

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, February 25, 1941, at 11:15 a.m.

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

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 February 21, 1941, were approved unanimously.

Memorandum dated February 21, 1941, from Mr. Morrill, Secretary, recommending that George L. Bach be appointed Special Assistant in the Correspondence and Publications Section of the Office of the Secretary with salary at the rate of \$3,200 per annum, effective as of the date upon which he assumes his duties after having passed satisfactorily the usual physical examination. The memorandum stated that Mr. Bach had been offered a position in the Treasury Department with salary at the rate of \$3,200 with a promise of a promotion to \$3,800 in July of this year, that Iowa State College, where Mr. Bach has been a member of the faculty, had offered him an assistant professorship with salary at the rate of \$325 per month for the ten and one-half month academic

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year, but that Mr. Bach had decided that he would like to accept employment with the Board with the understanding that if he demonstrated his capability he would within a year receive a reasonable increase in salary which would justify his having accepted a position with the Board.

Approved unanimously.

Letter to the board of directors of "The Commercial Bank Company", Green Springs, Ohio, 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 Cleveland.

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

"The Board of Governors of the Federal Reserve System approves the application of 'The Commercial Bank Company', Green Springs, Ohio, 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 Superintendent of Banks for the State of Ohio for his information.

"It has been noted that the officers of the bank were advised that the restrictions on the payment of dividends, imposed by the agreement with the depositors in connection with the reorganization of the bank, should be endorsed on the stock certificates. It is assumed of course that the matter will be followed by the Reserve Bank, and it

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"will be appreciated if you will advise us as to the understanding reached with the bank on this point."

Telegram to Mr. Swanson, Vice President of the Federal Reserve Bank of Minneapolis, referring to the application of the "Bank of Alpena", Alpena, South Dakota, for permission to withdraw immediately from membership in the Federal Reserve System, and stating that the Board waives the usual requirement of six months notice of intention to withdraw, and that, accordingly, upon surrender of the Federal Reserve Bank stock issued to the Bank of Alpena, the Federal Reserve Bank of Minneapolis is authorized to cancel such stock and make appropriate refund thereon.

Approved unanimously, together with  
a letter to the Federal Deposit Insurance  
Corporation, reading as follows:

"The Board has today approved the application of the 'Bank of Alpena', Alpena, South Dakota, for permission to withdraw from membership in the System and waived the usual six months' notice of intention to withdraw.

"It is understood that the bank desires to continue, without interruption, its status as an insured bank and that it desires the insurance on deposits as a nonmember bank to become effective simultaneously with its termination of membership in the System.

"It is understood also that you may desire to make an examination of the bank; therefore, in accordance with the provisions of subsection (k)(2) of section 12B of the Federal Reserve Act, the Board hereby grants written consent for examiners for the Federal Deposit Insurance Corporation to examine the Bank of Alpena, Alpena, South Dakota, in connection with its application for continuation of deposit insurance as a nonmember bank."

Letter to Mr. Swanson, Vice President of the Federal Reserve

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Bank of Minneapolis, reading as follows:

"Reference is made to your letters of January 24, 1941 and February 15, 1941, submitting various documents and information with respect to the purchase of assets and assumption of deposit liabilities of the First National Bank in Arlington by the Citizens State Bank, of Arlington, Arlington, South Dakota, which was effected on December 31, 1940.

"The Board concurs in your recommendation that the transaction be not regarded as involving any change in the general character of assets or scope of the corporate powers exercised by the member bank within the meaning of condition numbered 1, under which the bank was admitted to membership and the Board, therefore, will interpose no objection under the conditions of membership to the transaction.

"It is understood that, although the State member bank took over the banking house and furniture and fixtures of the national bank, they will be eliminated from the bank's assets in the near future."

Approved unanimously.

Memorandum dated February 19, 1941, from Mr. Wyatt, General Counsel, referring to conferences at which it was tentatively agreed that the Secretary of State would address a letter to the appropriate Senate committee stating that it was the view of the four agencies of the Government (Treasury Department, State Department, Federal Loan Agency, and the Board of Governors) which would be represented on the proposed Inter-American Bank Committee that the American director should exert his influence at the first meeting of the board of directors of the bank to have the by-laws of the bank amended so as to prevent the bank from making any loan or extension of credit without the guaranty of a government, a central bank or some other acceptable banking institution. The purpose of this action would be to so modify

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the powers of the proposed Inter-American Bank as to prevent it from competing with existing banking institutions. The memorandum submitted a draft of the proposed letter with the statement that the matter was being presented to the Board at this time for the reason that, while the letter would be sent to the Board for approval before being sent, it might be awkward to dissent at such a late date. The draft of letter with certain minor changes which were suggested in a memorandum addressed to the Board by Mr. Wyatt on February 24, 1941, read as follows:

"In a memorandum relating to the proposed Inter-American Bank attached to my report of July 3, 1940, which was transmitted to the Senate with the President's message of July 5, 1940, it was stated:

'While the purposes and powers of the projected Bank have been stated in fairly broad and elastic terms, as is both customary and essential in the organic laws of such institutions, discussions during the drafting of the convention and bylaws indicated that it was the intention of the Inter-American Financial and Economic Advisory Committee to complement existing financial institutions rather than to provide a substitute for them.'

Certain provisions of Section 5B of the draft bylaws would enable the Bank to deal in the securities of and make loans or extend credits having maturity not exceeding two years to nationals of a participating government without any further guaranty so long as the participating government makes no timely objection. It is suggested that this might permit the entry of the Bank into a type of business not now intended or contemplated.

"Accordingly, it seems desirable to clarify the situation by amending as soon as practicable after the organization of the Bank the bylaws to limit such operations to obligations which are guaranteed or endorsed by a participating government, central bank or other acceptable banking



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"institution. This would of course allow further amendment of the pertinent provisions of the bylaws at some future time to permit such operations without such guaranty or endorsement if an emergency should alter the present situation. This would not change the existing provisions of the bylaws regarding operations having a maturity of two years or more which must be guaranteed by the national's government.

"On my own behalf and on behalf of the Secretary of the Treasury, the Chairman of the Board of Governors of the Federal Reserve System, and the Federal Loan Administrator, I am prepared to state, for your information and guidance in passing upon the above-mentioned Convention that, should we participate in the Inter-American Bank Committee as provided in the proposed bill, it would be our purpose, as soon as the Bank is established, to undertake to have the representative of the United States of America on the Board of Directors exercise his best efforts to bring about an amendment of the bylaws of the Bank as indicated above."

The draft of letter was approved unanimously, with the understanding that Mr. Wyatt and Mr. Gardner, Senior Economist in the Division of Research and Statistics, would advise the other three agencies that the letter in the above form would be initialed by the Chairman on behalf of the Board when submitted to him in its final form.

Letter dated February 24, 1941, to Mr. Clerk, First Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"This is to acknowledge receipt of your letter of February 14, 1941 directing attention to the erroneous reference to 'section twenty of this Act' in section 11(e) of the Federal Reserve Act.

"This error in the law has previously been brought to the Board's notice and it is our intention to obtain an amendment to the statute for the correction of the error when an appropriate occasion presents itself. Clearly the reference should be to 'section nineteen' instead of to section twenty.

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"We appreciate your courtesy in writing us in regard to this matter."

Approved unanimously.

Letter to Mr. Oscar M. Powell, Executive Director of the Social Security Board, reading as follows:

"Reference is made to your letter of February 7, 1941, in which you state that data in regard to payments and beneficiaries under the Retirement System of the Federal Reserve Banks, preferably on a monthly basis, are desired for publication in the Social Security Bulletin.

"It is believed that Mr. Smead, Chief of the Board's Division of Bank Operations, will be able to make arrangements to have your office furnished with the desired data, and it is suggested that you or one of your associates communicate with him in regard thereto."

Approved unanimously.

Thereupon the meeting adjourned.

Wesley Morris  
Secretary.

Approved:

W. E. C. C. C.  
Chairman.