

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, November 21, 1939, at 12:30 p.m.

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

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 November 8, 1939, were approved unanimously.

The minutes of the meetings of the Board of Governors of the Federal Reserve System held on November 10, 13, 15, 16, 17 and 18, 1939, were approved and the actions recorded therein were ratified unanimously.

Memorandum dated November 16, 1939, from Mr. Morrill recommending, for the reasons stated in the memorandum, (1) that Harry E. Kern, porter, be promoted to the position of elevator operator, with salary at the rate of \$1,200 per annum, effective December 1, 1939; (2) that Walker Harry Sexton, Michael Morley and Calvin Wesley Spargo be appointed as porters in the Secretary's Office, with salary at the rate of \$1,080 per annum for Messrs. Sexton and Morley and \$1,200 per annum for Mr. Spargo, effective as of the date upon which they enter upon the performance of their duties after having passed satisfactorily the usual

11/21/39

-2-

physical examination; (3) that effective immediately, the title of Lafayette Washington be changed from porter to messenger, with no change in his present salary; (4) that John Blash, porter, be promoted to the position of apprentice mechanic, with salary at the rate of \$1,320 per annum, effective as of December 1, 1939; and (5) that Percy C. Riston, porter, be promoted to the position of assistant supervising janitor, with salary at the rate of \$1,320 per annum, effective as of December 1, 1939.

The recommendations were approved unanimously.

Letter to the organization committee of the "Pine Lawn Bank and Trust Company", Pine Lawn, Missouri, stating that, subject to conditions of membership numbered 1 to 6 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 St. Louis, effective if and when the bank is duly authorized to commence business by the appropriate State authorities:

- "7. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures.
- "8. At the time of its admission to membership, such bank shall have paid-up and unimpaired capital of not less than \$50,000 and a surplus of not less than \$50,000, and shall have assets and liabilities substantially the same in amount and character (with due allowance for changes arising from the ordinary course of business) as shown in the copy of its

11/21/39

-3-

statement of condition as of October 31, 1939, submitted to the Federal Reserve Bank of St. Louis in connection with the application for membership."

The letter also contained the following special comments:

"Since the application for membership was made on behalf of the Pine Lawn Bank and Trust Company prior to its organization, it is requested that, in connection with the acceptance of the conditions of membership prescribed by the Board, the board of directors of the new bank ratify the action which has been taken in its behalf in making application for membership in the Federal Reserve System.

"It appears that Pine Lawn Bank and Trust Company will possess powers which are not now exercised by Pine Lawn Bank and are not usual to commercial banking and the application of the new institution for membership has been approved with the understanding expressed in Mr. Dodd's letter of November 8, 1939, to the Federal Reserve Bank of St. Louis that the only additional powers to be exercised by the new institution are those necessary in the operation of an insurance agency and the performance of fiduciary functions and that any further expansion of the powers exercised will require the Board's approval under the provisions of condition of membership numbered 1."

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

"The Board of Governors of the Federal Reserve System approves the application made on behalf of the 'Pine Lawn Bank and Trust Company', Pine Lawn, Missouri, a new institution being organized to succeed the Pine Lawn Bank, for stock in the Federal Reserve Bank of St. Louis, effective if and when the successor bank is duly authorized to commence business by the appropriate State authorities, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the organizers of the proposed institution.

11/21/39

-4-

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 Finance for the State of Missouri for his information.

"Before issuing stock in the Federal Reserve Bank of St. Louis to the new institution, you are requested to satisfy yourself that its capital of \$50,000 has been paid in, and that the organization papers and all agreements and contracts entered into between it and the Pine Lawn Bank covering the purchase of assets from, and the assumption of liabilities of, that bank and any and all other agreements and contracts between such bank and the stockholders and/or directors or other individuals or concerns, incident to the organization of the new institution, have been considered by your counsel and that he is satisfied as to their legal aspects. It is requested that a copy of the opinion of your counsel given in this connection, together with copies of any such agreements and contracts and a copy of the bank's charter, be forwarded to the Board as soon as possible. It is requested also that the Board be furnished with a copy of the resolution of the board of directors of the new bank ratifying the action taken in its behalf in making application for membership in the Federal Reserve System.

"It has been noted that in the confidential section of the report of examination of the Pine Lawn Bank, as of March 21, 1939, the examiner commented as follows:

'....about one-third of the bank's deposits are public funds, postal savings, U. S. Government, and time deposits of other banks which are mostly interest bearing. When this matter was discussed, the President stated that he had in mind the increasing of postal savings and time deposits to other banks. The reason given for such expansion was that the bank is unable to supply through regular sources the demand for loans.'

11/21/39

-5-

"At the time of examination deposits included approximately \$95,000 represented by certificates of deposit issued to 19 banks. Following the examination, Mr. Hitt brought the matter to the attention of the directors of the bank and requested the bank to discontinue or substantially restrict the practice. In reply the directors agreed that the acceptance of such deposits in extraordinary amounts would constitute a serious hazard, but contended that they were maintaining what they believed to be a sound cash position and that they were not unduly extending their loans in accepting such deposits. They further advised that the deposits in question then aggregated 10 per cent of the total deposits of the bank and assured the Reserve Bank that such deposits would not be allowed to increase much beyond that proportion. In view of the fact that the deposits have been made possible by an unintended use of the insurance privilege, and since the stated purpose of the management in seeking such deposits, together with deposits of public funds, is to be able to accommodate the local demand for loans, it is assumed that you will follow the situation closely."

Letter to Mr. Harry R. Smith, President, American Institute of Banking, San Francisco, California, reading as follows:

"Referring to your letter of October 27, arrangements have been made to compile figures of the number of officers and employees of State bank members of the Federal Reserve System as of June 30, 1939, by States, counties, and cities with a population of over 10,000, in accordance with the sample form enclosed with your letter. The material will be sent to you as soon as the compilations have been completed."

Approved unanimously.

11/21/39

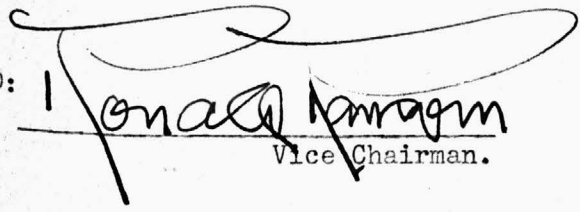
-6-

Thereupon the meeting adjourned.



Assistant Secretary.

APPROVED:



Vice Chairman.