

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, July 17, 1940, at 2:30 p.m.

PRESENT: Mr. Eccles, 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 16, 1940, were approved unanimously.

Memorandum from Mr. Nelson, Assistant Secretary, recommending that, for the reason stated in the memorandum, Robert W. Rieseberg be permitted to withdraw his resignation as a clerk in the Office of the Secretary which was accepted by the Board on July 2 to become effective as of the close of business on July 17, 1940.

Approved unanimously.

Letter to the board of directors of the "Exchange Bank", Warren, 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 and for the appropriate amount of stock in the Federal Reserve Bank of Chicago.

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

Letter to the board of directors of "The Freeport State Bank", Freeport, Ohio, stating that, subject to conditions of membership

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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 Freeport State Bank', Freeport, 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 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.

"According to the presentation memorandum prepared by the Reserve Bank, the management of the Bank is regarded as only fair. In the confidential section of the report of examination of the bank made as of January 10, 1940, the examiners for the F.D.I.C. reported that substantial improvement had been made in the condition of the bank during the past year and that this was due apparently to the close supervision given the bank by the supervisory authorities. It is assumed that the Reserve Bank will likewise follow the situation closely to see that the favorable trend is continued and that proper attention is given the assets of the bank.

"Since the depositors' agreement in connection with the waiver of deposits provided for the right of substitution, it is assumed that you have given consideration to the situation in the light of the recent developments

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"with respect to The City Trust and Savings Bank, at Youngstown, Ohio, and are satisfied that The Freeport State Bank has not incurred any similar liabilities. Definite advice as to this, however, will be appreciated.

"Your Counsel's opinion and the presentation memorandum accompanying the application do not mention the question whether the trustees' participating certificates issued in connection with the reorganization of the bank constitute a subordinated obligation of the bank which should be reported under item 33(b) of its reports of condition and we have not been furnished with copies of the trustees' participating certificates, court orders, and other documents and information which might have a bearing upon the intent and understanding of the parties to the somewhat ambiguous agreement executed by the waiving depositors and accepted by the bank. Unless you have information which fully satisfies you and your counsel that no such obligation exists, it is suggested that you advise the bank that it should give consideration to this question before executing and filing its first report of condition with your bank.

"It is believed that unless it be determined that such an obligation exists and appropriate reference thereto be made in the call reports of condition, steps should be taken to have appropriate notation as to the restrictions on the payment of dividends endorsed on the stock certificates, at least on all certificates issued in the future."

Letter to Honorable Guy T. Helvering, Commissioner of Internal Revenue, reading as follows:

"This refers to your letter (IT:Rec:F:G-MSG) of June 14, 1940, relating to the credit claimed under section 26(d) of the Revenue Act of 1936 by Barnett National Securities Corporation, Jacksonville, Florida, in its income tax return for 1937.

"Upon the basis of the information contained in such tax return and the related papers, inspected at your Bureau by representatives of the Board, and the information otherwise available to the Board, the Board certifies that during the calendar year 1937 Barnett National Securities Corporation devoted earnings or profits in the

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"amount of \$35,169 to the acquisition of readily marketable assets other than bank stock in compliance with section 5144 of the Revised Statutes."

Approved unanimously.

Memorandum dated July 15, 1940, from Mr. Wyatt, General Counsel, stating that, in connection with the opinion submitted to the Commissioners of the District of Columbia by the Corporation Counsel, holding that the Federal Reserve Building is subject to taxation by the District of Columbia and recommending (1) that taxes be assessed against the building, and (2) that an earlier opinion of the Corporation Counsel approved January 7, 1938, exempting the Federal Reserve Building from payment of charges for water be revoked and that the Water Registrar be directed to remove the Federal Reserve Building from the list of those entitled to free use of water, if the Board had no objection he would like to discuss the subject informally with Mr. Elwood Seal, the Corporation Counsel, before making a definite recommendation to the Board as to what steps should be taken.

Approved unanimously.

Thereupon the meeting adjourned.

Charles Morrie  
Secretary.

Approved:

W. Seal  
Chairman.