A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, December 7, 1939, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Szymczak
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:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on December 6, 1939, were approved unanimously.

Memorandum dated December 6, 1939, from Mr. Carpenter, Assistant Secretary, recommending, for the reasons stated in the memorandum, (1) that Miss Thelma E. Ward be appointed on a temporary basis for a period of six months as a file clerk in the Secretary's Office, with salary at the rate of $1,260 per annum, effective as of the date upon which she enters upon the performance of her duties, and with the understanding that if her services are entirely satisfactory, she will be employed on a permanent basis with salary at the rate of $1,390 per annum and admitted to the Retirement System, and (2) that Miss Margery M. Davis, a temporary file
clerk in the Secretary's Office, be appointed on a permanent basis with salary at the rate of $1,320 per annum, effective as of December 16, 1939, subject to her passing satisfactorily the usual physical examination.

The recommendations were approved unanimously.

Letter to Mr. Harrison, President of the Federal Reserve Bank of New York, reading as follows:

"The Board has asked me to write you a letter supplementing its telegram of November 28 in which it approved salaries fixed by your directors for Messrs. Miller and Harris and deferred action upon the salary of Mr. Rouse.

"Mr. Rouse has been in the service of the Federal Reserve Bank of New York only a few months and the salary proposed in connection with his promotion to the status of a senior officer involves a very substantial increase in his compensation. Also, as you know, the Board is engaged in a study of the general question of salaries of officers of the Federal Reserve Banks in view of its responsibility under the law for their approval. In addition, the selection of Mr. Rouse as Manager of the System Open Market Account, being subject to the approval of the Federal Open Market Committee, presumably will receive the consideration of that Committee when it takes up organization matters in March.

"With these considerations in mind, the Board thought it best for the time being to defer consideration of the increase proposed for Mr. Rouse."

Approved unanimously.

Telegram to Mr. Paddock, First Vice President of the Federal Reserve Bank of Boston, reading as follows:
"Relet December 2. In accordance with your recommendation, Board approves application of 'Hadley Falls Trust Company', Holyoke, Massachusetts, for permission to establish and operate a branch in Chicopee, Massachusetts in connection with the absorption of the deposit liabilities of the Cabot Trust Company, Chicopee, Mass., provided the establishment of such branch is approved by the appropriate State authorities, and in the opinion of your counsel conforms to the requirements of the Federal Reserve Act and the applicable provisions of the State law. Please furnish the Board with a copy of the approval given by the State authorities as well as copy of the opinion of your counsel as to the legality of the transactions involved, including the purchase of the assets and assumption of the deposit liabilities of the Cabot Trust Company."

Approved unanimously.

Letter to the Presidents of all Federal Reserve banks, prepared in accordance with the action taken at the meeting of the Board on December 4, 1939, and reading as follows:

"There are enclosed herewith six copies of a tentative draft (L-693) of an amendment to the Board's Regulation L, Interlocking Bank Directorates under the Clayton Act, which would exempt relationships between a trust company which does not accept deposits and a bank which does not exercise trust powers. It will be appreciated if you will furnish the Board with your recommendation as to the desirability of adopting this amendment, together with any comments or suggestions which you may have regarding its form.

"In view of the fact that the amendment may affect some relationships which are now existing by virtue of the permission granted in subsection 3(e) of Regulation L and which, therefore, will have to terminate on February 1, 1940 unless the enclosed amendment is adopted, it is requested that your reply to this letter be made at your earliest convenience."

Approved unanimously, together
with a letter to Mr. Lichtenstein, Secretary of the Federal Advisory Council, and similar letters to Honorable Preston Delano, Comptroller of the Currency, and Mr. Robert M. Hanes, President of the American Bankers Association, reading as follows:

"There are enclosed herewith copies of a tentative draft of an amendment (L-653) to the Board's Regulation L which would except from the provisions of section 8 of the Clayton Act interlocking relationships between a trust company which does not accept deposits and a bank which does not exercise trust powers.

"The Board will be glad to have any comments or suggestions which the Federal Advisory Council may care to submit regarding this amendment, and it will be appreciated if you will submit any such comments or suggestions at the earliest practicable date. The proposed amendment has been prepared by the Board's staff but has not been acted upon by the Board, and you will understand of course that it is not intended for publication."

Memorandum prepared following the discussion at the meeting of the Board on December 4, 1939, with respect to the Bank of America National Trust and Savings Association, San Francisco, California, reading as follows:

"The Board believes that, in the interest of all concerned, its position with respect to the problems surrounding Bank of America should be clarified. On September 13 and 16, 1938, Governor Ransom attended meetings called by the Secretary of the Treasury at his office. The discussion at both meetings related to the institution of a proceeding under section 30 of the Banking Act of 1933 to remove officers and directors of the bank from office. Since the institution of such proceedings in the case of a national bank is an exclusive power of the Comptroller of the Currency and since, in the hearing which may follow, the Board's position is analogous to that of a judge, it was the Board's position that it should not express any opinion
"in advance with respect to whether or not action should be taken under section 30 or with respect to the merits of the charges. It is believed, however, that it made its position clear that it did have responsibilities with respect to and an interest in the affairs of every member bank and this interest could not be disregarded because of the imminence of a section 30 proceeding. The Board does not believe that the responsibility of any one of the supervisory agencies is lessened or that its interest should be diminished because of the existence and possible use of discretionary powers in the hands of another of the agencies.

"Supervision of national banks is primarily the responsibility of the Comptroller of the Currency and he is vested with a number of supervisory powers, the exercise of which are necessarily the sole prerogatives of his office. His responsibility, however, is not exclusive. Both the Federal Deposit Insurance Corporation and the Federal Reserve Board also have general and specific supervisory responsibilities with respect to national banks.

"Notwithstanding the division of powers and responsibilities in varying degrees among the three agencies, they have a common objective. Recognizing this fact it has been the practice of the Comptroller of the Currency to obtain the comments and suggestions of the Federal Deposit Insurance Corporation and Federal Reserve authorities before issuing a charter for a national bank; it has been the practice of the Board to obtain the comments and suggestions of the Comptroller of the Currency before issuing a permit to a national bank to exercise trust powers or, in cases involving problems, a voting permit to a holding company affiliate; it has been the Board's practice to obtain the comments and suggestions of the Federal Deposit Insurance Corporation before admitting a State bank to membership; and in the case of a problem national bank it has often been the practice for the three agencies to collaborate in working out a program designed to bring about correction.

"Since the September 1938 meetings the Board has received copies of reports of examination of the bank and copies of some of the correspondence of the Comptroller with the bank. It has also, from time to time, received communications from the management of the bank enclosing copies of communications to the Comptroller. Recently the management of the bank called upon members of the Board and informally
"discussed the position of the bank from their viewpoint, at which time they stated that they were considering making a request that the Board examine the bank. The Board does not feel that it is fully informed with respect to the situation and believes that it would be helpful for it to offer its services for the purpose of working out with the other supervisory agencies a program designed to bring about any needed corrections and thus best serve the public interest."

The statement was approved unanimously.

In connection with this action the members present were advised that Mr. Ransom had approved the statement before leaving for Kansas City.

Thereupon the meeting adjourned.

Approved:

[Signature]

Chairman.

[Signature]

Secretary.