

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, January 31, 1940, at 12:15 p.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 30, 1940, were approved unanimously.

Letter to Mr. Dillard, Secretary of the Federal Reserve Bank of Chicago, reading as follows:

"Referring to your letter of January 26, 1940, the Board of Governors approves the appointment of Messrs. Max Epstein, R. R. Monroe, G. Barret Moxley, Walter Harnischfeger, and Martin H. Kennelly as members of the Industrial Advisory Committee for the Seventh Federal Reserve District to serve for terms of one year each beginning March 1, 1940."

Approved unanimously.

Letter to the board of directors of the "First State Bank", Kerrville, Texas, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following

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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:

"The Board of Governors of the Federal Reserve System approves the application of the 'First State Bank', Kerrville, 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.

"It is assumed that your office will follow the matter of the bank's reducing to within statutory limits the excessive balance with a nonmember bank."

Letter to "The City National Bank of Colorado", Colorado City, Texas, reading as follows:

"This refers to the resolutions adopted on September 26, 1939, and January 9, 1940, by the board of directors of your bank, signifying the bank's desire to surrender its right to exercise fiduciary powers heretofore granted to it.

"The Board, understanding that your bank has never actually accepted or undertaken the exercise of any trust, has issued a formal certificate to your bank certifying that it is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act, as amended. This certificate is enclosed herewith.

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"In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Board of Governors of the Federal Reserve System to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) of the Federal Reserve Act or the regulations of the Board of Governors of the Federal Reserve System made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State or similar authorities for the protection of private or court trusts, and (3) shall not exercise any of the powers conferred by section 11(k) of the Federal Reserve Act except with the permission of the Board of Governors of the Federal Reserve System."

Approved unanimously.

Letter to Mr. E. W. Pollock, Cashier, The First National Bank and Trust Company, Tulsa, Oklahoma, reading as follows:

"We always welcome suggestions from the member banks of the Federal Reserve System and appreciate your letter of January 18, 1940, in which you suggest the possibility of a uniform size of paper for the regulations and general letters of the Board of Governors and the Federal Reserve banks.

"As you know, the regulations of the Board of Governors are now published on paper of uniform size. It is also the policy of the Board, with few exceptions, whenever a regulation is amended, to reprint the entire regulation. However, the size of the Board's regulations differs from the size of some of the circulars and general letters of the Federal Reserve Bank of Kansas City, and it is recognized that a uniform size for all of these documents would be much more convenient for the member banks and others using them.

"We are glad to advise you that steps are being taken to have the feasibility of your suggestion studied in consultation with the various Federal Reserve banks, and it is hoped that after investigation some way may be found to bring about a more convenient arrangement."

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Approved unanimously, together with
a letter to Mr. Harrison, Chairman of the
Presidents' Conference, reading as follows:

"There is enclosed herewith a copy of a letter received by the Board of Governors from the Cashier of The First National Bank and Trust Company of Tulsa, Oklahoma, suggesting the possibility of a uniform size of paper for the regulations, circulars, and general letters of the Board of Governors and the Federal Reserve banks. There is also enclosed a copy of the Board's reply.

"Feeling that the subject is one which is worthy of careful consideration, the Board would like to obtain the views of the Presidents' Conference as to the desirability and feasibility of the proposal and suggests that it be given consideration by the Conference.

"In order that the other Federal Reserve banks may be informed with respect to this matter, we are sending copies of this letter and of its enclosures to them."

Memorandum dated January 22, 1940, from Mr. Van Fossen, Assistant Chief of the Division of Bank Operations, recommending that Form F.R. 105 (Short form), report of condition of member banks, be amended in the manner indicated on the copy thereof attached to the memorandum. The memorandum stated that the proposed changes were not of substance but were designed to insure the correct reporting of items called for in Schedule D, Miscellaneous, and that it was understood from the office of the Comptroller of the Currency that similar changes will be made in the "short form" of call report to be used by national banks beginning with the spring call.

Approved unanimously.

Memorandum dated January 29, 1940, from Mr. Goldenweiser, Director of the Division of Research and Statistics, stating that

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in accordance with the provisions of the Board's letter of January 19, 1940 (S-200), the Federal Reserve Bank of Kansas City had requested permission to discontinue the report form used for collecting data on savings deposits and accounts from selected banks in the Tenth Federal Reserve District, and recommending that, for the reason stated in the memorandum, the request of the Kansas City bank be approved.

Approved unanimously.

Letter to Mr. Paddock, First Vice President of the Federal Reserve Bank of Boston, reading as follows:

"There is enclosed a copy of a letter dated January 20, 1940, from Mr. Cyrus Monroe, President of The Whitman National Bank, Whitman, Massachusetts, requesting special permission for Mr. Edwin W. Hunt, President of the Home National Bank of Brockton, Brockton, Massachusetts to continue under section 8 of the Clayton Act to serve as a director of The Whitman National Bank.

"Please ascertain such information as may be necessary and advise Mr. Monroe as to the applicability of the provisions of the Clayton Act and the Board's Regulation L to Mr. Hunt's services with these institutions. In this connection, your attention is directed to the fact that, although Mr. Monroe indicates that 'the town of Whitman and the city of Brockton are contiguous' in which case, of course, the relationship would be prohibited, it is possible that Mr. Monroe may be referring to 'the town of Whitman' in the sense of a township rather than a village or small city, since it appears that there is a city of that name in Massachusetts with a population of approximately 7600 which is situated within the town or township of Whitman. A map of the State of Massachusetts indicates that this city of Whitman and the city of Brockton are about five miles apart. As, of course, you know, the term 'town' as used in exception numbered 5 refers to a community such as a village or small city and not to a subdivision of a county known in various states by the

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"term town or township."

Approved unanimously.

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

"Reference is made to your letter of January 9, 1940, relative to the Clayton Act status of Mr. Adolph Held who is serving as a director of Hias Immigrant Bank and as a director and officer of The Amalgamated Bank of New York, and of Mr. Abraham Herman who is serving as a director and officer of Hias Immigrant Bank and as a director of The Pennsylvania Exchange Bank, all of New York, New York; and presenting for the consideration of the Board the question whether exception numbered (6) of section 8 of the Clayton Act is applicable to the services of Messrs. Held and Herman with these institutions.

"It is understood that Hias Immigrant Bank was organized in 1922 under the New York Banking Law, with general banking powers, under the sponsorship of the Hebrew Sheltering and Immigrant Aid Society; that 95 per cent of its stock is owned by the latter Society which is a social service organization, the budget of which is met by voluntary contributions; and that the purpose of the bank is to enable people living in the United States to bring a certain amount of relief to their relatives abroad through the medium of the Society. It is understood also that, although Hias Immigrant Bank is authorized under its charter to do a general banking business, it does not accept deposits and accordingly is not a member of the Federal Deposit Insurance Corporation, that it does not make loans, that the business transacted by it is on a non-profit basis, and that it is engaged exclusively in the transfer of funds abroad as an adjunct to the services performed by the Hebrew Sheltering and Immigrant Aid Society.

"With respect to the transmission of funds abroad, it is understood that it is the usual practice of Hias Immigrant Bank, where possible, to transmit funds abroad only in United States money; that it does not assist in the transmission of such funds if it has reason to believe that the transmission is for a commercial or

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"business purpose rather than for the purpose of personal assistance; that since September 1, 1939, the bank has not been transmitting United States money to Europe because it was understood to be practically impossible to get United States currency into the hands of possible recipients there; that, except with respect to the transmission of funds to recipients in Germany, the usual procedure of the bank has been about as follows: upon receipt of a particular sum of money in New York the bank requests a charitable organization located in the particular foreign country to pay that sum in United States currency to the designated recipient; the foreign organization then requests a bank in that country to pay such currency to the recipient or to furnish it with the currency to pay the recipient; the foreign bank instructs the organization to have the necessary amount credited to the account of the foreign bank with its New York correspondent, and the organization advises Hias Immigrant Bank accordingly; after receipt of advice of credit from its New York correspondent the foreign bank pays United States currency as requested by the charitable organization; Hias Immigrant Bank may pay a slight premium to the New York correspondent of the foreign bank or it may be allowed a slight discount, depending upon the cost of United States dollars in the particular country; and in payment for its services Hias Immigrant Bank collects a fee or charge from the transmitter.

"It is understood that, at the present time, Hias Immigrant Bank is transmitting funds only to Germany; and that with respect to the transmission of funds to recipients in Germany, because of the impossibility of arranging for the actual delivery of United States currency to persons in that country, due to German governmental restrictions, resort has been had to the transmission of 'benevolent marks', the use of which has been generally restricted to what might be described as non-commercial purposes; in such cases, the practice of Hias Immigrant Bank is to pay United States money to the New York correspondent of a German institution and request that the amount of 'benevolent marks' into which the United States money is convertible, be paid to the designated recipient. It appears also that the amount of 'benevolent marks' which may be paid to any recipient during any one month has been limited by governmental action to a relatively small amount; and that, although the only transfers now being effected by Hias Immigrant

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"Bank are minor ones to persons residing in Germany, the bank hopes to be able at some future date to resume its transmission services for the benefit of needy persons in other European countries.

"Although The Amalgamated Bank of New York and The Pennsylvania Exchange Bank, both of which are members of the Federal Reserve System, engage in a general banking business and, as a service to their customers, transmit money abroad, it is understood that their practice in this regard follows more closely that generally followed by commercial banks and is, accordingly, somewhat different from that followed by Hias Immigrant Bank. It is understood that, upon request of a customer, The Amalgamated Bank of New York issues its own draft payable in foreign money drawn on a foreign correspondent, or purchases a draft for the customer from one of the larger New York banks payable in foreign money drawn on its foreign correspondent; that The Pennsylvania Exchange Bank likewise purchases a draft for a customer from one of the larger New York banks payable in foreign money drawn on its foreign correspondent; that both member banks purchase on behalf of customers drafts payable in United States money drawn by other banking institutions in New York on their foreign correspondents; and that The Pennsylvania Exchange Bank issues, on behalf of American Express Company, drafts payable in United States money drawn on that Company's foreign correspondents; whereas Hias Immigrant Bank does not deal in foreign exchange, does not issue or purchase for its customers drafts payable in foreign money, and except with respect to the transmission of 'benevolent marks' to Germany as indicated above, arranges for payment to be made to persons abroad only in United States money.

"On the basis of the facts recited above, and bearing in mind the purpose of the Clayton Act, the circumstances under which Hias Immigrant Bank was organized, the purposes for which it is operated, the fact that it does not receive deposits nor make loans, the fact that it is a non-profit organization, and the fact that in the transfer of funds to foreign countries it employs methods different from those employed by The Amalgamated Bank of New York and The Pennsylvania Exchange Bank, it is the opinion of the Board that so long as Hias Immigrant Bank does not engage in any other banking activity

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"the services of Messrs. Held and Herman with Hias Immigrant Bank and with The Amalgamated Bank of New York and The Pennsylvania Exchange Bank, respectively, are subject to exception numbered (6) of section 8 of the Clayton Act. You will understand, of course, that if in the future the facts should change a different conclusion might be reached."

Approved unanimously.

Thereupon the meeting adjourned.

Cheser Moriel
Secretary.

Approved:

W. H. Eccles
Chairman.