

MONTHLY BULLETIN

Issued by
OSCAR NELSON
AUDITOR of PUBLIC ACCOUNTS
BANKING DEPARTMENT
State of Illinois

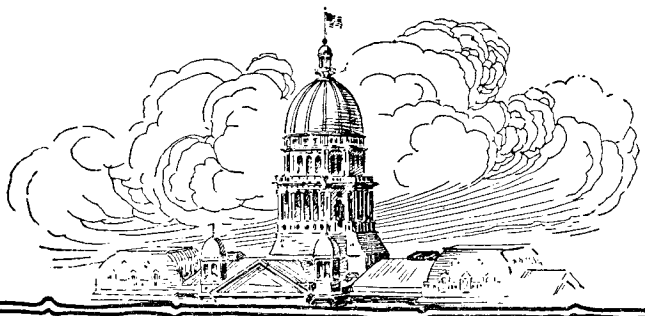
VOL. 5

SPRINGFIELD, ILL., JANUARY 1, 1930

No. 10

WELCOME! 1930

The old year 1929—now an old year, because with its joys, its disappointments and vicissitudes has passed into history and with its passing there lingers in its wake memories and the lessons learned by experience. Each year presents its new problems and the solutions thereof form the storehouse or reserve upon which we draw for future use. Looking backward over the past twelve months from a financial viewpoint we know that many problems have arisen and have been solved. While these problems may have been world old in a general sense, yet each had a new angle which gave it a different aspect and, no doubt, many other problems will arise for solution within the next year and they will find their solution as readily and intelligently as those in the past if we but draw upon that reservoir of experience. Nineteen Hundred Thirty may produce many changes in the banking world and we trust they will be for the betterment of all.



The value of borrowers' property statements as a basis of financial credit in banks is a much mooted question. Some bankers in the smaller institutions write to the Department that they believe it is unnecessary for them to obtain financial statements from customers wishing loans as they are "well acquainted" with all of the residents of that particular community and as the loans are small they are well aware of the financial standing of the proposed borrower.

In a large sense this argument has considerable weight but yet in these very same institutions the Department or its representatives have discovered the fact that some of the borrowers whom the banker felt did their business entirely with his institution were borrowers in some neighboring bank. Therefore, if he had obtained financial statement, checked the same to know that they were carefully and accurately prepared he would have discovered this fact for himself.

In the smaller communities loans are passed solely upon the Officers' acquaintance with the borrower and the general knowledge of his financial responsibility. Therefore, it is not plausible that any banker may accurately know the financial condition of all his borrowers without some definite statement from them. Many bankers give as their reason for their hesitancy in obtaining financial statements the possibility of offending the customers. We believe that too much false pride has kept the banker from obtaining full knowledge of his customers' ability to pay their loans and to know for what purpose the money was to be used. The fact must always be kept in mind that the money in the bank which is being loaned to borrowers belongs to other people and that the loan officer is merely the trustee or steward and must give an accounting in the final windup and if he is not careful in placing the money among the customers, embarrassment will result when the time comes for collection.

We believe that one of the best methods of obtaining financial statements from those who do not keep accurate book records is for the borrower to prepare the statement in the presence of the bank officer so all the information may be obtained correctly and that when this is properly accomplished such credit file will be of unquestionable benefit to the banks' Officers and Directors and the Examiners from this Department.

There is one more thought in connection with financial statements that should be exercised; that is, the renewal of the same. New statements should be obtained at least once each year and a complete file of all former statements should be kept so that any changes may be noted from time to time. The value of old statements is sometimes overlooked as the opportunity for comparison of them will give the banker some valuable information.

In the immediate past we have had demonstrations of the importance of financial statements. Bankers who were quite positive they knew the exact standing of certain customers were absolutely nonplused when the customer was requested to make a statement and they found the liabilities were greater than they had imagined. We, therefore, know that a complete credit file is a necessary adjunct to any well-conducted institution.

The following list of "don'ts" are suggested for the use of bankers for the year 1930:

1. Don't make loans on inflated security.
2. Don't add interest to unpaid loans.
3. Don't make demand loans unless they are collectible upon demand and don't make the notes for too long a period.
4. Don't pay dividends on earned interest, most of which has not been collected.
5. Don't carry losses in the assets when they have been fully determined as such.
6. Don't depend entirely upon your cash reserve but carry a secondary reserve of readily marketable investments.
7. Don't attempt to make loans without sufficient credit information.
8. Don't make collateral loans without the use of collateral form notes.
9. Don't carry your Furniture and Fixtures at more than a liquidation figure.
10. Don't conduct your bank only on a policy of optimistic management which includes all the ills enumerated above.

ELECTION OF DIRECTORS

A majority of the State Banks hold their annual Stockholders' Meetings during the month of January. At these meetings the Board of Directors is chosen and promptly thereafter the oath of fealty should be forwarded to the Department; blanks for this purpose having already been mailed to the banks. If any changes are voted at the meeting such as are provided for under Section Twelve of the Banking Act, including increase or decrease of Directors, change of name, increase or decrease of Capital Stock, extension of duration of charter, or consolidation with some other banking corporation, then a copy of such resolution must be recorded and a copy of same filed at once with the Department.

PERMITS ISSUED.

	Capital.	Surplus.	Date.
Chicago.....Cook.....Uptown State Bank..... 1050 Wilson Avenue.	\$500,000	\$100,000	Dec. 18, 1929
Benton.....Franklin.....Illinois Bank and Trust Company of Benton, Illi- nois 1106 Public Square.	100,000	50,000	Dec. 24, 1929

CHARTERS ISSUED.

Edinburg.....Christian.....Edinburg State Bank..... John H. King, President. S. P. Lindsay, Jr., Cashier.	40,000	10,000	Dec. 4, 1929
Chicago.....Cook.....Foreman-State Trust and Savings Bank 33 North LaSalle Street. Walter W. Head, Presi- dent.	\$2,500,000	2,500,000	Dec. 14, 1929
Chicago.....Cook.....Uptown State Bank..... 1050 Wilson Avenue. Edward M. Warner, President. E. C. Dorse, Cashier.	500,000	100,000	Dec. 20, 1929

CAPITAL STOCK INCREASED.

Chicago.....Cook.....United State Bank of Chicago	From \$200,000 to \$ 300,000	Dec. 3, 1929
Chicago.....Cook.....Haugan State Bank.....	From 200,000 to 5,000,000	Dec. 13, 1929
Chicago.....Cook.....Capital State Savings Bank	From 300,000 to 400,000	Dec. 27, 1929
Oak Park.....Cook.....Oak Park Trust & Sav- ings Bank	From 500,000 to 1,000,000	Dec. 30, 1929
North Chicago. Lake.....Lake County State Bank	From 50,000 to 100,000	Dec. 30, 1929

CONSOLIDATED.

Chicago.....Cook.....The Foreman Trust and Savings Bank and State Bank of Chicago under title Foreman-State Trust and Savings Bank.....		Dec. 14, 1929
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LIQUIDATED.

Venice.....Madison.....Venice State Bank through The Union Trust Co. of Madison, Illinois		Dec. 10, 1929
Chicago.....Cook.....Haugan State Bank through The Foreman National Bank		Dec. 14, 1929
Chicago.....Cook.....Irving State Savings Bank of Chicago through Sheri- dan Trust & Savings Bank, Chicago.....		Dec. 14, 1929
Buncombe.....Johnson.....First State Bank of Buncombe through First National Bank of Vienna.....		Dec. 21, 1929
Chicago.....Cook.....Fidelity Trust and Savings Bank through Uptown State Bank, Chicago.....		Dec. 21, 1929
Newton.....Jasper.....Newton State Bank & Trust Company through The Peoples State Bank of Newton, Illinois.....		Dec. 31, 1929

CLOSED.

Genoa.....DeKalb.....Farmers State Bank of Genoa.....		Dec. 13, 1929
Genoa.....DeKalb.....Exchange State Bank of Genoa.....		Dec. 13, 1929
New Canton.....Pike.....New Canton State Bank.....		Dec. 14, 1929
Marengo.....McHenry.....Dairyman's State Bank of Marengo.....		Dec. 18, 1929
Kankakee.....Kankakee.....American Trust and Savings Bank of Kankakee.....		Dec. 27, 1929
Chicago.....Cook.....Progressive State Bank.....		Dec. 27, 1929

RECEIVER APPOINTED.

Chicago.....Cook.....Exchange State Bank of Chicago—William J. Rathje		Dec. 3, 1929
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TRUST CERTIFICATES ISSUED.

Chicago.....Cook.....Foreman-State Trust and Savings Bank.....		Dec. 14, 1929
Chicago.....Cook.....Garard Trust and Savings Bank.....		Dec. 31, 1929

TRUST CERTIFICATES CANCELLED.

Chicago.....Cook.....The Foreman Trust and Savings Bank.....		Dec. 14, 1929
Chicago.....Cook.....State Bank of Chicago.....		Dec. 14, 1929

RECAPITULATION.

State Banks in Chicago.....	185
State Banks in Cook County outside Chicago.....	89
State Banks in Illinois outside Cook County.....	1,009

1,283

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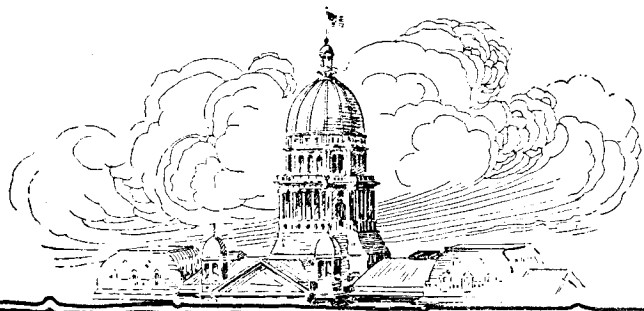
No. 11

PLEASE ADVISE

While the Department cannot operate banks, nor does the Law require it, yet there is much in connection with their operation that must be presented to this office for decision before action is taken. This applies, particularly, to any charter amendments as provided for under Section Twelve of the Banking Act.

When changes in the Capital Stock structure are contemplated the plan proposed should first be submitted for approval as to the legality of the action under consideration. This suggestion applies as well when the thought of consolidation is being entertained. Many banking institutions are forming consolidations these days, all of which affect the Capital Stock account in some manner and especially where a reduction is in view, the Directors must beware unless the change prejudice the Creditors.

Before making any changes which would affect your original certificate of incorporation — READ THE LAW!



BANK INVESTMENTS

One of the very important functions of the management of any bank is the proper investing of the institution's funds. When we refer to proper investments of the bank's funds we refer to secondary reserves. Past experience has demonstrated that banks carrying satisfactory secondary reserves have seldom, if ever, been compelled to close their doors. This view, however, has not been generally shared by bankers in the past as figures from their reports will indicate. Many have held to the belief that the funds of banks in particular localities should only be loaned locally and the result has been that they have accumulated what is generally known as "frozen assets". It is, therefore, quite natural that when any incident occurs in a community which causes the depositors to suddenly demand their money the bank without the secondary reserve is helpless. A secondary reserve should be synonymous with liquidity.

This may interfere to some extent with higher earning capacity but this should be sacrificed to liquidity with security. A secondary reserve need not, particularly, be composed of bonds but should be comprised of readily marketable securities or investments, into which class fall call loans, commercial paper and bank acceptances.

The American Bankers Association has defined secondary reserve as follows:

"The secondary reserve is composed of those income-producing assets by means of which funds may quickly be obtained whenever the primary reserve, consisting of cash in vaults and demand deposits with other banks, has been rendered inadequate for any reason to such an extent that it is necessary to replenish it."

In the past year many banks have established secondary reserves and others have increased the diversification of their investments and it is quite likely that further progress will be made in the near future. We believe that when this has become universally adopted the possibility of banks closing when sudden demands are made for the withdrawal of funds will be rare, if ever.

BANK FAILURES

In the past five years numerous articles have been written on the topic "why banks fail". Many solutions have been offered and, perhaps, the one most quoted has been "too many banks". This is one of the outstanding reasons but there are others and we believe the most salient is management. As the chain is no stronger than its

weakest link, neither is the bank any stronger than its management. Under this heading comes the active management of the affairs of the institution, plus the responsibility for the investment of the depositors' and Stockholders' funds. If the accounts are not properly handled and investments are of an inferior nature, no bank can stand under the dual load of a defaulting management and an investment in doubtful assets.

Therefore, it is incumbent upon the Directors to see that reports are accurately and properly prepared and that the bank's funds are well invested according to their best judgment. Very recently two members of the Board of Directors of a State Bank advised that they had never seen a statement of the bank except at the time of publication. They used this as an excuse for the improper investment of some of the depositors' money. But it is no excuse; it is a reflection! The books of a bank should be and always are available and accessible to the Directors. If they cannot understand them it is surely their duty to become familiar with the story they tell. If the Directors cannot obtain the information desired they are required by the laws of the corporation to employ a certified accountant to audit the books.

As to investments both of a local or foreign nature, or of whatsoever kind, they are charged with the duty of making frequent appraisals and if the same have depreciated the loss shall be charged off. With these two propositions carefully considered by the Directors and kept in the foreground, better banking will result.

PERMITS ISSUED.			
		Capital.	Surplus. Date.
Abingdon.....	Knox.....	Abingdon Bank and Trust Company	\$ 75,000 \$35,000 Jan. 13, 1930
Chicago.....	Cook.....	State Bank of Chicago..... 33 N. LaSalle Street.	200,000 None Jan. 15, 1930
Morrisonville.....	Christian.....	First State Bank of Morrisonville Fifth and Carlin Streets.	25,000 2,500 Jan. 15, 1930
Genoa.....	DeKalb.....	Genoa State Bank.....	50,000 25,000 Jan. 24, 1930
Pulhitt.....	Christian.....	Citizens State Bank of Pulhitt..	40,000 10,000 Jan. 28, 1930
Marengo.....	McHenry.....	Marengo State Bank..... 113 South Street.	25,000 25,000 Jan. 30, 1930
CHARTERS ISSUED.			
Freeport.....	Stephenson.....	State Bank of Freeport..... J. Fred Smith, President.	\$ 400,000 \$100,000 Jan. 2, 1930
Shannon.....	Carroll.....	First State Bank of Shannon..... Walter C. Pfender, Cashier. D. S. Hoy, President.	60,000 10,000 Jan. 14, 1930
Astoria.....	Fulton.....	Astoria State Bank..... F. W. Woessner, Cashier. John Skinner, President.	50,000 20,000 Jan. 18, 1930
Chicago.....	Cook.....	Mid-City Trust & Savings Bank.. 801 West Madison Street. C. G. McHugh, Cashier. William J. Rathje, President.	1,000,000 500,000 Jan. 20, 1930
Morrisonville.....	Christian.....	First State Bank of Morrisonville. Fifth and Carlin Streets. H. O. Bengtson, Cashier. C. M. Seaton, President.	25,000 2,500 Jan. 20, 1930
Chicago.....	Cook.....	West Englewood Trust & Savings Bank..... 1624 West 53rd Street. John Bain, President. H. L. Vancil, Cashier.	750,000 540,000 Jan. 23, 1930
Abingdon.....	Knox.....	Abingdon Bank and Trust Com- pany..... S. Nirdlinger, President. H. A. Anderson, Cashier.	75,000 35,000 Jan. 31, 1930

CAPITAL STOCK INCREASED.

LaSalle.....LaSalle.....	LaSalle State Bank.....	From \$100,000 to \$150,000	Jan. 6, 1930
Chicago.....Cook.....	Mid-City Trust & Savings Bank.....	From 750,000 to 800,000	Jan. 13, 1930
Deerfield.....Lake.....	Deerfield State Bank.....	From 25,000 to 50,000	Jan. 16, 1930

REOPENED.

New Canton.....Pike.....	New Canton State Bank.....		Jan. 20, 1930
	(Closed for examination and adjustment Dec. 14, 1929)		

NAME CHANGED.

Chicago.....Cook.....	Drovers' Trust and Savings Bank to Drovers Trust and Savings Bank.....		Jan. 25, 1930
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CONSOLIDATED.

Freeport.....Stephenson.....	State Bank of Freeport and Stephenson County Bank under title State Bank of Freeport.....		Jan. 2, 1930
Shannon.....Carroll.....	Peoples State Bank of Shannon and The State Bank of Shannon under title First State Bank of Shannon		Jan. 14, 1930
Astoria.....Fulton.....	Astoria State Bank and Peoples State Bank of Astoria under title Astoria State Bank.....		Jan. 18, 1930
Chicago.....Cook.....	Mid-City Trust & Savings Bank and Market Traders State Bank under title Mid-City Trust & Savings Bank.....		Jan. 20, 1930
Chicago.....Cook.....	West Englewood Trust & Savings Bank and Ashland Sixty-Third State Bank under title West Englewood Trust & Savings Bank.....		Jan. 23, 1930

DURATION EXTENDED.

Pana.....Christian.....	H. N. Schuyler State Bank.....	Charter extended 25 years from December 29, 1930.	Jan. 8, 1930
Alto Pass.....Union.....	Farmers State Bank of Alto Pass, Ill.....	Charter extended 99 years from March 31, 1930.	Jan. 11, 1930
Sciota.....McDonough.....	State Bank of Sciota.....	Charter extended 99 years from June 15, 1930.	Jan. 16, 1930
Ferris.....Hancock.....	Farmers State Bank of Ferris.....	Charter extended 99 years from February 8, 1930.	Jan. 21, 1930
Rochelle.....Ogle.....	Rochelle Trust and Savings Bank.....	Charter extended 25 years from March 30, 1930.	Jan. 23, 1930
Joy.....Mercer.....	Joy State Bank.....	Charter extended 99 years from December 23, 1930.	Jan. 27, 1930
Glen Ellyn.....DuPage.....	Glen Ellyn State Bank.....	Charter extended 99 years from August 31, 1930.	Jan. 29, 1930

LIQUIDATED.

Edinburg.....Christian.....	Citizens State Bank through Edinburg State Bank.....		Jan. 2, 1930
Edinburg.....Christian.....	Turner State Bank through Edinburg State Bank.....		Jan. 2, 1930
Greenview.....Menard.....	First State Bank, Greenview through Greenview State Bank.....		Jan. 6, 1930
Jacksonville.....Morgan.....	Farrell State Bank through Ayers National Bank of Jacksonville.....		Jan. 18, 1930
Morrisonville.....Christian.....	Farmers State Bank of Morrisonville through First State Bank of Morrisonville.....		Jan. 20, 1930
Abingdon.....Knox.....	First State and Savings Bank through Abingdon Bank and Trust Company.....		Jan. 31, 1930

CLOSED.

Donnellson.....Montgomery.....	State Bank of Donnellson.....		Jan. 3, 1930
Scottville.....Macoupin.....	First State Bank of Scottville.....		Jan. 7, 1930
Blue Island.....Cook.....	Blue Island Trust & Savings Bank.....		Jan. 11, 1930
Chicago.....Cook.....	Independence State Bank.....		Jan. 15, 1930
Morrisonville.....Christian.....	Morrisonville State Bank.....		Jan. 23, 1930
Chicago.....Cook.....	West Central State Bank of Chicago.....		Jan. 28, 1930
Fulton.....Whiteside.....	Whiteside County State Bank.....		Jan. 30, 1930

RECEIVER APPOINTED.

Kankakee.....Kankakee.....	American Trust and Savings Bank of Kankakee—Fred G. Snow.....		Jan. 23, 1930
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TRUST CERTIFICATES ISSUED.

Chicago.....Cook.....	Depositors State Bank.....	Deposit.	
Chicago.....Cook.....	Mid-City Trust & Savings Bank.....	\$200,000	Jan. 7, 1930
Chicago.....Cook.....	West Englewood Trust & Savings Bank.....	200,000	Jan. 20, 1930
Chicago.....Cook.....	West Englewood Trust & Savings Bank.....	200,000	Jan. 23, 1930

TRUST CERTIFICATES CANCELLED.

Chicago.....Cook.....	Mid-City Trust & Savings Bank.....		Jan. 20, 1930
Chicago.....Cook.....	West Englewood Trust & Savings Bank.....		Jan. 23, 1930

RECAPITULATION.

State Banks in Chicago.....	181
State Banks in Cook County outside Chicago.....	88
State Banks in Illinois outside Cook County.....	1,002
Total.....	1,271

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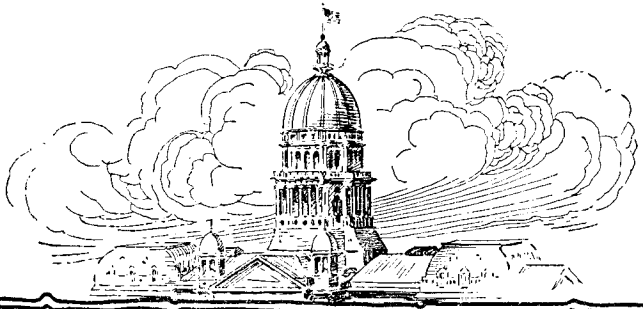
VOL. 5

SPRINGFIELD, ILL., MARCH 1, 1930

No. 12

REDUCE.

Reductions should be obtained by banks on customers' paper whenever possible. In reply to this statement the bankers will say "we are". But how? In most instances we note that the banker is attempting to collect rather than reduce. It is almost impossible to collect a loan, especially in the agricultural sections, yet many reductions may be obtained if attempted systematically and earnestly. Try the policy of getting a payment each time the note is renewed—no matter how small the payment may be—and then renew the note for a short period of time. Every banker should be concerned in getting his loans down to a safety point. Many have been and are still in the danger zone as a result of the recent "unpleasant" deflation. Remember also that the frequent collection of interest adds to the earnings.



SAFE-KEEPING.

Owing to the great importance of the proper handling of customers' securities for safe-keeping by banks and the apparent neglect in many quarters regarding the same, it becomes incumbent upon us to call the attention of the bankers to the matter of installing and maintaining a proper record of all securities and valuable papers left by customers in the custody of the bank.

In many instances when an examination is made and the examiner inquires of the banker as to whether there are any securities in safe-keeping, the reply is "No"—the answer being occasioned by the fact that the officer does not realize that because customers have left securities with him that he should keep a record of the same.

There is a responsibility imposed upon the custodian of the securities as a bailee either for hire or without hire as the case may be. In order that no undue liability may be incurred, the banker should list the security by name, denomination, due date, and such other description as is necessary and keep a total of the amount of securities on hand so that this may be reported to the examiner and they may then be thoroughly checked and balanced. When the securities are returned to the individual owners a receipt should be taken therefor.

We also find in examinations that the bank has taken customers' securities and forwarded them to their correspondent in the name of the owner. The correspondent bank, of course, carries the securities in the name of the bank; therefore, when the examiner inquires regarding securities, if this happens to be the case give this information to him also so that it may be checked on the verification records in connection with examination work.

IMPORTANT NOTICE.

Owing to the great inconvenience of returning Call Reports for proper signatures and acknowledgments, we must call the attention of the bankers to the matter of proper execution of the same. Each one must be signed by the President or Cashier and attested by two Directors, neither of whom is an Officer signing the report, and their signatures must be acknowledged before a Notary Public and his seal attached thereto. These regulations must be strictly followed in the future to comply with the Banking Act.

CHANGING JOINT DEPOSIT ACCOUNTS.

A very interesting decision was recently handed down from the Appellate Division of the Supreme Court of New York relative to joint accounts between man and wife. A resume of the decision was recently quoted in a Rowley Service Bureau Bulletin from which we take the following:

"This case was decided by the Appellant Division of the Supreme Court of New York on November 22nd, 1929, and is entitled *Newhouse v. Herrick*. The circumstances were as follows: Newhouse opened a joint savings account for himself and wife in their joint names, payable to either or the survivor. The wife made no deposits to the account and later Newhouse withdrew the whole deposit and opened an account in his own name only. The wife started an action for an accounting for her supposed share of the account, but during the pendency of the proceedings Newhouse died, the deposit being in his own name at his death.

The Court held that the rule in such cases is that when a joint account is opened in the name of two parties and payable to either or survivor, if either of the parties dies while the account is still intact as a joint account the form of the account is conclusive and the title is in the survivor. But, while both parties are still alive the account is subject to controversy between them; that in this case the controversy had taken place while both were living and the form of the account changed while both were living, so that it did not go to the survivor on the death of Newhouse but was part of his estate that went to his executrix."

PERMITS ISSUED.					
		Capital.	Surplus.	Date.	
Taylorville.....	Christian.....	First Trust and Savings Bank of Taylorville	\$ 75,000	\$ 18,750	Feb. 4, 1930
Chicago.....	Cook.....	Madison-Kedzie Trust & Savings Bank, 3158 W. Madison Street	1,000,000	500,000	Feb. 6, 1930
Blue Island.....	Cook.....	State Bank of Blue Island South West Corner Western Avenue and Vermont Street	200,000	40,000	Feb. 18, 1930
CHARTERS ISSUED.					
Freeport.....	Stephenson.....	Union Bank & Trust Company of Freeport, 28 W. Main Street	200,000	20,000	Feb. 3, 1930
Chicago.....	Cook.....	Chicago Lawn State Bank, 3150 West 63rd Street..... William H. Fisher, President. John H. Bain, Cashier.	420,000	390,000	Feb. 5, 1930
Chicago.....	Cook.....	Madison-Kedzie Trust & Savings Bank, 3158 W. Madison Street	1,000,000	500,000	Feb. 8, 1930
Chicago.....	Cook.....	Chicago City Bank and Trust Company, 815 West 63rd Street	1,300,000	1,400,000	Feb. 15, 1930
Chicago.....	Cook.....	Chicago City Bank and Trust Company, 815 West 63rd Street	1,600,000	1,700,000	Feb. 24, 1930

CHARTERS ISSUED—Concluded.

Blue Island..... Cook.....	State Bank of Blue Island South West Corner Western Avenue and Vermont Street A. R. Floreen, President. Frank C. Mayne, Jr., Cashier.	200,000 40,000	Feb. 26, 1930
CAPITAL STOCK INCREASED.			
Chicago..... Cook.....	Commercial State Bank of Chicago	From \$200,000 to \$250,000	Feb. 10, 1930
Glencoe..... Cook.....	Glencoe State Bank	From 75,000 to 125,000	Feb. 17, 1930
CAPITAL STOCK DECREASED.			
Chicago..... Cook.....	Franklin Trust and Sav- ings Bank	From 300,000 to 200,000	Feb. 8, 1930
NAME CHANGED.			
Winnetka..... Cook.....	Winnetka State Bank to State Bank of Winnetka		Feb. 21, 1930
CHANGE OF LOCATION.			
Glencoe..... Cook.....	Citizens State Bank of Glencoe from N. W. Corner Park and Vernon Aves., Glencoe, Illinois to South- east Corner of Vernon and Park Avenues, Glen- coe, Illinois		Feb. 13, 1930
CONSOLIDATED.			
Freeport..... Stephenson.....	Freeport Trust and Savings Bank and Guaranty Trust & Savings Bank of Freeport under title Union Bank & Trust Company of Freeport		Feb. 3, 1930
Chicago..... Cook.....	Chicago Lawn State Bank and Gage Park State Bank under title Chicago Lawn State Bank		Feb. 5, 1930
Chicago..... Cook.....	Chicago City Bank and Trust Company and Guar- antee Trust and Savings Bank of Chicago under title Chicago City Bank and Trust Company		Feb. 15, 1930
Chicago..... Cook.....	Chicago City Bank and Trust Company and United State Bank of Chicago under title Chicago City Bank and Trust Company		Feb. 24, 1930
LIQUIDATED.			
Chicago..... Cook.....	Madison and Kedzie State Bank through Madison- Kedzie Trust & Savings Bank		Feb. 10, 1930
Peoria..... Peoria.....	Dime Savings & Trust Co., through The Commercial National Bank of Peoria		Feb. 11, 1930
Chicago..... Cook.....	Chicago Avenue Trust & Savings Bank through Co- lumbia State Savings Bank, Chicago		Feb. 26, 1930
Blue Island..... Cook.....	Blue Island Trust & Savings Bank through State Bank of Blue Island		Feb. 28, 1930
CLOSED.			
Pana..... Christian.....	H. N. Schuyler State Bank		Feb. 6, 1930
Cornell..... Livingston.....	Farmers State Savings Bank		Feb. 6, 1930
Nokomis..... Montgomery.....	Nokomis State Bank		Feb. 6, 1930
Rosemond..... Christian.....	Rosemond State Bank		Feb. 7, 1930
Maywood..... Cook.....	Peoples State Bank of Maywood		Feb. 7, 1930
Fillmore..... Montgomery.....	The Fillmore State and Savings Bank		Feb. 10, 1930
Galatia..... Salme.....	First State Bank of Galatia		Feb. 18, 1930
Hillview..... Greene.....	Hillview State Bank		Feb. 26, 1930
Streator..... LaSalle.....	Peoples Trust & Savings Bank of Streator		Feb. 27, 1930
Fanagan..... Livingston.....	Farmers State Bank of Fanagan		Feb. 28, 1930
RECEIVER APPOINTED.			
Chicago..... Cook.....	Progressive State Bank—Chicago Title and Trust Company		Feb. 11, 1930
Fulton..... Whiteside.....	Whiteside County State Bank—John C. Kadyk		Feb. 28, 1930
TRUST CERTIFICATES ISSUED.			
Chicago..... Cook.....	Chicago Lawn State Bank	Deposit.	Feb. 5, 1930
Freeport..... Stephenson.....	State Bank of Freeport	\$200,000	Feb. 14, 1930
Chicago..... Cook.....	Chicago City Bank and Trust Company	500,000	Feb. 15, 1930
Peoria..... Peoria.....	South Side Trust & Savings Bank of Peoria	50,000	Feb. 19, 1930
Chicago..... Cook.....	Chicago City Bank and Trust Company	500,000	Feb. 24, 1930
Jonesboro..... Union.....	The First National Bank of Jonesboro	50,000	Feb. 26, 1930
Chicago..... Cook.....	Madison-Kedzie Trust & Savings Bank	200,000	Feb. 28, 1930
TRUST CERTIFICATES CANCELLED.			
Chicago..... Cook.....	Chicago Lawn State Bank		Feb. 5, 1930
Chicago..... Cook.....	Capital Trust Company		Feb. 8, 1930
Chicago..... Cook.....	Chicago City Bank and Trust Company		Feb. 15, 1930
Chicago..... Cook.....	Chicago City Bank and Trust Company		Feb. 24, 1930
Chicago..... Cook.....	United State Bank of Chicago		Feb. 24, 1930
RECAPITULATION.			
State Banks in Chicago			177
State Banks in Cook County outside Chicago			88
State Banks in Illinois outside Cook County			991
Total			1,256

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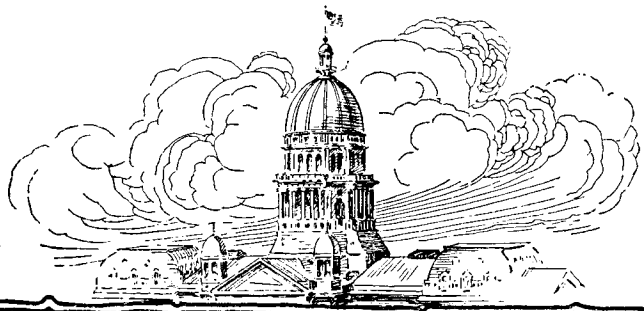
VOL. 6

SPRINGFIELD, ILL., APRIL 1, 1930

No. 1

SECURITY ✓

Along with our recommendation published last month anent reductions on loans we wish to offer a further suggestion, especially to the banker in the agricultural community, as to security. A great many—in fact too large a percentage of notes—are unsecured. There is a plethora of one-name paper. This condition can be and should be corrected. A vast improvement can be made in the note portfolio if some well-directed attention is given to the obtaining of security. The additional name on the note may change its classification from the doubtful class to the number one list. Look over your bills receivable and set aside those notes which should be further secured and at maturity see that the additional collateral is obtained. There is no time like the present to inaugurate such a policy.



In a recent decision rendered by the Illinois Supreme Court a matter of considerable interest to the public in general is set forth. The plaintiff appealed from the decision of the Circuit Court claiming that he as Treasurer of the Road & Bridge Fund had a prior claim on his balance in the bank which was in the hands of a Receiver, based upon the decision of the Supreme Court rendered last June in which it was decided that tax money collected for the State by a County Collector had priority. The plaintiff's further claim was that his funds were raised for public purposes and deposited and received as such by the bank and that pass books and certificates of deposit showed that they were public and official accounts.

In answer the Court said: "The State has a right to priority of payment over all other general creditors of its debtors which is derived from the Common Law of England, by the adoption of which in this State the preference which that law gave to the crown of England became the right of the sovereign power of the State." The Court further said: "Sovereignty, however, resides only in the State. * * * Counties, towns and school district are only agencies of the State through which it exercises certain of its powers * * *. It has been held in many cases that the right which a State has to a preference over creditors of a common insolvent debtor does not extend to a county, and the principle applies to towns, highway commissioners and other similar organizations."

The plaintiff in error further contended that the money deposited constituted a trust fund and the bank knew it was a trust fund. In answer to this the Court stated: "Deposits in a bank may be either general or special. A general deposit is a deposit generally to the credit of the depositor, to be drawn upon by him in the usual course of the banking business. A special deposit is a deposit for safe keeping, to be returned intact on demand, or for some specific purpose not contemplating a credit on general account." Again the Court stated: "A fiduciary may deposit trust funds as a general deposit. The fact that the funds so deposited are trust funds and known by the bank to be so does not make the deposit special. In the absence of evidence making it a special deposit the depositor simply becomes a creditor of the bank, standing upon the same footing as other general creditors and entitled to no preference * * *."

Again quoting the Court: "The depositor may be described in the pass-book, certificate or receipt which evidences his deposit, as a trustee, executor, administrator, guardian, agent, treasurer, manager, or by some other word or words indicating his fiduciary character, but this will not, alone, render the deposit special."

Concluding, the Court says: "The circuit court properly decided that the plaintiff in error was not entitled to a preference of payment."

There has always been a question in the minds of a large proportion of the bankers as to whether a chattel mortgage was an acceptable form of security. Many have looked upon such collateral as "the last resort", while others have maintained that a chattel mortgage was good and sufficient security. Both arguments have their merits. A chattel mortgage might be properly classed as the last hope where it includes all of the work stock and the implements of the mortgagor. On the other hand a chattel mortgage may rightfully be considered as good and sufficient and even as liquid security when taken on growing crops with enough margin for safety. In many an instance a note case has been vastly improved by obtaining chattel mortgages on growing crops and omitting all other chattels which clutter up the mortgage and render its value as security mostly nil.

BANKERS' COMMITTEE

The Illinois Bankers' Association has announced the appointment of a committee on economic policies made up of prominent Illinois bankers of which Walter W. Head, President of the For-man-State National Bank, is Chairman. The committee's purpose is to give consideration to questions involving economic and financial policies, including taxation, both federal and state. This will include the vital subject of group, chain and unit banking, which is occupying a prominent place in all bankers' discussions at this time.

READ SECTION SEVEN OF YOUR BY-LAWS

We wish to call attention to the officers of those banks where inquiry has arisen as to the necessity of bonding officers and employees and for their information we quote from Section Seven of the Model By-Laws which are in effect in practically every bank in the State.

"The executive officers of the association shall consist of a president, vice president, cashier, assistant cashier and such other officers as may be required from time to time for the prompt and orderly transaction of the bank's business. The president shall be elected and the other officers appointed by the board of directors at the first meeting following the election of the directors by the stockholders, and the said officers shall hold their offices during the current year unless removed for cause by the board of directors, who shall fill all vacancies. The said executive officers shall each give bond in such amounts as may be required by the board of directors for the faithful performance of their duties, and the said bonds shall be in the custody of one of the directors who is not an executive officer."

PERMITS ISSUED.

	Capital.	Surplus.	Date.
Chicago.....Cook.....State Savings Bank & Trust Company 3159 Roosevelt Road.	\$500,000	\$250,000	Mar. 6, 1930 ✓

CHARTERS ISSUED.

Chicago.....Cook.....State Bank of Chicago..... 33 North LaSalle Street, Oscar H. Haugan, President. C. Edward Carlson, Cashier.	200,000	None	Mar. 18, 1930 ✓
Benton.....Franklin.....Illinois Bank and Trust Company of Benton, Illinois..... 1106 Public Square. Walter R. Kimzey, President. U. B. Barnett, Cashier.	100,000	50,000	Mar. 20, 1930 ✓
Chicago.....Cook.....State Savings Bank & Trust Company 3159 Roosevelt Road. Alfred K. Foreman, President. William G. Dahl, Cashier.	500,000	250,000	Mar. 20, 1930 ✓

CAPITAL STOCK INCREASED.

Glenview.....Cook.....Glenview State Bank.....	From \$30,000 to \$60,000	Mar. 19, 1930 ✓
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REOPENED.

Oak Park.....Cook.....Central Oak Park State Bank..... (Closed for examination and adjustment Nov. 15, 1929)	Mar. 11, 1930 ✓
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LIQUIDATED.

Chicago.....Cook.....North Austin Trust & Savings Bank through Austin National Bank, Chicago.....	Jan. 8, 1930 ✓
Beardstown.....Cass.....Beardstown State Bank through First State Bank of Beardstown.....	Mar. 15, 1930 ✓
Evanston.....Cook.....Commercial Trust & Savings Bank of Evanston through State Bank and Trust Company, Evanston	Mar. 15, 1930 ✓
Benton.....Franklin.....Benton State Bank through Illinois Bank and Trust Company of Benton, Illinois.....	Mar. 20, 1930 ✓
Fillmore.....Montgomery.....The Fillmore State and Savings Bank through The Fillmore Bank.....	Mar. 21, 1930 ✓
Chicago.....Cook.....Independence State Bank through State Savings Bank & Trust Company, Chicago.....	Mar. 21, 1930 ✓
Dorchester.....Macoupin.....Dorchester State Bank through Gillespie National Bank.....	Mar. 29, 1930 ✓

CLOSED.

Tallula.....Menard.....Farmers and Merchants State Bank of Tallula, Illinois	Mar. 1, 1930
Mason.....Ettingham.....Farmers State Bank of Mason.....	Mar. 1, 1930
Chicago.....Cook.....Garard Trust and Savings Bank.....	Mar. 5, 1930
Bone Gap.....Edwards.....First State Bank of Bone Gap.....	Mar. 18, 1930
Williamsfield.....Knox.....First State Bank Company.....	Mar. 26, 1930
Bowen.....Hancock.....Farmers Bank of Rowen.....	Mar. 28, 1930 ✓
Cabery.....Ford.....Farmers State Bank of Cabery.....	Mar. 29, 1930

RECEIVERS APPOINTED.

Scottville.....Macoupin.....First State Bank of Scottville—Charles M. Edwards..	Mar. 1, 1930
Chicago.....Cook.....Garard Trust and Savings Bank—Chicago Title and Trust Company.....	Mar. 6, 1930 ✓
Maywood.....Cook.....Peoples State Bank of Maywood—Anthony J. Busscher	Mar. 6, 1930
Genoa.....DeKalb.....Exchange State Bank of Genoa—George A. Fox.....	Mar. 21, 1930
Genoa.....DeKalb.....Farmers State Bank of Genoa—George A. Fox.....	Mar. 21, 1930
Streator.....LaSalle.....Peoples Trust & Savings Bank of Streator—J. West- ton Essington.....	Mar. 31, 1930

TRUST CERTIFICATE ISSUED.

	Deposit.	Date.
Blue Island.....Cook.....State Bank of Blue Island.....	\$50,000	Mar. 20, 1930 ✓

RECAPITULATION.

State Banks in Chicago.....	177
State Banks in Cook County outside Chicago.....	85
State Banks in Illinois outside Cook County.....	984
Total.....	1249

MONTHLY BULLETIN

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OSCAR NELSON
AUDITOR of PUBLIC ACCOUNTS
BANKING DEPARTMENT
State of Illinois

VOL. 6

SPRINGFIELD, ILL., MAY 1, 1930

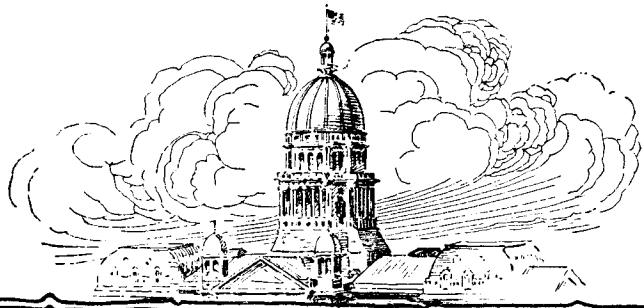
No. 2

SUPERVISION vs. OPERATION ✓

No confusion should exist relative to the above caption. It is evident, however, that some bankers do not have a fair understanding of their duties. The Officers and Directors of a State Bank are charged with the operation of the same. It is not the duty of the Auditor of Public Accounts to operate the institutions under his jurisdiction. His powers are supervisory. The full responsibility of the management of each bank is wholly with the Board of Directors and the Officers. They must determine the policy of the institution and be responsive in their stewardship for the funds left on deposit. Supervisory powers include the legal steps incident to the incorporation of banks and their examination, as well as calling for various reports from time to time.

Operation carries the thought of method of action, while supervision means inspection.

Bank Officers should be thoroughly familiar with the banking laws of the State and other laws pertaining to banking.



THE NECESSITY OF VAULT INVENTORY

We venture the assertion that few bankers have an inventory of the contents of their vaults. Experience has shown us that the average bank vault is very often cluttered with miscellaneous papers, the value of which is unknown to the banker.

Undoubtedly, there is considerable intrinsic value among the envelopes which have been stored away and in the tin boxes which have been left for safekeeping. Perhaps, there is collateral of considerable worth among these various papers. It is quite likely that customers have come into the bank and left an envelope with the request that the same be held for them until called for. Time has passed and no record has been made and, in many cases, the customer has forgotten the instance.

However, this does not relieve the situation as there is always some attendant liability in accepting as bailee, with or without hire, the custody of securities and documents for customers of the bank. While largely these may consist of insurance policies or cancelled mortgages, yet there are, in many instances, other documents of considerable value which are enclosed in these envelopes and which should be either sealed and listed as sealed envelopes, or if not received in an open envelope, they should be so listed that the banker may have a complete record of the papers left for him and upon which his responsibility is based.

If you have never given this matter consideration, perhaps it might be well to entertain this thought and make up a record of the contents of the vault in duplicate so that more than one officer may have a copy in his files.

CALL REPORT SUMMARY

The figures for the Call Report of March 27, 1930 total \$3,121,852,417.95. This represents a decrease of \$143,690,421.75 from the Call of December 31, 1929, and the increases and decreases are given in the table below:

RESOURCES	Increases	Decreases
Cash		\$ 4,713,172.79
Cash Resources		61,595,805.87
Due from Banks	\$ 9,439,438.55	
U. S. Government Investments.....	30,327,795.76	
Other Bonds and Securities.....		28,850,638.94
Total Loans		86,557,169.45
Overdrafts	304,999.46	
Other Real Estate.....	331,375.56	
Banking House, Furniture and Fixtures.....		634,284.44
Customers' Liability under Letters of Credit	941,025.94	
Customers' Liability account of Acceptances		266,439.64
Other Resources		2,417,545.89
Net Decrease		\$143,690,421.75
LIABILITIES		
Capital Stock		\$ 3,060,000.00
Surplus		836,365.56
Undivided Profits	2,305,151.46	
Reserve	7,861,893.36	
Deposits:		
Demand		92,555,417.37
Time		23,467,675.36
Due to Banks	13,614,728.96	
Bills Payable and Re-Discounts.....		35,728,668.55
Dividends Unpaid		6,323,577.90
Letters of Credit	903,398.64	
Bank Acceptances		4,789,646.59
Other Liabilities		1,614,242.84
Net Decrease		\$143,690,421.75

PERMITS ISSUED.			
	Capital	Surplus	Date
Chicago.....Cook.....New-Western State Bank..... South-West cor. Roosevelt Road and Ogden Avenue.	\$200,000	\$20,000	Apr. 17, 1930
CHARTERS ISSUED.			
Taylorville.....Christian.....First Trust and Savings Bank of Taylorville	\$ 75,000	\$ 18,750	Apr. 2, 1930
Ernest Hoover, President. C. S. Stokes, Cashier.			
Marengo.....McHenry.....Marengo State Bank..... 113 South State Street.	25,000	25,000	Apr. 4, 1930
F. H. Dunker, President. G. A. Larsen, Cashier.			
Chicago.....Cook.....Chicago Bank of Commerce.. No. 7 South Dearborn St. Henry S. Henschen, Pres. Edward A. Schroeder, Cashier.	3,000,000	1,500,000	Apr. 4, 1930
Forest Park.....Cook.....Forest Park Trust & Savings Bank	200,000	150,000	Apr. 7, 1930
Southeast cor. of Madison and Hannah Ave. Albert C. Roos, President. Hill Carlson, Cashier.			
Chicago.....Cook.....Merchandise Bank and Trust Company	500,000	500,000	Apr. 14, 1930
Northwest cor. Wells St. and North River Drive. Raymond L. Redheffer, Pres. Frank H. Walker, Cashier.			
Genoa.....DeKalb.....Genoa State Bank.....	50,000	25,000	Apr. 23, 1930
P. A. Nehring, President. A. E. Hammerschmidt, Cashier.			

CAPITAL STOCK INCREASED.

Barrington.....Cook.....	First State Bank of Barrington	From \$ 50,000 To \$ 100,000	Apr. 3, 1930	✓
Berwyn.....Cook.....	Berwyn State Bank	From 100,000 To 150,000	Apr. 7, 1930	✓
Chicago.....Cook.....	Personal Loan & Savings Bank	From 1,500,000 To 2,000,000	Apr. 15, 1930	✓

CAPITAL STOCK DECREASED.

Perry.....Pike.....	Perry State Bank	From \$100,000 To \$50,000	Apr. 7, 1930	✓
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CONSOLIDATED.

Forest Park.....Cook.....	Forest Park State Bank and Harlem State Savings Bank under title Forest Park Trust & Savings Bank		Apr. 7, 1930	✓
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LIQUIDATED.

Marengo.....McHenry.....	Dairyman's State Bank of Marengo through Marengo State Bank		Apr. 9, 1930	✓
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CHANGE OF NAME.

Cairo.....Alexander.....	Alexander County Bank to Cairo-Alexander County Bank		Apr. 2, 1930	✓
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OTHER CHANGES.

Cairo.....Alexander.....	Cairo-Alexander County Bank assumed deposit liability of The Cairo National Bank		Apr. 12, 1930	✓
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CLOSED.

Hurst.....Williamson.....	Hurst State Bank		Apr. 1, 1930	
Woodhull.....Henry.....	Woodhull State Bank		Apr. 2, 1930	
Chandlerville.....Cass.....	Chandlerville State Bank		Apr. 7, 1930	
Herrin.....Williamson.....	Herrin State Savings Bank		Apr. 8, 1930	
Johnston City.....Williamson.....	The Citizens State Bank		Apr. 10, 1930	
Washington.....Tazewell.....	Henry Denhart & Co.		Apr. 11, 1930	
Pittsburg.....Williamson.....	First State Bank of Pittsburg		Apr. 12, 1930	✓
Marion.....Williamson.....	Marion Trust & Savings Bank		Apr. 12, 1930	
Cartersville.....Williamson.....	Cartersville State and Savings Bank		Apr. 12, 1930	
Cambria.....Williamson.....	Cambria State Bank		Apr. 12, 1930	
Fisher.....Champaign.....	Fisher State Bank		Apr. 14, 1930	
Anna.....Union.....	Anna State and Trust Bank		Apr. 19, 1930	
Belle Rive.....Jefferson.....	Belle Rive State Bank		Apr. 19, 1930	
West Frankfort.....Franklin.....	First State Savings Bank of West Frankfort		Apr. 24, 1930	
Carthage.....Hancock.....	The Dime Savings Bank		Apr. 24, 1930	
Greenup.....Cumberland.....	First State Bank of Greenup		Apr. 24, 1930	

RECEIVERS APPOINTED.

Cornell.....Livingston.....	Farmers State Savings Bank—J. C. Greenebaum		Apr. 1, 1930	
Flanagan.....Livingston.....	Farmers State Bank of Flanagan—Paul C. Hahn		Apr. 1, 1930	
Bulpitt.....Christian.....	Farmers State Bank of Bulpitt—Robert G. Earley		Apr. 15, 1930	✓
Pana.....Christian.....	H. N. Schuyler State Bank—A. W. Frankenfeld		Apr. 21, 1930	
Tallula.....Menard.....	Farmers and Merchants State Bank of Tallula, Illinois—Harry Aden		Apr. 22, 1930	
Morrisonville.....Christian.....	Morrisonville State Bank—R. F. Wahl		Apr. 22, 1930	
Donnellson.....Montgomery.....	State Bank of Donnellson—E. A. Murray		Apr. 24, 1930	
Hillview.....Greene.....	Hillview State Bank—Harry C. Duff		Apr. 25, 1930	
Bone Gap.....Edwards.....	First State Bank of Bone Gap—Stuart L. Walser		Apr. 28, 1930	

TRUST CERTIFICATES ISSUED.

		Deposit		
Peoria.....Peoria.....	Commercial Merchants National Bank and Trust Company of Peoria	\$125,000	Apr. 3, 1930	
Forest Park.....Cook.....	Forest Park Trust & Savings Bank	50,000	Apr. 7, 1930	✓
Streator.....LaSalle.....	The Union National Bank of Streator	50,000	Apr. 16, 1930	
Chicago.....Cook.....	Chicago Bank of Commerce	200,000	Apr. 23, 1930	

TITLE GUARANTEE CERTIFICATE ISSUED.

Waukegan.....Lake.....	Illinois Title Company	\$25,000	Apr. 16, 1930	✓
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TRUST CERTIFICATES CANCELLED.

Peoria.....Peoria.....	Commercial National Bank of Peoria		Apr. 3, 1930	
Peoria.....Peoria.....	Merchants and Illinois National Bank of Peoria		Apr. 3, 1930	
Forest Park.....Cook.....	Forest Park State Bank		Apr. 7, 1930	
Forest Park.....Cook.....	Harlem State Savings Bank		Apr. 7, 1930	

TITLE GUARANTEE CERTIFICATE CANCELLED.

Waukegan.....Lake.....	Security Title & Trust Co.		Apr. 16, 1930	✓
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RECAPITULATION.

State Banks in Chicago	173
State Banks in Cook County outside Chicago	87
State Banks in Illinois outside Cook County	971
Total	1,237

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VOL. 6

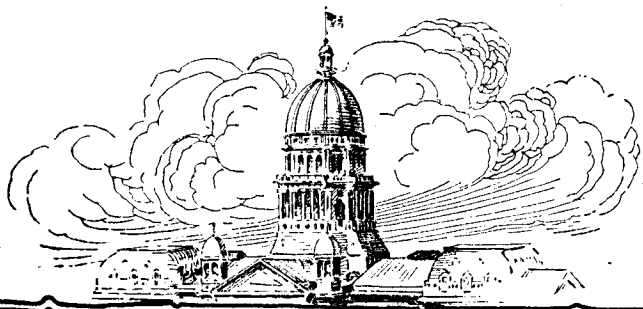
SPRINGFIELD, ILL., JUNE 1, 1930

No. 3

DEROGATORY STATEMENTS

Criminal Code, Illinois Statute—Chapter 38, Section 405:

"Any person who shall willfully and maliciously make, circulate, or transmit to another or others, any statements, rumor or suggestion, written, printed or by word of mouth, which is directly or by inference derogatory to the financial condition, with intent to affect the solvency or financial standing of any corporation doing a banking or trust business in this State, or any building and loan association doing business in this State, or who shall counsel, aid, procure or induce another to start, transmit or circulate any such statement, rumor or suggestion, shall be punished by a fine of not more than \$500.00, or by imprisonment in the county jail not exceeding one year, or both: Provided, that the truth of said statement, established by the maker thereof, shall be a complete defense in any prosecution under the provisions of this Act."



25
BANKS CANNOT HOLD STOCK IN LIKE CORPORATIONS

The Attorney General has ruled upon a question which is of vital interest to all State Banks. His opinion is based upon the following facts:

A bank in an eastern State was indebted to a State Bank located in Chicago on a Cashier's check at the time the former closed its doors. A new bank was then formed to take over the assets and assume certain of the liabilities of the latter. The organizers of the new bank made a proposition to pay the Chicago Bank part of the amount due on the Cashier's check and to give the Illinois institution the balance in stock in the new bank which was being organized. In due course, a subscription was signed by the Chicago Bank for the amount of stock in question and the stock was issued and is still in its hands by reason of the fact that the eastern bank did not prosper and later failed and was placed in the hands of a Receiver and a demand was made on the bank in Chicago to satisfy its stockholders' double liability; the question arising as to whether the bank holding the stock operating under the laws of Illinois is liable for the double liability of the Capital Stock so owned by it in the bank in question. The Attorney General in his opinion says:

"In the organization of a bank in Illinois it receives its powers and rights in accordance with an Act of the General Assembly entitled, 'An Act to revise the law with relation to banks and banking,' approved June 23, 1919, Section 1 of said Act, in part, provides as follows:

"* * * it shall be lawful to form banks and banking associations * * * for the purpose of discount and deposit, buying and selling exchange and doing a general business, excepting the issuing of bills to circulate as money; and such banks or banking associations shall have the power to loan money on personal and real estate security, and to accept and execute trusts."

Section 9 of said Act is in part as follows:

"Associations organized under this Act shall be bodies corporate and politic for the period for which they may be organized may sue and be sued, may have a common seal which they may alter or renew at pleasure, may own, possess and may carry as assets the real estate necessary in which to do its banking business, and such other real estate to which it may obtain title in the collection of its debts, * * *"

All of the powers of the bank are enumerated in the above language except such incidental powers, which, as a matter of law, are vested in the Banking corporation for the purpose of executing its charter objects. It will be noted that one of the express powers is the power to loan on personal security. There is no express authority or power vested in such a banking corporation to subscribe for the capital stock in a corporation to be organized and in this way become a stockholder. * * * * *

25
The Banking Act does not give a corporation organized under it the power to subscribe to capital stock of another corporation. 'In the absence of express statutory authority it cannot become an incorporator by subscribing for shares of a new corporation, and it can not do this indirectly through persons acting as its agents or tools.'

The facts presented in your letter indicate that the Chicago Bank subscribed for capital stock in the Eastern Bank. This in and of itself is *ultra vires* of the charter powers of the Illinois Bank. The subscription was made, however, in order to secure, if possible, the balance of an obligation due the latter bank by the owing bank.

It has been held by the courts, as indicated above, that one bank may become a stockholder of another by the enforcement of its rights on a loan made with collateral security consisting of capital stock of the other bank. This is true because a bank has the charter power to loan money on personal security, and has as an incidental power, the right to foreclose the personal security upon the failure of the borrower to pay.

The attempt to collect an obligation due it, by subscribing for the capital stock of another bank, cannot be valid, because the agreement to subscribe is based upon the proposition that the bank can subscribe. If the subscription is *ultra vires*, then the basis of the collection agreement is invalid, and the method of collection is improper, and although a bank may foreclose on security of a loan made, it cannot, because of want of power, agree to subscribe or in fact subscribe, for shares of the capital stock of another bank as a method of collecting an obligation due it. Such a method of collection would in effect be payment for capital stock for which it had no power to subscribe. It cannot do indirectly that which it cannot do directly.

In view of the premises, I am of the opinion that the Chicago Bank is not liable for the stockholders' assessment by the Receiver of the Eastern Bank and that such an assessment could not be enforced against the former bank by reason of the fact that its subscription to the capital stock of the reorganized bank was *ultra vires* of its charter powers."

REPORTS OF EARNINGS, EXPENSES AND DIVIDENDS

Within a short time the Department will mail out blanks for the semi-annual Report of Earnings, Expenses and Dividends and we would request that particular attention be given to the compilation of the same in order that each section may be balanced before mailing to this office.

We also call attention to the letter accompanying the blanks wherein it is urged that all apparent losses be removed and the Undivided Profits, Surplus and Contingent Accounts increased liberally before dividends are declared.

PERMITS ISSUED.

		Capital	Surplus	Date
Chicago.....Cook.....	South Side Savings Bank & Trust Co., 4659 Cottage Grove Avenue	\$500,000	\$100,000	May 23, 1930

CHARTERS ISSUED.

Elmwood.....Peoria.....	First Farmers State Bank..... M. T. Lott, President. Chas. E. Clinch, Cashier.	\$ 60,000	\$ 15,000	May 3, 1930
Chicago.....Cook.....	South Side Savings Bank & Trust Co., 4659 Cottage Grove Avenue H. A. Chetham, President. H. A. Spellbrink, Cashier.	500,000	100,000	May 24, 1930

CONSOLIDATED.

Elmwood.....Peoria.....	Farmers State Bank of Elmwood and First State and Savings Bank of Elmwood under title First Farmers State Bank.....			May 3, 1930
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LIQUIDATED.

Peoria.....Peoria.....	Home Savings and State Bank through Commercial Merchants National Bank and Trust Company, Peoria			May 10, 1930
Chicago.....Cook.....	Transportation Bank of Chicago through Congress Trust & Savings Bank, Chicago.....			May 17, 1930
Rosemond.....Christian.....	Rosemond State Bank through Ohlman State Bank..			May 19, 1930
Chicago.....Cook.....	South Side Trust & Savings Bank through South Side Savings Bank & Trust Co., Chicago.....			May 24, 1930
Virden.....Macoupin.....	State Bank of Virden through The Farmers and Merchants State Bank of Virden, Illinois.....			May 31, 1930

CHANGE OF LOCATION.

Chicago.....Cook.....	West Town State Bank from 2354 West Madison Street, Chicago, to 2400 West Madison Street, Chicago			May 22, 1930
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CLOSED.

LaHarpe.....Hancock.....	LaHarpe State Bank.....			May 2, 1930
Warsaw.....Hancock.....	The Farmers' State Bank of Warsaw.....			May 5, 1930
Mendon.....Adams.....	The Farmers State Bank of Mendon.....			May 13, 1930
Lorraine.....Adams.....	Peoples State Bank of Lorraine.....			May 16, 1930
Orion.....Henry.....	Farmers State Bank of Orion.....			May 16, 1930

RECEIVERS APPOINTED.

Woodhull.....Henry.....	Woodhull State Bank—A. S. Hamilton.....	May 1, 1930
Chicago.....Cook.....	West Central State Bank of Chicago—Bernard Horwich	May 2, 1930
Washington.....Tazewell.....	Henry Denhart & Co.—Rae C. Heiple.....	May 2, 1930
Mason.....Effingham.....	Farmers State Bank of Mason—C. F. Schoenberg.....	May 5, 1930
Chandlerville.....Cass.....	Chandlerville State Bank—Fred D. Savage.....	May 7, 1930
Williamsfield.....Knox.....	First State Bank Company—J. J. Nelson.....	May 13, 1930
Galatia.....Saline.....	First State Bank of Galatia—B. A. Tate.....	May 15, 1930
Pittsburg.....Williamson.....	First State Bank of Pittsburg—Blaine Pearce.....	May 15, 1930
Hurst.....Williamson.....	Hurst State Bank—Frank Bennett.....	May 16, 1930
Herrin.....Williamson.....	Herrin State Savings Bank—Hal W. Trovillion.....	May 16, 1930
Cabery.....Ford.....	Farmers State Bank of Cabery—G. J. Johnson.....	May 24, 1930
Greenup.....Cumberland.....	First State Bank of Greenup—Ed E. Elstun.....	May 26, 1930
Belle Rive.....Jefferson.....	Belle Rive State Bank—W. P. Estes.....	May 27, 1930
Carthage.....Hancock.....	The Dime Savings Bank—Harry Cuerden.....	May 29, 1930

TRUST CERTIFICATE CANCELLED.

Charleston.....Coles.....	First National Bank of Charleston.....	May 8, 1930
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RECAPITULATION.

State Banks in Chicago	175
State Banks in Cook County outside Chicago.....	87
State Banks in Illinois outside Cook County.....	963
Total	1,225

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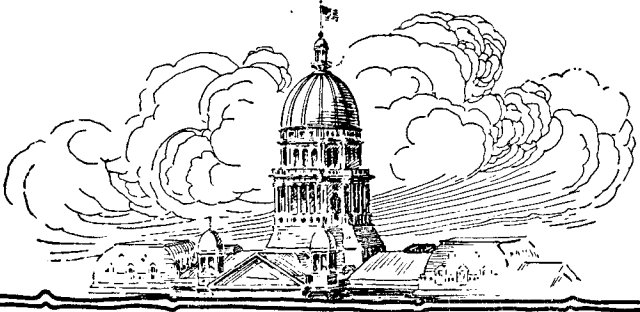
SPRINGFIELD, ILL., JULY 1, 1930

NO. 4

DEROGATORY STATEMENTS

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"Any person who shall willfully and maliciously make, circulate, or transmit to another or others, any statements, rumor or suggestion, written, printed or by word of mouth, which is directly or by inference derogatory to the financial condition, with intent to affect the solvency or financial standing of any corporation doing a banking or trust business in this State, or any building and loan association doing business in this State, or who shall counsel, aid, procure or induce another to start, transmit or circulate any such statement, rumor or suggestion, shall be punished by a fine of not more than \$500.00, or by imprisonment in the county jail not exceeding one year, or both: Provided, that the truth of said statement, established by the maker thereof, shall be a complete defense in any prosecution under the provisions of this Act."



COMPREHENSIVE CREDIT INFORMATION

Credit data is so vital to a bank that we take the liberty of again calling attention to the importance of obtaining as much credit information as possible and in an accurate form.

The lack of comprehensive credit information is apparent in many instances and usually there is but one source from which the net worth of the borrower may be ascertained and this is from the Officer in charge. The Examiners canvass the loans and discounts with the Board of Directors after the completion of the examination but in nine cases out of ten the information that they receive from the members of the Board is little or nothing as the Cashier, President or the Loan Officer is the only one that has the information relative to the borrower at hand and this is based largely on personal knowledge.

In other words, the credit files of the bank are not complete. We believe that each bank should be well equipped with financial statements taken as frequently as twice a year. These should be retained from year to year for comparative purposes and as collateral to these statements there should be supporting information analyzing in detail the various items comprising the statement. For illustration, if the statement shows real estate a detailed description should be at hand; if merchandise or machinery are listed the same holds true in connection with these. Other items should also receive the same consideration, especially if they be stocks and bonds or investments of any kind. Often the liabilities need further explanation and care should be taken to see that the credit file is complete in so far as it can be accomplished. Where cash is listed in banks, information should be obtained as to whether this is a joint account or in the borrower's name. If such a system of credit information is obtained by the banks any member of the Board of Directors or any one of the loan committee can readily obtain such information as is desired concerning the bills receivable of the bank. They should, at all times, be provided with such information so that in the event of death or resignation the information will not pass out with the loaning officer.

The "net worth" of a financial statement does not mean very much unless it has been thoroughly checked and proven. Figures do not lie but sometime those who compile them have a stretch of imagination which results in a deceptive conclusion.

The loans needing the most attention in the bank are those that are unsecured. Collateral loans can be quickly appraised. The value of real estate loans can also be determined with due care but those termed as "personal loans" are too many times handled in a hit or miss fashion without any definite data being on file in the bank to support their presence. Past experience has taught us the need of more concrete facts in relation to loans in the average State Bank.

FROM SAVINGS TO STOCKS

Figures have been published recently showing a considerable decrease in savings deposits in the United States in the past few months. Many inquiries have been made as to where they have gone. The first

answer has been "Lost in the stock market crash," but from statistics at hand it would seem that many savings depositors have sought investment in securities which are recognized as stable and conservative.

During the past year, or at least running from May to December 1929, the number of stockholders in seven large corporations have been increased in the total number of 158,000. There are other corporations which have done likewise but their figures are not at hand. It might be safe to estimate that the number is easily 200,000 and if each bought an average of ten shares it would represent the sum of \$200,000,000 which is not a small item in itself.

PUBLICATION OF CALL

We desire to call the attention of every State Banker to the importance of publishing the Call exactly as submitted to this Department on Form 7. In preparing Form 8 (copy for printer) be sure to check this thoroughly with Form 7 and when the proof is received from the printer a second check should be made of the statement to see that every item corresponds with the sworn copy forwarded to this office.

A number of errors have been discovered in Form 9 (Publisher's Certificate) which has been filed by the bank and, in many instances, these errors have changed the entire complexion of the statement. The Law requires the bank to publish its statement after each Call and this statement is represented by our Form 7 which is the one sworn to by the Officers and Directors. An exact copy of this must be published correctly in some newspaper. Please see that the Publisher's Certificate (Form 9) agrees with the sworn statement.

RECORD OF CLOSED BANKS

Since June 30, 1929, sixty-eight (68) banks have closed their doors at the request of their Boards of Directors, largely on account of heavy withdrawals. During the period from June 30, 1929, to December 31, 1929, twenty (20) suspended operations and forty-eight (48) from December 31, 1929, to June 30, 1930. Of this number forty-three (43) have been placed in the hands of Receivers for final liquidation. The deposit liability of twelve (12) has been sold to some banking institution while three (3) were reorganized and have reopened their doors. Ten (10) are still in the hands of this Department awaiting final disposition. In addition to the above, there were thirty-one (31) banks liquidated through sales or mergers with other institutions without having closed their doors and seventeen (17) others have formed consolidations.

PERMITS ISSUED.

	Capital.	Surplus.	Date.
Marion.....Williamson.....Marion State Bank..... 504 Public Square.	\$100,000	\$100,000	June 11, 1930
Anna.....Union.....Anna State Bank..... 100 E. Vienna Street.	50,000	15,000	June 11, 1930

CHARTER ISSUED.

Chicago.....Cook.....Roosevelt-Bankers State Bank 400 East 47th Street. Samuel Flower, President. Louis W. Frank, Cashier.	200,000	50,000	June 16, 1930
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CAPITAL STOCK INCREASED.

Cicero.....Cook.....Pinkert State Bank.....	From \$200,000 to \$250,000	June 6, 1930
Virden.....Macoupin.....The Farmers and Merchants State Bank of Virden Illinois	From 75,000 to 85,000	June 27, 1930

REOPENED.

Nokomis.....Montgomery.....Nokomis State Bank..... (Closed for examination and adjustment Feb. 6, 1930)		June 10, 1930
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CONSOLIDATED.

Chicago.....Cook.....Roosevelt State Bank and Bankers State Bank of Chicago under title Roosevelt-Bankers State Bank		June 16, 1930
--	--	---------------

LIQUIDATED.

Pontiac.....Livingston.....Pontiac Loan and Trust Company through The National Bank of Pontiac.....		June 14, 1930
Watson.....Effingham.....Watson State Bank through Effingham State Bank..		June 17, 1930
Washburn.....Woodford.....Peoples State Bank of Washburn through The Washburn Bank		June 19, 1930
Bethalto.....Madison.....Bethalto State Bank—Placed in voluntary liquidation by Directors		June 30, 1930

CLOSED.

Illiana.....Vermilion.....Illiana State Bank.....		June 13, 1930
Fairbury.....Livingston.....Fairbury Bank		June 21, 1930
Murphysboro.....Jackson.....Citizens State and Savings Bank.....		June 28, 1930

RECEIVERS APPOINTED.

Cambria.....Williamson.....Cambria State Bank—Howard Hagler.....		June 2, 1930
Orion.....Henry.....Farmers State Bank of Orion—A. L. Arthens.....		June 16, 1930
Mendon.....Adams.....The Farmers State Bank of Mendon—Otis E. Lemmon		June 20, 1930
Illiana.....Vermilion.....Illiana State Bank—W. P. Craig.....		June 28, 1930
LaHarpe.....Hancock.....LaHarpe State Bank—E. J. Zuehls.....		June 30, 1930

TRUST CERTIFICATES ISSUED.

	Deposit.	
Winnetka.....Cook.....Winnetka Trust and Savings Bank.....	\$ 50,000	June 11, 1930
Chicago.....Cook.....State Savings Bank & Trust Company.....	200,000	June 14, 1930
Chicago.....Cook.....Columbia State Savings Bank.....	200,000	June 25, 1930
Alton.....Madison.....First National Bank & Trust Company in Alton	50,000	June 25, 1930

TRUST CERTIFICATES CANCELLED.

Aurora.....Kane.....Aurora Trust and Savings Bank.....		June 2, 1930
Aurora.....Kane.....American National Bank of Aurora.....		June 3, 1930

RECAPITULATION.

State Banks in Chicago	177
State Banks in Cook County outside Chicago	87
State Banks in Illinois outside Cook County	957
Total	1221

MONTHLY BULLETIN

Issued by
OSCAR NELSON
AUDITOR of PUBLIC ACCOUNTS
BANKING DEPARTMENT
State of Illinois

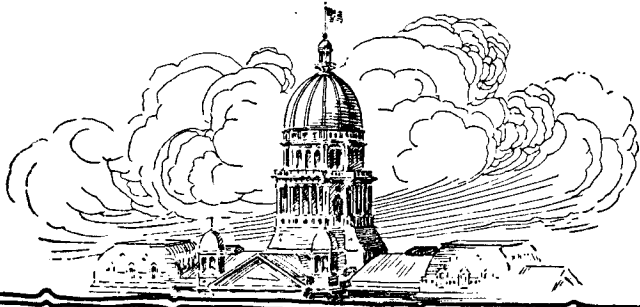
Vol. 6

SPRINGFIELD, ILL., AUGUST 1, 1930

No. 5

RESERVE BALANCES

The practice still obtains in some localities of depositing the major portion of reserve balances of the banks with some of the neighborhood institutions. This is done, no doubt, owing to business relations or other reasons equally important to the parties concerned. This act is subject to criticism as has been stated before and reserve balances should be deposited in "Reserve City" banks which, as defined by this Department are institutions with at least \$200,000 Capital and assets sufficiently diversified and liquid to meet the varying demands of correspondents' balances. There are few institutions in a small community which are adapted or equipped to handle surplus funds for a correspondent.



LIABILITY ON EXCESS LOANS

A recent decision in a National Bank case for a loss on excess loans by Directors is set forth in the decision of the U. S. Circuit Court of Appeals in Idaho.

The provisions of the National Banking Act relative to the penalty for creating or permitting an excess loan are analogous to the State Banking Act. The case was directed against one Director in particular and in handing down this decision the Court said in one place:

"* * * * * The loans above mentioned were all in excess of the amounts allowed by law; that the appellant (defendant) assented to the loans and, in effect, that in making the loans to the company the appellant and other directors failed to exercise ordinary care and prudence in the supervision and management of the affairs of the bank; in other words that the loans were imprudently and improvidently made."

Further in the opinion the Court recited the fact that the President of the bank had been warned by the Comptroller of the Currency relative to the unsatisfactory condition of the institution and held the President mainly responsible for its condition due to the unwarranted extensions of credit. Then the Court said, "The remaining Directors, however, cannot escape their responsibility to the shareholders as it is incumbent upon them to direct the affairs of the institution, and they cannot escape liability by permitting the President to dominate the bank's affairs. Directors cannot, in justice to those who deal with the bank, shut their eyes to what is going on around them. It is their duty to use ordinary diligence in ascertaining the condition of its business, and to exercise reasonable control and supervision of its officers. They have something more to do than, from time to time, to elect officers of the bank and to make declaration of dividends. * * * * * The idea which seems to prevail in some quarters, that a Director is chosen because he is a man of good standing and character and on that account will give reputation to the bank, and that his only office is to delegate to some other person the management of its affairs, and rest on that until his suspicion is aroused, which generally does not happen until the mischief is done, cannot be accepted as sound. * * * * * The banks themselves are prone to state, and hold out to the public, who compose their boards of Directors. The idea is not to be tolerated that they serve as merely gilded ornaments of the institution, to enhance its attractiveness, or that their reputations should be used as a lure to customers. What the public suppose, and have the right to suppose, is that those men have been selected by reason of their high character for integrity, their sound judgment, and their capacity for conducting the affairs of the bank safely and securely. The public act on this presumption, and trust their property with the bank in the confidence that the Directors will discharge a substantial duty."

The Court held and so stated that the Directors fell far short of the requirements of their duties and that the defendant was liable under the excess loan provision of the National Act.

PERMITS ISSUED.				Capital	Surplus	Date
Bowen.....Hancock.....Bowen State Bank.....				\$ 25,000	\$ 7,500	July 2, 1930
						Fifth and Worrell Street.
Divernon.....Sangamon.....Divernon State Bank of Divernon..				25,000	None	July 9, 1930
Chicago.....Cook.....United American Trust & Savings				750,000	150,000	July 10, 1930
						Bank 1200 North Ashland Avenue.
Fairbury.....Livingston.....Fairbury State Bank.....				80,000	40,000	July 15, 1930
						114 E. Locust Street.
Chicago.....Cook.....Union Trust Company.....				200,000	20,000	July 17, 1930
						Clark, Dearborn and Monroe Sts.
CHARTERS ISSUED.						
Divernon.....Sangamon.....Divernon State Bank of Divernon..				25,000	None	July 10, 1930
						George R. Brown, President, F. A. Stutsman, Cashier.
Chicago.....Cook.....United American Trust & Savings				750,000	150,000	July 10, 1930
						Bank 1200 North Ashland Avenue, Charles C. Hall, President, Martin I. Johnson, Cashier.
Chicago.....Cook.....Union Trust Company.....				200,000	20,000	July 30, 1930
						Clark, Dearborn and Monroe Sts. John J. Anton, President, Rufus F. Chapin, Cashier.
CAPITAL STOCK INCREASED.						
Elmhurst.....DuPage.....Elmhurst State Bank.....				From \$ 150,000 to \$ 200,000		July 9, 1930
Chicago.....Cook.....The Northern Trust Com-				pany	From \$2,000,000 to \$3,000,000	July 17, 1930
LIQUIDATED.						
✓ DuQuoin.....Perry.....First Bank and Trust Co. of DuQuoin through First						July 1, 1930
						National Bank of DuQuoin.
✓ Kingston.....DeKalb.....Kingston State Bank through Genoa State Bank.....						July 1, 1930
✓ Divernon.....Sangamon.....Divernon State Bank through Divernon State Bank of						July 10, 1930
						Divernon
✓ Chicago.....Cook.....Home Bank and Trust Company through United						July 10, 1930
						American Trust & Savings Bank, Chicago.
✓ Chicago.....Cook.....Superior State Bank through State Savings Bank &						July 22, 1930
						Trust Company
✓ Chicago.....Cook.....Public State Bank through State Savings Bank &						July 22, 1930
						Trust Company
CLOSED.						
Green Valley...Tazewell.....Green Valley Bank.....						July 2, 1930
Gilman.....Jroquois.....Gilman State and Savings Bank.....						July 10, 1930
Warren.....JoDaviess.....State Bank of Warren.....						July 14, 1930
Dakota.....Stephenson.....Dakota State Bank.....						July 24, 1930
Dahlgren.....Hamilton.....Dahlgren State Bank.....						July 24, 1930
Oak Park.....Cook.....Central Oak Park State Bank.....						July 26, 1930
Chicago.....Cook.....Binga State Bank.....						July 31, 1930
RECEIVERS APPOINTED.						
Johnston City..Williamson.....The Citizens State Bank—R. E. Mitchell.....						July 7, 1930
Warsaw.....Hancock.....The Farmers' State Bank of Warsaw—Walter C. Van						July 11, 1930
						Pappelendam
Fairbury.....Livingston.....Fairbury Bank—Earl D. Amsler.....						July 15, 1930
Fisher.....Champaign.....Fisher State Bank—August Meyer.....						July 21, 1930
Gilman.....Jroquois.....Gilman State and Savings Bank—L. C. Pollock.....						July 22, 1930
Green Valley...Tazewell.....Green Valley Bank—John H. Shade.....						July 23, 1930
TRUST CERTIFICATES ISSUED.						
Chicago.....Cook.....South Side Savings Bank & Trust Co.....				Deposit		July 11, 1930
				\$200,000		
Morris.....Grundy.....The Grundy County National Bank.....				50,000		July 25, 1930
TRUST CERTIFICATES CANCELLED.						
Evanston.....Cook.....Mid-Continent Trust Company.....						July 14, 1930
Cairo.....Alexander.....Cairo National Bank.....						July 17, 1930
RECAPITULATION.						
State Banks in Chicago						175
State Banks in Cook County outside Chicago.....						86
State Banks in Illinois outside Cook County.....						950
Total						1,211

OSCAR NELSON
AUDITOR OF PUBLIC ACCOUNTS
SPRINGFIELD, ILL.

BANKING DEPARTMENT

SPRINGFIELD OFFICE
Capitol Building
CHIEF BANK EXAMINER—E. E. NICHOLSON.

Central and Southern Division
CHIEF EXAMINER—F. A. ADAMS

COUNTIES

Adams	Ford	Macon	Randolph
Alexander	Franklin	Macoupin	Richland
Bond	Fulton	Madison	Saline
Brown	Gallatin	Marion	Sangamon
Calhoun	Greene	Marshall	Schuyler
Cass	Hamilton	Mason	Scott
Champaign	Hancock	Massac	Shelby
Christian	Hardin	McDonough	Stark
Clark	Henderson	McLean	St. Clair
Clay	Iroquois	Menard	Tazewell
Clinton	Jackson	Monroe	Union
Coles	Jasper	Montgomery	Vermilion
Crawford	Jefferson	Morgan	Wabash
Cumberland	Jersey	Moultrie	Warren
DeWitt	Johnson	Peoria	Washington
Douglas	Knox	Perry	Wayne
Edgar	Lawrence	Piatt	White
Edwards	Livingston	Pike	Williamson
Efingham	Logan	Pope	Woodford
Fayette		Pulaski	

GENEVA OFFICE
119 Unity Building
Northern Illinois Division
CHIEF EXAMINER—R. M. WYLDER

COUNTIES

Boone	Henry	LaSalle	Rock Island
Bureau	JoDaviess	Lee	Stephenson
Carroll	Kane	McHenry	Whiteside
DeKalb	Kankakee	Mercer	Will
DuPage	Kendall	Ogle	Winnebago
Grundy	Lake	Putnam	

CHICAGO OFFICE
2600 Foreman-State National Bank Building
Cook County Division
Chicago and Cook County
CHIEF EXAMINER—F. E. EDGERTON

Address all correspondence to

OSCAR NELSON
AUDITOR OF PUBLIC ACCOUNTS

at the office designated for the Division in which you are located.

MONTHLY BULLETIN

Issued by
OSCAR NELSON
AUDITOR of PUBLIC ACCOUNTS
BANKING DEPARTMENT
State of Illinois

Vol. 6

SPRINGFIELD, ILL., SEPTEMBER 1, 1930

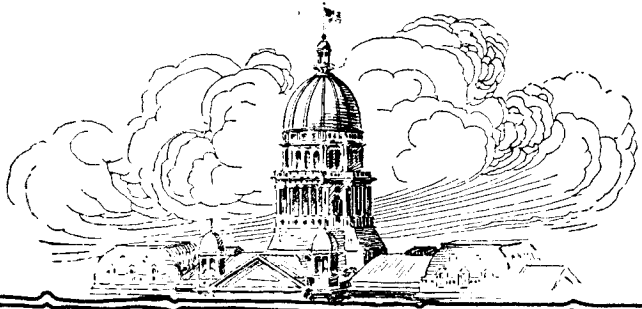
No. 6

MANAGEMENT

That changes are being wrought in the banking world with rapidity, there is no question. The trend, undoubtedly, is toward centralization. Whether it will finally develop into branch banking, chain or group management is much mooted. It may eventually result in both.

The impelling force behind the changes is the number of bank failures that have occurred in the last three to five years and some panacea is, therefore, sought as a remedy for bank closing. Naturally, with such agitation the unit bankers feel that they are more or less on trial. From a careful and impartial survey of our records, we believe we can safely say that there is nothing the matter with unit banking insofar as that represents classification of the banking profession. The unit banking system can be made, in most instances, as safe as any other form of banking. That there is a need for combinations, mergers or consolidations, there can be no doubt as the loss in population in the smaller towns has forced banks to liquidate and there are yet many communities where the banks must make arrangements to combine their resources with neighboring institutions in order to maintain a deposit liability that is susceptible of sufficient earnings to justify their existence.

Larger units are now in the process of making and can be so stabilized that they will serve with safety and profit, not only their immediate community, but all contiguous territory. It makes no difference whether the bank be conducted under the branch system, group or chain idea, or as a unit; its success and its safety rests entirely upon MANAGEMENT.



In the course of our examinations we occasionally encounter bank by-laws wherein provision is made for the filling of such vacancies as may occur in the Board of Directors between annual meetings of stockholders by a two-thirds vote of the remaining Directors.

As previously pointed out in this BULLETIN, such a provision is inconsistent with the BANKING ACT; wherein it is specifically stated in Sec. 3 that "***** no Director shall be elected unless he shall have received votes representing at least a majority of the shares of the association *****".

It therefore follows that Directors elected by vote of the Board members are not legally elected and their subsequent participation in Board meetings could result in troublesome complications.

Under the Illinois Banking Act, when a vacancy occurs in the Board of Directors there are but two courses open: either allow the vacancy to remain unfilled until the next regular meeting of the Stockholders or call a special meeting of the Stockholders in the manner provided in Sec. 12 of the Banking Act for the purpose of filling the vacancy.

It is very important that Bank by-laws be thoroughly consistent with the Act under which the bank is operating.

This Department has had prepared a model set of by-laws in pamphlet form; which is in complete harmony with the Banking Act and broad enough in scope to meet the requirements of any bank. In fact, many banks have adopted this model set in toto. This pamphlet may be had by any banker upon request to this office and we would suggest that, if there is any question as to the completeness of your set or the propriety of any of its provisions, that application be made for a model set from this office in order that any deficiencies may be detected and remedied at your next Stockholders meeting.

WHAT DO THE FIGURES SHOW?

Careful and thoughtful consideration should be accorded to the semi-annual Earnings, Expenses and Dividends report by not only the officers but the directors of the various State Banks. The figures as compiled will reveal the true picture of the operating costs of the individual institution. Compare this six-months' report with that of the period ending December 31, 1929, and also with a year ago. These reports have their value but much of it is lost unless the management gives thoughtful attention to their sum and substance.

A banking institution should not be run without profit—your Earnings, Expenses and Dividends reports will show you where the leaks are.

The Examiners from this Department continue to find real estate mortgages improperly executed by reason of the fact that the designation of the mortgage as to its priority is not stated. Banks should not execute liens on real estate without setting forth the fact that the same is either a first or second mortgage as the case may be.

This, of course, also applies to trust deed form of liens. As has been referred to in this Bulletin, under the Securities Act—better known as the "Blue Sky Law"—where certain real estate mortgages have been offered for sale, there is a provision that all junior mortgages be so stamped. This applies, particularly, to agencies offering securities for sale to the general public. Where the mortgage is made and held by the bank this would not apply and while there is no law compelling the banker to indicate whether the same be a first or junior mortgage, yet the necessity has almost become imperative in view of past experiences.

Where the mortgage or trust deed is silent in this respect the Examiner has to depend upon the recollection of the officer handling that department which should not be the case. The records must be kept so that definite knowledge may be presented to the representative of the Banking Department. Mortgages which do not indicate whether they are first or second liens should be stamped or typed so that the Examiner may have full knowledge of the same on the occasion of his visit.

BANK STATISTICS ✓

According to the report of R. N. Sims, Secretary of the National Association of Supervisors of State Banks, there is a total of 17,298 banks under State Supervision in the United States, of which number Illinois had (at the time of the report) 1252—the largest number of any State. In addition, there are 7316 National Banks or a grand total of 24,614. The total Capital structure of these amounted to \$9,963,000,000 with deposits of \$57,446,000,000. In the matter of Capital structure of State Banks, Illinois ranks third with \$438,828,738. New York is first, having \$2,206,990,197; while Pennsylvania is second, having \$764,633,475. As to deposits our State ranks fourth—New York being first; Massachusetts second and Pennsylvania third. The State with banks having the least resources is New Mexico which shows a total of \$13,824,491. Rhode Island has but 23—the smallest number in the Union. In the last ten years the number of banks, both State and National, have decreased in the United States in the number of 5339.

CHARTERS ISSUED.

	Capital.	Surplus.	Date.
Bowen.....Hancock.....Bowen State Bank..... Fifth and Worrell Streets, Marshall E. Randall, President, Fred S. Omer, Cashier.	\$ 25,000	\$ 7,500	Aug. 12, 1930
Chicago.....Cook.....Armitage State Bank..... 3109 Armitage Avenue, John Bain, President, Erwin Larsen, Cashier.	250,000	65,000	Aug. 21, 1930

CONSOLIDATED.

Chicago.....Cook.....Armitage State Bank and American Bank and Trust Company of Chicago under title Armitage State Bank	Aug. 21, 1930
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CHANGE OF LOCATION.

Chicago.....Cook.....Howard Avenue Trust & Savings Bank from 1560 Howard Avenue to 1737 Howard Street, Chicago....	Aug. 27, 1930
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LIQUIDATED.

Elmhurst.....DuPage.....Peoples Trust & Savings Bank of Elmhurst through The First National Bank of Elmhurst.....	July 14, 1930
Scottville.....Macoupin.....First State Bank of Scottville through Bank of Mo- desto	Aug. 4, 1930
Long Point.....Livingston.....State Bank of Long Point (Placed in voluntary liqui- dation by Directors.).....	Aug. 18, 1930
Bowen.....Hancock.....Farmers Bank of Bowen through Bowen State Bank..	Aug. 26, 1930

CLOSED.

Chicago.....Cook.....Roosevelt-Bankers State Bank.....	Aug. 1, 1930
Broughton.....Hamilton.....First State Bank of Broughton.....	Aug. 1, 1930
Chicago.....Cook.....Citizens Trust and Savings Bank.....	Aug. 4, 1930
Bartonville.....Peoria.....Bartonville State Bank.....	Aug. 14, 1930
Kane.....Greene.....Kane State & Savings Bank.....	Aug. 14, 1930
Chicago.....Cook.....Millard State Bank.....	Aug. 14, 1930
Chicago.....Cook.....Laramie State Bank of Chicago.....	Aug. 16, 1930
Hidalgo.....Jasper.....Citizens State Bank of Hidalgo.....	Aug. 18, 1930
Farmersville.....Montgomery.....Farmersville State Bank.....	Aug. 20, 1930

RECEIVERS APPOINTED.

Oak Park.....Cook.....Central Oak Park State Bank—Robert M. Chittenden	Aug. 4, 1930
Murphysboro.....Jackson.....Citizens Trust and Savings Bank—Olin M. Kindle....	Aug. 13, 1930
Chicago.....Cook.....Citizens Trust and Savings Bank—Chicago Trust Company	Aug. 16, 1930
Chicago.....Cook.....Roosevelt-Bankers State Bank—Chicago Trust Com- pany	Aug. 16, 1930
Warren.....JoDaviess.....State Bank of Warren—Roy F. Pillmore.....	Aug. 25, 1930

RECAPITULATION.

State Banks in Chicago	170
State Banks in Cook County outside Chicago.....	86
State Banks in Illinois outside Cook County.....	944
Total	1,200

MONTHLY BULLETIN

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OSCAR NELSON
AUDITOR of PUBLIC ACCOUNTS
BANKING DEPARTMENT
State of Illinois

Vol. 6

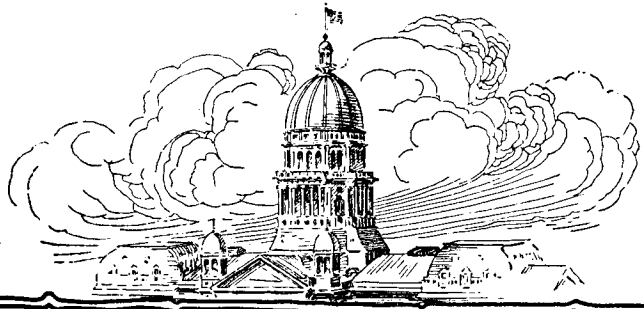
SPRINGFIELD, ILL., OCTOBER 1, 1930

No. 7

BANK MINDED

Depositors are becoming more bank minded. Confidence and good-will have somewhat waned in the past. Now is the time to bring back depositors through conservative high-class advertising. This advertising should consist largely of the publication of a well-balanced statement. One of the requisites in this connection is the maintenance at all times of a reserve sufficient to take care of the normal business of a bank, together with such conditions as may arise through emergencies. Repeating a previously expressed opinion, we believe that the bank should maintain sufficient liquidity, which in itself is good advertising.

If the public can be convinced that the banks can take care of the situation in their particular locality a large percentage of the depositors who have sought other fields will return to the fold from which they strayed.



TAXATION OF BANK STOCK

In an opinion rendered to a State's Attorney of one of the counties in Illinois, the Attorney General has the following to say regarding taxation and assessment of banks' capital stock:

"Replying permit me to say that the capital stock of State and National banks is assessed under the provisions of paragraphs 35 to 39 inclusive, chapter 120, Smith-Hurd's Illinois Revised Statutes, 1927, pages 2262-2263. The value of the entire capital stock is fixed by the assessor or the board of review in consideration of everything which tends to give value to the stock, including its deposits, its surplus, its dividend, whether it is prosperous or otherwise, its market value, if any, etc. No deduction is authorized except the assessed value of the real estate. The assessment is not upon the property which makes up the value of the capital stock, but upon such stock as property, therefore, I am of the opinion that under the provisions of our statute no deduction may be legally made for liberty loan bonds and Federal Reserve stock owned by such bank, and the capital stock is subject to assessments without regard to the property which gives it value. The real estate should be taken at the assessed value and not the value at which it is carried on the books of the bank."

COLLATERAL TO DEPOSITS

Officials depositing what may be termed "public funds" are making demands upon the banks for collateral. In some instances the management is acceding to this request and pledging assets of the institution to obtain this class of deposits. In other cases public officials are requesting surety bonds and if the bank supplies this form of collateral it must be upon the responsibility of the Directors as individuals and no liability should be attached to the bank. Directors may

have the right to borrow funds for the use of the bank and pledge collateral therefor, but only upon proper resolution and when so borrowed must be shown on the bank statement as a liability. When bank officials attempt to pledge the assets for other than obligations for money borrowed such action may be termed "Ultra Vires."

TRUST RESPONSIBILITY

A corporate trustee stands in the same relation to the trust as an individual trustee, and owes the trust the duty of excluding all private interests from its transactions and of conducting the trust with the advantage of the beneficiaries solely in mind. Illustrations of this principle are numerous. George Gleason Bogert in his "Handbook of the Law of Trusts" states the responsibility of the Trustee in this respect as follows:

"The trustee is violating his trust duty and may be held a constructive trustee for the beneficiary of all profits made in the following cases: Where he makes a profit for himself on the sale of the trust property; where he takes a profit on the sale of property to the trust estate; where he secures an advantage for himself upon a lease of the trust property; where he uses the trust funds to buy his own property or invests the trust funds in the bonds of a corporation of which he is a stockholder and director; where he purchases property for himself which he should have bought for the trust; where he renews a lease in his own name which he should have taken in his name as trustee; when he uses knowledge obtained in the administration of the trust for his own private benefit; where he receives a bonus for lending the trust funds; where he receives a commission for taking out insurance on trust property; where he accepts a gift from persons with whom he deals on behalf of the trust estate; where he uses the trust funds in his own business or lends them to his wife."

PERMITS ISSUED.

	Capital	Surplus	Date
Warsaw.....Hancock.....The State Bank of Warsaw.. 402 Main Street.	\$ 50,000	\$ 10,000	Sept. 24, 1930

CHARTERS ISSUED.

Chicago.....Cook.....Citizens State Bank of Chicago 3228 Lincoln Avenue. John G. Squires, President. Nicholas Schank, Cashier.	750,000	750,000	Sept. 2, 1930
Anna.....Union.....Anna State Bank..... 100 East Vienna Street. A. W. Waite, President. W. P. Harper, Cashier.	50,000	15,000	Sept. 15, 1930

CONSOLIDATION.

Chicago.....Cook.....Citizens State Bank of Chicago and Northcenter Trust and Savings Bank under title Citizens State Bank of Chicago.....			Sept. 2, 1930
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CAPITAL STOCK INCREASED.

Oak Park.....Cook.....Avenue State Bank....	From \$ 300,000 to \$ 500,000	Sept. 11, 1930
Chicago.....Cook.....Union Bank of Chicago	From 1,000,000 to 1,300,000	Sept. 29, 1930

LIQUIDATED.

LaHarpe.....Hancock.....LaHarpe State Bank through The First National Bank of LaHarpe (E. J. Zuehls, Receiver-re- signed.)			Sept. 5, 1930
Calhoun.....Richland.....Farmers State Bank of Calhoun through Olney Trust and Banking Company.....			Sept. 6, 1930
Elburn.....Kane.....Elburn State Bank through Kane County Bank and Trust Co., Elburn.....			Sept. 6, 1930
Anna.....Union.....Anna State and Trust Bank through Anna State Bank.....			Sept. 15, 1930
Chambersburg, Pike.....Chambersburg State Bank (Placed in voluntary liquidation by Directors.).....			Sept. 20, 1930
Sauemin.....Livingston.....Farmers State Bank of Sauemin through State Bank of Sauemin.....			Sept. 27, 1930

CLOSED.

Madison.....Madison.....Tri-City State Bank.....			Sept. 3, 1930
Nauvoo.....Hancock.....First Trust & Savings Bank of Nauvoo.....			Sept. 8, 1930
Divernon.....Sangamon.....Divernon State Bank of Divernon.....			Sept. 17, 1930
Pawnee.....Sangamon.....Pawnee State Bank.....			Sept. 18, 1930
Chicago.....Cook.....Lake View State Bank.....			Sept. 20, 1930
Benton.....Franklin.....Illinois Bank and Trust Company of Benton, Illinois			Sept. 25, 1930
Girard.....Macoupin.....Peoples Bank of Girard.....			Sept. 27, 1930

RECEIVERS APPOINTED.

Dahlgren.....Hamilton.....Dahlgren State Bank—Claud Crocker.....			Sept. 5, 1930
Farmersville.....Montgomery.....Farmersville State Bank—R. C. Hamilton.....			Sept. 8, 1930
Kane.....Greene.....Kane State & Savings Bank—Gertrude H. Richards			Sept. 9, 1930
Hidalgo.....Jasper.....Citizens State Bank of Hidalgo—Walter W. Payne..			Sept. 12, 1930
Nauvoo.....Hancock.....First Trust & Savings Bank of Nauvoo—W. F. Anguish			Sept. 22, 1930
Chicago.....Cook.....Millard State Bank—Will H. Wade.....			Sept. 22, 1930

OTHER CHANGES.

Chicago.....Cook.....Union Bank of Chicago assumed deposit liability of Guardian National Bank of Chicago.....			Sept. 27, 1930
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TRUST CERTIFICATES ISSUED.

	Deposit.	
Chicago.....Cook.....Citizens State Bank of Chicago.....	\$200,000	Sept. 2, 1930
Chicago.....Cook.....United American Trust & Savings Bank....	200,000	Sept. 12, 1930
Chicago.....Cook.....State Bank of Chicago.....	200,000	Sept. 30, 1930

TRUST CERTIFICATES CANCELLED.

Evanston.....Cook.....Mortgage Trust Company.....		Sept. 3, 1930
Chicago.....Cook.....Citizens State Bank of Chicago.....		Sept. 2, 1930
Morris.....Grundy.....First Trust & Savings Bank of Morris.....		Sept. 11, 1930

RECAPITULATION.

State Banks in Chicago	168
State Banks in Cook County outside Chicago.....	86
State Banks in Illinois outside Cook County.....	935
Total	1,189

MONTHLY BULLETIN

Issued by
OSCAR NELSON
AUDITOR of PUBLIC ACCOUNTS
BANKING DEPARTMENT
State of Illinois

VOL. 6

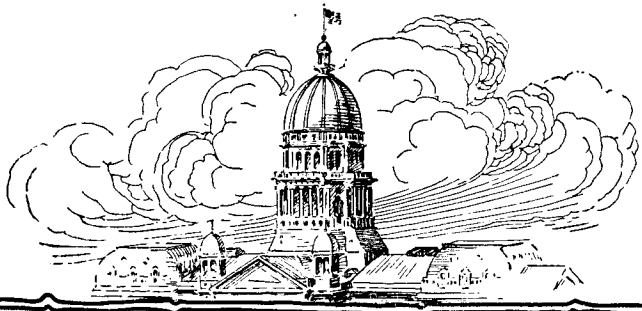
SPRINGFIELD, ILL., NOVEMBER 1, 1930

NO. 8

AMENDED BANKING ACT

An amended Banking Act is to be submitted to the voters of the State for ratification at the general election to be held on Tuesday, the 4th instant. All but two of the present sections of the Banking Act are amended and a new section (11½) is added. Principal changes relate to the limitation of the granting of charters; reduction of the Call Report fees from \$10.00 to \$5.00; permits the issuance of stock at a par value of not less than \$10.00 nor more than \$100.00; increases the amount for which new banks can be incorporated from \$25,000 to \$50,000 and makes it a requirement that they begin business with a 10% surplus and a 5% contingent fund for operating expenses; clarifies Section Ten of the present Act concerning amount that can be loaned to any one person, partnership or corporation; prohibits change of location of bank from one municipality to another or from an unincorporated territory to a municipality or to a place more than five miles from present location; provides for the establishment of surplus equal to 20% of capital and amplifies method for liquidations, mergers and consolidations.

The Act was passed by the last General Assembly and upon ratification by the voters at the forthcoming election will become operative by proclamation of the Governor.



Excerpts from an address of the Auditor of Public Accounts before the Illinois Chamber of Commerce in Chicago on October 10, 1930.

The subject "The True Banking Situation Today" is capable of being approached from several different view points, but even though my view point is from the scrutiny of the inside I cannot reveal to you anything of a startling or alarming nature in the situation and I hope you have not prepared your minds for such disclosure.

As a matter of fact the true situation is that Banking in Illinois is on a sound basis even though it may appear to many that there is something unusual happening because of a number of bank suspensions. It is nevertheless without foundation as to the general situation, and in many instances no suspension would have been necessary were it not for the apparent alarm upon the part of many of the depositing clientele, caused no doubt by false rumors augmented by the admitted general business depression.

We must have confidence in our banks as they are the very backbone of our entire business structure, present and future, and I can say to you frankly that in our State there is no cause for alarm but rather cause for rejoicing that the situation is well in hand.

True, there have been suspensions, which seemed to many stockholders and depositors unexplainable, but aside from those caused by fear and alarm there has been a very good reason in every instance. Suspensions in some cases are readily traceable to community failure, and dishonesty and incompetent management has played its part.

There is then no reason why banking as a whole should be deemed to be on other than a sound foundation.

We have in Illinois at this time 1189 State Banks, 168 in Chicago and 1021 in Cook County, outside of Chicago, and Down State, ranging in capital structure from \$15,000.00 to \$150,000,000.00 and in deposit liability from \$50,000.00 to almost \$1,000,000,000.00, with resources of more than Thirty-three Hundred Million Dollars.

In Chicago the total deposit liability of State Banks is almost Two Billions of Dollars with capital structure reserve of approximately Four Hundred Million Dollars, or more than twenty per cent of capital structure reserve.

Outside the city of Chicago, in Cook County and down state, the banks show equal reserves proportionately.

Cash resources as at the last Call showed, for Chicago Banks, the round sum of over Three Hundred Five Millions of Dollars, and readily marketable Government and other Bond resources of almost Five Hundred Millions of Dollars. Down State banks, including Cook

County outside of the city of Chicago, averaged much the same in proportion. All a very good reason why we should be dispelled of fear and be proud of Chicago and down state banking resources.

The earning strength of some of our banks according to analysis of bank earnings for the period of six months ending June 30, 1930, has shown some decrease, but not sufficient to cause any alarm to the depositing public, and a very small percentage of our banks have operated without net profit, and these banks must find a method of bettering their situation. This is being met in many instances through consolidation with other banks in the community to increase their earning power and to curtail cost of operation.

Five years ago we had 1403 banks. During this period 370 banks have suspended operation, either through mergers and liquidation, or through reorganization of capital structure. During this same period 156 new bank charters have been issued, the greater portion of these charters however, have been used in consolidations and other reorganizations. Comparatively few banks have been chartered as new ventures, except in Chicago where until a year ago quite a number of new bank ventures were started. Charters for new down state banks have been issued in less than a dozen instances in the last five year period.

These figures prove that we have had an over abundance of banks in Illinois,—in other words we are **OVERBANKED**. This situation however, is rapidly righting itself and new banking ventures are being discouraged by both State and National Departments.

COLLATERAL TO DEPOSITS

The following is reprinted from the October Bulletin in order that the thought in connection with depository bonds may be clarified:

Officials depositing what may be termed "public funds" are making demands upon the banks for collateral. In some instances the management is acceding to this request and pledging assets of the institution to obtain this class of deposits.

Banks have no authority under the Banking Law of Illinois to pledge their assets for other than borrowed money, and then only upon proper resolution of the Board of Directors.

In other cases requests are made for depository bonds to secure deposits of public funds.

Banks may furnish depository bonds for that purpose.

PERMITS ISSUED.

	Capital.	Surplus.	Date.
Bartonville.....Peoria.....Bartonville Bank 5600 South Adams Street.	\$30,000	\$7,500	Oct. 17, 1930
McLeansboro...Hamilton.....Hamilton Trust and Savings Bank of McLeansboro 100 South Washington Street.	30,000	4,500	Oct. 30, 1930

CAPITAL STOCK INCREASED.

Lyons.....Cook.....Lyons State Bank.....	From \$ 25,000 to \$ 37,500	Oct. 9, 1930
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CAPITAL STOCK DECREASED.

Chicago.....Cook.....Madison Square State Bank	From \$300,000 to \$200,000	Oct. 1, 1930
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CHANGE OF LOCATION.

Chicago.....Cook.....Hamilton State Bank from 737-739 Sheridan Road to 3916-3918 Broadway, Chicago.....		Oct. 14, 1930
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REOPENED.

Loraine.....Adams.....Peoples State Bank of Loraine.....		Oct. 2, 1930
(Closed for examination and adjustment May 16, 1930)		

LIQUIDATED.

Woodlawn.....Jefferson.....Farmers State Bank of Woodlawn through First Na- tional Bank, Woodlawn		Oct. 4, 1930
Pierson.....Piatt.....State Bank of Pierson through The State Bank of Hammond		Oct. 15, 1930
Chicago.....Cook.....Old Colony State Bank through Cosmopolitan State Bank, Chicago		Oct. 18, 1930
Maywood.....Cook.....Maywood Trust and Savings Bank through Maywood State Bank		Oct. 31, 1930

CLOSED.

Virden.....Macoupin.....The Farmers and Merchants State Bank of Virden, Illinois		Oct. 1, 1930
Melrose Park..Cook.....Citizens State Bank of Melrose Park.....		Oct. 23, 1930

RECEIVERS APPOINTED.

Divernon.....Sangamon.....Divernon State Bank of Divernon—James A. Easley		Oct. 6, 1930
Madison.....Madison.....Tri-City State Bank—M. H. Ward.....		Oct. 7, 1930
Pawnee.....Sangamon.....Pawnee State Bank—F. A. Stutsman.....		Oct. 9, 1930
Girard.....Macoupin.....Peoples Bank of Girard—D. A. Woolley.....		Oct. 14, 1930
Chicago.....Cook.....Laramie State Bank of Chicago—Oscar H. Swan.....		Oct. 14, 1930
Chicago.....Cook.....Lake View State Bank—Chicago Trust Company.....		Oct. 15, 1930
Benton.....Franklin.....Illinois Bank and Trust Company of Benton, Illinois— R. P. Blake		Oct. 23, 1930

TRUST CERTIFICATE ISSUED.

	Deposit.	
Freeport.....Stephenson...First National Bank of Freeport.....	\$50,000	Oct. 16, 1930

RECAPITULATION.

State Banks in Chicago	167
State Banks in Cook County outside Chicago.....	84
State Banks in Illinois outside Cook County.....	933
Total.....	1,184

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VOL. 6

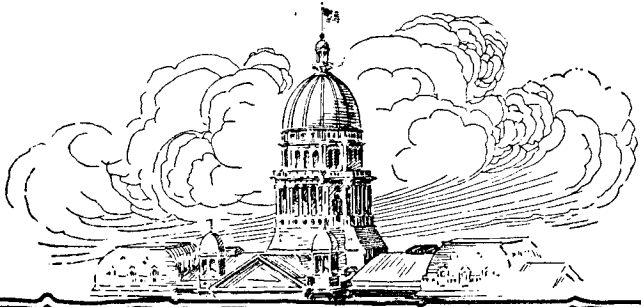
SPRINGFIELD, ILL., DECEMBER 1, 1930

NO. 9

SECONDARY RESERVES ARE PROFITABLE

Facts, as ascertained by bankers who have carefully analyzed the earnings from secondary reserve accounts, do not justify the arguments of others that readily marketable securities are not a profitable earning asset.

Care must be used in purchasing the investments comprising this account. Profits can be made from handling bonds that are readily marketable and of fair rate of return. Bonds, as a secondary reserve, must have the studied attention of every banker. The impression prevails, especially in the smaller communities, that the most profitable earning assets are notes of local borrowers. This theory was dissipated long ago and many banks find that where the earning assets are equally distributed between notes and readily marketable securities the latter, in most cases, exceed the earnings of the former.



REPORTS SHOULD BE CORRECT

Attention is directed to the necessity of correctly compiling the report of earnings, expenses and dividends which will be called for this month.

At the close of the last period there were over 1200 reports filed and of this number approximately 300 had to be returned for corrections. Many errors were found in these; the most outstanding, perhaps, being the failure to fill in the amount of dividends at the top of the blank which corresponds with item 13 in section 3. Evidently, the instructions after item 3, section 1, are not carefully read. The difference between 1 and 2 in this section should be carried forward as 3 and the same amount should then be transferred to section 2 under item 3.

The same error occurs in section 2 and more care should be given in studying the instructions after item 6 as this represents the difference between the total of items 3 and 4 and item 5.

Under section 3 on the blank, item 7 should be the same amount as the Undivided Profits on the last report rendered. In the same section, item 15 must be the same as the Undivided Profits on the Call Report of corresponding date, unless on an accrual basis.

At the bottom of the blank there are seven questions which are very important and must be answered accurately in each instance. Please observe this request.

REGARDING THE PAYMENT OF DIVIDENDS

The amended Banking Act in the added Section (11½) provides:

"No bank or banking association organized under this Act shall during the time it shall continue its banking operations withdraw or permit to be withdrawn, either in the form of dividends or otherwise, any portion of its capital. If losses have at any time been sustained by any such bank or banking association equal to or exceeding its undivided profits then on hand, no dividends shall be made; and no dividends shall ever be made by any such bank or banking association while it continues its banking operations to an amount greater than its net profits then on hand, deducting first therefrom its losses and bad debts. All debts due to any bank or banking association on which interest is past due and unpaid for a period of six months, unless the same are well secured and in process of collection, shall be considered bad debts within the meaning of this section, but nothing in this section shall prevent a reduction of the capital stock of a bank or banking association under section 12 hereof.

Subject to the provisions of this Act the directors of any bank or banking association may from time to time declare a divi-

dend of so much of the net profits of such bank or banking association as they shall judge expedient, but each bank or banking association shall, before the declaration of a dividend, carry one-tenth part of its net profits since the date of the declaration of the last preceding dividend to its surplus fund until the same shall amount to twenty per cent of its capital stock."

THE NEW BANKING ACT

The amendments to the Banking Act as submitted to the vote of the People on November 4th have been ratified and the new law will be published in pamphlet form and copies distributed to all bankers within a very short time.

We suggest that when your copy has been received you give the same due consideration as there are many changes. In fact, all Sections are amended with the exception of Sections 3 and 6 and a new provision—Section 11½—has been added. This is of great importance to every banker and should be given thorough study.

PERMITS.		Capital.	Surplus.	Date.
Chicago.....Cook.....	Banco di Napoli Trust Company of Chicago..... 906-910 South Halsted Street.	\$300,000	\$100,000	Nov. 6, 1930
CHARTERS.				
Bartonville.....Peoria.....	Bartonville Bank..... 5600 South Adams Street. W. W. Barton, President. L. G. Fishel, Cashier.	30,000	7,500	Nov. 1, 1930
Chicago.....Cook.....	Builders and Merchants Bank and Trust Company..... 5437-9 North Clark Street. Paul C. Melander, President. Martin Katte, Cashier.	450,000	100,000	Nov. 12, 1930
CONSOLIDATED.				
Chicago.....Cook.....	Builders and Merchants State Bank and Capital State Savings Bank under title Builders and Merchants Bank and Trust Company.....			Nov. 12, 1930
CAPITAL STOCK INCREASED.				
Lombard.....DuPage.....	Lombard State Bank.....	From \$35,000 to \$70,000		Nov. 14, 1930
Peoria.....Peoria.....	Farmers & Mechanics State Bank.....	From 40,000 to 200,000		Nov. 17, 1930
NAME CHANGED.				
Lombard.....DuPage.....	Westmore Trust & Savings Bank to South Lombard Trust and Savings Bank.....			Nov. 1, 1930
CHANGE OF LOCATION.				
Lombard.....DuPage.....	South Lombard Trust and Savings Bank from 314 South Meyers Road, Lombard, to 311 South Main Street, Lombard.....			Nov. 22, 1930
Peoria.....Peoria.....	Farmers & Mechanics State Bank from 2525 N. Adams Street, Peoria, to 105 South Jefferson Street, Peoria.....			Nov. 24, 1930

LIQUIDATED.

Bartonville..... Peoria.....	Bartonville State Bank through Bartonville Bank....	Nov. 1, 1930
Morris..... Grundy.....	First Trust & Savings Bank of Morris through First National Bank of Morris.....	Nov. 1, 1930
Bloomington..... McLean.....	First Trust and Savings Bank of Bloomington through First National Bank and Trust Company, Bloomington.....	Nov. 1, 1930
Peoria..... Peoria.....	First Trust and Savings Bank of Peoria through The First National Bank of Peoria.....	Nov. 3, 1930
Murphysboro..... Jackson.....	Citizens State and Savings Bank through First National Bank of Murphysboro and City National Bank of Murphysboro (Olin M. Kindle, Receiver—resigned).....	Nov. 4, 1930
Keenes..... Wayne.....	Farmers State Bank of Keenes through First National Bank, Wayne City.....	Nov. 20, 1930

CLOSED.

Golden..... Adams.....	Exchange State Bank of Golden.....	Nov. 8, 1930
Broadlands..... Champaign.....	First State Bank of Broadlands.....	Nov. 10, 1930
Quincy..... Adams.....	State Savings, Loan and Trust Company.....	Nov. 14, 1930
Quincy..... Adams.....	South Side State Savings Bank of Quincy.....	Nov. 14, 1930
Payson..... Adams.....	Payson State Savings Bank.....	Nov. 14, 1930
Timewell..... Brown.....	Timewell State Bank.....	Nov. 15, 1930
Clayton..... Adams.....	Bartlett and Wallace State Bank.....	Nov. 15, 1930
Waynesville..... DeWitt.....	Waynesville State Bank.....	Nov. 20, 1930
Blandinsville..... McDonough.....	Huston Banking Company.....	Nov. 22, 1930
Sciota..... McDonough.....	State Bank of Sciota.....	Nov. 22, 1930
Rockport..... Pike.....	Peoples State Bank of Rockport.....	Nov. 25, 1930
Geff..... Wayne.....	State Bank of Geff.....	Nov. 28, 1930
Rock Grove..... Stephenson.....	Rock Grove State Bank.....	Nov. 29, 1930
Johnston City..... Williamson.....	Johnston City State Bank.....	Nov. 29, 1930
Carthage..... Hancock.....	Marine Trust Company of Carthage.....	Nov. 29, 1930

RECEIVERS APPOINTED.

Dakota..... Stephenson.....	Dakota State Bank—O. W. Dorman.....	Nov. 14, 1930
Broadlands..... Champaign.....	First State Bank of Broadlands—August Meyer.....	Nov. 22, 1930
West Frankfort Franklin.....	First State Savings Bank of West Frankfort—H. L. Nelson.....	Nov. 22, 1930
Melrose Park..... Cook.....	Citizens State Bank of Melrose Park—Louis E. Nelson.....	Nov. 25, 1930
Chicago..... Cook.....	Binga State Bank—Edward H. Morris.....	Nov. 26, 1930

OTHER CHANGES.

Virginia..... Cass.....	Petelesh, Skiles & Co. assumed deposit liability of Centennial National Bank of Virginia.....	Nov. 22, 1930
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TRUST CERTIFICATES ISSUED.

	Deposit.	
Chicago..... Cook.....	Builders and Merchants Bank and Trust Company.....	\$200,000 Nov. 12, 1930
Chicago..... Cook.....	Cook County Trust Co.....	200,000 Nov. 12, 1930

TRUST CERTIFICATES CANCELLED.

Chicago..... Cook.....	Builders and Merchants State Bank.....	Nov. 12, 1930
Chicago..... Cook.....	West Highland State Bank.....	Nov. 21, 1930
Chicago..... Cook.....	Columbia State Savings Bank.....	Nov. 25, 1930

RECAPITULATION.

State Banks in Chicago.....	166
State Banks in Cook County, outside Chicago.....	84
State Banks in Illinois, outside Cook County.....	915
Total.....	1,165