

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, November 22, 1940, at 2:30 p.m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant 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 November 20, 1940, were approved unanimously.

Telegrams to Mr. Young, President of the Federal Reserve Bank of Boston, Messrs. Hays and Hale, Secretaries of the Federal Reserve Banks of Cleveland and San Francisco, respectively, stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on November 19, by the Federal Reserve Banks of Cleveland and San Francisco on November 20, 1940, and by the Federal Reserve Bank of Boston today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated November 18, 1940, from Mr. Paulger, Chief

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of the Division of Examinations, recommending that, for the reasons stated in the memorandum, Miss Marion L. Goshorn be granted additional leave for a period of six days during December 1940, over and above her present accumulated leave with the understanding that the additional leave will be charged to her annual leave for 1941.

Approved unanimously.

Memorandum dated November 19, 1940, from Mr. Smead, Chief of the Division of Bank Operations, submitting a letter dated November 16 from Mr. Rounds, Vice President of the Federal Reserve Bank of New York, requesting approval by the Board of changes in the personnel classification plan of the New York Bank to provide for the creation of the new positions of "General Clerk" in the Check Department, Clearings Division, City Clearings Section, "Signature Clerk" in the Accounting Department, Bookkeeping Division, Member Banks Accounts (Day) Section, "Signature Clerk" in the Collection Department, Wire Transfer Division, Wire Transfer Section, "Chief" in the Foreign Property Control Department, Consulting Division, and "Assistant Chief" in the Foreign Property Control Department, Application and License Division; the elimination of the positions of "Supervisor" and "Signature Clerk" in the Cash Department, Paying Division, Authorities Section, "Assistant Receiving Teller" in the Cash Department, Receiving Division, and "Senior Clerk" in the Foreign Property Control Department, Foreign Property Control Division; and a number

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of other changes which involve only the transfer of positions from one department or division to another, the consolidation of one section with another, the change in name of a division, and changes in the description of work for certain positions.

Approved unanimously.

Letter to the board of directors of the "Lake City Bank", Warsaw, Indiana, stating that, subject to conditions of membership numbered 1 to 6 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 Banks of Chicago:

- "7. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$2,036.50, as shown in the report of examination of such bank as of October 14, 1940, made by an examiner for 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 'Lake City Bank', Warsaw, Indiana, 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 Director, Department of Financial Institutions for the State of Indiana for his information.

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"In his letter to Mr. Young regarding the application, the supervising examiner for the Federal Deposit Insurance Corporation comments on the proportionately small amount of common capital in relation to deposits and states that he had contemplated that some program for increasing the common capital as debentures are retired would be developed following the next examination by his office, which was planned for early next year. While no question is raised as to the adequacy of the capital account as a whole, the bank has obviously outgrown its permanent capital. Therefore, until there has been a substantial increase in the common stock it is suggested that approvals of retirements of debentures held by the Reconstruction Finance Corporation be conditioned upon corresponding increases in common stock.

"Also, while condition of membership numbered 2 does not require prior approval of retirements of capital debentures owned by others than the Reconstruction Finance Corporation, its provisions regarding the maintenance of adequate capital and surplus funds restrict their retirement, and it is expected, of course, that the Reserve Bank will not permit any unwarranted retirements of either the debentures owned locally or those held by the Reconstruction Finance Corporation.

"Both your examiner and the F.D.I.C. examiner have commented upon some weaknesses in the administrative and executive ability of the management. The application for membership has been approved with the expectation that the Reserve Bank, of course, will follow the situation closely and endeavor through careful and constructive supervision to assist the bank in all appropriate ways.

"Since it is understood that in the State of Indiana trust funds deposited in the banking department of a bank are preferred claims in the event of liquidation of the bank, you are authorized, in accordance with the general authorization previously granted by the Board, to waive compliance with condition of membership numbered 6 until further notice."

Letter to "The Goodhue County National Bank of Red Wing", Red Wing, Minnesota, reading as follows:

"This refers to the resolution adopted on October 1, 1940, by the board of directors of your bank, signifying

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"the bank's desire to surrender its right to exercise fiduciary powers heretofore granted to it.

"The Board, understanding that your bank has been discharged or otherwise properly relieved in accordance with the law of all of its duties as fiduciary, has issued a formal certificate to your bank certifying that it is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act, as amended. This certificate is enclosed herewith.

"In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Board of Governors of the Federal Reserve System to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) of the Federal Reserve Act or the regulations of the Board of Governors of the Federal Reserve System made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State or similar authorities for the protection of private or court trusts, and (3) shall not exercise any of the powers conferred by section 11(k) of the Federal Reserve Act except with the permission of the Board of Governors of the Federal Reserve System."

Approved unanimously.

Letter to Mr. Sanford, Secretary of the Federal Reserve Bank of

New York, reading as follows:

"In view of the facts set forth in your letter of November 16, 1940, the Board of Governors approves the appointment of Mr. Edward J. Noble, Chairman, Life Savers, Inc., Port Chester, New York, as a member of the Industrial Advisory Committee for the Second Federal Reserve District for the unexpired portion of the one year term ending February 28, 1941."

Approved unanimously.

Mr. Goldenweiser suggested that the Board authorize the payment of the cost of luncheons served to Messrs. Don Felipe A. Espil,

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Ambassador from the Argentine Republic, Paul Prebisch, General Manager of the Central Bank of Argentina, Roberto Verrier, of the Research Department of the central bank, and Edgardo Grumbach of the Department of Foreign Exchange of the bank, in the Board's dining room today.

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie

Secretary.

Approved:

W. S. ...

Chairman.