

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, February 6, 1940, at 11:00 a. m.

PRESENT: Mr. Eccles, Chairman  
Mr. Ransom, Vice Chairman  
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 meetings of the Board of Governors of the Federal Reserve System held on February 2 and February 3, 1940, were approved unanimously.

Memorandum dated February 3, 1940, from Mr. Van Fossen, Assistant Chief of the Division of Bank Operations, submitting a letter dated January 24 from Mr. Hays, Assistant Vice President of the Federal Reserve Bank of Cleveland, which requested approval by the Board of a change in the personnel classification plan of the bank to provide for the reestablishment of the position of "Expense Ledger and Voucher Clerk" in the Expense Accounting Department, which position was removed from the bank's personnel classification plan in error in March 1939. The memorandum recommended that the proposed change be approved.

A letter dated February 5, 1940, to Mr. Hays advising of approval of the change was approved unanimously.

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Memorandum dated February 3, 1940, from Mr. Van Fossen, Assistant Chief of the Division of Bank Operations, submitting a letter dated January 29 from Mr. Powell, First Vice President of the Federal Reserve Bank of Minneapolis, which requested approval by the Board of a change in the personnel classification plan of the bank to provide for the creation of the new position of "Assistant Head of Department" in the Statistical Department. The memorandum recommended that the proposed change be approved.

Approved unanimously.

Letter to Mr. Smith, Assistant Cashier of the Federal Reserve Bank of Cleveland, reading as follows:

"Reference is made to your letter of January 19, 1940, with regard to the reserve for losses on industrial advances carried by the Federal Reserve Bank of Cleveland in the aggregate amount of \$40,000.

"Contingent upon similar action by the Board of Directors of the Federal Reserve Bank of Cleveland, the Board of Governors approves the transfer of excess reserves for losses on two industrial loans to the reserve carried against another loan. It is understood that after such adjustment total reserves for losses on industrial loans will be allocated as follows:

Ferro Machine & Foundry Company	\$23,000
Hamburger Distillery, Inc.	10,000
A. W. Smith Company	2,500
Universal Fittings & Scaffolding Company	4,500
	<u>\$40,000</u>

"In view of the Treasury Department's interest in industrial loan operations under section 13b of the Federal Reserve Act, the Board's Manual of Instructions Governing the Preparation of Earnings and Expense Reports and Profit and Loss Statements by the Federal Reserve Banks provides

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"on page 39 that reserves for estimated losses on industrial advances must be considered at all times as applicable to specific loans. Such reserves are set up with the approval of the board of directors of the bank and the Board of Governors. Accordingly, it is felt that the procedure suggested in the next to the last paragraph of your letter, under which you would from time to time make transfers of the reserves from one loan to another would not be permissible."

Approved unanimously.

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

"This refers to your letter of January 27 submitting a report of earnings and dividends (form F.R. 107) of the Powder River County Bank, Broadus, Montana.

"It is noted that the report covers the calendar year 1939, instead of the six months ended December 31, 1939 as required; that the subject bank became a member of the Federal Reserve System on December 29, 1939; that in submitting the report for the calendar year the cashier stated that he did not suppose it was necessary for him to make a report for last year, presumably because the bank was not admitted until late in the year; and that the cashier said that the books of the bank are closed only once a year.

"In the above circumstances and in view of your implied recommendation, the report for the calendar year 1939 may in this instance be accepted in lieu of the usual semi-annual report. It is assumed that you have called or will call the bank's attention to the fact that all State bank members are required to submit semi-annual reports of earnings and dividends, regardless of whether their books are closed semi-annually or annually."

Approved unanimously.



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Mr. Morrill suggested that the Board authorize the payment of the cost of the luncheon served to Mr. F. A. Amundson, Acting Commissioner of Banks for the State of Minnesota, in the Board's dining room yesterday.

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie  
Secretary.

Approved:

W. Steeles  
Chairman.