

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, January 31, 1941, at 11:30 a.m.

PRESENT: Mr. Szymczak  
Mr. McKee  
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:

Telegrams to Messrs. Sanford, Post, Dillard, and Stewart, Secretaries of the Federal Reserve Banks of New York, Philadelphia, Chicago, and St. Louis, 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 Banks of St. Louis and San Francisco on January 28, by the Federal Reserve Banks of New York, Chicago, and Kansas City on January 30, 1941, and by the Federal Reserve Bank of Philadelphia today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Telegram to Mr. Hays, Secretary of the Federal Reserve Bank of Cleveland, stating that the Board of Governors approves for the Cleveland Bank, effective as of February 1, 1941, the following rates on industrial loans and commitments under section 13b of the Federal

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## Reserve Act:

"Advances to industrial or commercial businesses made through financing institutions:

Rate fixed by financing institution.

"Advances to financing institutions secured by obligations evidencing working capital loans made under the provisions of section 13b:

On portion of such advances for which the financing institution remains obligated:

1% per annum less than rate to the borrower.

On portion for which the financing institution is relieved of responsibility:

Same as rate to the borrower.

"Commitments with respect to: Direct loans by Federal Reserve Bank:

1/2% per annum.

Loans made by financing institutions:

On undischursed portion of loan:

1/4% per annum.

On disbursed portion of loan, if rate to borrower is less than 3 1/2% per annum:

Not to exceed 3/4% per annum.

On disbursed portion of loan, if rate to borrower is 3 1/2% per annum or more:

Not to exceed 1% per annum."

The telegram also stated that the Board approves the establishment by the Bank without change of the other rates of discount and purchase in the Bank's existing schedule, advice of which was contained in Mr. Hays' telegram of January 30, 1941.

Approved unanimously.

Letter to Mr. Brainard, Chairman of the Federal Reserve Bank of

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Cleveland, reading as follows:

"Further reference is made to your letter of January 10, 1941, advising that during an informal discussion at your Board meeting on January 9, the unanimous conclusion was reached to reappoint Messrs. Fleming and Zurlinden as President and First Vice President, respectively, for the five-year term commencing March 1, 1941. You stated that formal action on the above-mentioned appointments would be taken at the regular meeting of the Board of Directors on February 27, 1941, and that the recommendations were submitted to the Board of Governors in advance so that it might have an opportunity to consider the matter.

"The Board has requested me to advise you that it sees no reason why formal action on these appointments should not be taken by your directors at the meeting to be held on February 27, 1941."

Approved unanimously

Letter to the board of directors of the "Glasford State Bank", Glasford, Illinois, stating that, subject to conditions of membership numbered 1 to 3, inclusive, 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 the board of directors of the "Villa Grove State Bank", Villa Grove, Illinois, stating that, subject to conditions of membership numbered 1 to 3, inclusive, 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

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the Federal Reserve Bank of Chicago.

Approved unanimously for transmission through the Federal Reserve Bank of Chicago.

Letter to the board of directors of the "Bank of Eldon", Eldon, Missouri, stating that, subject to conditions of membership numbered 1 to 3, inclusive, 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 St. Louis.

Approved unanimously for transmission through the Federal Reserve Bank of St. Louis.

Letter to the board of directors of the "Citizens State Bank of Fair Play", Fair Play, Missouri, stating that, subject to conditions of membership numbered 1 to 3, inclusive, 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 St. Louis.

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

"The Board of Governors of the Federal Reserve System approves the application of the 'Citizens State Bank of Fair Play', Fair Play, Missouri, 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

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"is for your files and the other of which you are requested to forward to the Commissioner of Finance for the State of Missouri for his information.

"The bank is reported in acceptable asset condition and it has a strong capital structure in relation to deposits. However, the management is regarded as rather weak and the future possibilities of the little bank are recognized as limited. In the circumstances, the Board has approved the application on the understanding that, as indicated in the presentation memorandum would be done, the Reserve Bank will follow the situation closely and give the bank more than ordinary supervision.

"A special condition of membership to require increases in the common stock, or in the reserve for increase in common stock, concurrently with reductions in capital debentures does not seem necessary since appropriate requirements can be made in connection with approvals of capital debenture retirements. Therefore, the suggested special condition has not been prescribed.

"In order that the Board's files may be complete, it is requested that you forward a copy of the form of capital debentures which the bank sold to the Reconstruction Finance Corporation.

"According to the report of examination made in connection with the bank's application for membership it was expected that Director Crow would be dropped from the Board at the next annual meeting because of his involved financial condition. It will be appreciated if you will advise us as to whether this was done.

"Referring to pages E(1) and E(2) of the report of examination for membership where the examiner describes the plan under which the bank's officers are endeavoring to acquire the controlling stock of the bank, it is the Board's view that, at least, such officers should fully disclose to the directors the functions to be performed by the bank and, if the bank undertakes to hold any of the stock certificates (as contemplated by the note form quoted by the examiner), the bank's records should adequately reflect the facts."

Letter prepared by Mr. Draper for his signature to Mr. C. O. Ruggles, Director of Research of the Graduate School of Business Administration at Harvard University. The letter was presented as a



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Joint recommendation from Messrs. Davis and Draper pursuant to the action taken at the meeting of the Board on January 28, 1941:

"With further reference to the research project which Mr. L. L. Hollinger is preparing, I have discussed the matter with our Board and with Governor Davis who has direct supervision over all such matters for the Board.

"The Board expresses a desire to be co-operative in the distribution of Mr. Bollinger's study to financial and business men located in the various Federal Reserve districts.

"It would be our idea to have these pamphlets printed as a study of the Harvard School of Business Administration and distributed by our various banks and branches as a public service on our part, on the understanding that all cost of printing and mailing would be borne by the Harvard School.

"It is further understood that before publication Mr. Bollinger's manuscript would be submitted to us for consideration as suitable for publication and distribution as discussed by Mr. Bollinger and myself and as outlined above."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris  
Secretary.

Approved:

W.S. Byrnes  
Member.