

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, August 23, 1939, at 11:30 a.m.

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

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:

Telegram dated August 21, 1939, to Mr. Charles P. McCormick, President, McCormick & Company, Baltimore, Maryland, reading as follows:

"Board of Governors has appointed you class C director of Federal Reserve Bank of Richmond for unexpired portion of term ending December 31, 1941, on understanding that, before entering upon your duties as such, you will tender your resignation as a director of the Baltimore Branch and meet the requirement of the Federal Reserve Act that 'No director of class C shall be an officer, director, employee or stockholder of any bank'.

"Board will be pleased to have your acceptance by collect telegram."

Approved unanimously.

Letter to Mr. Parker, President of the Federal Reserve Bank of Atlanta, reading as follows:

"Referring to your letter of August 18, 1939, the Board approves payment of a salary at the rate of \$3,000 per annum, as fixed by your Board of Directors, to Mr. Winslow E. Pike, Assistant Cashier of the Jacksonville Branch, for the period from September 1, 1939, to December 31, 1939.

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"In the Board's letter dated June 16, 1939, to Chairman Neely, the salaries of all officers of your Bank were approved at the existing rates for the period January 1 to May 31, 1940, if fixed by your Board of Directors at such rates. The Board, therefore, also approves the payment of a salary at the rate of \$3,000 per annum to Mr. Pike for the period January 1 to May 31, 1940, if fixed by your Board of Directors at such rate."

Approved unanimously.

Memorandum dated August 21, 1939, from Mr. Van Fossen, Assistant Chief of the Division of Bank Operations, submitting a letter dated August 19 from Mr. Martin, President of the Federal Reserve Bank of St. Louis, which requested approval by the Board of a change in the personnel classification plan of the bank to provide for the consolidation of the two positions of "Sorting Teller" in the Money Department, with maximum salaries of \$2,100 and \$2,400 per annum, into one position of "Sorting Teller" with a maximum salary of \$2,400 per annum. The memorandum stated that the proposed change had been reviewed and recommended that it be approved.

Approved unanimously.

Letter to Mr. Young, President of the Federal Reserve Bank of Boston, reading as follows:

"Referring to your letter of August 16, 1939, you are advised that the Board of Governors will interpose no objection to the service of Mr. Edward J. Frost, Class B Director of your Bank, as an arbitrator in the First Federal Reserve District for the New York Stock Exchange."

Approved unanimously.

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Letter to Mr. C. B. Upham, Deputy Comptroller of the Currency,
reading as follows:

"This refers to your letter of August 14, 1939, quoting from a letter received by your office from the Cashier of The First-Mechanics National Bank of Trenton, New Jersey, dated August 11, 1939, with respect to non-conforming savings accounts in that bank which have been criticised by one of your examiners.

"It is understood that the national bank in question has not closed out or transferred certain accounts in its savings department consisting of deposits of corporate funds which were received prior to the effective date of the Board's Regulation Q, under which deposits of a corporation operated for profit may not be classified as savings deposits. It is noted, however, that the bank has not accepted any new accounts of this nature in its savings department.

"The reason advanced by the national bank for its failure to bring the criticised accounts into conformity with the Board's regulation is that competitor State banks which are members of the Federal Deposit Insurance Corporation, but not members of the Federal Reserve System, are permitted to continue to carry in their savings departments deposits of corporations which were received prior to February 1, 1936.

"Under Regulation IV of the Federal Deposit Insurance Corporation, deposits received and credited on or before February 1, 1936, to accounts evidenced by pass books in insured nonmember banks are not subject to the provisions of that regulation limiting savings deposits to funds of certain classes of persons; but no similar exception is contained in the Board's Regulation Q.

"In the particular case now under consideration, it would seem that the accounts in question could be transferred to a time deposit basis without placing the national bank at any considerable disadvantage with State nonmember insured banks. It seems evident that these accounts are not active accounts and that, accordingly, no hardship would result if they were classified as time deposits, open account, under Regulation Q, subject to withdrawal only upon prior notice in writing of not less than 30 days. Moreover, such a transfer of the accounts would apparently have no effect upon the maximum rate of interest which may be paid thereon. State banks in New Jersey may not pay interest on time and savings deposits at a rate in excess of one per cent, as the result

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"of an order issued by the Commissioner of Banking and Insurance of the State of New Jersey on June 15, 1939, effective as of July 1, 1939. Under section 24 of the Federal Reserve Act, this is likewise the maximum rate which may be paid on time and savings deposits by national banks located in New Jersey. It is also noteworthy in this connection that, under the regulations of the Federal Deposit Insurance Corporation, it is not permissible for a nonmember insured bank to receive new savings deposits from a corporation operated for profit, and accordingly it would not be possible for such a corporation now to withdraw its funds from a member bank and place them in a nonmember insured bank as a savings deposit.

"In the circumstances, it is believed that a transfer of the corporate accounts in question from savings deposits to time deposits, open account, might well be given consideration as a possible solution of the bank's problem."

Approved unanimously.

Letter to Mr. C. B. Upham, Deputy Comptroller of the Currency, reading as follows:

"This is to acknowledge receipt of your letter of August 16, 1939, with further reference to the question whether the absorption of 'out-of-pocket' charges by the National Bank of Commerce, Lincoln, Nebraska, constitutes a violation of the Board's Regulation Q. It is noted from your letter that reports of examinations of other banks indicate that for their own protection they have considered it necessary to resort to similar practices and that a decision of this question at an early date would appear advisable.

"This subject is one which is having active consideration in this office, but it involves many perplexing problems and we are not yet prepared to advise you with respect to the matter.

"We will, of course, communicate with you as soon as a decision in the matter can be reached."

Approved unanimously.

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

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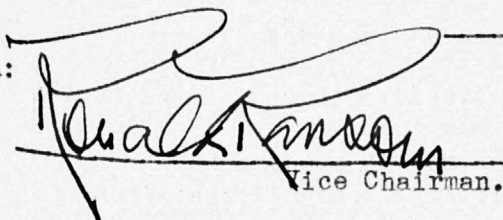
"This refers to your letter of August 19, 1939 and enclosures regarding the request of the United States Attorney, Sioux Falls, South Dakota, that he be furnished with a copy of the report of examination as of May 16, 1939, of the Security Bank and Trust Company, Madison, South Dakota, for use in connection with an investigation of a possible violation of the provisions of section 5209 of the Revised Statutes by George Stensland, formerly teller of such bank.

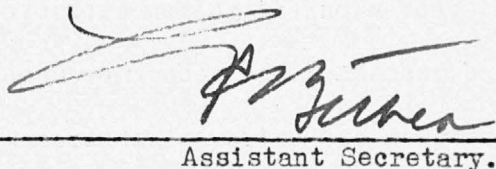
"It is suggested that you advise the United States Attorney that reports of examination of a member bank contain information regarding the financial condition of the bank and other matters of a confidential character; that your bank has already furnished him with all of the information regarding the violation which is contained in the report of examination in question; and that, while it is the desire of your bank to cooperate as fully as possible with representatives of the Department of Justice investigating alleged violations of the criminal provisions of the banking laws reported by your bank to a United States Attorney, you do not feel justified, in view of the circumstances in the present case, in furnishing him with a copy of the report of examination. Incidentally, we have taken this matter up informally with the Federal Bureau of Investigation here and have been advised that the head office of the Federal Bureau of Investigation is advising its Special Agent in Charge at Aberdeen, South Dakota, that the United States Attorney has all the information contained in the report of examination in question pertinent to the alleged violation."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:


Vice Chairman.


Assistant Secretary.