

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, May 18, 1940, at 11:30 a. m.

PRESENT: Mr. Eccles, Chairman
Mr. McKee
Mr. Davis
Mr. Draper

Mr. Morrill, Secretary
Mr. Bethea, 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 May 17, 1940, were approved unanimously.

Memorandum dated May 8, 1940, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that, for the reason stated in the memorandum, Paul B. Simpson be appointed on a permanent basis as a junior economist in the Division, with salary at the rate of \$2,800 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Memorandum dated May 17, 1940, from Mr. Morrill recommending, for the reason stated in the memorandum, that the following increases in salaries of employees of the Secretary's Office be granted, effective as of June 1, 1940:

5/18/40

-2-

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Baker, Seburn E.	Photographer	\$1,800	\$2,000
Surguy, J. Robert	Printing Clerk	1,800	1,980
Crump, Allison M.	Junior Operator, Office Devices	1,680	1,740
Watkins, F. L.	Chief Mail Clerk	1,660	1,740
Kay, George R.	Junior Operator, Office Devices	1,620	1,680
Kirkland, Rexford M.	Operator, Office Devices	1,620	1,800
Peregory, Walter L.	Junior Operator, Office Devices	1,620	1,680
Kenny, Francis S.	Operator, Office Devices	1,560	1,680
Dyson, Nelson S.	Mimeograph Operator	1,500	1,620
Wheeler, Rutledge	Mail Clerk	1,320	1,380
Johnson, Claiborne	Mail Clerk	1,260	1,380
Pinn, William E.	Mail Clerk	1,200	1,260
Jones, Robert H.	Mail Clerk	1,140	1,260

Approved unanimously.

Memorandum dated May 16, 1940, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Mrs. Louise Sissman, a junior economist in the Division, be granted a further leave of absence without pay for such period as may be necessary during the first half of June 1940 to complete the semester's work at Columbia University, and that the payments of the Board and Mrs. Sissman to the Retirement System of the Federal Reserve Banks, which have not been made during the current leave of absence without pay, be not made during the further leave of absence.

Approved unanimously.

Letter to Mr. George S. Harris, Director of the Charlotte Branch of the Federal Reserve Bank of Richmond, reading as follows:

5/18/40

-3-

"Receipt is acknowledged of your letter of May 16, 1940, in which, because of a change of residence from Charlotte, North Carolina, to Danville, Virginia, you tender your resignation as a director of the Charlotte Branch of the Federal Reserve Bank of Richmond.

"The Board of Governors accepts your resignation with sincere regret and has asked me to express to you its deep appreciation of the service you have rendered the System."

Approved unanimously.

Letter to the board of directors of the "Farmers and Bank of Amherst", Amherst, 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."

The letter also contained the following special comments:

"It appears that the bank possesses certain powers which are not being exercised and which are not necessarily required in the conduct of a banking business, such as the power to guarantee the payment of bonds. Attention is invited to the fact that if the bank desires to exercise any powers not actually exercised at the time of admission to membership, it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before exercising them. In this connection, the Board understands that there has been no change in the scope of the corporate powers exercised by the bank since the date of its application for membership.

5/18/40

-4-

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

"The Board of Governors of the Federal Reserve System approves the application of the 'Farmers and Bank of Amherst', Amherst, 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 Commonwealth of Virginia, for his information.

"The capital account of the bank, with only \$500 common stock, is of course not well balanced, and it has been noted that in his letter to the Reserve Bank regarding the application the supervising examiner for the Federal Deposit Insurance Corporation stated that a program had been instituted with the management whereby common stock will be rebuilt as preferred stock is retired and expressed the hope that the Reserve Bank would insist that such a course be followed. According to the data submitted, the recent declaration of the \$2,400 common stock dividend pursuant to such program had to be rescinded because it could not legally be effected under the provisions of the charter, but it is assumed that you will endeavor to assist the bank in working out a program which will lead to a more balanced capital structure as soon as practicable.

"It is assumed also that you will follow the matter of the bank's making provision for the amortization of premium on bonds."

Letter to the board of directors of "The Farmers State Bank", West College Corner, Indiana, stating that, subject to conditions of membership numbered 1 to 6 contained in the Board's Regulation H, 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 Chicago.

5/18/40

-5-

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

"The Board of Governors of the Federal Reserve System approves the application of 'The Farmers State Bank', West College Corner, 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.

"Since it is understood that in the State of Indiana trust funds deposited in the banking department of a bank are preferred claims in event of liquidation of the bank, you are authorized, in accordance with the general authorization previously granted by the Board with which you are familiar, to waive compliance with condition of membership numbered 6 until further notice.

"It has been noted that no trust committee has been appointed and that the department is said to be run entirely by the trust officer, who is also cashier of the bank. Regardless of the fact that the volume of trust business is small and the trust officer is regarded as competent, the affairs of the department should of course be supervised in accordance with accepted standards, and it is assumed that appropriate suggestions in this connection will be made to the bank and the matter of providing such supervision followed to a conclusion by the Reserve Bank."

Letter to Mr. Leach, President of the Federal Reserve Bank of Richmond, reading as follows:

"Referring to your letters of March 29 and May 13, 1940, and their enclosures, the Board of Governors approves the recommendation of your Board of Directors that the following sixteen counties in North Carolina be transferred from the Richmond Head Office territory to the

5/18/40

-6-

"territory of the Charlotte Branch:

Surry	Davidson
Stokes	Randolph
Rockingham	Chatham
Yadkin	Montgomery
Forsyth	Moore
Guilford	Lee
Alamance	Anson
Davie	Richmond

"Please advise the Board the date the transfer becomes effective."

Approved unanimously.

Memorandum dated May 14, 1940, from Mr. Noell, Assistant Secretary, recommending, with the concurrence of Mr. Morrill and for the reason stated in the memorandum, that Section 10, Part II, of the Board's leave regulations be amended, effective as of March 2, 1940, to read as follows:

"Sec. 10. Employees shall be charged for sick leave only for absence on account of illness on days upon which they would otherwise work and receive pay. Absence on account of illness on Sundays not occurring within a regular tour of duty, on holidays, and on all non-work days established by Federal statute or Executive or administrative order shall not be charged as sick leave."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrill
Secretary.

Approved:

W. S. ...
Chairman.