

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, June 7, 1940, at 11:30 a.m.

PRESENT: Mr. Ransom, Vice Chairman  
Mr. Szymczak  
Mr. Davis  
Mr. Draper

Mr. Morrill, Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Carpenter, Assistant Secretary

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 June 5, 1940, were approved unanimously.

Telegrams to Mr. Young, President of the Federal Reserve Bank of Boston, Mr. Sanford, Assistant Secretary of the Federal Reserve Bank of New York, Messrs. Post, Hays, Dillard, Stewart, and Powell, Secretaries of the Federal Reserve Banks of Philadelphia, Cleveland, Chicago, St. Louis, and Minneapolis, respectively, Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, Mr. Gilbert, President of the Federal Reserve Bank of Dallas, and Mr. Hale, Secretary of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Banks of St. Louis and San Francisco on June 4, by the Federal Reserve Banks of New York, Cleveland, Chicago, Minneapolis, Kansas City, Dallas, and San Francisco on June 6, 1940, and by the Federal Reserve Banks of Boston and Philadelphia today, of the rates of discount and purchase

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in their existing schedules.

Approved unanimously.

Memorandum dated June 5, 1940, from Mr. Morrill referring to the approval by the Board on March 13, 1940, of the appointment of Joseph E. Kelleher to the position of Supervisor of Duplicating, Mails, and Supplies in the Secretary's Office on a probationary basis for a period of three months without a change in salary, and recommending that, inasmuch as Mr. Kelleher had fully measured up to expectations in the new position, he be appointed on a permanent basis and his salary increased to \$2,100 per annum, effective as of June 16, 1940. The memorandum also recommended, for the reason stated therein, that the salary of Senior Guards E. F. Anderson, J. H. Heher, and Paul T. Phinney each be increased to \$1,560 per annum, also effective as of June 16, 1940.

The recommendations were approved unanimously.

Memorandum dated June 5, 1940, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending with the concurrence of Mr. Morrill that, for the reason stated in the memorandum, Mrs. Vera R. Glaser be transferred from the Office of the Secretary to the Division of Research and Statistics as a clerk-stenographer, with no change in her present salary at the rate of \$1,800 per annum, effective as of June 16, 1940.

Approved unanimously.

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Memorandum dated June 4, 1940, from Mr. Morrill recommending that, for the reason stated in the memorandum, Louis W. Zidek, elevator operator, be promoted to the position of stenographer in the Office of the Secretary, with salary at the rate of \$1,440 per annum, effective as of the date upon which he enters upon the performance of his duties.

Approved unanimously.

Mr. Morrill recommended that, because of the increased number of telephone calls due to the housing of offices of the Advisory Commission to the Council of National Defense in the Board's building, Mrs. Lillian E. Speakman be appointed on a temporary basis as a telephone operator in the Secretary's Office, with salary at the rate of \$100 per month, effective as of the date upon which she enters upon the performance of her duties.

Approved unanimously.

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

"Reference is made to your letter of May 27, 1940, recommending that condition of membership numbered 19 which was prescribed in connection with the admission of Union Trust Company of Maryland, Baltimore, Maryland, be waived until March 1942. The condition reads as follows:

- '19. Such bank shall make adequate provision for depreciation in its banking houses and furniture and fixtures, in amounts which in any one year shall be not less than 2 per cent of the carrying value

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"of the banking houses after the charge off prescribed in condition numbered thirty-four and the adjustment prescribed in condition numbered thirty-two have been effected, and 10 per cent of the present carrying value of its furniture and fixtures.'

"It is understood that at the expiration of the lease in March 1942 the bank proposes to purchase the leased ground on which more than one-half of the main office building is situated and that, in anticipation of such purchase, the management of the bank is endeavoring to set up a program under which the purchase will not result in any material increase in the book value of the banking premises. As part of the program, the bank requests that from now until March 1942 it be permitted to utilize the amount required for depreciation in establishing a special account which will be used for that purpose. It is also understood that subsequent to March 1942, the bank will resume its regular depreciation schedule as provided under condition of membership numbered 19.

"In view of all the circumstances and in accordance with your recommendation, the Board waives the provisions of condition of membership numbered 19 under the terms set forth in your letter from this date until March 1942. This temporary waiver of the provisions of condition of membership numbered 19 does not, of course, constitute approval under condition of membership numbered 8 of the future purchase of the land and it is assumed that, at an appropriate time in the future, the proposed purchase will be submitted for consideration under such condition of membership. This waiver is granted with the understanding that, if objection to the purchase should be interposed under the provisions of condition of membership numbered 8, or if for any other reason the purchase should not be effected, the amount set aside in the special account in lieu of depreciation will be applied toward depreciation. Please advise the bank accordingly."

Approved unanimously.

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

"Reference is made to your letter of May 31, 1940,

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"regarding a request by the Paoli Bank and Trust Company, Paoli, Pennsylvania, for permission, under the provisions of condition of membership numbered 4 to effect a reduction in its common capital stock from \$125,000 to \$50,000. You state that the proposed capital reduction is desired in order to enable the bank to write down the carrying value of its banking house, increase its surplus account and provide sums for reserves and the elimination of portions of the carrying value of certain loans and other real estate.

"In view of all the circumstances and in accordance with your recommendation, the Board approves the proposed capital adjustment as outlined in your letter, with the understanding that no part of the funds released by the capital adjustment will be returned to shareholders."

Approved unanimously.

Letter to Honorable Stewart McDonald, Administrator, Federal Housing Administration, reading as follows:

"There is being sent to you with this letter a copy of a circular issued by Amortized Mortgages, Inc., the first paragraph of which raises a question of policy which it is believed should have your consideration.

"It will be noted that the statements contained in the first paragraph of the circular are to the effect that the recent declines in security prices have again impaired the capital accounts of thousands of banks all over the country, in some cases to the extent that stockholders in the banks have been called upon to furnish additional capital. Inasmuch as statements of this kind are not necessary in effectively pointing out the desirability of insured mortgages as investments, the matter is being brought to your attention with the thought that you may wish to take such action as is within your authority to discourage statements of this kind by Amortized Mortgages, Inc., in the future."

Approved unanimously.

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Thereupon the meeting adjourned.

Chester Morrie  
Secretary.

Approved:

Paul Dawson  
Vice Chairman.