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

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant 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 December 10, 1941, were approved unani-
mously.

Letter to the Presidents of all Federal Reserve Banks, except
St. Louis, reading as follows:

"There is enclosed for your information a copy of a
letter from Mr. Claude C. Conn, Director of Personnel, Of-
office of Production Management, to the President of one of
the Federal Reserve Banks regarding the transfer from Fed-
eral Reserve pay roll to the Office of Production Manage-
ment pay roll of employees of the Federal Reserve Banks.
The procedure outlined by Mr. Conn is agreeable to the
Board."

Approved unanimously.

Telegram to Mr. Mulroney, Vice President of the Federal Reserve
Bank of Chicago, referring to the application of "The St. Charles State
Bank", St. Charles, Michigan, for permission to withdraw immediately
from membership in the Federal Reserve System, and stating that the
Board waives the usual requirement of six months' notice of intention
to withdraw, and that, accordingly, upon surrender of the Federal Re-
serve bank stock issued to The St. Charles State Bank, the Federal Re-
serve Bank of Chicago is authorized to cancel such stock and make ap-
propriate refund thereon.

Approved unanimously.

Letter to the Federal Deposit Insurance Corporation, reading as
follows:

"Pursuant to the provisions of section 12B of the
Federal Reserve Act, as amended, the Board of Governors
of the Federal Reserve System hereby certifies that the
Bank of Greenville, Greenville, West Virginia, became a
member of the Federal Reserve System on December 9, 1941,
and is now a member of the System. The Board of Governors
of the Federal Reserve System further hereby certifies
that, in connection with the admission of such bank to
membership in the Federal Reserve System, consideration
was given to the following factors enumerated in subsection
(g) of section 12B of the Federal Reserve Act:
1. The financial history and condition of the
   bank,
2. The adequacy of its capital structure,
3. Its future earnings prospects,
4. The general character of its management,
5. The convenience and needs of the community
to be served by the bank, and
6. Whether or not its corporate powers are con-
sistent with the purposes of section 12B
of the Federal Reserve Act."

Approved unanimously.

Letter to Mr. Parke H. Custis, Treasurer of the First Baptist
Society in Boston, Boston, Massachusetts, reading as follows:
"The Securities and Exchange Commission has forwarded to the Board a copy of your letter of November 8 to the Commission regarding the underwriting arrangements in connection with the recent issuance of additional capital stock by the Pennsylvania Company for Insurances on Lives and Granting Annuities.

The recent increase in capital funds through the sale of additional stock was a constructive step in the interest of sound banking, and in the regular course of business the Board received a copy of the letter dated August 25, 1941, addressed by the president of the bank to the shareholders and a copy of the prospectus dated November 6, 1941. Whether to effect an increase in the capital account of a bank through the sale of additional shares at or near the market price, or through the sale of a larger number of shares at a lower price thus creating value for the 'rights', is a question of business judgment for the determination by the directors, as is the question of underwriting arrangements.

As a matter of fact, an increase of capital stock by a State member bank comes under the provisions of the law of the State in which the bank is located, and is not subject to supervisory action by the Federal Reserve System unless the terms are such as to affect seriously the condition of the bank or as to reflect unsafe and unsound practices on the part of the management. The prospectus did not seem to indicate any necessity or occasion for the Board to attempt to effect a change in the capital program on either ground.

A copy of your letter and of this reply is being forwarded to the Federal Reserve Bank of Philadelphia with the suggestion that it also reply to you if it has any further comments to make which it deems appropriate. It is assumed that you have made appropriate inquiry of the management of The Pennsylvania Company."

Approved unanimously.

Letter to the Comptroller of the Currency, reading as follows:

"In 1937 arrangements were worked out with the Office of the Comptroller of the Currency whereby national bank examiners on foreign duty would examine for the Board the foreign branches of The Chase Bank, New York, a corporation organized under Section 25(a) of the Federal Reserve Act, such branches being located in Paris, France, and in
"Shanghai, Hongkong, and Tientsin, China. In accordance with the arrangements, commissions were issued in 1937 by the Board to National Bank Examiners Lewellyn A. Jennings and Theodore T. Trepanier, evidencing their appointments as examiners for the Board for the purpose of examining the foreign branches of The Chase Bank.

"The Paris Branch was duly examined by Messrs. Jennings and Trepanier but they did not go to the Orient and accordingly have not had opportunity to examine the Chinese branches. In view of the time that has elapsed since the commissions were issued it seems desirable to cancel them and to issue new commissions to the national bank examiners who may be sent abroad the next time. Accordingly, the appointments of Messrs. Jennings and Trepanier as examiners for the Board have been cancelled and it will be appreciated if the commissions evidencing such appointments can be returned.

"The courtesy and cooperation of the Comptroller's Office in connection with previous examinations of the Paris Branch of The Chase Bank are indeed appreciated and when it is again planned to send national bank examiners to Europe or to the Orient the Board would like to be advised in order that consideration may be given to working out with your office arrangements similar to those made in 1937."

Approved unanimously.

Letter to the Presidents of all Federal Reserve Banks, reading as follows:

"It is desired that the regular annual reports of holding company affiliates on Form F.R. 437 be obtained for the year ending December 31, 1941, or for the holding company affiliate's latest fiscal year if it differs from the calendar year. Accordingly, please deliver to each holding company affiliate which has its principal executive office in your district, and which holds a general voting permit, three copies of Form F.R. 437, with the request that the annual report be filed in duplicate with your bank not later than February 2, 1942.

"Form F.R. 437 has not been revised, and since an extra supply of the form was sent to each Federal Reserve Bank a year ago, your bank presumably has a sufficient stock of the form on hand to deliver the necessary copies to the holding company affiliates in your district. However, if
such is not the case, please inform us immediately as to the number of additional copies of Form F.R. 437 needed by your bank, and these will be furnished promptly from our stock.

"For information as to the procedure to be followed in obtaining the reports, please refer to the Board's letter of December 23, 1938 (R-368) and the memorandum enclosed therewith (R-368-a). The instructions contained in such letter and memorandum are still applicable to the handling of the reports, except certain dates mentioned in the instructions."

Approved unanimously.

Thereupon the meeting adjourned.

[Signature]
Chairman.

[Signature]
Secretary.