

At a regular meeting of the Federal Reserve Board held in the office of the Vice Governor on Thursday, September 13, at eleven A. M.

Present:

Mr. Harding, presiding, Mr. Hamlin,

Mr. Warburg, Mr. Williams,

Mr. Delano, Mr. Willis, Secretary.

Present also:

Mr. George J. Seay, Governor, Federal Reserve Bank of Richmond.

The Board engaged in conference with Governor Seay with reference to the proposed quarters and general conditions of operation of the proposed Branch at Baltimore. After careful consideration, the following resolution was, on motion, adopted:

WHEREAS: The Federal Reserve Board has examined certain plans and photographs of a building in Baltimore which it is proposed by the Federal Reserve Bank of Richmond to purchase for its Branch at that point, and

WHEREAS, The Board is in agreement with the plan to purchase the said building and believes the price to be, on the whole, fair,

RESOLVED, That it is the opinion of the Board that the Governor of the Federal Reserve Bank of Richmond should be assured of its disposition to authorize the purchase of the building at \$200,000, final action to that effect not being

taken at this time because it is the opinion of the Board that an effort should first be made to induce the State banks and trust companies of Baltimore to accept membership in the System, or at all events, clearing membership, as a preliminary to the establishment of the Branch or the purchase of a building, which would practically commit the Richmond Bank to the continued maintenance of such Branch.

It was informally agreed that the Governor should transmit to the Federal Reserve Bank of Richmond a letter stating the substance of the foregoing resolution.

Governor Seay then discussed with the Board the question of organization and staff as affecting the Richmond Bank during the coming month.

Governor Seay having withdrawn from the room, the minutes of the meeting of the Board held on September 12 were read and on motion approved.

On motion, Governor Harding was authorized to write a suitable letter to Governor Aiken of the Federal Reserve Bank of Boston, relative to the paper of the Southern New England Telephone Co., discussed at the meeting of September 12, and making reference to the paper of public utilities companies in general.

Discount rate sheets for the week were presented and ordered filed, no changes being requested.

An application of the Texas City National Bank for power

to reduce its capital stock from \$100,000 to \$50,000, recommended by the Comptroller of the Currency, was, on motion, approved.

Letters from the Federal Reserve Banks of Richmond and Philadelphia, relative to their treatment of reserve deficiencies, were presented and the Secretary directed to maintain a complete file of such letters and present them in tabulated form to the Board.

A letter from Federal Reserve Agent Perrin, relative to the establishment of a Branch at Salt Lake City, dated September 7, was read for the information of the Board, and ordered passed to file.

Governor Harding presented a telegram from Governor Van Zandt of Dallas, with reference to subscriptions of the Dallas Bank to the pending issue of short term certificates of indebtedness. The matter was placed in the hands of the Governor for a proper reply.

A letter from the First National Bank of Harrisonburg, with reference to the conversion of large legal tender notes into one dollar bills, was ordered investigated by the Secretary of the Board.

Upon recommendation of the Committee on membership, the following State banks were ordered admitted to membership in the Federal Reserve System upon the conditions set forth in each case

in the report of the Committee:

St. Lawrence Trust Company, Ogdensburg, N. Y.

Sault Savings Bank, Sault Ste. Marie, Michigan.

Mr. Delano presented a letter from Governor Miller of Kansas City, transmitting a letter from the First National Bank of Denver, relative to the payment of gold certificates in dealings with the United States Mint, asking that the Mint be induced to accept drafts on the Federal Reserve Bank of Kansas City. The matter was referred to the Comptroller of the Currency in conjunction with Mr. Delano.

Governor Harding read a letter from Governor Miller of Kansas City with reference to the question of exemption from military service. No action was taken.

Governor Harding submitted to the Board an opinion of the Acting Attorney General dated September 10, 1917, addressed to the Secretary of the Treasury, dealing with the question whether State banks and trust companies becoming members of the Federal Reserve System thereby become subject to certain provisions of the Clayton Act to which they were not subject prior to entrance into the Federal Reserve System. This opinion was rendered in response to a request of the Federal Reserve Board transmitted under date of August 2, 1917, to the Attorney General through the Secretary of the Treasury.

The Attorney General holds that these provisions of Section 8 of the Clayton Act apply to national banks and to State banks or trust companies organized or doing business in the District of Columbia but do not apply to State banks or trust companies organized under the laws of a State which become members of the Federal Reserve System.

In substance the opinion which was read to the Board was to the effect that whether or not Congress originally intended the said provisions of Section 8 to apply to State banks or trust companies becoming members of the System as banks operating under the laws of the United States, any doubt on this subject was removed by the positive provision contained in the Act of June 21, 1917, amending the Federal Reserve Act, which declared that State banks shall retain "their full charter and statutory rights" as State banks "subject to the provisions of this Act and to the regulations of the Board made pursuant thereto".

In view of this provision it was held that State member banks are free from the said restrictions imposed by Section 8 of the Clayton Act.

On motion, made and seconded, it was RESOLVED -

- (1) That the Governor be and he is hereby authorized to transmit a copy of this opinion to each Federal Reserve Bank.
- (2) That the Clayton Act Committee be and it is hereby authorized and directed to adopt the conclusions of the Attorney General in

passing upon applications made under the Clayton Act, and that such changes shall be made in the regulations and forms of the Board as are necessary to make such regulations and forms consistent with the opinion referred to.

(3) That a report be made to the Board for its action of any applications under the Clayton Act which have been refused on the assumption that Section 8 of the Clayton Act applies to State banks and trust companies which become members of the Federal Reserve System.

On motion, at 11:55 A. M., the Board adjourned to meet on Tuesday, September 18, at ten A. M.

APPROVED:

Chairman.

J. P. Kelly Willes
Secretary.