

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, December 3, 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

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

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on December 2, 1940, were approved unanimously.

Memorandum dated November 25, 1940, from Mr. Nelson, Assistant Secretary, recommending that, for the reasons stated in the memorandum, Philip S. Brown be appointed to the position of Assistant Chief in the Correspondence and Publications Section of the Secretary's Office, with salary at the rate of \$3,800 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

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

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"In accordance with the request contained in your letter of November 29, the Board approves the appointment of Fred Jordan McCune as an assistant examiner for the Federal Reserve Bank of Chicago. Please advise us of the effective date."

Approved unanimously.

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

"In accordance with the request contained in your letter of November 28, the Board approves the appointment of Mr. R. L. Poland as an examiner for the Federal Reserve Bank of Cleveland. Please advise us of the effective date and of the salary Mr. Poland will receive."

Approved unanimously.

Letter to the board of directors of the "South Side Bank of Bay Shore, N. Y.", Bay Shore, New York, 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 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 aggregating \$1,000.00, as shown in the report of examination of such bank as of September 21, 1940, made by an examiner for the Federal Reserve Bank of New York."

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

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"The Board of Governors of the Federal Reserve System approves the application of the 'South Side Bank of Bay Shore, N. Y.', Bay Shore, New York, 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 Superintendent of Banks for the State of New York for his information.

"Standard condition of membership numbered 6 has been prescribed in order that its provisions may be invoked at any time in the future, if necessary, but as in other cases and in accordance with the general authorization previously granted by the Board, you are authorized to waive compliance with the condition until further notice in so far as the condition applies to funds which are given statutory preference in the State of New York."

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

"This refers to your letter of November 23, 1940, and previous correspondence, relating to the desire of 'First National Bank of Battle Creek', Battle Creek, Michigan, to surrender its right to exercise fiduciary powers.

"The office of the Comptroller of the Currency recently transmitted to us a letter of October 29, 1940, from National Bank Examiner Oberwortmann, from which it appears that litigation growing out of the bank's exercise of fiduciary powers is still pending. Copies of such letter and its attachments are enclosed herewith for your information. In view of the pending litigation, the Board does not believe that it should issue at this time a certificate certifying that the bank is no longer authorized to exercise fiduciary powers.

"It is noted from your letter that the bank desires to surrender its right to exercise fiduciary powers prior to the consummation of the consolidation program in which it is involved. However, it appears doubtful whether the facts will be such as to warrant the issuance of the prescribed certificate within that time. Moreover, in view

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"of the consolidation program, it is not apparent to us what purpose such a certificate will serve. As you know, other national banks in the group being consolidated are exercising fiduciary powers and while we are advised informally by the office of the Comptroller of the Currency that it is contemplated that the consolidated institution eventually will discontinue handling fiduciary business, such institution will have the right to exercise fiduciary powers irrespective of the action taken with respect to First National Bank of Battle Creek and it appears that it must continue to exercise such powers, for a time at least, in connection with the business now handled by the other consolidating banks. In the circumstances, it is suggested that you discuss this phase of the matter with First National Bank of Battle Creek and ascertain whether there is any occasion for further action with respect to the surrender of the right to exercise fiduciary powers by such bank."

Approved unanimously.

Letter to the Honorable Leo T. Crowley, Chairman of the Federal Deposit Insurance Corporation, reading as follows:

"Receipt is acknowledged of your letter dated November 27 regarding the unsatisfactory banking situation in Port Chester, New York, and the proposal to consolidate the Mutual Trust Company of Westchester County and The First National Bank and Trust Company of Port Chester with the aid of new capital funds to be obtained from the Reconstruction Finance Corporation and advances made by your Corporation through purchase of, or loans against, the substandard assets of the two banks.

"As pointed out in your letter, the unsatisfactory situation with respect to the Port Chester banks has been dragging for some time, and the Board is wholeheartedly in agreement that it should be corrected at a reasonably early date. Copies of your letter and of this reply have been forwarded to the Federal Reserve Bank of New York and you may be assured that the Reserve Bank and the Board will be glad to continue their efforts and to assist in any way possible in connection with the banks, your Corporation, the Reconstruction Finance Corporation, the Comptroller of the Currency, and the New York State

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"Banking Department, to bring about the desired corrections.

"The Board appreciates your courtesy in supplying us the information contained in your letter and, as requested, will advise you as to future developments. It will be appreciated if your staff will likewise keep the Board's staff informed as to developments in the situation."

Approved unanimously, together with the following letter to Mr. Gidney, Vice President of the Federal Reserve Bank of New York:

"Enclosed for your information is a copy of a letter dated November 27, 1940, from Mr. Crowley, Chairman of the Federal Deposit Insurance Corporation, to the Board regarding the banking situation in Port Chester, New York, and a copy of the Board's reply.

"We have learned informally from the Reconstruction Finance Corporation that it is unwilling to furnish additional capital for the consolidation of the two banks under the terms proposed in Mr. Crowley's letter, particularly as these terms relate to the trust department liabilities of the two banks and the value at which the Federal Deposit Insurance Corporation proposes that the banking house of the national bank be taken into the assets of the consolidated institution.

"As Mr. Crowley has advised the Board that he will appreciate advice as to future developments, your courtesy in continuing to supply us with such information bearing on the situation as may come to you will also be appreciated."

Letter to the Honorable Leo T. Crowley, Chairman of the Federal Deposit Insurance Corporation, reading as follows:

"The Federal Deposit Insurance Corporation in its letter of October 15, 1940, agreed to reimburse the Board of Governors of the Federal Reserve System for a period of two additional months for the salaries of two clerks who were employed for work in connection with the

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"assembly and joint publication of available Federal and State banking statistics, a project on which the Federal Deposit Insurance Corporation, the Comptroller's Office, and the Board of Governors are collaborating. The appointments of the two clerks expire December 11 and December 14, 1940. As this project has been reviewed by representatives of these three agencies since your letter of October 15, we suggest that the appointments of these two clerks be extended for such a time as you feel is necessary for the completion of the project."

Approved unanimously.

Letter to Mr. Clerk, First Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to your letter of September 27, 1940, and enclosures, regarding the applicability of the Clayton Act to Mr. John L. McLean, who is a director of The Sumitomo Bank of Seattle and a director of the Seattle Trust and Savings Bank, both of Seattle, Washington.

"The question presented is whether the two banks are engaged in any of the same classes of business within the meaning of the exception contained in paragraph (6) of section 8 of the statute. It appears that both banks receive demand and time deposits, and in view of previous rulings of the Board, counsel for your bank reaches the conclusion that the above exception is not applicable. The Board sees no reason to differ with this conclusion.

"The Seattle Trust and Savings Bank contends that the banks are not engaged in the same classes of business because all of the customers of The Sumitomo Bank are Japanese whereas the Savings Bank has no Japanese customers. However, the Board does not believe that the applicability of the exception was meant to depend upon differences in the character of the clientele of the two banks; and it is apparent, moreover, that a ruling to this effect would produce serious administrative difficulties, as well as serious practical difficulties for the directors, officers and banks involved in this and in other similar cases if the facts should be slightly different."

Approved unanimously.

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Memorandum dated December 2, 1940, from Mr. Smead, Chief of the Division of Bank Operations, submitting a letter dated November 25 from Mr. Clerk, First Vice President of the Federal Reserve Bank of San Francisco, requesting approval by the Board of changes in the personnel classification plan of the Seattle Branch to provide for the discontinuance of the Accounting and Discount Department and the transfer of five positions from that department to a new Accounting Department, the transfer of three positions from the old department to a new Discount and Credit Department, and the creation of the new position of "Head of Department" in the new Discount and Credit Department. The memorandum stated that the proposed changes had been reviewed and recommended that they be approved.

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie  
Secretary.

Approved:

W. Smead

Chairman.