

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, September 9, 1940, at 11:00 a.m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee
Mr. Draper

Mr. Morrill, Secretary
Mr. Bethea, 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 29, 1940, were approved unani-
mously.

The minutes of the meetings of the Board of Governors of the Federal Reserve System held on August 30, September 5 and 6, 1940, were approved and the actions recorded therein were ratified unani-
mously.

Telegram to Mr. Sanford, Secretary of the Federal Reserve Bank of New York, stating that the Board approves the establishment without change by the Federal Reserve Bank of New York on September 5, 1940, of the rates of discount and purchase in the Bank's existing schedule.

Approved unanimously.

Letter to the board of directors of the "Clear Lake Bank and Trust Company", Clear Lake, Iowa, stating that, subject to conditions

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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, together with a letter to Mr. Schaller, President of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Clear Lake Bank and Trust Company', Clear Lake, Iowa, 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 Banking for the State of Iowa for his information.

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

"It has been noted that the Federal Deposit Insurance Corporation's supervising examiner recently suggested that, in view of the fact that a substantial increase in deposits may reasonably be expected, instead of paying dividends all in cash, the bank pay them in part in common stock. According to the letter from the supervising examiner, the stockholders approved such a method of maintaining an adequate capital structure and the bank also proposes to increase its surplus each year, probably in the minimum amount of \$5,000. It is assumed that the policies which the bank indicated to the supervising examiner would be followed as a nonmember bank will be followed by the bank after admission to membership."

Letter to Mr. Gilbert, President of the Federal Reserve Bank of Dallas, reading as follows:

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"The members of the Board sincerely regret to learn from your letter of September 6 of the death on August 31 of Mr. John W. Neal, and will appreciate your expressing their sympathy to the members of the family and to his colleagues on the board of directors of the Houston Branch."

Approved unanimously.

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

"Relet September 5. Board approves action your board of directors in authorizing officers your Bank to advise Banco Central de Reserva de El Salvador, San Salvador, El Salvador, of your Bank's willingness to increase amount of loan at any time outstanding by \$77,000 on same terms and conditions as approved by Board of Governors on July 26, 1940.

"Board also approves action your directors in authorizing officers your Bank, upon future requests from Banco Central de Reserva de El Salvador, to agree to additional increases in the loan up to a maximum amount of \$1,000,000 outstanding at any one time, all such loans to be secured and otherwise to be subject to the terms and conditions stated in Board's telegram to you of July 26, 1940.

"Participation in such additional loan or loans by other Federal Reserve Banks is approved and they are being advised accordingly by letter."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

Wanda Johnson
Vice Chairman.