

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, November 14, 1938, at 11:30 a. m.

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

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

The action stated with respect to each of the matters herein-after referred to was taken by the Board:

Telegrams dated November 10, 1938, to Mr. Young, President of the Federal Reserve Bank of Boston, Mr. Hays, Secretary of the Federal Reserve Bank of Cleveland, Mr. Leach, President of the Federal Reserve Bank of Richmond, Mr. McLarin, Vice President of the Federal Reserve Bank of Atlanta, Messrs. Young, Stewart and Powell, Secretaries of the Federal Reserve Banks of Chicago, St. Louis and Minneapolis, respectively, Mr. Thomas, Chairman of the Federal Reserve Bank of Kansas City, Mr. McKinney, President of the Federal Reserve Bank of Dallas and Mr. Holden, Deputy Chairman of the Federal Reserve Bank of San Francisco, and November 14 to Mr. Kimball, Secretary of the Federal Reserve Bank of New York, stating that the Board approves the establishment without change by the Federal Reserve Banks of Dallas and San Francisco on November 9, by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis, Minneapolis

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and Kansas City on November 10, 1938, and by the Federal Reserve Banks of Boston and Atlanta on November 12, 1938, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Letters had been received under date of November 9 and 10, 1938, from Mr. Allan Sproul, First Vice President of the Federal Reserve Bank of New York, submitting applications received from "The National City Bank of New York", New York, New York, for permission to establish three branches at Ancon, Balboa and Cristobal, Canal Zone, and recommending that the application be approved subject to such conditions as the Board may deem necessary, and under date of November 12, 1938, from Messrs. Shearman & Sterling, counsel to The National City Bank of New York, stating that while the bank's original application was for permission to open three branches in the Canal Zone, such application having been made in that particular form owing to the uncertainty as to the bank's ability to find suitable accommodations at an acceptable point, it had been decided, if permission were granted by the Board, to open one branch at Cristobal and one branch at either Ancon or Balboa, according to the opportunity of obtaining banking accommodations at one point or the other. Under date of November 4 the Board had been advised by the Secretary of War and the Secretary of State, and under date of November 12 by the Acting Comptroller of the Currency, that these departments had no objection to the establishment of the proposed branches.

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The following order was adopted by  
unanimous vote:

"WHEREAS The National City Bank of New York has made application to the Board of Governors of the Federal Reserve System under date of November 10, 1938, pursuant to the provisions of section 25 of the Federal Reserve Act for permission to establish branches at Ancon, Balboa and Cristobal in the Canal Zone, Isthmus of Panama; and

"WHEREAS it appears that, pursuant to the said application, the said bank may properly be authorized to establish a branch at Cristobal, Canal Zone, and a branch either at Balboa or Ancon, Canal Zone, Isthmus of Panama;

"NOW, THEREFORE, IT IS ORDERED that pursuant to the said application The National City Bank of New York be and it hereby is authorized to establish a branch at Cristobal, Canal Zone, Isthmus of Panama, and to establish a branch either at Balboa or at Ancon, Canal Zone, Isthmus of Panama; upon condition, however, that the application above referred to is ratified by a resolution of the board of directors of The National City Bank of New York or of its executive committee and a certified copy of such resolution filed with the Board of Governors of the Federal Reserve System; and upon the further condition that unless each branch hereby authorized is actually established and opened for business on or before May 15, 1939, all rights hereby granted as to such branch shall be deemed to have been abandoned and the authority hereby granted as to it shall automatically terminate; but, if either or both of such branches shall be established and opened for business on or before said date, the said bank may operate and maintain the same subject to the provisions of section 25 of the Federal Reserve Act."

In connection with the above matter,  
the following letter to The National City  
Bank of New York, New York, New York, was  
also approved unanimously:

"Pursuant to the application of your bank, dated November 10, 1938, there is inclosed herewith a certified copy of an order of the Board of Governors of the Federal Reserve System authorizing your bank to establish a branch at Cristobal, Canal Zone, Isthmus of Panama, and to establish a branch either at Balboa or at Ancon, Canal Zone,

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"Isthmus of Panama.

"Your attention is called to the fact that the authority granted by the Board for the establishment of these two branches is conditioned upon the filing with the Board of Governors of a certified copy of a resolution of your board of directors or executive committee, ratifying the application referred to above, and upon the further condition that the authority granted by the Board will terminate on May 15, 1939, unless such branches are established and opened for business on or before that date.

"Please advise the Board of the date or dates upon which such branches are opened for business."

Letter to Mr. Parker, First Vice President of the Federal Reserve Bank of Atlanta, reading as follows:

"This refers to your letter of November 8 regarding the examination schedule of the Trust Company of Georgia, Atlanta, Georgia. It is understood that an examination of the bank was made in May, 1938, jointly with the State Banking Department; that the Superintendent of Banks has stated that under the Georgia law it is necessary that he examine the bank during the current calendar year; that he will be unable to begin the examination prior to December 31; and that he has requested that you cooperate with him to the extent of lending him several of your examiners. You state that you wish to cooperate with the State Banking Department, and will furnish some help, but that you would much prefer to make a joint examination as of December 31, 1938, if that could be considered as the regular examination made during the calendar year 1939.

"In view of the circumstances, no objection will be interposed to the procedure which you suggest."

Approved unanimously.

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

"Consideration has been given to Mr. McRae's letter of October 26, 1938, and the inclosed memorandum of counsel to your bank regarding the Clayton Act status of Mr. Frank N. Phillips and other members of the boards of managers

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"of branches of the Industrial Trust Company, Providence, Rhode Island. The only question presented is whether a member of the board of managers of a branch of the trust company is a 'director, officer, or employee' of the trust company 'or any branch thereof' within the meaning of the Act.

"The memorandum states that the members of boards of managers of branches of the trust company are appointed by the board of directors of the trust company; each member must own stock in the trust company; they give no time to the business of the trust company other than attending meetings; they receive only a fee for attendance at meetings; and they have no powers except to vote as members of the board. However, the board of managers elects officers of the branch, passes on loans, and acts as a board of directors of the branch, subject to the approval and control of the board of directors of the trust company.

"The memorandum, after a thorough examination of the question, takes the position that the Clayton Act is applicable to them for the reasons, among others, that any other conclusion would be contrary to the intent of the statute, and that the statute is applicable to a director or officer of a member bank or 'any branch thereof'. The Board is of the opinion that this conclusion is correct."

Approved unanimously.

Thereupon the meeting adjourned.

Charles Morley  
Secretary.

Approved:

W. C. ...  
Chairman.