

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, January 15, 1940, at 2:35 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. Dreibelbis, Assistant General Counsel

The meeting was held in the conference room for the purpose of listening to a telephone conversation over the loudspeaker between Mr. McKee and President Day of the Federal Reserve Bank of San Francisco. Mr. Day came on the telephone and Mr. McKee informed him of the request received by the Board from Mr. Charles W. Collins, Attorney for the Bank of America National Trust & Savings Association that the Board make an examination of the bank. Mr. McKee also said that the Board had taken no action on the matter awaiting advice from the bank of its ratification of the request, and that a copy of a resolution of ratification adopted by the board of directors of the bank on January 9, 1940, had been received by the Board today.

Mr. McKee then inquired whether Mr. Day had heard anything further with respect to the possibility of the bank being converted into a State institution to which Mr. Day replied in the negative, and, in response to a further inquiry, stated that he had not checked with the State banking department to see whether the matter had been

1/15/40

-2-

taken up with it. He added, in reply to a further question, that no inquiry had been made by the bank at the Federal Reserve bank with respect to membership in the Federal Reserve System and that, in his opinion, there was little likelihood that the bank would be converted.

Mr. McKee then informed Mr. Day that the Comptroller of the Currency on January 11, 1940, issued an order to the bank to show cause why the July report of examination should not be published, and, in that connection, outlined the procedure which the Comptroller contemplated would be followed under the order. Mr. Day said he had not been advised of that action, that if the report were published it would probably cause some talk and newspaper articles, and that he did not attach any significance to the request that the Board make an examination as the matter was between the bank and the Comptroller of the Currency. Mr. McKee stated that a copy of the order would be sent to Mr. Day by airmail today and that after he had received it the Board might desire to talk to him again.

In response to an inquiry from Mr. McKee as to whether he thought the bank would itself publish the report of examination, Mr. Day expressed the opinion that that would not be done. He also stated that he did not fear any adverse public reaction to the publication of the report, that the attitude of the public in California toward the bank was nothing less than astonishing, and that no one seemed to be paying any attention to the controversy with the Comptroller of the Currency, which was regarded as a personal matter. In further

1/15/40

-3-

conversation Mr. Day stated again that the Reserve bank had not been approached by the national bank with respect to conversion into a State institution and that he would keep in touch with the State banking department in the event such a step should be taken.

Following the telephone conversation with Mr. Day, Mr. Morrill was requested to send to Mr. Day by airmail a copy of the order to show cause issued by the Comptroller of the Currency and a copy of the letter of January 13, 1940, received by the Board today from Mr. R. P. A. Everard, Secretary of the Bank of America, together with a copy of the resolution inclosed therewith which was adopted by the board of directors of the bank on January 9, 1940, approving the letter sent to the Board by Mr. Collins as Counsel for the bank under date of December 29, 1939, in which the request was made that the Board make an examination of the bank. He was also requested to send a copy of Mr. Everard's letter and inclosure to the Comptroller of the Currency.

Chairman Eccles stated that in accordance with the action taken at the meeting of the Board on January 8 he had talked with Mr. Berle, Assistant Secretary of State, with respect to the proposed creation of an Inter-American Bank and that Mr. Berle advised that the discussions with regard to the organization of the bank were going forward and that it would be necessary in the near future to reach a decision whether the ownership and management of the bank would be placed in the hands of the Governments of the participating nations or their central banks.

1/15/40

-4-

Chairman Eccles added that members of the Treasury staff had prepared a plan, on which the Secretary of the Treasury had not taken a position, which would place the ownership and management of the bank in the hands of the Governments and that the State Department had not reached a conclusion on it, feeling that the establishment and functions of the bank were more important considerations. In response to an inquiry as to what the State Department expects to accomplish through the bank, Chairman Eccles stated that he thought the creation of the bank would be largely for other than economic reasons, that it was felt that it could be useful as a mechanism for exchange stabilization and assisting in the making and servicing of loans even though it did not make loans itself, and that it would provide a forum for the consideration of economic problems. He made the further statement that there were about \$300,000,000 of South American balances in this country which, if deposited with the Inter-American Bank, could be used to advantage by the bank in stabilizing conditions in the South American countries from which the funds came.

There followed a discussion of the sources of the bank's funds and the basis upon which it might be operated and it was pointed out that regardless of whether the ownership and management is placed in the Governments or central banks Congressional authorization would be required for participation by the Treasury or the Federal Reserve System. Chairman Eccles stated that the discussions of the matter were

1/15/40

-5-

getting to a point where the Board would have to determine what its attitude toward the proposed bank would be or it may be in the position of having tacitly approved the creation of the bank and the plan submitted by the Treasury representatives.

The suggestion was made by Mr. Ransom that Messrs. Goldenweiser, Director of the Division of Research and Statistics, and Gardner, Senior Economist in the Division of Research and Statistics, who have been participating in the discussions of the proposed bank with representatives of the Treasury and State Departments, be requested to submit a recommendation to the Board promptly as to the organization that might be set up. Chairman Eccles said Mr. Gardner was attending a meeting on the matter this afternoon and that, if agreeable to the Board, he would request Messrs. Goldenweiser and Gardner to submit a recommendation in accordance with Mr. Ransom's suggestion.

This was agreed to unanimously.

At this point Mr. Dreibelbis 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 with the Chairmen of the Federal Reserve Banks held on December 5 and 6, 1939, were approved unanimously.

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on January 13, 1940, were approved unanimously.

Bonds, in the amounts of \$10,000 each, executed under date of January 5, 1940, by Robert L. Shepherd as Assistant Federal Reserve

1/15/40

-6-

Agent and Terrice C. Gibson as Alternate Assistant Federal Reserve Agent, and on January 6, 1940, by Robert Lassiter as Federal Reserve Agent and Lee Emrich Anderson and Charles Elliott Francis as Federal Reserve Agent's Representative, all at the Federal Reserve Bank of Richmond.

Approved unanimously.

Letter to "The Howard National Bank and Trust Company of Burlington", Burlington, Vermont, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your supplemental application for fiduciary powers, and, in addition to the authority heretofore granted to act as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, and committee of estates of lunatics, grants you authority to act, when not in contravention of State or local law, 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 Vermont, 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.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously.

Thereupon the meeting adjourned.

Walter Morris
Secretary.

Approved:

W. C. ...
Chairman.