

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, February 23, 1938, at 2:30 p.m.

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

Mr. Morrill, Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Clayton, Assistant to the Chairman

Consideration was given to each of the matters hereinafter referred to and the action stated with respect thereto was taken by the Board:

Telegram to Mr. Swanson, Vice President of the Federal Reserve Bank of Minneapolis, reading as follows:

"Retel 23. Board grants extension of five days of time within which 'Merchants State Bank', Rhinelander, Wisconsin, may complete its membership."

Approved unanimously.

Letter to Mr. Crowley, Chairman of the Federal Deposit Insurance Corporation, reading as follows:

"This refers to your letter of January 31 advising that the Federal Deposit Insurance Corporation has an application from the Central Bank, Oakland, California, for the establishment of branches at Alvarado, Niles, and Irvington, California, for the purpose of succeeding to the business of the Bank of Alameda County, Alvarado, California and its branches at Niles and Irvington. You state that before passing upon the application you would appreciate receiving any information in the Board's possession which might have a bearing on the matter, together with any suggestions the Board might have on the subject.

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"The two banks involved are nonmember banks and we do not have any current information regarding them. The gist of your letter, however, was transmitted to the Federal Reserve Bank of San Francisco, with the request for advice as to whether the proposed establishment of branches would have an adverse effect upon any member banks, and for any other pertinent information regarding the matter. In reply the Federal Reserve bank advised that the proposed conversion of the offices of the Bank of Alameda County into branches of the Central Bank of Oakland would not have an undesirable effect upon existing member banks serving that section and that its only suggestion for consideration of the Federal Deposit Insurance Corporation is that the absorption be predicated upon the provision and maintenance of capital structure appropriate to the bank's liabilities.

"From the information in your Corporation's files, which were made available to the Board's Division of Examinations, it appears that the Central Bank, Oakland, and the controlling interests contemplate a further program of expansion and in a telegram dated February 8 the Federal Reserve bank advised that the papers of that date carried the report that the Central Bank intends to take over as a branch the Northern California Bank of Savings at Marysville, which is owned by Transamerica Corporation.

"According to the recent report of examination made by your examiners, the Central Bank is somewhat undercapitalized, with an investment in banking house, furniture and fixtures, other real estate, and real estate sold under contract to the bank's affiliates aggregating approximately one and one-half times the bank's capital after allowance for estimated losses and assets classified as doubtful. Also, according to your files, in October 1937 the Bank of America (State) which had changed its name to Central Bank, assumed the liabilities of the Central Bank of Oakland (deposits amounted to approximately \$37,100,000) under a purchase and sale transaction whereby the liabilities assumed were offset by assets acquired. No provision was made for strengthening the capital position of the absorbing bank, but approximately \$6,300,000 of the most liquid assets were left in the Central Bank of Oakland for the retirement of preferred stock and distribution among the common stockholders. The proposed acquisition of the business of the Bank of Alameda County would result in the further dilution of the capital strength of the bank.

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"Both the Central Bank and the Bank of Alameda County are owned and controlled by the same interests, and the only suggestion which the Board has to offer in response to your request for suggestions regarding the matter is that the absorption of the Bank of Alameda County by the Central Bank and the conversion of the offices of the former bank into branches of the latter be predicated upon the provision of adequate capital."

Approved unanimously.

Letter to Mr. Leo T. Crowley, Chairman of the Federal Deposit Insurance Corporation, reading as follows:

"Mr. Paulger, Chief of the Board's Division of Examinations, will participate in the conference suggested in your letter of February 18, 1938, to consider the branch banking situation in California and the West Coast. It is understood that your office will advise Mr. Paulger as to when the conference will be held.

"Incidentally, in the letter of February 18 the statement is made that undoubtedly the Board is receiving applications for branches by national and State member banks which are owned or controlled by Transamerica Corporation. According to our information, there are no State member banks which are owned or controlled by Transamerica Corporation, and, as you know, applications by national banks for permission to establish branches are made to the Comptroller of the Currency."

Approved unanimously.

Memorandum dated February 17, 1938, from Mr. Smead, Chief of the Division of Bank Operations, recommending that the following topics be suggested for the program for the forthcoming Presidents' Conference on February 28, 1938:

1. With the view of simplifying the check collection facilities of the Federal Reserve banks, particularly so far as the smaller member banks are concerned, would it be practicable to modify time schedules so

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as to decidedly reduce the number of sorts as to availability dates.

2. Is it practicable to modify the closing hour for the receipt of checks so as to reduce the number of days required for collection.
3. Are there any other changes in present procedure which the Federal Reserve banks could adopt, without an unjustifiable increase in expense, which would simplify and make more acceptable to banks generally their check collection facilities.

Approved unanimously.

Memorandum dated February 23, 1938, addressed to the Personnel Committee by Mr. Morrill recommending approval of a voucher in the amount of \$41,439.72, covering the final payment under the general contract with Mr. Cret, architect for the Board's new building, together with certain travel and other miscellaneous items which come under the provisions of the contract, and which also included \$8,388.65 for additional compensation for architectural services rendered by Mr. Cret. Mr. Morrill's recommendation had been approved by the Personnel Committee.

Approved unanimously.

Memorandum dated February 23, 1938, addressed to the Personnel Committee by Mr. Morrill recommending, for the reason set forth in the memorandum, that approval be given to the payment of \$25,000 on account to the George A. Fuller Company, contractors for the Board's new building. Mr. Morrill's recommendation had been approved by the

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Personnel Committee.

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie  
Secretary.

Approved:

Donald Hanson  
Vice Chairman.