

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, July 18, 1940, at 11:30 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 17, 1940, were approved unanimously.

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

"Reference is made to your letter of July 12, 1940, submitting the request of 'The Marine Trust Company of Buffalo', Buffalo, New York, for approval of the establishment of a branch in Williamsville, New York, in connection with the purchase of acceptable assets and assumption of the deposit liabilities of the Bank of Williamsville.

"In view of your recommendation and the information submitted, the Board approves the establishment and operation of a branch in Williamsville, New York, by The Marine Trust Company of Buffalo, Buffalo, New York, upon completion of the plan submitted for the assumption of the deposit liabilities of the Bank of Williamsville and subject to final approval by the appropriate State authorities. This approval is given with the understanding that Counsel for the Federal Reserve Bank of New York is to be satisfied as to the legal aspects involved in the transaction."

Approved unanimously.

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

"This refers to your letter of July 12, with respect to the maintenance by the Federal Reserve Bank of Philadelphia of a revolving currency fund at the First National Bank of Scranton, Scranton, Pennsylvania.

"In your letter you state that your bank has had for many years a revolving currency fund not exceeding \$2,000,000 at the First National Bank of Scranton and that that bank, under the terms of an agreement entered into with your bank on May 27, 1924, has pledged with your bank securities having a market value of at least \$2,000,000. You further state that some question having arisen as to the legality of the pledge of securities by a National bank for this purpose, Dr. Noble, President of the bank, recently wrote to the Comptroller of the Currency, in response to a letter from his office, that 'At this time I am able to assure you that steps are already under way to cancel the agreement and release our securities.'

"You state that you are now in receipt of a letter from the First National Bank of Scranton in which they ask you to request the approval of the Board of Governors for a continuance of the fund without any pledge of securities. You ask the Board to consider the request of the First National Bank of Scranton to continue the fund in the amount of \$1,000,000 on that basis, pointing out that the fund is covered by your blanket bond, and advising that your board of directors is willing to comply with the bank's request, subject to the approval of the Board of Governors.

"According to your letter Dr. Noble admits there is not the need for the maintenance of this fund that there has been in the past, and you state that at the present time there is admittedly no real need for the fund but that it is a convenience to the Scranton banks and its continuance will enable the First National Bank of Scranton to retain the added prestige which it has long enjoyed as custodian of this fund.

"As you know, the Board's position is that currency revolving funds similar to that maintained at Scranton should be authorized only in emergencies or in special cases where train schedules and the demand for currency

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"are such that the needs of banks in certain localities cannot be met adequately with existing facilities. No other currency funds are now in existence. For your information in this connection, in December 1928 the Federal Reserve Agent at one of the Federal Reserve banks advised the Board that the bank's executive committee had adopted a resolution that a currency fund then maintained by the bank be continued until June 30, 1929, and asked the Federal Reserve Board to authorize such continuance. In replying to such request the Board advised the Federal Reserve Agent that the Federal Reserve Board had decided to discontinue the fund and directed that this be done not later than January 15, 1929. The Board added 'The Board thinks that upon reflection, your directors will agree that if the .... plan (which, at the present time, is a substitute for till cash) is not stopped promptly, the practice will spread to such an extent that it will become not only burdensome, but probably prohibitive.'

"Since there appears to be no real need for the revolving currency fund at Scranton at the present time and since the maintenance of the fund results in no substantial saving to your bank, the Board requests that the necessary steps be taken to discontinue the fund at your early convenience with the understanding that should the need for such a fund arise in the future, the Board will be glad to consider a request for its reopening."

Approved unanimously.

Letter to the Comptroller of the Currency, reading as follows:

"It is respectfully requested that you place an order with the Bureau of Engraving and Printing, supplementing the order requested June 19, 1940, for the printing of Federal reserve notes of the 1934 Series in the amount and denomination stated for the Federal Reserve Bank of Cleveland:

|              |                  |              |
|--------------|------------------|--------------|
| Denomination | Number of sheets | Amount       |
| \$500        | 500              | \$3,000,000" |

Approved unanimously.

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Thereupon the meeting adjourned.

Chester Morrell  
Secretary.

Approved:

McCauley  
Chairman.