

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, December 13, 1939, at 4:00 p.m.

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Thurston, Special Assistant to the
Chairman
Mr. Dreibelbis, Assistant General Counsel
Mr. Cagle, Assistant Chief of the Division
of Examinations

There was presented a draft of letter to the Comptroller of the Currency which had been prepared by Messrs. Morrill and Dreibelbis in accordance with the request made at the meeting of the Board yesterday afternoon.

The draft was discussed and Mr. Ransom inquired of Mr. Dreibelbis whether in his opinion the letter would be in accordance with the Board's legal responsibilities and whether there was anything in the letter which would embarrass the position of the Board or a member thereof if a section 30 proceeding should be instituted. Mr. Dreibelbis replied that as to the first question it was his opinion that the letter was consistent with the legal responsibilities of the Board, and as to the latter

12/13/39

-2-

question he saw nothing in the letter which would be embarrassing. He added that in his opinion the question whether the letter should be sent was one of policy for decision by the Board.

At the conclusion of the discussion, Mr. Davis moved that the letter be approved in the following form:

"As outlined in my conversation with you today concerning the Bank of America, N. T. and S. A. the Board does not feel that it is fully informed. When Governor Ransom attended the meetings in Secretary Morgenthau's office in the Fall a year ago the discussion was concerned with the question of the Comptroller of the Currency instituting a proceeding under section 30 of the Banking Act of 1933. In those circumstances the Board, in view of its function in such a proceeding, did not believe that it should express an opinion in advance either upon the merits of the charges or as to whether you should take the action.

"Since then members of the Board have understood that negotiations seeking an agreement with respect to the adoption of corrective measures have been under way. From time to time it has received communications from the management of the bank enclosing copies of communications sent to your office. While it has had copies of reports of examination of the bank and recently, at its request, has received from your office copies of some of the correspondence with the bank, it does not have a complete picture of the situation from your standpoint.

"A short time ago, as you were advised, the management of the bank requested and was granted an opportunity to discuss the condition of the bank from its viewpoint informally with members of the Board. At that time the bank's representatives stated that they were considering making a request that the Board, under its statutory authority, examine the bank. In the circumstances the Board would appreciate being brought up to date for the purpose of determining whether it may be helpful in working out the situation of the bank in the public interest."

Mr. Davis' motion was put by the chair and carried unanimously.

12/13/39

-3-

In taking this action it was understood that Chairman Eccles would discuss the matter with Mr. Delano.

At this point Messrs. Thurston, 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 meetings of the Board of Governors of the Federal Reserve System held on December 11 and 12, 1939, were approved unanimously.

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

"Reference is made to your letter of December 7, requesting the Board's approval for the retention in the service of the bank to December 31, 1940, of Mr. Clifford Orbell, a machine repair mechanic, who it is understood attained age 65 on April 17, 1939.

"In view of the circumstances, as stated in your letter, the Board will interpose no objection to the retention of Mr. Orbell in the employ of your bank until December 31, 1940."

Approved unanimously.

Memorandum from Mr. Carpenter, Assistant Secretary, stating that the recent elections at Federal Reserve banks resulted in the election of the following Class A and B directors, each for a term of three years beginning January 1, 1940:

12/13/39

-4-

<u>Name</u>	<u>Class A Directors Business Affiliation</u>	<u>Bank</u>
* L. A. Dodge	President, First National Bank, Damariscotta, Maine.	Boston
Neil H. Dorrance	President, The First National Bank & Trust Company of Camden, Camden, New York.	New York
* G. W. Reily	President, Harrisburg National Bank, Harrisburg, Pennsylvania.	Philadelphia
* Ben R. Conner	President, First National Bank, Ada, Ohio.	Cleveland
* C. E. Rieman	President, Western National Bank, Baltimore, Maryland.	Richmond
T. K. Glenn	Chairman, Trust Company of Georgia, Atlanta, Georgia.	Atlanta
* W. J. Cummings	Chairman, Continental Illinois National Bank and Trust Company of Chicago, Chicago, Illinois.	Chicago
* M. B. Nahm	Vice President, Citizens National Bank, Bowling Green, Kentucky.	St. Louis
Fred D. McCartney	Vice President, First National Bank of Oakes, Oakes, North Dakota.	Minneapolis
* T. A. Dines	President, United States National Bank, Denver, Colorado.	Kansas City
* E. H. Winton	Vice President, Continental Na- tional Bank, Fort Worth, Texas.	Dallas
Carroll F. Byrd	Chairman and Vice President, First National Bank of Willows, Willows, California.	San Francisco

Class B Directors

* E. J. Frost	V.P., Treas., & Director, William Filene's Sons Co., Boston, Massachusetts.	Boston
* R. T. Stevens	President, J. P. Stevens & Co., Inc., New York, New York.	New York
Ward D. Kerlin	Sec. & Treas., Camden Forge Com- pany, Camden, New Jersey.	Philadelphia
* J. E. Galvin	President, Ohio Steel Foundry, Lima, Ohio.	Cleveland
* C. C. Reed	V.P. & Gen. Mgr., Williams & Reed, Inc., Richmond, Virginia	Richmond
* J. A. McCrary	V.P. & Treas., J. B. McCrary Com- pany, Inc., Atlanta, Georgia.	Atlanta

12/13/39

-5-

Class B Directors (Cont'd)

<u>Name</u>	<u>Business Affiliation</u>	<u>Bank</u>
* M. W. Babb	President, Allis-Chalmers Mfg. Co., Milwaukee, Wisconsin.	Chicago
* J. W. Harris	Chairman, Harris-Langenberg Hat Co., St. Louis, Missouri	St. Louis
* A. P. Funk	President, LaCrosse Rubber Mills Co., LaCrosse, Wisconsin.	Minneapolis
* W. D. Hosford	V.P., John Deere Plow Co., Omaha, Nebraska.	Kansas City
* J. R. Milam	V.P., Cooper Company, Inc., Waco, Texas.	Dallas
* R. H. Taylor	President, Union Oil Company, Los Angeles, California.	San Francisco

* Reelected.

Noted.

Letter to the "First National Bank in Oshkosh", Oshkosh, Wisconsin, reading as follows:

"The Board of Governors of the Federal Reserve System has considered your application for permission to exercise fiduciary powers, and grants you authority, effective if and when the proposed consolidation of the First National Bank in Oshkosh and the First Trust Company in Oshkosh, both of Oshkosh, Wisconsin, is consummated, 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 Wisconsin, 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.

"Upon receipt of advice from the Comptroller of the Currency that the proposed consolidation has been effected, a formal certificate evidencing your right to

12/13/39

-6-

exercise fiduciary powers will be forwarded to you."

Approved unanimously.

Letter to the "Citizens State Bank & Trust Company",
Goose Creek, Texas, reading as follows:

"The Board of Governors of the Federal Reserve System has considered the application for permission to exercise fiduciary powers made by you on behalf of the Citizens National Bank & Trust Company of Goose Creek, Goose Creek, Texas, the national bank into which the Citizens State Bank & Trust Company, Goose Creek, Texas, is to be converted, and grants such national bank authority, effective if and when it is authorized by the Comptroller of the Currency to commence business, to act, when not in contravention of State or local law, as trustee, executor, administrator, and guardian of estates, 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.

"After the conversion of the Citizens State Bank & Trust Company into the Citizens National Bank & Trust Company of Goose Creek becomes effective and the Comptroller of the Currency authorizes the national bank to commence business, you are requested to have the board of directors of the national bank adopt a resolution ratifying your application for permission to exercise trust powers, and a certified copy of the resolution so adopted should be forwarded to the Federal Reserve Bank of Dallas for transmittal to the Board for its records. When a copy of such resolution has been received by the Board, a formal certificate covering the national bank's authority to exercise trust powers will be forwarded."

Approved unanimously.

Letter to Mr. Young, Vice 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 &

12/13/39

-7-

" 'State Bank', Evansville, Wisconsin, for permission, under the provisions of its condition of membership numbered 1, to exercise the fiduciary powers granted to it by the State of Wisconsin. The Board's approval is given subject to acceptance by the bank of the following conditions prescribed in connection with the admission to membership of banks exercising trust powers:

- "1. Such bank shall not invest funds held by it as fiduciary in stock or obligations of, or property acquired from the bank or its directors, officers, or employees, or their interests, or in stock or obligations of, or property acquired from, affiliates of the bank.
- "2. Such bank, except as permitted in the case of national banks exercising fiduciary powers, shall not invest collectively funds held by the bank as fiduciary and shall keep the securities and investments of each trust separate from those of all other trusts and separate also from the properties of the bank itself.
- "3. If funds held by such bank as fiduciary are deposited in its commercial or savings department or otherwise used in the conduct of its business, it shall deposit with its trust department security in the same manner and to the same extent as is required of national banks exercising fiduciary powers.

"You are requested to advise the Farmers & State Bank, Evansville, Wisconsin, of the Board's action, and to obtain an appropriate resolution of the board of directors of the bank accepting these conditions and forward a certified copy thereof to the Board."

Approved unanimously.

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

"This refers to your letter of November 28, 1939, transmitting an application by 'City Bank Farmers Trust Company', New York, New York, for permission

12/13/39

-8-

"under the provisions of section 25 of the Federal Reserve Act to invest an amount not exceeding \$815,000 in the capital stock of a corporation to be organized under the laws of the State of New York or of Delaware. It is understood that the investment will be made in part by transferring to said corporation all the capital stock of City Bank Farmers Trustee Company, Ltd. now owned by the trust company in exchange for all the capital stock of said corporation so to be organized, and that the business of the corporation will be limited at present to holding the stock of the City Bank Farmers Trustee Company, Ltd. It is noted that the Banking Board of the State of New York has specifically authorized the trust company to make such investment and that your bank recommends approval of the application by the Board of Governors.

"The Board of Governors is prepared to grant the requested permission to City Bank Farmers Trust Company upon condition that the proposed corporation when organized first execute the enclosed agreement. Upon receipt of the enclosed agreement duly executed by the corporation, the Board will address a letter to City Bank Farmers Trust Company granting the requested permission and forward it to you for transmission to City Bank Farmers Trust Company. In the letter granting the permission the Board will state that in accordance with the provisions of section 25 of the Federal Reserve Act the investment by the trust company in the corporation may be held only so long as the terms and conditions of the enclosed agreement are complied with by the corporation and also by City Bank Farmers Trustee Company, Ltd. The letter will also state that the permission is granted upon the condition that the proposed investment in the corporation be consummated within six months after the date of permission.

"Please have two copies of the enclosed agreement executed by the corporation when organized and forward one executed copy thereof to the Board. The other executed copy of the agreement should be retained for the records of your office."

Approved unanimously.

12/13/39

-9-

Letter to the Presidents of all Federal Reserve banks, transmitting forms and instructions in connection with the next call for condition reports of State member banks and their affiliates.

Approved unanimously.

Letter to Mr. Clerk, First Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to your letter of November 16, 1939, relating to the meaning of the words 'more than 50 per centum of the number of shares voted for the election of directors of any one bank at the preceding election' in the definition of the term 'holding company affiliate' contained in section 2(c) of the Banking Act of 1933.

"The Board has had little occasion to consider this matter during the past three years and the situation remains substantially as described in Mr. Wingfield's letter of December 22, 1936, to which you refer. His letter indicated generally the trend of the Board's rulings and it appears that you have adopted a comparable approach. However, as pointed out in Mr. Wingfield's letter, it is felt that it is dangerous to generalize in view of the many possible ramifications of the problem, particularly where there have been changes in the capital structures of the banks or in the stockholdings of the possible holding company affiliates."

Approved unanimously.

Letter dated December 12, 1939, to Mr. Harrison, Vice Chairman of the Federal Open Market Committee, reading as follows:

"In accordance with the procedure which has been in effect for some time, there are attached

12/13/39

-10-

"drafts of entries for the policy record covering actions taken by the Federal Open Market Committee at its meetings on March 7, 20, April 19, June 21, and September 18, 1939. It will be appreciated if you will review the drafts and advise as promptly as possible whether you have any comments or suggestions to make with respect thereto.

"A letter identical with this is being sent to the other representative members of the Federal Open Market Committee."

Approved unanimously.

Mr. Morrill suggested that the Board authorize the payment of the cost of the luncheon served to Mr. George M. Bell, one of the Chief Examiners for the State Banking Department of Pennsylvania, in the Board's dining room today.

Approved unanimously.

Thereupon the meeting adjourned.

A. E. Morrill
Secretary.

Approved:

W. S. Cooper
Chairman.