

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, June 16, 1939, at 10:50 a.m.

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

Mr. Morrill, Secretary
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. Goldenweiser, Director of the Division
of Research and Statistics
Mr. Dreibelbis, Assistant General Counsel
Mr. Vest, Assistant General Counsel
Mr. Gardner, Senior Economist in the
Division of Research and Statistics

There were presented telegrams to Messrs. Kimball and Post, Secretaries of the Federal Reserve Banks of New York and Philadelphia, respectively, Mr. McLarin, Vice President of the Federal Reserve Bank of Atlanta, and Messrs. Dillard and Hale, Secretaries of the Federal Reserve Banks of Chicago and San Francisco, respectively, stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on June 13, by the Federal Reserve Banks of New York, Chicago and San Francisco on June 15, 1939, and by the Federal Reserve Banks of Philadelphia and Atlanta today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

At the request of Mr. Ransom, Mr. Gardner related the circumstances (as set forth in a memorandum addressed by him to Chairman

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Eccles under date of May 29, 1939) in connection with an informal request of the State Department for the services of Malcolm Bryan, Vice President of the Federal Reserve Bank of Atlanta, as a tax expert in connection with a financial mission which the Government proposes to send to Venezuela during the early part of July to assist that country in working out an equitable financial system for the country.

Mr. Ransom stated that when the question of Mr. Bryan's availability for the assignment was taken up informally with the board of directors of the Federal Reserve Bank of Atlanta the directors voted unanimously that Mr. Bryan could not be spared for the period of approximately two months that the mission would require, but later took the position that, while the bank was very much in need of Mr. Bryan's services, the directors felt the request should be considered on a broader basis than the interests of the Federal Reserve bank and would prefer, before a final determination of the matter was made, to ascertain the views of the Board with respect thereto and that if the Board of Governors felt that Mr. Bryan should go the bank would accede to the request.

Mr. Gardner stated that, when advice was received that the board of directors did not feel that Mr. Bryan should join the mission, the State Department was advised accordingly, following which further investigations were made by the Department and yesterday an informal request was received that the Board of Governors permit Martin Krost,

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Senior Economist in the Board's Division of Research and Statistics, to fill the place on the mission which it had been contemplated Mr. Bryan would take.

Mr. Goldenweiser said that he had discussed this request with Mr. Currie, Assistant Director of the Division of Research and Statistics, under whose direction Mr. Krost had been doing work on the closed bank study and on fiscal matters and that Mr. Currie felt that it would be possible to spare Mr. Krost for service as a member of the mission.

Mr. Ransom expressed the opinion that in view of the great need of the Federal Reserve Bank of Atlanta for the services of Mr. Bryan the Board should grant the request of the State Department that Mr. Krost be allowed to serve as a member of the mission. He also said that he felt certain from his conversations with Chairman Eccles that the Chairman would favor such action by the Board. Messrs. Szymczak and Draper concurred in Mr. Ransom's opinion and in this connection Mr. Szymczak inquired whether a formal request for the service of Mr. Krost had been received. Mr. Goldenweiser replied that such a request would be sent by the State Department and that this request, together with a memorandum prepared by Mr. Gardner relating to the request for Mr. Krost's services, would be submitted to the Board.

Mr. McKee stated that he would prefer to reserve a decision on the matter pending receipt of the formal request from the State

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Department and the memorandum referred to by Mr. Goldenweiser.

Mr. Ransom reported that yesterday Senator Glass introduced a bill (S. 2618) which would amend the second paragraph of Section 16 of the Federal Reserve Act to extend for two years the power of the Board of Governors to authorize the Federal Reserve banks to pledge direct obligations of the United States as collateral security for Federal Reserve notes, that Representative Steagall had agreed to introduce a similar bill, and that there appeared to be nothing further that the Board should do on the matter at the present time.

Mr. Morrill reported for the record that, in accordance with the action taken at the meeting of the Board on June 14, 1939, he called Mr. Crowley, Chairman of the Federal Deposit Insurance Corporation, on the telephone and extended an invitation to the members of the board of directors of the Federal Deposit Insurance Corporation to meet with the Board of Governors for the purpose of discussing the desirability of reducing the maximum rates of interest which may be paid by member banks and insured banks on time and savings deposits and that Mr. Crowley stated that he would be absent from the city next week but would telephone Mr. Morrill upon his return and arrange a date for the meeting.

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

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The minutes of the meeting of the Board of Governors of the Federal Reserve System held on June 15, 1939, were approved unanimously.

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

"Your letter of June 2, 1939, with respect to the continuation of the employment of Mr. W. B. Matteson, Assistant Vice President of the Federal Reserve Bank of New York, during the month of July has been brought to the attention of the members of the Board and I have been requested to advise you that the Board approves the payment of salary to Mr. Matteson at the rate of \$14,000 per annum for the period from July 1 to July 31, 1939, inclusive, it being understood that he will be granted the usual annual vacation during that period."

Approved unanimously.

Letter to the Chairmen of all Federal Reserve banks, prepared pursuant to the action by the Board on May 15, 1939, and reading as follows:

"In its letter of December 28, 1938, S-138, the Board stated it had felt for some time that it labored under a considerable handicap in endeavoring, during a short period each year, to pass on proposals for changes in salaries of officers of the twelve Federal Reserve banks which, in accordance with the practice prevailing theretofore, had been submitted annually to become effective on the first of January.

"The Board also stated it believed it had met the problem with respect to its own staff by terminating the practice of considering a list of salary changes annually, and by substituting the practice of dealing only with meritorious cases on an individual basis when it appeared that an adjustment was due because of a substantial change in duties or responsibilities, or other exceptional circumstances pertaining to the particular person or his job.

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"Some of the Presidents, during recent discussions of official salaries at the Federal Reserve banks, stated that from an organization standpoint it is usually advisable to review all official salaries whenever changes in individual salaries are under consideration and that they would, therefore, prefer to submit periodically, for the Board's approval, such changes as they may wish to recommend in official salaries.

"After further considering this matter, the Board has decided to review the salaries of Reserve bank officers in the months of March, April and May of each year. The salaries of officers at your bank for the year beginning _____ will be reviewed in _____. (The letters to the Federal Reserve Banks of New York and Chicago called for review in March of salaries of officers of the respective banks for the year beginning April 1, the letters to Boston, Philadelphia, Cleveland and San Francisco called for review in April of salaries of officers of the respective banks for the year beginning May 1, and the letters to the remaining banks called for review in May of salaries of officers of the respective banks for the year beginning June 1.) Accordingly, it will be appreciated if you will have the recommendations for changes in salaries of officers of your bank for the year beginning _____, 1940, submitted as early in _____ 1940 as practicable in order that the Board may have ample time to act upon them before the first of _____.

"The Board has heretofore approved salaries of officers of your bank to December 31, 1939. In view of the changed practice indicated above, the Board approves the salaries of officers of your bank at the existing rates for the period January 1 to _____ (March 31, April 30 or May 31), 1940, if fixed by your Board of Directors at such rates.

"In view of this revised procedure, you may wish to review the provisions of the by-laws of the bank that relate to the appointing of officers and the fixing of their salaries and consider whether any change is necessary."

Approved unanimously.

Letter to the board of directors of the "Farmers State Bank of Madelia, Incorporated", Madelia, Minnesota, stating that, subject to

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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 Minneapolis:

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

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

Letter to the Organization Committee of the "First State Bank", Eldorado, Oklahoma, 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 application made on behalf of the First State Bank, Eldorado, Oklahoma, for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Kansas City, effective if and when the successor bank is duly authorized to commence business by the appropriate State authorities and is entitled to the benefits of insurance under Section 12B of the Federal Reserve Act:

- "4. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures.
- "5. At the time of its admission to membership, such bank shall have a paid-up and unimpaired capital stock of not less than \$25,000 and a surplus of not less than \$5,000, and shall have assets and liabilities substantially the same in amount and character (with due allowance for changes arising

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"from the ordinary course of business) as shown in the report of examination of The First National Bank of Eldorado as of May 13, 1939.

- "6. In the acquisition of the assets of The First National Bank of Eldorado, banking house and furniture and fixtures shall be written down in the aggregate amount of \$3,000 and the item of \$226.57, representing a lost cash letter, shall be written off, all as agreed upon at the time of the examination of the national bank made as of May 13, 1939."

The letter also contained the following special comments:

"Since the application for membership was made on behalf of the First State Bank prior to its organization, it is requested that, in connection with the acceptance of the conditions of membership prescribed by the Board, the board of directors of the State bank ratify the action which has been taken in its behalf in making application for membership in the Federal Reserve System."

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

"The Board of Governors of the Federal Reserve System approves the application made on behalf of the 'First State Bank', Eldorado, Oklahoma, a State institution being organized to succeed The First National Bank of Eldorado, for membership in the Federal Reserve System, effective if and when the successor bank is duly authorized to commence business by the appropriate State authorities and is entitled to the benefits of insurance under section 12B of the Federal Reserve Act, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the organizers of the proposed 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 Bank Commissioner for the State of Oklahoma for his information.

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"As you know the proposed bank is not eligible for membership in the System unless it is entitled to the benefits of deposit insurance. The Board has received a copy of a letter dated June 14, 1939 from the Federal Deposit Insurance Corporation to the national bank, a copy of which is enclosed, setting forth the conditions upon which the State bank has been approved for deposit insurance. We will advise you promptly upon receipt of advice from the Federal Deposit Insurance Corporation that such conditions have been complied with and arrangements may then be made for completion of the bank's admission to membership.

"Before issuing stock in the Federal Reserve Bank of Kansas City to the new State institution, you are requested to satisfy yourself that its capital stock of \$25,000 has been paid in, and that the organization papers and all agreements and contracts entered into between it and The First National Bank of Eldorado covering the purchase of assets from, and the assumption of liabilities of, that bank and any and all other agreements and contracts between such bank and the stockholders and/or directors or other individuals or concerns, incident to the organization of the new State institution, have been considered by your counsel and that he is satisfied as to their legal aspects. It is requested that a copy of the opinion of your counsel given in this connection, together with copies of any such agreements and contracts and a copy of the bank's charter, be forwarded to the Board as soon as possible. It is requested also that the Board be furnished with a copy of the resolution of the board of directors of the State institution ratifying the action taken in its behalf in making application for membership in the Federal Reserve System.

"If, when chartered by the State authorities, the legal name of the bank should be any other than First State Bank as shown in the copy of the articles of incorporation submitted with the application, advice as to the correct legal name should be included in the telegram advising of the bank's admission to membership."

Telegram to Mr. Powell, First Vice President of the Federal Reserve Bank of Minneapolis, reading as follows:

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"Relet June 13 concerning Bank Shares Corporation, Minneapolis, Minnesota. Board is of the opinion that a holding company affiliate may satisfy the requirements of subsections (b) and (c) of section 5144 by acquiring immediately acceptable assets in the maximum amount ultimately required, subject, however, to the possibility that changes in the facts (for example, decline in value of such assets or acquisition of additional bank stocks) may make it necessary for the holding company affiliate to acquire additional assets in order to continue to comply with such requirements. We will communicate with you further regarding the other questions contained in your letter as soon as possible."

Approved unanimously.

Memorandum dated June 15, 1939, from Mr. Paulger, Chief of the Division of Examinations, recommending that, for the reason stated in the memorandum, the Board authorize an increase in the per diem allowance of the Board's examiners from \$5.00 to \$6.00 per day while the examiners are in New York, during 1939, engaged in examining the Federal Reserve Bank of New York.

Approved unanimously.

Letter to Mr. A. W. Hall, Director of the Bureau of Engraving and Printing, reading as follows:

"Referring to your letter of May 18, it is estimated that Federal reserve note printing requirements for the fiscal year ending June 30, 1941, will amount to 8,349,000 sheets as follows:

Tens	6,401,000	sheets
Twenties	1,822,000	"
Fifties	81,000	"
Hundreds	<u>45,000</u>	"
Total	8,349,000	"

Approved unanimously.

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Thereupon the meeting adjourned.

C. Lester Morrie
Secretary.

Approved:

Donald Morrison
Vice Chairman.