

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, January 24, 1940, at 11:30 a.m.

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

Mr. Morrill, 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 January 23, 1940, were approved unanimously.

Letter to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, reading as follows:

"Acknowledgment is made with thanks of your letter of January 18, 1940, enclosing statements showing salaries of officers and employees of the Federal Reserve Bank of Minneapolis as of January 1, 1940.

"With respect to the statement showing salaries of officers, the Board advised Mr. Coffey on June 16, 1939 that it approved the salaries of officers of your Bank at the rates then existing for the period January 1 to May 31, 1940, if fixed by your Board of Directors at such rates.

"Since the officers' statement enclosed with your letter indicates that Mr. Albert W. Mills is to continue his auditing duties in 1940, it is assumed that the title 'Assistant Cashier' shown for him is in error and it will be appreciated if you will confirm our understanding that Mr. Mills' title is 'Assistant Auditor'.

"In accordance with the action taken by your Board of Directors, the Board of Governors approves payment

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"of a combined retaining fee, at the rate of \$9,000 per annum, to Messrs. Sigurd and Rolf Ueland, who were reappointed Counsel and Assistant Counsel, respectively, for the year 1940."

Approved unanimously.

Letter to Mr. Leedy, Secretary of the Federal Reserve Bank of Kansas City, reading as follows:

"Referring to your letter of January 18, 1940, the Board approves the reappointment of Messrs. R. L. Gray, Walter J. Berkowitz, D. Bruce Forrester, Ed S. Miller, and L. F. Rooney as members of the Industrial Advisory Committee for the Tenth Federal Reserve District to serve for terms of one year each beginning March 1, 1940."

Approved unanimously.

Memorandum dated January 19, 1940, from the Division of Examinations reviewing the report of examination made as of December 2, 1939, of the head office of The Chase Bank, New York, New York, a corporation organized in 1930 under section 25(a) of the Federal Reserve Act, by examiners for the Board. The memorandum stated that the examination developed no matters which it was felt necessary to bring to the attention of The Chase Bank, and submitted for approval the following letter to Mr. Winthrop W. Aldrich, Chairman of the Board of Directors of The Chase Bank:

"There is inclosed a copy of the report of examination of the Head Office of The Chase Bank, New York, New York, made as of December 2, 1939, by an examiner for the Board of Governors. The figures for the foreign branches shown in the consolidated statement of condition were supplied by the Head Office.

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"It will be appreciated if you will acknowledge receipt of the report."

The letter was approved unanimously.

Letter to Mr. Fletcher, Vice President of the Federal Reserve Bank of Cleveland, reading as follows:

"This refers to your letter of January 19 in connection with the statement of condition published by the Commonwealth Trust Company of Pittsburgh, Pittsburgh, Pennsylvania, as of December 30, 1939 in fulfillment of the requirements of the State banking department and the Federal Reserve Act.

"Examination of the photostat copy of the published statement, enclosed with your letter, indicates that it shows the data called for by the form of published statement prescribed by the Board (form F.R. 105e), and that the statement as published meets the conditions prescribed on page 3 of the instructions (form F.R. 105a) for the preparation of reports of condition by State bank members of the Federal Reserve System, except in these respects:

1. Cash balances with other banks, and cash items in process of collection are shown before loans and investments in the published statement, instead of after loans and investments as prescribed by the Board's form F.R. 105;
2. Loans and investments indirectly representing bank premises are shown separately among loans and discounts, instead of being shown following bank premises and other real estate owned as called for by the Board's form F.R. 105e.

Since these differences in arrangement do not affect the substance of the published statement, it may be accepted, provided that the amounts of the items in the published statement agree with the amounts of the corresponding items shown in the bank's condition report on form F.R. 105 filed with your bank. A copy of the report on form F.R. 105 has not yet reached the Board's offices.

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"You will be advised later on whether the bank may publish its condition statements in the same manner in the future when the State call for condition reports coincide with the call made pursuant to the provisions of the Federal Reserve Act."

Approved unanimously.

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

"The Board of Governors has considered the petition of the Bank of Commerce, Oakland, California, the only member bank in that city, and your recommendation, that the designation of Oakland as a Reserve city be terminated.

"Available information indicates that the petitioning member bank has only a relatively small amount of deposits due to other banks, also that the Oakland branches of San Francisco member banks have relatively small balances due to other banks. In these circumstances and in view of your recommendation the Board of Governors, pursuant to the provisions of Section 11 of the Federal Reserve Act, terminates the designation of Oakland, California, as a Reserve city effective February 1, 1940. This action is taken with the understanding, of course, that if and when the character of business transacted by banks and branches in Oakland, California, should justify such action, the Board may, pursuant to the provisions of law, redesignate Oakland as a Reserve city.

"Please advise the Bank of Commerce, Oakland, California, of the Board's action."

Approved unanimously.

Letter to Mr. F. J. Bailey, Assistant Director, Coordination, Bureau of the Budget, reading as follows:

"Acknowledgment is made of your letter of January 16 to Chairman Eccles enclosing a draft of a bill proposed by the Attorney General in relation to confidential material in the census.

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"The Board of Governors does not feel competent to pass on the question whether the requirements of national defense are sufficiently compelling to warrant a departure from the time-honored rule that reports to the Bureau of the Census shall not be available for inspection to any one other than employees of that Bureau.

"The Board wishes to call attention, however, to a recommendation of a special committee of the Central Statistical Board on Returns Made by the Public to the Federal Government. This committee, which was appointed to compile information and make recommendations requested by the President, made a report to him on December 31, 1938. Among the recommendations made in this report is the following:

'That provision in law be made to promote and encourage Federal agencies collecting information on a confidential basis to make such information available for the use of other Federal agencies under rules designed to afford proper protection for the interests of individual respondents, these rules to be promulgated by the President upon recommendations of the statistical coordinating agency.'

"In commenting on this recommendation the committee said:

'The collection of information under restrictions of confidence is designed to protect the interests of respondents. These restrictions are intended, for example, to prevent disclosure of individual data to competitors or to taxing and regulatory agencies other than the agency originally asking for the data. The result in practice, however, may go far beyond this objective. Other uses of the information to which the respondent could have no reasonable objection may be prevented, with the consequence that he is asked to furnish the information again by some other agency.'

'The principle which should be observed in the collection of information for statistical purposes under a confidential arrangement is the protection of the respondent from such uses of his individual data as would result in his individual disadvantage. The bases for this principle are two: It is a matter of equity in the relationships between the Government and its

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"citizens, and it is a matter of protection to the Federal agency in its continued capacity to obtain truthful information from its respondents.

'It should be possible fully to protect the interests of respondents without restricting the use of confidential information so closely that when one Government agency needs information in the field of another for statistical purposes only, it cannot get it. Since the procedures which would afford proper protection to respondents in respect to data reported in confidence must vary according to the classes of respondents and the circumstances and data involved, detailed specifications for such procedures should not be made a matter of statute. A general provision capable of adaptation to different situations is called for.'

"The Board is in accord with the committee's recommendation."

Approved unanimously.

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

"Under date of April 11, 1938 the Board furnished each Federal Reserve bank a copy of a letter (S-89) which had previously been sent to the Chief Examiner of one of the Federal Reserve banks, to the effect that pledged 'balances due from banks' do not constitute 'Balances due from other banks (except Federal Reserve banks and foreign banks)' within the meaning of the tenth paragraph of Section 19 of the Federal Reserve Act. The Board's letter also stated that in condition reports such pledged balances should be reported in 'Other Assets'.

"This question has again been considered, and you are advised that such balances should hereafter be included with 'Other balances with banks in the United States (including private banks and American branches of foreign banks)', item 4 of Schedule D in condition

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"reports. Such balances, as you know, may not be deducted from demand deposits in determining the amount of net demand deposits subject to reserve. Pledged time balances on deposit with banks should also be included in item 4 of Schedule D. Member banks should be advised to this effect if a question is raised as to the manner in which pledged balances should be reflected in condition reports. It is understood that the office of the Comptroller of the Currency will advise national banks to the same effect when such questions are raised."

Approved unanimously.

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

"A number of instances have come to our attention where Federal Reserve banks have been requested to issue officers' checks or to certify checks drawn on them where the checks were to be held for a period by other banks, to be pledged as collateral to deposits, or to be turned over to depositors in member or nonmember clearing banks who had no intention of promptly presenting them for payment. Such use of the checks may have an effect upon the amount of deposits subject to reserve under Section 19 or to insurance assessments of Section 12B of the Federal Reserve Act.

"In order that the Board and the Federal Deposit Insurance Corporation may be kept informed of the extent to which such checks are issued or certified for these purposes, it will be appreciated if you will kindly furnish the Board with a monthly report on the enclosed form (F.R. 494), a supply of which is being sent to you under separate cover. No check need be included where there appears to have been no delay in its presentment for payment nor need any check for less than \$100,000 be reported if it is outstanding for less than one week. If you have information as to whether the member or non-member clearing bank reduces its deposit liability at the time it obtains an officer's check from your bank or has its own check certified for either of the purposes stated above, or if there are unusual bank endorsements, it will be appreciated if you will so

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"indicate in the last column of the report, and explain the nature of the transaction in a footnote or otherwise where you think the information would be of interest to the Board."

Approved unanimously.

Letter to Mr. Paddock, First Vice President of the Federal Reserve Bank of Boston, reading as follows:

"Reference is made to Mr. McRae's letter of January 9, 1940, with enclosure, calling attention to an error in the statement of facts summarized in the Board's letter of December 28, 1939, to you, relative to The Morris Plan Company of Springfield, Springfield, Massachusetts.

"In the Board's letter referred to, it was stated, among other things, that 'It is further understood that the Company sells fully paid investment certificates but only in denominations of fifty dollars or multiples thereof, not exceeding \$5,000 to any one person; * * *'. It appears, however, that the Company in fact sells fully paid certificates in any amount from \$50 to \$5,000, Mr. Sayre, President of the Company, stating in his letter of January 2, 1940, to your bank that 'We would and do sell certificates for any amount between the minimum and maximum amounts stated above'.

"While the sale of fully paid investment certificates in any amount from \$50 to \$5,000 rather than in multiples of \$50 has a bearing on the question, the Board's decision in this case was not based on any single fact but on all of the pertinent facts taken together; and the Board is of the opinion that the difference cited, when viewed in the light of the remaining facts in this case, is not sufficient to warrant a different conclusion than that stated in its letter of December 28, 1939, to you. However, the Board appreciates your calling the matter to its attention."

Approved unanimously.

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Thereupon the meeting adjourned.

Chester Noyes
Secretary.

Approved:

W. C. ...
Chairman.