

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, August 14, 1941, at 3:30 p.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
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 August 13, 1941, were approved unanimously.

Memorandum dated August 12, 1941, from Mr. Paulger, Chief of the Division of Examinations, recommending that, effective as of the date upon which he enters upon the performance of his duties, John Joseph Hart be appointed as an Assistant Federal Reserve Examiner, with official headquarters at Washington, D. C. and with salary at the rate of \$1,400 per annum.

In accordance with the above recommendation Mr. Hart was appointed an examiner to examine Federal Reserve Banks, member banks of the Federal Reserve System, and corporations operating under the provisions of Sections 25 and 25(a) of the Federal Reserve Act, for all purposes of the Federal Reserve Act and of all other acts of Congress pertaining to examinations made by, for, or under the direction of the Board of Governors of the Federal Reserve

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System, and was designated as an Assistant Federal Reserve Examiner, with salary at the rate of \$1,400 per annum and with official headquarters in Washington, D. C., all effective as of the date upon which he enters upon the performance of his duties.

Memorandum dated August 12, 1941, from Mr. Morrill, Secretary, recommending that the salary of Miss Dorothy M. Parkhill, clerk-stenographer in the Secretary's Office be increased from \$1,800 to \$1,920 per annum, effective as of August 16, 1941.

Approved unanimously.

Memorandum dated August 11, 1941, from Mr. Nelson, Assistant Secretary, recommending that Miss Helen B. Wolcott be appointed as a stenographer in the Secretary's Office, with salary at the rate of \$1,620 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.

Memorandum dated August 14, 1941, from Mr. Nelson, Assistant Secretary, submitting the resignation of Mrs. Dorris Tyler Dassing as a stenographer in the Secretary's Office, to become effective as of the close of business on September 24, 1941, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

Letter to the board of directors of the "Ampere Bank and Trust

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Company", East Orange, New Jersey, 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 New York.

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 powers to act as surety and to guarantee real estate titles. 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, together with a letter to Mr. Sproul, President of the Federal Reserve Bank of New York, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Ampere Bank and Trust Company', East Orange, New Jersey, 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 Commissioner of Banking & Insurance for the State of New Jersey for his information.

"The report of examination for membership reflected an adjusted capital account of \$276,000 as compared with deposits of nearly \$3,700,000, which, according to the presentation memorandum accompanying the application, the

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"Reserve Bank feels is reasonably adequate in view of the bank's good asset condition and present conservative policies. While the need for additional capital may not be acute at the moment, nevertheless the ratio is low, deposits have been increasing at a steady rate, and net current earnings are only fair. In connection with the capital situation it is rather striking that of a capital account of \$279,000, common stock amounts to \$50,000 and \$150,000 is represented by preferred stock on which the dividend rate is 6 per cent and which is substantially owned by the directors and their families.

"It is assumed that the Reserve Bank will of course keep this situation in mind and follow the trends in the bank closely. It would not seem out of order in this connection for the Reserve Bank, in its supervisory relationships with the bank, to suggest that as a means of reducing the drain on the earnings the dividend rate on preferred stock be reduced to an amount more in keeping with the going rate, particularly since the preferred stock is substantially all owned by the directors and their families who also own a majority of the bank's common stock.

"In connection with the capital set-up, it has been noted that, on page E-(3) of the report of examination for membership, the examiner states that, while the preferred stock was originally convertible into common stock, par for par, the conversion privilege was eliminated when the par value of the common stock was reduced. However, it appears from the copies of the bank's certificate of incorporation and amendments thereto submitted with the application that the conversion privilege is still in existence and we shall appreciate your advising us as to the basis for the examiner's comment.

"Also, it has been noted that the original certificate of incorporation of the bank provided for nine directors and that, while this provision has not been amended, the bank now has fifteen directors. Unless, upon review of the matter by counsel for your bank, it appears that the number of directors could be changed without an amendment to the certificate of incorporation, it is suggested that you may wish to call this matter to the bank's attention with the view of obtaining appropriate corrective action when practicable."

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Unanimous approval was given to the payment by the Board of the cost of lunches to be served in its dining rooms tomorrow to the representatives of the various banking and credit groups who attend the conference for the discussion of the proposed regulation on installment credit control.

Thereupon the meeting adjourned.

Chester Morrie

Secretary.

Approved:

W. C. ...

Chairman.