

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, September 8, 1939, at 10:30 a. m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

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 September 7, 1939, were approved unanimously.

Telegrams to Mr. Kimball, Secretary of the Federal Reserve Bank of New York, Mr. Walden, First Vice President of the Federal Reserve Bank of Richmond, Mr. McLarin, Vice President of the Federal Reserve Bank of Atlanta, Mr. Dillard, Secretary of the Federal Reserve Bank of Chicago, Mr. Powell, First Vice President of the Federal Reserve Bank of Minneapolis, Mr. Gilbert, President of the Federal Reserve Bank of Dallas, 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 Bank of San Francisco on September 5 and by the Federal Reserve Banks of New York, Richmond,

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Atlanta, Chicago, Minneapolis, Dallas and San Francisco on September 7, 1939, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated September 7, 1939, from Mr. Thomas, Assistant Director of the Division of Research and Statistics, recommending that, for the reason stated in the memorandum, Mrs. Ella W. Henry be appointed on a per diem basis for as many working days as may be necessary, not exceeding 30, as a draftsman in the Division, with salary at the rate of \$10 per day for each working day, effective as of the date upon which she enters upon the performance of her duties.

Approved unanimously.

Memorandum dated September 6, 1939, from Mr. Smead, Chief of the Division of Bank Operations, submitting a letter dated September 2 from Mr. Worthington, First Vice President of the Federal Reserve Bank of Kansas City, which requested approval by the Board of a change in the personnel classification plan of the Oklahoma City branch of the bank to provide for the creation of a new position of "Assistant Supervisor" in the Custody and R. F. C. Custody Departments and an increase in the maximum salary for the position of "Supervisor" in the R. F. C. Custody Department. The memorandum stated that the proposed changes had been reviewed and recommended

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that they be approved.

Approved unanimously.

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

"In its letter of January 24, 1938, S-70, the Board set forth reasons why it was believed to be undesirable for a member of the board of directors of a Federal Reserve bank to serve at the same time as a director of a branch of the bank. The amendment to the Board's regulation with respect to the appointment of directors of branches of Federal Reserve banks, to which reference was made in that letter, provided that no director of a Federal Reserve bank should be appointed to serve as a director of a branch during the period of his service as a director of the Federal Reserve bank. It will be noted that this provision does not cover the case where a director of a branch is appointed to serve as a director of the Federal Reserve bank and in order to give full effect to the policy of the Board in this matter the last sentence of the second paragraph of the regulation has been amended to read as follows:

'No director of a Federal Reserve bank shall serve as a director of a branch of the bank during the period of his service as a director of the Federal Reserve bank.'

"A copy of the amended regulation is attached to this letter."

Approved unanimously.

Letter to Mr. Post, Secretary of the Federal Reserve Bank of Philadelphia, reading as follows:

"This refers to your letter of August 15, 1939, with enclosures, suggesting certain changes in the procedure for the election of directors of your bank.

"As you know, the procedure and forms for elections of directors of Federal Reserve banks have, with some exceptions, been generally uniform throughout the System

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"for a number of years, and continued substantial uniformity in this matter would seem desirable. The Board is interested, however, in the changes which you suggest that are intended to encourage participation in the elections by member banks, and it appears that in general the modifications suggested would not drastically change the election procedure or forms now in effect. Accordingly, if the Chairman of your bank is willing to do so, the Board has no objection to a trial of the revised procedure at the forthcoming elections this Fall. If this course should be decided upon, it is suggested that the results of your experience with the revised procedure at the forthcoming elections be transmitted to the Board of Governors and, through the Chairman of your bank, to the Chairmen of the other Federal Reserve banks in order that the matter may be considered at the next ensuing conference of the Chairmen, with a view to determining whether or not a revision of the procedure at all of the Federal Reserve banks should be recommended to the Board of Governors for its consideration.

"While it is not our purpose to undertake to offer detailed suggestions as to the suggested revision of the forms and procedure, one or two points may be mentioned for your consideration. The second paragraph of the proposed circular dated September 11, 1939, states that six of the nine directors of a reserve bank 'represent the member banks' and are elected by them. You may wish to consider rewording this sentence to eliminate the statement that the directors represent the member banks. In the same circular it is possible that you may wish to reword the statement that nominations must be made and submitted before October 18, in order to make it clear whether it is intended that they must be actually received by the Chairman before that date. Attention is also invited to the fact that there may be some inconsistency in the last sentence on the front of the 'voting envelope' and the last two sentences of the proposed circular dated September 11, 1939."

Approved unanimously.

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

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"This is in response to your letter of August 8, 1939, regarding the proposed payment of a fee of \$2,000 to Mr. Edward J. Smith, of Nashville, Tennessee, for his legal services in connection with the case of University of the South v. Nashville Branch, Federal Reserve Bank of Atlanta.

"With the understanding that this case has been finally disposed of favorably to the Federal Reserve Bank, that the proposed fee covers all of Mr. Smith's services in connection with the case, and that, upon your recommendation, the payment of the fee has been authorized by the executive committee of the Federal Reserve Bank of Atlanta, subject to the approval of the Board of Governors, the Board of Governors has approved the payment of such fee."

Approved unanimously.

Letter to Mr. Clerk, First Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to your letter of August 26, 1939, relating to the relationship between Utah Hotel Company and Utah Savings & Trust Company, both of Salt Lake City, Utah.

"Understanding that Corporation of the President of the Church of Jesus Christ of Latter-Day Saints owns a majority of the stock of Utah Savings & Trust Company and Utah Hotel Company, the Board concurs in your opinion that the latter is an affiliate of the bank, and this, of course, is likewise true of the other corporations of which Corporation of the President of the Church of Jesus Christ of Latter-Day Saints owns a majority of the stock. If indebtedness of Utah Hotel Company is carried as an asset on the bank's books at a value in excess of \$5,000 or 1 per cent of the bank's capital and surplus, whichever is smaller, on any report date or for more than six months in the twelve months preceding the report date, the bank will be required to submit and publish a report for such affiliate. The existence of affiliate relationships and the application of the Board's waiver of the requirement for reports of affiliates are not affected

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"by the fact that Corporation of the President of the Church of Jesus Christ of Latter-Day Saints is not a holding company affiliate for any purposes other than section 23A of the Federal Reserve Act.

"It is assumed that you have in mind the possibility that the bank's participation in the real estate mortgage loan to Utah Hotel Company may constitute a violation of the provisions of the second paragraph of section 23A of the Federal Reserve Act prescribing requirements with respect to security for loans to affiliates.

"In view of your comments with respect to affiliates of Utah State National Bank of Salt Lake City, Salt Lake City, Utah, your letter and this reply are being brought to the attention of the Comptroller of the Currency."

Approved unanimously.

Letter to the Comptroller of the Currency reading as follows:

"It is respectfully requested that you place a special order with the Bureau of Engraving and Printing, supplementing the order requested June 14, 1939, for the printing of Federal reserve notes of the 1934 Series in the amounts and denominations stated for the Federal Reserve Bank of New York:

Denomination	Number of sheets	Amount
\$50	60,000	\$36,000,000
100	30,000	36,000,000
500	6,000	36,000,000
1000	4,000	48,000,000
5000	200	12,000,000
10000	50	6,000,000"

Approved unanimously.

Letter to Mr. A. N. Wall, President of the Farmers National Bank of Sparta, Sparta, Wisconsin, reading as follows:

"A copy of your letter of August 9, 1939, addressed to the Chief National Bank Examiner of your district, regarding the question whether certificates of deposit maturing on Sunday may be renewed or paid on the previous day, has been referred to the Board of Governors of the

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"Federal Reserve System by the office of the Comptroller of the Currency.

"The Board of Governors, in a ruling published at page 609 of the 1934 Federal Reserve Bulletin, declared that there is no provision of law which would preclude the renewal of a time certificate of deposit prior to the date of its maturity, dating the new certificate as of the date of maturity of the original certificate.

"When the maturity of a certificate of deposit falls on a Sunday, the date on which it is due and payable is to be determined by State law. It is our understanding that, under the statutes of Wisconsin, negotiable paper maturing on a Sunday or on a holiday becomes due on the succeeding secular or business day and, accordingly, if this is correct, under section 4 of the Board's Regulation Q, a copy of which is enclosed, a member bank of the Federal Reserve System located in Wisconsin may not pay a time certificate of deposit having such a maturity until the next succeeding secular or business day, except in the circumstances specified in the regulation.

"If you have any further questions regarding this matter, or any similar matter, it is suggested that you communicate with the Federal Reserve Bank of Chicago."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. C. ...
Chairman.