

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

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

Mr. Morrill, 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 March 28, 1941, were approved unanimously.

Letter to the board of directors of the "Kane Bank and Trust Company", Kane, Pennsylvania, stating that, subject to conditions of membership numbered 1 to 6, 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 Philadelphia.

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 and trust business, such as the power to act as surety in certain circumstances. Attention is invited to the fact that if the bank desires to exercise any powers not actually exercised at the time

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"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. Sinclair, President of the Federal Reserve Bank of Philadelphia, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Kane Bank and Trust Company', Kane, Pennsylvania, 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 Secretary of Banking for the Commonwealth of Pennsylvania for his information.

"In view of the circumstances as discussed in the presentation memorandum, and in accordance with Mr. Hill's suggestion that the matter be left to his office, the usual condition of membership regarding elimination of losses has not been prescribed. Such action is on the understanding, of course, that the Reserve Bank will see to it provision is made for eliminating losses in accordance with the assurances given by the bank."

Letter to the board of directors of the "Burns State Bank", Burns, Kansas, 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 Kansas City.

Approved unanimously for transmission through the Federal Reserve Bank of Kansas City.

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

"This refers to your letter of March 15, 1941, with further reference to Mr. J. L. McLean's letter of February 20, 1941, a copy of which was forwarded to you with our letter of March 6, 1941.

"The Board is not unmindful of the difficulties to which Mr. McLean and you refer, viz., the delicate international situation, the sensitive characteristics of the Japanese people, and the time required for The Sumitomo Bank of Seattle to acquaint its parent institution in Japan with the situation so far as Mr. McLean's Clayton Act status is concerned. The Board has noted his request for a delay of six to nine months and your opinion that six months from notice would be a reasonable time to afford Mr. McLean for working out a harmonious understanding if he chooses to relinquish his directorship at The Sumitomo Bank in preference to leaving the board of the Seattle Trust and Savings Bank.

"On the basis of all the facts, the Board is of the opinion that Mr. McLean's services with the banks involved are not subject to any exception contained in the statute or Regulation L. As you know, the Board is not authorized to make exceptions except by regulations of general applicability and has no authority to grant extensions of time in individual cases. Section 4 of Regulation L outlines the procedure to be followed in the enforcement of the provisions of the Regulation. It is requested that you take such formal steps as you may not have taken thus far, in accordance with paragraph (a) of Section 4, to inform Mr. McLean and the banking institutions involved of the Board's position in the matter. In doing this it is suggested also that you direct Mr. McLean's attention to the provisions of paragraph (b) of Section 4 of the Regulation and inform him that, after allowing him such time to comply with the law as in your judgment seems reasonable in all the circumstances, it will be your duty to communicate the facts to the Board with a recommendation as to the action to be taken.

"It would seem advisable to suggest to Mr. McLean that in communicating with the parent institution of The Sumitomo Bank of Seattle he indicate clearly that the Board's ruling with respect to his interlocking relationships is based solely upon provisions of law applicable to all individuals serving

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"a member bank and one or more other banks doing one or more of the same classes of business and located or having branches in the same or in contiguous or adjacent cities, towns and villages; that the Board is not authorized to make exceptions except by regulations of general applicability; and has no authority to grant extensions of time applicable to specific cases, but must take formal steps to effect compliance when it finds that the relationships involved have not been brought into conformity with the law within a reasonable time after the matter has been brought to the attention of the banking institutions and the officer, director or employee involved.

"After allowing Mr. McLean such time to comply with the law as in your judgment seems reasonable after considering all the circumstances, please ascertain whether compliance has then been effected and at that time report the facts to the Board together with your recommendation as to the action which should be taken."

Approved unanimously.

Memorandum dated March 26, 1941, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending, for the reason stated in the memorandum, that \$378.50 be added to the item of miscellaneous expenses in the 1940 non-personal budget of the Division of Research and Statistics.

Approved unanimously.

Letter to Mr. F. J. Bailey, Assistant Director of the Bureau of the Budget, reading as follows:

"Receipt is acknowledged of your letter of March 26, 1941, addressed to Chairman Eccles, enclosing facsimiles of the enrolled enactment of H. R. 3575, 'To amend the National Housing Act and for other purposes', and requesting comments thereon.

"The bill H. R. 3575, except in respect to certain details, is the same as the proposed bill which was the subject of the letter dated January 30, 1941, addressed by the Board of Governors to Mr. C. F. Palmer, Coordinator

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"of Defense Housing. This letter was referred to by Mr. John B. Elandford, Jr., Assistant Director of the Bureau of the Budget, in a letter to Mr. Palmer under date of February 5, 1941, and a copy of the Board's letter is enclosed herewith for your convenient reference.

"As stated in its letter of January 30, 1941, the Board of Governors sees no objection to the provision of the bill which would amend section 24 of the Federal Reserve Act, relating to real estate loans by national banks, so as to provide for the proposed defense housing insured mortgages an exemption, like that now provided for mortgages insured under Title II of the National Housing Act, from the limitations upon the relationship between the amount of a real estate loan and the appraised value of the security and upon the period for which such a loan may be made.

"The Board does not have the necessary information upon which to base an estimate of the probable cost which will be involved by reason of the enactment of the bill in question, and it is assumed that you will obtain such information as may be desired in this connection from other sources."

Approved unanimously.

Thereupon the meeting adjourned.

Chesler Morrie  
Secretary.

Approved:

Donald Johnson  
Vice Chairman.