

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, July 12, 1939, at 11:30 a. m.

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

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

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

Telegram dated July 11, 1939, to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, reading as follows:

"Retel July 10, 1939. Board has heretofore ruled that it is not necessary that candidate for Class A director be officer, director, or stockholder of any bank. Statute merely requires that he be chosen by, and be representative of, the stockholding banks."

Approved unanimously.

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

"Reference is made to your letter of July 5, 1939, recommending that the Depositors Trust Company, Augusta, Maine, be permitted to purchase the assets and assume the deposit liabilities of The Medomak National Bank of Waldoboro, Maine, to acquire the building of the national bank and to establish a branch at Waldoboro.

"In accordance with your recommendation, the Board approves the establishment of a branch at Waldoboro, Maine, by the Depositors Trust Company, provided the establishment of such branch is approved by the appropriate State authorities and in the opinion of your counsel conforms to the requirements of the Federal Reserve Act and the

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"applicable provisions of the laws of the State of Maine. Please furnish the Board with a copy of the approval given to the establishment of the branch by State authorities as well as your counsel's opinion as to the legality of the transactions involved, including the purchase of the assets and assumption of the deposit liabilities of the national bank.

"The proposed investment in banking premises involved in this transaction does not appear to be unduly large or improper and the Board will interpose no objection, under the provisions of condition of membership numbered 8, to such investment.

"The purchase of assets and assumption of deposit liabilities of The Medomak National Bank of Waldoboro by the Depositors Trust Company would not appear to result in any material change in the general character of business or scope of corporate powers exercised by the Depositors Trust Company within the meaning of the general condition under which it was admitted to membership, and, accordingly, the approval of the Board to the acquisition to the business of the national bank is not required."

Approved unanimously.

Letter to "The Central National Bank of Columbus", Columbus, Nebraska, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Nebraska, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the

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"fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously.

Telegram to Mr. Hitt, First Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"Retel, banking house and other real estate segregated under Section 612a of Kentucky banking laws by Lincoln Bank & Trust Company, Louisville, are not pledged assets within the meaning of item 31 of condition report Form F.R. 105."

Approved unanimously.

Letter to Mr. Fry, Vice President of the Federal Reserve Bank of Richmond, reading as follows:

"Consideration has been given to your letter of June 26, 1939, with further reference to the question whether Mr. H. T. Mills of Greenville, South Carolina, a dealer in securities, may serve as Secretary to the Board of Directors of The Peoples National Bank of Greenville, South Carolina.

"The question presented is whether Mr. Mills would be an 'officer, director, or employee' of the bank within the meaning of section 32 of the Banking Act of 1933, as amended. In this connection you state:

'The bank informs us that, as Secretary, Mr. Mills would be without vote, voice, or official status and that his only duties would be to attend the meetings of the Board for the purpose of recording and reading the minutes of all meetings, regular or call, and to furnish certified copies of the minutes of such meetings when necessary.'

"The purpose of this somewhat unusual arrangement would be (as stated by Mr. Patton, Executive Vice President of the bank, in his letter of May 22, 1939) to

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"Identify him with' the bank, although Mr. Patton makes it clear that it is the desire of the bank 'to comply strictly with the spirit as well as the letter of the law.'

"Generally speaking, the term 'employee' includes everyone performing services for a corporation except an officer or director of the corporation or an independent contractor. Furthermore, a person may be an employee even though he does not receive money compensation for his services.

"In furnishing certified copies of the minutes of the meetings of the board of directors, Mr. Mills would be performing a function usually performed by the secretary of a corporation or his assistant. In recording and reading the minutes of meetings, Mr. Mills would be performing the duties usually performed by one of the directors, or the secretary of the corporation, or a clerk.

"Therefore, it appears that Mr. Mills would be rendering services to the bank and its board of directors similar to those usually performed by an officer or a clerical assistant to an officer, and since it seems clear that the purpose of the statute, in using the words 'officer, director, or employee' is to include everyone who has a position with the bank, the Board is of the opinion that the proposed arrangement would be within the prohibition of the statute."

Approved unanimously.

Letter to Mr. E. J. Swanke, Cashier, First National Bank in Manitowoc, Manitowoc, Wisconsin, reading as follows:

"Receipt is acknowledged of your letter of July 3, 1939, inquiring whether the provisions of section 8 of the Clayton Anti-trust Act would prohibit a director of your bank from serving as president of The Lumbermen's National Bank of Chippewa Falls, Chippewa Falls, Wisconsin, a city about 200 miles distant from Manitowoc.

"There is enclosed a copy of the Board's Regulation L dealing with the provisions of the statute in question. The statute itself is printed in the appendix to the regulation. The effect of paragraph '(5)' of the statute

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"is to permit a director, officer or employee of a member bank to serve another bank if the two banks are not located, and have no branches, in the same city, town, or village, or in cities, towns, or villages which are contiguous or adjacent to each other.

"Since the cities of Manitowoc and Chippewa Falls, Wisconsin, are clearly not 'contiguous or adjacent' and since neither your bank nor The Lumbermen's National Bank of Chippewa Falls maintains any branches, the Clayton Act does not prohibit the relationship to which you refer."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. E. ...
Chairman.