

5/7/41 A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, May 7, 1941, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. McKee
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:

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

"In accordance with the request contained in your letter of May 2, the Board approves the appointments of
William P. Scott, Jr.
Thomas W. Southworth

as assistant examiners for the Federal Reserve Bank of New York, and the designation of

Louis F. Licht, Jr.
as a special assistant examiner. Please advise us of the effective dates of the appointments of the two assistant examiners."

Approved unanimously.

Letter to the board of directors of the "Planters Bank and Trust Company", Chatham, Virginia, 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 Richmond:

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- "7. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$2,588.22 as shown in the report of examination of such bank as of February 8, 1941, made by an examiner for the Federal Reserve Bank of Richmond."

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 guarantee the payment of bonds. 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. Leach, President of the Federal Reserve Bank of Richmond, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Planters Bank and Trust Company', Chatham, Virginia, 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 Commonwealth of Virginia for his information.

"In reports of examination of the applicant bank made by the Federal Deposit Insurance Corporation and the State Department, the management under President Whitehead, who is reported to be the dominant figure in the bank, has been rather severely criticized. The asset condition of the institution appears acceptable, but some unsatisfactory features have existed and the supervising examiner for the Federal Deposit Insurance Corporation apparently

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"does not feel that the management has given adequate attention to correcting matters of criticism and he therefore considers the management unsatisfactory.

"Mr. Fry has advised, however, that the Reserve Bank gave careful consideration to the question of management in the light of such criticisms and is satisfied that the management is in capable hands and that no great difficulty will be experienced in obtaining full cooperation of the officers and directors in the proper conduct of the bank. In view of such circumstances, and with the understanding that the Reserve Bank will exercise close supervision over the bank, the Board has approved the application. It is assumed in this connection that the Reserve Bank will of course follow closely the bank's compliance with the uncompleted portion of the corrective program agreed upon with the supervising authorities in August 1939."

Letter to Mr. West, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"Reference is made to your letter of April 24, 1941, and other correspondence relating to the request of The Bank of Carmel, Carmel, California, for permission to increase the book value of its bank premises by \$12,500 as a means of increasing the surplus account to meet statutory requirements of the State of California.

"According to the information submitted, the Superintendent of Banks has approved the write-up upon condition that dividends on common stock be reduced from \$7,500 to not more than \$5,000 a year on the basis of the present common stock, and that if a second mortgage of approximately \$3,300, which is carried as a nonledger asset and is considered as having sound value, is set up on the bank's books the amount be credited to bank premises, thus reducing the write-up to approximately \$9,200.

"Since the proposed write-up is relatively inconsequential in amount and represents restoration of part of a substantial charge-off made shortly after completion of the new building in 1939 and is offered as a means of meeting State regulations, the Board will interpose no objections to the program as approved by the Superintendent of Banks of the State of California.

"The write-up, of course, does not result in any increase in the actual capital cushion of the bank and should not be regarded as having any effect under the condition

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"of membership regarding maintenance of adequate capital and surplus. In this connection it is noted that the Superintendent of Banks in his letter of April 18, 1941, questioned whether the bank could continue to increase its surplus from earnings in amounts sufficient to keep abreast of anticipated deposit growth. It is assumed that you will follow this situation closely and if additional capital funds are needed you will take the matter up with the bank and the Superintendent of Banks. It would seem that with total assets now exceeding \$2,000,000 the volume of the bank's business has outgrown its capital stock of \$50,000 and even if it does not become necessary to sell additional stock it would seem that within the very near future the bank should give consideration to increasing the capital stock by means of a stock dividend."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morice
Secretary.

Approved:

W. S. ...
Chairman.