

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, August 25, 1939, at 12:00 m.

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

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

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

The minutes of the meetings of the Board of Governors of the Federal Reserve System held on August 18 and 24, 1939, were approved unanimously.

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on August 23, 1939, were approved and the actions recorded therein were ratified 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, Sherman J. Maisel be appointed on a temporary basis for a period of one year as an economic assistant in the Division, with salary at the rate of \$1,800 per annum, effective as of the date upon which he enters upon the performance of his duties. The memorandum stated that in view of the fact that Mr. Maisel would probably be recommended for a permanent appointment at the expiration of his temporary appointment, it was suggested that he now be permitted to become a member of the Retirement System of

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the Federal Reserve Banks.

Approved unanimously.

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

"In view of its responsibility in passing upon the selection of examiners at the Federal Reserve banks, the Board in its letter of September 20, 1933 (X-7595), set forth the procedure to be followed in submitting information to the Board regarding applicants for positions on the examining staffs. In some instances the information called for by the foregoing letter has been submitted either in very meager form or in such a manner as not to be particularly informative. Therefore, letter X-7595 is superseded by this letter, and it will be appreciated if, in submitting proposed appointments in the future, the procedure herein set out will be observed.

"Whenever a new examiner or assistant examiner is to be added to the examining staff, it is assumed that the field of possible appointees will be carefully canvassed in order to obtain the services of the one best fitted for the position. In considering men for such positions, it is desirable to select individuals who, judged by their education, experience, initiative, and personalty, give reasonable promise of developing into capable senior examiners. Qualifications being equal, preference may be given to present employees of other departments, but in such selections the qualifications necessary for an assistant examiner or an examiner should be the yardstick rather than the qualifications for some other position in the Reserve bank which the individual may be filling creditably. In this connection it seems appropriate to call attention to the desirability of commercial bank experience as one of the qualifications of major importance in the selection of examining personnel, other than trust examiners whose qualifications were outlined in the enclosure to the Board's letter of November 17, 1933 (X-7688).

"When a decision has been reached as to the individual best fitted for the position, and in order that the Board may be advised fully, it is suggested that the information submitted cover the following with respect to the

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"proposed appointee:

1. Name, date of birth, place of birth and citizenship, marital status, number of dependents, condition of health, and physical defects, if any.
2. Education, including names of schools and colleges attended, periods of attendance, degrees obtained, other training, special examinations and results thereof, and diplomas or certificates received.
3. Previous employment, names and addresses of employers, periods of employment, positions held and nature of work, salary received in each case, reasons for leaving previous positions, and information obtained from previous employers as to quality of applicant's work. In this connection, care should be exercised to ascertain independently of the proposed appointee the attitude of previous employers with respect to his services and reasons for termination thereof.
4. All other experience which would have a bearing on the proposed appointee's qualifications as an examiner or assistant examiner.
5. Information as to proposed appointee's indebtedness, if any; whether indebted to banks, their subsidiaries or affiliates; when indebtedness was contracted; its original amount, progress being made in liquidation; and whether, if tendered appointment by the Federal Reserve bank as an examiner or assistant examiner, he will resign any official connections he may have with other business concerns and discontinue any other existing relationship which may affect his service as an employee of the Federal Reserve bank.
6. Any other information, including any comments of either an adverse or favorable character, which will be of assistance in the consideration of the recommendation.

"It will be appreciated if you will submit a copy of the application (unless the proposed appointee has been in the employ of the Reserve bank for some time and the application is therefore uncurrent), a recent photograph of the proposed appointee (not over 4 x 6 inches in size), a copy of any memorandum prepared for any officer or committee of

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"the Reserve bank in connection with the consideration of the application, and, if not fully covered in such memorandum, a further memorandum summarizing the data developed in the bank's investigation and setting forth the reasons for regarding the proposed appointee as the best man available for the position. To the extent that the information contained in the application and these memoranda supplies information requested in the numbered paragraphs above, it will not be necessary to duplicate such information in any special memorandum or report to the Board.

"Upon receipt of a recommendation accompanied by the information requested above, the Board will consider the proposed appointment and the Federal Reserve bank will be advised promptly of the action taken. In some cases, however, recommendations have been submitted with requests for immediate action, and it will be appreciated if, whenever possible, recommendations and information are submitted sufficiently in advance to permit of the matter being handled in the regular course.

"In the Board's letter of April 3, 1937 (X-9858), reference was made to the designation of officers and employees of other departments as examiners or assistant examiners, in order that their services may be available to assist your regular examining staff when necessary. In order that there may be uniformity in the designations of such employees, it is requested that all such persons who are not members of the regular examining staff be designated as 'Special Assistant Examiner' or 'Special Examiner', as the case may be, for examination purposes. In this connection it is assumed, of course, that each such person participating in an examination will be provided with an appropriate commission or identification certificate before the examination begins."

Approved unanimously.

Letter to the board of directors of "The Commercial Bank of Camden", Camden, South Carolina, 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 Richmond:

- "4. Such bank shall make adequate provision for depreciation in its furniture and fixtures.
- "5. At the time of admission to membership, the paid-up and unimpaired capital of such bank shall be not less than \$50,000."

The letter also contained the following additional comments:

"It has been noted that under the laws of the State of South Carolina, commercial banks generally are authorized to exercise certain trust powers and that at the time of examination for membership your bank was administering two small accounts. It is understood, however, that the two accounts will be closed in their normal course and that it is the expressed intention of the management not to accept any new trust business. In view of the circumstances, the bank's application for membership has been approved on the same basis as if trust powers were not being exercised and should the institution desire in the future to exercise such powers, other than to the extent necessary in connection with the trusts now being administered, application for permission to do so should be made to the Board in accordance with the provisions of condition of membership numbered 1. It will be expected, of course, that so long as the trusts now on hand are being administered by the bank, such administration will be in strict conformity with the laws of South Carolina and approved trust practices."

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

"The Board of Governors of the Federal Reserve System approves the application of 'The Commercial Bank of Camden', Camden, South Carolina, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested

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"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 Chief Examiner for the State of South Carolina for his information.

"It will be noted that the Board has not prescribed the three standard trust conditions or a special condition to prohibit the acceptance of new trust business as recommended by your Executive Committee. The trust business now being handled by the bank is small, and it is understood that the accounts will be closed in their normal course and that no new trust business will be accepted. Therefore, it was not felt that the standard trust conditions were necessary, and the matter of new trust business is taken care of in the Board's letter to the applicant.

"In his letter of August 19 to Mr. Paulger on the subject, Mr. Fry suggests that it would be in order to require the bank, as a condition of membership, to set aside \$1,000 to cover the interest on time deposits which the examiner estimated had accrued at the time of examination for membership and which he classified as a loss in his report. However, since the bank is on a cash and not an accrual basis and since the amount involved is small and there are apparently no unusual circumstances involved, it is not felt necessary to prescribe such a condition of membership.

"On the date of examination for membership the bank had on deposit with a nonmember bank an amount considerably in excess of 10 per cent of its own capital and surplus. No reference to the fact is made in the report of examination or the data accompanying the application for membership, but it is assumed that the bank understands that under the provisions of paragraph 8 of section 19 of the Federal Reserve Act, balances with nonmember banks are limited to 10 per cent of the member bank's capital and surplus."

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

"There have been forwarded to you today under separate cover the indicated number of copies of the six

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"forms attached hereto, for the use of State bank members and their affiliates in submitting reports as of the next call date:

Number of
copies

Form

Form F. R. 105 (Short form), Report of condition of State bank member.

Form F. R. 105b (Schedule 'O'), Loans and advances to affiliates and investments in and loans secured by obligations of affiliates.

Form F. R. 105e, Publisher's copy of report of condition of State bank member.

Form F. R. 220, Report of affiliate or holding company affiliate.

Form F. R. 220a, Publisher's copy of report of affiliate or holding company affiliate.

Form F. R. 220b, Instructions for preparation of reports of affiliates and holding company affiliates.

"The first form listed above is the condensed form of State bank member call report which, as stated in the Board's letter S-170 of August 4, 1939, has been adopted for use on spring and autumn calls. Please advise State bank members that it will be the Board's policy to use the condensed form hereafter on such calls. As in the case of the complete form, however, minor changes may be necessary in the condensed form from time to time. Please call the State bank members' special attention to the fact that the face side of the condensed form is identical with the face side of the regular form, except that the references to the related schedules are omitted; that, accordingly, existing arrangements for the single, joint publication of condition reports rendered by State bank members to Federal Reserve banks and State banking departments, respectively, are not affected; and that, since the condensed form is basically the same as the regular form, no separate instructions have been printed covering the preparation of reports on the condensed form, and the regular instructions, form F. R. 105a, should be used in preparing reports on the condensed form, in so far as they are applicable.

"A minor change has been made in form F. R. 105b (Schedule 'O'), by changing the specific reference to Schedule FF in the block appearing in the upper lefthand corner to a general reference to the affiliate schedule.

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"This was done because Schedule FF of the regular form has been designated as Schedule E in the condensed form. No change has been made in any of the other forms listed above."

Approved unanimously, with the understanding that the letter would not be mailed until the Comptroller of the Currency sends corresponding forms to national banks located two days' mailing time from Washington.

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

"The report of examination of the Iowa State Bank, Algona, Iowa, as of July 12, 1939, shows that the bank was exercising trust powers to the extent of administering one court trust with assets of approximately \$24,500.

"It appears that the bank is authorized to exercise trust powers under its charter but that such powers were not being exercised at the time of admission to membership on June 29, 1928. Condition of membership numbered 1 provides that except with the permission of the Board there shall be no change in the character of business or in the scope of corporate powers exercised by the bank at the time of admission to membership and, accordingly, the bank should obtain the Board's permission before exercising trust powers.

"It has been noted that the management of the bank advised that the trust would be disposed of in approximately one year. Therefore, in view of the circumstances, the Board will raise no objection to the bank administering the one trust it now holds, but it is suggested that you inform the management of the bank that if it desires to accept any additional trust business it should first make application to the Board for permission to exercise the fiduciary powers authorized under its charter."

Approved unanimously.

Letter to all banks in the United States, reading as follows:

"In June of this year the Board sent you a copy of a booklet just published by it entitled The Federal Reserve

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System - Its Purposes and Functions. This publication was sent you, with the Board's compliments, in the belief that you would naturally be interested in a presentation of facts and a description of functions which are of importance to all persons engaged in banking.

"Since it is the purpose of the publication to be useful and informative, the Board would appreciate very much your frankly expressed opinion of its interest and value to you. The Board would be glad to know what points you may feel are not clearly or sufficiently explained, and what, if any, should also be included. We shall be glad to answer requests for further information and to have suggestions which may be helpful in the preparation of future material.

"If you should like to have copies of this book sent to any of your directors or officers, or to others who might be interested, please do not hesitate to ask for them."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris

Secretary.

Approved:

Donald Pearson

Vice Chairman.