

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, November 28, 1940, at 11:30 a.m.

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

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 27, 1940, were approved unanimously.

Memorandum dated November 27, 1940, from Mr. Nelson, Assistant Secretary, submitting the resignation of Mrs. Alma S. Crozier as supervisor of charwomen in the Building Operation and Maintenance Section of the Secretary's Office, effective as of the close of business on November 24, 1940, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

Letter to the board of directors of the "Milwaukee County Bank", West Allis, Wisconsin, 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

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application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago:

- "4. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$917.07, as shown in the report of examination of such bank as of October 28, 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 'Milwaukee County Bank', West Allis, Wisconsin, 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 Banking for the State of Wisconsin for his information.

"It appears from the examiner's comments on page 2 of the report of examination for membership that when the bank commenced making personal loans it took out a group life insurance policy covering the borrowers but that subsequently it canceled the policy and has since carried the insurance itself, collecting the same fees from borrowers as the insurance company had charged and apparently agreeing to cancel the loans of any borrower in event of his death. It is expected, of course, that the bank will confine its business to that authorized by its charter and, since a question has been raised here as to whether the bank is conducting an unauthorized insurance business, it is suggested that you discuss the matter with the bank. In any event, it is assumed that you

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"will follow the bank's activities in this field to see that they are so conducted as not to constitute an undue hazard to the bank."

Letter to the board of directors of the "Farmers State Bank", Cleveland, Texas, 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 Dallas.

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

"The Board of Governors of the Federal Reserve System approves the application of the 'Farmers State Bank', Cleveland, Texas, 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 Banking for the State of Texas for his information.

"It is assumed that your office will follow the matter of the bank's reducing to within statutory limits the excess balance with a nonmember bank."

Letter to the board of directors of "The Commercial Bank of Heber City", Heber, Utah, 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

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amount of stock in the Federal Reserve Bank of San Francisco:

- "4. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$562.16, as shown in the report of examination of such bank as of September 23, 1940, made by an examiner for the Federal Reserve Bank of San Francisco."

Approved unanimously for transmission through the Federal Reserve Bank of San Francisco.

Letter to Mr. Harrison, Chairman of the Presidents' Conference, reading as follows:

"Recently one of the Federal Reserve Banks advised the Board of Governors that it is the belief of its Board of Directors that all profits from the sale of United States Government securities should be placed in reserves for contingencies, and requested the Board's approval for transferring from surplus (Section 7) to reserves for contingencies on December 31, 1940 (a) an amount equal to profits from the sale of securities during the current year and (b) an additional amount equal to available net earnings. This additional transfer would be for the purpose of placing in reserves for contingencies the major portion of the profits on sales of securities during the years 1935-1939 that were not currently so applied.

"Since assessments for expenses of the Board of Governors and participations in foreign accounts are made in proportion to the capital and surplus of the Federal Reserve Banks, the Board would like to have some consideration given to the feasibility of adopting a procedure which would, in so far as practicable, result in approximately equal ratios among the Federal Reserve Banks of reserves for contingencies to capital and surplus. Accordingly, it will be appreciated if you will place this topic on the program for consideration at the forthcoming Presidents' Conference.

"As you know, reference was made to the suggestion that profits on sales of United States Government securities be transferred to reserves for contingencies in the

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"September 26, 1940 report to the members of the Federal Open Market Committee and Presidents of the Federal Reserve Banks by the Committee on Accounting Procedure in connection with the System Open Market Account. It is assumed that this report will be considered at the next Presidents' Conference."

Approved unanimously.

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

"Reference is made to your letter of November 22 requesting the Board's approval of the payment of an amount equal to one year's salary, \$2,220, to the Retirement System for the purpose of supplementing the retirement allowance to which Mr. Clifford Orbell, an employee of your Bank, will be entitled on his retirement on December 31, 1940.

"In view of the circumstances, as stated in your letter, the Board will interpose no objection to the payment to the Retirement System of \$2,220 for the purpose of supplementing Mr. Orbell's retirement allowance."

Approved unanimously.

Thereupon the meeting adjourned.

Chesster Morrie
Secretary.

Approved:

W. C. C. C.
Chairman.