A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, January 17, 1940, at 3:20 p.m.

PRESENT: Mr. Eccles, Chairman (latter part of meeting)  
Mr. Ransom, Vice Chairman  
Mr. McKee  
Mr. Davis  
Mr. Draper  

Mr. Morrill, Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Clayton, Assistant to the Chairman  
Mr. Wyatt, General Counsel  
Mr. Paulger, Chief of the Division of Examinations  
Mr. Dreibelbis, Assistant General Counsel

Mr. McKee stated that yesterday afternoon Mr. Day, President of the Federal Reserve Bank of San Francisco, called on the telephone, and, with Mr. Clerk, First Vice President of the Federal Reserve bank, also on the wire at that end, and Mr. McKee and Mr. Paulger, Chief of the Division of Examinations, at this end, there was carried on a telephone conversation substantially as follows:

Mr. Day said that shortly after his telephone conversation with Mr. McKee on January 15, Russell G. Smith, Executive Vice President of the Bank of America, called at the Federal Reserve bank and asked to be advised of the steps that would have to be taken to convert the Bank of America National Trust & Savings Association into a State bank, giving the impression that he felt the conversion was nothing more than a technical step that could be completed before the ninety days specified in the law before the report of examination of the national bank could be published under the procedure instituted by the
Comptroller of the Currency. Mr. Day inquired of Mr. McKee whether that was the feeling of the Board of Governors and Mr. McKee replied that, speaking for himself and not for the Board although he believed the other members of the Board would feel as he did, he would not be willing to let the bank use this approach to membership in the Federal Reserve System as a means of getting away from the merits of the criticisms made by the Comptroller of the Currency, and that, if there were any basis for the findings of the Comptroller, they would be taken into consideration by the Board in passing upon the bank's application for membership in the Federal Reserve System. Mr. Day's reply was that he did not think Mr. Smith had anything like that in mind.

At this point Mr. Clerk came into the conversation and said that if an application for membership were filed for the bank as a State institution he would like to treat the application as coming from a new bank and approve the taking over by the new institution of only sound assets. Mr. McKee inquired of Mr. Clerk whether it was felt the Federal Reserve bank could take the report of examination made by the office of the Comptroller of the Currency as a basis for determining any conditions of membership that would be prescribed or whether it would be necessary to make another examination and Mr. Clerk replied that he thought he could take the Comptroller's examination and supplement that with any additional information that might be needed. Mr. McKee told Mr. Day that if Mr. Smith had the idea that all the
bank had to do was to apply for membership and sign the necessary
papers Mr. Day should correct that impression and that the applica-
tion if filed would be treated in the same way as an application from
any other bank.

Mr. McKee then advised the other members of the Board that he
felt the Federal Reserve Bank of San Francisco would be inclined to
recommend, in connection with an application for membership, that all
questionable assets be eliminated from the bank, that the question
of action on the application before the expiration of the ninety day
period above referred to might be presented to the Board, and that
there was a question in his mind whether it would not be advisable
for the Board to send a member of its Division of Examinations and
Possibly from the Legal Division to San Francisco to discuss the mat-
ter with the officers of the Federal Reserve bank so that the Board
would be prepared to consider the matter if an application should be
filed.

At Mr. McKee's request Mr. Wyatt related for the information
of the members of the Board the substance of a telephone conversation
which he had with Mr. Collins, attorney for the Bank of America, when
the latter called this morning. A copy of a memorandum written by
Mr. Wyatt covering the conversation has been placed in the Board's
files.

In connection with an inquiry whether there was anything in
the nature of a program being worked out that would result in the
termination of the present controversies, Mr. McKee stated that the
Division of Examinations and Counsel's office had been going over the
report of examination and other information received from the Compt-
troller's office and that it was his hope that a possible program
could be presented to the Board for consideration at the meeting on
Friday, January 19, 1940.

There was a discussion of the question raised by Mr. McKee
as to the advisability of sending someone from the Division of Ex-
aminations and possibly the Legal Division to San Francisco and the
further suggestion was made that it might be a more satisfactory ar-
rangement to have Mr. Clerk come to Washington.

During the consideration of this suggestion Chairman Eccles
joined the meeting and stated that his secretary was advised today
by the Secretary to Mr. Bell, Under Secretary of the Treasury, that
another meeting with respect to the Bank of America would be held in
Mr. Bell's office tomorrow morning at 10:30 a.m. and that Messrs.
Eccles and McKee were invited to be present.

It was agreed unanimously that
Messrs. Eccles, McKee, Morrill, and Dreibelbis should attend the meeting
and that a decision on the question
whether Mr. Clerk should be asked to
come to Washington should be deferred
until following the meeting at the
Treasury.

At this point Messrs. Wyatt, Paulger and Dreibelbis left the
meeting and the action stated with respect to each of the matters
The minutes of the meeting of the Board of Governors of the Federal Reserve System held on January 15, 1940, were approved unanimously.

Letter to the board of directors of "The First Trust & Savings Bank of Canton", Canton, Ohio, stating that, subject to conditions of membership numbered 1 to 6 contained in the Board's Regulation H and the following special conditions, 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 Cleveland:

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

2. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of $2,400, as shown in the report of examination of such bank as of December 4, 1939, made by an examiner for the Federal Reserve Bank of Cleveland."

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

"The Board of Governors of the Federal Reserve System approves the application of 'The First Trust & Savings Bank of Canton', Canton, Ohio, 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 Superintendent of Banks for the State
"of Ohio for his information.

"Since it is understood that in the State of Ohio
trust funds deposited in the banking department of a bank
are preferred claims in event of liquidation of the bank,
you are authorized, of course, in accordance with the
general authorization previously granted by the Board
with which you are familiar, to waive compliance with
condition of membership numbered 6 until further notice."

Letter to Mr. John Nichols, Chief, Division of Examinations,
Federal Deposit Insurance Corporation, reading as follows:

"It is understood that arrangements are nearing
completion for the assumption of the deposit liabilities
of the Mount Pleasant Bank and Trust Company,
Pleasantville, New York, by the First National Bank of
Pleasantville, and that examiners for your Corporation
are ready to make an examination of the assets of the
State bank in connection with the segregation of the
assets between those to be taken over by the national
bank and those to be held as collateral to the loan by
your Corporation.

"The Board of Governors of the Federal Reserve Sys-
tem hereby grants written consent, in accordance with
the provisions of subsection (k)(2) of section 12B of
the Federal Reserve Act, for examiners for the Federal
Deposit Insurance Corporation to make an examination of
the Mount Pleasant Bank and Trust Company in connection
with the proposed program."

Approved unanimously.

Telegram to Mr. Young, Chairman of the Federal Reserve Bank of
New York, reading as follows:

"Board extends to February 18, 1940, the time within
which general voting permit may be issued to Marine Midland
Corporation pursuant to authorization contained in Board's
telegram of December 20, 1939."

Approved unanimously.
Thereupon the meeting adjourned.

Secretary

Approved:

Chairman.