

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, October 21, 1941, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Szymczak
Mr. McKee
Mr. Draper

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 October 20, 1941, were approved unanimously.

Letter to Mr. Young, President of the Federal Reserve Bank of Chicago, 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 St. Charles State Bank, St. Charles, Michigan, has continued unsafe and unsound practices in the conduct of its business and has permitted its officers to violate provisions of law, 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 violations 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 St. Charles State Bank, St. Charles, Michigan, together with three copies thereof, advising of the findings of the Board of Directors of the Federal Deposit Insurance Corporation and fixing November 8, 1941, as the date not later than which the necessary corrections of the practices

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"and violations 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 St. Charles State Bank, St. Charles, Michigan, 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 Michigan. 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 Commissioner of Banking of the State of Michigan, for his information."

The letter to The St. Charles State Bank, St. Charles, Michigan, 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 of intention to terminate the status of the

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"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 and violations of provisions of law occurring at The St. Charles State Bank 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 and violations 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 November 8, 1941, as the time within which such corrections shall be effected. You are requested to advise the Federal Reserve Bank of Chicago on or before November 8, 1941, as to the action which has been taken effecting corrections of the unsafe and unsound practices and violations 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 Deposit
Insurance Corporation:

"This refers to your letter dated October 9, 1941, received by the Board October 20, 1941, in which it is stated that the board of directors of the Federal Deposit Insurance Corporation has found that The St. Charles State Bank, St. Charles, Michigan, a State member bank, has continued unsafe and unsound practices in the conduct of its business and has permitted its officers to violate provisions of law. Pursuant to paragraph 1 of subsection (i) of section 12B of the Federal Reserve Act, as amended, your letter enclosed a statement with respect to such practices and violations for the purpose of securing corrections thereof.

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"The Board of Governors has today addressed a letter to the bank serving notice regarding the required corrections, and has fixed the period ending November 8, 1941, as the time within which the necessary corrections of the unsafe and unsound practices and the violations of provisions of law 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 corrections."

Memorandum dated October 17, 1941, from Mr. Wingfield, Assistant General Counsel, recommending that there be published in the law department of the November issue of the Federal Reserve Bulletin statements in the form attached to the memorandum with respect to the following subjects:

Inactive Executive Officer Serving as
Director and Member of Discount Com-
mittee;

Interpretations of Regulation W; and

General Licenses Issued by the Secretary
of the Treasury.

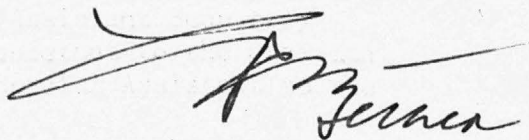
Approved unanimously.

Mr. Szymczak suggested that the Board authorize the payment of the cost of luncheons served in the Board's dining room today to Messrs. F. B. Hubachek and Rolf Nugent of the Office of Price Administration.

Approved unanimously.

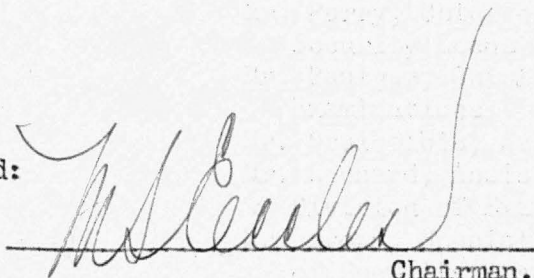
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Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Chairman.