

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, March 5, 1940, at 12:50 p.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 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 March 4, 1940, were approved unanimously.

Letter to the board of directors of "The Bank of Monroe", Union, West Virginia, 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 for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Richmond:

- "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. Leach, President of the Federal Reserve Bank of Richmond, reading as follows:

3/5/40

-2-

"The Board of Governors of the Federal Reserve System approves the application of 'The Bank of Monroe', Union, West Virginia, 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 West Virginia for his information.

"Since the losses classified in the report are relatively nominal in amount and since the management informed the examiner that the amount classified would be charged off, the usual condition of membership regarding the elimination of losses has not been prescribed.

"The examiner criticizes the manner in which the bank's window cash is being handled and calls attention to the hazards associated with allowing safe deposit box keys of customers to be retained in the bank. It is assumed, of course, that your office intends following the matter of the bank's making the needed changes in its present practices in these respects, so that adequate safeguards will be instituted and maintained."

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 Kinsley Bank, Kinsley, Kansas, became a member of the Federal Reserve System on March 4, 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,

3/5/40

-3-

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. Fletcher, Vice President of the Federal Reserve Bank of Cleveland, reading as follows:

"Under date of January 24, 1940 you were advised that the condition statement published by the Commonwealth Trust Company of Pittsburgh, Pittsburgh, Pennsylvania, as of December 30, 1939, in fulfillment of the requirements of the State banking department and the Federal Reserve Act, could be accepted under the conditions outlined in that letter.

"You are now advised that, while it is desirable to have the published condition statements of State bank members of the Federal Reserve System conform with the arrangement of items in their condition reports on Form F.R. 105, the Board will interpose no objection to the acceptance of statements published in the manner followed by the Commonwealth Trust Company of Pittsburgh, provided the revised grouping of the items is made for the purpose of complying with State requirements."

Approved unanimously.

Letter to the Presidents of all Federal Reserve banks, reading as follows:

"The Board of Governors has now adopted regulations governing the operations of the branches of the Federal Reserve banks in the form enclosed herewith, to become effective April 1, 1940.

"A few suggestions were received from the Federal Reserve banks with regard to these regulations pursuant to the Board's letter of December 20, 1939, S-194; and, accordingly, certain changes have been made in the regulations. In this connection, it will be observed that

3/5/40

-4-

"the regulations as adopted are so worded as to permit the designation of the chairman of the board of directors of the branch from among the members appointed by the Board of Governors to be made either by the Federal Reserve bank or the branch board, as the bank may deem advisable. This provision, of course, is not intended to affect in any way the service or terms of branch chairmen now in office.

"Before the effective date of the regulations or as soon thereafter as practicable, it is requested that each Federal Reserve bank having branches review the existing by-laws of its branches and make such modifications as may be appropriate in the light of the new regulations enclosed. As indicated in S-194, it will not be necessary for a Federal Reserve bank to obtain the approval of the Board of Governors of by-laws and instructions issued pursuant to section 5 of the regulations, but it is requested that copies of any such bylaws or general instructions regarding operation of branches, as well as copies of any future amendments thereof, be furnished promptly to the Board of Governors for its information."

Approved unanimously, the regulation reading as follows:

"REGULATIONS RELATING TO
BRANCHES OF FEDERAL RESERVE BANKS

(Effective April 1, 1940)

"These regulations, governing the operations of all branches of Federal Reserve banks, are prescribed by the Board of Governors of the Federal Reserve System (hereinafter referred to as the Board of Governors) under authority of the provisions of section 3 of the Federal Reserve Act.

"Section 1. Names of Branches and Territory Served

"(a) Names of branches. - Each branch shall include in its title the name of the city in which it is situated and the name of the Federal Reserve bank of which it is a branch, as 'Detroit Branch of the Federal Reserve Bank of Chicago'.

"(b) Branch territory. - No change shall be made by any Federal Reserve bank in the territory included within the district served by any of its branches, except with

3/5/40

"the approval or upon the direction of the Board of Governors.

"Section 2. Authority and Functions

"No substantial change shall be made by any Federal Reserve bank in the authority of or functions performed by any of its branches, except with the approval or upon the direction of the Board of Governors.

"Section 3. Directors

"(a) Number of directors. - The board of directors of each branch of a Federal Reserve bank shall consist either of seven members or of five members, as may be determined by the Federal Reserve bank, subject to the approval of the Board of Governors. Where the board of directors of the branch consists of seven members, four shall be appointed by the Federal Reserve bank and three by the Board of Governors, and, where the board consists of five members, three shall be appointed by the Federal Reserve bank and two by the Board of Governors.

"(b) Qualifications of directors. - All directors shall be persons of high character and standing who have established reputations and ability to meet their financial obligations. They shall be persons whose business and financial interests are primarily within and representative of the branch territory rather than of interests controlled or owned outside the territory. The directors appointed by the Federal Reserve banks shall be persons who are either well qualified and experienced in banking or actively engaged in agriculture, industry or commerce. The directors appointed by the Board of Governors shall be persons who are actively engaged in agriculture, industry or commerce and who are not primarily engaged in banking (although they may be stockholders or directors of banks). No director of a Federal Reserve bank shall serve as a director of a branch of the bank during the period of his service as a director of the Federal Reserve bank. All directors shall be citizens of the United States and shall reside within the territory served by the branch, but at least one of the directors appointed by the Federal Reserve bank shall reside outside of the city in which the branch is located.

"(c) Managing Director. - One of the directors appointed by the Federal Reserve bank shall be designated by it as the active manager of the branch. He shall have the title 'Managing Director' and shall perform such duties as may be prescribed by the Federal Reserve bank. The term of office of the Managing Director shall be one year and he may be reappointed from year to year.

3/5/40

"(d) Terms of other directors. - The term of office of directors, other than the Managing Director, shall be three years where the branch board consists of seven members and two years where the branch board consists of five members. In order to make practicable an orderly rotation of branch directorships, the terms of directors, other than the Managing Director, shall be so arranged that the term of a director appointed by the Board of Governors and the term of a director appointed by the Federal Reserve bank shall expire at the end of each year.

"(e) Directors with six or more years of continuous service. - No director, other than the Managing Director, shall be reappointed as a director if such reappointment is to become effective within a period of two years immediately following six or more years of continuous service at any branch having five directors or within a period of three years immediately following such service at any branch having seven directors.

"(f) Chairman. - The Federal Reserve bank shall provide for the annual designation, in such manner as it may prescribe, of one of the members of the board of directors of each branch appointed by the Board of Governors as the chairman of the board.

"(g) Vacancies. - In the event of a vacancy occurring in the board of directors of a branch of a Federal Reserve bank, the appointment to fill such vacancy shall be made by the body making the original appointment and such appointment shall be for the unexpired term.

"(h) Removal of directors. - As provided in section 3 of the Federal Reserve Act, directors of branches of Federal Reserve banks hold office during the pleasure of the Board of Governors.

"(i) Meetings. - The board of directors of each branch shall meet once a month during at least ten months in each calendar year. A special meeting may be called at any time in accordance with such procedure as the Federal Reserve bank may prescribe.

"(j) Quorum. - A majority of the board of directors of the branch shall constitute a quorum for the transaction of business, but less than a majority may adjourn from time to time until a quorum is in attendance.

"(k) Fees and allowances. - The fees and allowances to be paid to directors of the branch for attendance at meetings of the board of directors of the branch or any committees of the branch shall be fixed by the Federal Reserve bank subject to the approval of the Board of Governors.

3/5/40

-7-

"(1) Powers. - The board of directors of the branch shall supervise the operations of the branch subject to the direction and control of the Federal Reserve bank of the district and the regulations of the Board of Governors.

"Section 4. Officers

"The Federal Reserve bank shall appoint such officers for each branch, in addition to the Managing Director, as the bank from time to time deems necessary. Such officers shall perform such duties as may be prescribed by the Federal Reserve bank or by the Managing Director. In accordance with the provisions of the Federal Reserve Act, all officers of a branch shall be subject to removal by the Board of Governors and any compensation provided for officers or employees of any branch shall be subject to the approval of the Board of Governors.

"Section 5. Supplemental Instructions

"Each Federal Reserve bank may issue instructions or adopt by-laws, not inconsistent with the law or these regulations, containing such further provisions with regard to the operation of its branches as it may deem advisable."

Thereupon the meeting adjourned.

Chester Morril
Secretary.

Approved:

W. C. ...
Chairman.