

MONTHLY BULLETIN

Issued by
EDWARD J. BARRETT
AUDITOR of PUBLIC ACCOUNTS
BANKING DEPARTMENT
State of Illinois

VOL. 10

SPRINGFIELD, ILL., JANUARY 1, 1935

NO. 10

THE YEAR

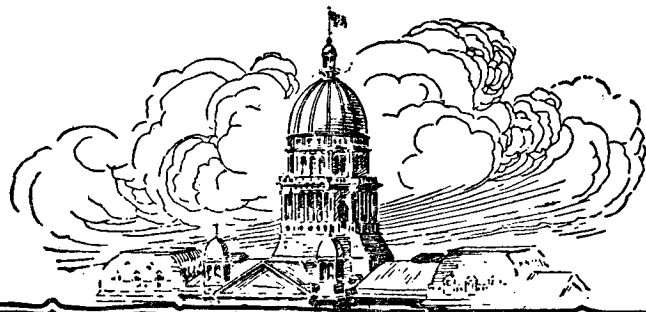
The trend towards normalcy in banking continued during 1934 to such an extent that the average customer is no longer, "bank conscious," and is now handling his banking business in an entirely normal manner.

Deposits in state banks in Illinois rose 27 per cent during 1934 and on December 31 had edged ahead of the 1932 year-end total.

Total deposits in state banks were \$801,075,733 against \$626,056,318 at the end of 1933, and \$797,333,439 at the close of 1932. Resources rose from \$762,923,089 to \$927,062,102 during the year.

The reopening of ten banks closed during the moratorium released \$4,336,000. Another \$1,635,000 was freed in the reopening of eight others which had been in receivership.

Against these reopenings twenty-three banks discontinued as state institutions, sixteen of them through voluntary liquidation. Only two failed, owing depositors, The Central Republic Trust Company was in liquidation (its deposits having been assumed by another institution) before entering receivership. Two state banks



converted into National Banks and two others were consolidated with National Banks. Of the two failures one was covered through membership in the Federal Deposit Insurance Corporation and the other, not insured, had deposits of \$100,000.

Only thirty-six of the six hundred eleven state banks are not members of the Federal Deposit Insurance Corporation. These are so liquid in most cases that the directors regarded insurance as unnecessary. Ninety-nine per cent of the deposits in the State banks of Illinois are in member banks of the Federal Deposit Insurance Corporation.

The liquidation of "slow and doubtful assets" continued at an encouraging rate and the banks are to be congratulated on their progress in this regard. Especially so, in those cases where assets were segregated or charged off and reorganization occurred after the moratorium. Recoveries on such assets have been very encouraging and while distribution to depositors who waived a portion of their deposits and contributors to reorganization has not been made to an appreciable extent as yet, the outlook for such distribution through recoveries and the application of earnings is hopeful.

Earnings have not kept pace with the other encouraging features, although the semi-annual reports now at hand indicate considerable improvement over recent periods. The safe and profitable employment of loanable funds is still the most serious question which faces the bankers. The improvement noted has been very largely due to the installation of service charges and the reduction of interest rates on deposits in conformity with present conditions.

In some few instances it is apparent that there is still a disinclination to demand adequate compensation for services rendered and to lower interest rates to the proper levels. This not only retards development of the individual bank concerned but also injures the neighboring institutions. It is hoped that cooperation in these matters will continue to increase during the coming year.

THE BIENNIUM

The outstanding development in the banking field during the biennium 1932-34 has been the rehabilitation of the banking structure and the complete reversal of the trend toward bank disaster which was so prevalent during the years immediately preceding. This trend was greatly accentuated during the period July 1, 1932 to March 3, 1933, on which date a bank moratorium was declared by gubernatorial proclamation and confirmed and extended by Presidential proclamation on March 6, 1933.

The President of the United States imposed the duty and obligation of approving the reopening of State banks on the appropriate supervising authority of the various States.

The Auditor of Public Accounts of the State of Illinois determined that before receiving his approval to reopen, every Illinois State bank must be in a safe and sound condition and worthy of the confidence of its depositors. This policy required the examination and analysis of each of the seven hundred and four State banks in Illinois. Realizing the necessity of providing adequate banking facilities, the Auditor and his small staff worked at this arduous task unceasingly. Three hundred fifty-two banks were approved for reopening during the remainder of the month of March, 1933, and by June 30, 1933 there were only eighty banks still closed under the moratorium or in suspension. The work of rehabilitation continued and every bank was given an opportunity to reorganize.

The reopening and reorganization of so great a percentage of the banks was accomplished only through the cooperation of and heavy sacrifices by directors, stockholders and in some cases, depositors.

The task of rehabilitation was so well carried out that the Federal Deposit Insurance Corporation, after examination, admitted to membership every bank that the Auditor certified to that Corporation.

Ninety-nine per cent of the deposits in the State banks of Illinois are in member banks of the Federal Deposit Insurance Corporation. The banks which did not apply for insurance are, in almost every instance, so highly liquid that their directors felt it unnecessary to do so.

On June 30, 1932, there were eight hundred four active State banks in Illinois, together with twenty-nine suspended banks, the final disposition of which was undetermined at that time. From June 30, 1932 to March 3, 1933 the number of active banks had decreased to seven hundred four. Three banks had been organized during that time, two had converted into National banks, seventeen had been liquidated, ninety-six had been placed in receivership, and seventeen were closed awaiting final disposition.

Of the seventeen banks which were in suspension on March 3, 1933, one is in process of reorganization, ten are in receivership, and six were reopened, of which number five are now in active operation, two having consolidated under a new State charter.

Of the seven hundred four active banks which were suspended under the holiday on March 3, 1933, thirty-eight were liquidated without loss to depositors, three converted into National banking associations, three consolidated with National banks, fifty-one are in receivership, four are still in suspension and are being liquidated and six hundred five are in active operation.

Five banks which had been placed in receivership, prior to March 3, 1933, have been reorganized and reopened since that time, making a total of six hundred fifteen active banks as of June 30, 1934.

IN LIQUIDATION

Camp Point....Adams.....The Peoples Bank of Camp Point..Dec. 18, 1934 ✓

DISSOLVED

Simpson.....Johnson.....First State Bank of Simpson
(In liquidation August 27, 1934)..Dec. 10, 1934
Mackinaw.....Tazewell.....Mackinaw State Bank
(In liquidation July 15, 1922).....Dec. 14, 1934

IN SUSPENSION

Chicago.....Cook.....Madison-Kedzie Trust & Savings
(Receiver discharged)Dec. 21, 1934
Chicago.....Cook.....Kaspar-American State Bank
Bank (Receiver discharged).....Dec. 26, 1934

RECEIVER APPOINTED

Sullivan.....Moultrie.✓...Merchants and Farmers State
Bank—William L. O'Connell (Chas.
A. Gregory, Receiver—resigned)..Dec. 3, 1934

TRUST CERTIFICATE ISSUED

Cicero.....Cook.....First National Bank of Cicero—
Deposit \$50,000.....Dec. 12, 1934

RECAPITULATION

	Reopened by Permit	Closed under Holiday	Total
State Banks in Chicago.....	39	3	42
State Banks in Cook County outside Chicago....	35	1	36
State Banks in Illinois outside Cook County....	537	0	537
Total	611	4	615

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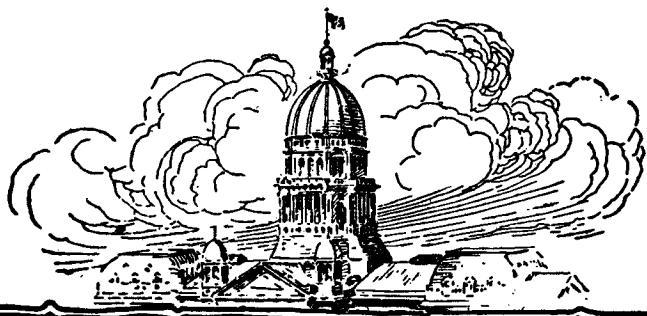
NO. 11

FEDERAL HOUSING LOANS

The term "mortgage" as used in the Federal Housing Act means a first mortgage on real estate in fee simple or on a leasehold under a lease for not less than ninety-nine years which is renewable, or under a lease for not less than fifty years upon which there is located a dwelling for not more than four families which is used in whole or in part for residential purposes.

The Administrator is authorized upon application to insure any mortgage which qualifies and which is offered to him within one year from the date of its execution. He is also authorized to make commitments for the insuring of such mortgages prior to the date of their execution or disbursement thereon. To be eligible for insurance under this Section, a mortgage shall:

- (1) Be held by a mortgagee approved by the Administrator as responsible and able to service the mortgage properly.
- (2) Involve a principal obligation including initial service charges and other fees in an amount not to exceed \$16,000 and not to exceed 80% of the appraised value of



the property as of the date the mortgage is executed.

- (3) Have a maturity satisfactory to the Administrator but not to exceed twenty years.
- (4) Contain complete amortization provisions satisfactory to the Administrator.
- (5) Bear interest not to exceed 5% per annum in new construction loans and 5½% in refunding loans on the amount of the principal obligation outstanding at any time or not to exceed 6% if the Administrator finds that under special circumstances the mortgage market demands it.
- (6) Provide, in a manner satisfactory to the Administrator, for the application of the mortgagor's periodic payments to amortization of the principal of the mortgage.
- (7) Contain such terms and provisions with respect to insurance, repairs, etc., as the Administrator may in his discretion prescribe.

The Administrator is authorized to fix a premium charge for the insurance of mortgages, which shall not be less than one-half of one per centum per annum of the original face value of the mortgage.

The Act also provides that no mortgage shall be accepted for insurance unless the Administrator finds that the project with respect to which the mortgage is executed is economically sound. For further information, see circular issued by the Administration.

Where the mortgagee forecloses and takes possession of the property in accordance with the regulations of the Administrator and conveys to the Administrator satisfactory title and signs to him all the claims of the mortgagee against the mortgagor, the mortgagee is released from payment of the annual premium charge for insurance and is entitled to receive Debentures having a total face value equal to the value of the mortgage at the time it is foreclosed and a Certificate of Claim.

The Debentures issued by the Administrator to any mortgagee shall bear interest at a rate determined by the Administrator at the time the mortgage was offered for insurance but not to exceed 3% per annum payable semi-annually, on January and July 1st of each year and shall mature three years after the first day of July following the maturity date of the mortgage. Debentures issued in exchange for mortgages insured under this Section prior to July 1, 1937, shall be fully guaranteed as to principal and interest by the United States.

The Certificate of Claim issued by the Administrator to the mortgagee shall be for an amount equal to the difference between the amount of the Debenture and the amount the mortgagee might have received if the mortgagor had redeemed the property and paid in full all obligations under the mortgage and those arising out of the foreclosure proceedings. Each Certificate of Claim shall provide that there shall accrue to the holder thereof an increment at the rate of 3% per annum.

If the net amount realized from any property conveyed to the Administrator after the deducting of expenses incurred by the Administrator, exceeds the face amount of the Debentures plus all interest paid on such Debentures, such excess is distributable first to the mortgagee to pay the amount of the Certificate of Claim and the balance, if any, paid to the mortgagor. The Certificate of Claim carries with it no right or interest in any property conveyed to the Administrator or any claim assigned to him.

Mortgages accepted for insurance are classified into groups so that mortgages in any group shall involve substantially similar risk characteristics and have similar maturity dates. All receipts derived from the property are credited to the account of the group and all expenses incurred by the Administrator in the handling of the property are charged to such account.

Whenever the credit balance in any group account exceeds the remaining unpaid principal of the then outstanding mortgages assigned to such group by an amount equal to 10% of the total premium payments which have theretofore been credited to such account, the Administrator shall terminate the insurance as to that group by (1) paying to each of the mortgagees a sum sufficient, if such mortgage is in good standing, to pay off such mortgage in full (2) by transferring the remainder of such credit balance to the general reinsurance account.

If the credit balance in any group account fails to exceed, until the final year prior to the maturity date of the mortgages assigned to such group, the remaining unpaid principal of the mortgages by an amount equal to 10% of the premium payments which have theretofore been credited to such account, the Administrator shall terminate the insurance as to that group of mortgages (1) by transferring to the general reinsurance account an amount equal to 10% of the total premium charges theretofore credited to such group account and (2) by distributing the remainder of such credit balance, if any, pro rata to the mortgagees for the account of the mortgagors. The amount to be paid to any mortgagor or mortgagee is solely within the determination of the Administrator.

In the event that a mortgagee forecloses on the mortgaged property but does not convey such property to the Administrator or in the event that the mortgagor pays the obligation in full prior to the maturity thereof, the obligation to pay the premium charge for insurance shall, upon due notice to the Administrator, cease. Thereupon the mortgagor shall be entitled to receive a share of the credit balance of the group account to which the mortgage has been assigned in such amount as the Administrator shall determine to be equitable.

It is also contemplated that National Mortgage Associations will be formed for the purpose of purchasing insured mortgages, from banks and other investing institutions. When and if such corporations are organized and this portion of the Federal Housing Act put into effect, there will be provided a ready market for these mortgages, thus supplying the needed liquidity.

For further information apply to the Federal Housing Administration in Chicago or Springfield.

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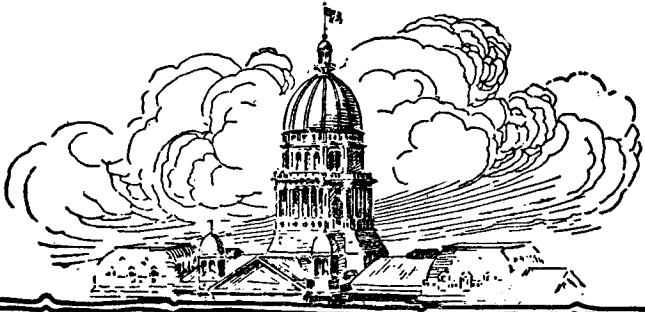
SPRINGFIELD, ILL., MARCH 1, 1935

NO. 12

JUDGMENTS

Examinations by this Department reveal, that in some instances, banks have failed to obtain recoveries on judgments because proper steps were not taken to extend the lien or cause executions to be issued on such judgments. With this in mind, we call attention to the salient provisions of the Law relating to judgments and executions.

Section 1 of Chapter 77 (Smith-Hurd's) provides that the judgment of a court of record shall be a lien on the real estate of the person against whom it is obtained and classifies the real estate in this State into two groups, the first group being all real property, the title to which is registered under the provisions of "An Act concerning land titles," approved May 1, 1897, as amended; the second class consists of all real property not registered under the provisions of that Act. Such judgments are liens on real estate in class I for the same period as in class II, when the provisions of Section 85 of "An Act concerning land titles," have been complied with, or in the case of judgments of the municipal court of Chicago when Section 63 of "An Act in relation to the municipal court, in the City of Chicago," has been complied with.



The judgment of a court of record is a lien on the real estate included within class II, situated within the county for which the court is held, from the time the same is rendered or revived, for the period of seven years, provided that when execution is not issued on a judgment within one year from the time the same becomes a lien, it thereafter ceases to be a lien, but execution may issue upon such judgment at any time within said seven years, and becomes a lien on such real estate from the time it is delivered to the sheriff or other proper officer to be executed.

Such judgments may be revived by bringing the proper action within twenty years after the date of the rendition of the judgment. Real estate levied upon within the seven years may be sold by the issuance of a proper writ to the sheriff or other officer within one year after the expiration of the seven years.

That Section also provides that there shall be no priority of the lien of one judgment over that of another rendered (at the same term of court or on the same day in vacation;) during the same calendar month. If the transcript of a judgment or decree be filed in the office of any clerk of any court of record in any county in this State, such judgments shall be a lien on the real estate of the party against whom the same is obtained in said county where filed.

As will be seen by the foregoing provisions, the judgment continues to be a lien on the real estate of the judgment debtor only for one year unless execution be issued thereon and delivered to an officer within that period. However, if an execution is issued after the period of one year but before the expiration of seven years, the judgment will be a lien from the time the execution is placed in the hands of the officer for service.

Such judgments are not a lien on the personal property of the judgment debtor until execution is issued thereon and placed in the hands of the officer for service. When that is done, the lien attaches to all the personal property that is owned or acquired by the judgment debtor from the time the execution is placed in the hands of the officer for service until the execution is returned by the said officer, but not for longer than ninety days. By the provisions of Section 8 of the same Chapter, all executions are made returnable ninety days after the date thereof. Therefore, unless the execution is returned satisfied, it should not be returned until the expiration of ninety days.

An execution delivered to the officer with instructions not to serve the same does not create a lien on the property of the debtor.

CALL REPORT FORMS

The recent adoption of new call report forms, which are more in conformity with the type of report required by other supervising agencies, has met with the gratifying approval of most banks and bankers. The standardization of forms to effect a saving of time and effort in the preparation of reports has resulted, in many in-

stances, in more promptly submitted reports and in less confusion and error in their execution.

It is regrettable that due to a disregard of instructions, some banks have been subjected to the inconvenience of submitting amended returns and that in a few cases the errors have resulted in the additional expense of republication of reports. It is recommended that the instructions, as contained in the letter accompanying the forms, be carefully studied before preparation of the report is begun.

Form No. 7 should first be executed, the schedules on this form should be carefully compiled before any amounts are entered in the report of condition on the face of the form, and this form should be carefully checked to determine the correctness before the execution of forms No. 8 and No. 9. Forms No. 8 and No. 9 should be copied from the face of form No. 7 and proof read against form No. 7 to determine that all items agree. Form No. 9 must be an exact copy of forms No. 7 and No. 8, with the exception only that the word "none" may be omitted from this form after those items where no figures are to be inserted. *Blank items need not be published.*

Particular attention is directed to the following in connection with report form No. 7:

Schedule A—Space is provided in this schedule for the names of all officers and directors, and all must be listed whether or not they are indebted to the bank. Any liability of the officers and directors must be properly shown and the schedule totalled.

Schedule C—This schedule deals exclusively with cash on hand, exchanges for clearing house, checks on local banks and amounts due from other banks. Outside checks and other cash items must not be shown in this schedule; such accounts should be shown as Item 2 of the Balance Sheet.

Schedules C and D—A space is provided in these schedules for sub-totals of items of the schedules. The amounts listed should be inserted in these sub-totals and should only be a sub-total of the items listed.

In connection with form No. 9 we direct your attention to the following:

This report must be a true copy of the report transmitted to the Auditor. It must be published in the same form and the same order of items, including the words (official publication), the full title and location of the bank, the affidavit of the President or Cashier, the attestation of the two Directors and the Notary's certificate including the word (seal). To determine that the report when published is correct in every detail the bank should request that the newspaper submit proof before publication. This proof should be carefully checked for correctness and completeness and returned to the publisher promptly for publication.

IN LIQUIDATION

✓ Beverly.....Adams.....Beverly State Bank.....Feb. 9, 1935 ✓
✓ Belmont.....Wabash.....First State Bank of Belmont....Feb. 19, 1935 ✓

DISSOLVED

✓ Chicago.....Cook.....Fort Dearborn Trust and Savings
Bank (in Liquidation January
3, 1922).....Feb. 1, 1935
✓ Winchester....Scott.....Farmers State Bank of Winches-
ter (in Liquidation January 17,
1935).....Feb. 25, 1935

RECAPITULATION

	Reopened by Permit	Closed under Holiday	Total
State Banks in Chicago.....	40	3	43
State Banks in Cook County outside Chicago...	36	1	37
State Banks in Illinois outside Cook County....	532	..	532
Total.....	608	4	612

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SPRINGFIELD, ILL., APRIL 1, 1935

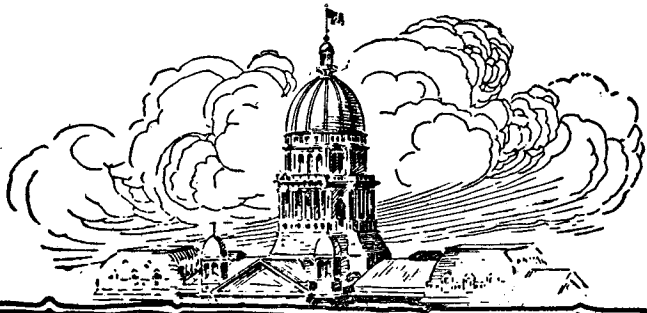
NO. 1

CREDITS

In many instances it is found that credit files, which were complete and up to date a year ago, have been allowed to become old and that the information contained therein does not now reflect the true financial condition of the borrower. This is particularly true in the case of the farmer borrower. It is evident that reduction and strengthening of many lines carried by the banks depend on collections from the proceeds of this year's crops. This is the season when the banker should contact his customer, obtain new financial statements and after careful study of same make his arrangements to fully protect and improve his loans.

It becomes increasingly evident that, in practically every instance, security is necessary and only through a close study of the financial statement and conferences with his customer can the banker determine the proper steps to take in regard to each loan.

In the case of the slower lines, if a satisfactory reduction program cannot be set up at this time, arrangements should be made for reduction and payment when the crops are harvested. If other more satisfactory security cannot be obtained



it may be advisable to procure chattel mortgages on the growing crops

It is frequently found that due to the demands of other creditors the crops and personal property are mortgaged and unless the banker is aggressive and has protected himself he may find that his line has been weakened and that he will not obtain the liquidation to which he is entitled when the crops are marketed. It is particularly true this year due to a short crop the preceding year in many localities, making it necessary to carry the borrower through the growing season.

Also, due to the short crops of last season and low prices of preceding seasons, real estate loans are, in some instances, in a past due condition, both as to principal and interest. It is necessary that the same diligence and effort be expended to make such loans current and to obtain reductions as is necessary with the open lines. Where real estate loans are now closely margined, reductions should be sought whether or not the loans are past due or shortly maturing. The market for farm properties is more active and better prices are being obtained than in several years and, therefore, every effort should be made to dispose of real estate owned and in cases where it is evident that the borrower will be unable to work out of his situation, efforts should be made to induce him to dispose of his holdings in the present good market.

DEFERRED CERTIFICATES

The following article with reference to Deferred Certificates was published by the Department in the bulletin of September, 1933:

“Numerous banks have issued Deferred Certificates to depositors and stockholders who have contributed funds to be used in reorganization of the banks.

“The Department has ruled that Deferred Certificates in the form approved by the Department are not a liability of the bank and need not be shown as such on the bank's statements, inasmuch as they are payable solely out of future net profits, if and when such future net profits are earned.

“However, the Department has further ruled that all public statements of banks issuing Deferred Certificates must carry the following footnote:

“The bank has outstanding \$. face amount of Deferred Certificates, payable solely out of future net profits, if and when such future net profits are earned, (future net profits are operating profits plus recoveries, less charge-offs and proper provision for reserves) representing contributions to the bank and subordinated to all deposits and creditor liabilities but payable before any distribution to stockholders as such.”

“Banks which have issued Deferred Certificates must, therefore, show the above footnote on all statements required by this office, including the published report in the newspaper and on any other statements made public.”

It has come to our attention that in several cases banks which have outstanding Deferred Certificates have not carried the footnote in their published call report nor does the footnote appear on statements printed for the purpose of circularizing their clientele.

While the Department has ruled that Deferred Certificates are not a direct liability of the bank and need not be shown as a liability on the bank's statement, they are a liability which must be met before any distribution to stockholders and, therefore, the omission of the footnote is a deception of the public.

Every statement made public by a bank with Deferred Certificates outstanding must contain the above mentioned footnote.

Dividends on Deferred Certificates are payable out of future net profits which are defined as operating profits plus recoveries, less charge-offs and proper provisions for reserves. The payment of dividends on Deferred Certificates must be approved and authorized by this Department. The Department is, of course, anxious that the Deferred Certificates be paid as soon as possible but will not approve of such a payment unless the bank is in such a condition that its capital structure will not be weakened thereby. Funds for this purpose must, under the terms of the Certificate, be acquired through earnings and through recoveries on “charged off” assets. It is, therefore, essential that particular attention be given to such assets. Credit information should be frequently renewed and the borrower contacted and arrangements for liquidation made with the same diligence and effort which is devoted to the assets carried in the bank's statement.

No dividend should be paid without the approval and authorization of this Department.

IN LIQUIDATION

- ✓ ChicagoCookMidway State Bank.....Feb. 13, 1935 ✓
- ✓ ChicagoCookBroadway Trust & Savings Bank
of ChicagoMar. 13, 1935 ✓
- ✓ AllenvilleMoultriePeoples State Bank of Allenville.....Mar. 13, 1935 ✓
- ✓ ChicagoCookSixty-Third and Halsted State
Savings Bank.....Mar. 14, 1935 ✓
- ✓ EddyvillePopeState Bank of Eddyville, Eddy-
ville, Ill., through First Na-
tional Bank in Golconda.....Mar. 20, 1935 ✓
- ✓ Orchardville ..WaynePeoples State Bank of Orchard-
villeMar. 30, 1935 ✓

IN SUSPENSION

- ✓ MolineRock Island...Moline State Trust and Savings
Bank (Receiver discharged)...Mar. 29, 1935

DISSOLVED

- ✓ ChicagoCookGarard Trust and Savings Bank
(Receiver appointed Mar. 6,
1930)Dec. 29, 1934
- ✓ DixonLeeUnion State Bank (Receiver ap-
pointed Nov. 19, 1920).....Mar. 2, 1935
- ✓ HolderMcLeanState Bank of Holder (In Liqui-
dation Jan. 9, 1935).....Mar. 12, 1935
- ✓ Schaumburg ..CookFarmers State Bank of Schaum-
burg (In Liquidation Mar. 31,
1934)Mar. 14, 1935

CHANGE OF LOCATION

- ChicagoCookAmalgamated Trust & Savings
Bank, from Southwest Corner
of Jackson Boulevard and
Clark Street, Chicago, Illinois
(111 W. Jackson Blvd.) to
Southeast Corner of Monroe
Street and Dearborn Street,
Chicago, Illinois.....Mar. 16, 1935 ✓

CLOSED

- ✓ RockfordWinnebago ...Rockford Trust Company.....Mar. 4, 1935

RECEIVER APPOINTED

- ✓ RockfordWinnebago ...Rockford Trust Company—Wil-
liam L. O'Connell.....Mar. 26, 1935 ✓
- ✓ ChicagoCookKenwood State Bank of Chicago
—William L. O'Connell (John
M. Thomson, Receiver—ap-
pointment revoked).....Mar. 28, 1935

OTHER CHANGES

- ChesterRandolphDeposit Liability of The First
National Bank of Percy, Percy,
Illinois, assumed by The First
State Bank of Chester.....Mar. 30, 1935 ✓

RECAPITULATION

	Reopened by Permit	Closed under Holiday	Total
State Banks in Chicago.....	38	2	40
State Banks in Cook County outside Chicago.....	36	1	37
State Banks in Illinois outside Cook County.....	528	—	528
	602	3	605

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SPRINGFIELD, ILL., MAY 1, 1935

NO. 2

REPORT FORMS

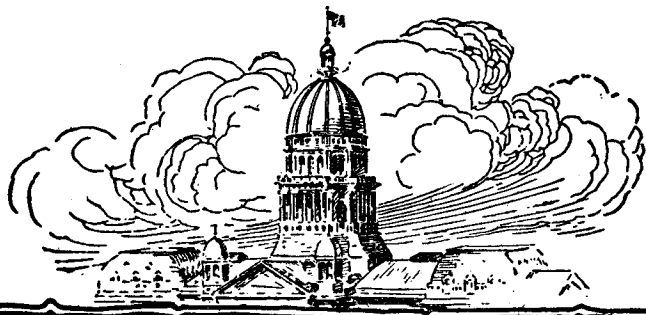
Call report forms for the next quarter and the forms for the semi-annual report of earnings, expenses and dividends have again been somewhat revised.

It has been necessary, during the last several years, to make frequent changes in the forms used in connection with Calls for reports of condition and operations of the banks, due to the rapidly changing conditions which have confronted banks and supervising authorities.

It has been the aim of this Department, and we believe all of the supervising bodies, to keep the forms as simple and understandable as is possible while at the same time obtaining the necessary information. To that end a conference was recently held in Washington, D. C., attended by representatives of the National Association of Supervisors of State banks, American Bankers Association, The Reserve City Bankers Association, The National Association of Bank Auditors and Comptrollers and the Federal Supervising Bodies, for the purpose of unifying and simplifying the forms used in connection with Calls for reports of condition and of operations by the various supervising authorities. A Committee was appointed to make a study of this problem and it is hoped through this study that such forms may be standardized and simplified.

One of the objects of the Committee is the deletion from the Call report forms, as far as is possible, of requests for information which is used purely for economic and statistical purposes.

The Department realizes the burden and expense which has been placed on the banks due to the enlarged and more complicated



forms which it has been necessary to use recently, both by this office and other agencies. Every effort has been made to keep the forms as simple as possible. It is urged that the banks carefully study the letter of instruction which accompanies the forms before the preparation of the report is begun. It is regrettable that due to a disregard of instruction some banks have been subjected to the inconvenience of submitting amended returns and that in a few cases the errors have resulted in the additional expense of republication of reports.

The Bulletin of December, 1934, and the instructions accompanying the Call of December 31, 1934, advised the banks that the Department had obtained an opinion from the Attorney General that while the word "None" must be shown on all lines on which no figures appear in the report to the Auditor of Public Accounts, it was not necessary that blank items be published. It is noted that a number of banks have not taken advantage of this saving and all institutions are advised to do so.

It must be understood that on Forms No. 7 and No. 8 every blank space and schedule must be filled in. Where there are no figures to report, the word "None" must be written or stamped on these two forms. Printed items on these blanks must not be scratched or amended in any manner. Any amounts which cannot properly be included in the printed items must be entered under "Other Resources" and "Other Liabilities."

Form No. 9 (Publisher's Certificate) must be a true copy of the report submitted to the Auditor. It must be published in the same form and the same order of items, including the words (Official publication), the full title and location of the bank, the affidavit of President or Cashier, the attestation of the two directors and the Notary's certificate including the word (seal). Items on Form No. 9 should be copied from completed Form No. 7 and submitted to the local publisher for his affidavit and printed clipping. Attestation of directors and both affidavits on this form must be original. On this form only all items after which there are no figures to be inserted may be left blank. Blank items need not be published in the official publication.

Form No. 7 (the report) must be sworn to by either the President or Cashier and attested by two Directors of the bank, other than the Officer signing. Special attention is directed to the several amendments which have been made on this form, particularly, to the changes in schedules which directly affect corresponding items of the balance sheet. It is recommended that these schedules be compiled carefully before entering any amounts in the report of condition on the face of this form.

Schedule "Q" has been added to the schedules and while this schedule has no corresponding item on the balance sheet, it is requested that careful attention be given to the compiling of the information requested therein.

Attention is, also, directed to the change in schedule "A" in which lines are added to show the elimination of duplications in liabilities of officers and directors.

Blanks for the report of earnings, expenses and dividends for the six-month period ending June 29, 1935, will be mailed to the banks during the latter part of June. These forms have been revised to facilitate their preparation on a typewriter and it is requested that they be so prepared. Special attention should be given to the instructions which are printed on the back of the forms and which are contained in the letter of transmittal which will accompany the forms. These reports must show the information called for on a cash basis instead of an accrual basis, and a complete report of all transactions affecting earnings, expenses, profits, losses, dividends, etc., during the six-month period must be transmitted on this form. Care should be taken to see that the various sections of the report are in balance and the original report should be mailed to the Auditor of Public Accounts, Springfield, Illinois, as soon as possible after the close of the period; the duplicate copy being retained in the files of the bank to facilitate checking by the examiner.

DIVIDENDS TO STOCKHOLDERS

Several inquiries have been made regarding the payment of dividends to stockholders and we, therefore, deem it expedient to quote Section 11½ of the Banking Act in reference to that subject:

"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 dividend 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 Department feels that the payment of a dividend is the responsibility of the Board of Directors and, of course, no Board should declare a dividend unless they have definitely ascertained that all of the requirements of the statute have been met. In addition to that, the Department strongly urges that dividends should not be paid until, and unless, ample reserves have been set up to meet possible losses and other contingencies.

Ample provision should be made in the form of reserves to care for fluctuations in market price of securities carried in the bond account, particularly if any of the banks are carrying a substantial amount of speculative securities. Naturally if depreciation exists in the bond account it should be entirely eliminated.

Where securities have been purchased at a premium, it is advisable to provide for the amortization of the premium at each interest date. Fixed assets should be properly depreciated and provision made for the elimination of other real estate, especially if non-income producing, and other non-profitable assets.

In case a dividend is declared, it will be necessary to request Form No. 55 from this office which should then be executed and returned for our files.

BANK REOPENED UNDER PERMIT SINCE MARCH THIRTY-FIRST

MolineRock Island...Moline State Trust and Savings BankApril 18, 1935 ✓

REOPENED

MolineRock Island...Moline State Trust and Savings BankApril 18, 1935 ✓

PERMIT ISSUED

DuQuoinPerryFirst Bank and Trust Co. in DuQuoin. Capital \$50,000, Surplus \$10,000, Reserve \$2,500...April 2, 1935

CAPITAL STOCK DECREASED

MolineRock Island...Moline State Trust and Savings Bank—From \$1,000,000 to \$100,000April 11, 1935 ✓

CAPITAL STOCK INCREASED

MolineRock Island...Moline State Trust and Savings Bank—From \$100,000 to \$500,000April 11, 1935 ✓

IN LIQUIDATION

LansingCookOak Glen Trust & Savings BankApril 1, 1935 ✓
(P. O. Oak Glen)

DISSOLVED

AllenvilleMoultriePeoples State Bank of Allenville (In Liquidation March 13, 1935)April 8, 1935

CamargoDouglasCamargo State Bank (In Liquidation Dec. 12, 1931).....April 18, 1935

BaldwinRandolphBaldwin State Bank (In Liquidation Apr. 17, 1931).....April 24, 1935

RECEIVERS APPOINTED

Green Valley..TazewellGreen Valley Bank—E. R. Rhoades (John H. Shade, Receiver—resigned)April 3, 1935

DelavanTazewellBaldwin State Bank of Delavan—William L. O'Connell (John H. Shade, Receiver—resigned)April 3, 1935

RECAPITULATION

	Reopened by Permit	Closed under Holiday	Total
State Banks in Chicago.....	38	2	40
State Banks in Cook County outside Chicago.....	35	1	36
State Banks in Illinois outside Cook County.....	529	..	529
Total	602	3	605

MONTHLY BULLETIN

Issued by
EDWARD J. BARRETT
AUDITOR of PUBLIC ACCOUNTS
BANKING DEPARTMENT
State of Illinois

VOL. II

SPRINGFIELD, ILL., JUNE 1, 1935

NO. 3

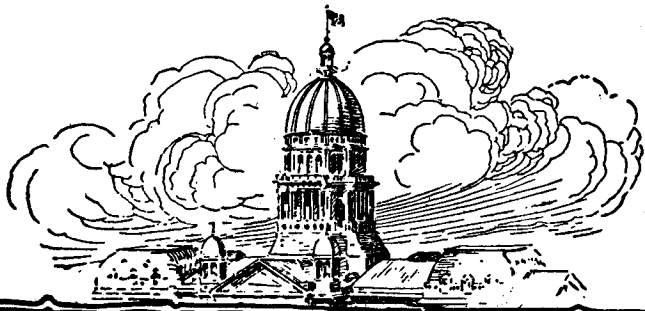
INCOME

Any business to be successful must be profitable.

The abnormal necessity for liquidity during the unsettled period, through which we have recently passed, caused many bankers to over-stress the accumulation of heavy cash reserves. In some instances it is found that this course, carried to extremes, has reduced the earning power to a point where it is difficult to meet expenses. Safety should never be sacrificed for return but after providing ample cash and secondary reserves, banks should be in a position to make good conservative loans thus serving their community with profit to themselves. Diligent effort should be made to dispose of unprofitable investments enabling the bank to employ the proceeds profitably. On the other hand no bank is justified in a policy of failure or neglect to collect loans which are not good credit risks merely because of the income derived from them.

The reduction of income through more conservative loaning and investment policies accentuates the need that compensation be obtained for all services rendered. The more general use of the service charge has been a saving factor in the situation above commented on. Service charges should be based on cost, and every banker is urged to familiarize himself with his costs and to know the return which he receives on his invested funds. The rate which he pays on time deposits should, of course, be based on the return which he receives by employing such funds.

Earnings, expenses and dividend reports are now in the mails and bankers are urged to study carefully the results reflected by these reports and when unfavorable conditions are indicated to take corrective measures.



EXPENSE

Operating expenses should be kept at a minimum consistent with safety and efficiency. However, it is false economy to reduce personnel to the extent that assets are neglected or the operations are not efficiently handled.

Officers and employees should be adequately bonded. Surety bonds are expensive but the Department feels that the stockholders and depositors are entitled to this protection and that the cost of surety bonds is a necessary expense in the operation of a bank.

Burglary and robbery insurance is likewise a necessity and a sufficient amount should be carried to cover all of the cash and negotiable securities which are kept on the bank's premises. Adequate fire and tornado insurance should, also, be carried on banking house, furniture and fixtures and real estate owned.

DEFERRED CERTIFICATES OF DEPOSIT

Requests are constantly being received by the Department for authority to pay Deferred Certificates of deposit either wholly or in part. Such Certificates were issued in lieu of waivers of deposit by depositors and of contributions by stockholders. The Department is wholly in accord with the desire to repay same as rapidly as is possible and we will cooperate with the banks to that end to the fullest extent consistent with safety.

However, the approval of the acceptance of waivers and contributions was given solely for the purpose of rehabilitating banks and eliminating undesirable assets and the Certificates provide that they are payable solely from future net profits which are defined as "operating profits, plus recoveries, less charge-offs and proper provision for reserves." The condition of the bank must be the first consideration. Undesirable and unprofitable assets must be eliminated. Fixed assets should be carried only at a proper ratio to capital structure and not be over-valued. Adequate liquidity should be maintained and proper surplus, undivided profit and reserve accounts maintained or established.

In several instances it is apparent that consideration has been given to the demands of depositors and their reaction to payments made by competitor banks rather than to the condition of the bank when such requests have been made.

It is incumbent upon banks to make every effort to keep their loans current and well secured or supported, to maintain adequate and fresh credit files, to have in their files all necessary papers and insurance covering real estate loans, to dispose of other real estate, to properly depreciate the fixed assets and to maintain a highly rated readily marketable investment account. Every effort should be made to increase income through profitable investments and loans and to see to it that proper compensation for services rendered is received. General expense should be kept at a minimum consistent with safe and efficient operation. Interest on time deposits should only be paid at a rate in accordance with present conditions and the earning power of such funds.

Unremitting attention should be devoted to "charged off" assets and every effort made to effect recoveries. It is equally as important to maintain complete credit files on such assets as it is on those carried on the banks' books. Collateral should be obtained and systematic programs of reduction instituted.

Advantage should be taken of the present more active real estate market to dispose of other real estate, both on the banks' books and charged off. In many cases loans which are dependent on equities may now, due to the better values, be salvaged by the sale of property either by the maker or by the bank and the bank should take steps to put such loans in collectible condition.

In many cases at the time of reorganization, bonds were charged down to the then market value and depreciation on such bonds forms a part of the "charged off" assets. There has been a considerable recovery in quoted values and appreciation is found in most bond accounts.

A careful analysis of the bond account should be made and where that course appears advisable, issues showing a considerable appreciation should be disposed of and the recovery realized. The Department is averse to taking into consideration unrealized appreciation when requested to approve the payment of Deferred Certificates of deposit.

The payment of Deferred Certificates of deposit will be of inestimable benefit to the bank and to the community which it serves and every bank which has such Certificates outstanding should devote its energies to that end.

IN LIQUIDATION

Flossmoor ...CookFlossmoor State Bank.....May 8, 1935 ✓
 ChicagoCookEdgewater Trust & Savings Bk. May 14, 1935 ✓
 ChicagoCookMadison-Kedzie Trust & Savings Bank.....Dec. 31, 1934 ✓
 (Formerly carried "In suspension")

DISSOLVED

CutlerPerryFirst State Bank of Cutler
 (In Liquidation Jan. 27, 1932) ..May 1, 1935
 BeverlyAdamsBeverly State Bank
 (In Liquidation Feb. 9, 1935) ..May 1, 1935
 Beardstown ...CassBeardstown State Bank
 (In Liquidation Mar. 5, 1930) ..May 3, 1935
 JewettCumberland ..Jewett State Bank
 (In Liquidation Aug. 5, 1933) ..May 11, 1935
 Orchardville ..WaynePeoples State Bank of Orchardville
 (In Liquidation Mar. 30, 1935) ..May 11, 1935
 EddyvillePopeState Bank of Eddyville, Eddy-
 ville, Ills. (In Liquidation Mar.
 20, 1935)May 11, 1935
 VernonMarionFarmers & Merchants State Bank
 of Vernon (In Liquidation Jan.
 21, 1932)May 13, 1935
 DurandWinnebago ...Durand State Bank (Receiver ap-
 pointed Sept. 14, 1932).....May 16, 1935
 Morrisonville .ChristianFarmers State Bank of Morrison-
 ville (In Liquidation Jan. 20,
 1930)May 20, 1935
 PhiloChampaign ...Philo State Bank
 (In Liquidation Mar. 21, 1933) ..May 27, 1935

CHANGE OF LOCATION

Park Ridge ...CookCitizens State Bank of Park
 Ridge From 18 So. Northwest
 Highway (Park Avenue), Park
 Ridge, Ill., to 1 So. Northwest
 Highway (Park Avenue) Park
 Ridge, Illinois.....May 18, 1935 ✓

RECAPITULATION

	Reopened by Permit	Closed under Holiday	Total
State Banks in Chicago	37	2	39
State Banks in Cook County outside Chicago.....	34	1	35
State Banks in Illinois outside Cook County.....	529	—	529
Total	600	3	603

MONTHLY BULLETIN

Issued by
EDWARD J. BARRETT
AUDITOR of PUBLIC ACCOUNTS
BANKING DEPARTMENT
State of Illinois

VOL. 11

SPRINGFIELD ILL., JULY 1, 1935

NO. 4

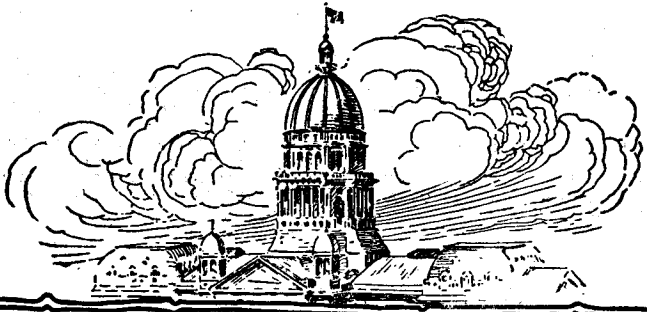
"TIME"

Examinations often reveal that executive officers have so burdened themselves with detail that they cannot and do not have time to give important matters the necessary attention.

The loaning and investing of the bank's funds constitute its most important operation. Every bank should be so organized that its loaning officer or officers can give careful consideration to loans and investments when made and can give them their constant attention thereafter. It is frequently found that the time of the loaning officer is so taken up with detail matters that he cannot give the proper attention to loans and investments.

While the executive officer in any bank larger than the "one man" bank should exercise a general supervision, should know the bank's customers and be available to the public, his time should not be taken up in accepting deposits, cashing checks, writing drafts and bookkeeping. Even in a small bank it is practical and advisable to departmentalize.

As a rule the smaller bank cannot afford to establish a separate auditing department but it should have a system of internal audit supervised by the executive officer. The responsibility for the various operations should be as sharply defined as possible. He will then be in a position to direct a periodic check of each operation without devoting his time to the details.



TRUST CERTIFICATES

The following is an opinion of the Attorney General of the State of Illinois regarding stock trust certificates and bond trust certificates:

"Banks in Illinois derive their powers from the 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 is in part, as follows:

"It shall be lawful to form banks and banking associations * * * for the purpose of discount and deposit, buying and selling, exchanging and doing a general banking business, excepting the issuance 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 the Act provides that '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. * * *'"

"All of the powers granted by the legislature and approved by vote of the people are enumerated in the above grants contained in Sections 1 and 9, except such incidental powers necessarily implied and reasonably required, in the exercise of the powers expressly granted."

"There is no express grant of powers to a banking corporation to purchase the capital stock of another corporation, or shares of stock which are representative of such capital stock, or interests therein."

"Prior to the enactment of the General Corporation Act of 1919 no corporation in Illinois was authorized to own shares of stock or other interests in corporations, and under that Act, by Section 7 thereof, the power to acquire or dispose of stock of other corporations was further prohibited if the effect of such acquisition served to lessen competition or to create a monopoly. This condition continued until the enactment of the Business Corporation Act of 1933 which, by Section 5g also granted express powers and without limitations to corporations to own and dispose of shares of stock in other corporations in the following language:

"To purchase, take, receive, subscribe for, or otherwise acquire, own, hold, vote, use, employ, sell, mortgage, loan, pledge, or otherwise dispose of, and otherwise use and deal in and with, shares or other interests in, or obligations of, other domestic or foreign corporations, associations, partnerships, or individuals."

"While the language used in the case of *People ex rel Peabody v. Chicago Gas Trust Company*, 130 Ill. 268, is applicable only to business corporations, and the case was decided before the corporate powers as to stock ownership were broadened by the 1919 Act, yet in view of the fact that the Banking Act has never been changed to permit the ownership of stock, I am impelled to quote from page 285 of that opinion:

"The General Incorporation Act of this State does not, in express terms, confer upon the corporations organized under it the power to purchase and hold shares of stock in other corporations. It is silent upon the subject. The only powers granted by it are the ordinary corporate powers, such as the rights to be bodies corporate and politic, to sue and be sued, to have a common seal, etc. The charter of a corporation formed under such a general law does not consist of the articles of association alone, but of such articles taken in connection with the law under which the organization takes place * * * The provisions of the law enter into and form a part of the charter. It certainly cannot be true, that a corporation, formed under the General Incorporation Act for a purpose other than that of dealing in stocks, can exercise the power of purchasing and holding stock in other corporations, where such power cannot be necessarily implied from the nature of the power specifically granted, and is not necessary to carry the latter into effect."

"The power to purchase and hold stock in other companies must be the subject of legislative grant, if not in all cases at least in cases where it cannot be implied from the powers expressly granted. The General Incorporation Law contains no grant of such power by the legislature."

"In the case of *Knass v. Madison and Kedzie State Bank*, 354 Ill. 554, in a matter involving the right of a State bank to execute a repurchase agreement for the repurchase of bonds sold by it to a customer, the court considers at some length the powers of banks, and the following significant language may be found in the opinion:

"The rule long recognized and frequently announced by this court is, that a bank incorporated under legislative charter, like other corporations so organized, has only such powers as are expressly conferred by the statute under which it is organized and such powers as are necessarily implied from the specific grant of power. Every power that is not clearly granted is withheld. Enumeration of powers granted implies exclusion of all others, and any ambiguity in the terms of the grant of power must operate against the corporation and in favor of the public. If a power claim is withheld, the withholding of such power is to be regarded as a prohibition against its exercise. (*Calumet Dock Co. v. Conkling*, 273 Ill. 318; *Fritze v. Equitable Building and Loan Society*, 186 id. 183; *American Loan and Trust Co. v. Minnesota and Northwestern Railroad Co.*, 157 id. 641; *Fridley v. Bowen*, 87 id. 151.) Other courts hold the same view. *California Bank v. Kennedy*, 167 U. S. 362; *Weckler v. First Nat. Bank*, 42 Md. 581." (Page 561.)

"The language 'doing a general banking business' may not by construction be extended beyond the meaning of like words used in the constitution of the State authorizing the creation of corporations 'with banking powers'. The words 'banking powers', as used in the constitution, were in *Reed v. People*, 125 Ill. 592, construed to mean such powers as are ordinarily conferred upon and used by the various banks doing business in the country. The words 'general banking powers' are to be used in their common and ordinary sense. The ordinary and usual powers exercised by banks in doing general banking business are to loan money, to discount notes, receive deposits and deal in commercial exchange. They possess other powers, some of which are specifically conferred by statute, but these are the usual powers exercised in doing a general banking business. (*Wedesweller v. Brundage*, 297 Ill. 228; *People v. Doty*, 30 N. Y. 225; *Mercantile Nat. Bank v. City of New York*, 121 U. S. 138; *Exchange Bank of Columbus v. Hines*, 3 Ohio St. 1.)" (Page 563.)

"Speculation by a banking corporation with the funds deposited with it and its entry into the guaranty or surety business are neither within the principles of sound banking business nor the powers conferred by the statute under which it is organized. * * *"

"Are such contracts as here relied upon void as against public policy or violative of statutory enactment? Contracts against public policy are generally unenforceable by any remedy. (Re-statement of the Law of Contracts, Am. Law Inst. sec. 369.) Public policy is a principle of law which holds that no one may lawfully do that which has a tendency to injure the public or to be against the public good. Banks are quasi-public institutions. Their well-being concerns not only the stockholders but the depositors and public at large. Contracts are against public policy when they tend to injure the public. Agreements such as are here involved fall within that category. Recent experience, so general as to afford the basis of judicial notice, has shown that contracts not within the powers conferred on banks and which so jeopardize the safety of bank deposits as to result in their loss, tend to produce widespread injury to the public, and may properly be held void though there be found no specific statutory prohibition against them. It is an academic rule of law that from the constitution and statutory enactments may be gleaned the public policy of the State." (Page 567.)

"The same rule prevails in regard to National Banks. In the case of *Concord First National Bank v. Hawkins*, 174 U. S. 364, The Concord bank had invested some of its funds in the stock of another National bank, and upon the failure of such bank an attempt to enforce the super-added liability as a stockholder was made by the receiver of the failed bank. The Supreme Court of the United States held that under the National Banking Act the Concord First National Bank had no power or authority in law to purchase the capital stock of another bank, and therefore having acted *ultra vires* its charter powers, it was not subject to the assessment for double liability as a stockholder."

"The court said on page 132:

"No express power to acquire the stock of another corporation is conferred upon a National bank, but it has been held that, as incidental to the power to loan money on personal security, a bank may, in the usual course of doing such business, accept stock of another corporation as collateral, and by the enforcement of its rights as pledges it may become the owner of the collateral and be subject to liability as other stockholders. So, also, a National bank may be conceded to possess the incidental power of accepting in good faith stock of another corporation as security for a previous indebtedness. It is clear, however, that a National bank does not possess the power to deal in stocks. The prohibition is implied from the failure to grant the power." (See also *City of Marion v. Sneed*, 291 U. S. 262.)

"With reference to the right of the bank to invest in bond trust certificates, the same objections are to be found. The bank does not own the bonds, but

merely owns shares of stock which are representative of a number of bonds in the portfolio of some investment trust, and usually deposited with a trustee for safekeeping. It would have no control over them, and in order to realize on its investment could only sell the same at whatever price it could obtain. The bonds are not available for examination by the Auditor in order to determine whether or not fluctuations in value since the purchase of the same have taken place, and in fact no examining authority has any method of determining what the actual value of the certificates representing the deposited bonds are worth, other than the quoted market value, if it is so quoted on any stock exchange as a listed security. Such investments have never been contemplated by the legislative act, and in the absence of a specific grant of powers to make the same, are clearly improper. An Act of the General Assembly, approved by a vote of the people, is necessary in order that a State bank of Illinois be authorized to invest in stock trust certificates or bond trust certificates."

IN LIQUIDATION

IolaClayIola State Bank..... June 17, 1935 ✓

DISSOLVED

Cissna Park...IroquoisPeoples State Bank of Cissna Park (In Receivership Sept. 10, 1931)..... June 1, 1935

BellmontWabashFirst State Bank of Belmont (In Liquidation Feb. 19, 1935)..... June 6, 1935

RECEIVERS APPOINTED

AlexanderMorganAlexander State Bank—William L. O'Connell (E. E. Crabtree, Receiver, resigned)..... June 14, 1935

Murrayville ...MorganMurrayville State Bank—William L. O'Connell (E. E. Crabtree, Receiver, resigned)..... June 14, 1935

NobleRichlandThe Bank of Noble—William L. O'Connell (E. B. Ring, Receiver, resigned)..... June 28, 1935

Rose Hill.....JasperState Bank of Rose Hill—William L. O'Connell (Walter W. Payne, Receiver, resigned).... June 28, 1935

BrownsEdwardsBrowns State Bank—William L. O'Connell (Clyde Crackel, Receiver, resigned) June 29, 1935

WheelerJasperState Bank of Commerce of Wheeler—William L. O'Connell (E. S. Wishard, Receiver, resigned) June 29, 1935

RECAPITULATION

	Reopened by Permit	Closed Under Holiday	Total
State Banks in Chicago.....	37	2	39
State Banks in Cook County outside Chicago.....	34	1	35
State Banks in Illinois outside Cook County.....	528	..	528
Total	599	3	602

MONTHLY BULLETIN

Issued by
EDWARD J. BARRETT
AUDITOR of PUBLIC ACCOUNTS
BANKING DEPARTMENT
State of Illinois

VOL. 11

SPRINGFIELD, ILL., AUGUST 1, 1935

NO. 5

INTERNAL AUDITS

Every bank larger than the "one-man" bank should establish a system of internal audit or check. The small banks, as a rule, cannot afford to maintain a separate auditing department and, therefore, this duty falls on the executive officer and upon the directors.

The prime requisite of such a system is that, insofar as is possible, the bank be departmentalized and that responsibility for the various operations be sharply defined. Such a policy will not only add safety and reduce temptation but will, also, add to efficiency of management.

It is frequently found that a number of the officers and employees have access to the cash and that transactions involving cash are handled indiscriminately by them. Under these conditions it is almost impossible to fix responsibility for loss. The Teller should be made responsible for the cash and should not permit access to same by anyone even including the higher officers except in his presence and for the purpose of audit.

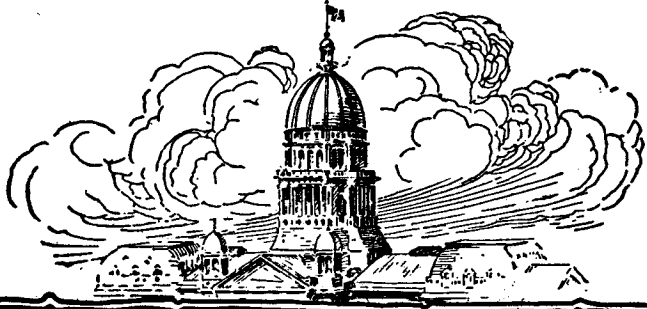
Due to press of business it is sometimes necessary to use additional Tellers and when he is absent his work must be carried on. In cases of this kind he should deliver to a designated employee or employees a specified amount of cash. Same should be accounted for to him at the close of business, periodically, or when the additional facilities are no longer needed.

Bonds and other negotiable securities, including those owned by the bank or held as collateral, and those held in trust and for safekeeping, should be under strict control. It is preferable that such control should be dual and access had only in the presence of both parties. Responsibility for the note case should be definitely fixed, authority to sign for the bank should be limited and control of blank drafts, cashier's checks, etc., should be fixed. The responsibility of the keeping of the books should, likewise, be fixed insofar as is possible.

The cash, negotiable securities, notes and other assets should be checked and balanced, interest received and paid verified, the books proven and the correspondent bank accounts reconciled periodically by officers and employees not directly responsible for the operation under audit. Customers' pass books should be balanced, statements delivered, reconciliations handled and customers' complaints investigated by officers or employees other than those keeping the books.

Rotation of employees is of great assistance in maintaining an effective internal audit.

In the very small bank where a system of internal audit is impossible the directors should make frequent checks of the assets and books.



INVESTMENT OF TRUST FUNDS

The sections of the Revised Statutes of Illinois pertaining to the investment of trust funds are quoted below. Recent changes in these laws are indicated by brackets.

Guardian

"It shall be the duty of the guardian to put and keep his ward's money at interest upon security to be approved by the court, or by investing, on approval of the court, the same in United States bonds, (or in the bonds or debentures of National Mortgage Associations established by or under the National Housing Act or in notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator or debentures issued by him pursuant to an Act of Congress of the United States entitled the "National Housing Act,") or in the bonds of any county or city which are not issued in aid of railroads, and where the laws do not permit said counties or cities to become indebted in excess of five per cent of the assessed valuation of property for taxation therein, and where the total indebtedness of such county or city does not exceed five per cent of the assessed valuation of property for taxation at the time of such investment. Personal security may be taken for loans not exceeding one hundred dollars. Loans upon real estate shall be secured by first mortgage thereon and not to exceed one-half the value thereof (, and) no mortgage loan shall be made for a longer time than five years nor beyond the minority of the ward: Provided, the same may be extended from year to year without the approval of the court (, and provided further, that these restrictions shall not apply to securities insured by the said Federal Housing Administrator). The guardian shall be chargeable with interest upon any money which he shall wrongfully or negligently allow to remain in his hands uninvested after same might have been invested."

Conservator

"It shall be the duty of the conservator to place and keep his ward's money at interest, upon security to be approved by the court, by investing, on approval of the court, the same in United States bonds (or in the bonds or debentures of National Mortgage Associations established by or under the authority of the National Housing Act, or in notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator or debentures issued by him,

pursuant to an Act of the Congress of the United States entitled the "National Housing Act") or in the bonds of any state, county, city or municipality, which are not issued in aid of railroads and where the laws do not permit said counties, cities or municipalities to become indebted in excess of five per cent of the assessed valuation of property for taxation therein, and where the total indebtedness of such county, city or municipality does not exceed five per cent of the assessed valuation of property for taxation at the time of such investment. Personal security may be taken for loans not exceeding \$100. Loans upon real estate shall be secured by first mortgage, or trust deed thereon and (, except in the case of loans insured by the said Federal Housing Administrator,) not to exceed one-half the value thereof. All loans shall be subject to the approval of the court. The conservator shall be chargeable with interest upon any money which he shall wrongfully or negligently allow to remain in his hands uninvested, after the same might have been invested."

Trustees

"That investments of trust funds by trustees, may, when not otherwise provided by the will, deed, decree, gift, grant or other instrument creating or fixing the respective trust, be in the bonds of the United States, or in the bonds of the Home Owners' Loan Corporation, (Federal Farm Mortgage Corporation or Federal Land Bank,) or (in the bonds) of any of the states of the United States, (or in bonds or other obligations of National Mortgage Associations by and under the authority of the National Housing Act, or in bonds or notes secured by mortgage or trust deed insured by the Federal Housing Administrator, or debenture issued by him,) or in first mortgages upon real estate in any state, or in the bonds of any county, city or municipality in any state, or in the first mortgage bonds of any corporation of any state upon which no default in payment of interest shall have occurred for a period of five years, (and the first mortgage bonds of any corporation of any state qualifying under the terms of the Federal Securities Act of 1933 and the Securities Law of the State of Illinois, issued in whole or in part to refund any first mortgage bonds of such corporation eligible for investment hereunder at the time of refunding,) but no trustee shall be authorized by this Act to invest trust funds in any bonds in which cautious and intelligent persons do not invest their own money, and any trustee (or any and all successors in trust) may continue to hold any investment received by him under the trust, or any increase thereof."

REOPENED

✓ Beecher Will Farmers State Bank of Beecher
(Receiver discharged and bank
reopened by order of the Circuit
Court of Sangamon County).. July 27, 1935 ✓

DURATION EXTENDED

✓ Shumway Effingham Citizens State Bank of Shumway.
Charter extended 99 years from
September 13, 1935..... July 18, 1935 ✓

DISSOLVED

✓ Iola Clay Iola State Bank (In Liquidation
June 17, 1935)..... July 8, 1935

✓ Fillmore Montgomery .. The Fillmore State and Savings
Bank (In Liquidation March 21,
1930) July 22, 1935

✓ Alvin Vermillion State Bank of Alvin (In Liquida-
tion October 3, 1931)..... July 22, 1935

RECEIVERS APPOINTED

✓ Macon Macon Farmers State Bank of Macon—
William L. O'Connell (J. F. Van
Gundy, Receiver—resigned)... July 11, 1935

Warrensburg .Macon State Bank of Warrensburg—
William L. O'Connell (W. C.
Chynoweth, Receiver—re-
signed) July 18, 1935

RECAPITULATION

	Reopened by Permit	Closed Under Holiday	Total
State Banks in Chicago.....	37	2	39
State Banks in Cook County outside Chicago.....	34	1	35
State Banks in Illinois outside Cook County	529	..	529
Total	600	3	603

MONTHLY BULLETIN

Issued by
EDWARD J. BARRETT
AUDITOR of PUBLIC ACCOUNTS
BANKING DEPARTMENT
State of Illinois

VOL. 11

SPRINGFIELD, ILL., SEPTEMBER 1, 1935

NO. 6

SAFE KEEPING

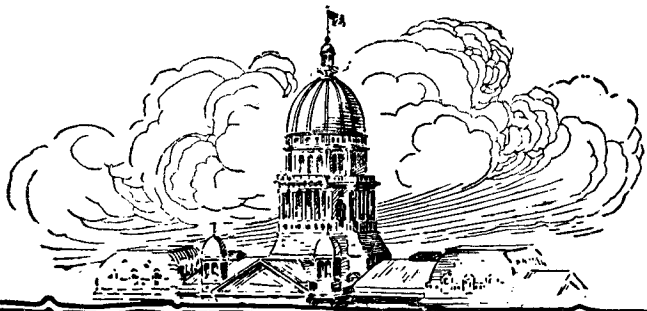
This is one of the most difficult departments to cover satisfactorily in an examination or by internal audit. This is true because, due to the nature of the transaction, it does not appear on the bank's statements nor on the bank's books. For this reason it is frequently found that an adequate system is not maintained nor the records carefully kept. This is particularly the case in many of the smaller banks.

Here again, as in the other operations of the bank, the responsibility should be sharply defined. A numbered receipt stating and limiting the bank's liability should be issued for every article of value left with the officers or employees of the bank for any purpose even of a known temporary nature. The receipt forms should be under definite control and every receipt accounted for, including those mutilated and canceled. Upon surrender of the article, the return of the receipt should be required and the customer should be required to acknowledge the return of the article over his signature. This would necessitate the maintenance of a signature file.

A safe-keeping register should be maintained and entries made therein under a number corresponding to the receipt number. A complete description of the article or security should be made on both the receipt and register.

Items accepted for safe-keeping should be kept separate from the bank's securities and should be clearly identified.

The auditing department should make periodic audits of the safe-keeping department and in cases where the directors do not employ an auditor, the duty should fall upon the directors and the executive officers who should not only check the securities with the records but should see to it that the system is properly maintained. The bank should be properly compensated for safe-keeping services and when the question arises, should discuss with the customers the advisability of leaving their valuables in safe-keeping or of keeping them in safe deposit boxes.



Examiners frequently report practices in connection with the operation of the Safe Deposit Box Department which are subject to severe criticism. Several instances have been recently reported of bank officers retaining customers' keys in their possession; the usual explanation being that it is done for the accommodation of the customer. Such a practice is wholly indefensible as possibilities for difficulties arising should be obvious.

No one other than the renter, or his legally authorized agent, should be permitted to handle or to, in any way, have access to the box. Extreme care should be used in identification and in every case where an agent is given access, proper authority should be obtained and filed. It is advisable to maintain a record of the time and date of every entry made.



SURETY BONDS AND INSURANCE

These are subjects which have frequently been discussed in these bulletins. The necessity for protection against insurable losses should be self-evident; however, report after report is received in this office with the Examiner's criticism of inadequate surety bonds, burglary and robbery and other forms of insurance. Adequate coverage must be maintained and the Examiners from this Department are instructed to insist that the directors obtain such coverage in cases where it is found that the responsible officers have failed to do so.

FEDERAL HOUSING LOANS

We quote copy of letter addressed to the Federal Housing Administration by the Reconstruction Finance Corporation:

"For the purpose of encouraging the construction of new homes and to assist in creating a more general market for mortgages insured under the National Housing Act, the RFC Mortgage Company will, until further notice and to the extent hereinafter named, buy and sell these insured mortgages, without recourse.

"For the present RFC Mortgage Company will buy the mortgages at par and accrued interest, less a discount of $\frac{1}{2}$ of 1%, but will only buy from reputable financial institutions originally making the loans, who agree to look after servicing them.

"Any mortgages that we buy will be available for sale and when sold through qualified brokers and distributors, we will allow an over-all commission of $\frac{1}{2}$ of 1% to cover their compensation and cost of distribution.

"Under the new Banking Act, banks may invest in these mortgages and we feel they also offer a desirable form of investment for institutions and fiduciary trusts. The greater their distribution, the more home building we will have, and the more we will contribute to national recovery.

"Applications to sell and commitments for the purchase of these mortgages will be considered at the 32 RFC Loan Agencies throughout the country.

"\$10,000,000 has been made available to the RFC Mortgage Company by the Reconstruction Finance Corporation as a revolving fund for this purpose."

WORKS PROGRAM PAY CHECKS

We quote letter of the President of the United States to all banks:

"The Nation-wide works program which the Federal Government has launched in order to give employment to men and women on the relief rolls is now under way. The program will naturally involve the issuance of a large number of pay checks, which checks will be drawn on the Treasurer of the United States by Federal disbursing officers in the states.

"In order to prevent delays in the payment of wages and in order that these workers, practically all of whom have been on the relief rolls, may receive the fullest benefit from their employment it is essential that our banks throughout the country extend every possible cooperation by cashing their checks at par upon proper identification, which will in most cases be the identification card given the payee by the employing office.

"I urge bankers to extend to this program the fullest cooperation to the end that these checks will be cashed promptly and in full."

DISSOLVED

✓ Goreville .. Johnson Citizens State Bank of Goreville
(In Liquidation Nov. 26, 1932). Aug. 16, 1935

RECAPITULATION

	Reopened by Permit	Closed under Holiday	Total
State Banks in Chicago.....	37	2	39
State Banks in Cook County outside Chicago.....	34	1	35
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MONTHLY BULLETIN

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State of Illinois

VOL. 11

SPRINGFIELD, ILL., OCTOBER 1, 1935

NO. 7

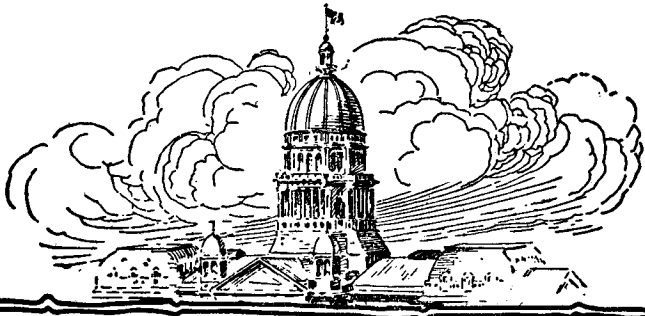
"CONFIDENTIAL"

A bank's relationships with its customers are, by their nature, highly confidential. Its affairs should be so conducted that the customer will have every confidence in the discretion of the bank.

Complete credit information on all lines is essential to the proper conduct of a bank. The loaning officers and directors, in deciding the policy regarding a loan should have before them the financial statement and full information regarding the income of the borrower to enable them to determine his future prospects. The Department has insisted that such information be on hand and that it be kept current. This policy encountered considerable resistance largely through the fear of offending good customers. It was felt, in some instances, that such a requirement might cause the loss of desirable business.

The practice of requiring complete credit information has become practically universal and the objection to furnishing same has largely disappeared. However, there is one objection which is still frequently raised, that is, that the borrower often feels that when such information is furnished it will become generally known in his community.

The fact that a bank's relations with its customers are confidential, should be impressed upon all employees. Officers and directors should see to it that the affairs of its customers are never discussed outside of the institution.



ANNUAL MEETINGS OF STOCKHOLDERS

The annual meetings of the shareholders of most of the State banks in Illinois are held in January of each year and directors for the ensuing year are elected at these meetings. The Banking Act of this State provides in this regard as follows:

"And there shall be an annual meeting of the stockholders for the election of directors each year on the first Monday in January unless some other date shall be fixed by the by-laws of the association."

In the matter of electing directors, attention is directed to Section 3 of the Banking Law which specifies:

"And no director shall be elected unless he shall have received votes representing at least a majority of the shares of the association; and the voting may be done by person, or by proxy, and at such election the subscribers or stockholders shall have the right to vote for the number of shares owned or subscribed by him for as many persons as there are directors to be elected, or to accumulate such shares and give one candidate as many votes as the number of directors multiplied by the number of his shares of stock shall equal, or to distribute them on the same principle among as many candidates as he shall deem proper."

As soon as the directors have been elected they should meet and organize by the election of one of their number as president, by appointment of such other officers as the by-laws provide and by employing the necessary employees. At this time each director should take and subscribe to the oath of fealty and such oath must be immediately transmitted to the Auditor of Public Accounts. Banks for this purpose will be sent to each bank before the first of the year.

The portion of the Law regarding oath of fealty is quoted below:

"* * * each director shall take and subscribe to an oath such as the Auditor shall prescribe of fealty to the bank or association of which he is director and that he will, so far as the duty devolves on him, diligently and honestly administer the affairs of such bank or association and will not knowingly violate or willingly permit to be violated any of the provisions of this Act; and that he is the owner in good faith and in his own right of the number of shares of stock required by this Act; and that the same is not hypothecated or in any way pledged as security for any loan or debt. Such oath subscribed by the director making it and certified by a proper officer authorized to administer oaths shall be immediately transmitted to the Auditor and shall be filed and preserved by him in his office."

If it is not possible to obtain the oath of fealty of all directors immediately the oath of those directors who are available should be forwarded to this Department promptly, together with an explanation of the reason why the oath of the legal number of directors is not furnished and with a request for additional blanks to be used in obtaining and forwarding the oaths of the other directors as soon as possible.

Inquiries are frequently made of this Department regarding the filling of vacancies in the Board of Directors and, apparently, some confusion still exists regarding this matter due to the fact that the Law at one time did provide that vacancies might be filled by a two-thirds vote of the remaining directors. However, the Law now in force makes no provision for the election of directors except by vote of stockholders and vacancies can be filled only by election at the annual meeting of

stockholders, or at a special meeting of stockholders called for that purpose. Existing vacancies, therefore, should be filled at the annual stockholders' meeting.

If for any reason it is not possible or thought not advisable to elect the legal number of directors at the annual meeting of shareholders and the Board of Directors desires to change this number, or to make any other charter changes as specified in Section 12 of the Banking Act, such propositions may be submitted to a vote at the regular meeting of stockholders without special publication of notice of the object of the meeting, or special notice to the stockholders other than the usual notice of the annual meeting. These changes include change of name, change of place of business, increase or decrease or change of par value of the capital stock, extension of duration of the charter, increase or decrease in the number of directors or consolidation with another corporation having banking powers.

Such changes are restricted by the provisions of Section 12 of the Law as follows:

"* * * in changing the name of any corporation under the provisions hereof, no name shall be assumed or adopted by any corporation organized under the Laws of this State without the consent of such other corporation, and that in no case shall the capital stock be diminished to the prejudice of the creditors of such corporation, or the number of directors, managers or trustees be reduced to less than three or increased to more than a number to be determined by the stockholders, nor shall the place of business of any bank or banking association located in any city, village or incorporated town, be changed to any other city, village or town, nor shall the place of business of any bank or banking association not located in an incorporated village, town or city, be changed to any village, town or city, or to any place more than five miles from its existing place of business."

If it shall appear that two-thirds of all votes represented by the whole stock of the bank are in favor of any of the propositions so submitted at the regular meeting of stockholders, a certificate thereof, verified by the affidavit of the president or a vice president and under seal of the bank must be filed immediately in the office of the Auditor and if such change shall be approved in writing by him, a like certificate together with the Auditor's written approval which is sent to the bank must be filed forthwith for record in the office of the recorder of deeds of the county where the bank is located, whereupon the change proposed and voted for at the stockholders' meeting is accomplished.

The bank must then, upon the filing of the said certificates in the recorder's office, cause to be published, in some newspaper in or nearest the county in which the bank is located, a notice of such change of organization once each week for three successive weeks.

It will be noted that the above mentioned changes cannot be accomplished by vote of directors but that the vote of at least two-thirds of the whole stock of the bank at a stockholders' meeting and the Auditor's written approval of the changes are required as well as the recording of the necessary documents and publication after the changes are accomplished.

If any of such changes are contemplated, it is recommended that the advisability of presenting them to the stockholders at their annual meeting be carefully considered at this time by the Board and that the matter be taken up with this Department before the date of the stockholders' meeting in order to ascertain whether such changes, if voted by the stockholders, will be approved by the Auditor and to obtain the proper forms to be used in accomplishing the changes.

CAPITAL STOCK INCREASED

✓ Sterling Whiteside Central Trust & Savings Bank,
Sterling, from \$100,000 to
\$150,000 Sept. 26, 1935 ✓

CAPITAL STOCK DECREASED

✓ Oak Park Cook Oak Park Trust & Savings Bank,
from \$1,000,000 to \$500,000 Sept. 11, 1935 ✓

CHANGE OF PAR VALUE OF CAPITAL STOCK

✓ Oak Park Cook Oak Park Trust & Savings Bank,
from \$100 to \$50 Sept. 11, 1935 ✓

IN LIQUIDATION

✓ Alma Marion Alma State Bank Sept. 10, 1935 ✓
✓ Chicago Cook South Central State Bank Sept. 11, 1935 ✓
✓ Summit Cook The Summit State Bank Sept. 16, 1935 ✓

DISSOLVED

✓ Grays Lake... Lake Merchants & Farmers Bank Sept. 10, 1935 ✓
✓ Willow Hill... Jasper First State Bank of Willow Hill
(In Liquidation May 18, 1931.. Sept. 26, 1935)

RECAPITULATION

	Reopened by Permit	Closed under Holiday	Total
State Banks in Chicago.....	37	1	38
State Banks in Cook County outside Chicago.....	33	1	34
State Banks in Illinois outside Cook County.....	527	..	527
Total	597	2	599

MONTHLY BULLETIN

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BANKING DEPARTMENT
State of Illinois

VOL. 11

SPRINGFIELD, ILL., NOVEMBER 1, 1935

NO. 8

REPAY \$3,953,218.84

The Department has authorized 94 banks in the State to make payments on "Deferred Certificates of Deposit" totalling \$3,953,218.84.

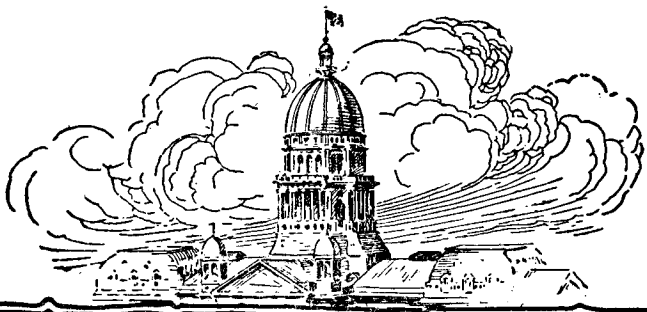
Following the banking moratorium of March, 1933, many banks found it necessary, in order to reorganize and reopen, to accept waivers of depositors for portions of their deposits and in lieu thereof issued Deferred Certificates which were payable solely from their future net profits and with the approval of the Auditor of Public Accounts. Net profits were defined as operating profits plus recoveries on charged off assets, less charge offs and proper provision for reserves.

These banks have, through earnings and recoveries on assets which were eliminated, been able to return to their depositors nearly four million dollars to date, and have, in addition, eliminated undesirable assets and established adequate reserves.

When requested to approve payments on Deferred Certificates, the Department investigates the condition of the bank, both as to the desirability of the assets which it is carrying and as to the adequacy of the surplus, profits and reserve accounts.

Banks, therefore, which have "Deferred Certificates of Deposit" outstanding are urged to concentrate on the collection, sale, reduction or properly securing undesirable assets, if any, and upon obtaining recoveries from assets which have been eliminated. They are further urged to make every effort to increase their operating income.

We believe that a repayment of Deferred Certificates is the best advertisement that a bank can make.



REPORTS OF CONDITION

Report forms Numbers 7, 8 and 9 to be used in the year-end statement of condition are, with but few exceptions, identical with the forms used for the last several reports. Some time ago the revision of report forms, to more adequately reflect the condition of the bank and to more closely conform with the statement of other supervising agencies, resulted in some confusion and misunderstanding. This has been noticeably dispelled as reflected in the call of September 30th and it is gratifying to note the acceptance which has been accorded this revision. In some instances however, largely through the failure of individuals to acquaint themselves with the instructions accompanying the forms and as printed in previous bulletins, it has been necessary to require the submission of corrected returns. The result has been the delay of compilation of statistical matter, and in some instances the requirement of the republication by the banks of their "Official Publication".

The banking act provides for the submission of reports of condition within five days of receipt of notice and for penalty on those who are delinquent in submitting returns. It is equally important that the report when filed with the Auditor, be correct and show a true statement of the institution.

Form No. 7 "Report" is sworn to by either the President or Cashier and its correctness is attested by two Directors of the bank other than the Official signing. More than ordinary care should be exercised in the preparation of this form and it is the duty of not only the signing officer but also of the two Directors to carefully review the report to assure its accuracy. The amounts on forms No. 8 and 9 should be copied from Form No. 7 and agree, items and amounts with that form. All reports should be scrutinized and run to eliminate all possible errors and should be filed as promptly as possible with the Department. The submission of report forms No. 7 and 8 and statutory filing fee should not be delayed on account of publication as Form No. 9 may follow at a later date.

Form No. 9 must bear the signature of either the President or Cashier and also the signatures of two Directors other than the Officer signing. Newspapers gladly furnish proof before publication and the proof should be carefully read by the bank to avoid natural errors in publication. All instructions on Form No. 9 should be carefully followed and will be of material assistance in the checking of preliminary proof. Instructions on Form No. 9 with regard to

the publication of blank items in the official publication may well again be mentioned. Only those numbered items after which figures appear need be included. **BLANK ITEMS NEED NOT BE PUBLISHED.**

The continued cooperation of the large majority of bankers who have promptly submitted correct reports of condition, is solicited. May we expect from those who have been less careful, an exactness in the coming report mutually beneficial to themselves and the Department.

REPORTS OF EARNINGS, EXPENSES AND DIVIDENDS

Forms for the report of Earnings, Expenses and Dividends for the six month period will be forwarded at the close of the year to the banks by this Department. These forms should be completed as promptly as possible after the closing of the books on December 31st, and the original report mailed to this office within five days after that date. The information contained in these reports is not published but is used by the Department for statistical purposes.

Most bankers realize that such information to be of value must be compiled at the earliest possible date. Negligence and oversight in individual cases will delay the tabulation of these reports and it is requested that your report be filed promptly in this office. It is equally necessary that the report when filed be correct and complete in every detail. The submission of incorrect and incomplete returns necessitates the filing of an amended report with the attendant inconvenience and expense. Especial care should be exercised to determine the correctness of the report before filing is made.

The report form remains identical with that used for the six month period ending June 30th, 1935, and it is recommended that reference be made to the previous report in compiling the information to be included on the current form. This should be especially true in the case of those banks previously submitting an incorrect return. Reference in that case should not only be to the previous report but also to the correspondence with regard to that report in order that previous errors may not be repeated. The instructions printed on the back of the form should be carefully studied before preparation of the report is begun. The majority of errors previously appearing on this form might well have been avoided by a greater familiarity with the printed instructions.

Your particular attention is directed to the following:

Section 2—Item 4 (c), Profits on Securities Sold: Only in those cases where bonds, stocks or other securities have been sold at a price

higher than cost does this item apply. Do not include in this item any recoveries on bonds, stocks or other securities which might previously have been charged down and sold during the period at a price greater than depreciated value. Recoveries on such investments should appear in Section 2 after Item 4 (b).

Section 3—Items 8 and 9: Do not fail to report all additions to undivided profits resulting from the transactions indicated from (a) through (f) of Item 8 and all deductions from undivided profits resulting from the transactions indicated from (a) through (e) of Item 9.

The Reconciliation appearing after Section 3 of the form: The figures shown in column one of the reconciliation should agree with the figures appearing in column 3 of the reconciliation of the previous report and items of the first and third columns must agree with corresponding items on reports of condition of even dates unless the Call Report is made on an accrual basis. Undivided profits at the beginning of the period must agree with Item 7 of the current report and with Item 10 of the previous report. The net difference to be shown in column 2 of the reconciliation after Item 3, Surplus, will represent the difference between the amounts shown after Item 8 (c), Withdrawals From Surplus Account, and Item 9 (c), Transfers to Surplus Account. This will be true of the net difference in reserve accounts as reflected in the reconciliation and as shown in Section 3 of the report.

RECEIVER APPOINTED

GirardMacoupinPeoples Bank of Girard—William L. O'Connell (D. A. Woolley, Receiver—resigned)Oct. 10, 1935

DISSOLVED

AlmaMarionAlma State Bank (In Liquidation Sept. 10, 1935)Oct. 29, 1935

TRUST CERTIFICATE CANCELLED

WinnetkaCookState Bank of WinnetkaOct. 16, 1935

RECAPITULATION

	Reopened by Permit	Closed under Holiday	Total
State Banks in Chicago.....	37	1	38
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State Banks in Illinois outside Cook County.....	527	..	527
Total	597	2	599

No

DECEMBER

BULLETIN

PRINTED