

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, July 7, 1941, at 11:45 a.m.

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

Mr. Morrill, Secretary
Mr. Bethea, 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 July 3, 1941, were approved unanimously.

Telegram to Mr. Sanford, Secretary of the Federal Reserve Bank of New York, stating that the Board approves the establishment without change by the Federal Reserve Bank of New York on July 3, 1941, of the rates of discount and purchase in its existing schedule.

Approved unanimously.

Bond in the amount of \$10,000 executed under date of July 1, 1941, by Maurice Allendoerfer as Assistant Federal Reserve Agent at the Federal Reserve Bank of Kansas City.

Approved unanimously.

Memorandum dated June 26, 1941, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Harvey S. Perloff be appointed on a temporary basis for a period not to exceed three months as a Junior Economist in that Division, with salary at the rate of \$250 per month, effective as of the date upon

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which he enters upon the performance of his duties.

Approved unanimously.

Memorandum dated July 7, 1941, from Mr. Nelson, Assistant Secretary, submitting a request from Kermit E. Shock, clerk in the Office of the Secretary, for leave of absence for the purpose of reporting for military duty with the United States Army, and recommending that Mr. Shock be granted leave of absence for military duty beginning July 7, 1941, in accordance with the policy adopted by the Board on November 14, 1940, for employees called for military service.

Approved unanimously.

Memorandum dated June 26, 1941, from Mr. Golderweiser, Director of the Division of Research and Statistics, recommending that Miss Lynda A. Nickl be appointed as a clerk in that Division, with salary at the rate of \$1,440 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 the board of directors of the "Citizens State Bank", Clarinda, Iowa, stating that, subject to conditions of membership numbered 1 to 6 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.

The letter also contained the following special comment:

"It has been noted that, although the bank is authorized to exercise full fiduciary powers, the volume

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"of trust business has apparently been small, and no trusts were being administered at the time of examination for membership. It is understood, however, that the bank wishes to continue to accept such fiduciary business as may be available to it. In this connection it appears that there has been no formal appointment of a trust officer or designation of a trust committee. Acceptance of trust business, no matter how small, entails serious responsibilities, and if the bank is to continue to accept trust business it will be expected to take appropriate steps to fix the responsibility therefor and to equip itself to handle the business in conformity with recognized principles of sound fiduciary practices."

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 'Citizens State Bank', Clarinda, Iowa, 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 Banking for the State of Iowa for his information.

"It has been noted that the applicant has a rather large concentration of credit represented by automobile sales contracts aggregating \$94,500 which were accepted without investigation or verification of the makers, the bank apparently depending to a large extent upon the representations of its customer. It is assumed that, of course, you will follow closely the matter of the bank's establishing the proper safeguards in connection with this line.

"According to the report of membership examination, profits on securities have been transferred from time to time to the depositors' trust as a voluntary contribution to the waiving depositors and the transfers, while authorized by the directors, have not been authorized or approved by the stockholders. It would seem that, as you suggest, stockholders' approval of such transfers should be obtained, and it is requested that you forward advice as to the action taken with respect to obtaining such approval."

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Thereupon the meeting adjourned.

Chester Morrill
Secretary.

Approved:

W. E. ...
Chairman.