

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, October 3, 1938, at 11:30

a. m.

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

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

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

Memorandum dated September 28, 1938, from Mr. Paulger, Chief of the Division of Examinations, recommending, for the reason stated in the memorandum, that Mr. M. R. Wilkes, Federal Reserve Examiner, be granted an additional leave of absence with pay for a period of five days and four hours, from September 20 to September 26, 1938, inclusive, with the understanding that this leave will be charged against annual leave which will accrue to Mr. Wilkes in 1939.

Approved unanimously.

Memorandum dated October 1, 1938, from Mr. Smead, Chief of the Division of Bank Operations, submitting a letter dated September 26 from Mr. Preston, First Vice President of the Federal Reserve Bank of Chicago, which requested approval by the Board of changes in the personnel classification plans of the bank and its Detroit branch to provide for a change in the maximum salary for the position of Custodian in the Bond Department, General Division, and for the

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discontinuance of two positions in the Bond Department, Custody Division, and two positions in the R.F.C. Department, Custody Division, at the head office, and for the discontinuance of two positions in the R.F.C. Department, Custody Division, at the Detroit branch. The memorandum stated that the proposed changes had been reviewed and recommended that they be approved.

Approved unanimously.

Telegram to Mr. Young, Vice President of the Federal Reserve Bank of Chicago, referring to the application of the "Commercial State Bank", Afton, Iowa, 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 Commercial State Bank, the Federal Reserve Bank of Chicago is authorized to cancel such stock and make appropriate refund thereon. The telegram also stated that it was understood that the Commercial State Bank desired to continue without interruption its status as an insured bank and that it was assumed that termination of its membership in the Federal Reserve System would be deferred until it could simultaneously be accepted by the Federal Deposit Insurance Corporation as a nonmember insured bank.

Approved unanimously, together with a letter to Mr. Leo T. Crowley, Chairman of the Federal Deposit Insurance Corporation, reading as follows:

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"The Board has today approved the application of 'Commercial State Bank', Afton, Iowa, for permission to withdraw from membership in the System and waived the usual six months' notice of intention to withdraw.

"It is understood that the bank desires to continue, without interruption, its status as an insured bank and that it desires the insurance on deposits as a nonmember to become effective simultaneously with its termination of membership in the System.

"It is understood also that you may desire to make an examination of the bank; therefore, in accordance with the provisions of subsection (k)(2) of section 12B of the Federal Reserve Act, the Board hereby grants written consent for examiners for the Federal Deposit Insurance Corporation to examine the Commercial State Bank, Afton, Iowa, in connection with its application for continuation of deposit insurance as a nonmember bank."

Letter to Mr. Ralph W. Bowen, Vice President, Rhode Island Hospital National Bank of Providence, Providence, Rhode Island, reading as follows:

"This is in reply to your letter of September 14, 1938, referring to the Board's recent action, effective February 1, 1939, in amending section 3(a) of its Regulation L by the elimination of the words 'Morris Plan bank' therefrom, and inquiring whether such amendment might be modified so as to permit certain individuals who are now serving the Morris Plan Company of Rhode Island, Providence, Rhode Island, and other banks to continue such service.

"Before further consideration can be given to the situation referred to in your letter, it will be necessary for the Board to have more definite information regarding several particulars. Accordingly, the Federal Reserve Bank of your District has been requested, in accordance with the Board's usual procedure in matters of this kind, to furnish as soon as practicable the desired information. When it has been received, full consideration will be given to your question and you will be advised of the Board's views in the matter."

Approved unanimously, together
with a letter to Mr. Paddock, First

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Vice President of the Federal Reserve
Bank of Boston, reading as follows:

"There is inclosed a copy of a letter dated September 14, 1938, from Mr. Ralph W. Bowen, vice president of Rhode Island Hospital National Bank of Providence, Providence, Rhode Island, referring to the Board's recent action, effective February 1, 1939, in amending section 3(a) of its Regulation L by the elimination of the words 'Morris Plan bank' therefrom, and inquiring whether such amendment might be modified so as to permit certain individuals who are now serving the Morris Plan Company of Rhode Island, Providence, Rhode Island, and other banks to continue such service.

"Mr. Bowen understands the amendment to mean that thirteen individuals now serving the Morris Plan Company of Rhode Island and other banks in the State of Rhode Island will find it necessary before February 1, 1939, to resign as directors of the Morris Plan Company of Rhode Island or sever their connections with other banks which they are now serving in order to comply with the provisions of the statute and the regulation, as amended. However, he has not supplied the Board with the information necessary for a full consideration of the problem involved. Accordingly, it will be appreciated if you will furnish the following information with respect to the Morris Plan Company of Rhode Island:

1. The name of each director and officer, together with his other banking connections, if any, and a statement whether his interlocking relationships will be prohibited by Regulation L after February 1, 1939;
2. With respect to each director and officer whose interlocking relationships will be prohibited after February 1, 1939, the length of his service with each institution involved, the approximate amount of his stockholdings in each institution, the name of the institution which he will probably elect to continue serving after February 1, 1939, and the probable reasons for such choice;
3. The availability of other individuals as directors of the Morris Plan Company of

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- "Rhode Island to replace such directors as may elect to discontinue their services with it after February 1, 1939;
4. The extent to which the Morris Plan Company of Rhode Island and member banks in the State of Rhode Island compete with each other in the receipt of time deposits, savings deposits and deposits subject to check, and in the making of loans;
 5. Any other information which in your opinion may have a bearing on the question.

"As is indicated in the inclosed copy of a letter to Mr. Bowen, he is being advised that further information bearing upon his inquiry has been requested of the Federal Reserve Bank of Boston and that he will be advised at a later date as to the Board's views in the matter."

Letter to Mr. Powell, Secretary of the Federal Reserve Bank of Minneapolis, reading as follows:

"This refers to your letter of September 26, 1938, advising that the Board of Directors of the Federal Reserve Bank of Minneapolis at a meeting on September 24, 1938, took action, subject to the approval of the Board of Governors, amending the second sentence of section 1 of article IV of the by-laws of the Helena Branch so as to change from three to two the number of members of the executive committee required to constitute a quorum.

"You are advised that the Board of Governors approves this amendment to the by-laws of the Helena Branch."

Approved unanimously.

Letter dated October 1, 1938, to Mr. R. Dana Skinner, Vice President, Townsend-Skinner and Company, New York, New York, reading as follows:

"Receipt is acknowledged of your letter of September 28 with further reference to the change made in June in the Board's weekly member bank condition statement.

"Your comments with regard to the different effects on interest rates of the type of collateral underlying

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"loans and the purpose for which the loans are made have been noted, and your suggestion that figures of total loans on securities be collected at six-month intervals will be given careful consideration by the Board."

Approved unanimously.

Thereupon the meeting adjourned.

Whester M. Mowbray
Secretary.

Approved:

W. C. ...
Chairman.