

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, December 16, 1939, at 10:30 a.m.

PRESENT: 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 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 December 15, 1939, were approved unanimously.

Letter to the board of directors of the "East Side Trust & Savings Bank", Chicago, Illinois, 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 Chicago:

- "4. Such bank shall make adequate provision for depreciation in its banking house."

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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 'East Side Trust & Savings Bank', Chicago, Illinois, 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 Auditor of Public Accounts for the State of Illinois for his information.

"It is assumed that the matter of reducing the excess balance carried with a nonmember bank to within statutory limits will be followed by your office."

Letter to the board of directors of the "Powder River County Bank", Broadus, Montana, 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 banking house and furniture and fixtures.
- "5. Such bank shall increase the number of its directors to not less than 5, the minimum number required in the case of all member banks under the provisions of Section 31 of the Banking Act of 1933, as amended."

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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 'Powder River County Bank', Broadus, Montana, 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 Superintendent of Banks for the State of Montana for his information.

"If practicable, the increase in the number of directors required by condition of membership numbered 5 should be effected prior to admission of the bank to membership. However, the Board will not object to the admission of the bank with only four directors provided steps will be taken promptly to increase the number to 5."

Letter to the board of directors of the "Schertz State Bank", Schertz, Texas, 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 Dallas:

- "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. Gilbert, President of the Federal Reserve Bank of Dallas, reading as follows:

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"The Board of Governors of the Federal Reserve System approves the application of the 'Schertz State Bank', Schertz, Texas, 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 Texas for his information.

"On the date of examination for membership the bank was carrying a balance in excess of 10 per cent of its capital and surplus with a nonmember bank. It is assumed that the management's attention has been or will be called to the fact that under the provisions of section 19 of the Federal Reserve Act the amount which a member bank may keep on deposit with a nonmember bank is limited to 10 per cent of its own capital and surplus.

"The papers submitted with the application did not include a copy of the form of capital debentures which the bank has outstanding to the Reconstruction Finance Corporation, and it will be appreciated if you will forward such a copy to the Board for its records."

Letter to Mr. N. C. Lenfestey, Cashier, The National City Bank of New York, New York, New York, reading as follows:

"This refers to your letter of December 6, 1939, transmitting an application of The National City Bank of New York for an extension until January 1, 1941 of the time within which the national bank may invest an additional amount up to \$1,000,000 in the stock of International Banking Corporation, a corporation which has entered into an agreement with the Board of Governors pursuant to the provisions of Section 25 of the Federal Reserve Act. It appears that the national bank, under the permission originally granted December 31, 1935 by the Board of Governors to invest additional amounts up to \$5,000,000 in the aggregate in stock of the Corporation, has so far invested \$4,000,000, and the permission for the investment of the remaining \$1,000,000 of the original authorization expires January 1, 1940.

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"Pursuant to such application, the Board of Governors of the Federal Reserve System hereby extends until January 1, 1941 the time within which The National City Bank of New York may invest, under the authorization originally granted December 31, 1935, additional amounts not exceeding \$1,000,000 in the aggregate in the stock of International Banking Corporation, provided, however, that the total investment of The National City Bank of New York in the stock of banks or banking corporations under the provisions of Section 25 of the Federal Reserve Act (including such \$1,000,000 or the portion thereof proposed to be invested) does not exceed 10 per centum of its paid-in capital stock and surplus at the time such additional investments of not exceeding \$1,000,000 are made.

"It will be appreciated if you will advise the Board of Governors through the Federal Reserve Bank of New York, of any investments made under the authorization above mentioned."

Approved unanimously, for transmission through the Federal Reserve Bank of New York.

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

"Reference is made to your letter of December 11, 1939, submitting for consideration the investment by 'The Farmers State Bank of Waupaca', Waupaca, Wisconsin, of \$29,000 in a bank building, which through inadvertence was not submitted to the Board in advance in accordance with the provisions of condition of membership numbered 8.

"It has been noted that in February 1938 the bank requested permission to invest \$50,000 in the purchase and alteration of the property which it was occupying under a lease and that you advised the bank that while you were unwilling to recommend such investment, consideration would be given to an investment not exceeding the bank's common capital of \$30,000. It appears that the bank proceeded with the purchase of the property and on October 2, 1939 completed the transaction

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"which resulted in an investment of \$29,000 in a banking house. In this connection, it has been noted in the report of examination of the bank, as of June 19, 1939, that \$5,002.91 was also expended to remodel the banking room which amount was charged to furniture and fixtures account.

"In view of all the circumstances and in accordance with your recommendation, the Board interposes no objection to the investment by The Farmers State Bank of Waupaca of the amount indicated in a banking house and it is requested that you advise the bank accordingly. It is suggested, also, that you acquaint the bank with the Board's views, with which you are familiar, with respect to making adequate provision for depreciation in banking quarters owned."

Approved unanimously.

Letter to Mr. Guy T. Helvering, Commissioner of Internal Revenue, reading as follows:

"This refers to your letter of December 4, 1939, (IT:P:T:3-RCD), relating to the procedure to be followed in connection with the issuance of certificates by the Board as required by section 26(d) of the Revenue Acts of 1936 and 1938 and the Internal Revenue Code with respect to the credit allowed holding company affiliates for income tax purposes.

"The procedure outlined in your letter is satisfactory to the Board and, upon receipt of advice that returns of tax-payers claiming the credit are available for inspection in Washington, the Board will apply to the Secretary of the Treasury for permission for its representatives to make such inspection.

"Your cooperation in this matter is appreciated."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

Mrs. J. J. M. M.
Member.

Chester H. Morrie
Secretary.