

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, December 1, 1939, at 10:30 a.m.

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

Mr. Bethea, Assistant Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Clayton, Assistant to the Chairman  
Mr. Thurston, Special Assistant to the  
Chairman  
Mr. Wyatt, General Counsel  
Mr. Smead, Chief of the Division of  
Bank Operations  
Mr. Paulger, Chief of the Division of  
Examinations  
Mr. Dreibelbis, Assistant General Counsel  
Mr. Cagle, Assistant Chief of the Division  
of Examinations  
Mr. Chase, Assistant Counsel

There were presented telegrams to Messrs. Kimball and Post, Secretaries of the Federal Reserve Banks of New York and Philadelphia, respectively, Mr. McLarin, First Vice President of the Federal Reserve Bank of Atlanta, and Messrs. Dillard and Hale, Secretaries of the Federal Reserve Banks of Chicago and San Francisco, respectively, stating that the Board approves the establishment without change by the Federal Reserve Banks of Chicago and San Francisco on November 28, by the Federal Reserve Banks of New York and Atlanta on November 30, 1939, and by the Federal Reserve Bank of Philadelphia

12/1/39

-2-

today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

There was further discussion of the program for the Chairmen's Conference for December 5-6, 1939, and Mr. Davis stated that he had arranged with Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, to send to Washington the recordings of three of the broadcast programs which had been prepared by the Minneapolis bank and that it was his (Mr. Davis) suggestion that these recordings be presented during the late afternoon of the first day of the Chairmen's Conference.

Mr. Davis' suggestion was agreed to unanimously.

It was also agreed (1) that arrangements should be made for a dinner on the evening of December 5 to be attended by the Chairmen, the members of the Board, and Messrs, Morrill, Clayton, Thurston and Goldenweiser, the cost of the dinner to be paid by the Board and an appropriate amount added to the miscellaneous account in the general budget for 1939 to cover such cost, (2) that the Assistant Secretary should send a telegram today to the Chairmen extending to them an invitation to attend the dinner and stating that it seemed certain that the Chairmen's Conference will run into the second day and that the Board hoped they would be able to arrange their affairs to be present on the second day, and (3) that arrangements should be made by the Secretary's office for a set luncheon in the large dining room for the Chairmen, and the members of the Board on both days of the conference.

Mr. McKee stated that he understood that the Temporary National Economic Committee has scheduled hearings in the near future

12/1/39

-3-

on the question of investment funds and investment securities and he raised the question of the desirability of having representatives of the Board's staff attend the hearings.

It was agreed unanimously to request Messrs. Glenn M. Goodman of the Division of Examinations, and A. B. Hersey of the Division of Research and Statistics, to attend the hearings.

Mr. McKee referred to a letter dated October 25, 1939, from President Young of the Federal Reserve Bank of Boston with which was enclosed a copy of a letter dated October 20, 1939, from the President of the Meriden Trust and Safe Deposit Company of Meriden, Connecticut, in which inquiry was made whether the trust company, in making loans in various trust capacities only and not for its own account, would be held to be engaged in making real estate loans within the meaning of the Board's Regulation L, Interlocking Bank Directorates under the Clayton Act. The letter said that this question may be of importance in determining whether six members of the board of trustees of the trust company could continue to serve the trust company and The Home National Bank and The Meriden National Bank, both of Meriden, Connecticut. A draft of reply to the letter from President Young of the Federal Reserve Bank of Boston had been prepared in which the opinion was expressed that, on the basis of the information available, the trust company



12/1/39

-4-

would be considered as engaged in one of the same classes of business as a national bank which makes real estate loans in other than a fiduciary capacity. Mr. McKee stated that when the draft of reply reached his desk he suggested that further investigation of the matter be made, that Mr. Chamberlin of the Division of Examinations went to Meriden for this purpose, and that the results of his investigation were set forth in a memorandum under date of November 17, 1939.

Mr. McKee also referred to a letter which he had received under date of November 9, 1939, from the President of The Detroit Bank, Detroit, Michigan, raising the question whether the prohibitions of the Clayton Act would apply to an interlocking relationship between the Detroit Trust Company, which has no deposit liabilities, and a bank which does no fiduciary business.

After discussing some of the circumstances surrounding the two cases to which he had referred, Mr. McKee suggested that the Board give consideration to taking the position that as long as a trust company does not accept deposits it would be regarded as not being engaged in the same class of business within the provisions of Regulation L as a bank which does receive deposits but does not exercise fiduciary powers.

12/1/39

-5-

Mr. McKee's suggestion was discussed in the light of the legislative history of the Clayton Act and the provisions of Regulation L. During the discussion Mr. Wyatt stated that Mr. McKee's suggestion might be made effective by (1) amending the Regulation specifically to permit an interlocking relationship between a trust company which does not accept deposits and a member bank which does not exercise fiduciary powers, or (2) by ruling that such a trust company is "not engaged in a class or classes of business" in which the member bank is engaged. He also said that the two cases presented by Mr. McKee were borderline cases, that if the Board decided to take action he felt the best method of procedure would be by an amendment to the regulation which would be in accordance with the statutory authority of the Board to permit interlocking relationships between a member bank and not more than one other bank, and that a ruling under the existing regulation that the trust company was not engaged in the same class or classes of business might be held to be contrary to the basic philosophy of the Clayton Act.

At the conclusion of the discussion, Counsel's Office was requested to draft an amendment to Regulation L along the lines referred to by Mr. Wyatt for consideration at a meeting of the Board to be held on the morning of Monday, December 4, 1939, at 10:30 a.m.

12/1/39

-6-

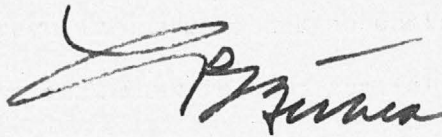
During the consideration of this matter Mr. Thurston left the meeting.

Mr. Davis stated that it had been ascertained that Warren F. Whittier, a farmer, dairyman, and cattle breeder in Douglassville, Pennsylvania, was willing to accept appointment as a Class C director of the Federal Reserve Bank of Philadelphia and that it was the recommendation of the Personnel Committee that he be appointed for the remainder of the three-year term ending December 31, 1940.

In accordance with the recommendation of the Personnel Committee, Mr. Whittier was appointed a Class C director of the Federal Reserve Bank of Philadelphia for the unexpired portion of the three-year term ending December 31, 1940.

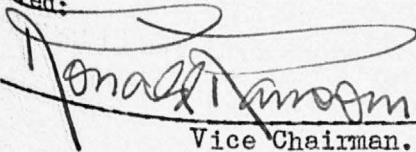
The minutes of the meeting of the Board of Governors of the Federal Reserve System held on November 30, 1939, were approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Vice Chairman.