

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, July 18, 1939, at 11:00 a. m.

PRESENT: Mr. Eccles, Chairman
Mr. Szymczak
Mr. McKee

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Wyatt, General Counsel
Mr. Goldenweiser, Director of the Division
of Research and Statistics
Mr. Smead, Chief of the Division of Bank
Operations

There was presented a memorandum dated July 14, 1939, from Mr. Goldenweiser which stated that Mr. Currie, Assistant Director of the Division of Research and Statistics, who at the meeting of the Board on July 10, 1939, was granted a leave of absence for a period of one year from the date of his appointment as Assistant to the President of the United States, wished to have his secretary, Mrs. Eleanor Myer, continue to serve as his secretary in his new position. The memorandum recommended that the Board grant Mrs. Myer a leave of absence without pay for one year from the effective date of Mr. Currie's leave and that during the period of her leave the Board continue its regular contributions on her behalf to the Retirement System with the understanding that she will continue to make her own regular contributions.

Mr. Goldenweiser stated that he would also recommend that

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the Board continue to make its regular contributions on behalf of Mr. Currie during his absence with the understanding that he will also continue to make his regular contributions during the year. Mr. Morrill stated that, in the event Mr. Goldenweiser's recommendations were approved, the Board's contributions on behalf of Mr. Currie and Mrs. Myer would be \$475.20 and \$105.60, respectively, and that the respective employees' own contributions would be \$431.04 and \$108.48.

Mr. McKee moved that Mr. Goldenweiser's recommendations be approved.

Carried unanimously, with the understanding that Mr. Morrill would communicate with Mr. Ransom, as the most readily available member of the Board who is absent from Washington at the present time, and ascertain whether he concurred in the action.

(Secretary's note: Following the meeting Mr. Morrill talked with Mr. Ransom over the telephone and Mr. Ransom stated that he was fully in accord with the action.)

Reference was made to the memorandum prepared by Mr. Goldenweiser under date of July 13, 1939, in response to the request made of him at the meeting of the Board on July 7, 1939, with respect to discount rates at the Federal Reserve banks. A copy of the memorandum had been sent to each member of the Board on July 14, 1939.

It was agreed that the memorandum should be placed on the docket for consideration at the first meeting of the Board at which a majority of the members is present.

At this point Messrs. Wyatt, Goldenweiser and Smead left the

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meeting and the action stated with respect to each of the matters hereinafter referred to was then taken by the Board:

Memorandum dated July 14, 1939, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that, because of approaching confinement, Mrs. Mary Q. Casady, a secretary in the Division, be granted leave of absence without pay for the period from August 1, 1939, to such date as will be necessary, probably the end of January 1940, and that during Mrs. Casady's absence the Board continue to make its contributions to the Retirement System on her behalf with the understanding that she will continue her own contributions.

Approved unanimously.

Memorandum dated July 14, 1939, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that, because of approaching confinement, Mrs. Barbara S. Depenbrock, a draftsman in the Division, be granted leave of absence from the close of business on July 10, 1939, until probably the latter part of November 1939, and that such absence be charged against her accumulated and accrued sick leave, 30 days advanced sick leave, accumulated and accrued annual leave, and approximately two and one-half months of leave without pay. The memorandum also recommended that during Mrs. Depenbrock's absence the Board continue to make its contributions to the Retirement System on her behalf with the understanding that she will continue her own contributions during the period.

Approved unanimously.

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Memorandum dated July 14, 1939, from Mr. Smead, Chief of the Division of Bank Operations, recommending that, for the reason stated in the memorandum, Mrs. Flora S. Devereux, a clerk in the Division, be charged with annual leave for the period from June 22 to June 30, inclusive, and that the Board authorize the granting to her of not to exceed sixty-one days additional advance sick leave during the months of July and August, 1939.

Approved unanimously.

Letter to Mr. Earhart, Cashier of the Federal Reserve Bank of San Francisco, reading as follows:

"In response to your telegram of July 14, in reply to our wire of the same date, and in accordance with your recommendation, the Board will consider the position occupied by Mr. Everson as official and approves a salary for him, as Acting Assistant Manager of the Seattle Branch, stationed at Spokane, of \$3,900 per annum, which we assume is the salary he now receives.

"In view of the statement contained in Mr. Day's letter of March 21, 1939 that 'Mr. Everson is Accountant and has been receiving an annual salary of \$3,600, which has been increased to \$3,900. This is less than the maximum salary of \$4,200 allowable under the approved Classification of Personnel Plan for the Accountant's position' it was assumed that you did not intend to regard the position occupied by Mr. Everson as official."

Approved unanimously.

Letter to the board of directors of "The Security State Bank of Sterling, Sterling, Colorado", 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

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application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Kansas City:

- "4. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures.
- "5. At the time of admission to membership, such bank shall have a paid up and unimpaired capital of not less than \$100,000."

Approved unanimously for transmission
through the Federal Reserve Bank of Kansas
City.

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

"From your letter of July 5, 1939, with reference to the classification of obligations of the Carter Investment Company held by the Wharton Bank and Trust Co., Wharton, Texas, it is understood that you are satisfied that the collateral trust notes issued by the Investment Company and maturing in 1940 are properly classified as investment securities because of their nature, marketability and distribution but find it difficult to classify the two unsecured notes of the Investment Company maturing May 3, 1939, and November 3, 1939, respectively, purchased from and with the endorsement of a local broker.

"It is noted that you feel that if what is commonly known as commercial paper should be classified, from the buyer's standpoint, as a loan, undoubtedly the Carter Investment Company's unsecured obligations should be so classified. You state, however, that you feel that it would be better policy, from a supervisory standpoint, to classify such notes as nonqualifying securities, having in mind the dangers inherent in treating them as loans and thus permitting, if not encouraging, small member State banks to load up their portfolios on purchased paper concerning which they have very little

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"knowledge, particularly in States like Texas, where the State loan limit is so liberal.

"What is commonly known as commercial paper does not come within the definition of a security or an investment security and is, invariably, classified as a loan. With reference to your suggestion that, as a matter of policy, such notes be classified in some cases as securities to prevent or discourage their acquisition by small State member banks, it is felt that such a position would be untenable in view of accepted practice and legal definitions and that, if purchased loans in the hands of any State member bank are subject to criticism, the criticism should be based upon the credit data supporting the particular loan or upon the unsoundness of the bank's policies or practices with respect to the acquisition of such paper."

Approved unanimously.

Memorandum dated July 14, 1939, from Mr. Wingfield, Assistant General Counsel, recommending that there be published in the August issue of the Federal Reserve Bulletin statements in the form attached to the memorandum with respect to the following subjects:

Use of Obligations of the United States as
Collateral for Federal Reserve Notes

Extension of Powers Relating to Stabiliza-
tion Fund and Weight of Dollar, and New
Silver Legislation and Regulations

Amounts Received in Connection with Per-
sonal Loans as Deposits

Approved unanimously.

Thereupon the meeting adjourned.

Chester Forrie
Secretary.

Approved:

W. E. C. C. C.
Chairman.