

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

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

Mr. Morrill, Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Thurston, Special Assistant to  
the Chairman  
Mr. Dreibelbis, Assistant General Counsel  
Mr. Piser, Senior Economist in the Division  
of Research and Statistics

There were presented telegrams to Mr. Young, President of the Federal Reserve Bank of Boston, Messrs. Kimball, Post, Hays, Dillard, and Stewart, Secretaries of the Federal Reserve Banks of New York, Philadelphia, Cleveland, Chicago, and St. Louis, respectively, Mr. Thomas, Chairman of the Federal Reserve Bank of Kansas City, and Mr. Hale, Secretary of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Banks of St. Louis and San Francisco on August 15, by the Federal Reserve Banks of New York, Cleveland, Chicago, Kansas City and San Francisco on August 17, 1939, and by the Federal Reserve Banks of Boston and Philadelphia today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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There were then presented memoranda dated August 17, 1939, from the Personnel Committee recommending that, subject to confirmation of their willingness to accept, Charles P. McCormick, Baltimore, Maryland, and Paul V. Eames, Minneapolis, Minnesota, be appointed as Class C directors of the Federal Reserve Banks of Richmond and Minneapolis, respectively, for the unexpired portion of the three-year terms ending December 31, 1941.

Approved unanimously, with the understanding that Mr. Lassiter, Chairman of the Federal Reserve Bank of Richmond, and Mr. Coffey, Deputy Chairman of the Federal Reserve Bank of Minneapolis, would be requested to ascertain whether Messrs. McCormick and Eames would be willing to accept the appointments.

At this point Messrs. Thurston, Dreibelbis, and Piser 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 August 17, 1939, were approved unanimously.

Memorandum dated August 15, 1939, from Mr. Morrill recommending that, for the reason stated in the memorandum, Samuel B. Maize, Jr., be appointed as a page in the Office of the Secretary, with salary at the rate of \$1,080 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

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Memorandum dated August 18, 1939, from Mr. Carpenter, Assistant Secretary, recommending that, for the reason stated in the memorandum, Mrs. Helen Jones be appointed on a temporary basis for a period of one week beginning August 21, 1939, as a telephone operator in the Office of the Secretary, with salary at the rate of \$18.00 per week.

Approved unanimously.

Memorandum dated August 15, 1939, from Mr. Carpenter, Assistant Secretary, recommending, for the reasons stated in the memorandum, (1) that the Board make no further payments to the retirement system on behalf of Mr. Currie and Mrs. Myer during the period of their leave of absence without pay with the understanding that they will make no further contributions during such period, and (2) that the Board authorize the payment to the retirement system, upon their return to active service, such amounts as may be necessary to restore the benefits to which they would have been entitled as a result of the Board's regular contributions if their membership had continued, it being understood that they will also make such payments to the retirement system as will be necessary to provide the benefits to which they would have been entitled as a result of their regular contributions if their membership had been continuous.

The recommendations were approved unanimously.

Memorandum dated August 16, 1939, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that, for the reason stated in the memorandum, Mrs. Louise Sissman,

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a junior economist in the Division, be granted leave of absence without pay for a period of 112 days beginning October 12, 1939, and that, as well as continuing her own contributions to the Retirement System of the Federal Reserve Banks while she is on leave without pay, Mrs. Sissman assume the Board's contributions beginning with the first full payroll period after the expiration of the annual leave to which she is entitled.

The recommendations were approved unanimously.

Letter to the board of directors of "The Iron and Glass Dollar Savings Bank of Birmingham", Pittsburgh, Pennsylvania, 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 Cleveland:

- "4. Such bank shall make adequate provision for depreciation in its banking house.
- "5. At the time of admission to membership the paid-up and unimpaired capital of such bank shall be not less than \$200,000.
- "6. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$2,620.18 as shown in the report of examination of such bank as of July 15, 1939."

Approved unanimously, together with a letter to Mr. Fleming, President of the

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Federal Reserve Bank of Cleveland, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of 'The Iron and Glass Dollar Savings Bank of Birmingham', Pittsburgh, Pennsylvania, 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 Secretary of Banking for the Commonwealth of Pennsylvania for his information.

"It is assumed that unless one of the exceptions in the statute or the Board's Regulation I is applicable, you have advised the applicant bank that, under the provisions of section 8 of the Clayton Act, Directors James A. Griffith and Henry Menschke, who are serving also as director, and president and director, respectively, of the Hilltop Bank of Pittsburgh, may not continue to serve both institutions after the expiration of one year from the date of their last election as directors of the applicant bank, or after February 1, 1940, (if they have been serving in these capacities since prior to the enactment of the Banking Act of 1935), whichever is later. It is assumed that, in connection with the services of Director Menschke as vice president of the First National Bank, Castle Shannon, Pennsylvania, you have considered the question whether Castle Shannon is 'contiguous or adjacent' to Pittsburgh.

"It is assumed also that, if the bank completes its membership, the savings accounts listed on page D(a) of the report of examination as apparently not conforming to the definition of savings deposits as contained in the Board's regulations, will be brought into conformity with the regulations.

"When the bank previously applied for membership, there were submitted, in addition to the organization papers accompanying the present application, copies of documents relating to an increase of the authorized capital of the bank from \$225,000 to \$500,000 and it appears therefrom that there may have been other action taken relating to changes in the authorized capital and not covered by the documents submitted with

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"either application. While, in view of the action taken by the bank's board of directors on June 28, 1939, and proposed to be taken by its shareholders on September 13, 1939, and with the understanding that the capital of the bank has never been actually increased to an amount in excess of \$172,700, it is believed unnecessary to request the submission of copies of the missing documents relating to changes in the authorized capital, it will be appreciated if you will obtain advice from the State authorities with respect to whether there have been any other amendments to the bank's charter not covered by the documents submitted and, if so, furnish copies thereof."

Letter to the board of directors of the "Bank of Elizabeth", Elizabeth, Pennsylvania, stating that, subject to 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 Cleveland:

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

Approved unanimously, for transmission through the Federal Reserve Bank of Cleveland.

Letter to Mr. Sihler, Assistant Vice President of the Federal Reserve Bank of Chicago, reading as follows:

"Reference is made to your letter of July 27, 1939, regarding the inquiry of the Board of Trade of the City of Chicago, a national securities exchange, with respect to section 4(f)(2) of Regulation T.

"While not entirely clear, it appears that the inquiry raises a question regarding the status of a

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"capital contribution loan originally complying with clause (A) of section 4(f)(2) of the regulation, but which ceases to comply with that clause. The views of the Board with respect to this question have been incorporated in the attached statement for the press regarding 'Capital Contribution Loans Between Members of a National Securities Exchange', which you will note, however, is not to be released until the date specified on the statement.

"You will note that, although the borrower does not hold a membership in the Board of Trade, the ruling states, in effect, that he is a 'member' of that exchange. This statement is made because the borrower's firm is a member firm of the Board of Trade and, as pointed out at page 90 of the February 1938 Federal Reserve Bulletin and page 1042 of the December 1938 Federal Reserve Bulletin, the definition stated in section 3(a) of the Securities Exchange Act and incorporated in section 2(a) of the regulation provides that if any partner of a brokerage firm holds a membership in a national securities exchange every partner of the firm is a 'member' of the exchange for the purposes of the regulation.

"It seems possible that a question as to the possible application of section 4(f) (8) may be involved. Accordingly, certain comments regarding this section are included in the statement. As there indicated, the instances where such a loan could qualify under section 4(f)(8) are rather rare, and the point is mentioned merely for such consideration, if any, as it may seem to deserve in the light of all the facts of the particular case."

Approved unanimously, together with  
a letter to the Presidents of all Federal  
Reserve Banks, reading as follows:

"There is attached a copy of a ruling which will be published in the Federal Reserve Bulletin regarding 'Capital Contribution Loans Between Members of a National Securities Exchange'.

"It will be noted that the attached ruling is in the form of a statement for the press which, however, is not to be released until the time specified on the statement."

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Letter to the Presidents of all Federal Reserve banks,  
reading as follows:

"There is enclosed for your information a summary of the bank relations reports submitted by the Federal Reserve banks for the month of July 1939 in response to the Board's letter of August 25, 1936 (X-9680).

"In reply to the Board's inquiry made last month as to whether the banks considered the summaries of sufficient value to warrant their continuance and, if so, whether they would prefer them in shortened form or not, letters have been received from ten of the Federal Reserve banks. All but one express the desire to have the reports continued. One bank doubts their value and suggests that they be discontinued - at least temporarily until a need of them becomes apparent. A majority of the banks seemed to prefer having the summary in brief form, though it was pointed out by others that shortening the summary tended to make it lose much of its value.

"In view of the foregoing, it has been decided to continue the preparation and distribution of the summaries."

Approved unanimously.

Letter to Mr. Walter Lichtenstein, Secretary of the Federal Advisory Council, prepared in accordance with the action taken at the meeting of the Board on August 16, 1939, and reading as follows:

"Receipt is acknowledged of the letter sent to the Board by your secretary under date of August 14, 1939, advising that the next meeting of the Federal Advisory Council will be held in Washington on October 8, 9, and 10, 1939, and requesting a list of the topics which the Board of Governors desires the Council to discuss at that time.

"In your letter of June 7, 1939, you stated that the Council did not contemplate publishing at that time the memorandum with respect to the easy money policy which was presented to the Board of Governors at the meeting with the Council on June 6 and that the Council planned to take the matter up for further consideration at its September meeting. The Board will



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"be prepared to discuss this subject with the Council at the next meeting and believes that it would be desirable to devote the greater part of the time of the joint meeting of the Board and the Council on October 10 to a detailed consideration of the various aspects of the subject.

"We shall be pleased to make the usual arrangements for a luncheon for the Council on Monday, October 9."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morie  
Secretary.

Approved:

W. S. ...  
Chairman.