

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, May 29, 1939, at 10:30 a.m.

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

Mr. Carpenter, Assistant Secretary  
Mr. Clayton, Assistant to the Chairman  
Mr. Goldenweiser, Director of the Division  
of Research and Statistics  
Mr. Smead, Chief of the Division of  
Bank Operations  
Mr. Dreibelbis, Assistant General Counsel  
Mr. Vest, Assistant General Counsel  
Mr. Boothe, Technical Assistant in the  
Division of Bank Operations

Further consideration was given to the report to be made by the Board in response to the request received from the Chairman of the Banking and Currency Committee of the Senate on the Mead bill (S. 2343) and to the question whether the Board should recommend the adoption of the plan outlined in the memorandum prepared in the Board's offices under date of April 6, 1939, for the creation of a permanent agency to provide funds for small business enterprises unable to obtain adequate financial assistance from other sources.

At the conclusion of the discussion, the staff was requested to revise the draft of report in accordance with suggestions made during the discussion, it being understood that the revision would be considered at the meeting of the Board on June 2.

It was also understood that Chairman Eccles would call the Chairman of the Senate Banking and Currency Committee on the telephone and advise him that the report was

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being prepared and would be submitted to the Committee not later than Monday of next week.

At this point Messrs. Goldenweiser, Smead, Dreibelbis, Vest and Boothe left the meeting and the action stated with respect to each of the matters hereinafter 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 May 26, 1939, were approved unanimously.

Memorandum dated May 26, 1939, from Mr. Spurney, Building Manager, submitting the resignation of John M. Costello as clerk of the guard force and recommending, with the concurrence of Mr. Noell, Assistant Secretary, that the resignation be accepted as of the close of business on May 15, 1939.

Approved unanimously.

Telegram to Mr. Hitt, First Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"Retel May 29. Board approves designation of A. H. Powers as an assistant examiner in order that he may assist in the examinations referred to and scheduled for this week."

Approved unanimously.

Memorandum dated May 18, 1939, from Mr. Smead, Chief of the Division of Bank Operations, submitting a letter dated May 15 from Mr. Rounds, Vice President of the Federal Reserve Bank of New York, which requested approval by the Board of changes in the personnel classification

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plan of the bank to provide for the creation of the new positions of "Senior Clerk" in the Return Items and Government Check Division, Return Items Section of the Check Department, and "Senior Clerk" in the Examining Division of the Bank Examination Department, for the discontinuance of the position of "Chief Investigator" in the Investigation Section of the Service Department and for the transfer of the position "Investigator" in the Investigation Section of the Service Department to the Personnel Section of the Personnel Department, for an increase in the maximum annual salary for the position of "Dentist" in the Medical Division from \$450 to \$900, and for a minor change in the description of work for the present position of Senior Clerk in the Return Items and Government Check Division, Return Items Section of the Check Department. The memorandum stated that the proposed changes had been reviewed and recommended that they be approved.

Approved unanimously.

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

"This is in reply to your letter of May 17 regarding the question of adequacy of the capital structure of the Southern Arizona Bank and Trust Company, Tucson, Arizona. You refer to the fact that in submitting the memorandum on Form 212 regarding the examination of the bank as of March 24, 1939, you expressed the opinion, which was concurred in by President Gilbert, that the bank's capital structure is adequate at this time for the reasons set forth by the examiner on pages E-1 and

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"E-2 of the report of examination. In your letter of May 17, however, you state that the capital position is well within the borders of what might be termed the twilight zone between adequacy and inadequacy, and that before acquainting the trust company with your conclusion 'that, under all the circumstances, the situation does not yet constitute a violation of the membership condition regarding capital ratio', you would like to have an expression of the Board's own views on the case.

"The capital account as shown by the books is admittedly low, and it is felt that, as stated by your examiner on page 2(1) of his report of examination, continued consideration should be given to the adequacy of the capital account in relation to the bank's liabilities and with respect to the condition of membership regarding the maintenance of an adequate capital ratio. The examiner's comments with respect to the question on pages E-1 and E-2 of the confidential section of the report have been read with interest, and it is believed that the conclusion expressed on page E-2 represents a reasonable position. Accordingly, it is felt that no requirement need be made at this time under the condition of membership for an increase in capital, but that you could properly request the management of the bank to give continuing attention to the building up of the capital account and to devote the major part of the bank's net profits to that purpose.

"It has been noted from the examiner's comments on page E-2 that, because of the high rate of taxation on the bank's capital account, the management desires to keep the account at a low figure. The question of taxation, however, does not enter into the determination of the adequacy of a bank's capital account and a high rate of taxation does not justify a capital account which would be considered inadequate if the tax rate were lower."

Approved unanimously.

Telegram to Mr. Shortt, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, stating that, subject to the conditions set forth in the telegram, the Board of Governors of the Federal

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Reserve System authorizes the issuance of a general voting permit, under the provisions of Section 5144 of the Revised Statutes of the United States, to the "First Security Corporation of Ogden", Ogden, Utah, entitling such organization to vote the stock which it owns or controls of the "First Security Bank of Idaho", Boise, Idaho, and the "First Security Bank of Utah, National Association", Ogden, Utah, at all meetings of shareholders of such banks, and that the period within which a permit may be issued pursuant to the authorization contained in the telegram is limited to thirty days from the date of the telegram unless an extension of time is granted by the Board. The conditions contained in the telegram upon which the permit was authorized were as follows:

- "1. Prior to issuance of general voting permit authorized herein, applicant shall execute and deliver to you in duplicate an agreement in form accompanying Board's letter X-9385, except that (a) paragraphs numbered 1, 2, 4, and 5 shall be omitted and remaining numbered paragraphs appropriately renumbered, and (b) all lettered paragraphs and introductory sentence immediately preceding them shall be omitted.
- "2. Prior to issuance of general voting permit authorized herein, each of applicant's subsidiary banking institutions shall have charged off or otherwise eliminated all assets in classification IV as shown by latest available reports of examination by the appropriate supervisory authorities.
- "3. Prior to issuance of general voting permit authorized herein, Federal Reserve Bank of San Francisco shall be satisfied that all provisions of voting

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"permit application executed by applicant on November 18, 1936, and of agreement executed by applicant on November 20, 1936, have been complied with.

- "4. Prior to issuance of general voting permit authorized herein, counsel for Federal Reserve Bank of San Francisco shall ascertain and be satisfied that no organization other than applicant is a holding company affiliate of the banks named above by reason of fact that majority of applicant's class B stock is held by M. A. Browning, Val. A. Browning, George S. Eccles, and S. S. Eccles, Trustees."

Approved unanimously.

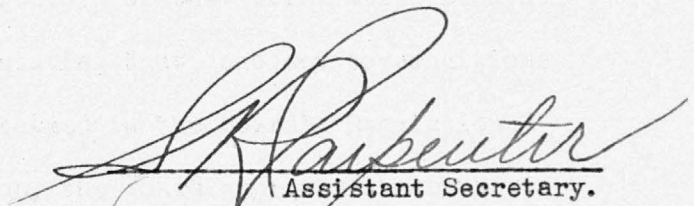
Letter to Mr. Swanson, Vice President of the Federal Reserve Bank of Minneapolis, reading as follows:

"Reference is made to your letter of May 23, 1939, transmitting the request of the First State Bank of Rushmore, Rushmore, Minnesota, for permission to purchase an additional 36/76 interest in the banking property which it now occupies for the consideration of \$2,000.

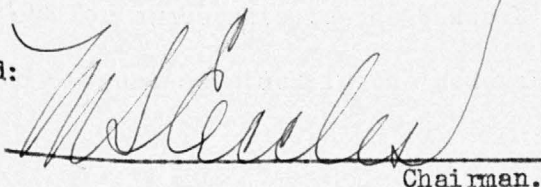
"In accordance with your recommendation, the Board interposes no objection to such investment in the amount indicated and it is requested that you advise the bank accordingly."

Approved unanimously.

Thereupon the meeting adjourned.

  
Assistant Secretary.

Approved:

  
Chairman.