A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, April 29, 1940, at 11:30 a.m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee
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 meeting of the Board of Governors of the Federal Reserve System held on April 26, 1940, were approved unanimously.

Letter to the board of directors of the "First State Bank", Monahans, Texas, 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 Dallas:

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

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

"The Board of Governors of the Federal Reserve System approves the application of the 'First State Bank',
"Monahans, Texas, 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 Texas for his information.

"Since it is reported that estimated losses classified in the report of examination for membership were eliminated during the examination, the usual condition of membership regarding the elimination of losses has not been prescribed."

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

"This refers to your letter of April 16, 1940, relating to the violation by Minden Bank & Trust Company, Minden, Louisiana, of the condition of membership requiring it to deposit security in its trust department to secure any fiduciary funds deposited by it in its own banking department, and calling attention to provisions of the Louisiana statutes prohibiting the pledge of assets to secure deposits.

"From our correspondence with the Federal Reserve Bank of Atlanta in connection with Louisiana banks located in its district, it is our understanding that, despite the statutory provisions to which you refer, the provisions of section 35 of the Louisiana Trust Estates Act, enacted in 1938, authorize the deposit of security to secure funds of trusts established under that Act. However, it appears that such provisions have not been interpreted as applying to all fiduciary funds and, as mentioned in your letter, steps are being taken to obtain legislation which will permit the deposit of security to cover all such funds. In this connection, we are enclosing a copy of a letter of March 12, 1940, from Mr. J. E. Denmark, Assistant Vice President, Federal Reserve Bank of Atlanta, which is the latest report we have received from that institution concerning the matter.

"In view of the proposed legislation, the other circumstances related in your letter, and your recommendation, the Board will not insist upon any action at this time to correct the violation of the condition of membership by Minden Bank & Trust Company, except that the bank deposit..."
"security to the extent that the above mentioned provisions of the Louisiana Trust Estates Act authorize it to do so."

Approved unanimously.

Letter to Honorable Guy T. Helvering, Commissioner of Internal Revenue, reading as follows:

"This refers to your letter (IT:Rec:F:G-MSG) of March 29, 1940, relating to the credit claimed under section 26(d) of the Revenue Act of 1936 by Barnett National Securities Corporation, Jacksonville, Florida, in its income tax return for 1936.

"Upon the basis of the information contained in such tax return and the related papers, inspected at your Bureau by representatives of the Board, and the information otherwise available to the Board, the Board certifies that during the calendar year 1936 Barnett National Securities Corporation devoted earnings or profits in the amount of $10,575 to the acquisition of readily marketable assets other than bank stock in compliance with section 5144 of the Revised Statutes."

Approved unanimously.

Letter to Mr. Sproul, First Vice President of the Federal Reserve Bank of New York, reading as follows:

"In response to your letter of April 18, 1940, and enclosures, concerning the maturing central bank credit to the National Bank of Hungary, you are advised that the Board approves the reply which you propose to make to the letter of March 8, 1940 received from the President of the Bank for International Settlements."

Approved unanimously.

Letter dated April 27, 1940, to Mr. W. N. Thompson, Administrative Assistant to the Secretary of the Treasury, reading as follows:
"This will confirm the advice given Mr. Birgfeld some time ago that arrangements are being made to install in the Washington office of the Federal Reserve Leased Wire System a new type of telegraph equipment which will make possible mechanical relaying of messages passing through the office including those received from and sent to the telegraph office of the Treasury. The new equipment will eliminate the need for the maintenance by the Treasury of an operator and a relief operator in the Washington office of the Leased Wire System but will require the retention of your present operators in the telegraph office of the Treasury to send messages to and receive messages from the Board's telegraph office.

"The telegraph equipment used in sending messages to and receiving messages from your telegraph office will be a part of the Western Union installation and will be paid for by the Board. This will eliminate the following costs which are now paid by the Treasury Department:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary of an operator</td>
<td>$1,800</td>
</tr>
<tr>
<td>Salary of a relief operator</td>
<td>$515</td>
</tr>
<tr>
<td>(two hours per day)</td>
<td></td>
</tr>
<tr>
<td>Teletype machines</td>
<td>$660</td>
</tr>
<tr>
<td>Telegraph line</td>
<td>$36</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,011</strong></td>
</tr>
</tbody>
</table>

"It is proposed that the work now performed in the Washington office of the Leased Wire System in receiving messages from and sending messages to the telegraph office of the Treasury be handled by the Leased Wire System and that the Treasury reimburse the Board for the service at the rate of approximately 50% of the present cost to the Treasury, or $125.00 per month. This will result in an annual saving to the Treasury of $1,511.

"It is understood from discussions with Mr. Birgfeld that there may be some question, from an accounting standpoint, as to the acceptability of this basis of reimbursement and, if you desire, the Board will base its reimbursable charges on an actual expense basis as outlined in a memorandum which I sent to Mr. Birgfeld on February 17, 1940, a copy of which is attached, and in which it was indicated that if this basis of reimbursement is used the cost to the Treasury would approximate $2,000 per annum."
"For a long time offices of the Leased Wire System have been using plain roll paper instead of continuous roll printed forms on which to record incoming messages. This has proved to be entirely satisfactory and considerably cheaper than printed forms and, as the plain roll paper will greatly facilitate the use of the new equipment, it is proposed to continue its use with the new installation. I have discussed this matter with Mr. Birgfeld and he has advised that the procedure in your telegraph office can readily be adapted to the change.

"It will be appreciated if you will advise me as promptly as convenient upon which of the two bases stated above reimbursement for the services rendered will be made."

Approved unanimously, together with a letter dated April 27, 1940, to Mr. George R. Cooksey, Secretary of the Reconstruction Finance Corporation, reading as follows:

"This will confirm the advice given to your office some time ago that arrangements are being made to install in the Washington office of the Federal Reserve Leased Wire System a new type of telegraph equipment which will make possible mechanical relaying of messages passing through the office including those received from and sent to the local office of the Reconstruction Finance Corporation. The new equipment will eliminate the need for the maintenance by the Reconstruction Finance Corporation of an operator and relief operator in the Washington office of the Leased Wire System but will require the retention of your present operators in the telegraph office of the Corporation to send messages to and receive messages from the Board's telegraph office. The telegraph equipment used in sending messages to and receiving messages from your telegraph office will be a part of the Western Union installation and will be paid for by the Board. This will eliminate the following costs which are now paid by the Reconstruction Finance Corporation:

Salary of an operator $1,560
Salary of a relief operator (two hours per day) 445
Teletypewriter machines 660
Telegraph line 36

Total $2,701
"It is proposed that the work now performed in the Washington office of the Leased Wire System in receiving messages from and sending messages to the local office of the Reconstruction Finance Corporation be handled by the Leased Wire System and that the Reconstruction Finance Corporation reimburse the Board for the service at the rate of 50 per cent of the present cost to the Reconstruction Finance Corporation or $112.50 per month. This will result in an annual saving to the Reconstruction Finance Corporation of $1,350.

"For a long time offices of the Leased Wire System have been using plain roll paper instead of continuous roll printed forms on which to record incoming messages. This has proved to be entirely satisfactory and considerably cheaper than printed forms and as the plain roll paper will greatly facilitate the use of the new equipment it is proposed to continue its use with the new installation. I have discussed this matter with Mr. Brickhouse and he has advised that the procedure in your telegraph office can be adapted readily to this change.

"It will be appreciated if you will advise me as promptly as convenient if the above arrangement is agreeable to you."

Memorandum dated April 17, 1940, from Mr. Wingfield, Assistant General Counsel, recommending that there be published in the May issue of the Federal Reserve Bulletin statements in the form attached to the memorandum with respect to the following subjects:

Operation of Common Trust Funds as Investment Trusts for Other than Strictly Fiduciary Purposes.


Approved unanimously.

Thereupon the meeting adjourned.

Approved:

[Signature]

[Signature]

Vice Chairman.