

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, December 4, 1939, at 2:50 p.m.

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

Mr. Morrill, Secretary
 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. 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

Mr. Davis stated that the supply of paper bound copies of the booklet entitled "The Federal Reserve System - Its Purposes and Functions" was practically exhausted and recommended that the Board authorize the printing of an additional 30,000 copies at a cost of approximately \$3,410.

Mr. Davis' recommendation was approved unanimously, with the understanding that the Printing and Binding Account in the Board's General Budget would be increased accordingly.

There was presented the draft of amendment to the Board's Regulation L, Interlocking Bank Directorates Under the Clayton Act, which had been prepared by Counsel's office in accordance with the request made at the meeting on December 1, 1939. The proposed amendment would substitute for the present subsection 3(c) of the regulation a new sub-

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section which would provide that any director, officer, or employee of a member bank of the Federal Reserve System which does not maintain a trust department and which is not authorized to exercise trust powers may be at the same time a director, officer, or employee of not more than one trust company which does not receive or hold deposits, and any director, officer, or employee of a trust company which is a member of the Federal Reserve System and which does not receive or hold deposits may be at the same time a director, officer, or employee of not more than one bank, banking association, or savings bank which does not maintain a trust department and which is not authorized to exercise trust powers. A footnote to the subsection would make it clear that the term "deposits" would not include funds received and held in a fiduciary capacity.

During the discussion which followed question was raised whether before the suggested amendment is considered by the Board for adoption it should be sent in accordance with past procedure to the Federal Reserve banks, the members of the Federal Advisory Council, the Comptroller of the Currency, the American Bankers Association, and possibly others for their comments.

Upon motion by Mr. McKee, it was agreed unanimously that this procedure should be followed and Counsel's office was requested to prepare the necessary letters of transmittal for the signature of the Secretary.

In this connection, Mr. Wyatt inquired whether the Board would want to consider a further amendment to the regulation which would permit a private banker to have the same relationship with a trust company which does not receive deposits as the new subsection

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would permit in the case of a director, officer, or employee of a member bank, and it was agreed unanimously that this question would very likely not arise and that therefore it should not be considered at this time.

At this point Mr. Chase left the room.

Further reference was made to the action of the board of directors of the Federal Reserve Bank of New York on November 9, 1939, in fixing a salary at the rate of \$17,500 per annum for Mr. Rouse, Vice President of the bank, subject to approval by the Board of Governors, and to the decision reached at the meeting of the Board of Governors on December 1, 1939, to defer action on the proposed salary pending further consideration at a meeting of the Board when all of the members were present. Attention was called again to the fact that Mr. Rouse had been with the bank for a period of less than six months, having come to the bank at a substantial increase in salary, and Chairman Eccles suggested that regardless of that point the salary should not be approved until the appointment of Mr. Rouse as Manager of the System Open Market Account has been considered by the Federal Open Market Committee.

Mr. Szymczak moved that the Federal Reserve Bank of New York be advised that no decision will be reached on the salary proposed for Mr. Rouse until the Federal Open Market Committee has given consideration to his appointment as Manager of the System Open Market Account.

Carried unanimously.

Mr. McKee reviewed for the information of Chairman Eccles the discussions which Messrs. A. P. Giannini and L. M. Giannini had had with

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members of the Board during his absence, relating to the condition of The Bank of America National Trust and Savings Association, San Francisco, California. Mr. McKee suggested that the Board address a letter to the Comptroller of the Currency stating that the Board would like to have an opportunity to meet with the Comptroller and members of his staff for a discussion of the bank's condition. The Board's responsibilities with respect to the bank were discussed in the light of the developments during the last fifteen months.

At the conclusion of the discussion, it was agreed unanimously that a memorandum should be prepared reviewing the Board's position in the matter, it being understood that after the memorandum had been approved by the Board it would be taken by Chairman Eccles to the Treasury as a basis for a discussion with the Comptroller of the Currency and the Secretary of the Treasury.

At this point Messrs. Thurston, Wyatt, Paulger, Dreibelbis and Cagle 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 December 2, 1939, were approved unanimously.

Letter to the board of directors of the "Farmers' State Bank of Chadwick", Chadwick, Illinois, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special condition, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago:

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"4. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures."

Approved unanimously, together with a letter to Mr. Schaller, President of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Farmers' State Bank of Chadwick', Chadwick, Illinois, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the Board of Directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Auditor of Public Accounts for the State of Illinois for his information.

"It has been noted that a large portion of the estimated losses classified in the report of examination for membership were charged off during the examination and since the remaining amount is only nominal, the usual condition of membership regarding the elimination of estimated losses has not been prescribed."

Letter to Mr. Harrison, as Chairman of the Presidents' Conference, reading as follows:

"Now that the Retirement System has been in operation for a period of nearly six years, the Board is of the opinion that some changes should be made in the authorizations contained in its letter, S-7, of June 24, 1937 with respect to separation allowances and special contributions to the Retirement System for the purpose of supplementing retirement allowances, and in its letter, X-9798, of January 21, 1937 with respect to the retention of officers and employees in service after the attainment of age 65.

"Accordingly, the Board's staff has prepared the attached proposed circular letter to all Federal Reserve banks which is intended to supersede the above mentioned letters.

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"Before reaching any decision in regard to the proposed circular letter, the Board would appreciate receiving the opinion of the Presidents on the suggested changes. It will be appreciated, therefore, if this subject is placed on the program for discussion at the forthcoming Presidents' Conference. Owing to the limited time before the next Presidents' Conference, December 12, a copy of this letter and its enclosure is being sent to the President of each of the other Federal Reserve banks."

Approved unanimously.

Thereupon the meeting adjourned.

Lester Morrie
Secretary.

Approved:

W. C. C. C.
Chairman.