

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, October 18, 1940, at 2:30 p.m.

PRESENT: Mr. Eccles, Chairman
Mr. McKee
Mr. Draper

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

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

Telegram to Mr. Olson, Assistant Secretary of the Federal Reserve Bank of Chicago, stating that the Board approves the establishment without change by the Federal Reserve Bank of Chicago on October 17, 1940, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Telegram to Mr. Parker, President of the Federal Reserve Bank of Atlanta, stating that the Board of Governors approves for the Atlanta Bank, effective as of October 19, 1940, the following rates on industrial advances under section 13b of the Federal Reserve Act:

"Advances direct to industrial or commercial organizations 4% to 6%

"Advances to financing institutions:

On portion for which institution is obligated 4%, except that in those cases where financing institution charges less the rate may be the same as that charged by the financing institution.

On remaining portion 4% to 6%, except where financing institution charges less than 4%

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"your Bank may charge same rate as that charged by the financing institution."

The telegram also stated that the Board approves the establishment by the Bank without change of the other rates of discount and purchase in the Bank's existing schedule, advice of which was contained in Mr. Parker's telegram of October 17, 1940.

Approved unanimously.

Telegram to Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, stating that the Board of Governors approves for the Kansas City Bank, effective as of October 19, 1940, the following rates on industrial advances under section 13b of the Federal Reserve Act:

"Advances to financing institutions:

On portion for which institution is obligated 4%, except that in those cases where financing institution charges less than 4% the rate may be the same as that charged by the financing institution.

On remaining portion 4% except where financing institution charges less than 4% the rate may be the same as that charged by the financing institution."

The telegram also stated that the Board approves the establishment by the Bank without change of the other rates of discount and purchase in the Bank's existing schedule, advice of which was contained in Mr. Caldwell's telegram of October 17, 1940.

Approved unanimously.

Telegram to Mr. Hale, Secretary of the Federal Reserve Bank of San Francisco, stating that the Board of Governors approves for

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the San Francisco Bank, effective as of October 19, 1940, a rate of 4% to 6% on advances direct to industrial or commercial organizations under section 13b of the Federal Reserve Act. The telegram also stated that the Board approves the establishment by the Bank without change of the other rates of discount and purchase in the Bank's existing schedule, advice of which was contained in Mr. Hale's telegrams of October 15 and 17, 1940.

Approved unanimously.

Letter to the board of directors of "The Oaktown Bank", Oaktown, 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 St. Louis.

Approved unanimously for transmission through the Federal Reserve Bank of St. Louis.

Letter to the board of directors of "The Grant County Bank", Medford, Oklahoma, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special condition, 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:

"4. Such bank shall increase the number of its directors

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"to not less than five, the minimum number required in the case of all member banks under the provisions of Section 31 of the Banking Act of 1933, as amended."

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 Grant County Bank', Medford, Oklahoma, 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 Bank Commissioner for the State of Oklahoma for his information.

"If practicable, the increase in the number of directors required by condition of membership numbered 4 should be effected prior to the admission of the bank to membership. However, the Board will not object to the admission of the bank with only three directors provided steps will be taken promptly to increase the number to five."

In connection with the above matter, the following letter to the Federal Deposit Insurance Corporation was also approved unanimously:

"The Board of Governors of the Federal Reserve System today approved the application of 'The Grant County Bank', Medford, Oklahoma, for membership in the Federal Reserve System, subject to compliance with certain conditions. According to the Board's information, the deposits of the bank are not at this time insured by the Federal Deposit Insurance Corporation."

Letter to the board of directors of "The North Jersey Trust Company, Ridgewood, New Jersey", Ridgewood, New Jersey, stating that, subject to conditions of membership numbered 1 to 6 contained in the

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Board's Regulation H and the following special condition, 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 New York:

- "7. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$2,040, as shown in the report of examination of such bank as of September 3, 1940, made by an examiner for the Federal Reserve Bank of New York."

The letter also contained the following special comment:

"It appears that the bank possesses certain powers which are not being exercised and which are not necessarily required in the conduct of a banking and trust business, such as the powers to act as surety and to guarantee real estate titles. Attention is invited to the fact that if the bank desires to exercise any powers not actually exercised at the time of admission to membership, it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before exercising them. In this connection, the Board understands that there has been no change in the scope of the corporate powers exercised by the bank since the date of its application for membership."

Approved unanimously, together with a letter to Mr. Harrison, President of the Federal Reserve Bank of New York, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of 'The North Jersey Trust Company, Ridgewood, New Jersey', Ridgewood, New Jersey, 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

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"of which you are requested to forward to the Commissioner of Banking & Insurance for the State of New Jersey for his information.

"It is understood that the matter of the bank's reducing to within statutory limits the excessive balance with a nonmember bank will be followed to a conclusion."

Letter to the board of directors of the "Farmers and Merchants Bank of Fenton", Fenton, Missouri, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special condition, 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:

"4. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$2,073, as shown in the report of examination of such bank as of August 10, 1940, made by an examiner for 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:

"The Board of Governors of the Federal Reserve System approves the application of the 'Farmers and Merchants Bank of Fenton', Fenton, 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.

"It is understood that the actions of one of the officers of the bank during the examination for membership

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"caused your examiner to become somewhat suspicious that there might be some irregularities in the bank, and that his uneasiness was not entirely dispelled even though an unusually careful examination was made and no irregularities were disclosed. In the circumstances, it is assumed that after the bank is admitted to membership the Reserve Bank will, of course, follow the situation closely, insist that the officers and employees take periodic vacations, and, until the suspicions have been substantiated or found to be unwarranted, make more frequent examinations than would otherwise be made and adapt the type of examination to the particular situation. Please keep the Board advised as to developments.

"It has been noted that in order to prevent Highway Thirty Realty Co., Inc., from becoming an affiliate of the bank by reason of interlocking directorates, three directors of the former have resigned and, it is assumed, have been replaced by persons who are not directors of the bank. However, attention is called to the fact that, in the absence of some change in the ownership of the stock of the two organizations as set forth in the report of examination, an affiliate relationship apparently will exist when the bank is admitted to membership because of the ownership of a majority of the shares of stock of the Realty Company by shareholders of the bank who own a majority of its shares of stock."

Letter to Mr. Leach, President of the Federal Reserve Bank of Richmond, reading as follows:

"Acknowledgment is made of your letter of October 4, 1940, with attachments, all relating to the proposed construction of a building for the Charlotte Branch of your bank.

"The plans and memorandum specifications are noted, and the Board will interpose no objection to the expenditure of \$240,000 for construction of the building, including mechanical and other equipment, but excluding vaults, and of not to exceed \$310,000 for the building as a whole, including vaults."

Approved unanimously.

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Letter to Mr. McCabe, Chairman of the Federal Reserve Bank of Philadelphia, reading as follows:

"At the completion of the examination of the Federal Reserve Bank of Philadelphia, made as of July 24, 1940, by the Board's examiners, a copy of the report of examination was left for your information and the information of the directors. A copy was also furnished President Sinclair.

"The report does not appear to contain any matters requiring further comment at this time. The Board will 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 October 14, 1940, from Mr. Wingfield, Assistant General Counsel, recommending that there be published in the November issue of the Federal Reserve Bulletin statements in the form attached to the memorandum with respect to the following subjects:

Assignment of Claims Against Government;

Right of Member Bank and Its Subsidiary
Member Banks to Vote in the Election
of a Federal Reserve Bank Director;

Executive Order and Regulations on
Transfers of Rumanian Property; and

General Rulings and General Licenses
Issued by the Secretary of the
Treasury.

Approved unanimously.

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Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. S. ...
Chairman.