

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, July 12, 1940, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Ransom, Vice Chairman  
Mr. Szymczak  
Mr. McKee  
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 11, 1940, were approved unanimously.

Telegrams to Mr. Sanford, Secretary of the Federal Reserve Bank of New York, Mr. Leach, President of the Federal Reserve Bank of Richmond, Mr. McLarin, First Vice President of the Federal Reserve Bank of Atlanta, Messrs. Dillard, Stewart and Powell, Secretaries of the Federal Reserve Banks of 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 Bank of San Francisco on July 9, and by the Federal Reserve Banks of New York, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas on July 11,

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1940, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated July 9, 1940, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that, for the reason stated in the memorandum, Miss Lucile G. Wilson be appointed on a temporary basis for a period of three months as a clerk-stenographer in the Division of Research and Statistics, with salary at the rate of \$120 per month, effective as of the date upon which she enters upon the performance of her duties.

Approved unanimously.

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

"In response to your letter of June 24, 1940, you are advised that the Board approves the payment of a fee and disbursements in a total sum of \$5,137.57 to Phillips Ketchum, being a bill submitted by him for the professional services of local counsel employed by him to assist in the handling of the case of Howard W. Ford, et al vs. Federal Reserve Bank of Boston and C. E. Wilson & Company, Incorporated.

"It is understood that the payment of this bill has been approved by the Board of Directors of the Federal Reserve Bank of Boston upon the recommendation of the Bank's General Counsel."

Approved unanimously.

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

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"Referring your July 11 letter, Board approves payment of salary at rate of \$625 per month to Mr. Harding Cowan for a period of not more than six months commencing on July 5, 1940. Please advise Board when Mr. Cowan's employment is terminated."

Approved unanimously.

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

"Relet July 10. Board approves appointments, effective July 16, 1940, of E. A. Chancellor as an examiner and Harry O. Tennison and J. C. Dunagan as assistant examiners for your bank."

Approved unanimously.

Letter to the board of directors of "The Lorain Banking Company", Lorain, Ohio, 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 and for the appropriate amount of stock in the Federal Reserve Bank of Cleveland.

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

"The Board of Governors of the Federal Reserve System approves the application of 'The Lorain Banking Company', Lorain, Ohio, 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

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"the Superintendent of Banks for the State of Ohio for his information.

"Since the estimated losses classified in the report of examination for membership are reported to have been charged off during the examination, the usual condition of membership regarding the elimination of losses has not been prescribed.

"It has been noted that the F.D.I.C. Supervising Examiner has suggested that in view of its relatively small amount of common capital and increasing deposits, the bank should adopt a definite policy for increasing its common capital as earnings become available and as any substantial reductions of R.F.C. debentures are made. It is assumed that you will encourage such a program."

Letter to the board of directors of "The State Savings Bank of West Branch", West Branch, Michigan, 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 Chicago:

- "4. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$1,076.83, as shown in the report of examination of such bank as of June 17, 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, read-  
ing as follows:

"The Board of Governors of the Federal Reserve System

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"approves the application of 'The State Savings Bank of West Branch', West Branch, Michigan, 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 Michigan for his information.

"It has been noted that one of the directors of the bank is a private banker in West Branch, and it is requested that you advise the Board of the steps which are taken in this connection to comply with the provisions of the Clayton Act.

"It has been noted, also, that by agreement with the Federal Deposit Insurance Corporation the bank had established a reserve for dividends payable in common stock equal in amount to the amount of preferred stock retired. Apparently, however, the reserve was used during the examination of the bank made in May by the State Banking Department to provide for depreciation in securities. It is believed that, until the common stock is substantially increased, future retirements of preferred stock should be predicated upon like increases in common stock or the transfer of equivalent amounts to a reserve for dividends payable in common stock, which reserve should be used for no other purpose without the approval of the Federal Reserve Bank."

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 'Bank of Canton', Canton, Oklahoma, became a member of the Federal Reserve System on July 10, 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

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"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,
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. Thomas M. Steele, Member of the Federal Advisory Council, reading as follows:

"At the meeting of the Board of Governors with the Federal Advisory Council on May 21, 1940, Mr. Brown stated that it was felt by the members of the Council that it would be desirable if there could be made available to all of the members of the Council the letters received from the boards of directors of the Federal Reserve Banks in response to the request of the Board for their comments on the questions submitted by the Board to the Council relating to the easy money policy and future business prospects.

"The last of the comments has now been received by the Board and copies of the letters from all of the Federal Reserve Banks are enclosed with this letter for your confidential information as a member of the Federal Advisory Council."

Approved unanimously, together with a similar letter to each member and the Secretary of the Federal Advisory Council.

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Thereupon the meeting adjourned.

Chester Morrill  
Secretary.

Approved:

W. S. C. C. C.  
Chairman.