

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, February 2, 1940, at 11:00 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
Mr. Thurston, Special Assistant to the
Chairman
Mr. Wyatt, General Counsel
Mr. Goldenweiser, Director of the Division
of Research and Statistics
Mr. Gardner, Senior Economist in the Division
of Research and Statistics

There was presented a memorandum dated January 31, 1940, from Mr. Van Fossen, Assistant Chief of the Division of Bank Operations, in which reference was made to a letter dated January 26 from First Vice President McLarin of the Federal Reserve Bank of Atlanta, requesting approval by the Board of changes in the personnel classification plan of the Atlanta bank to provide for the creation of the new positions of "Senior Bank Representative (Manager - Bank Relations Department)" at the head office and "Assistant Building Custodian and Mechanic" at the New Orleans branch, and for an increase in the maximum salary for the position of "Guard" at the Savannah Agency from \$12 to \$1,380 per annum. The salary of the guard at the Savannah Agency had been paid principally by the Savannah clearing house banks and he had been carried on the agency's payroll for the purpose of placing him under the bankers

2/2/40

-2-

blanket bond. Mr. McLarin's letter stated that it now appeared desirable to have the entire salary of the guard paid by the Reserve bank, thereby effecting a complete supervision of the position by the officers of the agency and clearing up a question of the employee's status under the Social Security Act.

Reference was made by some of the members of the Board to the question as to the justification for the retention of the Savannah Agency and there was agreement with the suggestion that in any event an increase in the cost of operating the agency at this time was not justified and that the proposed increase in the maximum salary for the guard should not be approved.

Mr. Szymczak moved that the Federal Reserve Bank of Atlanta be advised that the Board approves changes in the personnel classification plan of the bank to provide for the creation of the two new positions mentioned but disapproves the proposed change which would increase the maximum salary for the guard at the Savannah Agency.

Mr. Szymczak's motion was put by the chair and carried unanimously.

There were then presented telegrams to Mr. Young, President of the Federal Reserve Bank of Boston, and to Messrs. Kimball, Post, Hays, Dillard, Leedy and Hale, Secretaries of the Federal Reserve Banks of New York, Philadelphia, Cleveland, Chicago, Kansas City and San Francisco, respectively, stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on January 30, by the Federal Reserve Banks of New York, Cleveland, Chicago, Kansas City and

2/2/40

-3-

San Francisco on February 1, 1940, and by the Federal Reserve Banks of Boston and Philadelphia today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Mr. Morrill stated that Mr. Clerk, First Vice President of the Federal Reserve Bank of San Francisco, who was still in Washington, had been advised over the telephone by Mr. Day, President of the San Francisco bank, that O. K. Cushing, special counsel for the Bank of America National Trust & Savings Association, would leave San Francisco today for Washington and that arrangements had been made for him to confer with the Comptroller of the Currency on February 7, 1940.

Chairman Eccles stated that he had received an invitation this morning to attend a meeting this afternoon in the office of Mr. Bell, Under Secretary of the Treasury, with respect to the Bank of America National Trust & Savings Association.

It was understood that Messrs. Eccles and Morrill would attend the conference.

Mr. Gardner stated that in accordance with the understanding reached at the meeting with representatives of the Treasury on January 27, as set forth in the letter addressed to Mr. Berle, Assistant Secretary of State, under date of January 29, representatives of the Board (Messrs. Wyatt, Gardner, and Solomon) met with representatives of the Treasury for the purpose of considering changes in the draft of by-laws of the Inter-American Bank which would remove any implication that might

2/2/40

-4-

be drawn therefrom that the central banks of the interested countries were not arms of their respective Governments and, therefore, could not be the agencies of Government with which the ownership and direction of the Inter-American Bank could be placed. Mr. Gardner said that the representatives of the Board had objected particularly to the provisions of the proposed by-laws which would permit the Inter-American Bank to deal in drafts, acceptances, and other short-term paper only with the approval of the interested Government as to each transaction and only when the Paper was guaranteed by the Government and that when it was suggested that, in accordance with the agreement reached on January 27, the by-laws be amended to provide that the bank should be free to deal in central bank indorsed paper without Government approval or guarantee the representatives of the Treasury opposed the suggestion as being contrary to the agreement reached on January 27, that the whole matter was the subject of discussion at that and a subsequent meeting, and that the representatives of the Treasury were unwilling to surrender their position. Mr. Gardner added that the representatives of the Board made it clear that, while they would not bring up the points of difference between the representatives of the Treasury and the Board at the meeting of the subcommittee of the Inter-American Economic and Financial Advisory Committee, it was to be understood that the Board would be free to state its position when the time comes for the presentation and discussion of changes in the by-laws. In connection with this latter point Mr. Gardner stated that the document in its present form is merely tentative and, when passed

2/2/40

-5-

upon by the Inter-American Economic and Financial Advisory Committee, will be submitted to the interested Governments for their suggestions and that another opportunity will be afforded this Government to make changes, although it is the hope of the State Department that changes will be held to a minimum.

Mr. Gardner made a further statement that on the afternoon of the day on which the second meeting of the representatives of the Board and the Treasury was held a meeting of the subcommittee of the Inter-American Economic and Financial Advisory Committee was held at which the Chilean representative suggested that it would be better if, instead of requiring Government approval in each case of the acceptance of a deposit, the opening of a correspondent account, or an issue of debentures, the bank were authorized to engage in these activities provided the Governments do not object, and that this idea was adopted.

Mr. Goldenweiser stated that he had just talked over the telephone with Mr. Berle and that during the conversation he advised Mr. Berle of the status of the discussions with the Treasury representatives with respect to the proposed bank and stated that it was the Board's understanding that the draft of the by-laws would be submitted to the interested Governments and that the Board would have an opportunity to make suggestions for further changes when the suggestions submitted by other countries are considered so that the Board was not precluded in any way from making suggestions at an appropriate later time. Mr. Goldenweiser added that Mr. Berle responded that that was his understanding, that he would make a statement to that effect before the

2/2/40

-6-

meetings of the Inter-American Economic and Financial Advisory Committee are terminated, that this would give the Board an opportunity to work on the matter while it is being considered by other countries, but that he wanted to get the new bank in operation as soon as possible and would not encourage changes.

Chairman Eccles suggested that in giving further consideration to the matter the Board might wish to bring in Mr. Knoke, Vice President of the Federal Reserve Bank of New York, and possibly others from the Federal Reserve banks to assist the Board in preparing the changes in the by-laws which it will suggest.

Mr. Wyatt stated that it is now proposed to charter the bank under the laws of the United States which will require the enactment of special legislation by Congress. Mr. Goldenweiser added that if that is done the Board will then have an opportunity to state its position and that at the present time there appeared to be no further action required by the Board in connection with the matter.

At this point Messrs. Thurston, Wyatt, Goldenweiser and Gardner left the meeting and the action stated with respect to each of the matters hereinafter referred to was then taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on February 1, 1940, were approved unanimously.

Memorandum dated January 26, 1940, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that, for the reason stated in the memorandum, Mr. Edward Boorstein be appointed on a

2/2/40

-7-

temporary basis for a period of one year as an economic assistant in the Division, with salary at the rate of \$2,000 per annum, effective as of the date upon which he enters upon the performance of his duties. The memorandum stated that in view of the fact that Mr. Boorstein will probably be recommended for a permanent appointment at the expiration of his temporary appointment, it was requested that he now be permitted to become a member of the Retirement System of the Federal Reserve Banks.

Approved unanimously.

Memorandum dated January 30, 1940, from Mr. Paulger, Chief of the Division of Examinations, recommending that, for the reason stated in the memorandum, Harvey J. Wishart, Assistant Federal Reserve Examiner, be granted sick leave with pay (in addition to his accumulated sick leave amounting to $18\frac{1}{2}$ days and the 30 days advance sick leave allowable under the Board's leave regulation, all of which expired on January 24, 1940), from January 24, to March 1, 1940, or until such earlier date as he may be able to again resume his duties and that all advance sick leave granted to Mr. Wishart be not charged against future accumulated sick leave.

Approved unanimously.

Letter to the board of directors of the "Bank of Keytesville", Keytesville, Missouri, 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 St. Louis:

2/2/40

-8-

4. Such bank shall make adequate provision for depreciation in its furniture and fixtures.
5. Prior to admission to membership the capital of such bank shall have been increased to not less than \$25,000."

Approved unanimously for transmission through the Federal Reserve Bank of St. Louis.

Letter to the Federal Deposit Insurance Corporation, reading as follows:

"Pursuant to the provisions of section 12B of the Federal Reserve Act, as amended, the Board of Governors of the Federal Reserve System hereby certifies that the Nyack Bank and Trust Company, Nyack, New York, became a member of the Federal Reserve System on January 31, 1940 and is now a member of the System. The Board of Governors of the Federal Reserve System further hereby certifies that, in connection with the admission of such bank to membership in the Federal Reserve System, consideration was given to the following factors enumerated in subsection (g) of section 12B of the Federal Reserve Act:

1. The financial history and condition of the bank,
2. The adequacy of its capital structure,
3. Its future earnings prospects,
4. The general character of its management,
5. The convenience and needs of the community to be served by the bank, and
6. Whether or not its corporate powers are consistent with the purposes of section 12B of the Federal Reserve Act."

Approved unanimously.

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

"In order that we may bring our records on group and chain banking up to date as of December 31, 1939, it will be appreciated if you will kindly furnish us with statements showing:

1. The name and principal office of each group banking system with one or more banks in your district;

2/2/40

-9-

2. The name and location of each bank which on December 31, 1939 was a member of such group;
3. Changes, if any, in group banking in your district during the calendar year 1939, showing the name of the group and of the banks involved and the manner in which the bank became or ceased to be a member of the group; and
4. Statement showing data similar to items 1, 2, and 3 covering chain banking.

It is suggested that the statements be arranged so as to show, in the case of each group and chain, the names of national banks first, followed by the names of State member banks and nonmember banks, respectively.

"In determining whether or not a given bank should be regarded as a group or chain bank you should, of course, use as a guide the instructions given to you in Mr. Smead's letter of July 20, 1937 which requested a list of group and chain banks as of December 31, 1936."

Approved unanimously, together with similar letters to the Presidents of all other Federal Reserve banks.

Thereupon the meeting adjourned.

Robert Morrie
Secretary.

Approved:

W. S. Coates
Chairman.