

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, October 16, 1939, at 2:30 p.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 October 14, 1939, were approved unanimously.

Memorandum dated October 10, 1939, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending, for the reason stated in the memorandum, that Philip M. Kaiser be appointed on a permanent basis as an economic assistant in the Division, with salary at the rate of \$2,400 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.

Memorandum dated October 12, 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, who is at present employed on a temporary basis as a clerk in the Division, be appointed on a permanent basis, with salary at the rate of \$1,800 per annum, effective as of October 16, 1939, subject to her passing satisfactorily the usual physical examination.

Approved unanimously.

Memorandum dated October 13, 1939, from Chairman Eccles to all division heads reading as follows:

"Reference is made to my memorandum to division heads dated February 4, 1936, setting forth the procedure to be followed thereafter in connection with all applications for employment by the Board and recommendations submitted to the Board as to appointments. Since that memorandum was written the Board has received several recommendations for the employment of persons from the outside to fill vacancies when it might have been possible upon thorough investigation to fill the vacancies with qualified persons already in the Board's employ. These incidents have suggested the advisability of expanding the instructions contained in the foregoing memorandum to make it entirely clear that it is the policy of the Board that promotions be made from within the organization, even if they involve a transfer from one division to another, in preference to employing people from the outside, whenever there is some person within the organization who could qualify to fill the vacant position.

"I stated in my memorandum of February 4, 1936 that 'the Board has placed on the head of each division the responsibility of making his selections solely on the basis of merit and only of the persons shown to be the best qualified to fill the positions after a thorough canvass of all persons known to be available. Therefore, when it appears that there is likely to be a need in his division for filling a particular position he will be expected to review all applications for appointment to such a position which have been filed at least within the preceding six months.' Hereafter a division head

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"who is confronted with the problem of filling a vacancy or of employing additional people will be expected to consult with other division heads and to canvass the existing organization carefully before recommending persons on the outside. Strict adherence to this procedure will constitute an important contribution to maintaining a high morale within the organization and make it possible more generally for the Board to obtain the practical benefit of the training and experience of existing employees.

"In the future, therefore, memoranda recommending to the Board the employment of persons from the outside should not only state that the person recommended is the best qualified for the position of all available applicants but should state there is no person already in the Board's employ available for promotion who could fill the position equally as well."

Approved unanimously.

Telegram dated October 14, 1939, to Mr. Swanson, Vice President of the Federal Reserve Bank of Minneapolis, reading as follows:

"In accordance with your recommendation, Board extends to November 15, 1939, time within which 'State Bank of Rockville', Rockville, Minnesota, may accomplish membership in the System."

Approved unanimously.

Letter to the Secretary of State, reading as follows:

"The National City Bank of New York has made application to the Board of Governors of the Federal Reserve System for permission to establish a new branch office in Shanghai, China, to supplement the facilities of the existing branch. In view of the situation existing in Shanghai, the Board of Governors will appreciate your advice as to whether the Department of State has any reason for feeling that the permission applied for should not be granted.

"For some years the National City Bank of New York has maintained a branch in Shanghai at 1-A Kiukiang Road and it is anticipated that the new branch, to be operated

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"as a sub-branch, will be located approximately at the intersection of Route Cardinal Mercier and Rue de Bourgeat, which the Board of Governors understands is in the French Concession and accessible to the shopping and residential district of the city.

"It is stated that the facilities of the Shanghai branch have been heavily burdened due to the increases in armed forces, influx of refugees and for other reasons due to disturbed conditions, and in the circumstances, have proved to be inadequate. The additional office is said to be needed to relieve the existing branch of the present heavy volume of routine transactions thus enabling it to more efficiently conduct its commercial banking business. It is also stated that the business risk at Shanghai will not be increased by the opening of the proposed new branch since it is not being opened for the purpose of soliciting new business but to provide more adequate facilities for handling existing business.

"It is understood that Mr. W. W. Lancaster of Shearman and Sterling has brought to the attention of Under Secretary Welles the desire of the bank to establish the additional branch heretofore mentioned."

Approved unanimously, together with
a letter to Mr. Preston Delano, Comptroller
of the Currency, reading as follows:

"The National City Bank of New York has made application to the Board of Governors of the Federal Reserve System, pursuant to the provisions of section 25 of the Federal Reserve Act, for permission to establish an additional branch in Shanghai, China, to supplement the facilities of the existing branch.

"The bank states that the facilities of the present Shanghai branch are so overtaxed that the establishment of another office to be operated as a sub-branch in the shopping and residential section of the city has become desirable. It is stated that the bank's business risk will not be increased by the opening of the proposed new branch since it is not being opened for the purpose of soliciting new business but to handle existing business and relieve the present branch of numerous transactions so as to permit it to more efficiently conduct its commercial banking business.

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"The Federal Reserve Bank of New York recommends that the application be approved and it will be appreciated if you will advise whether you know of any objection to the granting of the permission applied for."

Letter to "The National Bank of Waterloo", Waterloo, Iowa, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Iowa, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously.

Letter to Mr. E. Jay Dittmar, Assistant Secretary, Wirt G. Bowman Investment Company, Inc., Nogales, Arizona, reading as follows:

"This refers to your request that the Board determine that your company is not engaged as a business in holding the stock of, or managing or controlling, banks.

"The Board understands that your company was organized for the purpose of placing certain property jointly owned by Wirt G. Bowman and Magdalena J. Bowman in trust for the benefit of their daughters; that a large part of the assets of your company consists of a hotel, a drugstore, apartment houses, and other real estate; that it owns or controls 689 of the 1,000 outstanding shares of stock of The First National Bank, Nogales, Arizona; and

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"that your company does not own or control any stock of, or manage or control, any bank other than The First National Bank, Nogales, Arizona.

"In view of these facts, the Board has determined that your company is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of section 2(c) of the Banking Act of 1933, as amended, and, therefore, it is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act.

"If, however, the facts should at any time differ from those set out above to an extent which would indicate that your company might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to make a further determination at any time on the basis of the then existing facts."

Approved unanimously.

Memorandum dated October 10, 1939, from Mr. Morrill stating that a review of the budgets of the Board Members' offices and the Secretary's office indicated that the funds available for expenditures during the remaining quarter of the current year for non-personal services were running low in several accounts and that in order to avoid the necessity for submitting a number of memoranda to the Board requesting increased authorization as the available funds in each account are exhausted it was recommended that the Board authorize an increase in the budget for Board members' offices of \$3,450 and an increase in the budget for the Secretary's office of \$575. There was attached to the memorandum a statement showing in detail the individual budget classifications involved, together with explanations of the increases recommended.

The recommendation was approved unanimously.

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Thereupon the meeting adjourned.

Chester Morley
Secretary.

Approved:

W. C. ...
Chairman.