

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, April 7, 1941, at 2:30 p.m.

PRESENT: Mr. Eccles, Chairman
 Mr. Ransom, Vice Chairman
 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 then taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on April 4, 1941, were approved unanimously.

Letter to the board of directors of the "Bank of Huntington and Trust Company", Huntington, New York, stating that, subject to conditions of membership numbered 1 to 6, inclusive, contained in the Board's Regulation H and the following special condition, 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. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$88,734, as shown in the report of examination of such bank as of November 23, 1940, made by an examiner for the Federal Reserve Bank of New York."

Approved unanimously, together with a letter to Mr. Sproul, President of the

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Federal Reserve Bank of New York, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Bank of Huntington and Trust Company', Huntington, New York, 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 New York for his information.

"Standard condition of membership numbered 6 has been prescribed in order that its provisions may be invoked at any time in the future, if necessary, but as in other cases and in accordance with the general authorization previously granted by the Board, you are authorized to waive compliance with the condition until further notice insofar as the condition applies to funds which are given statutory preference in the State of New York.

"Careful consideration has been given to the letter dated November 4, 1940, to Mr. Sheehan from the supervising examiner for the Federal Deposit Insurance Corporation in connection with the application, particularly to the remarks regarding the management situation. In the opinion of the supervising examiner the president of the bank is the only effective element of strength in its management and is not sufficiently forceful to bring about the needed improvements in the bank's condition. This view is concurred in to some extent by your examiner and he expressed the view that the bank would make better progress in working out its problems if a resourceful outside officer were added to the staff.

"As you know, action on the application has been deferred pending the outcome of discussions between officers of the Reserve Bank and the management of the Bank of Huntington and Trust Company regarding a program for correcting some of the unsatisfactory features in this situation. The application has been approved with the understanding that the program as outlined in the letter dated April 4, 1940, from the president of the bank to Mr. Gidney, a copy of which was transmitted with Mr. Gidney's letter of the same date, will be faithfully carried out and that the Reserve Bank will follow the situation closely, paying particular attention to the question of

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"management, and use its best efforts to see that appropriate progress in effecting improvements in the situation is made."

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

"This refers to the application of 'The Citizens State Bank', Hartford City, Indiana, for permission to exercise limited trust powers.

"In view of the information submitted by you, and in accordance with your recommendation, the Board of Governors of the Federal Reserve System grants the applicant bank permission, under the provisions of its condition of membership numbered 1, to act as trustee, executor, administrator and guardian. The Board's approval is given subject to acceptance by the bank of the following conditions prescribed in connection with the admission to membership of banks exercising trust powers:

- "6. Such bank shall not invest funds held by it as fiduciary in stock or obligations of, or property acquired from, the bank or its directors, officers, or employees, or their interests, or in stock or obligations of, or property acquired from, affiliates of the bank.
- "7. Such bank, except as permitted in the case of national banks exercising fiduciary powers, shall not invest collectively funds held by the bank as fiduciary and shall keep the securities and investments of each trust separate from those of all other trusts and separate also from the properties of the bank itself.
- "8. If funds held by such bank as fiduciary are deposited in its commercial or savings department or otherwise used in the conduct of its business, it shall deposit with its trust department security in the same manner and to the same extent as is required of national banks exercising fiduciary powers.

"Since it is understood that in the State of Indiana trust funds deposited in the banking department of a bank are preferred claims in event of liquidation of the bank, you are authorized, in accordance with the general authorization previously granted by the Board, to waive compliance

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"with condition of membership numbered 8 until further notice.

"You are requested to advise The Citizens State Bank, Hartford City, Indiana, of the Board's action, and to obtain an appropriate resolution of the board of directors of the bank accepting the conditions listed above and forward a certified copy thereof to the Board."

Approved unanimously.

Mr. Morrill reported that the Comptroller of the Currency today issued a call on all national banks for reports of condition as at the close of business on April 4, 1941, and that, in accordance with the usual practice, a call was made on behalf of the Board of Governors of the Federal Reserve System today on all State member banks for reports of condition as of the same date.

The call made on behalf of the Board was approved unanimously.

Letter dated April 5, 1941, to Mr. Leedy, First Vice President of the Federal Reserve Bank of Kansas City, reading as follows:

"This refers to your letter of March 24, 1941, with enclosure, with reference to the matter of amending the Board's Regulation L in such a manner as would permit Messrs. J. Ernest Jones and O. T. Cropper to continue serving the Topeka Morris Plan Company, Topeka, Kansas, and the other banks located in Topeka which they are serving.

"It is noted that you have informed the Topeka Morris Plan Company, the directors of that company who are also directors of member banks in Topeka, and the member banks involved that the Board is of the opinion that the Topeka Morris Plan Company should be regarded as a 'bank' within the meaning of the Clayton Act; and that you have informed Mr. H. M. Harris, president of the Topeka Morris Plan Company, of the Board's position with respect to amending the regulation so as to except particular relationships, but that he has nevertheless requested that you submit the matter to the Board.

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"It is not entirely clear from your letter or from that of Mr. Harris just what kind of amendment he has in mind. However, the situation in this case appears to be similar to that in other cases in connection with which suggested amendments to the regulation have been received but have not been considered by the Board to be within the intent and purpose of the law. Accordingly the Board does not feel that it could amend the regulation in such manner as to provide satisfactorily for the situation in Mr. Harris' case and at the same time to be of general applicability and otherwise in harmony with the spirit and purpose of the law. Please advise Mr. Harris accordingly."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris
Secretary.

Approved:

W. S. ...
Chairman.