

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, January 3, 1941, at 2:45 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

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 January 2, 1941, were approved unanimously.

Telegrams to Messrs. Sanford, Post, Hays, and Dillard, Secretaries of the Federal Reserve Banks of New York, Philadelphia, Cleveland, and Chicago, respectively, Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, and Mr. Hale, Secretary of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on December 31, 1940, by the Federal Reserve Banks of New York, Cleveland, Chicago, and Kansas City on January 2, 1941, and by the Federal Reserve Bank of Philadelphia today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

1/3/41

-2-

Mr. Morrill reported that the Comptroller of the Currency today issued a call on all national banks for reports of condition as at the close of business on December 31, 1940, and that, in accordance with the usual practice, a call was made on behalf of the Board of Governors of the Federal Reserve System today on all State member banks for reports of condition as of the same date.

The call made on behalf of the Board was approved unanimously.

Bond in the amount of \$10,000 executed under date of December 27, 1940, by Beardsley Ruml as Federal Reserve Agent at the Federal Reserve Bank of New York.

Approved unanimously.

Letter to Mr. Nardin, Chairman of the Board and Federal Reserve Agent of the Federal Reserve Bank of St. Louis, reading as follows:

"As requested in your letter of December 28, 1940, the Board of Governors approves the payment of a salary to Mr. John A. Links, Federal Reserve Agent's Representative at the Little Rock Branch, at the rate of \$2,580 per annum, effective January 1, 1941."

Approved unanimously.

Letter to Mr. Hamilton, President of the Federal Reserve Bank of Kansas City, reading as follows:

"As requested in your letter of December 28, 1940, the Board of Governors approves the payment of salaries

1/3/41

-3-

"to the Federal Reserve Agent's Representatives at your Branches, effective January 1, 1941, as follows:

| | <u>Annual Salary</u> |
|-----------------------------------|----------------------|
| I. A. Thornton--Omaha Branch | \$3,000 |
| W. R. Young--Denver Branch | 2,900 |
| J. C. Clark--Oklahoma City Branch | 2,800" |

Approved unanimously.

Letter to Mr. Worthington, First Vice President of the Federal Reserve Bank of Kansas City, reading as follows:

"Reference is made to your letter of December 30 requesting the Board's approval of the payment of an amount equal to one year's salary, \$1,440, to the Retirement System for the purpose of supplementing the retirement allowance to which Mr. P. H. Holycross, an employee of your Bank will be entitled on his retirement on January 1, 1941.

"In view of the circumstances, as stated in your letter, the Board will interpose no objection to the payment to the Retirement System of \$1,440 for the purpose of supplementing Mr. Holycross's retirement allowance."

Approved unanimously.

Memorandum dated January 2, 1941, from Mr. Smead, Chief of the Division of Bank Operations, submitting a letter dated December 26, 1940, from Mr. Gilbert, President of the Federal Reserve Bank of Dallas, requesting approval by the Board of a change in the personnel classification plan of the Houston Branch of the Bank to provide for the creation of the new position of "Assistant Supervisor" in the Cash Department. The memorandum stated that the proposed change had been reviewed and recommended that it be approved.

Approved unanimously.

1/3/41

-4-

Letter to Mr. Leedy, Vice President of the Federal Reserve Bank of Kansas City, reading as follows:

"This refers to your letter of December 23, 1940, with enclosures, presenting for the consideration of the Board the question whether the following interlocking relationships are prohibited by section 8 of the Clayton Act: Messrs. C. L. Henderson and H. K. Lindsley as directors of the First National Bank in Wichita and The Wheeler Kelly Hagny Trust Company, both of Wichita, Kansas; Mr. T. M. Deal as a director of The Fourth National Bank in Wichita and The Wheeler Kelly Hagny Trust Company, both of Wichita; and Mr. C. H. Brooks as a director of the First National Bank in Wichita and The Union Stock Yards National Bank, Union Stock Yards, Kansas. In the event the relationships are found to be prohibited the Board is requested to amend its Regulation L so as to permit the continuance of the relationships in question.

"It appears from your letter to the Board and your memorandum of November 18, 1940, to President Hamilton that the only exceptions in the statute or the Regulation having a bearing on these relationships are those contained in Section 2(d)(6) and Section 3(c) of the Regulation, with respect to the services of Messrs. Henderson, Lindsley and Deal, and in Section 2(d)(5) of the Regulation, with respect to the services of Mr. Brooks.

"In your memorandum to President Hamilton you state with respect to the relationships of Messrs. Henderson, Lindsley and Deal, that it is your understanding 'that The Wheeler, Kelly, Hagny Trust Company acts as trustee of individual trusts, and that it perhaps also acts in other fiduciary capacities in which the national banks in Wichita referred to also act'; and in your letter to the Board you also state that 'The apparent violations arise by reason of the fact that the two national banks mentioned, as well as The Wheeler Kelly Hagny Trust Company, exercise fiduciary powers, including the administration of individual trusts.'

"With respect to the relationships of Mr. Brooks you state, in your letter to the Board, that it is your understanding 'that The Union Stock Yards National Bank is located in the unincorporated village of Union Stock Yards, Kansas, that the post office address of the bank is Wichita,

1/3/41

-5-

"Kansas, and that the village of Union Stock Yards is immediately adjacent to Wichita."

"Accordingly, you conclude that all of the relationships in question are prohibited. On the basis of the statements quoted above and in the absence of any other pertinent facts which might lead to a different result, the Board sees no reason to differ from the conclusions reached by you that the relationships in question come within the prohibitions of the Clayton Act.

"The Board's position with respect to the question of amending Regulation L so as to permit the continuance of relationships otherwise prohibited has been stated in the rulings quoted on pages 2 - 5 of your memorandum of November 18, 1940, to President Hamilton and it seems that nothing further need be added by the Board in this connection. However, in advising the banks and the individuals involved with respect to the matter, it is suggested that you communicate to them the tenor of the last paragraph of the ruling quoted on page 5 of your memorandum to President Hamilton."

Approved unanimously.

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

"This refers to your letter of December 24, 1940 inquiring whether certain loans made to Mr. R. E. Bowie, President of the Security Trust Company, Wheeling, West Virginia, and held as assets of a voluntary trust of which such bank is trustee are in violation of section 22(g) of the Federal Reserve Act.

"Your letter states that on May 16, 1936 Mr. Bowie, then Vice President of the bank, borrowed a sum of money from Mr. Harry S. Sands, a director of the bank, the balance of which is now \$10,000. Subsequent to the granting of the loan Mr. Sands caused the note to be set up along with other assets in a voluntary trust which had been created in 1935 with the member bank as trustee. In February 1940 an additional loan, the balance of which is \$2,100, was made by Mr. Sands to Mr. Bowie and the note representing this loan was added to the same trust. You state that the trust is regarded by Mr. Bowie as a sort of agency and provides not only for additions and

1/3/41

-6-

"revocation but also for direction as to investment by the donor.

"As you know, the Board, in its letter of March 20, 1936 (X-9528), took the position that the restrictions contained in section 22(g) of the Federal Reserve Act and the Board's Regulation O include loans to executive officers of member banks from trust funds administered by such banks. However, the Board stated in its letter of May 20, 1938 (S-98) that it would not interpose any objection to a transaction by which a member bank, as trustee, acquired a note of one of its executive officers, in the light of the facts stated in such letter.

"It appears from your letter of December 24, 1940, that the executive officer in this case did not borrow trust funds which were being administered by the bank and that the donor of the trust, who made the loans from his personal funds, placed the notes evidencing such loans in the trust in accordance with his rights reserved in the trust instrument to direct the investment of the trust funds. In these circumstances and upon the assumption that the transactions were entered into in good faith and not for the purpose of evading the statute, it does not appear to the Board that they constitute violations of the law. It is noted, however, that your bank has advised the member bank that a violation of the law is involved, and if, after further consideration of the matter with your Counsel in the light of all the information that may be available to you, it is still your view that the transaction is one which falls within the prohibitions of the statute, we will be glad to have you take the matter up again with the Board with a statement of your views and those of your Counsel.

"It does not appear that an interpretation of Regulation F is involved since Security Trust Company is a State institution and is not subject to a condition of membership comparable to the provisions of such regulation which relate to the investment of trust funds in obligations of officers of the trustee bank."

Approved unanimously.

Mr. Draper suggested that the Board authorize the payment of the cost of luncheons served to Messrs. R. L. Mehornay, Deputy Director

1/3/41

-7-

of Small Business Activities of the National Defense Commission,
and J. Harvie Wilkinson, of the Planters National Bank, Richmond,
Virginia, in the Board's dining room today.

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morril
Secretary.

Approved:

W. Steeles
Chairman.