

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, January 9, 1939, at 2:30 p. 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 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 January 7, 1939, were approved unanimously.

Letter to the board of directors of "The Liberty State Bank", Dallas, Texas, stating that, subject to conditions of membership numbered 1 to 4 and 6 contained in the Board's Regulation H and the following additional conditions, 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 Dallas.

- "5. Such bank, except as permitted in the case of national banks exercising fiduciary powers, shall not invest collectively funds held by the bank as fiduciary and shall keep the securities and investments of each trust separate from those of all other trusts and separate also from the properties of the bank itself.

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- "7. Such bank shall make adequate provision for depreciation in its banking premises improvement account and in its furniture and fixtures.
- "8. At the time of admission to membership, such bank shall have completed its capital revision program whereby common capital stock shall be increased to \$250,000 and surplus to \$125,000 through the sale of \$100,000 new stock at a premium of \$25,000.
- "9. Prior to the admission of such bank to membership, Republic National Bank of Dallas shall file with the Board of Governors of the Federal Reserve System an application for, and shall comply with all of the conditions to the issuance of, a general voting permit entitling it to vote the shares of stock which it owns or controls of such bank, or shall satisfy the Board of Governors of the Federal Reserve System that it will not be a holding company affiliate of such bank for the purposes of section 9 of the Federal Reserve Act upon the admission of such bank to membership."

The letter also contained the following special comment:

"It has been noted that the bank is authorized under its charter to exercise certain powers which it is not exercising at this time. Attention is invited to the fact that, if the bank should hereafter desire to exercise such powers or any other power not actually exercised at the time of admission, it would be necessary under condition numbered 1 to obtain the Board's permission before exercising them. In this connection the Board understands that there has been no change in the scope of the corporate powers exercised by the bank since the date of its application for membership."

Approved unanimously, together with a letter to Mr. McKinney, President of the Federal Reserve Bank of Dallas, reading as follows:

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"approves the application of 'The Liberty State Bank', Dallas, Texas, for membership in the Federal Reserve System, subject to the conditions prescribed in the inclosed letter which you are requested to forward to the board of directors of the institution. Two copies of such letter are also inclosed, one of which is for your files and the other of which you are requested to forward to the Banking Commissioner of the State of Texas for his information.

"In view of the fact that the examiner has reported that the estimated losses shown in the report of examination for membership were eliminated at the conclusion of the examination, the usual condition of membership regarding the elimination of estimated losses has not been prescribed.

"After the proposed revision in the applicant's capital structure, the capital account will be equal to approximately 8 per cent of deposits and the examiner states that in his opinion the revised capital will be adequate for the present. However, the deposits have shown rather rapid growth during the past few years and apparently continued growth is expected. No doubt you have fully discussed the capital situation with the management, and it is suggested that, if you have not already done so, you call particular attention to the provisions of condition of membership numbered 2, pointing out that such condition is a continuing one. In this connection, it has been noted that the question of the adequacy of the bank's capital has been the subject of discussion for some time between the bank and the supervising examiner for the Federal Deposit Insurance Corporation, that the conservation of earnings was one of the points under discussion, and that the proposed capital revision program was worked out in conjunction with the supervising examiner. It is assumed, of course, that in view of the anticipated continued growth in deposits, the bank intends to follow a conservative dividend policy and to retain a substantial portion of net earnings in the capital account."

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

"In accordance with your recommendation, the Board

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"will interpose no objection to the purchase of assets and assumption of deposit liabilities of the Bank of Elkhart Lake, Elkhart Lake, Wisconsin, by the 'Bank of Sheboygan', Sheboygan, Wisconsin, as outlined in your letter of December 30, 1938, and approves the application of the Bank of Sheboygan for permission to establish and operate a branch at Elkhart Lake, Wisconsin, provided the transactions are approved by the appropriate State authorities, and the contracts and agreements in connection therewith are, in the opinion of your counsel, legally effective.

"Please furnish the Board with copies of any agreements or contracts pertaining to the transactions, together with a copy of the approval given by the State authorities to the establishment and operation of the branch at Elkhart Lake, Wisconsin."

Approved unanimously.

Telegrams to Mr. Nardin, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, authorizing him to issue limited voting permits to "Trustees Under Trust Agreement with Reference to Stock of The First National Bank of Louisville, Ky. and Other Corporations, Dated July 1, 1925", and "The First National Bank of Louisville", both of Louisville, Kentucky, entitling such organizations to vote the stock which they own or control of the "First-Owensboro Bank & Trust Company", Owensboro, Kentucky, at any time prior to April 1, 1939, to elect directors of such bank at the annual meeting of shareholders, or any adjournments thereof, and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such bank.

Approved unanimously.

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Letter to Mr. Harrison, Chairman of the Presidents' Conference,
reading as follows:

"Your letter of December 14, 1938, with respect to the proposed conference of First Vice Presidents of the Federal reserve banks has been brought to the attention of the Board of Governors.

"The Board has no comments to make regarding the suggestion at the present time but will appreciate it, in the event the contemplated initial meeting is called, if you will keep the Board advised of the plans for the meeting as they develop."

Approved unanimously.

Memorandum dated December 29, 1938, from Mr. Morrill submitting for approval by the Board a draft of entry for the policy record required by section 10 of the Federal Reserve Act to be kept by the Board covering action taken by the Board on November 7, 1938, with respect to amendments to Section 3 of Regulation L, Interlocking Bank Directorates Under the Clayton Act.

Approved unanimously.

Thereupon the meeting adjourned.

Orestes Morrie
Secretary.

Approved:

W. C. C. C.
Chairman.