

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, October 25, 1939, at 11:30 a. m.

PRESENT: Mr. Eccles, Chairman  
Mr. Ransom, Vice Chairman  
Mr. Szymczak  
Mr. McKee  
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 23, 1939, were approved unanimously.

Letter to the board of directors of the "Bank of Phoebus", Phoebus, Virginia, stating that, subject to conditions of membership numbered 1 to 4 and 6 contained in the Board's Regulation H and the following additional 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 Richmond:

- "5. Such bank, except as permitted in the case of national banks exercising fiduciary powers, shall not invest collectively funds held by the bank as fiduciary and shall keep the securities and investments of each trust separate from those of all other trusts and separate also from the properties of the bank itself.
- "7. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures.

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"8. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$15,126.25, as shown in the report of examination of such bank as of September 18, 1939, made by an examiner for the Federal Reserve Bank of Richmond."

The letter also contained the following special comment:

"It appears that the bank possesses, but, at the time of its application for membership, was not exercising, certain powers not necessarily required in the conduct of a banking business, such as the power to guarantee the payment of bonds. Attention is invited to the fact that if the bank desires to exercise any powers not actually exercised at the time of admission to membership, it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before exercising them. In this connection, the Board understands that there has been no change in the scope of the corporate powers exercised by the bank since the date of its application for membership."

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 'Bank of Phoebus', Phoebus, 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 your files and the other of which you are requested to forward to the Commissioner of Banking for the Commonwealth of Virginia for his information.

"It has been noted that the bank is committed by formal resolution to the State department and the Federal Deposit Insurance Corporation to transfer not less than \$3,000 semiannually to a valuation reserve against a particular loan in the bank, the loan amounting to approximately \$12,900, and to limit to 6 per cent the

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"annual dividend rate until the loan has been fully covered by a valuation reserve, such commitment having been made precedent to obtaining approval of the recent retirement of the remaining amount of the bank's preferred stock outstanding. Compliance with the terms of the resolution will of course be expected and it is assumed that you will follow the matter."

Letter dated October 24, 1939, to Mr. Swanson, Vice President of the Federal Reserve Bank of Minneapolis, reading as follows:

"Reference is made to your analysis of the report of examination of the Security State Bank, Cannon Falls, Minnesota, as of September 20, 1939, wherein you recommend that compliance with condition of membership numbered 16 requiring annual depreciation in banking house and furniture and fixtures of 2 per cent and 10 per cent, respectively, be waived for the years 1938 and 1939.

"It appears that no provision has been made by the bank for depreciation on its banking house and furniture and fixtures since 1937, although during the years 1938 and 1939 improvements costing \$485 had been made to the banking house and charged to expenses. It has been noted also that the management of the bank proposes to depreciate each account \$50.00 before the close of the current period.

"In view of the improvements made on the banking premises, the bank's program of depreciation on fixed assets during the current period may be considered as substantial compliance with the condition of membership and no further action need be taken with respect thereto."

Approved unanimously.

Letter dated October 24, 1939, to Mr. Fletcher, Vice President of the Federal Reserve Bank of Cleveland, reading as follows:

"The Board of Governors of the Federal Reserve System has considered the recommendation of the Executive Committee of your bank, contained in your letter of October 14, 1939, and, pursuant to the provisions of Section 19 of the Federal Reserve Act, grants permission to The Iron and Glass Dollar Savings Bank of Birmingham, Pittsburgh, Pennsylvania, to maintain the same reserves against

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"net demand deposits and time deposits as are required to be maintained by member banks not in central reserve or reserve cities, effective with the first semimonthly reserve computation period beginning after the date of this letter.

"Please advise the bank of the Board's action in this matter, calling its attention to the fact that such permission is subject to revocation at any time by the Board of Governors."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie  
Secretary.

Approved:

W. C. Coates  
Chairman.