

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, December 4, 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. 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 December 3, 1940, were approved unanimously.

Memorandum dated December 3, 1940, from Mr. Smead, Chief of the Division of Examinations, submitting a letter dated November 27, 1940, from Mr. Martin, President of the Federal Reserve Bank of St. Louis, requesting approval by the Board of a change in the personnel classification plan of the Bank to provide for the creation of the new position of "Supervisor of Foreign Exchange Transactions", in the Reconstruction Finance Corporation--Collateral and Collection Department. The memorandum stated that the proposed change had been reviewed and recommended that it be approved.

Approved unanimously.

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Memorandum dated December 3, 1940, from Mr. Smead, Chief of the Division of Examinations, submitting a letter dated November 28, from Mr. Worthington, First Vice President of the Federal Reserve Bank of Kansas City, requesting approval by the Board of a change in the personnel classification plans of the Bank and its Omaha Branch to provide for an increase in the maximum salary for the position of "Currency Assorter" in the Money Department at the head office, and for the creation of the new position of "Assistant Supervisor" in the Accounting Department; and increases in the maximum salaries and description of work for the positions of "Assistant Supervisor" and "General Clerk" in the Custody Reconstruction Finance Corporation and Public Works Administration Department of the branch. The memorandum stated that the proposed changes had been reviewed and recommended that they be approved.

Approved unanimously.

Letter to the board of directors of "The First Trust & Savings Bank", Aurelia, Iowa, stating that, subject to conditions of membership numbered 1 to 6 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.

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Letter to the board of directors of the "Peoples State Bank", Rossville, Kansas, 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 Kansas City.

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

"The Board of Governors of the Federal Reserve System approves the application of the 'Peoples State Bank', Rossville, Kansas, 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 Bank Commissioner for the State of Kansas for his information.

"The amount of estimated losses classified in the report of examination for membership is relatively small; therefore, the usual condition regarding the elimination of estimated losses has not been prescribed."

Letter to Mr. Gilbert, President of the Federal Reserve Bank of Dallas, reading as follows:

"This refers to your letter of October 7, 1940, relating to the authority of Commercial National Bank in Nacogdoches, Nacogdoches, Texas, to exercise certain fiduciary powers.

"The bank applied for and was granted permission to act, when not in contravention of State or local law, as executor, administrator, guardian of estates, assignee,

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"receiver, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Texas. Since three of the specific powers enumerated in section 11(k) of the Federal Reserve Act (i.e. trustee, registrar of stocks and bonds, and committee of estates of lunatics) were not included, the Board's announcement FR-270 (No. 98) listed the bank as having been granted 'limited trust powers'.

"Stating that you have reason to believe that it is the bank's understanding that it has authority to exercise 'full trust powers', you point out that competing State institutions are authorized 'to act as guardian of any insane person or idiot under appointment of any court of record having jurisdiction of the estate of such insane person or idiot', 'to transfer, register and counter-sign certificates of stock, bonds, or other evidences of indebtedness' and to act as trustee.

"Your opinion that the bank is authorized to exercise the above-mentioned powers which competing State institutions may exercise is in accordance with views heretofore expressed by the Board. The so-called 'general power' covers all fiduciary powers which competing State institutions are authorized to exercise, including any of the eight specific powers enumerated in section 11(k). Thus, a national bank which receives a permit covering part of the specific powers and the 'general power' may, in practical effect, have 'full trust powers', although its right to exercise the specific powers not listed in its permit is dependent upon the authority of competing State institutions to exercise them.

"Since your inquiry resulted from the use of the terms 'limited trust powers' and 'full trust powers' in the Board's FR-270 announcements, that practice will be discontinued and, hereafter, the announcements will merely show that the right to exercise fiduciary powers has been granted, without indicating the extent of the powers."

Approved unanimously.

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Thereupon the meeting adjourned.

Chester Morice  
Secretary.

Approved:

W. Steeles  
Chairman.