

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, June 5, 1939, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. McKee
Mr. Davis
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 June 2, 1939, were approved unanimously.

Letter to the board of directors of the "Western State Bank of Cicero", Cicero, Illinois, stating that, subject to conditions of membership numbered 1 to 4 and 6 contained in the Board's Regulation H and the following additional 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:

- "5. 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.
- "7. Such bank shall make adequate provision for depreciation in its banking house."

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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 'Western State Bank of Cicero', Cicero, Illinois, 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 Auditor of Public Accounts for the State of Illinois for his information.

"It is noted that in the report of examination made in connection with the application for membership, and in the memorandum accompanying the application, it is indicated that Central Republic Trust Company, Chicago, Illinois, will be a holding company affiliate of the applicant upon the latter's admission to membership because it owns 1,914 of the applicant's 2,000 outstanding shares of stock. However, it is understood that in 1934 the State Auditor of Public Accounts appointed a receiver for Central Republic Trust Company and instituted appropriate court proceedings to dissolve that institution. Subject, of course, to the rights of the Reconstruction Finance Corporation with whom such assets are pledged, it is understood that, under the State law, control of and title to the assets of the closed institution are vested in the receiver who acts under the direction of the State Auditor of Public Accounts and subject to court orders. Upon this basis, the Board is of the opinion that Central Republic Trust Company will not become a holding company affiliate of the applicant upon the latter's admission to membership."

Letter to the board of directors of "The Peoples State Bank", New Boston, Michigan, stating that, subject to 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

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appropriate amount of stock in the Federal Reserve Bank of Chicago:

- "4. Such bank shall make adequate provision for depreciation in its banking property.
- "5. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$645 in defaulted bonds, as shown in the report of examination of such bank as of May 6, 1939, made by an examiner for the Federal Reserve Bank of Chicago."

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 Peoples State Bank', New Boston, Michigan, 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 Commissioner of the Banking Department for the State of Michigan for his information.

"It has been noted that the bank's fidelity coverage is considered inadequate and it is assumed that the matter of increasing the coverage will be discussed with the management of the bank."

Letter to Mr. Fletcher, Vice President of the Federal Reserve Bank of Cleveland, reading as follows:

"Reference is made to your letter of May 17, 1939, concerning the purchase of assets and assumption of liabilities of the 'Citizens Mutual Trust Company' by the 'Wheeling Dollar Savings & Trust Co.', both of Wheeling, West Virginia, effected April 29, 1939, with the approval of the State Commissioner of Banking and, in the opinion of your counsel, after having been duly authorized by the

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"directors and stockholders of the respective banks.

"It is understood that all of the assets acquired by the Wheeling Dollar Savings & Trust Co., except certain stocks and non-conforming securities which the directors have agreed to dispose of within thirty days, have been inspected and approved by representatives of the Federal Reserve Bank of Cleveland. It is noted, also, that, in your opinion, the transaction will not in any manner change the general character of the business of the Wheeling Dollar Savings & Trust Co.

"In the circumstances, it does not appear that the transaction comes within the scope of condition of membership numbered 6, to which the Wheeling Dollar Savings & Trust Co. is subject, nor that the approval of the Board is required.

"It is understood that, in your discussions with the management of the Wheeling Dollar Savings & Trust Co. regarding the absorption of the Citizens Mutual Trust Company, you also discussed frankly the failure of the bank to carry out the commitment to dispose of the stocks acquired in connection with the absorption of the Dollar Savings and Trust Company in December 1933, and received assurance that such assets will be disposed of at the earliest practicable date.

"In view of the agreement to dispose of the stocks acquired in the present absorption within thirty days after May 10, 1939, please advise the Board as to the date and manner of disposition of the securities and as to the proceeds realized. In connection with stocks acquired in the absorption of the Dollar Savings and Trust Company, it is requested that, until further advised, you obtain and forward to the Board quarterly statements as to progress made in disposing of such stocks."

Approved unanimously.

Letter to Mr. Young, Vice President of the Federal Reserve Bank of Chicago, reading as follows:

"Reference is made to your letters of May 12 and 17, 1939, submitting information regarding the proposed purchase of assets and assumption of the deposit liabilities of the State Commercial and Savings Bank by

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"the 'Zeeland State Bank', both of Zeeland, Michigan.

"From the information submitted it appears that the proposed transaction will not involve any change in the general character of business or scope of corporate powers exercised by the Zeeland State Bank within the meaning of condition numbered one under which the bank was admitted to membership. In accordance with your recommendation, therefore, the Board will interpose no objection to the transaction.

"As indicated by its letter of May 11, 1939, the bank recognizes that its capital account will be relatively low after the assumption of the liabilities of the State Commercial and Savings Bank. It would, of course, be preferable that the capital account of the bank be augmented by the capital account of the bank which is to be absorbed or be increased through the introduction of new funds, and it is regretted that the absorption could not be worked out on that basis. The absorption, however, is reported to be a constructive move and in considering the matter reliance has been placed on your statement that the bank has a good earning power and that the desired capital ratio can easily be established through earnings. In the circumstances, it would appear incumbent upon the bank to conserve all profits and recoveries and at least a major part of current net earnings for the building up of its capital account until it reaches an amount altogether adequate in relation to the bank's liabilities. It is suggested that you obtain a commitment from the bank as to its policy in this respect."

Approved unanimously.

Thereupon the meeting adjourned.

Robert M. Miller
Secretary.

Approved:

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