

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, September 6, 1939, at 9:10 a.m.

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Wyatt, General Counsel
Mr. Thomas, Assistant Director of the
Division of Research and Statistics
Mr. Piser, Senior Economist in the Division
of Research and Statistics

ALSO PRESENT: Mr. Leach, Member of the Federal Open Market
Committee

Mr. Szymczak read a letter received by him from Mr. Gilbert, President of the Federal Reserve Bank of Dallas, under date of September 2, 1939, with respect to the proposed enlargement of the Dallas bank building, which was written in response to the inquiry made by Mr. Szymczak following the meeting of the Board of Governors on August 16. The letter advised that on the basis of rough estimates it would cost approximately \$90,000 to provide an unfinished seventh floor for the building and an additional \$33,000 to finish the seventh floor, that a survey of the air conditioning requirements of the enlarged building was being made, and that it might be necessary to revise the estimates of cost with respect to air conditioning previously submitted.

Mr. Szymczak recommended that the Federal Reserve Bank of Dallas be advised that the Board would offer no objection to the

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proposed building program which would include an unfinished seventh floor at a cost of not to exceed \$90,000, with the understanding that the seventh floor would not be finished at this time.

Mr. Szymczak's recommendation was approved unanimously.

Mr. Davis referred to the decision reached at the meeting of the Board on August 18, 1939, to tender to Paul V. Eames appointment as a Class C director of the Federal Reserve Bank of Minneapolis and stated that he had been informed by Mr. Eames that he had been advised by his physician not to take on any additional activities and that therefore he would have to decline the appointment. Mr. Davis said that a further recommendation would be submitted by the Personnel Committee in due course.

There was then presented for consideration a letter received by Mr. Clayton under date of September 2, 1939, from Francis X. Pavesich, Financial Adviser to the Federal Home Loan Bank Board, which referred to the Board's recent statement relating to advances to banks on the security of Government obligations and requested a ruling by the Board as to whether advances by Federal Reserve banks to the Federal Home Loan Banks on Government obligations at par may be made at the rates prevailing for member banks. In connection with the letter there was read a memorandum addressed to the Board by Mr. Vest under date of September 6, together with a draft of reply to Mr. Pavesich, answering his inquiry in the affirmative and a draft of telegram to

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the Federal Reserve banks requesting that they advise whether they have any objection to the proposed advice to Mr. Pavesich.

In the ensuing discussion during which Mr. Vest, Assistant General Counsel, joined the meeting, Mr. Eccles suggested that, inasmuch as the question of advances to Federal Home Loan Banks and other similar institutions was not discussed at the time the Board's statement was issued, the whole question should be covered, so that all of the Federal Reserve banks would follow a uniform policy with respect thereto should they be called upon to make such advances. Consideration was given to the manner in which the question should be presented to the Federal Reserve banks and Mr. Eccles stated that he would like to call the presidents today or tomorrow to advise them of current operations in the System open market account, and that it might be well for him to present this question to the presidents at that time.

Chairman Eccles' suggestion was agreed to unanimously and the staff was requested to prepare a memorandum covering the points raised during the discussion for use by Chairman Eccles in this connection.

At this point Messrs. Wyatt, Vest, Thomas, Piser and Leach 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 September 5, 1939, were approved unanimously.

Letter to Mr. Gough, Deputy Comptroller of the Currency, reading as follows:

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"Receipt is acknowledged of your letter of August 30, 1939, with further reference to the nonconforming savings accounts of The First-Mechanics National Bank of Trenton, New Jersey. It is noted that your office has suggested to the bank that the accounts be transferred to time deposits open accounts, but the president of the bank informed you that under the clearing house agreement the bank is prohibited from paying interest in excess of $\frac{3}{4}$ of 1 per cent on such accounts.

"As indicated in our letter of August 23, 1939, the Board's Regulation Q contains no exception, like that in Regulation IV of the Federal Deposit Insurance Corporation, under which deposits of corporate funds which were accepted prior to the effective date of the regulation may now be classified as savings deposits. In the circumstances there appears to be nothing which we can add to the statements contained in our previous letter on this subject."

Approved unanimously.

Memorandum from Mr. Smead, Chief of the Division of Bank Operations, recommending that, for the reasons stated in the memorandum, the word "Treasury" be eliminated from the present captions "Treasury notes" and "Treasury bills" in the weekly statement of condition of Federal Reserve banks.

Approved unanimously.

Mr. Morrill recommended that the Board approve the payment of the cost of luncheons served to the Secretary of the Treasury, the Under Secretary, and any other official representative of the Treasury who is invited by members of the Board to have luncheon in the Board's dining rooms.

Approved unanimously.

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Thereupon the meeting adjourned.

Chester Morris
Secretary.

Approved:

W. S. ...
Chairman.