

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, January 27, 1940, at 11:30 a.m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant 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:

Telegram to Mr. Young, Vice President of the Federal Reserve Bank of Chicago, referring to the application of the "Dansard State Bank", Monroe, Michigan, for permission to withdraw immediately from membership in the Federal Reserve System, and stating that the Board waives the usual requirement of six months notice of intention to withdraw, and that, accordingly, upon surrender of the Federal Reserve bank stock issued to the Dansard State Bank, the Federal Reserve Bank of Chicago is authorized to cancel such stock and make appropriate refund thereon.

Approved unanimously.

Letter to Mr. W. R. McQuaid, President, The Barnett National Bank of Jacksonville, Jacksonville, Florida, reading as follows:

"Governor McKee has asked me to reply to your letter to him dated January 17, 1940, regarding the income tax credit claimed by Barnett National Securities Corporation, Jacksonville, Florida, for the year 1936, and the certification by the Board to the Commissioner of Internal Revenue required in connection therewith.

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"As you no doubt know, the regulations of the Bureau of Internal Revenue regarding credits claimed by holding company affiliates under section 26(d) of the Revenue Acts of 1936 and 1938 provide for certification by the Board to the Commissioner upon his request subsequent to the filing of the income tax return. You will note that, pursuant to this provision, the Bureau of Internal Revenue determines first whether there is any need for certification by the Board, and no action by the Board is required until it receives a request from the Commissioner for a certificate. Moreover, under the procedure which has been worked out for handling these matters, no action is taken by the Board until it receives advice from the Commissioner as to the availability of certain information for inspection by representatives of the Board. This procedure was arranged because of the fact that a great deal of the information necessary for the Board's purposes in considering the issuance of the required certificate is obtained by the Bureau of Internal Revenue in the ordinary course of its handling of income tax returns, thus avoiding duplication of effort on the part of the Bureau and the Federal Reserve System.

"Inasmuch as the Board had not received advice from the Commissioner that the information referred to was available in your case, we conferred with the Bureau of Internal Revenue upon receipt of your letter to ascertain the status of the matter, and were informed that the Internal Revenue Agent at Jacksonville was advised by the Bureau on or about January 15, 1940, that he would shortly receive from the Bureau detailed instructions applicable to the handling of the Barnett National Securities Corporation's income tax return for 1936.

"You requested to be informed as to when the Board will be able to make certification to the Commissioner regarding the 1936 return of the Corporation. Please be assured that the Board will consider and act promptly upon the question of issuing the required certificate when it receives advice from the Commissioner that the necessary information is available. You will understand, of course, that the Board cannot give assurance that it will be able to certify that a holding company affiliate is entitled to the credit claimed in any particular case until it has had an opportunity to consider all pertinent facts and information."

Approved unanimously.

Letter to Mr. Walter Lichtenstein, Secretary of the Federal Advisory Council, reading as follows:

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"In response to your letter of January 12, it is assumed that the Council will have an agenda of its own for discussion at its next meeting and the Board would prefer, in inaugurating the new procedure, to have the preliminary discussion relate to such features of your agenda as may seem to call for any special comment. To this end it would be helpful if you will send us nine copies when it is ready so that each Board member may have an opportunity to consider it in advance.

"As to the time when Dr. Goldenweiser may meet with the Council, it is probable that he will be present at the preliminary meeting and, consequently, his subsequent discussions with the Council can be at any time that is mutually convenient."

Approved unanimously.

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

"It seems likely that you may receive inquiries as to whether the Board will extend beyond February 1, 1940, the time during which interlocking relationships affected by the Clayton Act may continue; and the purpose of this letter is to enable you to reply to such inquiries.

"As you know, the Board, by amendments to section 3 of its Regulation L, extended until February 1, 1940 the time during which certain interlocking relationships which were lawfully existing on the date of the enactment of the Banking Act of 1935 could continue. This extension was made shortly before the President vetoed the bill S. 2150, which would have extended the date until February 1, 1943. In the course of his veto message, the President said:

"* * * If it was in the public interest in 1935 for the Congress to decide to terminate these relationships, it is in the public interest to terminate them now. Affected banks and affected directorates have had over 4 years to make adjustments. That would seem to be a liberal time.

"If the Congress wishes to reverse itself and allow interlocking directorships in the future, it can, of course, do so. But I do not think that the Congress should nullify its policy, declared in 1935, by extending interlocking directorships for another 4 years on top of the 4 years' extension which has already been given."

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"In the circumstances, the Board does not believe at this time that it should intervene to extend the period further by regulation."

Approved unanimously with the understanding that replies would be made along the same lines to the letters received by the Board on the same subject.

Thereupon the meeting adjourned.

Orestes Merrill
Secretary.

Approved:

W. S. Coates
Chairman.