

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, December 22, 1938, at 11:30 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

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

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on December 21, 1938, were approved unanimously.

Memorandum dated December 19, 1938, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Miss Susan Lydia Bull be appointed on a temporary basis for a period of three months as a clerk in the Division, with salary at the rate of \$120 per month, effective as of the date upon which she enters upon the performance of her duties after January 1, 1939. The memorandum stated that in view of Miss Bull's training it was proposed to reconsider the basis of her appointment prior to the expiration of the three month probationary period and, if her work justifies it, to recommend then

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that her position be made permanent and her salary brought more nearly into line with that of others doing similar work.

Approved unanimously.

Letter to Mr. Geery, Chairman of the Federal Reserve Bank of Minneapolis, reading as follows:

"In view of the expiration at the end of this month of your service as class 'C' director and Chairman and Federal reserve agent at the Federal Reserve Bank of Minneapolis, the members of the Board, acting unanimously, have asked me to write you on behalf of the Board a letter thanking you for the service which you have rendered the Federal Reserve System.

"The members of the Board express the hope that in the years to come you will continue your interest in the welfare of the System, and they extend to you their best wishes for good health and happiness."

Approved unanimously.

Letter to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, reading as follows:

"In accordance with the request contained in your letter of December 15, 1938, the Board approves the appointment of A. W. Mills as an examiner for the Federal Reserve Bank of Minneapolis and the appointments of J. B. Johnson and C. J. Larson as assistant examiners.

"According to the information previously furnished, Mr. Mills was commissioned as an examiner by your bank on June 26, 1933, and Messrs. Johnson and Larson were commissioned as assistant examiners on July 18, 1933 and January 6, 1933, respectively, but the Board's approval of the appointments, as required by law, was never requested or obtained. Therefore, to remove any question with respect to the past examination services of these men which might arise as a result of the failure to obtain the Board's approval of their appointments, the

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"approval given herein is to be considered effective from the dates of their respective commissions."

Approved unanimously.

Letter to Mr. T. H. Smith, Kansas City, Kansas, reading as follows:

"This refers to your letter of December 6, 1938, to Chairman Eccles, concerning your dismissal from the service of the Federal Reserve Bank of Kansas City. In your letter you state that you were released without verbal cause and were denied a letter of recommendation except on request of other firms.

"Upon receipt of your letter we immediately wrote to the President of the Federal Reserve Bank of Kansas City for a report with respect to your dismissal. We are informed that your employment began January 28, 1928, as an elevator operator, that you were promoted to elevator starter on July 1, 1930, demoted to assistant starter April 7, 1931, and to elevator operator January 1, 1933. It is reported that your services as elevator operator were reasonably satisfactory until April of this year, at which time certain complaints were received concerning you from employees of tenants in the building. It is stated further that you are fully aware of the circumstances concerning your dismissal.

"In regard to the matter of a letter of recommendation, we are informed that it has been the policy of the bank for many years to give no open letters of recommendation to employees but to furnish information with reference to their services upon inquiry from prospective employers.

"The Board of Governors exercises general supervision over the Federal Reserve banks in matters of nation-wide policy, but questions concerning the employment of personnel lie within the discretion of the management of the individual Reserve bank. In the circumstances, therefore, it does not appear that there is any basis for action on the part of the Board of Governors."

Approved unanimously.

Letter to Mr. Gidney, Vice President of the Federal Reserve



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Bank of New York, reading as follows:

"In the report on the progress that has been made with respect to banks and communities to which you have been giving special attention, which report was transmitted with your letter of October 19, 1938, it was stated that you had requested a conference with representatives of the West Side Trust Company, Newark, New Jersey, to discuss its problems and plans for meeting them. You have since informally advised that the holding of the proposed conference has been delayed.

"The latest report of examination, as of June 11, 1938, contains a number of serious criticisms reflecting upon the management, and particularly the handling of the bank's security and loan accounts. A most disturbing feature is that the examiner reports that the bank, instead of showing improvement, is found to be in worse condition from one examination to another, and that in his opinion, stronger measures will be necessary to bring about a correction of the unsound policies which have caused the bank to lose much ground in the past few years.

"It will be appreciated if you will keep the Board advised as to developments in connection with your efforts to effect the necessary improvements in the condition of the bank's assets and the strengthening of the bank's management."

Approved unanimously.

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

"This will acknowledge receipt of your letter of December 9, 1938, advising that at a meeting of the board of directors of the Federal Reserve Bank of Minneapolis, held on December 8, 1938, a number of minor changes in the by-laws of the bank were adopted, subject to the approval of the Board of Governors. Although by-laws of branches of Federal Reserve banks are required to be approved by the Board of Governors, it is not the practice of the Board to approve by-laws of Federal Reserve banks.

"However, it is noted that one of the changes made in the by-laws gives to the officers of the bank instead

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"of the executive committee authority to determine the hours during which the bank shall be open for business. This seems somewhat unusual, and for the Board's information it will be appreciated if you will advise as to the reasons for this change. In this connection it may be stated that the business hours of other Federal Reserve banks are either fixed in the by-laws or determined by the board of directors pursuant to the by-laws.

"Kindly forward one copy of the amended by-laws for the Board's files."

Approved unanimously.

Letter to the Presidents of all Federal reserve banks, transmitting forms and instructions in connection with the next call for condition reports of State member banks and their affiliates.

Approved unanimously.

Letter to the Presidents of all Federal reserve banks, reading as follows:

"There have been forwarded to you today under separate cover copies of Form FR 107 to be used by State bank members in submitting their reports of earnings and dividends for the six months ending December 31, 1938.

"The form has been revised by eliminating three interest items, and by rearranging the reserve items in sections 2 and 3 so as to conform to the revised form of condition report, FR 105.

"The amount of 'Reserves for contingencies' reported against item 16(d) of revised Form FR 107 should agree with the amount of the corresponding item in Schedule G of the revised form of condition report. If the amount heretofore reported as 'Reserves for contingencies' in earnings and dividends reports has included any valuation allowances which in the condition reports have been deducted from assets, an appropriate adjustment should be made in the next report on Form FR 107. The adjustment may be reported under item 6(d) of Form FR 107 against such a caption as 'Valuation allowances heretofore included in reserves for

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"contingencies'. If, however, the amount is substantial and the bank so desires, the adjustment may be effected by interlining a new item following item 9 reading 'Deduction on account of valuation allowances heretofore included in reserves for contingencies'. In either case the amount withdrawn from 'Reserves for contingencies' should be included in item 10(d). Definitions of the terms 'Reserves for contingencies' and 'Valuation allowances' are contained in the pamphlet of instructions, Form FR 105a, governing the preparation of reports of condition of State bank members, copies of which are being sent to you for use in connection with the next call for condition reports."

Approved unanimously.

Letter to Mr. McKinney, President of the Federal Reserve Bank of Dallas, reading as follows:

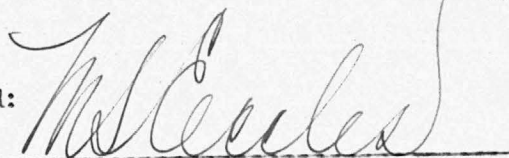
"Reference is made to your letter of December 15, 1938, advising that the Board of Directors of your bank, at its December 8 meeting, authorized subject to the approval of the Board of Governors the installation of an air-conditioning system at an estimated cost of \$45,000 and the making of other improvements and repairs at an estimated cost of \$15,000 in the Houston Branch building.

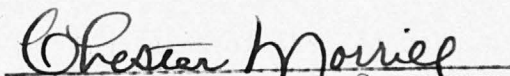
"In view of the circumstances outlined in your letter, the Board will interpose no objection to the expenditure at the Houston Branch of approximately \$45,000 for the installation of an air-conditioning system, and approximately \$15,000 for other improvements and repairs."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

  
Chairman.

  
Secretary.