

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, July 1, 1938, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. Draper

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

Consideration was given to each of the matters hereinafter referred to and the action stated with respect thereto was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on June 30, 1938, were approved unanimously.

Bond, in the amount of \$50,000, executed under date of June 28, 1938, by Jasper A. Lane as Alternate Assistant Federal Reserve Agent at the Federal Reserve Bank of Boston.

Telegrams to Messrs. Kimball, Post and Young, Secretaries of the Federal Reserve Banks of New York, Philadelphia and Chicago, respectively, and to Mr. McKinney, President of the Federal Reserve Bank of Dallas, stating that the Board approves the establishment without change by the Federal Reserve Banks of New York, Chicago and Dallas on June 30, 1938, and by the Federal Reserve Bank of Philadelphia today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated June 28, 1938, from Mr. Thomas, Assistant

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Director of the Division of Research and Statistics, recommending, with the concurrence of Mr. Morrill, that John B. Snapp, a page in the Office of the Secretary, be transferred to the Division of Research and Statistics as a library clerk, with salary at the rate of \$1,200 per annum, effective as of the date upon which he enters upon the performance of his duties.

Approved unanimously.

Memorandum dated June 30, 1938, from Mr. Foulk, Fiscal Agent, stating that the sum of \$108.88 was due as salary to Mr. W. W. Jemison, File Clerk, at the time of his death, and requesting authority to pay this amount to Mrs. Jemison.

Approved unanimously.

Letter to Mr. Rounds, Vice President of the Federal Reserve Bank of New York, reading as follows:

"In view of the statements contained in your letter of June 23, the Board will offer no objection to the retention in the service of your bank until October 1, 1938, of Miss Anna Revels, Mr. William A. Cochran, and Mrs. Jeanne B. Foster, all of whom attained age 65 prior to January 1, 1938."

Approved unanimously.

Letter to Mr. Schaller, President of the Federal Reserve Bank of Chicago, reading as follows:

"Reference is made to your letter of June 24, in which you request that the proposed payment to the Retirement System of \$3,346 for the purpose of supplementing

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"the retirement allowance of Assistant Cashier Fred Bateman, who will retire on October 1, 1938, be again brought to the attention of the Board of Governors for their action.

"In view of the circumstances stated in your letters of November 8, 1937, and June 24, 1938, the Board will interpose no objection to the payment to the Retirement System of \$3,346 for Mr. Bateman's benefit."

Approved unanimously.

Letter to Mr. Schaller, President of the Federal Reserve Bank of Chicago, reading as follows:

"Receipt is acknowledged of your letters of June 24 and June 27, 1938, with reference to obtaining the services of Dean C. A. Phillips of the University of Iowa as economic adviser to the Board of Directors of your bank for a trial period of six months. It is noted that your Board has decided to ask Dean Phillips to meet regularly once a month with them, his compensation to be adjusted at the end of the period, with an advancement of possibly \$100 per meeting covering his expenses and to apply toward final payment for his services. It is also noted that there are no further commitments on the part of the Federal Reserve Bank of Chicago beyond the six months' period.

"The Board approves the employment of Dean Phillips by your bank on the terms and conditions set forth in your letter, with the understanding that should the bank desire to compensate Dr. Phillips at a rate in excess of \$100 per meeting, including expenses, it will obtain the Board's approval in advance for the additional compensation.

"We shall be glad to have Dean Phillips visit us in Washington. However, it will probably be best to arrange his visit sometime after the middle of September inasmuch as several of the governors and Mr. Goldenweiser will be away during the summer."

Approved unanimously.

Memorandum dated July 1, 1938, from Mr. Smead, Chief of the

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Division of Bank Operations, submitting a letter dated June 25 from Mr. Nardin, Chairman of the Federal Reserve Bank of St. Louis, which requested approval by the Board of a change in the personnel classification plan of the bank to provide for the creation of the non-official position of "Assistant to General Auditor" in the Audit Department. The memorandum stated that A. E. Debrecht had resigned his official position of Assistant Auditor, effective as of June 30, 1938, and had accepted the position of general assistant on the staff of the Audit Department. The memorandum also stated that it was understood that the change in the personnel classification plan was being made for the purpose of strengthening the Audit Department and recommended that it be approved.

Approved unanimously.

Memorandum dated June 29, 1938, from Mr. Smead, Chief of the Division of Bank Operations, submitting a letter dated June 25 from Mr. Worthington, First Vice President of the Federal Reserve Bank of Kansas City, which requested approval by the Board of changes in the personnel classification plan of the bank to provide for the creation of the new positions of "Special Representative" in the Bank and Public Relations Department, and "Assistant Elevator Starter" in the Building Department, and for a change in the maximum salary for the position of "Elevator Starter" in the Building Department from \$1,200 to \$1,320 per annum. The memorandum stated that the proposed changes

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had been reviewed and recommended that they be approved.

Approved unanimously.

Letter to Mr. Young, President of the Federal Reserve Bank of Boston, reading as follows:

"Receipt is acknowledged of Mr. McRae's letter of June 11, 1938, regarding the applicability of the Clayton Act to Mr. Ridgley Larkin who is a director of The Union and New Haven Trust Company, a director of the Morris Plan Bank of New Haven, a director of the New Haven Building and Loan Association, and a trustee of the Connecticut Savings Bank (a mutual savings bank), all of New Haven, Connecticut.

"Since Mr. Larkin was lawfully serving in these capacities on the date of the enactment of the Banking Act of 1935, you have advised him that, under the Clayton Act, he may continue to serve until February 1, 1939, in any event. However, as you point out, the question whether he may continue to serve after that date depends upon whether or not the New Haven Building and Loan Association is a 'bank' within the meaning of the Clayton Act.

"This question is discussed in the comprehensive memorandum of Mr. Kennel and the note appended thereto by Mr. Carrick, your general counsel. As pointed out by Mr. Kennel the Board has held that building and loan associations are not 'banks' within the meaning of section 19 of the Federal Reserve Act (Federal Reserve Bulletin for 1928, page 426). Although there is no published ruling of the Board holding that building and loan associations are not banks within the meaning of the Clayton Act, it has been the practice of the Board to follow the reasoning of the above ruling and to regard building and loan associations of the usual type as not banks within the meaning of the Clayton Act. However, when the present revision of Regulation L was in course of preparation, the Board was advised that co-operative banks in Massachusetts were similar to the usual type of building and loan association but that in view of certain statutory provisions and court decisions in Massachusetts Mr. Carrick was of the opinion that they should be classified as 'banks'. Accordingly, in order to place co-operative banks in Massachusetts on a basis of equality

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"with the usual type of building and loan association in other States, the Board made an exception as to such co-operative banks in section 3(a) of the regulation. In the circumstances it is apparent that the making of this exception was not intended to imply that building and loan associations of the usual type should also be regarded as banks within the meaning of the Clayton Act.

"The above discussion relates to building and loan associations of the usual type, which receive payments on shares but which do not receive deposits. It is possible that there are building and loan associations which have expanded their activities so as to include the receiving of deposits, and even the maintaining of what are in effect checking accounts. In such a case it is possible that the Board would rule that the institution in question was a bank within the meaning of the Clayton Act. However, such a ruling would be based upon the facts of the particular case.

"Therefore, if the New Haven Building and Loan Association is a building and loan association of the usual type, it is suggested that you advise Mr. Larkin that it is not a 'bank' within the meaning of the Clayton Act. However, if its activities include receiving what are in effect merely deposits, it is suggested that you refer the matter again to your counsel and, if you wish, to the Board."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved: W. Scudder
Chairman.