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 A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, February 19, 1941, at 12:15 p.m.

PRESENT: Mr. Eccles, Chairman
 Mr. Ransom, Vice Chairman
 Mr. Szymczak
 Mr. McKee
 Mr. Davis

Mr. Morrill, Secretary

Consideration was given to letters received from the Federal Reserve Banks of Boston, Philadelphia, Richmond, Atlanta, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco with respect to appointments by the boards of directors of Presidents and First Vice Presidents of the respective Banks.

The following appointments were approved by unanimous vote, each for a term of five years, beginning March 1, 1941:

<u>Federal Reserve Bank</u>	<u>President</u>	<u>First Vice President</u>
Boston	Roy A. Young	William W. Paddock
Philadelphia	John S. Sinclair	Frank J. Drinnen
Richmond	Hugh Leach	John S. Walden, Jr.
Atlanta	Robert S. Parker	William S. McLarin, Jr.
St. Louis		F. Guy Hitt
Minneapolis	J. N. Peyton	Oliver S. Powell
Kansas City		H. G. Leedy
Dallas	R. R. Gilbert	E. B. Stroud
San Francisco	W. A. Day	Ira Clerk

In connection with the approval of the appointments of Messrs. F. Guy Hitt, W. A. Day, and Ira Clerk, approval was also given, for the periods shown, to salaries fixed for them by the boards of directors of their respective Banks as follows:

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<u>Name</u>	<u>Annual Salary</u>	<u>Period</u>
F. Guy Hitt	\$18,000	March 1 to May 31, 1941, inclusive
W. A. Day	\$25,000	March 1 to April 30, 1941, inclusive
Ira Clerk	\$18,000	March 1 to April 30, 1941, inclusive

The action stated with respect to each of the matters herein-
after 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 February 17, 1941, were approved unani-
mously.

The minutes of the meetings of the Board of Governors of the
Federal Reserve System with the Federal Advisory Council held on Feb-
ruary 17 and 18, 1941, were approved unanimously.

Letter to the board of directors of "The Keyport Banking Com-
pany", Keyport, New Jersey, stating that, subject to conditions of mem-
bership numbered 1 to 6, inclusive, contained in the Board's Regulation
H and the following special conditions, 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. Within six months from date of notice by the Board
of Governors of the Federal Reserve System, such
bank shall discontinue the arrangement whereunder
the Second Keyport Loan Association receives pay-
ments and transacts other business in the quarters
of the bank.
- "8. Prior to admission to membership, such bank, if it
has not already done so, shall charge off or other-
wise eliminate estimated losses of \$2,359, as shown

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"in the report of examination of such bank as of September 28, 1940, made by an examiner for the Federal Reserve Bank of New York."

The letter also contained the following special comments:

"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 and trust business, such as the powers to act as surety and to guarantee real estate titles. 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.

"As indicated by condition of membership numbered 7, the Board believes that it is not a desirable situation where the business of another financial institution is transacted in the quarters of a bank. As far as the public is concerned, the true relationship between the two institutions is often unknown and confusing and in the event of difficulties of either institution the situation might result in serious embarrassment to both. The condition conforms to a policy of the Board applicable to similar situations, and is not based upon any criticism of the bank or the loan association."

Approved unanimously, together with a letter to Mr. Sproul, 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 Keyport Banking Company', Keyport, New Jersey, 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 & Insurance for the State

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"of New Jersey for his information.

"It is assumed that your office will follow the matter of the bank's bringing into conformity with the provisions of law and the Board's regulations the savings accounts listed on page 16 of the report of examination for membership."

Letter to the board of directors of the "Fayette County Bank", St. Elmo, 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 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 'Fayette County Bank', St. Elmo, Illinois, 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 Auditor of Public Accounts for the State of Illinois for his information.

"It is assumed that you will follow the matter of the bank's reducing to within statutory limits the excessive balance carried with a nonmember bank.

"The rapid and substantial increase in deposits which the bank has experienced during the past few years has resulted in a diminishing ratio of capital to deposits; and in this connection it is understood that there is the likelihood that the deposits may be further materially increased by the assumption of the deposits of the other bank in the town. In reply to an inquiry by the Board's Division of Examinations on the question of the bank's plans for increasing its capital if the deposits of the other bank

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"are assumed, Mr. Hitt advised that the management understands that in such case the sale of additional stock may be required. Mr. Hitt advised further that the question of capital was thoroughly discussed with the board of directors of the bank with respect both to the present and the contingent situations.

"It is assumed of course that in the discussions the management's attention was called to condition of membership numbered 2 and it was pointed out that if the proposed continued conservation of earnings does not enable the bank to maintain adequate capital in relation to its deposits and other corporate responsibilities, the introduction of additional funds from outside sources will be expected. It is assumed also that the Reserve Bank expects to see to it that additional capital in an amount commensurate with the added responsibilities is supplied if plans to absorb the other bank materialize, and that the management of the bank understands the Reserve Bank's position in the matter."

Thereupon the meeting adjourned.

Chester Morrill
Secretary.

Approved:

W. E. ...
Chairman.