

*Tell Mr. Reel*

April 12, 1939

General Files

Mr. Wingfield, Assistant General Counsel

Yesterday afternoon, Mr. Charles W. Collins and Mr. Mario Giannini called on Mr. Clayton with reference to a holding company question, and Mr. Clayton asked me to sit in on the conference with him.

It developed that they were interested in what rulings the Board had made interpreting the provision in the definition of a holding company which relates to control of "more than 50 per cent of the number of shares voted for the election of directors of any one bank at the preceding election".

We advised Mr. Collins and Mr. Giannini that the Board had not attempted to lay down any general interpretation of this language but had had occasion to rule upon facts involved in particular cases. I stated that the facts in those cases were not fresh in my mind, but I would be glad to look them up and call Mr. Collins.

Upon reviewing the cases upon which the Board had ruled, I found that the Board has taken the position that, where a company controls less than 50 per cent of the shares of a bank but more than 50 per cent of the number of shares voted at the last election and the company had not voted the shares controlled by it, a holding company relationship did not exist. In at least one case of this kind, if the company had voted all of the shares controlled by it, it would have had a majority of the shares voted. In all of the cases ruled on by the Board, it has been on the basis that there have been no subsequent acquisitions by the company involved of shares of stock of the bank which were actually voted.

I called Mr. Collins on the phone this morning, and advised him of the Board's position in the matter, as indicated above. Both yesterday afternoon and on the phone this morning, it was made clear that the Board's rulings were based on facts of particular cases and should not be considered a general ruling applicable to all cases where there might be circumstances other than those considered by the Board in the particular cases.

EMW/mg

