

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, August 1, 1939, at 3:15 p. m.

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Wyatt, General Counsel
Mr. Paulger, Chief of the Division
of Examinations
Mr. Goldenweiser, Director of the
Division of Research and Statistics
Mr. Dreibelbis, Assistant General Counsel
Mr. Cagle, Assistant Chief of the Division
of Examinations
Mr. Chase, Assistant Counsel

Chairman Eccles referred to previous informal discussions relating to the action to be taken to amend Regulation L, Interlocking Bank Directorates Under the Clayton Act, on or before August 1 in case the President had approved or had not acted on Senate Bill 2150, which has been passed by both houses of Congress and sent to the President for signature, and which would amend the second paragraph of Section 8 of the Clayton Act to authorize a director, officer, or employee of a member bank who was lawfully serving other banks on the date of the enactment of the Banking Act of 1935 to continue such service until February 1, 1943. In view of all the circumstances, the members of the Board who were present indicated that they would favor an extension of the time limit in sections 3(a) and 3(e) of the Regulation from August 1, 1939, to February 1, 1940. It was pointed

8/1/39

-2-

out that this action would have the effect of permitting directors, officers and employees within the scope of these two provisions of the Board's Regulation to serve out their present terms as annual elections are usually held in the early part of January.

Thereupon, upon motion by Mr. McKee, the following resolution was adopted by unanimous vote:

RESOLVED, That Regulation L, Interlocking Bank Directorates Under the Clayton Act, be amended, effective immediately, as follows:

1. By changing the date "August 1, 1939" in section 3(a) to the date "February 1, 1940"; and
2. By changing the date "August 1, 1939" in section 3(e) to the date "February 1, 1940".

This action was taken with the understanding that a statement of the Board's action would be prepared and, after approval by Mr. McKee, released to the press immediately and sent by telegraph to the Federal Reserve banks.

It was also understood that in order that it might be clear to interested persons that no other amendments to Regulation L were adopted the Regulation should not be reprinted at this time.

The statement for the press as approved by Mr. McKee and released to the press today in accordance with the above action read as follows:

"The Board of Governors of the Federal Reserve System has amended subsections 3(a) and 3(e) of its Regulation L, relating to interlocking bank directorates under the Clayton Act, effective immediately, so as to extend until February 1, 1940, the time during which certain persons who have been serving member banks may continue to serve a member bank and not more than one other bank."

At this point Messrs. Wyatt, Paulger, Goldenweiser, Dreibelbis, Cagle, and Chase left the meeting and the action stated with respect

8/1/39

-3-

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 July 31, 1939, were approved unanimously.

Letter to the "Farmers State Bank of West Concord", West Concord, Minnesota, 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 Minneapolis:

- "4. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures.
- "5. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate depreciation in defaulted bonds, which depreciation, on date of examination for membership as of March 4, 1939, amounted to \$5,125.

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

"The Board of Governors of the Federal Reserve System approves the application of the 'Farmers State Bank of West Concord', West Concord, Minnesota, 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 Commissioner of Banks for the State of Minnesota for his information.

8/1/39

-4-

"It will be noted that the Board has not prescribed the special condition recommended by the Reserve bank regarding the elimination or satisfactory adjustment of a reported contingent liability of \$1,000 in connection with the contribution of that amount made by Director Naylor. Such a condition could be complied with by returning the amount to the director, thereby weakening the bank to that extent and the only purpose served would be to clear the records. The liability, whether deferred, subordinated, or contingent, should of course be properly shown in the bank's reports of condition. The nature of the liability depends upon the terms and conditions under which the so-called contribution was made to the bank, including the action taken by the bank's directors on April 9, 1938. Sufficient information to enable a determination as to the nature of the liability thus created has not been furnished, but it is assumed that your counsel will consider the matter and that the bank will be advised as to the proper method of showing the liability in its reports of condition. It is assumed also that your counsel has considered the terms under which the entire \$5,000 was contributed and is satisfied that the bank has no liability on the remaining \$4,000.

"It has been noted that examiners for the Reserve bank, the Federal Deposit Insurance Corporation and the Comptroller's office agree that the banking needs of West Concord could be adequately served by one bank and it would appear that a consolidation of the applicant and the competitor national bank on a sound basis would be desirable. If the applicant is admitted to membership, it is assumed that, in accordance with the views expressed in the Board's letter S-6 with respect to a program for strengthening banking situations where such need is indicated, the influence of the Federal Reserve Bank will be joined with that of the State department and the Chief National Bank Examiner in endeavoring to bring about such a consolidation at an opportune time."

Memorandum dated July 26, 1939, from Mr. Smead, Chief of the Division of Bank Operations, recommending that the Board adopt a condensed form of member bank call report (Form F.R. 105) for use on the spring and autumn calls, subject to the adoption of a similar form by

8/1/39

-5-

the Comptroller of the Currency for the use of national banks. A copy of the proposed condensed form was attached to the memorandum.

Approved unanimously.

Thereupon the meeting adjourned.

Chesee Morrie
Secretary.

Approved:

W. S. ...
Chairman.