A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, September 19, 1939, at 3:30 p.m.

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

Mr. Morrill, Secretary
Mr. Wyatt, General Counsel

Mr. McKee referred to the fact that there had come to his desk a draft of a letter to Vice President Clerk of the Federal Reserve Bank of San Francisco, transmitting to him a copy of an opinion submitted by Charles W. Collins on behalf of Transamerica Corporation, with respect to the legal question involved in determining the amount of marketable assets held as reserves, and stated that he wanted the members of the Board to be thinking about the question what position or action, if any, it might be necessary for the Board to take ultimately with respect to this legal question.

There followed a discussion of the history of the legal provisions referred to and the possible courses of action that might be taken, and it was pointed out that the letter referred to was simply a letter of transmittal of a copy of the opinion, with a request for advice as to the views of counsel of the Federal Reserve Bank of San Francisco. No action was taken on the matter by the Board.

Mr. Ransom stated that this morning he and Mr. Harrison went
over to the Treasury with Messrs. Dreibelbis and Gardner and found assembled in the Secretary's office the members of the staff who have usually participated in such conferences, that he, Mr. Ransom, explained that the Secretary had asked that the Board see that a report of the New York bank on the sterling exchange incident which occurred on September 15 contain certain information, and that as there was some question in Mr. Harrison's mind as to just what was wanted, it was thought it would be helpful if the Secretary would clarify the matter directly to Mr. Harrison.

The Secretary stated, Mr. Ransom said, that this was satisfactory to him, that the thing that was asked for was whether the New York banks represented on the Foreign Exchange Committee, received, during the one hour and ten minutes involved, information on which they acted.

Mr. Ransom made the further statement that Mr. Harrison pointed out to the Secretary that the information was given to each member of the committee for the purpose of action, and it would be fair to assume that he acted upon it, as it was given to him for that purpose, and that Mr. Harrison went over the incident again in some detail and said he was speaking entirely from hearsay and appeared to be under indictment.

The Secretary replied, Mr. Ransom said, that that was the wrong word to use, that they were merely asking for information, that
if Mr. Harrison would take a look at the transactions of these particular banks and would report back to the Secretary that in Mr. Harrison's opinion the transactions were normal and were to be expected and there was nothing abnormal about them, the Secretary would accept his statement of the matter, that he did not mean to get into any inquisitorial position in the matter, but that Mr. Harrison, for his own peace of mind, should be able to answer the question "yes" or "no".

It developed at the meeting in the Secretary's office, Mr. Ransom added, that Mr. Bailie had been in New York conferring with Mr. Loree yesterday and that Mr. Loree said that there were no transactions of any kind, so far as he was concerned, and that perhaps it was the only hour and ten minutes in the history of his bank in which there had been none and that it was purely accidental. Mr. Harrison told the Secretary, Mr. Ransom stated, that he would take a look at the rest of the banks and would be able to report back.

Mr. Ransom then stated that coming back from the Treasury Mr. Harrison explained that his obvious agitation was due to the fact that this seemed to him to be a matter that lay wholly between the Treasury and the New York bank, that he was unable to offer any explanation as to why the Board had been called in, but added that he was very much pleased that it had been, because the situation was embarrassing and the Board had been very helpful, but that he still did not see why it
was any concern of the Board.

During the conference at the office of the Secretary, Mr.
Ransom said, he reminded the Secretary that he was to furnish Mr.
Ransom the Treasury's record of what took place between the Treasury
and the New York bank on September 15, and that Mr. Morgenthau assured
Mr. Ransom that as soon as the material had been completed he would
send a copy to the Board for confidential examination with the under-
standing that it would be returned as promptly as possible.

Thereupon the meeting adjourned.

Approved: 

[Signature]
Chairman.