A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, August 20, 1940, at 2:30 p.m.

PRESENT: Mr. Ransom, Vice Chairman
          Mr. Szymczak
          Mr. Davis
          Mr. Draper
          Mr. Morrill, Secretary
          Mr. Bethea, Assistant Secretary
          Mr. Carpenter, Assistant Secretary

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 August 16, 1940, were approved unanimously.

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on August 17, 1940, were approved and the actions recorded therein were ratified unanimously.

Letter to the board of directors of the "United States Bank of Grand Junction", Grand Junction, Colorado, stating that, subject to conditions of membership numbered 1 to 6 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 Kansas City.

The letter also contained the following special comment:

"The report of examination for membership contains
"a number of criticisms of the operations and supervision of the trust department. The examiner reports that the unsatisfactory features were fully discussed during the examination and that assurances were given that the necessary steps would be taken to give the trust department proper supervision and to bring its activities into conformity with approved practices. The application for membership has been approved with that understanding."

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

"The Board of Governors of the Federal Reserve System approves the application of the 'United States Bank of Grand Junction', Grand Junction, Colorado, 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 State Bank Commissioner for the State of Colorado for his information.

"It has been noted that of the estimated losses totaling $5,343.51 classified in the report of examination for membership, all but $1,625.50 were charged off during the examination and the examiner reported that the balance would be eliminated upon receipt of advice that the application for membership had been approved. Accordingly, no condition of membership regarding the elimination of losses has been prescribed, but it is requested that you satisfy yourself that the remaining amount is eliminated in accordance with the examiner's understanding.

"It is assumed that your office will follow the matter of the bank's bringing into conformity with the provisions of law and the Board's regulation the savings accounts listed on page 16 of the report of examination for membership."

Letter to the board of directors of the "Bank of Pioche, Incorporated", Pioche, Nevada, 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 Re-
serve System and for the appropriate amount of stock in the Federal Re-
serve Bank of San Francisco.

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

"The Board of Governors of the Federal Reserve Sys-

tem approves the application of the 'Bank of Pioche, In-
corporated', Pioche, Nevada, 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 Nevada for 
his information.

"Since the amount of estimated losses classified in 
the report of examination for membership is nominal, the 
usual condition of membership regarding the elimination 
of losses has not been prescribed.

"It is assumed that your office will follow the mat-
ter of the bank's bringing into conformity with the pro-
visions of law and the Board's regulations the two savings 
accounts listed on page 16 of the report of examination 
for membership."

Letter to Mr. Brainard, Chairman of the Federal Reserve Bank 
of Cleveland, reading as follows:

"At the completion of the examination of the Federal 
Reserve Bank of Cleveland, made as of July 2, 1940, by the 
Board's examiners, a copy of the report of examination was 
left for your information and the information of the direc-
tors. A copy was also furnished President Fleming.

"The report does not appear to contain any matters 
requiring further comment at this time. The Board will
"I appreciate advice, however, that the report has been considered by the Board of Directors. Any comments you may care to offer regarding discussions with respect to the examination or as to action taken or to be taken as a result of the examination will also be appreciated."

Approved unanimously.

Memorandum dated August 16, 1940, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending, for the reason stated in the memorandum, that $5,700 be added to the item of miscellaneous expenses in the 1940 non-personal budget of the Division of Research and Statistics.

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

[Signature]

Vice Chairman.