

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, January 9, 1940, at 11:00 a. 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

Chairman Eccles stated that Mr. Delano, Comptroller of the Currency, called on the telephone this morning to advise that he was sending to the Board today additional information which his office had with respect to the Bank of America National Trust & Savings Association. The Comptroller also stated, Chairman Eccles said, that he had just been advised by the chief national bank examiner for the Twelfth Federal Reserve District that the Bank of America was holding a public stockholders' meeting today which the chief national bank examiner had been invited to attend, that it was anticipated that the bank would make public the correspondence between it and the Comptroller of the Currency with respect to the differences between the

1/9/40

-2-

bank and the Comptroller's office, and that the chief national bank examiner had been instructed by the Comptroller not to attend the meeting.

Mr. Morrill then reported on the meeting which was held yesterday at the Treasury with respect to action proposed to be taken against the Bank of America National Trust & Savings Association. He said that the meeting was attended by Daniel W. Bell, Under Secretary of the Treasury; Edward H. Foley, Jr., General Counsel for the Treasury, and two members of his staff; James M. Landis and Charles S. Spencer, Jr., Special Advisers to the Treasury; E. S. Greenbaum, Special Counsel to the Treasury; Jerome Frank, Chairman, Chester T. Lane, Counsel, and another representative from the Securities and Exchange Commission; Preston Delano, Comptroller of the Currency; C. B. Upham, Deputy Comptroller of the Currency; W. P. Folger, Chief National Bank Examiner; Leo T. Crowley, Chairman of the Federal Deposit Insurance Corporation, and Messrs. Eccles, McKee, Morrill and Dreibelbis, representing the Board of Governors.

Mr. Morrill stated that Mr. Bell opened the meeting by expressing the hope that the agencies represented could agree upon a united front, and that Mr. Foley outlined a plan which was being considered under which the Comptroller of the Currency would issue an order to the Bank of America National Trust & Savings Association to show cause why the Comptroller should not publish the report of examination made last July. The proceeding under the order to show cause

1/9/40

-3-

would be held before Dean Bates of the University of Michigan law school as master; the Comptroller of the Currency would employ special disinterested counsel to present its case before the master; the hearing would be held in the offices of the Comptroller of the Currency, and the master would report his findings to the Comptroller which, however, would not be binding on the Comptroller or the national bank, as there is no provision in law for a proceeding of this character.

The proposal was discussed, Mr. Morrill said, and, in effect, the question was asked whether the agencies represented at the meeting would present a united front by approving the course of procedure proposed and whether the Board of Governors would agree at least pending the outcome of the procedure not to make an examination of the bank in response to the request received from counsel for the bank to which reference was made at the meeting of the Board on January 2, 1940. The reason for this inquiry, Mr. Morrill said, apparently was that representatives of the Treasury and others present felt that an examination by the Board under present circumstances would be regarded by the public as a reflection against the office of the Comptroller of the Currency and would amount to the assumption by the Board of the function of reviewing the examinations made by the Comptroller at the request of a bank for which the Comptroller had the supervisory responsibility. He added that it was stated that if the Board made an examination the Comptroller could not proceed with his proposed action.

1/9/40

-4-

Mr. Morrill stated further that it was made clear by the representatives of the Board of Governors that they were not in position to speak for the Board, that the Board was not in possession of all of the information available regarding the matter, that it had received a copy of the latest report of examination of the bank only last Saturday, January 6, 1940, that it would take at least a week in which to analyze the questions raised by the examiners in the recent examination reports and the information supplied by the Comptroller of the Currency, and that it was felt the Board would not be in a position to reach a conclusion as to what its decision would be until it had had an opportunity to consider the matter in the light of all available information. A memorandum containing a more detailed account of the meeting at the Treasury yesterday has been placed in the Board's files.

There followed a discussion of the actions that the Board might take in the circumstances and it was understood that as soon as the staff has digested the information contained in the last report of examination of the bank and the further information furnished to the Board by the office of the Comptroller of the Currency, there would be submitted to the Board a memorandum of the matters in controversy between the Comptroller and the bank as reflected by the examination reports and correspondence, indicating which seemed to be the more important and the extent to which the bank had complied with the suggestions and recommendations of the Comptroller or had

1/9/40

-5-

agreed to do so. It was also understood that Chairman Eccles would inform the Comptroller of the Currency that the Board had the matter under consideration and would advise him of its decision as soon as possible.

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 January 8, 1940, were approved unanimously.

Memorandum dated January 4, 1940, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that, for the reason stated in the memorandum, Mrs. Louise S. Sissman, a junior economist in the Division, be granted an additional leave of absence without pay for a period of not to exceed four months, from February 1 through May 31, 1940, with the understanding that the payments of the Board and Mrs. Sissman to the Retirement System of the Federal Reserve Banks, which have not been made during the current leave of absence without pay, will not be made during the additional leave of absence.

Approved unanimously.

Memorandum dated January 9, 1940, from Mr. Spurney, Building Manager, submitting the resignation of Harry W. McGinniss, III, as

1/9/40

-6-

an elevator operator, and recommending, with the concurrence of Mr. Noell, Assistant Secretary, that the resignation be accepted as of the close of business on January 15, 1940.

Approved unanimously.

Letter to the Presidents of all Federal Reserve banks, reading as follows:

"There are enclosed copies of the following pages, as revised, of the Board's Manual of Instructions Governing the Preparation of Earnings and Expense Reports and Profit and Loss Statements by the Federal Reserve Banks:

Contents	
Page 1	Page 20
3-6	26-31
8-10	33-48
16-17	

"Additional copies of these pages will be forwarded to you under separate cover.

"On April 14, 1939, copies of tentatively revised pages of the Manual were sent to all Reserve banks with the request that they have the revisions reviewed and furnish the Board with any changes they wished to suggest therein. All changes suggested by the Reserve banks have been given careful consideration, and in large part they have been incorporated in the final instructions.

"The only major change in the instructions relates to the accrual at least as of each Wednesday and the last day of each month of salaries and Retirement System contributions for current service, or of total estimated current expenses. Further consideration is being given to the instructions relating to reserves for losses on industrial advances and commitments. If it is found desirable to make any changes in such instructions you will be advised thereof promptly."

Approved unanimously.

1/9/40

-7-

Thereupon the meeting adjourned.

Lester Morris
Secretary.

Approved:

W. S. Coates
Chairman.