

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, October 6, 1939, at 10:30 a. m.

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

Mr. Morrill, Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Thurston, Special Assistant to the  
Chairman  
Mr. Vest, Assistant General Counsel  
Mr. Wingfield, Assistant General Counsel  
Mr. Piser, Senior Economist, Division of  
Research and Statistics  
Mr. Thompson, General Assistant, Secretary's  
Office

There were presented telegrams to Messrs. Kimball, Post and Dillard, Secretaries of the Federal Reserve Banks of New York, Philadelphia and Chicago, respectively, and to Mr. West, Vice President of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on October 3, by the Federal Reserve Banks of New York and Chicago on October 5, and by the Federal Reserve Bank of Philadelphia on October 6, 1939, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

There was then presented a memorandum dated September 27, 1939, from Mr. Wingfield stating that Edmund Burke, of the staff of the Securities and Exchange Commission, had called him on the telephone

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on that date and inquired whether he might obtain some informal assistance in connection with the formulation of rules and regulations under the Trust Indenture Act. The memorandum stated that Mr. Burke's immediate problem related to the definition of "self liquidating paper" which is referred to in the Act. Mr. Ransom had suggested that the memorandum be called to the attention of the Board. Mr. Wingfield stated that Mr. Sloan of the Board's Division of Examinations, who had considered the problem involved when reviewing the drafts of the bill, had already been discussing the matter with representatives of the Securities and Exchange Commission. Mr. Ransom stated that inasmuch as the request of the Commission for the cooperation of the Board was being complied with informally, he would suggest that this procedure be continued and that, if any problem arose which Messrs. Draper and Wingfield felt should receive the attention of the Board, the matter should be discussed again.

The other members of the Board concurred in Mr. Ransom's suggestion.

Mr. Davis then referred to the Board's letter of December 8, 1938, addressed to Mr. Young, President of the Federal Reserve Bank of Boston, with respect to the decision reached at the meeting of the Board with the Federal Advisory Council on November 28, 1938, that the Federal Reserve banks should not pay the traveling expenses of representatives of member banks attending stockholders' meetings.

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He stated that he was now in receipt of a letter dated October 2, 1939, from Mr. Young with which was enclosed excerpts from the minutes of meetings of the board of directors of the Boston bank stating that the directors had agreed unanimously that the practice of the bank in reimbursing member banks for traveling expenses of representatives attending stockholders' meetings was desirable and should be continued if possible. The letter also stated that the directors felt that the amount involved was so small and the benefits were so satisfactory that a reversal of the precedent at this time would be extremely unfortunate and that it was hopeful that the Board would modify the terms of its letter of December 8, 1938. Mr. Davis stated that he would not favor, as a general rule, the practice of paying similar expenses in all Federal Reserve districts but that in his opinion it was not necessary to have a uniform practice at all Federal Reserve banks in this respect. In the case of the Boston district he expressed the belief that it would probably do more harm than good for the Board to interfere with the practice, in view of the compactness of the territory served, and because this has been a long established practice in that district, and the amount involved is relatively small. Mr. Davis also stated that he had talked over the telephone with Mr. Szymczak, who was absent from the city, and inquired whether he had any objection to the matter being disposed of during his absence and that Mr. Szymczak had stated that he was in favor of raising no objection to the continuance of the



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present practice in the Boston district and that if he were present he would move to that effect.

At the conclusion of a discussion, upon motion by Mr. Davis, it was agreed unanimously that no objection should be raised to the practice of the Federal Reserve Bank of Boston of paying the traveling expenses of one representative from each member bank attending the annual stockholders' meeting of the bank.

It was also agreed unanimously that the question of the future practice of the Federal Reserve banks of paying expenses incurred in connection with such meetings should be referred to Mr. Szymczak for recommendation to the Board

Mr. Ransom then presented a proposed letter to the Comptroller of the Currency with respect to an amendment to Section 11 of the Board's Regulation F, Trust Powers of National Banks, reading as follows:

"From time to time the Board receives inquiries as to whether specific transactions contravene the provisions of section 11 of its Regulation F relating to self dealing in the administration of trusts. Cases of this kind, including one submitted by your office, have caused the Board to give consideration to the question whether or not these provisions of its Regulation F are too rigid and whether some modification should be made of such provisions so as to maintain the principle against self dealing but at the same time permit banks administering trusts some additional latitude. In this connection, consideration is being given to the question whether section 11 of Regulation F should be amended by striking out the last sentence of footnote 12 to that section and adding a new footnote applicable to the whole section reading as follows:

'The requirements of this section shall not be deemed to prohibit the making of any investments

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"or the carrying out of any transactions which are expressly required by the instrument creating the trust or are specifically authorized by court order."

"The Board would appreciate advice from you as to whether you have any objection to such an amendment to Regulation F and as to whether or not you feel that any other amendments to section 11 of Regulation F are desirable at this time."

In connection with the above letter, Mr. Wingfield had prepared a memorandum under date of October 3, 1939, which recalled that some time ago the views of the American Bankers Association were requested as to whether any modification should be made of the provisions of Regulation F relating to self dealing, that a committee of the American Bankers Association had advised that it approved an amendment to Section 11 of the Regulation in the form set forth in the above letter, and that such committee had also advised that it did not feel that any other amendments to Section 11 of the Regulation were desirable at this time.

There ensued a brief discussion, during which Mr. Ransom stated that both he and Mr. Wingfield felt that the proposed amendment would not be an infringement on the general principle against self dealing.

At the conclusion of the discussion, it was agreed unanimously that the letter should be forwarded to the Comptroller of the Currency.

The minutes of the meeting of the Board of Governors of the

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Federal Reserve System held on October 5, 1939, were approved unani-  
mously.

Thereupon the meeting adjourned.

Chester Morris  
Secretary.

Approved:

Walter D. Anderson  
Vice Chairman.