

1/26/39 A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, January 26, 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 25, 1939, were approved unanimously.

Letter dated January 25, 1939, from Mrs. Mary Louise C. Grimes tendering her resignation as a stenographer in the Office of the Secretary, to be effective at the close of business on January 31, 1939.

Accepted.

Letter to the board of directors of the "Robert Lee State Bank", Robert Lee, Texas, 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

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for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Dallas:

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

The letter contained the following special comment:

"It is understood that the directors do not intend to pay any dividends until the bank's surplus account has been substantially increased, and the bank's application has been approved with the expectation that such policy will be followed."

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

"The Board of Governors of the Federal Reserve System approves the application of the 'Robert Lee State Bank', Robert Lee, 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 for the State of Texas for his information.

"While the information submitted in connection with the application did not include a statement from your counsel as to what powers, if any, other than the usual commercial banking powers, the applicant institution was authorized to exercise, it is understood that under the banking statutes of the State of Texas, banks are given certain powers which the applicant is not exercising at this time and which are not necessary in the conduct of its banking business. Therefore, the management's attention should be called to the fact that, if the bank should hereafter desire to exercise any powers not actually

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"exercised at the time of admission, it would be necessary under condition numbered 1 to obtain the Board's permission before exercising them. It is assumed, of course, 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.

"It will be noted that the Board has not prescribed the special condition recommended by the Reserve bank committee to require either an increase of \$2,500 in surplus prior to admission to membership or the nonpayment of dividends until surplus equals 20 per cent of capital; nor the one to require a reduction, within six months after admission to membership, of certain warrants to an amount not in excess of the statutory limits of the State.

"In his letter transmitting the application, Mr. Evans stated that the proposed condition regarding increase in surplus was made with the view of safeguarding the bank's earnings against unwarranted dividend payments. The bank, however, if it so desired, could readily comply with the proposed condition through transfer of \$2,500 from undivided profits to surplus and then be free to pay dividends. On the other hand, both the report of examination made in connection with the application for membership and the State report of examination as of October 22, 1938, refer to the fact that the bank has not paid any dividends since its organization in 1936 and that the management does not contemplate the payment of dividends within the near future. In view of the circumstances, it seems that the comment in the letter to the bank approving the application for membership would be as effective, if not more so, than the proposed condition. With respect to the school district warrants, since the amount of the investment in excess of the statutory limits is not large, and the management was quoted by your examiner as stating that the investment will be reduced to, and maintained within the bank's legal limit, it is felt that the matter should more appropriately be handled as an administrative and supervisory matter rather than as one requiring a condition of membership."

Letter to Mr. Neely, Chairman of the Federal Reserve Bank of Atlanta, reading as follows:

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"Acknowledgment is made of your letter of January 16, 1939, with reference to proposed expenditures for repairs and improvements at the Birmingham, New Orleans, and Nashville Branches of the Federal Reserve Bank of Atlanta.

"In view of the considerations set forth in your letter and the attachments thereto the Board will interpose no objection to the expenditure for air conditioning and general improvements at your branch buildings of not to exceed \$50,000 at Birmingham, \$15,000 at Nashville, and \$125,000 at New Orleans."

Approved unanimously.

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

"From time to time it has appeared that the Board of Governors has not been promptly advised of amendments to the by-laws of the Federal Reserve banks and their branches.

"In order that the Board may receive advice promptly in all such cases, it will be appreciated if you will arrange to have the Board notified as soon as possible, through a separate communication on the subject, whenever the by-laws have been amended. It is requested that this be done whether the change is in the by-laws of the Federal Reserve bank or in the by-laws of a branch.

"When an amendment is made to the by-laws of your bank, one copy of the complete by-laws as amended should be promptly forwarded to the Board for its files, accompanied by a letter explaining the changes. In the case of amendments to the by-laws of a branch, the forwarding of a copy of the complete by-laws may, if desired, be deferred until after the Board has approved the amendments."

Approved unanimously.

Letter to Mr. Roy M. North, Acting Third Assistant Postmaster General, reading as follows:

"Reference is made to your letter of January 5 in

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"regard to shipment of currency by the Federal Reserve Bank of Philadelphia by private armored car service to and from several points in the Philadelphia Federal Reserve district instead of by registered mail as formerly.

"Following the conference in the Board's offices, to which you refer, we made inquiry in regard to this matter and were advised by the Federal Reserve Bank of Philadelphia that the arrangement in question was entered into by the Federal Reserve bank partly with a view to improving service to member banks and partly with a view to the saving of expense to the Federal Reserve bank.

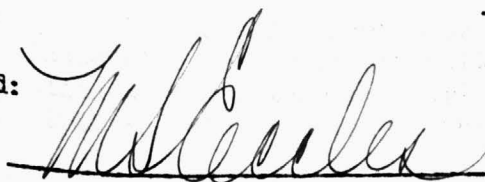
"As you know, the Federal Reserve banks do not have the franking privilege and pay regular postage on all mail dispatched by them and also pay regular postage charges, including surcharges, on Federal Reserve notes shipped to them from the Bureau of Engraving and Printing in Washington at the request of the Board of Governors. During the year 1938 surcharge payments on new Federal Reserve notes shipped from Washington to the Federal Reserve Bank of Philadelphia amounted to \$9,504.00 and postage to \$7,911.96. The amount of surcharge payments on shipments of Federal Reserve notes from Washington to all Federal Reserve banks during 1938 amounted to \$162,419.60 and postage to \$103,005.60. These figures do not include the very large amounts paid by the Federal Reserve banks on shipments of currency and other valuables between the Federal Reserve banks and member banks.

"Determination of means of supplying currency to member banks and other similar matters are primarily the responsibility of the boards of directors of the various Federal Reserve banks. Under the circumstances there does not appear that there is any appropriate action the Board could take in this matter."

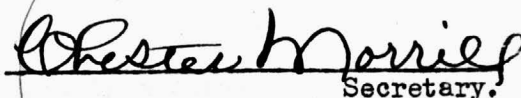
Approved unanimously.

Thereupon the meeting adjourned.

Approved:



Chairman.



Secretary.