A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, February 2, 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 February 1, 1939, were approved unanimously.

Letter to the board of directors of "The Byron Center State Bank", Byron Center, Michigan, 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 Chicago:

"4. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures."
Approved unanimously, together with a letter to Mr. Schaller, President of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of 'The Byron Center State Bank', Byron Center, Michigan, 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 the Banking Department for the State of Michigan for his information.

"It has been noted that the bank has the authority to exercise trust powers but that such powers are not being exercised. Therefore, the application has been approved on the same basis as if the bank did not have trust powers, and should it desire in the future to do a trust business, application for permission to do so should be made to the Board in accordance with the provisions of condition of membership numbered 1.

"The report of the membership examination indicates that the bank is carrying a time balance with a State non-member bank in excess of 10 per cent of its own capital and surplus. It is assumed that you will call the specific attention of the bank to the pertinent provisions of section 19(c) of the Federal Reserve Act."

Letter to the board of directors of the "Union Bank and Trust Company", Strawberry Point, Iowa, 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 Chicago:
"4. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures."

The letter also contained the following special comments:

"While the bank is authorized to exercise trust powers, it is reported to have engaged in such activities only to a limited extent and to have not equipped itself for handling trust business generally. At the time of the examination for membership the only fiduciary capacity in which the bank was acting was in connection with one trust which will be closed within a few months, and it was said that no effort is being made to increase trust activities. In view of such circumstances, the application has been approved on the same basis as if trust powers were not being exercised. Should the bank desire in the future to exercise its trust powers, other than to the extent necessary in connection with the trust 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."

Approved unanimously for transmission through the Federal Reserve Bank of Chicago.

Letter to Mr. Gidney, Vice President of the Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letters of December 30, 1938 and January 26, 1939 transmitting with a favorable recommendation requests from the 'West Side Trust Company', Newark, New Jersey, for a further extension of the time within which to complete compliance with a condition of membership, numbered 21, regarding the disposition of loans secured in whole or in part by the bank's own stock, and for approval, under the provisions of condition of membership numbered 9, of the reduction in common capital stock which will result from cancellation of 2,103 shares of its stock which have been acquired by the bank over a
"period of time in connection with debts previously con-
tracted and are now carried in the investment account.

"In accordance with your recommendation, the Board
approves the reduction in capital which will result from
cancellation of the 2,103 shares. It is understood that
the transaction has had the approval of the appropriate
State authorities.

"The time within which to complete compliance with
condition numbered 21 is not being extended, but in view
of all of the circumstances further action by the bank
under the terms of the condition will not be insisted
upon at this time. This position is taken in view of the
fact that the number of shares held as collateral
has been materially reduced since the bank was admitted
to membership, that the bank is reported to be holding
only 364 shares of its own stock as collateral out of a
total of more than 40,000 shares outstanding, and that
in three of the four cases where the stock is held as
collateral the loan is a problem line. In view of the
circumstances, it seems that the matter can more appro-
priately be handled as an administrative matter in the
regular course of supervision rather than under the con-
dition of membership.

"It will be expected, of course, that the management
will exert every effort to comply with the spirit of con-
dition of membership numbered 21 as soon as practicable."

Approved unanimously.

Thereupon the meeting adjourned.

[Signature]
Chairman.

[Signature]
Secretary.