

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, September 25, 1939, at 2:30 p.m.

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

Mr. Morrill, Secretary
Mr. Bethea, 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:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on September 22, 1939, were approved unanimously.

Memorandum dated September 25, 1939, from Mr. Goldenweiser, Director of the Division of Research and Statistics, stating that in accordance with the action taken by the Board on September 21 he now wished to recommend that the Board approve the temporary appointment of Mr. Robert B. Warren of the Institute of Advanced Study at Princeton for a period of not to exceed sixty days, that he be reimbursed for railroad transportation to and from Princeton not more than once a week and that he be given a per diem of \$7.00 a day in lieu of subsistence while en route and in Washington for the purpose of assisting in the work of editing the material for submission to

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the Board in connection with the prospective hearings of the Senate Banking and Currency Committee.

Approved unanimously.

Memorandum dated September 20, 1939, from Mr. Noell, recommending that, for the reasons stated in the memorandum, Mr. A. Benjamin Shipp be appointed assistant gardener at a salary of \$1,260 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Memorandum dated September 19, 1939, from Mr. Van Fossen, Assistant Chief of the Division of Bank Operations, submitting the resignation of Mrs. Evelyn M. Lawrence, a stenographer in the Division, and recommending that the resignation be accepted, effective at the expiration of such annual leave as may be due Mrs. Lawrence at the close of business on October 14, 1939. The memorandum also recommended that Mrs. Lawrence be granted a total of 26 days of annual leave for the current year in lieu of the amount which will have accrued to her up to the close of business October 14, 1939, and stated that inasmuch as Mrs. Lawrence will have had about 8-1/2 days of sick leave in excess of the sick leave accruing to her up to October 14, 1939, it will be necessary, under the provisions of the Board's leave regulations, for her to refund to the Board an amount equal to the

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salary paid her for such period.

The recommendations were approved unanimously, with the understanding that Mrs. Lawrence's resignation will become effective as of the close of business on October 23, 1939, and that a deduction will be made from her salary to cover the period of 8-1/2 days excessive sick leave taken.

Memorandum dated September 18, 1939, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that, for the reasons stated in the memorandum, the temporary appointment of Miss Joanna Eakin as a secretary in that Division, which was approved by the Board on September 15, 1939, be made effective September 18 without being subject to the usual physical examination and that she become a member of the Federal Reserve Retirement System at the beginning of the payroll period after she has completed her physical examination.

Approved unanimously.

Memorandum dated September 23, 1939, from Mr. Van Fossen, Assistant Chief of the Division of Bank Operations, submitting two letters dated September 21 from Mr. Rounds, Vice President of the Federal Reserve Bank of New York, which requested approval by the Board of changes in the personnel classification plan of the Federal Reserve Bank of New York to provide for the discontinuance of the positions of "Supervisor" in the Receiving, Sorting and Counting,

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and Work Relief Checks Sections of the Cash Department; for the creation of the new positions of "Chief" and "Assistant Chief" of the Sorting and Counting Division of the Cash Department; and for an increase in the maximum annual salary for the position of "Chief" of the Planning Division of the Accounting Department. The memorandum stated that the proposed changes had been reviewed and recommended that they be approved.

Approved unanimously.

Letter to the board of directors of "The Farmers & Merchants Bank Company", Sylvania, Ohio, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special condition, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Cleveland:

- "4. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures."

Approved unanimously, together with a letter to Mr. Flening, President of the Federal Reserve Bank of Cleveland, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of 'The Farmers & Merchants Bank Company', Sylvania, Ohio, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the Board of Directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward

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"to the Superintendent of Banks for the State of Ohio for his information.

"It is assumed that if the bank completes its membership, the savings account listed on page D(1) of the report of examination as apparently not conforming to the definition of savings deposits as contained in the Board's regulations, will be brought into conformity with the regulation."

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

"Careful consideration has been given to your letter of August 18 regarding the Clayton Act status of Mr. Herman F. Deyerberg who is serving as a director of The South Shore Bank of Staten Island, Great Kills, New York City, and as an employee of The First National Bank of North Bergen, North Bergen, New Jersey. The question presented is whether an individual should be permitted to serve two banks located in places which are 'contiguous' although not 'adjacent'.

"It seems obvious from the facts stated in your letter that the banks are so remote from each other that they would not be regarded as situated in 'adjacent' places. The interlocking relationship would therefore not be prohibited, except for the fact that the boundaries of New York City (Great Kills being situated in the county of Richmond, which county forms a part of New York City) and North Bergen touch in the middle of the Hudson River, making them 'contiguous'. As you point out, the result is incongruous.

"However, it should be borne in mind in this connection that the language which brings about the above result is contained in the statute itself and that it was enacted when the Act was revised by the Banking Act of 1935 so as to prescribe definite standards instead of the previous indefinite standard which required administrative consideration of the facts and circumstances of each case.

"One approach to the problem might be an amendment of Regulation L which would permit interlocking relationships between banks situated in places which are not 'adjacent' even though they are 'contiguous'. However, this would have the practical effect of eliminating the word 'contiguous' from the statute, because it would then be immaterial whether the two places were contiguous if they

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"were not adjacent. The result, therefore, would be to substitute an indefinite standard in a large number of cases which are now controlled by the definite standard contained in the word 'contiguous' and would to that extent defeat the purposes of the amendments to the Clayton Act which were made by the Banking Act of 1935. This, of course, the Board would not be disposed to do. On the other hand, if you have some other suggestion for meeting situations of this kind which would not be open to these objections, the Board will be glad to have the benefit of it.

"Incidentally, the only cases which have come to the Board's attention involving this incongruity are the two previous cases described in your letter, which have since become moot because the relationships have been terminated, and the present case. In another case, involving John Milton, in your district, it was decided that the corporate limits did not touch in the middle of the river."

Approved unanimously.

Letter to Mr. C. B. Smith, Cashier of the Malta National Bank, Malta, Ohio, reading as follows:

"Receipt is acknowledged of your letter of September 8, 1939, regarding the applicability of the Clayton Act to a director of a member bank who is also a director of a building and loan association in Ohio.

"Since the answer to your question apparently depends upon the nature of the building and loan association under Ohio law, your letter has been referred to the Federal Reserve Bank of Cleveland with the request that it furnish you with the information you desire.

"It is assumed that the member bank and the building and loan association to which you refer are located in the same city, town or village, or in cities, towns or villages which are contiguous or adjacent to each other. Otherwise, the Clayton Act would not apply. (See section 2(d)(5) of Regulation L, a copy of which is enclosed.)"

Approved unanimously, together with a letter to Mr. Fletcher, Vice President of the Federal Reserve Bank of Cleveland, reading as follows:

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"There are enclosed a copy of a letter dated September 8, 1939, from the Cashier of the Malta National Bank, Malta, Ohio, and a copy of our reply of this date, which are self-explanatory.

"The letter does not say whether the member bank and the building and loan association are located in the same town, but if they are, the applicability of the Clayton Act appears to depend upon whether a building and loan association in Ohio is a 'bank' within the meaning of the Clayton Act. The Board has not made any ruling regarding the status of building and loan associations, generally, under the Clayton Act, because the corporate powers and the business transacted by such associations vary in different parts of the United States. Some merely sell their shares to members, and make loans secured by such shares and by real estate. However, others may receive deposits, and may even maintain checking accounts, like commercial banks.

"Therefore, it is suggested that you consult with Counsel for your Bank before replying to the inquiry; and, of course, if you feel that the matter should be considered by the Board, the Board will be glad to do so. In the event the matter is not submitted to the Board, it will be appreciated if you will advise the Board of the disposition made of the matter."

Letter to Mr. Donald S. Thompson, Chief of the Division of Research and Statistics of the Federal Deposit Insurance Corporation, reading as follows:

"Referring to your letter of September 18, certain information was furnished by the Federal Reserve Bank of Chicago and the Federal Reserve Bank of Minneapolis with respect to member banks in Wisconsin which restricted or deferred payment of deposits, obtained waivers from depositors, or employed measures for rehabilitating their capital structure during the period 1930-1936. The schedules covering State bank members are enclosed for your confidential information. It is assumed, of course, that any compilations made from these data will be in summary form in order that the identity of individual member banks may not be disclosed. When you have finished with the schedules

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"kindly return them to the Board's Division of Bank Operations.

"If you desire corresponding data covering national banks, it is suggested that you obtain a clearance from the office of the Comptroller of the Currency before we make the schedules available to you."

Approved unanimously.

Letter to Mr. Francis X. Pavesich, Financial Adviser to the Federal Home Loan Bank Board, reading as follows:

"This refers to your letter of September 2, 1939, in which you request a ruling as to whether advances may be made to the Federal Home Loan banks by the Federal Reserve banks on Government obligations at par 'at the rates prevailing for member banks'.

"In reply you are advised that it is the view of the Board of Governors that Federal Home Loan banks are included in the term nonmember banks as used in the Board's announcement of September 1, 1939, regarding advances by Federal Reserve banks on the security of Government obligations."

Approved unanimously.

Thereupon the meeting adjourned.

Preston H. Merrill
Secretary.

Approved:

W. S. ...
Chairman.