

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, January 23, 1939, 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 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 20, 1939, were approved unanimously.

Bond, in the amount of \$100,000, executed under date of January 5, 1939, by Mr. George C. Brainard as Federal Reserve Agent at the Federal Reserve Bank of Cleveland.

Approved unanimously.

Letter dated January 21, 1939, from Miss Dorothy Farrin tendering her resignation as substitute nurse in charge of the first aid room in the Board's building, to be effective immediately.

Accepted.

Letter dated January 21, 1939, to Mr. Parker, First Vice President of the Federal Reserve Bank of Atlanta, reading as follows:

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"The salaries fixed by your Board of Directors for the officers of the bank for the year 1939, as submitted with your letter of January 14, 1939, are approved by the Board as follows:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Oscar Newton	President	\$25,000
R. S. Parker	First Vice President and General Counsel	15,000
W. S. McLarin, Jr.	Vice President and Cashier	9,500
H. F. Conniff	Vice President	7,500
M. H. Bryan	Vice President	7,500
V. K. Bowman	Assistant Cashier	6,500
C. R. Camp	Assistant Cashier	4,800
S. P. Schuessler	Assistant Cashier	4,800
E. P. Paris	General Auditor	6,500
<u>Birmingham Branch</u>		
P. L. T. Beavers	Managing Director	6,000
H. J. Urquhart	Cashier	4,200
<u>Jacksonville Branch</u>		
G. S. Vardeman, Jr.	Managing Director	6,500
T. A. Lanford	Cashier	4,800
<u>Nashville Branch</u>		
J. B. Fort, Jr.	Managing Director	6,500
E. R. Harrison	Cashier	5,000
<u>New Orleans Branch</u>		
L. M. Clark	Managing Director	10,000
H. C. Frazer	Assistant Manager	6,500*
M. L. Shaw	Cashier	4,000
F. C. Vasterling	Assistant Cashier	3,720
<u>Savannah Agency</u>		
J. H. Bowden	Manager	4,000
E. M. Looney	Assistant Manager	2,100

*Effective January 13, 1939.

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"With reference to the proposed increases in the salaries of Messrs. Camp and Schuessler, the Board, as indicated in its letter S-138 of December 28, 1938, will invite the President of each Federal Reserve bank to come to Washington at a convenient time for the purpose of reviewing the salary situation at his bank."

Approved unanimously.

Letter to the board of directors of the "Southern Bank and Trust Company", Richmond, Virginia, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special condition, 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 Richmond:

- "4. Such bank shall make adequate provision for depreciation in its banking houses and furniture and fixtures."

The letter also contained the following special comments:

"While the bank is authorized to exercise trust powers under the laws of Virginia, it is reported to have engaged in such activities only to a limited extent and not to have equipped itself for handling trust business generally. It is understood that the few trusts are to be terminated as soon as practicable and that no new trusts are to be accepted. In view of the circumstances, the bank's application for membership has been approved on the same basis as if trust powers were not being exercised, and should the institution desire in the future to exercise such powers, other than to the extent necessary in connection with the trusts now being administered, application for permission to do so should be made to the Board in accordance with the provisions of condition of membership numbered 1. It will be expected, of course, that so long

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"as the trusts now on hand are being administered by the bank, such administration will be in strict conformity with the laws of Virginia and approved trust practices.

"It appears that the bank possesses, but, at the time of its application for membership, was not exercising, certain powers not necessarily required in the conduct of a banking business, such as power to guarantee the payment of bonds. Attention is invited to the fact that, if the bank desires to exercise such powers or any other powers not actually exercised at the time of admission to membership, it would be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before exercising them. In this connection the Board of Governors 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. Leach, President of the Federal Reserve Bank of Richmond, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Southern Bank and Trust Company', Richmond, Virginia, 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 Commissioner of Insurance & Banking for the Commonwealth of Virginia for his information.

"In view of the fact that estimated losses classified in the report of examination for membership were only nominal in amount, the usual condition of membership regarding the elimination of estimated losses has not been prescribed.

"It will be noted that the Board has not prescribed the three standard trust conditions, or a special condition to prohibit the acceptance of new trust business, as recommended by your executive committee. The trusts now being handled are few, are small in size and, it is understood, are to be closed out as soon as practicable.

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"Therefore, it was not felt that the standard trust conditions were particularly appropriate, and the matter of new business is taken care of in the Board's comments to the applicant.

"According to the report of examination for membership, the bank has one loan secured in part by eight shares of its own stock. A bank's own stock is not desirable as collateral and it will be expected that as soon as practicable the bank will work out some plan whereby it will not be necessary to hold such stock as collateral. The report of examination indicates also that the bank is carrying a balance with a nonmember bank in excess of 10 per cent of its own capital and surplus, and it is requested, in this connection, that you call the specific attention of the bank to the pertinent provisions of section 19(c) of the Federal Reserve Act.

"In the statement of assets and liabilities certified by the Vice President and Cashier of the bank and which was incorporated in the report of examination for membership, \$789,000 assigned deposits were included in the total deposits of the bank. Such assigned deposits, however, were deducted from loans and from deposits by your examiner in preparing page 1, the statement of assets and liabilities, of the report of examination. As you will recall, the Board has ruled that funds deposited in special accounts in order to provide for the repayment of personal loans, as distinguished from actual payments which should be credited to the loans, are to be considered as deposits. In this connection reference is made to the Board's letter of February 5, 1938, S-72, and to the statement on page 20 in the pamphlet of Instructions for the Preparation of Reports of Condition recently issued by the Board. It is suggested, therefore, that if it has not already been done, the correct manner of handling assigned deposits in reports of condition and reports of deposits for reserve purposes be explained to the Southern Bank and Trust Company in order that there may be no misunderstanding as to the manner in which such accounts should be reported after admission to membership.

"It has been noted that Assistant Cashier Mercer of the Reserve bank was obligated to the applicant institution in the amount of \$120 on the date of the membership application. The amount involved is, of course, relatively

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"negligible, but in view of the nature of his duties as manager of the discount and credit department of the Reserve bank, it is assumed that Mr. Mercer plans promptly to liquidate the obligation or remove it from the bank."

Telegram to Mr. Clerk, First Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"Your letter January 18, 1939, re application 'Cowlitz Valley Bank', Kelso, Washington, for permission to retire \$5,000 capital debentures. In accordance with your recommendation Board interposes no objection to the proposed retirement."

Approved unanimously.

Letter dated January 21, 1939, to Mr. Frank J. Wilson, Chief, Secret Service Division, Treasury Department, reading as follows:

"Reference is made to our letter of December 20 regarding the distribution by Federal Reserve banks of circulars describing counterfeit notes and to our subsequent conversation with Mr. Baber of your office.

"It is understood from Mr. Baber that at the present time the limited appropriations available to the Secret Service Division make it impossible for you to furnish the Reserve banks with franked envelopes in which to send out circulars describing counterfeit notes. Mr. Baber indicated, however, that on the basis of the figures contained in our letter of December 20, showing the requirements of the several Reserve banks for copies of the circulars, the Secret Service Division is in a position to furnish sufficient copies of the circulars to the various banks for distribution.

"Several of the Reserve banks have suggested that the Secret Service Division furnish them with the necessary number of copies of each counterfeit notice in order to facilitate the distribution thereof and to eliminate a duplication of expense. It appears to the Board that such procedure would be desirable and it is requested that, if practicable, it be adopted. If this procedure is agreeable to your office it will be appreciated if you will

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"let us know and we will then get in touch with the Reserve banks and advise them of the new procedure and also request information as to the exact number of copies desired by each Reserve bank.

"Mr. Baber asked to be advised as to the size of the general mailing list of the Federal Reserve banks of Kansas City and Dallas. While the Board has no specific information regarding the size of the mailing lists of these banks, on September 23, 1938 there were 1,884 member and nonmember banks in the Kansas City district and 969 in the Dallas district."

Approved unanimously.

Thereupon the meeting adjourned.

Cheser Morrie
Secretary.

Approved:

W. C. ...
Chairman.