

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, January 22, 1940, at 11:30 a. m.

PRESENT: Mr. Eccles, Chairman
Mr. Szymczak
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:

Bonds, in the amount of \$10,000 each, executed under date of January 10, 1940, by Messrs. Carl Schelling as Assistant Federal Reserve Agent, W. R. Diercks as Alternate Assistant Federal Reserve Agent, and Bernard L. Raether as Federal Reserve Agent's Representative, and on January 12, 1940, by Mr. Robert E. Wood as Federal Reserve Agent, all at the Federal Reserve Bank of Chicago.

Approved unanimously.

Letter to Mr. Sinclair, President of the Federal Reserve Bank of Philadelphia, reading as follows:

"It is noted from your letter of January 17, 1940, that the bank plans to pay Mr. Warren F. Whittier, Class C director, who resides between 40 and 50 miles from Philadelphia, a per diem allowance of \$10.00 in addition to his fees for attending meetings of the Board of Directors and of the Executive Committee, and to reimburse him for his transportation expenses.

"The Board appreciates your bringing this matter to its attention and in view of the statements contained in

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"your letter interposes no objection to the payment of the above-mentioned per diem allowance to Mr. Whittier."

Approved unanimously.

Letter dated January 20, 1940, to the board of directors of the "Linden State Bank", Linden, Indiana, 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 and furniture and fixtures."

Approved unanimously for transmission through the Federal Reserve Bank of Chicago.

Letter to Mr. C. B. Upham, Deputy Comptroller of the Currency, reading as follows:

"This refers to your letter of January 6, 1939, inquiring as to the applicability of section 22(g) of the Federal Reserve Act and the Board's Regulation O to the indebtedness of Mr. Claus Ehlers, President of the First National Bank in Scribner, Nebraska.

"It appears from your letter that President Ehlers is directly indebted to his bank in the amount of \$2,650, which is the balance due on an obligation which he owed to the old First National Bank of Scribner, and which was acquired by the present institution when it took over the acceptable assets of the old bank on August 27, 1934. It also appears that the indirect indebtedness of President Ehlers in the amount of \$490 was incurred in August

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"1936. Your letter states that the direct indebtedness is apparently not considered a loan or extension of credit within the meaning of section 1(c)(iii) of Regulation O, and you inquire whether the additional indebtedness is held in violation of the law and the regulation or whether President Ehlers is entitled to incur an obligation up to and not exceeding \$2,500 in addition to the indebtedness amounting to \$2,650.

"Section 1(c)(iii) of Regulation O provides that the terms 'loan' and 'extension of credit' do not include 'the acquisition of any note, draft, bill of exchange, or other evidence of indebtedness, through a merger or consolidation of banks or a similar transaction by which a bank acquires assets and assumes liabilities of another bank or other organization,'

"Under section 22(g) of the Federal Reserve Act an executive officer, with the prior approval of a majority of the entire board of directors, may become indebted to his bank 'in an amount not exceeding \$2,500.' Section 3 of the Board's Regulation O provides, among other things, that the provisions of section 2 of the regulation shall not apply:

'(1) To any loan or extension of credit by a member bank, provided that, as a result of such loan or extension of credit, an executive officer of the member bank does not become indebted to it in an amount in excess of \$2,500'

"In the circumstances, it is the view of the Board of Governors that the indebtedness of President Ehlers in the amount of \$2,650, which was acquired by the First National Bank in Scribner from the old First National Bank of Scribner, is excepted from the prohibition of the law, but that any subsequently incurred addition to such indebtedness is not permissible under the law if such additional indebtedness increases the aggregate to an amount in excess of \$2,500. Accordingly, it is the view of the Board that the indirect indebtedness of President Ehlers in the amount of \$490 incurred in August 1936 is prohibited by the law.

"The above conclusion is predicated upon the assumption that President Ehlers is an executive officer of the bank within the meaning of the definition of that term as contained in the Board's Regulation O. There is some indication in your letter that President Ehlers may be

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"inactive. If it is provided by resolution of the board of directors or the bank's by-laws that President Ehlers is not authorized to participate in the operating management of the bank and he does not actually participate therein, then, of course, the provisions of the law and the Board's Regulation O would not be applicable to him."

Approved unanimously.

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

"There are enclosed a copy of a circular from the Director of the Bureau of the Budget to the heads of executive departments and a copy of a letter from Chairman of the Central Statistical Board to Chairman Eccles concerning the establishment of a quarterly reporting service to provide information on new, revised, or discontinued report forms of Federal agencies. Through this quarterly reporting service it is planned to keep up to date information such as that sent to us in August by the research department of your bank.

"The provisions in the circular of the Director of the Bureau of the Budget do not extend to the Federal Reserve System but we feel that the System should cooperate with the Bureau in this project. To facilitate the preparation of a quarterly report to the Bureau of the Budget covering the forms used by the System and also to provide for greater uniformity and value of statistics collected by the Federal Reserve banks, it is requested that hereafter you submit to the Board for advance approval any new or revised report forms proposed for regular use by your bank in obtaining data for statistical or research purposes from banks, individuals, business enterprises, and others, also any proposed discontinuance of regular report forms of a similar character now in use by your bank. Questionnaires intended for a single inquiry in connection with the program for expanding current business information need not have prior approval inasmuch as this might cause undue delay, but copies of such report forms should be sent to the Board. In acknowledging this letter, please advise what, if any, changes in regular report forms of this character were made during the three months ended December 31, 1939."

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Approved unanimously, and the Division of Research and Statistics was authorized to pass on forms used by the research departments of the banks for collecting statistics on trade and industry, with the understanding that doubtful cases and cases involving questions of System policy would be referred to the Board with recommendations.

Thereupon the meeting adjourned.

Robert Morrie
Secretary.

Approved:

W. S. C. C. C.

Chairman.