

12/10/36
A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, December 10, 1936, at 11:00 a. m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

Consideration was given to each of the matters hereinafter referred to and the action stated with respect thereto was taken by the Board:

Telegrams to Mr. Leach, President of the Federal Reserve Bank of Richmond, Mr. Thomas, Chairman of the Federal Reserve Bank of Kansas City, and Mr. Sargent, Secretary of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the respective banks today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Letter to the board of directors of the "First State Bank of Shannon", Shannon, Illinois, stating that, subject to the conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special conditions, 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:

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- "4. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures.
- "5. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$1,220.50, as shown in the report of examination of such bank as of October 26, 1936, made by an examiner for the Federal Reserve Bank of Chicago.
- "6. Such bank shall stamp, as soon as practicable, in legible form on each certificate for stock of the bank outstanding, and, so long as the legend referred to below is applicable, shall stamp in legible form on each certificate issued upon transfer or in lieu of the certificates now outstanding a legend reading substantially as follows:

'Before any dividend or distribution of any kind or character is made to stockholders as such, the outstanding Deferred Certificates issued by the bank to certain depositors who waived the payment of a part of their deposits in 1933, pursuant to Waiver agreements, copies of which are on file with the First State Bank of Shannon, must be paid.'

(In the event that shareholders of the bank fail or refuse to surrender their stock certificates for the purpose of enabling the bank to place thereon the legend referred to in the foregoing condition numbered 6, this condition will be considered as having been complied with by the inclusion in each published statement of condition of the bank of appropriate information showing the relation of the rights of the holders of outstanding Deferred Certificates to the rights of stockholders.) "

Approved unanimously, together with a letter to Mr. Schaller, 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 'First State Bank of Shannon',

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"Shannon, Illinois, for membership in the Federal Reserve System, subject to the conditions prescribed in the inclosed letter which you are requested to forward to the board of directors of the institution. Two copies of such letter are also inclosed, one of which is for your files and the other of which you are requested to forward to the Auditor of Public Accounts for the State of Illinois for his information.

"On page 12-D of the report, the examiner includes a schedule which shows that certain securities are carried by the bank in excess of their call prices. The aggregate excess carrying value is, however, relatively small. The regulation of the Comptroller of the Currency issued pursuant to Section 5136 of the Revised Statutes provides that the carrying value of an investment security shall at no intervening date be in excess of the amount at which the obligor may legally redeem such security. It is suggested, therefore, that you call this matter to the attention of the management with the request that prior to admission to membership the necessary adjustments be made in the carrying value of such securities.

"In the Articles of Consolidation under which the Peoples State Bank of Shannon and the State Bank of Shannon were consolidated to form the First State Bank of Shannon, it is stated that the 'management of said consolidated Bank, First State Bank of Shannon, shall be vested in a Board of Twelve (12) Directors', whereas the report of examination shows that the bank has only five directors. In the circumstances, your counsel, prior to the bank's admission to membership, should satisfy himself that appropriate action has been taken reducing the bank's directorate to the present number, and it will be appreciated if you will obtain and furnish the Board with a copy of the document evidencing such action, together with a copy of any approval which may have been given thereto by the Illinois Auditor of Public Accounts."

Thereupon the meeting adjourned.

Robert M. Mowbray
Secretary.

Approved:

W. S. C. C. C.
Chairman.