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

PRESENT: Mr. Davis
Mr. Draper
Mr. Morrill, Secretary
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:

Telegrams to Mr. Young, President of the Federal Reserve Bank of Boston, Mr. Sanford, Assistant Secretary of the Federal Reserve Bank of New York, Messrs. Fleming and Leach, Presidents of the Federal Reserve Banks of Cleveland and Richmond, respectively, Messrs. Dillard, Stewart, Powell and Leedy, Secretaries of the Federal Reserve Banks of Chicago, St. Louis, Minneapolis and Kansas City, respectively, and Mr. Gilbert, President of the Federal Reserve Bank of Dallas, stating that the Board approves the establishment without change by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City and Dallas on November 9, 1939, and by the Federal Reserve Bank of Boston today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated November 8, 1939, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that, in order that they may be away from their work for short periods,
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the temporary appointments of Messrs. Robert B. Warren and Donald B. Woodward, who were employed for the purpose of assisting Mr. Ransom with the preparation of material for submission to the Board in connection with the prospective hearings of the Senate Banking and Currency Committee, be extended for periods of eleven and seven days, respectively, on the same terms and conditions as the original appointments, with the understanding, however, that the leave taken by Mr. Woodward will be without pay.

Approved unanimously.

Letter to "The First National Bank of Cape Girardeau", Cape Girardeau, Missouri, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Missouri, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously.

Letter to Mr. A. M. Twomey, Assistant Cashier, Bank of America National Trust & Savings Association, San Francisco, California, reading
"Your letter of October 24, 1939, addressed to the Comptroller of the Currency, advising that your London branch has established a subsidiary office at Denham Studios, Denham, Uxbridge, Middlesex, has been referred to the Board. We note that such subsidiary office was established due to the existing war conditions, but that for the time being the banking operations of the branch are being carried on at the authorized address at No. 12 Nicholas Lane, London, E. C. 4, with only duplicate records being maintained at the subsidiary office.

"Since the essential banking operations of the branch are still being conducted in London, the Board's permission to establish a branch at Denham Studios, Denham, Uxbridge, Middlesex, would not be necessary. However, if the banking operations to be conducted at Denham are of such a nature as would constitute the establishment of a branch at such place, then, of course, the permission of the Board of Governors would have to be obtained in accordance with the applicable provisions of section 25 of the Federal Reserve Act.

"In the circumstances, therefore, it is suggested that your bank keep the Federal Reserve Bank of San Francisco advised regarding the extent to which the operations are carried on at Denham; and, in the event it should become necessary to obtain the Board's approval for the establishment of a branch in such place, you may be assured that such a request would receive the prompt consideration of the Board."

Approved unanimously.

Letter to Mr. Sihler, Assistant Vice President of the Federal Reserve Bank of Chicago, reading as follows:

"Reference is made to your letter of October 13, 1939, regarding section 4(f)(5) of Regulation T which provides that:

'(5) Effect transactions for and finance any joint adventure or group in which the creditor participates and in which all participants
"are dealers (whether such participants be acting jointly or severally), or any member thereof or participant therein, for the purpose of facilitating the underwriting or distributing of all or part of an issue of securities (A) not through the medium of a national securities exchange, or (B) the distribution of which has been approved by the appropriate committee of a national securities exchange;"

"The question whether a particular transaction may properly be effected under section 4(f)(5) is necessarily a question of fact that depends upon all the relevant facts involved in the particular case. As indicated in the letter which you forwarded from the Chicago Stock Exchange, however, the qualification of a transaction under the section requires more than merely the existence of a joint-venture or compliance with the conditions specified in clause (A) or (B). The transaction must in any event be 'for the purpose of facilitating the underwriting or distributing of all or part of an issue of securities...'."

"Since it appears that the transactions referred to in your letter do not relate to 'underwriting', the question arises whether they are for the purpose of facilitating the 'distributing' of securities. It is necessary, therefore, to consider the meaning of the word 'distributing' as used in this provision.

"The use of this word in addition to the word 'underwriting' naturally makes it reasonable to assume that the two words were not intended to have identical meanings. On the other hand, however, the word 'distributing' necessarily must be read in its context. Its meaning cannot be understood without considering the general meaning and purpose of the provision in which it is used.

"It seems clear, therefore, that the distributing here referred to is something similar to underwriting. In other words, it must involve the distribution of a relatively large block of securities from one owner, or a comparatively few owners, to a much larger number of holders.

"No exact requirements can be stated with respect to the minimum size of the block of securities, the maximum number of the original owners, or the minimum number of ultimate holders. In general, there must be what is usually considered in the trade to be a distribution as
"distinguished from position trading.

"The typical case would, of course, be the distribution of a new issue of securities. Securities might in some instances be the subject of a distribution even though they had been issued a long time before, and the widespread sale of a large block of securities which had been left as a part of the estate of a deceased person might be an example of such a distribution. On the other hand, however, if a quantity of old securities was accumulated from a large number of individuals long after the securities had been issued, and the securities were then resold to a large number of persons, this would not constitute 'distributing' within the meaning of section 4(f)(5). It will be recalled that the ruling at page 549 of the July 1936 Federal Reserve Bulletin indicated similar limitations on the meaning of the term 'distribution' as used in a similar provision of Regulation U.

"It is hoped that this general discussion will be of assistance to your Bank and to the Chicago Stock Exchange, and if there should be any further questions of interpretation regarding the provision, the Board will, of course, be glad to give them consideration."

Approved unanimously.

Letter to The Secretary of State, reading as follows:

"Reference is made to Mr. MesserSmith's letter of November 3, 1939, to Chairman Eccles, requesting that there be forwarded to the Department of State, for transmission to the Pan American Union, two copies each of any orders, regulations, notices, etc., relating to the neutrality of the United States in the present conflict which have been or may in the future be issued by the Board of Governors of the Federal Reserve System.

"No documents of the kind described have thus far been promulgated by the Board of Governors, but Mr. MesserSmith's request will be borne in mind and complied with in respect to any relevant material issued by the Board in the future."

Approved unanimously.

Letter dated November 9, 1939, to Dr. Harold Stonier, Director,

Graduate School of Banking, New York, New York, reading as follows:
"From time to time members of the Graduate School of Banking have inquired of members of the staff of the Board of Governors attending the resident sessions as to the terms upon which the Federal Reserve Bulletin could be made available to them.

"As you know, the Federal Reserve Bulletin is sent to all banks that are members of the Federal Reserve System, and undoubtedly a very large number of the men attending the Graduate School have the use of the copies received at their respective banks. It is apparent, however, that there are members of the student body who do not have access to the Bulletin for use in connection with their work at the Graduate School and, if you feel it would be helpful in these cases, the Board of Governors would be pleased to have your office inform the student body in such manner as you deem appropriate that the Board will send the Bulletin without charge to any such member of the School, during the period of his enrollment, upon receipt of a request from him."

Approved unanimously.

Mr. Bethea suggested that the Board assume the cost of luncheons served to Messrs. Carl B. Robbins, President, and Samuel H. Sabin, Secretary, of the Commodity Credit Corporation, in the Board's dining room yesterday.

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

[Signature]
Member.