

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, December 11, 1940, at 2:30 p.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
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 December 9, 1940, were approved unanimously.

The minutes of the meeting of the Board of Governors of the Federal Reserve System with the Chairmen of the Federal Reserve Banks held on December 10, 1940, were approved unanimously, with the understanding that should any of the Chairmen suggest changes in the record of their statements at the meeting the changes would be made upon approval by the Board.

Memorandum dated December 10, 1940, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that the temporary appointments of Robert B. Martin and Mildred C. Milles, clerks in the Division of Research and Statistics appointed in connection with the work being done on the assembly and joint publication of available Federal and State banking statistics, be extended for an indefinite period, with salaries at the present rates of \$140 and \$120 per month, respectively. The memorandum stated that Donald S. Thompson,

12/11/40

-2-

Chief of the Division of Research and Statistics of the Federal Deposit Insurance Corporation has stated that it was agreeable to the Federal Deposit Insurance Corporation to continue to reimburse the Board for these salaries for an indefinite period and that a letter would be received from the Corporation in a few days concerning the two appointments.

Approved unanimously.

Letter to the board of directors of "The Suffolk County Trust Company", Riverhead, 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 \$28,603, as shown in the report of examination of such bank as of October 11, 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:

"The Board of Governors of the Federal Reserve System approves the application of 'The Suffolk County Trust Company', Riverhead, 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.

12/11/40

-3-

"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 insofar as the condition applies to funds which are given statutory preference in the State of New York."

Letter to the board of directors of "The Bolivar State Bank Company", Bolivar, Ohio, 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 amount of stock in the Federal Reserve Bank of Cleveland:

- "4. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$650, as shown in the report of examination of such bank as of November 5, 1940, made by an examiner for the Federal Reserve Bank of Cleveland."

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

"The Board of Governors of the Federal Reserve System approves the application of 'The Bolivar State Bank Company', Bolivar, Ohio, 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 Ohio for his information.

12/11/40

-4-

"The rather ambiguous depositor's agreement under which certain depositors waived a portion of their deposits when the bank was reorganized contained provisions that the bank should pay no dividends to stockholders until the depositors had been paid in full and that all earnings which might otherwise be paid out as dividends should be applied to the payment of the depositors. As stated in the case of the recent application of The Freeport State Bank, Freeport, Ohio, if such provisions of an agreement do not constitute a subordinated obligation of the bank, such as should be reported under item 33(b) in reports of condition, it is believed that appropriate notation as to the restrictions on the payment of dividends should be endorsed on the stock certificates, at least on all certificates issued in the future. It is requested, therefore, that you satisfy yourself as to which of the two methods is appropriate and then take the matter up with the bank."

Letter to the board of directors of the "Plymouth State Bank of Plymouth", Plymouth, Illinois, 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. Swanson, Vice President of the Federal Reserve Bank of Minneapolis, reading as follows:

"Referring to your letter of November 25, 1940, addressed to Mr. Wingfield, relating to the status of Commercial Trust & Savings Bank, Mitchell, South Dakota,

12/11/40

-5-

"as a member of the Federal Reserve System, you are advised that the Board considers the bank to be a member bank."

Approved unanimously.

Letter to the Presidents of all Federal Reserve Banks, reading as follows:

"Some time ago the Board had occasion to consider the applicability of section 22(g) of the Federal Reserve Act, regarding loans to executive officers, to a vice president of a national bank who had authority to sign deeds, checks, drafts and other documents in the absence of the president. The letter which the Board wrote on the subject was not circulated to the Federal Reserve Banks at the time and, accordingly, for your information and records we are stating below the position which the Board took in the matter.

"It appeared that the officer in question had been an inactive vice president of the bank for many years; that he had never been paid a salary as vice president, his only compensation being as a director and a member of the finance committee of the board of directors; and that except for his duties as a director his only official actions were the signing of documents in the absence of the president. The board of directors of the bank proposed to adopt a resolution giving the vice president in question authority to sign deeds, checks, drafts, and other documents in the absence of the president, but expressly denying him authority to make loans or to perform any of the other duties of an executive officer having control of matters of policy or direction of the activities of the bank.

"On the basis of the above facts, the Board advised the Federal Reserve Bank which submitted the inquiry that it concurred in the Federal Reserve Bank's opinion that the duties to be performed by the officer in question require a participation 'in the operating management of the bank' and, therefore, he would be an executive officer of the bank within the meaning of the Board's Regulation O, as amended July 1, 1939.

Approved unanimously.

12/11/40

-6-

Letter dated December 10, 1940, to Mr. West, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to your letter of November 28, 1940 requesting the views of the Board with respect to the question whether the following provision contained in the savings pass books issued by The Commercial Bank of Spanish Fork, Spanish Fork, Utah, complies with the definition of savings deposits as set forth in the Board's Regulation D and Regulation Q:

'Prior notice of intention to withdraw funds from a savings account will not be required unless it is deemed necessary for the best interests of all depositors by the board of directors of the Bank. It is, therefore, a condition of this deposit agreement that the board of directors of the Bank may or may not require such notice at their discretion so long as any notice so required is not in violation of law, or contrary to the regulations of the Federal Reserve Board, the State Banking Department, or the Federal Deposit Insurance Corporation.'

"In order for a deposit to be a savings deposit within the meaning of the Board's regulations, it must, among other things, be a deposit with respect to which 'the depositor is required, or may at any time be required, by the bank to give notice in writing of an intended withdrawal not less than 30 days before such withdrawal is made.' While the pass book provision above quoted reserves to the bank the right to require notice of withdrawal, it does not expressly state that such notice shall be in writing or that it shall be given not less than 30 days before a withdrawal is made. The statement that the bank may require notice 'so long as any notice so required is not *** contrary to the regulations of the Federal Reserve Board' is not sufficiently definite to meet the requirements of the regulatory definition.

"It is assumed that you will advise The Commercial Bank of Spanish Fork of the views of your bank and of the Board of Governors with respect to this matter with a view to obtaining in due course and in such manner as

12/11/40

-7-

"to cause a minimum of inconvenience to the bank, a correction of the phraseology in question. You may wish to consider the advisability of bringing the matter also to the attention of the Rocky Mountain Bank Note Company."

Approved unanimously.

Letter to 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 Cleveland:

Denomination	Number of sheets	Amount
10	400,000	\$48,000,000
20	171,000	41,040,000
50	24,000	14,400,000
100	7,500	9,000,000
1000	500	6,000,000"

Approved unanimously.

Mr. Morrill recommended that the Board approve the payment of the cost of luncheons served in the Board's dining room today to Messrs. Rulon F. Starley and A. E. Wilde, Bank Commissioners of Utah and Wyoming, respectively.

Approved unanimously.

12/11/40

-8-

Thereupon the meeting adjourned.

Chester Morrill
Secretary.

Approved: [Signature]
Chairman.