

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, November 6, 1940, at 11:45 a.m.

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

Mr. Morrill, 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 November 5, 1940, were approved unanimously.

Letter to the board of directors of the "Union Trust Company", Greensburg, Indiana, stating that, subject to conditions of membership numbered 1 to 6 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:

- "7. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$8,124.88, as shown in the report of examination of such bank as of October 5, 1940, made by an examiner for the Federal Reserve Bank of Chicago."

Approved unanimously, together with
a letter to Mr. Schaller, President of

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the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Union Trust Company', Greensburg, Indiana, 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 Director, Department of Financial Institutions, for the State of Indiana, for his information.

"Since it is understood that in the State of Indiana trust funds deposited in the banking department of a bank are preferred claims in event of liquidation of the bank, you are authorized, in accordance with the general authorization previously granted by the Board, to waive compliance with condition of membership numbered 6 until further notice.

"It has been noted that except for occasional informal discussions by the board of directors, the trust department is given no supervision by the directors and is managed entirely by the trust officer, who is also secretary and treasurer of the bank. Even though the volume of trust business is relatively small, the trust officer is regarded as competent, and investment policies are said to be conservative, the affairs of the department should, of course, be supervised in accordance with accepted standards, and it is assumed that appropriate suggestions in this connection will be made to the bank in the regular course of supervision."

Letter to the board of directors of the "Mercantile Home Bank & Trust Company", Kansas City, Missouri, stating that, subject to conditions of membership numbered 1 to 6 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

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of Kansas City:

- "7. Such bank shall not pay any dividends on its common stock until its capital structure has been increased to an amount satisfactory to the Federal Reserve Bank of Kansas City."
- "8. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses aggregating \$17,824.97, as shown in the report of examination of such bank as of August 14, 1940, made by an examiner for the Federal Reserve Bank of Kansas City."

The letter also contained the following special comment:

"It appears that the bank possesses 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 power to act as surety. 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 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. Hamilton, President of the Federal Reserve Bank of Kansas City, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Mercantile Home Bank & Trust Co.', Kansas City, Missouri, 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

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"is for your files and the other of which you are requested to forward to the Commissioner of Finance for the State of Missouri for his information.

"Compliance with condition of membership numbered 7 will be in keeping with the policy to which the bank is already committed. However, it is assumed that the bank has been informed, as suggested in the Board's letter of March 4, 1940 to Mr. Worthington, that standard condition of membership numbered 2 is a continuing condition and that, if earnings fail to provide the desired increase in capital account, the introduction of additional funds from outside sources may be required.

"The bank is admittedly faced with problems in working out the liquidation accounts of the predecessor banks and in increasing its capital structure. The application has been approved with the expectation that, until the bank's problems have been solved, the Reserve Bank will, of course, follow the situation closely and endeavor through careful and constructive supervision to assist the bank in all appropriate ways.

"It is not clear from the examiner's comments at the bottom of page 16-(1) of the report of examination for membership whether, under the provisions of footnote numbered 7 in Regulation I, the bank's reserve for dividends payable in common stock should be regarded as surplus in determining the amount of Federal Reserve Bank stock to be owned by the bank, and it is assumed, of course, that you will make such further inquiry as may be necessary."

Letter to Mr. Martin, President of the Federal Reserve Bank of St. Louis, reading as follows:

"Reference is made to your letter of October 28, enclosing a copy of a letter dated October 25, 1940, received from Mr. Harold H. Rosen of The Brookings Institution, requesting information regarding the industrial loan experience of your Bank.

"In a telephone conversation with Mr. Rosen, we were advised that what he has in mind is such material as annual reports containing references to the Bank's experience, reports of any surveys that have been made, etc. There does not appear to be any objection to

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"furnishing Mr. Rosen with any such material that may be available."

Approved unanimously, with the understanding that a copy of the letter would be sent to the President of each other Federal Reserve Bank.

Thereupon the meeting adjourned.

O. Foster Morrice

Secretary.

Approved:

W. C. C. C.

Chairman.