Bank of Chicago. Please advise us of the effective date."

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 May 4, the Board approves the designations of Palmer K. Mahaffey and Arthur H. Noa, employees of the bank, as assistant examiners in order that they may lend clerical assistance to your regular examiners. It is understood, of course, that they will not be transferred permanently to examination work without the Board's approval."

Approved unanimously.

Memorandum dated May 9, 1939, from Mr. Sneed, Chief of the Division of Bank Operations, submitting a letter dated May 2 from Mr. Earhart, Cashier of the Federal Reserve Bank of San Francisco, which requested approval by the Board of a change in the personnel classification plan of the Los Angeles branch of the San Francisco bank to provide for a maximum salary of \$4,200 per annum for the position of Federal Reserve Agent's Representative. The memorandum stated that the proposed change had been reviewed and recommended that it be approved.

Approved unanimously.

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Letter to Mr. McRae, Chief Examiner, Federal Reserve Bank of Boston, reading as follows:

"This refers to your letter of March 27, 1939, relating to compliance by The Union and New Haven Trust Company, New Haven, Connecticut, with the condition of membership requiring it to pledge securities with its trust department to secure any trust funds deposited by it in its own banking department.

"It is noted that the bank's counsel has been unsuccessful in his efforts to obtain a reversal of the State Attorney General's ruling that State banks in Connecticut can not validly pledge securities for this purpose but that, again, there is a new Attorney General in office and the bank's counsel plans to take the matter up with him. It is also noted that no steps have been taken to obtain at the present session of the State Legislature legislation authorizing such pledges and that, while the bank's counsel wishes to confer with the State Bank Commissioner further before expressing a final opinion, its president believes that there is little possibility of such legislation.

"In 1935 the Board expressed the view that, upon the basis of the above mentioned Attorney General's ruling, the condition of membership in question required that a State member bank in Connecticut subject thereto refrain from depositing trust funds in its own banking department. The Board's insistence upon compliance and objections by the banks affected, particularly The Union and New Haven Trust Company, led to the conference here in June, 1937. In the light of the discussion at that time, the Board has taken no further action, giving the banks an opportunity to arrive at a satisfactory solution of their problem through a reversal of the Attorney General's ruling or through new legislation. However, after nearly two years, the situation remains unchanged while, in the meantime, member banks in other States confronted with a similar problem have obtained a solution thereof through the enactment of appropriate State legislation, and the Board feels that, with the cooperation of the Federal Reserve bank, active steps should be taken by the member banks in Connecticut to obtain a solution of their problem. Please keep the Board advised of any steps which are taken in the premises."

Approved unanimously.

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

"Receipt is acknowledged of your letter of May 3, 1939, enclosing copies of two letters from Mr. H. T. Mills with further reference to the applicability of section 32 of the Banking Act of 1933 to him.

"The information submitted shows that for the three years 1936-1938 the business which he transacted as broker produced about 63 per cent of total gross income, and that sales for his own account produced about 37 per cent. He describes the latter type of business as comprising 'the gross sales for my own account, which, you understand, were securities we were carrying.' In a previous letter, he advised that he was carrying an inventory of stocks, and also that he participated in syndicates, and retailed securities to the public. As explained in our letter of April 24, 1939 regarding this matter, this is the type of business referred to in section 32, and it constitutes one of his primary activities. Therefore, in harmony with the previous rulings of the Board in similar cases, section 32 should be deemed to be applicable to his services as director of the national banks.

"It is assumed, of course, that Mr. Mills understands that the applicability of the statute depends simply upon a question of fact, namely, whether he is engaged in distributing and dealing in securities to such a substantial extent as to constitute one of his primary activities. If he is, the statute prevents his service as a director or officer of a member bank.

"If Mr. Mills should feel that the facts have not been clearly understood, or that there are any additional facts or information which should be considered by the Board, the Board, of course, will be glad to give the matter further consideration."

Approved unanimously.

Memorandum dated May 10, 1939, from Mr. Noell, Assistant Secretary, stating that pursuant to the action taken by the Board on November

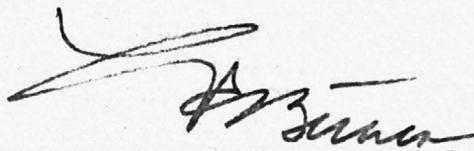
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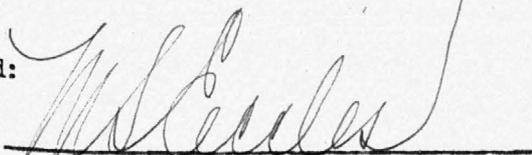
4, 1938, a group life insurance contract covering the employees of the Board had been entered into with the Aetna Life Insurance Company, effective May 1, 1939, with 76% of the Board's eligible employees participating; that the total premium for the first policy year for those employees participating at this time, which is to be paid in advance by the Board, is \$2,765.55, or an average annual premium rate of \$8.95 per employee; and that the present rate of contribution by each employee is \$7.20 per annum, which will be deducted on the pay roll at the rate of 30 cents per pay day and treated as a reimbursement to the Board against the advance payment of the premium, resulting in a net difference of \$540.75 in excess of the amount to be contributed by the employees, which amount is to be absorbed by the Board. The memorandum recommended, therefore, that the Board authorize increasing Item 14, Insurance, in the General Budget by the amount that exceeds that portion to be contributed by the employees.

Approved unanimously.

Thereupon the meeting adjourned.

  
Assistant Secretary.

Approved:

  
Chairman.