

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, May 14, 1938, at 11:30 a.m.

PRESENT: Mr. Szymczak
Mr. Davis
Mr. Draper

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:

Memorandum dated May 13, 1938, from Mr. Morrill recommending that, for the reason stated in the memorandum, Peter W. Beers be appointed on a temporary basis for a period of not to exceed five months as a page in the Office of the Secretary, with salary at the rate of \$90.00 per month, effective as of the date upon which he enters upon the performance of his duties.

Approved unanimously.

Letter to the board of directors of the "First State Bank", Churdan, Iowa, 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 Chicago:

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- "4. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures."

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', Churdan, Iowa, 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 Superintendent of Banking for the State of Iowa for his information.

"It has been noted from the presentation memorandum accompanying the application that, in the event the bank completes its membership, you will require satisfactory evidence that stock in the new organization had been properly issued to the rightful owners.

"It has been noted also that the bank has been granted trust powers but that such powers are not being exercised. Therefore, the application has been approved on the same basis as if the bank did not have trust powers, and should it desire in the future to exercise its trust powers, application for permission to do so should be made to the Board in accordance with the provisions of condition of membership numbered 1.

"It has been noted further that, among the assets taken over by the applicant bank from the First National Bank of Churdan, was the Federal Reserve bank stock held by the latter institution. As you know, section 5 of the Federal Reserve Act contains a specific prohibition against the transfer or hypothecation of Federal Reserve bank stock, and, while such prohibition does not prevent a transfer of Federal Reserve bank stock by operation of law, it does prevent a transfer by purchase. In the present case, it is understood that the Federal Reserve bank stock was acquired by purchase rather than by operation of law. In the circumstances, such stock may not lawfully form a part of the assets of the applicant bank, and it is assumed that, if you have not already done so, you will request that such action be taken as will result in the correction of this situation. You are also aware that Federal Reserve bank stock held by a national bank may not lawfully be canceled except upon the appointment of a receiver for the bank or upon its having

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"been placed in voluntary liquidation. The office of the Comptroller of the Currency has advised informally that the First National Bank of Churdan will not be placed in voluntary liquidation until the stockholders' meeting which is to be held in June, 1938, and it would not contravene the provisions of the Federal Reserve Act if the First National Bank of Churdan, in the meantime, enters into an agreement with the applicant bank to authorize the liquidating agent of the national bank to transfer the proceeds of the Federal Reserve bank stock held by it to the applicant bank when such stock has been canceled and the liquidating agent has received the proceeds thereof."

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

"Receipt is acknowledged of Mr. Tefft's letter of May 11, 1938, advising that the Federal Deposit Insurance Corporation has information which would indicate that officers of the Columbus Trust Company, Newark, New Jersey, which has been acting as liquidating agent of collateral acquired by the Federal Deposit Insurance Corporation on account of a loan to the Central Bank and Trust Company, Newark, had misappropriated some of the funds collected as liquidating agent for the Federal Deposit Insurance Corporation.

"In accordance with the request of Mr. Tefft, the Board of Governors of the Federal Reserve System hereby grants written consent, pursuant to the provisions of subsection (k)(2) of section 12B of the Federal Reserve Act, for the Federal Deposit Insurance Corporation to make an examination of the records of the Columbus Trust Company in an effort to establish definitely whether or not such funds have been misappropriated.

"It will be appreciated if you will advise the Board as to the results of such examination."

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

"Inclosed for your information is a copy of a letter dated May 11, 1938, from the Federal Deposit Insurance Corporation, regarding alleged irregularities on the part of officers of the Columbus Trust Company, Newark, New Jersey, and a copy of the Board's reply thereto. It is assumed you will follow this matter, and it will be appreciated if you will keep the Board advised as to developments."

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Memorandum dated May 4, 1938, from Mr. Smead, Chief of the Division of Bank Operations, recommending that, for the reasons stated in the memorandum, Form F. R. 105, Call Report of State Member Banks, and Form F. R. 105e, Published Condition Statement of State Member Banks, be amended in the manner suggested in the memorandum for use at the time of the next call for reports of condition of State member banks.

Approved unanimously.

Thereupon the meeting adjourned.

Coretta Morrie
Secretary.

Approved:

McCool
Chairman.