

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, April 11, 1940, at 10:00 a.m.

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

Mr. Bethea, 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:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on April 10, 1940, were approved unan-
imously.

Letter to the board of directors of the "Egg Harbor City Trust Company", Egg Harbor City, New Jersey, stating that, subject to conditions of membership numbered 1 to 6 contained in the Board's Regulation H and the following special condition and comment, 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 Philadelphia:

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

"It appears that the bank possess certain powers which are not being exercised and which are not necessarily required in the conduct of a banking and trust business, such as the powers to act as surety and to guarantee title to land. Attention is invited to the fact that if the bank desires to exercise any powers not actually exercised at the time of admission to membership, it will be necessary under condition of membership numbered 1 to obtain the

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"permission of the Board of Governors before exercising them. In this connection, the Board understands that there has been no change in the scope of the corporate powers exercised by the bank since the date of its application for membership."

Approved unanimously, together with a letter to Mr. Sinclair, President of the Federal Reserve Bank of Philadelphia, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the Egg Harbor City Trust Company, Egg Harbor City, New Jersey, 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 Banking & Insurance for the State of New Jersey for his information.

"The Board understands that your office has given full consideration to the question of management, and to the conditions imposed with respect to management in connection with the recent absorption of the other bank in Egg Harbor City, and that the situation will receive careful supervision until the ability of the management has been demonstrated.

"It is assumed, of course, that your office will follow to a conclusion the appointment of a trust officer and designation of a trust committee, and also follow the matter of bringing the savings accounts listed on page 16 of the report of examination into conformity with the Board's regulations.

"Since the amount of estimated losses classified in the report of examination for membership is relatively small, the usual condition of membership regarding the elimination of losses has not been prescribed. It has been noted, however, that the amount classified will be charged off by the bank."

Letter to the board of directors of "The Kraft State Bank", Menomonie, Wisconsin, stating that, subject to conditions of membership numbered 1 to 6 contained in the Board's Regulation H and the

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following special conditions and comment, 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 Minneapolis:

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

"8. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$855, as shown in the report of examination of such bank as of March 4, 1940, made by an examiner for the Federal Reserve Bank of Minneapolis."

"The report of examination for membership contains numerous criticisms of the operations and supervision of the trust department and it has been noted that there has been no formal appointment of a trust officer or designation of a trust committee. Acceptance of trust business, no matter how small, entails serious responsibilities, and if the bank is to continue to accept trust business it will be expected to take appropriate steps to fix the responsibility therefor and to equip itself to handle the business in conformity with recognized principles of sound fiduciary practices."

Approved unanimously, together with a letter to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of The Kraft State Bank, Menomonie, Wisconsin, 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 Banking for the State of Wisconsin for his information.

"The papers submitted with the application did not include a copy of the form of capital debentures

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"which the bank has outstanding to the Reconstruction Finance Corporation, and it will be appreciated if you will forward such a copy to the Board for its records."

Bond in the amount of \$10,000 executed under date of April 2, 1940, by Mr. Raymond C. Force as Federal Reserve Agent at the Federal Reserve Bank of San Francisco.


Approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Vice Chairman.