

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, April 14, 1941, at 11:30

a.m.

PRESENT: Mr. Eccles, Chairman
 Mr. Ransom, Vice Chairman
 Mr. Szymczak
 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 April 12, 1941, were approved unani-
 mously.

Letter to Mr. Sproul, President of the Federal Reserve Bank
 of New York, reading as follows:

"Under the provisions of paragraph (1), subsection (i), of section 12B of the Federal Reserve Act, as amended, the Board of Directors of the Federal Deposit Insurance Corporation has found that the Floral Park Bank and Trust Company, Floral Park, New York, has continued unsafe and unsound practices in the conduct of its business, has so advised the Board of Governors of the Federal Reserve System, and has requested the Board of Governors to fix the time in which the bank shall make the necessary corrections of such practices and to advise the Corporation of any action taken by the bank to effect such corrections.

"There is enclosed a letter the Board has addressed to the Floral Park Bank and Trust Company, Floral Park, New York, together with three copies thereof, advising of the findings of the Board of Directors of the Federal Deposit Insurance Corporation and fixing June 13, 1941, as the date not later than which the necessary corrections of the unsafe

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"and unsound practices mentioned shall be effected.

"You are hereby authorized to have the enclosed letter, together with a copy of the Federal Reserve Act, personally presented to the Floral Park Bank and Trust Company, Floral Park, New York, the person who does so to make an affidavit of service in the usual form in which such affidavits are made in the State of New York. This affidavit, and a copy of the letter to which it is attached, should be forwarded to the Board.

"One of the copies of the letter to the bank is for your files, and you are requested to forward the other copy to the Superintendent of Banks of the State of New York, for his information."

The letter to the Floral Park Bank and Trust Company, Floral Park, New York, referred to in the above letter, read as follows:

"Paragraph 1 of subsection (i) of section 12B of the Federal Reserve Act, as amended, reads in part as follows:

'Whenever the board of directors shall find that an insured bank or its directors or trustees have continued unsafe or unsound practices in conducting the business of such bank, or have knowingly or negligently permitted any of its officers or agents to violate any provision of any law or regulation to which the insured bank is subject, the board of directors shall first give to the Comptroller of the Currency in the case of a national bank or a District bank, to the authority having supervision of the bank in the case of a State bank, or to the Board of Governors of the Federal Reserve System in the case of a State member bank, a statement with respect to such practices or violations for the purpose of securing the correction thereof. Unless such correction shall be made within one hundred and twenty days or such shorter period of time as the Comptroller of the Currency, the State authority, or Board of Governors of the Federal Reserve System, as the case may be, shall require, the board of directors, if it shall determine to proceed further, shall give to the bank not less than thirty days' written notice

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"of intention to terminate the status of the bank as an insured bank, and shall fix a time and place for a hearing before the board of directors or before a person designated by it to conduct such hearing, at which evidence may be produced, and upon such evidence the board of directors shall make written findings which shall be conclusive."

"Pursuant to the statutory provisions above quoted, the Federal Deposit Insurance Corporation has submitted to the Board of Governors of the Federal Reserve System a statement, a copy of which is attached hereto, with respect to continued unsafe and unsound practices by the Floral Park Bank and Trust Company for the purpose of securing corrections thereof and of which you will please take notice. You are hereby directed to effect corrections of the unsafe and unsound practices enumerated in the enclosed copy of the statement of the Federal Deposit Insurance Corporation; and the Board of Governors of the Federal Reserve System has fixed the period ending June 13, 1941, 60 days from the date of this letter as the time within which such corrections shall be effected. You are requested to advise the Federal Reserve Bank of New York on or before June 13, 1941, as to the action which has been taken effecting corrections of the unsafe and unsound practices referred to.

"For your information, there is enclosed a copy of the Federal Reserve Act and your attention is called to section 12B thereof and particularly to the full text of subsection (i) of section 12B."

Approved unanimously, together with
the following letter to the Federal De-
posit Insurance Corporation:

"This refers to your letter of April 5, 1941, in which it is stated that the board of directors of the Federal Deposit Insurance Corporation has found that the Floral Park Bank and Trust Company, Floral Park, New York, a State member bank, has continued unsafe and unsound practices in the conduct of its business. Pursuant to paragraph 1 of subsection (i) of section 12B of the Federal Reserve Act, as amended, your letter contains a statement with respect to such practices for the purpose of securing correction thereof.

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"The Board of Governors has today addressed a letter to the bank serving notice regarding the required correction, and has fixed the period ending June 13, 1941, 60 days from the date of the letter addressed to the bank, as the time within which the necessary correction of the unsafe and unsound practices in the conduct of its business recited in your letter may be effected. You will be informed as promptly as possible of any advice which the Board receives as to any action taken by the bank to effect such correction."

Letter to Mr. Diercks, Chief Examiner of the Federal Reserve Bank of Chicago, reading as follows:

"This refers to your letter of April 5, 1941, with enclosures, regarding certain questions connected with the recent admission to membership of the Lafayette Savings Bank, Lafayette, Indiana.

"It is noted that, in a memorandum dated March 31, 1941, a copy of which you enclose, Counsel for your bank indicates that the statement in his previous opinion to the effect that the bank is not permitted to purchase stock in the Federal Reserve Bank was an error due to a mistake in striking out the inapplicable portion of the printed provisions of Certificate of Counsel.

"You enclose a copy of a letter received by you from Mr. A. E. Stuart, a trustee of the Lafayette Savings Bank, requesting that reconsideration be given to the suggestion made in the fourth paragraph of the Board's letter of March 28, 1941 regarding the modification of the provisions of the bank's by-laws and savings deposit pass books with respect to notice of withdrawal of savings deposits.

"It is understood that the pass books issued by the Lafayette Savings Bank contain a provision stating that: 'The bank reserves the right to require such notice before permitting withdrawal of any deposit as may be provided or allowed by any law, state or federal, or regulation made pursuant thereto.' It is not clear in our opinion that this provision complies with the definition of 'savings deposits' in Regulation Q in view of some uncertainty as to the notice which may be required and the fact that the requirements are incorporated only by reference and not in specific language. Moreover, the provision does not adequately inform depositors as to the notice which may be

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"required by the bank before any withdrawal may be made.

"The Board does not wish, however, to cause any undue inconvenience to the Lafayette Savings Bank and it is noted that the provision in question was adopted by the bank after consultation with its Counsel in order to meet provisions of State law and with the approval of the Department of Financial Institutions of the State of Indiana. In view of these facts and since Regulation Q does not specifically preclude the reservation of the right to require 30 days' written notice of withdrawal merely by reference to laws or regulations, the Board will not insist that the Lafayette Savings Bank change its practice with respect to this matter. The Board will of course expect the bank to comply with any changes which may hereafter be made in the regulations with respect to this or any other matters.

"It will be appreciated if you will communicate the Board's views in this matter to the subject bank."

Approved unanimously.

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

"This is in reply to your letter of April 3, 1941, submitting the request of the Southern Bank and Trust Company, Richmond, Virginia, for permission to continue the administration of the four small trusts it now holds.

"It is noted that the bank, in accordance with the understanding had at the time of its admission to membership, has not accepted any additional trust business. It is also noted that the bank feels that, with one exception, transfer of the accounts now held to substitute fiduciaries would involve unwarranted trouble and expense to the interested parties, and that it desires to continue administration of such trusts until they are closed out in due course.

"In view of the facts as set forth in the bank's letter to you of April 2, 1941, and in accordance with your recommendation, the Board raises no objection to the continued administration by the bank of the four trust accounts in question.

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"Please advise the Southern Bank and Trust Company of the Board's position in the matter."

Approved unanimously.

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

"Reference is made to your letter of April 3, 1941, and the attached letter from the Pilgrim Trust Company, Boston, Massachusetts, both relating to a request by that institution for permission to acquire, at a price of \$250,000, an equity in the banking property which it now occupies under lease, and which will be acquired subject to a mortgage of \$350,000 which the trust company will not assume.

"In view of your recommendation and the information submitted, the Board will interpose no objection to the transaction under the condition of membership numbered 8, with the understanding that the transaction will have the prior approval of the appropriate State banking authorities.

"It has been noted that the trust company contemplates, in recognition of its rapidly growing deposits, an increase in its capital account during the current year which will provide capital, surplus, guaranty fund, and undivided profits of not less than \$1,125,000."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Maurice

Secretary.

Approved:

W. S. ...

Chairman.