

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, December 26, 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  
Mr. Clayton, Assistant to the Chairman  
Mr. Thurston, Special Assistant to the Chairman  
Mr. Wyatt, General Counsel  
Mr. Smead, Chief of the Division of Bank Operations

Chairman Eccles stated that, in accordance with the action taken at the meeting of the Board on December 23, he had talked over the telephone with Mr. Beardsley Ruml, Deputy Chairman of the Federal Reserve Bank of New York, and with Mr. E. E. Day, class C director of the Bank, and that Mr. Ruml had stated he would be willing to accept designation as Chairman and Federal Reserve Agent at the Bank for the coming year and Mr. Day had indicated he would accept appointment as Deputy Chairman for the year 1941, with the understanding, however, that other demands on his time might make it necessary for him to resign as class C director at the end of 1941.

Chairman Eccles made the further statement that he had also talked with Mr. Walter W. Stewart with respect to his availability as a class C director of the Federal Reserve Bank of New York and that

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Mr. Stewart had wired that other commitments made it impossible for him to accept the appointment. Following the receipt of this telegram, Chairman Eccles said he talked again with Mr. Ruml and suggested that he and Mr. Day review the field of possible appointees as class C director of the Federal Reserve Bank of New York and submit suggestions to the Board, which Mr. Ruml agreed to do.

Upon motion by Mr. McKee, the following actions were taken by unanimous vote:

Beardsley Ruml was designated Chairman and Federal Reserve Agent at the Federal Reserve Bank of New York for the year 1941 and his compensation as Chairman and Federal Reserve Agent was fixed on the uniform basis fixed for the same position at all Federal Reserve Banks, i.e., the same amount as the aggregate of the fees payable during the same period to any other director for attendance corresponding to his at meetings of the board of directors, executive committee and other committees of the board of directors.

E. E. Day was appointed Deputy Chairman of the Federal Reserve Bank of New York for the year 1941.

Mr. Morrill read a letter received by Chairman Eccles under date of December 23, 1940, from Mr. Owen D. Young asking that he be not named as a class C director of the Federal Reserve Bank of New York for another term.

The Secretary was requested to prepare a letter for Chairman Eccles' signature to Mr. Young thanking him for his services to the System during the approximately twenty years that he had been a member of the board of directors of the Federal Reserve Bank of New York.

Chairman Eccles then related for the information of the other members of the Board the substance of a telephone conversation which he had had with Mr. Henry S. Dennison, Deputy Chairman of the Federal

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Reserve Bank of Boston with respect to the possibility of his designation as Chairman and Federal Reserve Agent at the Federal Reserve Bank of Boston. He said that Mr. Dennison had stated that he would be willing to accept the designation in the event Mr. Curtiss continued to take the position that he would like to be relieved as Chairman and Federal Reserve Agent, but that he was inclined to feel that the better arrangement would be for Mr. Curtiss to retain the position until the end of his present term as class C director.

At the conclusion of a discussion, Mr. Draper moved that the matter of the designation of a Chairman and Federal Reserve Agent at the Federal Reserve Bank of Boston be again referred to Chairman Eccles and Mr. Ransom for further discussion with Messrs. Curtiss and Dennison.

This motion was put by the Chair and carried unanimously.

There was a further discussion of possible appointments to fill the vacancies on the boards of directors of the Jacksonville Branch of the Federal Reserve Bank of Atlanta and the Denver Branch of the Federal Reserve Bank of Kansas City but no action was taken.

Mr. Szymczak referred to a letter received from Mr. Leach, President of the Federal Reserve Bank of Richmond, under date of December 19, 1940, in which it was stated that the lowest bid on the proposed building to house the Charlotte Branch was \$130,000 higher than the original estimate of \$307,000 and that the board of directors of the Richmond Bank would like to go ahead with the building at once and would like to have the Board say it would interpose no objection to an expenditure of \$442,000 for that purpose which would allow a margin of

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approximately 1% to take care of minor contingencies. Mr. Szymczak also read excerpts from a letter dated December 13, 1940, from the architect which discussed the reasons why the bids were higher than the original estimated cost.

Chairman Eccles stated that it was the present attitude of the Government that, in the absence of an emergency, all construction that would add to the shortage of facilities for the production of steel or other materials required for the defense program should be delayed until after the emergency had passed, that this position had been taken not only for the purpose of facilitating the defense program but also to build up a reserve of construction which would be available to employ labor and facilities when the urgency for production of defense was over, and that he would suggest that the Board and the Richmond Bank should give consideration to the practicability of deferring the erection of the Charlotte Branch building until after the present emergency.

Mr. Szymczak referred to comments contained in Mr. Leach's letter with respect to the need for the branch building and stated that it would appear that the bank is faced with a situation bordering on an emergency.

At Mr. Szymczak's suggestion, it was agreed he would ask Messrs. Lassiter, Chairman, and Leach, President, of the Federal Reserve Bank of Richmond, to come to Washington sometime after the first of January to discuss with the Board the question of delaying the erection of the branch building.

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It was also agreed that Chairman Eccles would discuss with Mr. Ruml when he is in Washington next week the possibility of the New York Bank deferring the proposed air conditioning of its building until after the defense emergency is passed.

There was then presented a draft of telegram to Mr. Howard Kellogg, President of Spencer Kellogg and Sons, Inc., Buffalo, New York, reading as follows:

"Retel. Board's records show you were originally appointed branch director on February 1, 1935. You therefore have not had 'six or more years of continuous service' and are not ineligible under Board's regulation for appointment to serve during three year term beginning January 1, 1941.

"In light of foregoing, Board will be glad to have you reconsider and accept appointment. Please wire your decision collect."

Approved unanimously.

At this point Messrs. Thurston, Wyatt, and Smead left the meeting and the action stated with respect to each of the matters hereinafter referred to was then taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on December 23, 1940, were approved unanimously.

Letter to "The Hanover National Bank of Wilkes-Barre", Wilkes-Barre, Pennsylvania, reading as follows:

"This refers to the resolution adopted on August 21, 1940, by the board of directors of your bank, signifying the bank's desire to surrender its right to exercise fiduciary powers heretofore granted to it.

"The Board, understanding that your bank has been discharged or otherwise properly relieved in accordance with the law of its duties as fiduciary, has issued a formal

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"certificate to your bank certifying that it is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act, as amended. This certificate is enclosed herewith.

"In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Board of Governors of the Federal Reserve System to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) of the Federal Reserve Act or the regulations of the Board of Governors of the Federal Reserve System made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State or similar authorities for the protection of private or court trusts, and (3) shall not exercise any of the powers conferred by section 11(k) or the Federal Reserve Act except with the permission of the Board of Governors of the Federal Reserve System."

Approved unanimously.

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

"The Board's letter S-235 of November 7, 1940 requested that member banks' weekly condition reports (item No. 11 on page 2 of the letter) for the period 1927-1937, inclusive, be retained until the receipt of further advice from the Board. It has since come to the Board's attention that some of the Reserve Banks have complete transcripts of the reports submitted by the individual reporting member banks, in addition to the reports themselves. There is no need in such cases of retaining the original reports. Accordingly, to the extent that your bank has transcripts of the figures reported by each individual weekly reporting member bank during the period 1927-1937, inclusive, the reports may be destroyed or otherwise disposed of in the manner provided by the Board's letter S-235.

"Now that such reports are no longer handled by the Federal Reserve Agents' offices, there is, of course, no need of our obtaining Congressional authority for their destruction, and the determination of when current reports of weekly reporting member banks should be destroyed may be made by the Federal Reserve Banks in the absence of instructions from the Board. In this connection, the report submitted in 1936 by the committee of representatives of the

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"Federal Reserve Banks on the destruction of records, copies of which were sent to all Federal Reserve Banks by President Harrison of the Federal Reserve Bank of New York on June 11, 1936, suggests that member bank weekly condition reports be retained for one year. From the Board's standpoint there is no objection to this policy, since transcripts of these reports beginning with 1933 are in the Board's files."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris  
Secretary.

Approved:

W. C. C. C.  
Chairman.