

6/12/41 A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, June 12, 1941, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman
 Mr. Szymczak
 Mr. McKee
 Mr. Draper

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 June 10, 1941, were approved unanimously.

The minutes of the meeting of the Board of Governors of the Federal Reserve System with the Presidents of the Federal Reserve Banks held on June 11, 1941, were approved unanimously.

Memorandum dated June 9, 1941, from Mr. Nelson, Assistant Secretary, recommending that, for the reason stated in the memorandum, Miss Marjorie F. Fakes be appointed as a stenographer in the Office of the Secretary, with salary at the rate of \$1,560 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Letter to Mr. Sinclair, President of the Federal Reserve Bank of Philadelphia, reading as follows:

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"It has come to the Board's attention that during 1940 your Bank loaned two employees to the United Charities campaign for an aggregate period of about three months. It is understood that other banks of the city are also asked to lend help for this purpose each year.

"At various times in the past, the Board has had occasion to consider questions relating to contributions to local Community Chests or other charitable organizations, and has invariably declined to approve such expenditures, taking the position that it can not authorize donations of Reserve Bank funds for purposes, no matter how worthy, which are not directly related to the conduct of the affairs of the Bank.

"There is, of course, little distinction in principle between lending employees and making a cash donation. Accordingly, it will be appreciated if, in case future contributions of this character are contemplated, the matter is taken up with the Board of Governors in advance."

Approved unanimously.

Letter to the board of directors of the "Peoples Bank of Glen Rock", Glen Rock, Pennsylvania, stating that, subject to conditions of membership numbered 1 to 3 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 Philadelphia:

- "4. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$658.40, as shown in the report of examination of such bank as of April 12, 1941, made by an examiner for 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 business, such as the

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"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 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 for transmission through the Federal Reserve Bank of Philadelphia.

Letter to the board of directors of the "Bank of Reynolds", Reynolds, Indiana, stating that, subject to conditions of membership numbered 1 to 3 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 Chicago.

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

"The Board of Governors of the Federal Reserve System approves the application of the 'Bank of Reynolds', Reynolds, Indiana, 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 Director, Department of Financial Institutions for the State of Indiana for his information.

"Since the amount of estimated losses shown in the report of examination for membership is relatively small, the usual condition of membership requiring elimination of losses has not been prescribed. It has been noted, however,

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"that the amount classified will be charged off at an early date."

Letter to Mr. Raymond R. Frazier, Chairman of the Washington Mutual Savings Bank, Seattle, Washington, reading as follows:

"Receipt is acknowledged of your letter of June 4, 1941, inquiring whether the provisions of section 8 of the Clayton Act relating to interlocking bank directorates are applicable to three mutual savings banks which have recently become members of the Federal Reserve System.

"The statute prohibits interlocking directorates between a member bank and certain other types of banks, but provides that the 'foregoing prohibition shall not apply in the case of any one or more of the following * * * (7) a mutual savings bank having no capital stock.'

"Therefore, in view of the fact that none of the three mutual savings banks which have recently become members of the Federal Reserve System has capital stock, the provisions of section 8 of the Clayton Act are not applicable to interlocking relationships between those banks and other banks."

Approved unanimously.

Thereupon the meeting adjourned.


Assistant Secretary.

Approved:


Chairman.