

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, March 6, 1939, at 4:00 p.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Ransom, Vice Chairman  
Mr. Szymczak  
Mr. McKee  
Mr. Davis  
Mr. Draper

Mr. Bethea, Assistant Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Clayton, Assistant to the Chairman  
Mr. Thurston, Special Assistant to the  
Chairman  
Mr. Wyatt, General Counsel  
Mr. Vest, Assistant General Counsel

Mr. Wyatt reviewed briefly the status in the House of Representatives of the reorganization bill, (H.R. 4425), as outlined in his memorandum to the Board under date of March 4, 1939. He stated that, as pointed out in that memorandum, the President could submit a plan to Congress which would abolish the Board entirely or transfer any or all of its functions to another agency or transfer to the Board the functions of other agencies and that such a plan would become effective unless Congress within sixty days adopted a joint resolution expressing its disapproval thereof. He also said that the bill contained language which might be construed as making the Board subject to the Budget and Accounting Act of 1921 but that there were several grounds upon which it could be argued that this provision should not be construed as applying to the Board, unless a contrary intention was evidenced during consideration of the bill. He added that since the bill had already been reported favorably by the House committee

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the only way in which the Board could seek an amendment in the House would be to have an amendment offered on the floor. Upon inquiry, Mr. Wyatt stated further that, as a practical matter, he did not know of any action that the Board should take with respect to the bill at the present time.

At the conclusion of a discussion it was agreed unanimously that Counsel's office should continue to watch the progress of the bill and keep the Board advised of developments.

Mr. Davis reported that, in accordance with the action taken at the meeting of the Board on February 27, he and Mr. Szymczak had discussed with President Harrison the draft of the annual report of the Federal Reserve Bank of New York for the year 1938 to its stockholders, that a number of changes in the report had been made by President Harrison prior to the discussion, that certain additional changes were made during the discussion, that as finally written the report was agreeable to Messrs. Davis, Szymczak and Goldenweiser and that President Harrison had been so advised.

At this point Messrs. Thurston, Wyatt and Vest left the meeting and the action stated with respect to each of the matters herein after referred to was then taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on March 3, 1939, were approved unanimously.

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Letter dated March 4, 1939, to Mr. Parker, President of the Federal Reserve Bank of Atlanta, reading as follows:

"In accordance with the recommendation contained in your letter of February 27, the Board approves the appointment of R. P. Wilson as an assistant examiner for the Federal Reserve Bank of Atlanta. Please advise us of the effective date.

"It is assumed that Mr. Wilson has no indebtedness or outside business connections which would have an undesirable effect upon his services as an assistant examiner for the Reserve bank, but these points are not covered in your letter and definite advice in this connection will be appreciated."

Approved unanimously.

Letter to the board of directors of the "First State Bank of Red Bud", Red Bud, Illinois, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special 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 St. Louis:

- "4. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures.
- "5. Such bank shall not make any distribution or payment on outstanding deferred certificates of deposit except with the permission of the Federal Reserve Bank of St. Louis.
- "6. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$2,201.02, as shown in the report of examination of such bank as of January 18, 1939, made by an examiner for the Federal Reserve Bank of St. Louis."



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

"The Board of Governors of the Federal Reserve System approves the application of the 'First State Bank of Red Bud', Red Bud, Illinois, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the Board of Directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Auditor of Public Accounts for the State of Illinois for his information.

"It will be noted that the Board has not prescribed the special condition recommended by the Reserve Bank with respect to showing the deferred certificates of deposits on published statements of condition. The revised form FR-105e provides for the showing of subordinated liabilities under item 33(b) and, therefore, it is not deemed necessary to prescribe a special condition with respect to this matter.

"It has been noted that the bank has the authority to exercise trust powers but that such powers are not now 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."

Letter to the Federal Deposit Insurance Corporation, reading as follows:

"Pursuant to the provisions of section 12B of the Federal Reserve Act, as amended, the Board of Governors of the Federal Reserve System hereby certifies that the 'Nevada Bank of Commerce', Elko, Nevada, became a member of the Federal Reserve System on March 3, 1939, and is now a member of the System. The Board of Governors of the Federal Reserve System further hereby certifies that, in

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"connection with the admission of such bank to membership in the Federal Reserve System, consideration was given to the following factors enumerated in subsection (g) of section 12B of the Federal Reserve Act:

1. The financial history and condition of the bank,
2. The adequacy of its capital structure,
3. Its future earnings prospects,
4. The general character of its management,
5. The convenience and needs of the community to be served by the bank, and
6. Whether or not its corporate powers are consistent with the purposes of section 12B of the Federal Reserve Act."

Approved unanimously.

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

"We have received a report as of December 31, 1938 on form F.R. 105b for the Oak Harbor State Bank Company, Oak Harbor, Ohio, which lists the Oak Harbor Mortgage Loan Company as an affiliate of the member bank, but we have not received a report and published statement (forms F.R. 220 and 220a) of the affiliate. The report on form F.R. 105b shows that the affiliate was indebted to the member bank in the amount of \$7,000, which amount exceeds the limitations given in the terms of waiver of affiliate reports printed on form F.R. 220b. It would appear, therefore, that the affiliate should have rendered a report on form F.R. 220 as of December 31, 1938 and published the statement in accordance with form F.R. 220a. Since, however, no useful purpose would be served in having the affiliate now render and publish a report as of December 31, 1938, the Board waives a report as of that date. The member bank should be advised that, if the affiliation exists at the time of the next call, a report on form F.R. 220 should be rendered and published unless waived under the terms of waiver printed on form F.R. 220b."

Approved unanimously.

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

"The Board's letter of October 20, 1932 (X-7276), requested that funds contributed by the Reserve bank to the Federal Reserve club or society be accounted for separately from funds contributed to the club by employees and that a statement be sent to the Board at the end of each year showing the purposes for which the funds contributed by the Reserve bank were expended.

"This matter has recently been reviewed, and you are advised that the annual reports heretofore submitted in accordance with the Board's letter of October 20, 1932, may be discontinued. The Board's examiners will, however, be expected to review expenditures of funds contributed to Federal Reserve clubs by the Reserve banks."

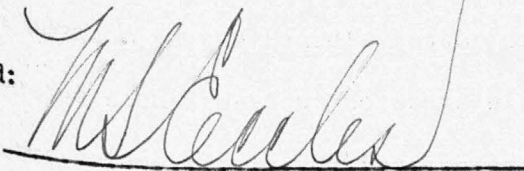
Approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Chairman.