

9/5/40 A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, September 5, 1940, at 3:00 p.m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. Draper

Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary

The action stated with respect to each of the matters hereinafter referred to was taken by the Board:

Memorandum dated September 3, 1940, from Mr. Paulger, Chief of the Division of Examinations, recommending, with the concurrence of Mr. Morrill, that, effective September 6, 1940, Louis Zidek, a stenographer in the Office of the Secretary, be transferred to the road force of the Division of Examinations for a temporary period not to exceed two months, that during the period of the temporary transfer he be designated as an Assistant Federal Reserve Examiner with official headquarters at Washington, D. C., and that no change be made in his present salary at the rate of \$1,440 per annum.

In accordance with the above recommendation Mr. Zidek was appointed an examiner to examine Federal Reserve Banks, member banks of the Federal Reserve System, and corporations operating under the provisions of Sections 25 and 25(a) of the Federal Reserve Act, for all purposes of the Federal Reserve Act and of all other acts of Congress pertaining to examinations made by, for, or under the direction of the Board of Governors of the Federal Reserve System, was designated as an Assistant Federal Reserve Examiner, and his transfer to the road force was approved, all effective for a temporary period of not to exceed two months beginning September 6, 1940.

9/5/40

-2-

Letter dated August 31, 1940, to Mr. Attebery, Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"As requested in your letter of August 28, 1940, the Board of Governors approves the payment of a salary to Mr. E. Francis DeVos, for an additional period of six months ending February 28, 1941, at the rate of \$2,400 per annum, which is \$600 in excess of the maximum annual salary provided in the personnel classification plan of your Bank for the position to which Mr. DeVos is temporarily assigned."

Approved unanimously.

Letter to the board of directors of the "First State Bank of Marlin", Marlin, Texas, 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 Dallas.

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

Letter to the board of directors of the "State Bank of Lebanon", Lebanon, Missouri, 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 St. Louis.

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

9/5/40

-3-

"The Board of Governors of the Federal Reserve System approves the application of the 'State Bank of Lebanon', Lebanon, Missouri, 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 Finance for the State of Missouri for his information.

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

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

"Reference is made to your letter of August 16, 1940, submitting to the Board for its consideration the proposed plan of the 'Industrial Trust Company', Wilmington, Delaware, to purchase the assets and assume the deposit liabilities of the City Bank and Trust Company, Wilmington, Delaware, a nonmember uninsured bank.

"It is understood that the Industrial Trust Company proposes to purchase the assets and assume the deposit liabilities of the City Bank and Trust Company at a net cost over and above the liabilities assumed of not to exceed \$65,000 and that the Industrial Trust Company feels that, as a result of substantial collections made by the City Bank and Trust Company on assets classified III and IV in the report of examination as of July 22, 1940, it will suffer no loss in the transaction. It appears also that the transaction will not involve any change in the general character of assets of the Industrial Trust Company or broadening in the functions exercised by such bank within the meaning of condition numbered 1 under which the bank was admitted to membership. In the circumstances, therefore, and in accordance with your recommendation, the Board will interpose no objections under the conditions of membership to the transaction, provided your counsel shall be satisfied as to the legal aspects of the transaction and that it shall be approved by the appropriate State banking authorities.

9/5/40

-4-

"It is understood that the assets to be acquired by the Industrial Trust Company will include the bank premises of the City Bank and Trust Company which will be used by the member bank as a branch office and carried on its books at \$35,000. On the basis of the information contained in the last report of examination and the report of condition as of June 29, 1940, of the member bank, the \$35,000 increase in bank premises would result in a total carrying value of approximately \$713,800 in bank premises and investments and assets indirectly representing bank premises as compared with capital stock of \$625,000 and total capital account of \$1,888,400.

"In accordance with your recommendation, the Board approves the proposed increase of \$35,000 in the investment in bank premises and it is requested that you advise the bank accordingly."

Approved unanimously.

Mr. Ransom stated that this afternoon President Harrison of the Federal Reserve Bank of New York called on the telephone to say that due to a transfer of funds from the account of the Bank of Canada to the account of the Canadian Government, the item "Deposits-Foreign Bank" in the Federal Reserve Bank weekly statement would show a reduction of approximately \$220,000,000; that without some explanation the change would cause considerable comment; but that if the item were changed to "Deposits-Foreign" no substantial change in the figures shown in the statement would occur and the Reserve Bank would be able, with the permission of the Treasury which had already been obtained, to explain the change in the caption as being necessary because of a transfer of balances from foreign banks to foreign governments for which the Federal Reserve Bank as fiscal agent of the United States had opened accounts.

9/5/40

-5-

In connection with this matter reference was made to the action taken at the meeting of the Board, on July 13, 1940, in approving a recommendation that, in the event bill H.R. 10127 relating to foreign balances with the Federal Reserve Banks becomes law, the change in the weekly statement suggested by Mr. Harrison be made, and Mr. Ransom said that he had discussed the matter with Mr. Draper, the only other member of the Board in Washington, that the decision had been reached that, notwithstanding the fact that bill H.R. 10127 was still pending, the Federal Reserve Bank of New York should be advised that the suggested change would be made in the Federal Reserve Bank statement to be issued today, and that thereupon, Mr. Smead called Mr. Sproul, First Vice President of the Federal Reserve Bank of New York on the telephone and informed him of the decision.

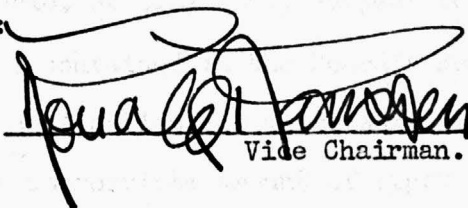
The change in the statement was approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Vice Chairman.