

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

PRESENT: Mr. Eccles, Chairman  
 Mr. Ransom, Vice Chairman  
 Mr. Szymczak  
 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 January 29, 1940, were approved unanimously.

Letter to Mr. Gidney, Vice President of the Federal Reserve Bank of New York, reading as follows:

"In accordance with the request contained in your letter of January 25 on the subject, the Board approves the proposed appointment of Eystein L. Anderson as an examiner for the Federal Reserve Bank of New York. Please advise us of the effective date."

Approved unanimously.

Letter to the board of directors of "The Sterling State Bank", Mt. Sterling, Ohio, 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

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membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Cleveland:

- "4. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures.
- "5. Prior to admission to membership, such bank if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$743.00, as shown in the report of examination of such bank as of November 28, 1939, made by an examiner for the Federal Reserve Bank of Cleveland."

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

"The Board of Governors of the Federal Reserve System approves the application of 'The Sterling State Bank', Mt. Sterling, Ohio, 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 Ohio for his information.

"It is understood that the criticized investment policies of the past have been discontinued by the bank and that definite steps are being taken, with the assistance of investment counsel, to effect needed improvements in the account without undue delay. It is assumed, of course, that the situation will be followed closely by your office."

Letter to the board of directors of "The First State Bank of Rankin", Rankin, 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

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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 for transmission through the Federal Reserve Bank of Dallas.

Telegram to Mr. Young, President of the Federal Reserve Bank of Boston, reading as follows:

"Relet twenty-fifth. In view of your recommendation and information submitted the Board will interpose no objection under the conditions of membership to the proposed purchase for \$135,000 of the property located at 513-519 Massachusetts Avenue and 12 Norfolk Street, Cambridge, Massachusetts, by the 'County Bank and Trust Company', Cambridge, Massachusetts, and the expenditure of not to exceed \$25,000 additional for alterations and improvements, provided the entire transaction is formally approved by the State Commissioner of Banks."

Approved unanimously.

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

"Reference is made to your analysis of the report of examination of the 'Sprague State Bank', Caledonia, Minnesota, as of November 25, 1939, wherein you recommend that compliance with condition of membership numbered 16 requiring annual depreciation in banking house and furniture and fixtures of 2 per cent and 10 per cent, respectively, be waived for the year 1938.

"It appears that no provision was made by the bank for depreciation on its banking house during the year 1938 although permanent improvements and repairs were made on the building at a cost of approximately \$3,700,

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"of which amount \$1,700 was capitalized and \$2,000 charged to expense. It has been noted also that during the year 1938 furniture and fixtures were depreciated \$200 whereas the minimum depreciation required under the condition of membership was \$300.

"According to the report of condition as of December 30, 1939, and the report of earnings and dividends for the period ending December 31, 1939, subsequent to the examination in November the bank charged off \$500 on account of depreciation in bank premises and \$300 account of depreciation in furniture and fixtures. It appears, therefore, that the question of proper provision for depreciation under the terms of condition of membership relates only to the year 1938.

"In view of your recommendation and the amount of improvements made on the banking premises which were not capitalized, no further action need be taken with respect to compliance with condition of membership numbered 16 for the year 1938.

"It has been noted that the bank has an investment of \$15,000 in City of Seattle Light and Power Bonds which is in excess of 10 per cent of the bank's capital and surplus. While no mention is made in the report regarding this excess investment, it is our understanding that the above bonds are not general obligations of the municipality and would be subject to the limitations and restrictions of Section 5136 U.S.R.S. In this connection your attention is directed to the ruling on page 16 of the consolidated issue of the bulletin of the Comptroller of the Currency dated January 1, 1938."

Approved unanimously.

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

"Reference is made to your letter of January 22, 1940, submitting for consideration as required by condition of membership numbered 8, the proposed expenditure by 'The Hutchinson State Bank', Hutchinson, Kansas, of between \$13,000 and \$22,000 for alterations and improvements in its bank building.

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"In accordance with your recommendation, the Board interposes no objection to the expenditure of the amount indicated. This action is taken with the expectation, of course, that the bank will make adequate provision for depreciation in its premises. Please advise the bank accordingly.

"No reference has been made as to the amount of depreciation to be taken on banking premises since it is felt that the determination of the appropriate amount to be provided is more properly an administrative matter to be left to the Federal Reserve banks in the regular discharge of their supervisory responsibilities."

Approved unanimously.

Memorandum dated January 19, 1940, 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 covering actions taken by the Board as shown below:

July 31, 1939.	Amendment of Regulation J, Check Clearing and Collection.
August 1, 1939.	Amendment of Regulation L, Interlocking Bank Directorates Under the Clayton Act.
August 25, 1939.	Reduction by the Federal Reserve Bank of New York in Rate on Advances to Nonmember Banks on Government Obligations.
September 1, 1939.	Advances by Federal Reserve Banks to Member and Nonmember Banks on Government Obligations.
November 7, 1939.	Amendment of Regulation F, Trust Powers of National Banks.
	Amendment of Regulation H, Membership of State Banking Institutions in the Federal Reserve System.

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December 26, 1939. Adoption of Regulation G, Collection  
of Noncash Items.

Approved unanimously.

Letter to Honorable W. J. Bulow, United States Senate, prepared  
for the signature of Chairman Eccles, and reading as follows:

"I have received your letter of January 26, 1940,  
enclosing a letter from Mr. Rex Terry, Cashier of The  
Fort Pierre National Bank, Fort Pierre, South Dakota,  
and a copy of his letter to the Federal Reserve Bank of  
Minneapolis, regarding the applicability of the Clayton  
Act to the service of Mr. Karl Goldsmith as a director  
of that bank and the Pierre National Bank, Pierre, South  
Dakota.

"As you know, the statute (U. S. Code, title 15, sec-  
tion 19) provides that no director of a member bank of the  
Federal Reserve System shall be a director of any other  
bank, with certain exceptions, one of the exceptions being  
where the places in which the two banks are situated are  
not 'contiguous or adjacent'. This is evidently the excep-  
tion to which Mr. Terry refers, and, as you will understand,  
the question whether it is applicable is a question of  
fact.

"Mr. Terry has taken the proper course in submitting  
the inquiry originally to the Federal Reserve Bank of Min-  
neapolis, which will be in a position to ascertain all the  
relevant facts. That Bank has forwarded Mr. Terry's letter  
to the Board, and in reply is being requested by wire to  
obtain the necessary information. I can therefore assure  
you that the matter is receiving the most careful consid-  
eration.

"As you requested, I am returning to you herewith the  
letters which you enclosed, and I have had copies made for  
the Board's files."

Approved unanimously, together with  
a telegram to Mr. Swanson, Vice President  
of the Federal Reserve Bank of Minneapolis,  
reading as follows:

"Relet January 25. If corporate limits of Pierre and  
Fort Pierre actually touch, they are contiguous and Clayton

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"Act prohibits interlocking directorate. Whether they are adjacent is a question which depends on existing facts, and it is suggested that your Bank ascertain all relevant information and consider question in light of footnote 8 in Regulation L. If you then decide to submit case to Board, please furnish such information together with your views. Suggest Goldsmith maintain present relationships pending ruling."

Thereupon the meeting adjourned.

Chester Morrill  
Secretary.

Approved:

W. Steeles  
Chairman.