

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, June 27, 1940, at 11:30 a.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. 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 June 25, 1940, were approved unanimously.

Memorandum dated June 25, 1940, from Mr. Nelson, Assistant Secretary, recommending that, for the reason stated in the memorandum, Stanley J. Bloch be appointed as a senior operator (duplicating devices) in the Secretary's Office, with salary at the rate of \$1,800 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.

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

"Referring to your letter of June 21, 1940, the Board approves the payment of a salary at the rate of \$5,500, as fixed by your Board of Directors, to Mr. John McDowell,

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"Assistant Vice President of your bank, for the period July 1, 1940 to April 30, 1941."

Approved unanimously.

Letter dated June 26, 1940, to Mr. Parker, President of the Federal Reserve Bank of Atlanta, reading as follows:

"This refers to previous correspondence regarding the income tax credits claimed by Barnett National Securities Corporation, Jacksonville, Florida, for the years 1936 and 1937. The Board has now received a request from the Commissioner of Internal Revenue for a certificate as to the amount of earnings or profits devoted by the corporation during 1937 to the acquisition of readily marketable assets other than bank stock in compliance with section 5144 of the Revised Statutes.

"The income tax return of Barnett National Securities Corporation for 1937, and other related information, has been inspected at the Bureau of Internal Revenue by a representative of the Board, and it appears that additional information must be obtained from the holding company affiliate before the Board can consider the issuance of a certificate regarding the credit claimed for 1937.

"As you know, section 26(d) of the Revenue Act of 1936 provides that the aggregate of the credits allowable to a holding company affiliate for all taxable years shall not exceed the amount required by section 5144 of the Revised Statutes to be devoted to the acquisition of readily marketable assets other than bank stock. Under date of April 29, 1940, the Board certified to the Commissioner a credit of \$10,575.00 claimed by Barnett National Securities Corporation for the year 1936, and the corporation claimed a credit of \$35,474.06 for 1937. According to the supplementary statement filed by the corporation with its income tax return for 1937, the total amount of readily marketable assets which it was required to acquire was \$45,744.00. It will be noted that the aggregate of the two credits claimed (\$46,049.06) exceeds by \$305.06 the required amount of readily marketable assets.

"It is noted, however, that the required amount of readily marketable assets was computed on the basis of ownership of 3,812 shares of capital stock of five affiliated banks having an aggregate par value of \$381,200.00

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"and no information was shown as to whether the holding company affiliate controlled bank stocks other than the stocks which it owned of its subsidiary banks. Inasmuch as the requirements of subsections (b) and (c) of section 5144 refer to all bank stocks controlled by a holding company affiliate, it will be appreciated if you will obtain from Barnett National Securities Corporation information as to whether it controlled on December 31, 1937 any bank stocks other than the stocks which it owned of its subsidiary banks, either directly through ownership by the holding company affiliate or indirectly by virtue of ownership of such stocks by its subsidiary banks or in any other manner. Information regarding such additional bank stocks controlled should show the name and location of the bank, the number of shares owned or controlled by Barnett National Securities Corporation, the par value per share, the manner of control, and whether the stock carried 'double liability'.

"It will be appreciated also if you will obtain from the holding company affiliate any other information in its possession which might clear up the apparent discrepancy between the aggregate amount of the income tax credits claimed for 1936 and 1937 and the total amount of readily marketable assets which the holding company affiliate was required to acquire."

Approved unanimously.

Memorandum dated June 20, 1940, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that, for the reason stated in the memorandum, the sum of \$4,000 be added to the item furniture and equipment in the non-personal budget for 1940 for the Division of Research and Statistics.

Approved unanimously.

Letter to Miss Harriet Root, Chief, U. S. Information Service, Office of Government Reports, reading as follows:

"Receipt is acknowledged of your letter of June 25, requesting the Board to send you by June 28 a brief statement as to how this organization ties into the national

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"defense program in order that such information may be published in the July 1940 edition of the United States Government Manual.

"Aside from the functions performed by the Federal Reserve System within its usual sphere of activities in cooperating with the national defense program, one of the members of the Board of Governors, Mr. Chester C. Davis, is a member of the Advisory Commission to the Council of National Defense. In addition, Messrs. Thomas B. McCabe, Chairman of the Federal Reserve Bank of Philadelphia, Robert T. Stevens, a director of the Federal Reserve Bank of New York, and Marion B. Folsom, a director of the New York Reserve Bank's Buffalo Branch, are serving as members of the staff of Mr. Edward R. Stettinius, Jr., another member of the Advisory Commission.

"The services and facilities of the Federal Reserve System have been offered to the President as a means for advancing the defense program effectively. A copy of the Board's letter of June 19, 1940, to the President, containing this offer, is attached for your further information. The members of the Advisory Commission to the Council of National Defense, together with a number of their immediate staff, are temporarily housed in the Federal Reserve Building, and the services of several members of the Board's staff have been lent to the Commission on a temporary basis. Also, the Federal Reserve Banks, in their capacity as fiscal agents for the Treasury Department and other agencies of the United States Government, are performing a number of important functions related to the program of national defense.

"While it would seem appropriate to recognize the relationships referred to in a National Defense Section of the United States Government Manual, it does not seem feasible to furnish the information you have requested in accordance with the form outlined in your letter. It is hoped, however, that you will find this response helpful in making the forthcoming issue of the United States Government Manual more complete."

Approved unanimously.

Mr. Morrill suggested that the Board authorize the payment of the cost of the luncheons served to Messrs. R. R. Hughes, National City Bank of New York, Carl W. Fenninger, Provident Trust Company of Philadelphia,

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and B. C. Boggs, of the Reconstruction Finance Corporation, in the Board's dining room today.

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrell
Secretary.

Approved:

W. C. ...
Chairman.