

At a special meeting of the Federal Reserve Board held in the office of the Board on November 10, 1919, at 4-10 P.M.,

PRESENT: The Governor
Mr. Strauss
Mr. Miller
Mr. Hamlin
Mr. Moehlenpah
Mr. Chapman, Secretary.

PRESENT ALSO:
Mr. Harrison

Business was presented and disposed of as follows:

The General Counsel submitted for approval the following opinion in re eligibility of acceptances of the General Motors Acceptance Corporation:

"In connection with the eligibility of certain notes drawn by automobile dealers payable to the General Motors Acceptance Corporation, there is some question as to whether or not that corporation is a 'bank' within the meaning of that part of Section 19 which reads as follows:

'No member bank shall act as the medium or agent of a non-member bank in applying for or receiving discounts from a Federal reserve bank under the provisions of this Act, except by permission of the Federal Reserve Board.'

"In a letter dated September 13, 1919, addressed to the Federal Reserve Bank of Boston, Mr. John J. Schauman, Jr., Assistant General Manager of the General Motors Acceptance Corporation, states 'This corporation was organized last February under the banking laws of the State of New York for the purpose of furnishing financial assistance to dealers in the products of the General Motors Corporation units exclusively.'

"The 'Banking Law' of New York is a general title under which is included all of those sections of the State Law which apply to banks, private bankers, trust companies,

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savings banks, investment companies, safe deposit companies, credit unions, etc. It is possible, therefore, that a corporation may be organized under the so-called "Banking Law" of New York and not be a bank within the scope of the common understanding of that word. If, however, a corporation is organized under any of those sections relating to banks, to trust companies, or to investment companies, it is probable that the institution would be a bank within the meaning of the Federal Reserve Act.

"The Board is not advised under what section of the Banking Law of New York the General Motors Acceptance Corporation was organized, but judging by the scope of its business it is probable that it was formed under that section relating to investment companies. If so, it has power, under certain conditions, to purchase, sell or negotiate bonds or notes secured by mortgages on real property or choses in action owned, issued, negotiated or guaranteed by it; to advance money upon the security of such bonds, notes, or choses in action; to make acceptances; to issue letters of credit; to discount bills of exchange, drafts, notes, acceptances or other choses in action; to receive deposits; to do what is in substance a Morris plan business, etc. Clearly these powers are such as to justify the conclusion that a corporation possessing them is a 'bank' within the meaning of the Federal Reserve Act. In fact, the Board has heretofore ruled that a Morris plan bank is a 'bank' within the meaning of both the Clayton Act and Section 4 of the Federal Reserve Act.

"Under the circumstances, the Board is of the opinion that those provisions of Section 19 of the Federal Reserve Act previously referred to are applicable to the General Motors Acceptance Corporation and that no member bank should act as the medium or agent of that corporation 'in applying for or receiving discounts from a Federal reserve bank, except by permission of the Federal Reserve Board.'

"As heretofore ruled, this restriction does not, of course, prevent a member bank from making a rediscount of paper held in good faith in its portfolio in the usual course of its business even though that paper may have

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been acquired by the member bank from a non-member bank."

Approved.

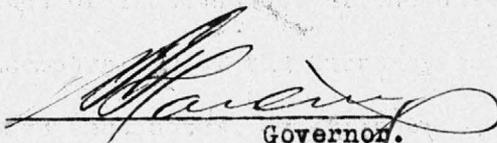
Letter dated November 7th from the Governor, Federal Reserve Bank of Chicago, requesting approval of the charging off at \$650,000 the value of the improvements on the property on LaSalle Street recently acquired by that Bank at a price of \$3,000,000.

Referred to Mr. Miller and Mr. Moehlenpah for report.

At 5-05 P.M., the meeting adjourned.


Secretary.

Approved:


Governor.