

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, February 13, 1941, at 11:30 a.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 hereinafter referred to was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on February 12, 1941, were approved unanimously.

Memorandum dated February 4, 1941, from Mr. Carpenter, Assistant Secretary, recommending, for the reasons stated in the memorandum, (1) that, effective February 16, 1941, and subject to their passing satisfactorily the usual physical examination, Frances P. Campbell and Ruth Ellen Dewey be appointed on a permanent basis as junior file clerks in the Office of the Secretary, each with salary at the rate of \$1,440 per annum; and (2) that the salaries of Vivian Haislip and Margery M. Davis, junior file clerks in the Secretary's Office, be increased from \$1,500 to \$1,560 and from \$1,440 to \$1,500 per annum, respectively, effective February 16, 1941.

Approved unanimously.

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Memorandum dated February 10, 1941, from Mr. Nelson, Assistant Secretary, recommending, for the reasons stated in the memorandum, (1) that Grover Charles Knight, Morton Peter Sarfaty, and James Daniel Crawford be appointed for an indefinite temporary period as elevator operators in the Building Operation and Maintenance Section of the Secretary's Office, each with salary at the rate of \$1,200 per annum, effective as of the date upon which they enter upon the performance of their duties, after having passed satisfactorily the usual physical examination; and (2) that Lawrence A. Kerns and Robert M. Garner, elevator operators, be promoted to the position of guard in the Building Operation and Maintenance Section of the Secretary's Office for an indefinite temporary period and that their salaries be increased from \$1,200 to \$1,380 per annum, effective February 16, 1941.

Approved unanimously.

Memorandum dated February 13, 1941, from Mr. Wyatt, General Counsel, recommending, with the concurrence of Governor Szymczak, that Walter E. Paul be transferred from the office of Governor Szymczak to the Office of General Counsel as a clerk, with no change in his present salary at the rate of \$1,560 per annum, effective as of February 13, 1941.

Approved unanimously.

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

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"As requested in your letter of February 10, the Board approves the designations of Clyde Harrell, J. L. Jauquet and G. E. Bridge as special assistant examiners, on the understanding that they are not to be transferred permanently to examination work without the Board's approval."

Approved unanimously.

Letter to Mr. Powell, First Vice President of the Federal Reserve Bank of Minneapolis, reading as follows:

"The Board of Governors approves the changes in the personnel classification plan of your Bank as requested in your letter of December 10, 1940, and as amended in your letter of February 5, 1941."

Approved unanimously.

Letter to Mr. Sanford, Secretary of the Federal Reserve Bank of New York, reading as follows:

"Referring to your letter of February 7, 1941, the Board of Governors approves the reappointment of Messrs. Herman K. Beach, Arthur G. Nelson, Edward J. Noble, William H. Pouch, and Francis B. Reynolds as members of the Industrial Advisory Committee for the Second District to serve for terms of one year each beginning March 1, 1941."

Approved unanimously.

Letter to Mr. West, Secretary pro tempore of the Federal Reserve Bank of San Francisco, reading as follows:

"Referring to your letter of February 6, 1941, the Board of Governors approves the reappointment of Messrs. Shannon Crandall, Edmund Hayes, Henry D. Nichols, and Walter A. Starr as members of the Industrial Advisory Committee for the Twelfth District to serve for terms of one year each beginning March 1, 1941.

"It is noted that consideration is being given to

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"the appointment of a successor to Mr. Stuart L. Rawlings who died in November 1940."

Approved unanimously.

Memorandum dated February 11, 1941, from Mr. Bradley, Assistant Chief of the Division of Security Loans, stating that the Securities and Exchange Commission, at the request of certain brokers and dealers in securities, had decided, provided the Board of Governors had no objection, to postpone the effective date of its rules with respect to the hypothecation of customers securities so that these rules would become effective on February 24, 1941, and that it was recommended that the effective date of Amendment No. 4 to the Board's Regulation U, which related to the same subject and which was to become effective simultaneously with the Securities and Exchange Commission rules, be postponed until February 24, 1941.

The following resolution was adopted by unanimous vote:

RESOLVED, That the effective date of Amendment No. 4 of Regulation U which was to have become effective February 17, 1941 is hereby postponed until February 24, 1941, but any bank may, at its option, conduct its operations in accordance with such amendment at any time prior to that date as permitted under the original amendment.

In connection with the above action unanimous approval was also given to a draft of statement to the press, and to a telegram to the Presidents of all Federal Reserve Banks requesting them to advise all interested persons in their respective districts of the change in the effective date of amendment No. 4 to Regulation U.

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Letter to the board of directors of "The Bank of Elkton, Incorporated", Elkton, Virginia, 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 Richmond.

The letter also contained the following special comment:

"It appears that the bank possesses certain powers which are not being exercised and which are not necessarily required in the conduct of a banking business, such as the power to guarantee the payment of bonds. Attention is invited to the fact that if the bank desires to exercise any powers not actually exercised at the time of admission to membership, it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before exercising them. In this connection, the Board understands that there has been no change in the scope of the corporate powers exercised by the bank since the date of its application for membership."

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

"The Board of Governors of the Federal Reserve System approves the application of 'The Bank of Elkton, Incorporated', Elkton, Virginia, 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 Commissioner of Banking for the Commonwealth of Virginia for his information.

"Since the amount of estimated losses shown in the report of examination for membership is relatively small,

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"the usual condition of membership requiring elimination of losses has not been prescribed. It is assumed, however, that proper provision for losses will be made as a matter of sound banking practice."

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

"Reference is made to Mr. Woolley's letter of February 4, 1941, and enclosures, with respect to the absorption of the Bank of Jefferson, Jefferson, Oklahoma, by the Grant County Bank, Medford, Oklahoma, effected as of the close of business December 28, 1940.

"On the basis of the information submitted, the Board concurs in the opinion of counsel of the Reserve Bank that the transaction has not resulted in any change in the general character of the assets of the Grant County Bank or the scope of its powers within the meaning of condition of membership numbered 1. The Board, therefore, will interpose no objection under the conditions of membership to the absorption."

Approved unanimously.

Letter to Mr. Young, President of the Federal Reserve Bank of Boston, reading as follows:

"Reference is made to your letter of February 3, 1941, submitting a request of the Hadley Falls Trust Company, Holyoke, Massachusetts, for approval of a plan for refinancing its main office bank building which is owned by the Hadley Falls Realty Trust, a wholly owned subsidiary of the trust company. It is understood that under the plan the subsidiary will call and retire at par as of June 1, 1941, the entire issue of first mortgage $5\frac{1}{2}$ per cent bonds due June 1, 1957, and to accomplish this the trust company will make a loan to the subsidiary secured by a first mortgage on the banking property for the amount necessary to cover the total par value of the bonds outstanding as of June 1, 1941, the mortgage to be payable on demand, to bear interest at the rate of 2 per cent per annum, and to provide for annual payments of 2 per cent of the cost of the building or about \$12,600.

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"In view of your recommendation and the information submitted, the Board will interpose no objection under the conditions of membership to the transaction provided it is approved by the appropriate State authorities. Since the transaction contemplates the retirement of all of the outstanding bonds of the building company, it does not appear necessary to give further consideration to the purchase of \$25,000 of the bonds by the bank referred to in your letter of December 9, 1940, and Mr. Paulger's reply of December 17. It is assumed, however, either that the \$25,000 of bonds which were purchased by the trust company for \$17,500 will be retired at the cost price to the bank, or if retired at par, that the excess received over cost will be used to write down the bank's investment in the property."

Approved unanimously.

Memorandum dated January 30, 1941, from Mr. Carpenter, Assistant Secretary, submitting drafts of entries with respect to the policy actions taken by the Board during the year 1940 for inclusion in the record maintained by the Board in accordance with the provisions of the last paragraph of section 10 of the Federal Reserve Act.

The drafts of entries were approved unanimously.

Thereupon the meeting adjourned.

Orestes Morier
Secretary.

Approved:

W. S. ...
Chairman.