

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, October 20, 1939, at 11:30 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 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 October 19, 1939, were approved unanimously.

Telegrams to Messrs. Kimball and Post, Secretaries of the Federal Reserve Banks of New York and Philadelphia, respectively, Mr. Olson, Assistant Secretary of the Federal Reserve Bank of Chicago, 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 October 17, by the Federal Reserve Banks of New York, Chicago and San Francisco on October 19, 1939, and by the Federal Reserve Bank of Philadelphia today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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Letter to the board of directors of the "Fidelity State Bank", Minneapolis, Minnesota, 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 Minneapolis:

- "4. Such bank shall make adequate provision for depreciation in its furniture and fixtures.
- "5. Prior to admission to membership, the capital of such bank shall have been increased to not less than \$100,000."

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

"The Board of Governors of the Federal Reserve System approves the application of the 'Fidelity State Bank', Minneapolis, Minnesota, 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 Acting Commissioner of Banks for the State of Minnesota for his information.

"In view of the fact that estimated losses classified in the report of examination for membership were only nominal in amount, the usual condition of membership regarding the elimination of estimated losses has not been prescribed.

"It has been noted that the rapid increase in deposits which the bank has been experiencing during the past few years has resulted in a diminishing ratio of capital account to deposits and the question of the adequacy of the capital has been the subject of discussion between the bank and the supervising examiner for the

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"Federal Deposit Insurance Corporation. The matter was also discussed between the bank and your office in connection with the application for membership and assurances were given that earnings of the bank would continue to be conserved for the purpose of strengthening the capital. It is assumed in this connection of course that the bank's particular attention has been called to the provisions of condition of membership numbered 2 and it pointed out that if deposits continue to increase and commensurate supporting capital cannot be provided out of earnings, other means of supplying the additional capital will be expected.

"Until further notice, the bank, if it becomes a member, may maintain the same reserves against net demand deposits and time deposits as are required to be maintained by banks not in reserve or central reserve cities.

"It is noted that your counsel has expressed the opinion that the 'liabilities exceed debt limit authorized by Articles of Incorporation as amended'. If in the light of this opinion, an amendment to the Articles of the bank is necessary, it is assumed that you will call the matter to the attention of the bank in order that appropriate action may be taken."

Letter to Mr. McCravey, Secretary of the Federal Reserve Bank of Atlanta, reading as follows:

"Reference is made to your letter of October 14, 1939, advising that the Board of Directors of your Bank at a meeting held on October 13, 1939, formally approved the holding of the regular November meeting of the Board at New Orleans on November 10 and 11, 1939, jointly with the Directors of the New Orleans Branch.

"It is noted that at that time the work in connection with air conditioning and modernizing the branch building will have been completed and that it is planned to give a dinner in the evening of November 10, to which will be invited a representative of each of the member banks in the New Orleans zone. The Board of Governors will interpose no objection to the holding of the joint meeting or to the expenditures incurred in connection with the giving of the dinner.



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"It is also noted that your directors would like to have present at the meeting as many members of the Board of Governors as may find it possible to attend. In this connection, it is understood from Mr. Parker's letter of September 26, 1939, that Mr. Neely will invite the members of the Board of Governors to be present at the meeting."

Approved unanimously.

Letter to Mr. Kimball, Secretary of the Federal Reserve Bank of New York, reading as follows:

"This refers to your letter of September 29, 1939, with enclosures, advising that the board of directors of the Federal Reserve Bank of New York, at a meeting on September 28, 1939, adopted certain amendments to the by-laws of the Buffalo Branch, subject to the approval of the Board of Governors.

"It is noted that Articles III and IV of the amended by-laws provide for the creation of an Executive Committee and a Discount Committee and that the only powers delegated to the Discount Committee are identical with powers delegated to the Executive Committee. It is also noted that the existing by-laws provide that directors shall receive, in addition to compensation of \$20 for each board or committee meeting, an allowance to cover actual necessary traveling expenses incident to attendance at such meetings, while the revised by-laws provide that they shall receive, in addition to the compensation specified, an allowance to cover 'expenses' incident to attendance at such meetings.

"It is observed that the by-laws of the Buffalo Branch, as revised, omit the requirement that amendments to such by-laws be approved by the Board of Governors and we have also noted the reasons for the omission of this requirement as set forth in the memorandum dated September 27, 1939, enclosed with your letter. In view of the provisions of section 3 of the Federal Reserve Act, it is the opinion of the Board of Governors, as indicated in its letter of January 26, 1939, S-143, that changes in the by-laws of the Buffalo Branch and all other branches of Federal Reserve banks should be approved by the Board of

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"Governors before becoming effective.

"You are advised that the Board of Governors approves the amendments to the by-laws of the Buffalo Branch as set forth in the enclosure with your letter of September 29, 1939, with the understanding, however, that any changes in such by-laws must be approved by the Board of Governors before becoming effective."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris  
Secretary.

Approved:

W. C. C. C.  
Chairman.