

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, August 15, 1941, at 5:00 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 14, 1941, were approved unanimously.

Telegrams to Mr. Roelse, Assistant Vice President of the Federal Reserve Bank of New York, Messrs. Post and Hays, Secretaries of the Federal Reserve Banks of Philadelphia and Cleveland, respectively, Mr. Leach, President of the Federal Reserve Bank of Richmond, Messrs. Dillard, Stewart, and Powell, Secretaries of the Federal Reserve Banks of Chicago, St. Louis, and Minneapolis, respectively, Mr. Leedy, First Vice President of the Federal Reserve Bank of Kansas City, and Mr. Hale, Secretary of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Banks of St. Louis and San Francisco on August 12, by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, Minneapolis and Kansas City on August 14, 1941, and by the Federal

8/15/41

-2-

Reserve Bank of Philadelphia today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Letter to Mr. Walden, First Vice President of the Federal Reserve Bank of Richmond, reading as follows:

"The Board of Governors approves the change in the personnel classification plan of the Baltimore Branch, as requested in your letter of August 13, 1941."

Approved unanimously.

Letter to the board of directors of the "State Bank of Kenmore", Kenmore, New York, 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 New York:

- "4. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$13,350 as shown in the report of examination of such bank as of May 31, 1941, made by an examiner from the Federal Reserve Bank of New York."

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 'State Bank of Kenmore', Kenmore, 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

8/15/41

-3-

"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.

"It has been noted from the report of examination for membership that the bank's president advised the examiner that he and the board of directors would be adverse to recognizing as affiliates of the bank certain organizations which will become affiliates upon the bank's admission to membership. In view of this fact and the information contained in the report of examination with respect to financial relationships between the bank and such organizations, it is assumed that, unless you have already done so, you will discuss with the bank the requirements concerning reports of affiliates and the provisions of section 23A of the Federal Reserve Act with respect to both the limitations upon amounts of loans and investments and the requirements as to security for loans, with the view of avoiding questions concerning compliance therewith after the bank's admission."

Letter to the board of directors of "The Sullivan County Trust Company", Monticello, New York, stating that, subject to conditions of membership numbered 1 to 6 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 \$14,502 as shown in the report of examination of such bank as of June 14, 1941, made by an examiner for the Federal Reserve Bank of New York."

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

8/15/41

-4-

"The Board of Governors of the Federal Reserve System approves the application of 'The Sullivan County Trust Company', Monticello, 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 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.

"It is assumed that the Reserve Bank will of course follow the matter of the bank's eliminating the untaken depreciation in its furniture and fixtures account, the amount of which is classified III in the report of examination for membership, in accordance with its understanding with the Federal Deposit Insurance Corporation and evidenced by a resolution recently adopted by the board of directors of the bank."

Letter to the board of directors of the "White Haven Savings Bank", White Haven, Pennsylvania, 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 Philadelphia.

The letter also contained the following special comment:

"It appears that trust powers, although authorized, are not being exercised, and also that the bank possesses certain other powers which are not being exercised and which are not necessarily required in the conduct of a banking business, such as the power to act as surety in

8/15/41

-5-

"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, together with a letter to Mr. Williams, 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 'White Haven Savings Bank', White Haven, 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.

"According to the presentation memorandum submitted with the application, the management of the bank is contemplating the employment of investment counsel to assist in the development of a sound investment program. The comments in the report of examination made in connection with the application for membership indicate that such action would be desirable, and it is assumed that the Reserve Bank will follow this situation and endeavor to see that appropriate action is taken in this respect.

"It has been noted that, while the bank's capital accounts aggregate \$100,700 as compared with deposits of \$716,500, capital stock amounted to only \$25,000, the balance being made up of surplus and undivided profits. Since capital stock represents such a small proportion of the total capital account, it would seem desirable that the bank increase its capital stock to an amount more in keeping with the volume of its business. It is assumed that the Reserve Bank will give due consideration to this situation and endeavor to bring about a more balanced capital structure."

8/15/41

-6-

Letter to the board of directors of "The Bank of Elmore Company", Elmore, Ohio, 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 Cleveland.

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

"The Board of Governors of the Federal Reserve System approves the application of 'The Bank of Elmore Company', Elmore, Ohio, 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 Ohio for his information.

"Deposits have been increasing steadily and at a substantial rate and as a result the bank has outgrown its permanent capital of \$25,000. If increasing the common stock, either by the sale of additional stock or by a dividend paid in stock, could not be worked out until after the waived deposits have been repaid in full, probably transfers could be made periodically to a reserve for increase in common stock. Certainly some such provision should be made as the debentures are retired and it is assumed that the Reserve Bank will keep the situation in mind in passing upon applications for retirement of debentures."

Telegram to Mr. McLarin, President of the Federal Reserve Bank of Atlanta, reading as follows:

"Telegram from Chairman D. M. Barnett, Barnett National

8/15/41

-7-

"Bank of Ft. Lauderdale, Florida, requests advice as to whether such bank can act as fiscal agent in connection with bonds to be issued by Ft. Lauderdale Housing Authority. Board understands that as such fiscal agent bank would be acting as registrar of bonds and as trustee. Accordingly, bank cannot act unless it obtains permission to exercise such fiduciary powers under section 11(k) of Federal Reserve Act. This matter has been discussed with a representative of office of Comptroller of the Currency who informally concurs in foregoing. Please so advise Barnett."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morie

Secretary.

Approved:

W. S. ...
Chairman.