

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, December 6, 1939, at 9:45 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 December 5, 1939, were approved unanimously.

Letter to Mr. Fleming, President of the Federal Reserve Bank of Cleveland, reading as follows:

"In accordance with the request contained in your letter of November 28, the Board approves the appointments of Harper J. Endsley, Alfred L. Jones, George T. Quast, Earl E. Steehler and Ben McEnteer, jr., as assistant examiners for the Federal Reserve Bank of Cleveland.

"It has been noted that Mr. Endsley and Mr. Quast are indebted to a member bank in Cleveland, the indebtedness of the former being a mortgage loan of a sizeable amount and that of the latter improvement loans of a small amount. These appointments have been approved on the assumption that the amortization payments are being kept current, and will continue to be, and that their being indebted to the member bank will in no wise interfere with the discharge of their duties as assistant examiners nor cause any embarrassment to the Reserve Bank.

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"You state that no changes will be made at the present time in the salaries of the four men who are now employees of the Reserve Bank, but you do not state what their present salaries are, and it will be appreciated if you will advise us whether there have been any adjustments in the four salaries since your annual report the first of the year.

"It has been noted that photographs of the appointees will be forwarded as soon as they are available."

Approved unanimously.

Letter to the board of directors of the "Roachdale Bank and Trust Company", Roachdale, Indiana, stating that, subject to conditions of membership numbered 1 to 6 contained in the Board's Regulation H, 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 Chicago.

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

"The Board of Governors of the Federal Reserve System approves the application of the 'Roachdale Bank and Trust Company', Roachdale, Indiana, 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 Director, Department of Financial Institutions, for the State of Indiana for his information."

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"Since it is understood that in the State of Indiana, trust funds deposited in the banking department of a bank are preferred claims in event of liquidation of the bank, you are, of course, authorized to waive compliance with condition of membership numbered 6 until further notice in accordance with the general authorization previously granted by the Board with which you are familiar."

Letter to the board of directors of "The Bark River State Bank", Bark River, Michigan, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special condition, 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 banking house and furniture and fixtures."

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 Bark River State Bank', Bark River, Michigan, 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 State of Michigan for his information."



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"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."

Letter to the board of directors of the "South Range State Bank", South Range, Michigan, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special condition, 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 banking house and furniture and fixtures."

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 'South Range State Bank', South Range, Michigan, 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 State of Michigan for his information.

"It is understood that the personnel situation which the examiner commented upon in the confidential section of the report will be settled shortly, and it is assumed that, of course, your office will follow the matter to a conclusion."

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

"This refers to your letter of November 17 with regard to a contribution of \$7,070 made in 1933 by nine shareholders and directors to the Riceville State Bank, Riceville, Iowa, with the understanding that the contribution would be repaid before any dividends are paid by the bank. It is noted that on October 31, 1939 you again requested the subject bank to show its liability on the unpaid balance (\$6,183.01) of the contribution in future condition reports against item 33(b), 'Other obligations, not included in liabilities, which are subordinated to claims of depositors and other creditors', but that since then Mr. D. W. Bates, Superintendent of the Department of Banking of the State of Iowa, in his letter to you dated November 15, 1939, has raised the question whether, in all of the circumstances, the matter might not be handled in some other manner.

"The Board appreciates that, as Mr. Bates points out, the publication of the amount of the bank's subordinated obligations is not for the protection of depositors, but that it is to put prospective stockholders on notice that the net earnings of the bank will not be available for dividends until the subordinated obligations have been liquidated. As you know, however, item 33(b) was incorporated in the present form of condition report only after careful consideration had been given to the matter. The form also was submitted to the Executive Committee of the National Association of State Bank Supervisors, and that Committee after consideration decided to recommend it to all State banking departments. All State bank members with any subordinated obligations outstanding are now required to report the amount against item 33(b) of form F.R. 105, and the Board could not consistently waive the requirement for one bank without waiving it also for all other State bank members affected thereby. In the circumstances, and unless and until it should be decided that the bank is not in fact legally liable on the contribution in question, the unpaid balance thereof should be shown against item 33(b) of condition reports on form F.R. 105 and in statements published in accordance with form F. R. 105e."

Approved unanimously.

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Letter to the Presidents of all Federal Reserve banks, reading as follows:

"Pursuant to the Board's letter R-431 of March 22 the Federal Reserve banks filled in and returned to the Board copies of form F.R. 456 showing, for the year 1938, operating ratios and a few balance sheet figures for each of their member banks. Data from these forms were recorded on punched cards, from which various special distributions and averages were derived. Owing to unexpected difficulties in reconciling the reported figures and to the experimental character of this year's work, delays have been unavoidable and no report showing the results of the undertaking has been issued. However, some of the new averages and percentage distributions are summarized in a series of 50 condensed tables, three copies of which are enclosed. Analyses of these tables are under way.

"It is believed that further work along the lines of this year's undertaking is justified. Accordingly, a combination work sheet and reporting form, copy enclosed, has been prepared which provides space for all the ratios recommended by the Presidents' Conference Committee on Member Bank Operating Ratios as a result of a meeting of the Committee held at the Board's offices on November 13, 1939. Space is also provided on the form for several "optional" ratios for the use of such Reserve banks as may wish to compute them.

"A supply of the new forms (F.R. 456, revised) is being forwarded to you. It will be appreciated if, when your tabulations have been made, you will return the completed forms to the Board, by registered mail, for its temporary use. All of the ratios provided for on the work sheet are desired for the Board's tabulations except those marked "optional", which need not be computed unless your bank plans to use them. In case it is not convenient for your bank to use the form for work sheet purposes, no entries need be made in the first five columns of section A or the first two columns of section B. If it will not be practicable for your bank to lend the completed forms to the Board for a limited time early next spring, additional copies of the form will be provided in order that the data in section C and the last column of sections A and B may be entered and transmitted to the Board."



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"It is likely that machine tabulations and distributions will be made of the 1939 data. In that event, aggregates and averages of the individual ratios for the member banks in your district, by size groups, and by States if desired, could be furnished your bank within a reasonably short time after receipt of the individual reports in Washington, thereby making it unnecessary for your bank to calculate such averages. Please advise the Board if your bank will compute its own averages, or if you would like to have such averages computed here."

Approved unanimously.

Letter to Mr. Hamilton, President of the Federal Reserve Bank of Kansas City, reading as follows:

"This refers to your letter of November 17, 1939, enclosing a copy of a letter to the Postmaster at Kansas City regarding the possibility of obtaining reimbursement for part of the expenses incurred in connection with the operation of the contract postal station in the Federal Reserve bank building.

"While your letter has been read with much interest, it is doubtful whether it would be particularly helpful at this time for the Board to take the matter up with the Post Office Department. As you know, only about one-half of the Federal Reserve banks have post office stations in their buildings, and as far as we know no Federal Reserve bank gets reimbursement for any substantial portion of the expense of operating such stations.

"We shall be glad to discuss this matter with you further while you are in Washington attending the Presidents' Conference."

Approved unanimously.

Thereupon the meeting adjourned.

APPROVED:

W. C. C. C.  
Chairman.

Robert M. Muriel  
Secretary.