

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, April 2, 1940, at 3:30 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. Clayton, Assistant to the Chairman
Mr. Thurston, Special Assistant to the
Chairman
Mr. Wyatt, General Counsel
Mr. Goldenweiser, Director of the Division of Research and Statistics
Mr. Smead, Chief of the Division of Bank Operations
Mr. Dreibelbis, Assistant General Counsel

Mr. Szymczak referred to the investigation which Mr. McCabe, Chairman of the Executive Committee of the Chairmen's Conference, had conducted as to persons who might be selected by the Chairmen to make a study of the salaries of officers of the Federal Reserve banks, and, at Mr. Szymczak's request, Mr. Morrill read a letter addressed to Mr. McCabe in this connection by Dr. C. C. Balderston, Professor of Industry at the University of Pennsylvania, whom Mr. McCabe anticipated recommending to the Chairmen at the forthcoming Chairmen's Conference for employment to make the proposed study. The letter stated that the investigation could be made and the final report submitted in October or November of this year, that Dr. Balderston would like

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to have two full time assistants, one informed on central banking and the other on organization and management, that he proposed Dr. Karl Bopp of the University of Missouri and Dr. William H. Newman respectively, as persons so qualified, and that the estimated cost of the study on this basis would be between \$8,800 and \$9,800.

While the letter was under discussion, there was sent to the Board room a letter just received from Mr. Curtiss, Chairman of the Federal Reserve Bank of Boston, in which it was stated that, for reasons set forth in the letter, the board of directors of the bank was not in sympathy with the study. The whole matter was discussed in the light of the conferences regarding it which Messrs. Szymczak and Davis had had with the Executive Committee of the Chairmen's Conference as well as in the light of the letter from Mr. Curtiss.

Upon motion by Mr. Ransom, it was agreed unanimously that the Board would interpose no objection to the proposed study if the Chairmen of the Federal Reserve banks should decide to have it made, and that, if requested by the Chairmen, the Board would assume the cost of the study.

By unanimous vote, Mr. Morrill was requested to prepare a reply to the letter from Mr. Curtiss which would be sent upon approval by Messrs. Szymczak and Davis.

There followed a discussion of the nature of the participation of the members of the Board in the meeting with the Chairmen of the Federal Reserve banks at Sea Island on April 12-14, it being understood that, at the suggestion of Mr. McCabe, the first day of

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the Conference would be devoted to statements by the Chairmen on topics to be discussed, and that the second day would be given over to whatever statements the members of the Board may desire to make. Reference was made to certain statements and other material which had been prepared by the staff for consideration by the Board in this connection, and it was understood that copies of the information would be furnished to all of the members of the Board, that they would acquaint themselves with this material and with the questions suggested by the Chairmen for discussion at the Conference, and that on the evening of the first day of the Conference the members of the Board would determine the manner in which the program of the second day would be conducted.

There was presented a draft of a letter which had been prepared in Counsel's office to Mr. Harrison, President of the Federal Reserve Bank of New York, with respect to the applicability of the Clayton Act to certain interlocking relationships involving Savings Banks Trust Company, New York, New York.

After a discussion, upon motion by Mr. McKee, the Secretary was requested to redraft the letter, which was approved in the following form:

"Reference is made to your letter of January 23, 1940, regarding the applicability of the Clayton Act to certain interlocking relationships involving Savings Banks Trust Company, New York, New York.

"As you point out, two of the relationships which were under consideration come within exception numbered

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"(5) since the banks involved are located in Poughkeepsie and Rye, respectively; and therefore it is necessary for the Board to consider the effect of the statute upon only two individuals, namely, Mr. Robert L. Hoguet, who is a director of the Trust Company and a director of City Bank Farmers Trust Company, and an unnamed director of the Trust Company who has been informally proposed as a candidate for director of the Corn Exchange Bank Trust Company.

"The facts, which are set forth in your letter and enclosures, may be briefly summarized as follows:

"The Trust Company is a cooperative institution created for the purpose of serving and assisting mutual savings banks, primarily by furnishing them liquidity. It was organized by the mutual savings banks in New York State following the banking holiday in 1933 and all of its stock, except directors' qualifying shares, is owned by mutual savings banks. It acts as trustee for the 'Mutual Savings Banks Fund' which was created under the New York Banking Law 'for the purpose of insuring deposits and/or otherwise protecting the interests of depositors' of savings banks which are members of the Fund. It receives from savings banks both time and demand deposits, and furnishes them with investment information and other similar services. It is not designed to function as an institution for the purpose of making profits; and its activities are confined to dealings with mutual savings banks (except that it maintains a War Loan Deposit Account and has relatively small deposit accounts of Savings Banks Association of the State of New York and of Institutional Securities Corporation, whose members and stockholders are all mutual savings banks).

"On the basis of these facts the Board has reached the conclusion that the interlocking relationships in question should not be regarded as coming within the intent and purpose of the prohibitions in section 8 of the Clayton Act.

"The question whether or not a particular situation is one which should be regarded as within or without the prohibitions of section 8 of the Clayton Act is sometimes difficult to determine and may turn upon certain special or exceptional features in a given case, changes in which may result in a different conclusion. Accordingly, it will be appreciated if you will keep the Board informed of any significant changes which may occur in this situation and which may have a bearing on the question.

"In the circumstances it is assumed that when Mr. Berle has been advised of this conclusion he will not

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"desire to make a formal presentation of the question to the Board."

Mr. Ransom referred to the draft of letter to the Chairman of the Banking and Currency Committee of the Senate which had been prepared by Mr. Wingfield pursuant to the request made at the meeting of the Board on March 27 relating to Senate bill 3580, the Investment Company Act of 1940. A copy of the draft of the letter had been sent to each member of the Board before this meeting. Mr. Ransom said that Messrs. Wingfield and Cagle were inclined to the opinion that, if the Board would take the matter up informally with the representatives of the Securities and Exchange Commission working with the proposed legislation, the Commission might agree to an amendment to the bill which would meet with the Board's suggestion with respect to the elimination of duplication of supervision by the Securities and Exchange Commission and the Board of investment companies which are also holding company affiliates and which have obtained voting permits from the Board.

Upon motion by Mr. Ransom, it was agreed unanimously that Mr. McKee would confer with Mr. Wingfield regarding the matter and that if he (Mr. McKee) thought it desirable to do so, he would discuss the matter with representatives of the Securities and Exchange Commission with a view to bringing about an agreement on the suggested amendment.

It was understood that, if the amendment were not agreed to, Mr. McKee would make a further recommendation to the Board as to the action to be taken.

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Thereupon the meeting adjourned.

Chester Morris
Secretary.

Approved:

W. Steeles
Chairman.