

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, November 8, 1939, at 11:30 a. m.

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

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 November 7, 1939, were approved unanimously.

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

"Reference is made to your letter of October 25 to Mr. Paulger recommending the Board's approval of the issuance of an examiner's commission to W. W. Turner, an employee of the Reserve Bank.

"You state that Mr. Turner will handle the report division of the examination department, represent the Reserve Bank at group meetings, and assist in examinations of banks in Chicago and nearby points. It seems apparent, therefore, that he would not be regarded as an examiner regularly engaged in examination work and in assuming charge of examinations, but that he would be regarded as the senior man in the report division.

"The Board feels that commissions as 'Examiner' or 'Assistant Examiner' should be issued only to those regularly engaged in examination work and consequently is not approving the designation of Mr. Turner as an 'Examiner'. The Board does approve, however, the designation of Mr. Turner as a 'Special Examiner', with the

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"understanding that his participation in examinations will be to the limited extent indicated in your letter and that he will not be transferred permanently to examining work without the Board's approval. While Mr. Turner's designation as a temporary assistant examiner has already been approved by the Board, that service contemplated only clerical assistance in examinations, and the designation of Special Examiner would seem to be more appropriate in view of his credit experience and your comments regarding his competence to examine loan and investment portfolios.

"If the Bank's personnel classification plan does not already provide for the position to be occupied by Mr. Turner, it is suggested that a Form A page be submitted to the Board for approval covering such position. The maximum salary for the position should be fixed in an amount commensurate with the worth of the position irrespective of the salary now received by Mr. Turner which has heretofore been approved by the Board."

Approved unanimously.

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

"Reference is made to your letter of October 28, 1939, with respect to the request of the management of the Zapp State Bank, St. Cloud, Minnesota, that further depreciation on its banking house be not required at this time.

"Condition numbered 4 prescribed in connection with admission of the bank to membership on June 16, 1938, provides that 'such bank shall make adequate provision for depreciation in its banking house'.

"While the bank has made no provision for depreciation in its banking house since admission to membership, it appears that in the past the carrying value has been written down from a cost of \$45,000 in 1913 to a present carrying value of \$25,000 and that furniture and fixtures have been fully charged off. According to the report of examination of the bank as of September 30, 1939, the estimated value of the banking property is reported as \$13,000 for the land and \$27,000 for the building, making a total of \$40,000.

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"Conditions of membership such as that here in question are prescribed generally in order to promote sound policies with respect to depreciation in fixed assets but requirements as to provision for specific minimum amounts of depreciation periodically have been purposely omitted from the conditions of membership for some time. The question as to what constitutes 'adequate provision' in any case depends, of course, upon all of the circumstances and, in view of the Federal Reserve banks' greater familiarity with particular situations, the Board must rely primarily upon them to exercise their judgment as to whether such provision has been made and to take appropriate action if it has not."

Approved unanimously.

Memorandum dated November 7, 1939, from Mr. Szymczak referring to the consideration at the meeting of the Board on November 22, 1938, of the memorandum prepared by Mr. Cagle, Assistant Chief of the Division of Examinations, under date of August 1, 1938, with respect to the surveys made of the bank examination departments of the respective Federal Reserve banks and to the request of the Board at that meeting that the Division of Examinations review the various survey reports and prepare, for consideration by the Board, a draft of letter to each Federal Reserve bank stating the action which it was felt should be taken to place the examination department in a position to discharge its responsibility effectively. Mr. Szymczak's memorandum stated that he had discussed the subject with the Division of Examinations on several occasions and it was decided to follow up the surveys during and after the regular examination of the Federal Reserve banks by having



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the examiner in charge discuss with the officers of the bank the various points raised in the survey as well as in the current examination. The memorandum stated further that seven of the Federal Reserve banks had been examined and this procedure followed with success, and that the Division of Examinations recommended, with the concurrence of Mr. Szymczak, that the same procedure be followed in the other five Federal Reserve banks.

The recommendation was approved unanimously, with the understanding that a report of the results of the discussions of the examiner in charge with the officers of each of the five remaining Federal Reserve banks will be submitted to the Board as a part of the report of examination or otherwise.

Letter to Mr. Walter Lichtenstein, Secretary of the Federal Advisory Council, reading as follows:

"I have your letter of November 4, from which I understand that the suggestion contained in the Board's letter of November 2 will be discussed at the November meeting of the Council and, therefore, that the procedure which has been followed for some time past will be observed in connection with this meeting. I am bringing your letter to the attention of the members of the Board.

"In accordance with your request, we are sending a copy of the new Mead Bill to each member of the Council and to you."

Approved unanimously.

Memorandum dated October 30, 1939, from Mr. Morrill submitting for approval by the Board drafts of entries for the policy record required by section 10 of the Federal Reserve Act to be kept by the Board

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covering actions taken by the Board as shown below:

April 6, 1939. Repeal of Regulation G, Rediscount of Notes Secured by Adjusted Service Certificates.

May 9, 1939. Amendment of Regulation T, Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges.

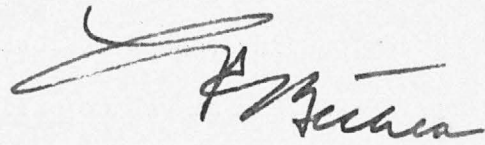
June 23, 1939. Amendment of Regulation O, Loans to Executive Officers of Member Banks.

Approved unanimously.

Mr. Bethea suggested that the Board assume the cost of luncheons served five members of the Rural Credit Committee of the American Farm Bureau Federation in the Board's dining room today.

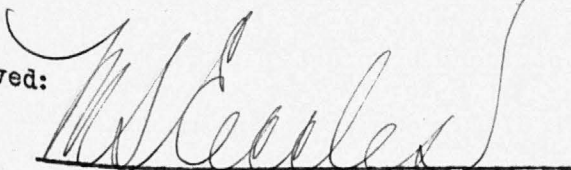
Approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Chairman.