

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, August 7, 1939, at 11:30 a. m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary

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

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on August 1, 1939, were approved unanimously.

The minutes of the meetings of the Board of Governors of the Federal Reserve System held on August 2, 3 and 4, 1939, were approved and the actions recorded therein were ratified unanimously.

Memorandum dated August 2, 1939, from Mr. Smead, Chief of the Division of Bank Operations, submitting a letter dated July 28, 1939, from Mr. Gilbert, President of the Federal Reserve Bank of Dallas, which requested approval by the Board of changes in the personnel classification plan of the bank to provide for the establishment of the new position of "Supervisor of Checks", for the discontinuance of the positions of "Supervisor of Country Checks" and "Supervisor of Clearings", and for an increase in the maximum salary for the position

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of "Supervisor of W.P.A. Checks", all in the Transit Department. The memorandum stated that the proposed changes had been reviewed and recommended that they be approved.

Approved unanimously.

Letter dated August 5, 1939, to Mr. Evans, Vice President of the Federal Reserve Bank of Dallas, reading as follows:

"This refers to your letter of July 20, with respect to a correction in the June 30, 1939 condition report of the Liberty State Bank, Dallas, Texas, occasioned by the transfer from asset item 7 to asset item 11, in accordance with your suggestion, of \$29,760.13 representing 'Leasehold improvement account'. It is noted that the amount in question represents vaults and machinery installed in bank premises under lease, and that the premises are worth considerably in excess of \$500,000.

"We agree with you that the \$29,760.13 originally reported against item 7, 'Bank premises owned', should have been reported against item 11, 'Other Assets', and the correction is in line with page 1 of the instructions, form F.R. 105a, to the effect that any amount which cannot properly be included in the printed items of the balance sheet must be reported under 'Other Assets' or 'Other Liabilities'. While the instructions also provide that printed items on the report form must not be amended in any manner, in the circumstances explained in your letter there will be no objection to the bank's indicating on the face of the condition report, form F.R. 105, and in its published statement, that 'Other Assets' represents or includes the amount of its leasehold improvement account."

Approved unanimously.

Letter dated August 5, 1939, to Mr. Powell, First Vice President of the Federal Reserve Bank of Minneapolis, reading as follows:

"This refers further to your letter of June 13, 1939, requesting advice upon a specific inquiry submitted

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"by Bank Shares Corporation, Minneapolis, Minnesota, which was answered in the Board's telegram of June 16, 1939, and also requesting the Board's views at its convenience with respect to certain assumptions relating to the requirements of subsections (b) and (c) of section 5144 of the Revised Statutes.

"With respect to the first assumption, the Board will not object to the computation of earnings upon the basis of calendar or fiscal years, rather than upon the basis of years ending on June 16, in connection with the requirements concerning the investment of 'excess' net earnings of holding company affiliates in readily marketable assets after June 16, 1938, if there is substantial compliance with the statutory requirements and a holding company affiliate desires to follow this practice as a matter of convenience.

"With respect to the second and third assumptions, the Board concurs in the view that the 2 per cent per annum increase in readily marketable assets required by clause numbered (1) of subsection (b) may be accomplished through the investment of earnings required to be used for this purpose by clause numbered (2) of such subsection and that the maximum amount of readily marketable assets ultimately required by such subsection is 25 per cent, not 50 per cent, of the aggregate par value of the bank stocks having double liability.

"In addition to the matters mentioned in your letter, it is believed that it should be pointed out that the requirements concerning the investment of 'excess' net earnings relate to the investment of net earnings in excess of 6 per cent per annum on the book value, not par or stated value, of a holding company affiliate's own shares outstanding."

Approved unanimously.

Letter to Mr. Walter Lichtenstein, Secretary of the Federal Advisory Council, reading as follows:

"Mr. McKee has discussed with President Smith the date for the next meeting of the Federal Advisory Council and has suggested that, in view of the annual convention of the American Bankers Association which will convene

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"in Seattle, Washington, on September 25, it might be desirable to postpone the meeting of the Council until a convenient time in October. Mr. Smith advised Mr. McKee that it was felt that there would be ample time between September 19 and September 25 for the members of the Council to attend both meetings without inconvenience and that it was felt that it would be unwise to postpone the meeting of the Council until October as that would result in the fourth meeting of the year coming one month later with five months between the May and the October meetings.

"Circumstances have arisen which make it necessary that some of the members of the Board be away from Washington during the dates set for the Council meeting, and it appears from the present program that not more than two of the members will be here at that time. In these circumstances, it is suggested that the Council might be willing to defer the third meeting of the year to a convenient time in October with the understanding that if found to be desirable, the fourth meeting can be held in December.

"It will be appreciated if you will ascertain the view of the members of the Council and advise the Board of the decision reached."

Approved unanimously.

Thereupon the meeting adjourned.

Ernest Morrell
Secretary.

Approved:

W. C. Coates
Chairman.