

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, September 16, 1939, at 10:30 a.m.

PRESENT: Mr. Ransom, Vice Chairman  
Mr. Szymczak  
Mr. McKee  
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 meeting of the Board of Governors of the Federal Reserve System held on September 15, 1939, were approved unanimously.

Telegram to Mr. Fleming, President of the Federal Reserve Bank of Cleveland, advising of the approval by the Board of the establishment without change at the Federal Reserve Bank of Cleveland of the rates of discount and purchase in the bank's existing schedule except that the Board approves a rate of 1-1/2 per cent on advances to member and nonmember banks and a rate of 2-1/2 per cent on advances to lenders other than banks under the last paragraph of section 13, effective September 18, 1939.

Approved unanimously.

Memorandum dated September 13, 1939, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending

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that, for the reason stated in the memorandum, Miss Judith M. Fishburn be appointed on a temporary basis for a period of three months as a clerk in the Division, with salary at the rate of \$135 per month, effective as of the date upon which she enters upon the performance of her duties.

Approved unanimously.

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

"Acknowledgment is made of your letter of September 11, 1939, with respect to classification of member banks for the forthcoming regular election of Class A and Class B directors.

"In view of the statements made in your letter that the classification made in 1935 appears to have been satisfactory and that you have no changes to suggest, the Board does not contemplate making any changes this year in the classification of member banks in your district for electoral purposes."

Approved unanimously.

Letter to the board of directors of "The Peoples Savings Bank Company", Mt. Gilead, Ohio, 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 and furniture and fixtures.
- "5. Prior to admission to membership, such bank, if it has not already done so, shall charge off or

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"otherwise eliminate estimated losses of \$2,000 as shown in the report of examination of such bank as of August 21, 1939, made by an examiner for the Federal Reserve Bank of Cleveland."

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

Letter to the board of directors of the "Kentucky-Farmers Bank of Catlettsburg, Kentucky", Catlettsburg, Kentucky, 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 and furniture and fixtures.
- "5. Prior to admission to membership, such bank, if it has not already done so, shall dispose of any shares of its own stock which it may own."

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

"The Board of Governors of the Federal Reserve System approves the application of the 'Kentucky-Farmers Bank of Catlettsburg, Kentucky', Catlettsburg, Kentucky, 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 Director of



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"Banks for the Commonwealth of Kentucky for his information.

"Your counsel points out that under its articles of incorporation the bank possesses certain unusual powers, the exercise of which is apparently not restricted by the Kentucky statutes, and suggests that the Board may deem it desirable to impose some special condition of membership in relation to such powers. In cases where applying banks are not exercising any unusual powers, special conditions are not considered necessary inasmuch as the matter is covered by condition of membership numbered 1, but it is requested that you call the bank's attention to the fact that if it should hereafter desire to exercise any powers not actually exercised at the time of admission to membership it would be necessary under condition numbered 1 to obtain the Board's permission before exercising them."

Letter to the board of directors of the "Belington Bank", Belington, West Virginia, 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 Richmond:

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

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 'Belington Bank', Belington, West Virginia, 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

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"your files and the other of which you are requested to forward to the Commissioner of Banking for the State of West Virginia for his information.

"Losses classified in the report of examination for membership amounted to only \$132.03 and in view of the small amount a condition requiring their elimination as a prerequisite to membership has not been prescribed. Since the amount classified, however, represents expense items which are regarded as having been improperly capitalized, it is assumed that the matter of properly adjusting the accounts will be followed by your office."

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

"This refers to Mr. McRae's letter of July 17, 1939, relating to compliance by The Union and New Haven Trust Company, New Haven, Connecticut, with the condition of membership requiring it to pledge securities with its trust department to secure trust funds deposited by it in its own banking department.

"It is noted that the Attorney General of the State of Connecticut recently expressed the opinion that it is an open question whether the pledge of securities by The Union and New Haven Trust Company for the purpose of complying with such condition of membership is valid and that your counsel is of the opinion that the Connecticut Supreme Court would be more apt to sustain than to deny the validity of the pledge in the event of the bank's insolvency.

"In view of the uncertainty with respect to the validity of the pledge of securities by The Union and New Haven Trust Company and by The Brooks Bank and Trust Company, Torrington, Connecticut, and The Waterbury Trust Company, Waterbury, Connecticut, which are subject to the same condition of membership, the situation with respect to compliance with the condition of membership is quite unsatisfactory. However, in the circumstances, the Board will not request you to take any further action with respect to the matter at this time except to urge the banks to endeavor to obtain legislation clarifying the situation at the earliest practicable date and to cooperate with the banks to that end."

Approved unanimously.

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Thereupon the meeting adjourned.

Chester Morris  
Secretary.

Approved:

Howard Hanson  
Vice Chairman.