

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, July 8, 1940, at 11:00 a.m.

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

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 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 July 6, 1940, were approved unanimously.

Letter dated July 8, 1940, from Miss Mary McDonnell, a stenographer in the Office of General Counsel, requesting that she be granted a leave of absence without pay from July 8, 1940, to January 1, 1941, to assume a position with the Advisory Commission to the Council of National Defense.

Approved unanimously, with the understanding that during such period of absence Miss McDonnell will continue her own contributions and will also pay the Board's contributions to the Retirement System.

Memorandum dated July 5, 1940, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that, for the reason stated in the memorandum, Mrs. Nancy B. Kelly be appointed on a temporary basis for a period of three months as a clerk-stenographer

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in the Division of Research and Statistics, with salary at the rate of \$120.00 per month, effective as of the date upon which she enters upon the performance of her duties.

Approved unanimously.

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

"In accordance with the request contained in your letter of June 28, the Board approves the appointments of John K. Kiersey, Angus A. MacInnes, Nathan N. Muzzy and Richard A. Sanders as examiners for the Federal Reserve Bank of New York. Please advise us of the effective dates."

Approved unanimously.

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

"In accordance with the requests contained in your letters of July 1, the Board approves the appointment of I. J. Peterson as an assistant examiner for the Federal Reserve Bank of Chicago and the designation of Roland Hard as a special assistant examiner. Approval of the latter designation is, of course, with the understanding that the employee named will not be transferred permanently to examining work without the Board's approval.

"Please advise us of the date Mr. Peterson assumes his duties as an assistant examiner."

Approved unanimously.

Letter to the board of directors of the "People's Trust Company", Brookville, Indiana, stating that, subject to conditions of membership numbered 1 to 6 contained in the Board's Regulation H and

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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 Chicago:

- "7. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate the estimated losses of \$1,532.17, as shown in the report of examination of such bank as of June 8, 1940, made by an examiner for the Federal Reserve Bank of Chicago."

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 'People's Trust Company', Brookville, 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 examiner states that the trust department is being administered honestly but apparently not very efficiently, and it is assumed of course that the Reserve Bank will follow the situation and endeavor to see that improvement is effected in this respect.

"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 is noted that the bank has 7 directors and that your examiner states that that is the number required by the charter or by-laws. However, it is noted that the

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"bank's articles of incorporation provide that there shall be 6 directors and it is our understanding that the State statutes provide that, while the exact number of directors shall be determined from time to time in such manner as the by-laws may prescribe, the number shall not exceed the maximum number fixed in the articles of incorporation. This matter is mentioned with the view that, if our understanding is correct, you may wish to suggest to the bank that the irregularity be corrected when it is convenient to do so."

Letter to the board of directors of "The Bank of Orleans", Orleans, Indiana, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System for the appropriate amount of stock in the Federal Reserve Bank of St. Louis.

Approved unanimously for transmission through the Federal Reserve Bank of St. Louis.

Letter to the Federal Deposit Insurance Corporation, reading as follows:

"Pursuant to the provisions of section 12B of the Federal Reserve Act, as amended, the Board of Governors of the Federal Reserve System hereby certifies that the First Bank & Trust Company of Utica, Utica, New York, became a member of the Federal Reserve System on July 2, 1940, and is now a member of the System. The Board of Governors of the Federal Reserve System further hereby certifies that, in connection with the admission of such bank to membership in the Federal Reserve System, consideration was given to the following factors enumerated in subsection (g) of section 12B of the Federal Reserve Act:

1. The financial history and condition of the bank,
2. The adequacy of its capital structure,

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- "3. Its future earnings prospects,
4. The general character of its management,
5. The convenience and needs of the community to be served by the bank, and
6. Whether or not its corporate powers are consistent with the purposes of section 12B of the Federal Reserve Act."

Approved unanimously.

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

"Reference is made to your letter of June 26, 1940, relating to a proposal whereby The Sylvania Savings Bank Company, Sylvania, Ohio, a member bank, will acquire the assets and assume the liabilities, other than debenture notes owned by the Reconstruction Finance Corporation and the capital stock, of The Farmers and Merchants Bank Company, Sylvania, Ohio, also a member institution.

"Upon the basis of the information submitted, the Board will interpose no objection to the transaction under the conditions of membership applicable to The Sylvania Savings Bank Company, provided that your counsel is satisfied that it will not affect the status of such bank as a member of the Federal Reserve System and is satisfied as to the other legal aspects of the matter.

"It is noted that among the assets of The Farmers and Merchants Bank Company are certain securities which member banks are prohibited from purchasing under the provisions of section 9 of the Federal Reserve Act and section 5136 of the Revised Statutes of the United States and the Comptroller's regulation governing the purchase of investment securities. It is suggested that you advise The Sylvania Savings Bank Company that such securities should be disposed of prior to the conclusion of the transaction or as soon thereafter as is practicable."

Approved unanimously.

Letter to Socarnat Bank Corporation, Charleston, South Carolina,

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reading as follows:

"This refers to your letter of June 17, 1940, to the Federal Reserve Bank of Richmond relating to the status of your corporation as a holding company affiliate.

"The Board understands that your corporation owns or controls 12,784 48/75 of the 22,000 outstanding shares of stock of The South Carolina National Bank of Charleston, Charleston, South Carolina, but does not own or control any stock of, or manage or control, any other banking institution, except one which is in liquidation. In view of these facts, the Board has determined that your corporation is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of section 2(c) of the Banking Act of 1933, as amended, and, accordingly, your corporation is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act.

"If, however, your corporation should at any time own or control a substantial portion of the stock of, or manage or control, more than one operating banking institution, this matter should again be submitted to the Board for its determination. The Board reserves the right to make a further determination at any time on the basis of the then existing facts."

Approved unanimously for transmission through the Federal Reserve Bank of Richmond.

Memorandum dated July 5, 1940, from Mr. Goldenweiser, Director of the Division of Research and Statistics, and Mr. Van Fossen, Assistant Chief of the Division of Bank Operations, stating that they wished to have tabulated from reports recently requested from the Reserve Banks certain detailed information concerning industrial advances and commitments which could be done most effectively by punch card equipment. The memorandum also stated that upon informal inquiry at the Federal Deposit

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Insurance Corporation it was learned that the job could be done in that office for about \$200 and recommended that the project be approved.

Approved unanimously.

Thereupon the meeting adjourned.

Robert Howell
Secretary.

Approved:

W. S. [Signature]
Chairman.