

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, February 12, 1940, at 11:30 a. m.

PRESENT: Mr. Eccles, Chairman  
Mr. Ransom, Vice Chairman  
Mr. Szymczak  
Mr. McKee  
Mr. Davis

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 meeting of the Board of Governors of the Federal Reserve System held on February 10, 1940, were approved unanimously.

Bonds, each in the amount of \$10,000, executed under date of January 31, 1940, by Messrs. George C. Brainard as Federal Reserve Agent, Norman R. Matter as Assistant Federal Reserve Agent and Elmer F. Fricke as Alternate Assistant Federal Reserve Agent, all at the Federal Reserve Bank of Cleveland.

Approved unanimously.

Memorandum dated February 7, 1940, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that, for the reason stated in the memorandum, Miss Melva R. Kaplan be appointed on a temporary basis for a period of three months as a clerk-stenographer in the Division, with salary at the rate of \$120 per

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month, effective as of the date upon which she enters upon the performance of her duties. The memorandum stated that in view of the fact that Miss Kaplan will probably be recommended for a permanent appointment at the expiration of her temporary appointment, it was requested that she now be permitted to become a member of the Retirement System of the Federal Reserve Banks.

Approved unanimously.

Memorandum dated February 8, 1940, from Mr. Van Fossen, Assistant Chief of the Division of Bank Operations, submitting a letter dated February 5 from Mr. Rounds, Vice President of the Federal Reserve Bank of New York, which requested approval by the Board of changes in the personnel classification plan of the bank to provide for the creation of the new positions of "Holdover Teller", Receiving Division, and "Assistant Currency Sorting Teller", Sorting and Counting Division, in the Cash Department; for changes in the title and maximum salary for the position of "Senior Clerk", Sorting and Counting Division, \$3,000 per annum, to "Fit Currency Teller", Sorting and Counting Division, \$3,500 per annum, and for a change from \$3,500 to \$2,220 per annum in the maximum salary for the position of "Senior Clerk", Paying Division, all in the Cash Department; for the combining of the positions of "Senior Receiving Teller" and "Receiving Teller" into "Senior Receiving Teller" and the two positions of "Assistant Receiving Teller" into one position of "Assistant Receiving Teller", with

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maximum salaries of \$3,500 and \$2,700 per annum, respectively; and for changes in the description of work for a number of other positions in the Cash Department. The memorandum stated that the proposed changes had been reviewed and recommended that they be approved.

Approved unanimously.

Letter to Mr. Wood, Chairman of the Federal Reserve Bank of Chicago, reading as follows:

"At the completion of the examination of the Federal Reserve Bank of Chicago, made as of November 18, 1939, by the Board's examiners, a copy of the report of examination was left for your information and the information of the directors. A copy was also furnished President Schaller.

"The report does not appear to contain any matters requiring further comment at this time. The Board will appreciate advice, however, that the report has been considered by the Board of Directors. Any comments you may care to offer regarding discussions with respect to the examination or as to action taken or to be taken as a result of the examination will also be appreciated."

Approved unanimously.

Letter to the "Osage Farmers National Bank", Osage, Iowa, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Iowa, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

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"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously.

Letter to Mr. McRae, Chief Examiner for the Federal Reserve Bank of Boston, reading as follows:

"This refers to your letter of January 25, 1940, requesting a ruling as to whether loans secured by shares of Federal savings and loan associations are subject to the provisions of section 11(m) of the Federal Reserve Act. You state that a State member bank in your district has made a loan secured exclusively by such shares which would be excessive if the provisions of section 11(m) are applicable.

"Among other things, section 11(m) authorizes the Board to fix for each Federal Reserve district the percentage of individual bank capital and surplus which may be represented by 'loans secured by stock or bond collateral' made by member banks within such district, and provides that:

' . . . no such loan shall be made by any such bank to any person in an amount in excess of 10 per centum of the unimpaired capital and surplus of such bank.'

Although shares of a Federal savings and loan association do not have all of the attributes of shares of stock of an ordinary corporation, it would seem that shares of such an association, particularly if such shares are paid up, so closely resemble the stock of an ordinary corporation that they should be regarded as stock for the purposes of section 11(m).

"In this connection, the Comptroller of the Currency has taken the position, for the purposes of section 5136 of the Revised Statutes, that a national bank has no power to 'deposit' funds with a Federal savings and loan association for the reason that such 'deposit' must be made in the form of a purchase of matured stock, and a national bank has no power to purchase stock of any kind, except where such purchase is expressly authorized by statute. The Board also has taken the position, in its letter of June 6, 1938 (S-100), that the provisions of section 5136 of

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"the Revised Statutes forbid the purchase by member banks of shares of stock of Federal savings and loan associations, and the exemptions stated in such section do not cover shares of stock of Federal savings and loan associations. Accordingly, it is the view of the Board that loans made by a member bank secured by shares of Federal savings and loan associations are subject to the provisions of section 11(m) of the Federal Reserve Act.

"In the circumstances, it is assumed that you will wish to take steps to have the member bank referred to in your letter bring its loan within the limitations of section 11(m) when it is practicable for it to do so."

Approved unanimously.

Memorandum dated February 8, 1940, from Mr. Bethea, Assistant Secretary, submitting for consideration by the Board a request from the Secret Service Division of the Treasury that the Board print for the Division 1,000,000 copies of a circular entitled "Know Your Money" to be distributed by the Division as a part of a current educational campaign as an aid to crime prevention and the suppression of counterfeiting. The reason for the request was that the Division did not have the necessary funds to have the circulars printed at its own expense. Mr. Bethea's memorandum recommended that the Board authorize the Secretary's Office to comply with the request as, if, and when the Board's printing facilities and duplicating force may be utilized for that purpose without detriment to the Board's work and with the understanding set forth in the memorandum.

Approved unanimously.

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Thereupon the meeting adjourned.

Chester Morrie  
Secretary.

Approved:

W. S. ...  
Chairman.