

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, August 23, 1940, at 10:45 a.m.

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

Mr. Morrill, Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Carpenter, Assistant Secretary

The action stated with respect to each of the matters herein-after referred to was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on August 22, 1940, were approved unanimously.

Telegrams to Messrs. Walden and McLarin, First Vice Presidents of the Federal Reserve Banks of Richmond and Atlanta, respectively, Messrs. Dillard and Stewart, Secretaries of the Federal Reserve Banks of Chicago and St. Louis, respectively, Mr. Ziemer, Vice President of the Federal Reserve Bank of Minneapolis, Mr. Gilbert, President of the Federal Reserve Bank of Dallas, and Mr. Hale, Secretary of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Banks of Atlanta, St. Louis and San Francisco on August 20, and by the Federal Reserve Banks of Richmond, Chicago, Minneapolis and Dallas on August 22, 1940, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

8/23/40

-2-

Letter to Mr. Donald S. Thompson, Chief, Division of Research and Statistics of the Federal Deposit Insurance Corporation, reading as follows:

"Referring to your letter of August 22, there is no objection to your using the call report data for State bank members of the Federal Reserve System as of June 29, 1940, in the statement for the press on the condition of all insured commercial banks which you plan to release on or about August 29."

Approved unanimously.

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

"In accordance with the request contained in your letter of August 19, the Board approves the appointment of Walter Wade Wells as an assistant examiner for the Federal Reserve Bank of Chicago. Please advise us of the effective date."

Approved unanimously.

Letter to the board of directors of "The Dexter Savings Bank", Dexter, Michigan, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, 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 Chicago.

Approved unanimously for transmission through the Federal Reserve Bank of Chicago.

Letter to Honorable Preston Delano, Comptroller of the Currency, reading as follows:

8/23/40

-3-

"This refers to Mr. Upham's letter of June 5, 1940, requesting advice as to the Board's views with respect to the question whether national banks in Michigan which are exercising fiduciary powers are required to deposit securities with the State authorities for the protection of private or court trusts.

"There is enclosed for your information a copy of a letter of July 15, 1940, addressed to Mr. E. W. Nelson, Deputy Commissioner of the Michigan State Banking Department, in which Mr. I. W. Riford, Assistant Attorney General of that State, expresses the opinion that State banks in Michigan exercising either full or limited fiduciary powers are not subject to the requirements applicable to trust companies with respect to deposits of securities with the State authorities. Upon the basis of such opinion, the Board is of the opinion that national banks in Michigan are not required to deposit securities with the State authorities for the protection of private or court trusts because the State laws do not require all corporations acting in a fiduciary capacity to make such deposits.

"As to the latter point, you will note that the State Assistant Attorney General reaches a contrary conclusion. However, it involves solely the interpretation of section 11(k) of the Federal Reserve Act and the Board believes that its position, which is in accordance with views previously expressed in other cases, is clearly correct. Section 11(k) provides that 'whenever the laws of a State require corporations acting in a fiduciary capacity to deposit securities with the State authorities for the protection of private or court trusts', similar deposits must be made by national banks. Even though the language be deemed to be ambiguous and susceptible to the interpretation that national banks must make deposits if the State laws require 'any', rather than 'all', corporations acting as fiduciaries to do so, such an interpretation is unwarranted since the intent and purpose of section 11(k) was to place national banks exercising fiduciary powers on an equal competitive basis with State corporations exercising such powers and coming into competition with national banks.

"There is also enclosed for your information a copy of a letter with regard to this matter which is being addressed to Mr. C. S. Young, Vice President of the Federal Reserve Bank of Chicago."

Approved unanimously with the understanding that a copy of the letter would be sent to the Federal Reserve Banks of Chicago and Minneapolis.

8/23/40

-4-

Letter to Mr. J. C. Rovensky, Vice President of The Chase Bank, New York, New York, reading as follows:

"This refers to your letter of August 14, 1940, outlining the available facts with respect to the places in France at which The Chase Bank has been doing business recently.

"It is noted that a small skeleton staff is being maintained at the branch at 41 Rue Cambon, Paris, for the purpose of making small payments and taking deposits; that at present the main staff is now at Chateauneuf-sur-Cher awaiting further instructions; and that your Exchange Division is located at Chatel Guyon where it functions under the control of your Chateauneuf-sur-Cher office although it is stated that no business is transacted at Chatel Guyon with the public. You also state that your George V office in Paris was closed on June 1. Your letter does not state the extent of the banking operations which are now being carried on at Chateauneuf-sur-Cher or indicate how long it is proposed to maintain an office at such place.

"The Board appreciates the difficulties and uncertainties which necessarily have attended your operations in France and the fact that definite information as to present activities and future plans may not be available. In view of all of the circumstances, it is assumed that the operations of The Chase Bank which have been carried on in France outside of Paris have not been of such a nature as to constitute operations of separate branches but have merely been such as were deemed necessary by the Paris Branch to render such service as it could in a difficult situation.

"It is suggested that the Federal Reserve Bank of New York be kept advised regarding the nature of the operations of The Chase Bank in France and the places where they are being carried on. If the banking operations to be conducted at Chateauneuf-sur-Cher or any other place in France are of such a nature as to constitute the establishment of a branch at such place, or if for its own protection The Chase Bank wishes to avoid any uncertainties and to have the Board approve the establishment of branches outside of Paris, you may be assured that a request for approval of the Board of Governors for the establishment of branches in accordance with the applicable provisions of section 25(a) of the Federal Reserve Act will receive the prompt consideration of the Board."

8/23/40

-5-

Approved unanimously for transmission through the Federal Reserve Bank of New York.

Thereupon the meeting adjourned.

Chester Mowle  
Secretary.

Approved:

Donald Hanson  
Vice Chairman.