

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, March 26, 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. Williams, Assistant Counsel

Upon motion by Mr. Davis, Messrs. McKee and Ransom were appointed to serve with the Chairman as members of the Personnel Committee of the Board of Governors for the year commencing April 1, 1940, and ending March 31, 1941.

At this point Mr. Morse, Senior Economist in the Division of Research and Statistics, entered the room.

Before this meeting there had been sent to each member of the Board a copy of a memorandum prepared under date of March 25, 1940, by Messrs. Goldenweiser, Wyatt, Morse and Solomon relating to a conference at the Treasury on March 22, 1940, during which there was discussed, among other things, the two points covered in the Board's letter of March 8, 1940, to Mr. Berle, Assistant Secretary of State, with respect to the proposed Inter-American Bank. The memorandum summarized briefly the results of the discussion at the Treasury and submitted a draft

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of another letter to Mr. Berle for the Board's consideration.

At the request of the Board, Mr. Wyatt elaborated on the information contained in the memorandum with regard to the discussions at the Treasury and consideration was given to the draft of letter and the question whether the points proposed to be clarified in the draft of letter to Mr. Berle could best be taken care of by means of a letter or by instructions to the representatives of the Board participating in the conferences on the matter.

At the conclusion of the discussion Messrs. Wyatt and Goldenweiser were requested to revise the letter along the lines of the discussion and resubmit it to the Board for consideration.

At this point Messrs. Thurston, Wyatt, Goldenweiser, Williams and Morse 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 March 25, 1940, were approved unanimously.

Letter to the board of directors of "The Scott County State Bank", Scottsburg, Indiana, 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:

- "4. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures."

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- "5. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$1,968.66, as shown in the report of examination of such bank as of January 27, 1940, made by an examiner for the Federal Reserve Bank of St. Louis."

Approved unanimously, together with a letter to Mr. Martin, President of the Federal Reserve Bank of St. Louis, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of 'The Scott County State Bank', Scottsburg, Indiana, 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 Director, Department of Financial Institutions for the State of Indiana, for his information.

"Your attention is called to the fact that the stock of the Federal Reserve Bank should be issued to the applicant on the basis of capital of \$74,800, the aggregate par value of outstanding common stock and face amount of the debentures held by the Reconstruction Finance Corporation. In connection with the bank's capital debentures held locally, it will be recalled, of course, that debentures not held by the Reconstruction Finance Corporation are not to be taken into consideration in figuring the number of shares of Federal Reserve bank stock to be issued to a member bank.

"It has been noted that both the State Department and the Supervising Examiner for the Federal Deposit Insurance Corporation have some reservations as to the capabilities of the new president of the bank, the reservations of the State Department being based upon the record made by the president in handling some liquidation work for the department. However, the State Bank Supervisor, after the examination made in connection with the bank's application for membership, in which his examiners participated and which examination apparently disclosed an improved condition, expressed the opinion that the prospects for the future of the institution were more promising now than they had been for some time past. Your examiner states that the improvement in the asset condition of the bank under the administration of the new president indicates that his management should be satisfactory, but agrees

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"that the officer has not had sufficient time to prove his ability satisfactorily to manage the bank. It has been noted also that personal differences exist among certain members of the Board of Directors but that the individuals involved have assured the examiner that those differences would not be allowed to foster divided action in the formulation of the bank's policies and that the active management of the bank would receive the full cooperation of the Board.

"The Board understands that you have given full consideration to the question of management with regard to both the active officers and the directors and that you feel reasonably certain that the management will prove satisfactory. Nevertheless, it is felt that the situation will require, and of course, will receive, constant and careful supervision by your office until the ability of the management has been demonstrated.

"In order to complete our files it will be appreciated if you will obtain and forward to us a copy of the capital debentures of the bank held by the Reconstruction Finance Corporation."

Letter to Mr. Sinclair, President of the Federal Reserve Bank of Philadelphia, reading as follows:

"Receipt is acknowledged of your letter of March 13, 1940, enclosing the bill of Mr. James P. Harris for professional legal services in regard to industrial loan matters with Wyoming Valley Collieries Company.

"Inasmuch as the amount of the bill does not exceed \$1,000, it would not, under our letter of March 4, 1940, require the approval of the Board. The bill of Mr. Harris is an even \$1,000 and the reimbursement of expenses paid by him equals \$10.60.

"We further acknowledge receipt of the bill of MacCoy, Brittain, Evans and Lewis transmitted in the same letter as above referred to, in the amount of \$1,500, for professional services rendered in regard to the liquidation of loans to the Wyoming Valley Collieries Company. It is understood that the Executive Committee of your Bank has approved the bill and requests its approval by the Board of Governors of the Federal Reserve System. You are advised that the Board approves the payment requested of a fee of \$1,500 to MacCoy, Brittain, Evans and Lewis."

Approved unanimously.

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Thereupon the meeting adjourned.

Chester Merrill  
Secretary.

Approved:

W. Steeles  
Chairmen.