

10/19/40 A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, October 19, 1940, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman

Mr. McKee

Mr. Davis

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 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 October 17, 1940, were approved unanimously.

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on October 18, 1940, were approved and the actions recorded therein were ratified unanimously.

Telegram to Mr. Sanford, Secretary of the Federal Reserve Bank of New York, reading as follows:

"Your letter 17. Board approves establishment by your bank of rates of discount and purchase in existing schedule except rates on industrial loans. Suggestion at recent Presidents' Conference and understanding in Board's telegram of October 17 was that rates would be fixed which would enable Federal Reserve Bank to charge same rate as that charged by financing institution on its participation. Board does not believe it would be justified in approving rates which do not recognize a minimum rate at which such loans could be made. It is suggested therefore that your directors review matter and establish rates which will be related to rates

10/19/40

-2-

"charged by financing institutions or to a minimum as well as a maximum rate."

Approved unanimously.

Memorandum dated October 16, 1940, from Mr. Thomas, Assistant Director of the Division of Research and Statistics, recommending that, effective as of October 22, 1940, James H. Newton, porter, be transferred on a permanent basis from the Office of the Secretary to the Division of Research and Statistics, as a messenger, with no change in his present salary at the rate of \$1,200 per annum.

Approved unanimously.

Letter to Mr. Schaller, President of the Federal Reserve Bank of Chicago, reading as follows:

"There is enclosed a copy of a letter dated October 7, 1940, with enclosures, which the Board has received from the office of the Comptroller of the Currency regarding possible affiliate relationships arising out of collateral loan agreements where a bank has made a loan to a corporation and acquired the right to vote at least 51 per cent of the stock of the borrowing corporation. It is understood informally that the national bank mentioned in the Comptroller's letter is the First Wisconsin National Bank of Milwaukee, which is located in your district and that the questions presented may at some time have been considered by the counsel for your Bank. Therefore, before the Board advises the Comptroller of its views, it will be glad to receive any comments which the counsel for the Federal Reserve Bank of Chicago desires to submit."

Approved unanimously.

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

10/19/40

-3-

"This refers to your letter of October 11 regarding Girard Trust Company, Philadelphia, Pennsylvania. The Board agrees with you that the report of a current examination would be desirable as a basis for any comprehensive discussion with the management of the trust company regarding its capital position, investment in real estate, and dividend policy.

"It is understood, however, that a committee of the directors has been appointed to consider the bank's dividend policy and it is believed that the Federal Reserve Bank and the Board would be negligent if the committee should come to a conclusion without having had ample time to consider the viewpoint expressed in the Board's letter of October 9. It is believed, therefore, that it would be quite appropriate if the matters commented upon in that letter were promptly brought to the attention of the management in a general way, even though the more comprehensive discussion referred to in your letter were deferred until the results of the forthcoming examination become available. The Board is perfectly willing, however, to leave to your discretion the determination as to how the matter can best be handled to accomplish the desired results.

"It is assumed that, in view of the delay in examination, extraordinary efforts, if necessary, will be made to have the report of examination in the hands of the bank long before the end of the year in order that the directors may have such information available in determining the dividend policy.

"It will be appreciated if you will keep the Board advised as to developments in this situation."

Approved unanimously.

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

"This refers to your letter of October 1, 1940, with further reference to dormant balances in the amount of approximately \$2,500 charged off by the Peoples Savings Bank Company, Mt. Gilead, Ohio, and carried to the bank's undivided profits account.

"While not entirely clear, it appears from the previous correspondence that the bank recognizes these accounts as still due to the individual depositors if they

10/19/40

-4-

"should call upon the bank for payment and does not contend that the accounts have been lawfully appropriated by the bank. If this is the case, it is the view of the Board that in reports of condition the amounts involved should be shown as amounts due to depositors, rather than as a part of the capital accounts of the bank. It is requested that you advise the bank of the Board's views in this matter for its guidance in preparing its condition reports."

Approved unanimously.

Letter to the Presidents of all Federal Reserve Banks and to all members and Secretary of the Federal Advisory Council, reading as follows:

"You will find enclosed copies of two memoranda designated as follows:

- (1) Duties of Advisory Commission under Section 124 of the Internal Revenue Code;
- (2) Analysis of Memorandum Entitled 'Duties of Advisory Commission under Section 124 of the Internal Revenue Code.'

"The first of these memoranda refers to a procedure which has been approved by the National Defense Advisory Commission and the second is an analysis prepared in the office of the General Counsel of the Board of Governors.

"These memoranda are sent to you for your information at this time but, pending such announcement as the Commission may make, the information contained therein has not been released for publication."

Approved unanimously.

Memorandum dated October 10, 1940, from Mr. Parry, Chief of the Division of Security Loans, recommending that, for the reasons stated in the memorandum, the Board approve the release to the press each month of data regarding customers' debit balances and related

10/19/40

-5-

items, which are collected by the Board from stock exchange firms carrying margin accounts, as soon as such information becomes available instead of publishing it in the Federal Reserve Bulletin as is the practice at the present time.

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris
Secretary.

Approved:

W. C. C. C.
Chairman.