A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, August 25, 1941, at 11:30 a.m.

PRESENT: 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 hereinafter referred to was taken by the Board:

Memorandum dated August 22, 1941, from Mr. Nelson, Assistant Secretary, recommending that Mrs. Fannie A. Kramer be appointed on a temporary basis for a period of not to exceed three months 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 22, 1941, from Governor Szymczak recommending that the salary of Mrs. Ethelda M. Bultman, stenographer in his office, be increased from $1,800 to $2,200 per annum, effective as of September 1, 1941.

Approved unanimously.

Letter to Mr. Evans, Vice President of the Federal Reserve Bank of Dallas, reading as follows:
"This refers to the application of the 'Security State Bank & Trust Company', Ralls, Texas, for permission to exercise certain 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 3, to act as executor, administrator, and guardian of estates. 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:

1. 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.

2. 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.

3. 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.

"It is understood, of course, that if the bank should at any time desire to engage in any other types of fiduciary business than those authorized by this letter, it will first obtain the permission of the Board.

"You are requested to advise the Security State Bank & Trust Company, Ralls, Texas, 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.

Letter to Mr. Peyton, President of the Federal Reserve Bank of
"This refers to your letter of July 25, 1941, and its enclosures, relating to the question whether certain certificates issued by Ravalli County Bank, Hamilton, Montana, to depositors who waived a portion of their deposits in connection with a reorganization of the bank constitute a liability of the bank which must be taken into consideration in determining whether its capital is impaired within the meaning of the requirements relating to admission to membership in the Federal Reserve System.

"It is noted that counsel for your bank expressed the opinion that the certificates constitute such a liability but pointed out that in its letter X-9418, dated January 6, 1936 (F.R.L.S.#3388), the Board stated that certificates of the kind issued to waiving depositors by certain banks should be disregarded. Since it was not clear to him that the Board's ruling applies to certificates of the kind issued by Ravalli County Bank, he suggested that the matter be submitted to the Board.

"However, there would appear to be no need to rule upon the question in this case since, under section 345 of the Banking Act of 1935, the capital debentures of the bank owned by the Reconstruction Finance Corporation may be disregarded in determining whether the capital is impaired. It is understood that if such debentures were disregarded the capital would not be impaired even though the certificates were included as liabilities."

Approved unanimously.

Letter to Mr. Clerk, First Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to Mr. West's letter of July 14, 1941, your two letters of July 30, 1941, and your letter of August 1, 1941, and their enclosures, relating to the status of Transamerica Corporation as a holding company affiliate of National Bank of Washington, Tacoma, Washington.

"Mr. West's letter transmitted a request by Transamerica Corporation that the Board reconsider its ruling that that corporation was a holding company affiliate of National Bank of Washington, Tacoma, Washington, on August 30, 1940, and that such a relationship existed following
"The election of directors of the bank on January 14, 1941. However, Transamerica Corporation presented no facts or legal arguments bearing upon the relationship on the dates in question which were not considered by the Board prior to its ruling and, accordingly, the views previously expressed are reaffirmed.

"It has been noted that, with the view of terminating such relationship, the pledge agreement under which certain stock of National Bank of Washington, Tacoma, Washington, is pledged by Pacific Coast Mortgage Company with Transamerica Corporation was modified on June 13, 1941 to provide that 'irrespective of any provision of law, or of this agreement, the lender shall not exercise any right to vote any of the stock held as collateral prior to the foreclosure of this pledge.' However, this provision of the pledge agreement is not conclusive and constitutes only one factor to be considered in determining whether Transamerica Corporation is a holding company affiliate of the bank.

"The existence or nonexistence of a holding company affiliate relationship at any time depends upon all of the facts and circumstances concerning the ownership or control of the stock of the bank or control in any manner of the election of a majority of the bank's directors and, without a thorough investigation, the Board is not in a position to conclude that the holding company affiliate relationship between Transamerica Corporation and National Bank of Washington, Tacoma, Washington, has been terminated.

"It is the duty of the organizations involved in any case to determine whether, under the law and the pertinent facts and circumstances, a holding company affiliate relationship exists and, if so, to take the action necessary to comply with the law governing such relationships, without awaiting action by supervisory authorities. Accordingly, repeated investigations and rulings by supervisory authorities should be unnecessary. However, unless upon your discussion of this matter with Transamerica Corporation, that corporation is willing to recognize that it is still a holding company affiliate of National Bank of Washington, Tacoma, Washington, the Board is of the opinion that steps should be taken promptly to develop the information necessary to determine whether the relationship has been terminated.

"Please advise Transamerica Corporation, in accordance with the foregoing and, if the matter is not otherwise satisfactorily disposed of, proceed with the investigation. This matter has been discussed informally with representatives of
"the office of the Comptroller of the Currency and, in view of the responsibilities of that office with respect to the filing of reports by the bank, it is assumed, of course, that any such investigation will be undertaken in cooperation with the Chief National Bank Examiner for your district and an effort made to arrive, if possible, at comparable conclusions. It is believed that counsel for your bank should actively participate in the direction of the investigation, with the view that all information which he considers necessary in order to render a definite opinion will be obtained."

Approved unanimously, together with a letter to Mr. Delano, Comptroller of the Currency, reading as follows:

"There is enclosed for your information a copy of the Board's letter of this date to the Federal Reserve Bank of San Francisco relating to the status of Transamerica Corporation as a holding company affiliate of National Bank of Washington, Tacoma, Washington. Members of the Board's staff recently discussed a tentative draft of this letter with Messrs. Upham, Folger and Robertson of your office."

Thereupon the meeting adjourned.

Secretary.

Vice Chairman.