

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, March 29, 1939, at 11:30 a. m.

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

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 March 28, 1939, were approved unanimously.

Memorandum dated March 27, 1939, from Mr. Smead, Chief of the Division of Bank Operations, submitting a letter dated March 16 from Mr. Preston, First Vice President of the Federal Reserve Bank of Chicago, which requested approval by the Board of changes in the personnel classification plan of the bank to provide for increases in the maximum annual salaries for the positions of "Supervisor" in the Current Issue and Bond Redemption Division and in the Registered Surrenders and Coupon Division from \$3,500 to \$5,000. The memorandum stated that the proposed changes had been reviewed and recommended that they be approved.

Approved unanimously, together with  
the following letter to Mr. Preston:

3/29/39

-2-

"The Board approves the changes in the personnel classification plan of your bank requested in your letter of March 16, 1939.

"In reviewing the description of work for the two positions, it is noted that the descriptions are rather brief, and there appears to be a conflict in the descriptions. The description of work for the positions Supervisor - Current Issue and Bond Redemption Division seems to indicate that all bond redemptions are supervised by the employee occupying this position while the description of work for the position Supervisor - Registered Surrenders and Coupon Redemption Division indicates that the redemption of registered bonds is supervised by the employee occupying this position. It would appear desirable that the description of work for the positions in question be expanded and the conflict in the descriptions corrected. It is, therefore, suggested that you submit revised Form A pages covering these two positions. In this connection it will be appreciated if you will advise the Board why you use the title 'Supervisor' instead of 'Chief' to designate these positions."

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

"This refers to your letter of March 20, 1939, respecting the situation of the Citizens State Bank, Marianna, Florida, concerning which the Board wrote you on March 8, 1939.

"It is observed that you have been closely following the bank's affairs, and have conferred with the Florida supervisory authorities as well as the Supervising Examiner of the Federal Deposit Insurance Corporation. You point out that it would be difficult at this time to determine the amount of new capital which the bank should have in view of the fact that no losses have as yet developed in the Brandon line of credit, that the Florida supervisory authorities feel hopeful no loss will develop therein and that the bank's president seems rather confident in this respect. You also advise that Mr. Brandon has filed an application for a loan from the Reconstruction Finance Corporation which has been approved by its Jacksonville Loan Agency and that the loan, if made, will

3/29/39

-3-

"enable Mr. Brandon to liquidate his total indebtedness.

"It is noted that you feel, in view of all the circumstances, that it would probably be best to defer action looking to a strengthening of the bank's capital until you are able to determine with some definiteness the extent to which the bank may be subjected to loss in the Brandon line.

"Since you have previously stated that the next examination of the bank would probably be made in June, it will be possible, no doubt, to determine at that time the amount of additional capital funds needed by the bank. In view of your feeling that there would seem to be no immediate cause for concern, it would appear that action looking to a strengthening of the bank's capital may be deferred until after the June examination has been made, at which time your recommendation in the premises will be appreciated."

Approved unanimously.

Letter to Mr. McRae, Chief Examiner for the Federal Reserve

Bank of Boston, reading as follows:

"This refers to your letter of February 20, 1939, submitting certain questions concerning the relationship between Worcester County Trust Company, Worcester, Massachusetts, and Charles G. Allen Company, Inc., Barre, Massachusetts, which have arisen in connection with the report of examination of the bank as of December 31, 1938.

"It appears that the bank and Mr. Willis E. Sibley, a director of the bank, hold all of the stock of Charles G. Allen Company, Inc. as co-trustees and the question is presented as to whether Charles G. Allen Company, Inc. is an affiliate of the bank by reason of this fact. Following the ruling published in the Federal Reserve Bulletin for October, 1933, at page 651, to which you refer, the Board has heretofore taken the position that the fact that a member bank is one of two or more co-fiduciaries holding a majority of the stock of a corporation does not cause such corporation to be an affiliate of the bank where the bank cannot vote the stock independently and

3/29/39

-4-

"contrary to the wishes of its co-fiduciaries and does not control its co-fiduciaries. While it is not so stated expressly, it is understood from your letter that the voting of the stock of the Charles G. Allen Company, Inc. requires joint action by the co-trustees. Further, it does not appear that Mr. Sibley properly can be deemed to be controlled by Worcester County Trust Company merely because he is a director of that institution. Accordingly, it is the Board's opinion that Charles G. Allen Company, Inc. is not an affiliate of the bank by reason of the fact that the bank is one of the co-fiduciaries holding its stock.

"Charles G. Allen Company, Inc. is, of course, an affiliate of the bank by reason of the fact that Mr. Sibley and two other directors of the bank constitute a majority of its five directors. However, since the bank has twenty-four directors, the submission of reports of such affiliate by the bank is waived under the provisions of the Board's blanket waiver of reports of affiliates which provide that such reports need not be submitted -

'where the affiliate relationship is based solely on the fact that a majority of the affiliate's directors, trustees, or other persons exercising similar functions are directors of any one member bank, except where they constitute more than one-fourth of the directors of the member bank.'

"You also requested advice as to whether loans of the bank to such affiliate are subject to the conditions and limitations of section 23A of the Federal Reserve Act. However, from a telephone conversation between Mr. Kennell and Mr. Wingfield, it is understood that the bank's unsecured loan to the affiliate is being paid and that a ruling with respect to this matter is no longer desired."

Approved unanimously.

Letter to Mr. Sam S. Conoly, Vice President and Trust Officer,  
The Barnett National Bank of Jacksonville, Jacksonville, Florida, reading as follows:

3/29/39

-5-

"Receipt is acknowledged of your letter of March 20, 1939, inquiring whether the provisions of section 22(c) of the Federal Reserve Act prohibit a director of your bank who is in the real estate business and the business of making mortgage loans from receiving a commission from the borrower on a real estate loan made by the trust department of the bank.

"The question presented in your letter is apparently the same as that raised in President McQuaid's letter to the Board of February 20, 1939. In accordance with its usual policy in connection with questions of this kind received from member banks, the Board of Governors referred President McQuaid's letter to the Federal Reserve Bank of Atlanta, and we are advised that Mr. Parker, President of the Federal Reserve Bank, addressed a letter to Mr. McQuaid under date of March 9, 1939, regarding this matter. In Mr. Parker's letter reference was made to a ruling of the Board of Governors on a somewhat analogous question; and it was explained that the determination of the question whether any particular transaction constitutes a violation of the provision in question is a matter within the jurisdiction of the Department of Justice upon which the Board of Governors is not in a position to express an opinion which could be considered to be controlling. It is our understanding that it is contrary to the practice of the Department of Justice to rule in advance as to whether any particular transaction will constitute a violation of the provisions of criminal statutes. As indicated in Mr. Parker's letter, however, it is not clear to us on what basis a transaction such as that described would be exempt from the application of the statute.

"The Board of Governors and the Federal Reserve banks desire to be as helpful as possible in endeavoring to assist member banks with any problems that they may have, but there appears to be little that we can add to the information on this subject which was contained in Mr. Parker's letter to Mr. McQuaid."

Approved unanimously.

Letter to Mr. W. A. Spurr, Department of Business Research,  
University of Nebraska, Lincoln, Nebraska, reading as follows:

3/29/39

-6-

"Referring to your letter of March 6, the Board does not publish condition figures of weekly reporting member banks by States or cities, except that the figures of the two Central Reserve cities, New York and Chicago, are published in addition to the district totals. There is no objection, however, to your having total figures for all reporting banks in Lincoln and Omaha, the only two reporting centers in Nebraska, for the purpose of your study. Copies of the reports containing these total figures probably are available at the Federal Reserve Bank of Kansas City, and accordingly it is suggested that you communicate with that bank with respect to arrangements for compiling the desired data."

Approved unanimously.

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

"It will be appreciated if you will forward to the Board as promptly as possible a recent photograph of your bank and branches (if any). The Board desires exterior views which will do justice to the buildings, and, in the event you do not have recent photographs which you feel would be acceptable in every way, it is suggested that arrangements be made to have pictures taken. For the Board's purposes at least one glossy print and the negative thereof of each photograph are desired, and in the interests of uniformity the pictures should if possible be in an eight by ten inch size.

"The Board now has in its files a negative and glossy print of a photograph of each of the Federal Reserve bank buildings but does not have available any photographs of branch buildings. Moreover, the photographs of the Federal Reserve bank buildings were taken many years ago in most instances.

"Aside from the fact that the Board believes it desirable to have a complete file of photographs of the Reserve banks and branches, some consideration has been given recently to the possibility of including views of

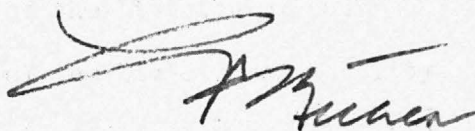
3/29/39

-7-

"the Reserve banks and perhaps some of the branches in the book on the Federal Reserve System which has been in the course of preparation for some time."

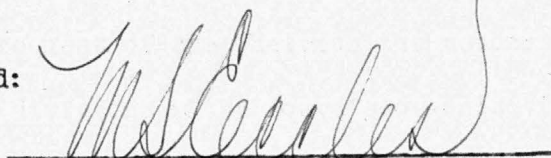
Approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Chairman.