

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, November 27, 1940, at 2:20 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

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 26, 1940, were approved unanimously.

Memorandum dated November 20, 1940, from Mr. Nelson, Assistant Secretary, recommending that, effective December 1, 1940, P. Warren Kidwell be promoted to the position of junior operator, duplicating devices in the Duplicating, Mails and Supplies Section of the Secretary's Office, with salary at the rate of \$1,320 per annum; that Harry E. Kern be transferred to the Duplicating, Mails and Supplies Section of the Secretary's Office as a supply clerk, with salary at the rate of \$1,380 per annum; that Leroy H. Cooley be promoted to the position of guard in the Building Operation and Maintenance Section of the Secretary's Office, with salary at the rate of \$1,380 per annum; and that effective as of the date upon which they enter upon the performance

11/27/40

-2-

of their duties, Hubert T. Mount and Robert M. Garner be appointed on a temporary basis for a period of not to exceed one year as elevator operators in the Building Operation and Maintenance Section of the Secretary's Office, each with salary at the rate of \$1,200 per annum.

Approved unanimously.

Letter to the board of directors of the "Early Savings Bank", Early, Iowa, 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 Chicago.

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

Letter to Mr. Young, President of the Federal Reserve Bank of Boston, reading as follows:

"Enclosed is a copy of a letter of November 8, 1940, from The Factory Point National Bank, Manchester Center, Vermont, inquiring whether the assignment of savings bank deposits to the bank's trust department will satisfy the requirement that the bank deposit securities in its trust department to secure trust funds used by it in the conduct of its business.

"The Board has not heretofore had occasion to consider whether savings deposits meet the requirements of section 11(k) and the Board's Regulation F; and, among other things, it would be necessary to determine whether the savings deposits involved could be considered securities within the meaning of section 11(k) and the Board's

11/27/40

-3-

"Regulation F. It appears doubtful that any savings deposits should be considered securities of the kind prescribed by Regulation F; but, before ruling definitely on this matter, it would be desirable to have information as to the nature of the savings deposits involved in the inquiry. It is suggested, therefore, that you discuss the matter with the bank and if, after such further consideration, it appears desirable for the Board to make a ruling on the matter, please, with the assistance of your counsel, furnish the Board with full information as to the facts in this case upon which such a ruling might be based."

Approved unanimously.

Letter to Mr. J. Edgar Hoover, Director of the Federal Bureau of Investigation, reading as follows:

"Reference is made to your circular letter of November 9, 1940, to all fingerprint contributors, advising that in view of the increased volume of work devolving upon the Identification Division no replies will be transmitted, for the present, to the Bureau's correspondents in cases concerning applicant fingerprint cards where no identification is made in the Bureau's fingerprint files.

"The Federal Reserve Bank of Minneapolis advises us, with respect to the above-mentioned letter, that from time to time it has been saved from serious exposure by checking fingerprints of applicants for positions with the Federal Bureau of Investigation; that it has been the Bank's custom to send the fingerprints to the Bureau and the Bureau, up to this time, has returned the fingerprints with a letter advising whether the individual had a criminal record or not; and that from the Bank's point of view it is essential that it know the card has been checked, even if no derogatory evidence appears as it does not like to put a man to work until it has had assurance that he has no criminal record.

"In their capacity as fiscal agents, custodians, and depositaries of the United States, the Federal Reserve Banks employ a considerable number of persons for Government work, much of which is of a confidential nature. It would be greatly appreciated, therefore, if you could see

11/27/40

-4-

"your way clear to continue to furnish advices to the Federal Reserve Bank of Minneapolis as in the past. We feel sure that in order to simplify your work as much as possible the Federal Reserve Bank would be willing to forward with the fingerprints a form of advice for return to the Bank and also, if desired, a self-addressed envelope."

Approved unanimously.

Letter to Mr. David S. Ludlum, Philadelphia, Pennsylvania, reading as follows:

"Receipt is acknowledged of your letter of November 15, 1940, with further reference to the suggestion contained in your letter of November 26, 1934, that the Federal Reserve Banks decline to clear checks on any bank unless it is a member of the System or unless it prints on its checks the name of the Federal Reserve Bank member through which its checks are payable.

"While, as stated in the Board's letter to you of December 24, 1934, many advantages would accrue from the bringing of all commercial banks into a unified system, it is doubtful whether the policy you suggest would further this objective. It should be borne in mind that the Federal Reserve Banks do not accept checks for collection from nonmember banks except from the less than 250 nonmember clearing banks, each of which maintains a 'clearing balance' with the Federal Reserve Bank. They do not now receive checks from member banks drawn on any of the over 2,600 nonmember banks not on the par list, and they handle checks drawn on par-remitting nonmember banks only as a service to their members. The adoption of your suggestion would probably result in a substantial reduction in the number of banks on which the Federal Reserve Banks could collect checks and consequently in an impairment of the check collection services rendered to member banks, since many of the approximately 5,400 nonmember banks now on the par list probably would not care to print the name of another bank on their checks.

"The Board realizes that notwithstanding the important improvements made by Congress in recent years certain defects still exist in our banking machinery from the monetary, credit, and supervisory point of view and in its

11/27/40

-5-

"Annual Report for 1938 presented to Congress a picture of certain banking problems. In view of your expressed interest in the System, there is enclosed a pamphlet entitled 'Problems of Banking and Bank Supervision', which consists of excerpts from the above-mentioned report. There is also enclosed a copy of a reprint from the Federal Reserve Bulletin for February 1940 entitled 'The Par Collection System of the Federal Reserve Banks', which it is thought may be of interest to you."

Approved unanimously.

Letter to Mr. McCabe, Chairman of the Chairmen's Conference, reading as follows:

"Your letter of November 20 to Chairman Eccles was brought to the attention of the other members of the Board and I have been requested to advise you that it will be satisfactory to the Board if the Chairmen decide to hold their conference at Washington on December 9 and 10, as you propose.

"It will be appreciated if you will advise us as soon as you ascertain definitely whether this is also agreeable to the Chairmen."

Approved unanimously.

Letter to The Honorable, The Comptroller of the Currency, reading as follows:

"It is respectfully requested that you place an order with the Bureau of Engraving and Printing, supplementing the order requested June 19, 1940, for the printing of Federal reserve notes of the 1934 Series in the amounts and denominations stated for the Federal Reserve Bank of San Francisco:

Denomination	Number of sheets	Amount
\$500	1,000	\$6,000,000
1000	1,000	12,000,000"

Approved unanimously.

11/27/40

Thereupon the meeting adjourned.

Chester Moriel
Secretary.

Approved:

W. S. Coates
Chairman.