

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, February 14, 1941, at 10:40 a.m.

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

Mr. Morrill, Secretary
 Mr. Bethea, Assistant 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. Paulger, Chief of the Division of Examinations
 Mr. Dreibelbis, Assistant General Counsel
 Mr. Wingfield, Assistant General Counsel

There was presented a telegram addressed to Chairman Eccles under date of February 13, 1941, by Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, asking that Chairman Eccles confirm by wire or letter the statement which he made over the telephone to Mr. Caldwell on the previous day that the Board would not approve Mr. Leedy as President of the Kansas City Bank.

Unanimous approval was given to the following telegraphic reply to Mr. Caldwell's wire:

"Your wire February 13. Board of Governors confirms herewith statement which I made to you over telephone on February 12 that it does not approve appointment of H. G. Leedy as President of Kansas City Bank for five-year term beginning March 1, 1941."

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There were also presented telegrams to Mr. Hays, Secretary of the Federal Reserve Bank of Cleveland, Mr. Leach, President of the Federal Reserve Bank of Richmond, Messrs. Dillard, Stewart, and Powell, Secretaries of the Federal Reserve Banks of Chicago, St. Louis, and Minneapolis, respectively, Mr. Gilbert, President of the Federal Reserve Bank of Dallas, and Mr. West, Vice President of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Banks of St. Louis and San Francisco on February 11, and by the Federal Reserve Banks of Cleveland, Richmond, Chicago, St. Louis, Minneapolis, and Dallas on February 13, 1941, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Reference was made to a memorandum dated February 6, 1941 from Mr. Szymczak in which he inquired whether the members of the Board should meet with the temporary employees of the staff who were employed pursuant to the action taken at the meeting of the Board on June 18, 1940, to give them an opportunity to report directly to the members of the Board what they were doing and how they were pointing up the special studies on which they were engaged. The memorandum also inquired as to when the three questions submitted to Chairman Eccles by the President were to be answered. Chairman Eccles indicated a feeling on his part that no further consideration need be given to answering these questions. In the

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discussion reference was made to the arrangement which had been made to have Professor Hansen meet with the members of the Board on Thursday, February 20 for the purpose of discussing the studies which he had been making.

It was agreed unanimously that the time for the meeting with Professor Hansen should be changed to one o'clock on Thursday, February 20, so that the discussion of his studies could take place during luncheon.

Before this meeting the members of the Board had seen a memorandum from Mr. Szymczak dated January 30, 1941, in which he called attention to the understanding previously reached that the Spring conference of the Chairmen of Federal Reserve Banks would be held somewhere outside of Washington and to an inquiry from Mr. McCabe, Chairman of the conference, as to when and where the conference should be held. Mr. Ransom stated that he had suggested that the matter be discussed by the Board as he doubted whether a meeting outside of Washington should be undertaken because of the difficulty in getting an adequate attendance of the members of the Board.

During a discussion of the question raised by Mr. Ransom, Chairman Eccles suggested that there should be no difficulty in getting a full attendance of the members of the Board if the meeting were held in Hot Springs, Virginia, or some other similar nearby place, on Saturday and Sunday, which would make it necessary for the members of the Board to be away from their desks only on Saturday morning.

This suggestion was agreed to by all of the members of the Board and it was

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understood that Mr. Szymczak would advise Mr. McCabe that it would be agreeable to the Board if the conference were held at Hot Springs, Virginia, on the 26th and 27th of April.

Mr. Szymczak stated that Mr. McCabe had also suggested that the Presidents be invited to attend the next conference of Chairmen.

All of the members of the Board indicated a feeling that such an arrangement would result in an unwieldy conference which would tend to impede the consideration of the particular problems that it was contemplated would be taken up and it was agreed that Mr. Szymczak would advise Mr. McCabe accordingly.

Consideration was then given to a memorandum dated January 21, 1941, from Messrs. Wingfield and Cagle, in which it was stated that, in accordance with the action of the meeting of the Board on January 11, 1941, they had conferred with Deputy Comptroller of the Currency Upham and Chief National Bank Examiner Folger on the subject of granting trust powers to small national banks, that it appeared from the discussions that it would be the future policy of the Comptroller's Office to recommend to a greater extent than in the past against the granting of trust powers to small national banks; and that Messrs. Wingfield and Cagle had the distinct impression that the Comptroller's Office would recommend unfavorably on many applications similar to those on which the Office previously had made favorable recommendations.

Mr. Ransom stated that while he was in general agreement with the reported position of the Comptroller's Office for the reasons which he

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(Mr. Ransom) had stated to the members of the Board on numerous earlier occasions, the approval of the application of the City National Bank of Hastings, Hastings, Nebraska, for trust powers would be in accordance with the Board's existing policy, and therefore the question before the Board was whether the change in the policy of the Comptroller's Office would lead the Board to make any change in its present policy of granting trust powers to small national banks in a case where it appeared that the bank was in good condition, the capital funds were sufficient under the circumstances of the case, the management was capable, and the bank desired trust powers as a means of serving its customers or meeting competition from other institutions, but where there was a reasonable doubt whether the bank could or would establish a trust department adequately staffed or would find the department adequately compensating in earnings.

The question presented by Mr. Ransom was discussed at considerable length and during the discussion Mr. Davis moved that the application of the City National Bank of Hastings, Hastings, Nebraska, be approved as of this date and that the following letter be sent to the bank:

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, and committee of estates of lunatics, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

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"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

All of the members of the Board were in agreement that the granting of trust powers was a responsibility of the Board which would have to be discharged by it on the basis of its best judgment regardless of the recommendations that the Office of the Comptroller of the Currency might make, and that the question to be decided was whether the considerations which led to the change in the Comptroller's position, or any other factors which might have a bearing on the matter, should lead the Board to adopt a less liberal policy in the future. There was general agreement with the position that, although it was to be expected that the smaller the bank the less likelihood there would be of completely adequate administration of trust accounts and while there might be some justification for the position that banks with capital of less than a stated amount should not be granted trust powers, the Board's decision should be based on all the factors involved and not solely on the size of the bank. The opinion was also expressed that the reasons given by Deputy Comptroller Upham in his letter of November 13, 1940, for the recommendation that the application of the City National Bank of Hastings be not approved did not justify denial of the application.

Mr. McKee suggested that the Board defer action on the application of the City National Bank of Hastings in order to afford the bank an opportunity to discuss the matter further with the office of the

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Comptroller of the Currency, through the Chief National Bank Examiner of the district, after which the Board would give further consideration to the matter. This suggestion was discussed and it was generally agreed that if this course were followed the Comptroller of the Currency should be advised of the Board's intention to so advise the national bank.

At the conclusion of the discussion Mr. Davis' motion was put by the Chair and carried, Mr. Ransom voting "no", not solely because of the adverse recommendation of the Comptroller's Office, but for reasons which he previously had recorded for not agreeing with the existing policy of the Board.

Mr. Davis then suggested, in view of the new policy of the Comptroller of the Currency of recommending adversely in a number of cases which, under its present policy, the Board would approve, that the practice of asking the Comptroller of the Currency for his recommendation in connection with future applications of national banks for trust powers be discontinued.

This suggestion was approved unanimously.

At this point Messrs. Thurston, Wyatt, Goldenweiser, Paulger, Dreibelbis, and Wingfield left the meeting and the action stated with respect to each of the matters hereinafter referred to was then taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on February 13, 1941, were approved unanimously.

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Memorandum dated February 11, 1941, from Mr. Wingfield, Assistant General Counsel, recommending that there be published in the March issue of the Federal Reserve Bulletin statements in the form attached to the memorandum with respect to the following subject:

General Licenses Issued by the Secretary of
the Treasury.

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. C. C. C.
Chairman.