A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, February 10, 1940, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczek
Mr. McKee
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:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on February 8, 1940, were approved unanimously.

Telegrams dated February 9, 1940, to Mr. Leach, President of the Federal Reserve Bank of Richmond, Mr. McLarin, First Vice President of the Federal Reserve Bank of Atlanta, Messrs. Dillard, Stewart and Powell, Secretaries of the Federal Reserve Banks of Chicago, St. Louis and Minneapolis, respectively, Mr. Gilbert, President of the Federal Reserve Bank of Dallas, and Mr. Hale, Secretary of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on February 6 and by the Federal Reserve Banks of Richmond, Atlanta, Chicago, St. Louis, Minneapolis and Dallas on February 8, 1940, of the rates of discount and purchase in their existing schedules.

Approved unanimously.
Letter to Mr. Kimball, Secretary of the Federal Reserve Bank of New York, reading as follows:

"Referring to your letter of February 3, 1940, the Board of Governors approves the reappointment of Messrs. Herman K. Beach, Arthur G. Nelson, William H. Pouch, and Francis B. Reynolds as members of the Industrial Advisory Committee for the Second Federal Reserve District to serve for terms of one year each beginning March 1, 1940.

"It is understood from your letter that Mr. Edward J. Noble, who is at present a member of the Industrial Advisory Committee and also Under Secretary of Commerce, was not reappointed, and that pending further study of choosing a successor to him his place on the Committee has not been filled for the coming year."

Approved unanimously.

Letter to Mr. F. D. McCartney, Secretary, Marshall-McCartney Company, Oakes, North Dakota, reading as follows:

"This refers to your request that the Board determine that your company is not engaged as a business in holding the stock of, or managing or controlling, banks.

"The Board understands that your company is a closed corporation, the stock of which is owned by members of the Marshall and McCartney families; that it is engaged in various business enterprises, including management of farms owned by it and others, dealing in grain, seed, livestock and real estate, negotiating real estate loans, and holding real estate and securities investments; that it owns or controls a majority of the outstanding shares of stock of The First National Bank of Oakes, Oakes, North Dakota; and that it does not own or control any stock of or manage or control any bank other than The First National Bank of Oakes.

"In view of these facts, the Board has determined that your company is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of section 2(c) of the Banking Act of 1933, as amended, and, therefore, it is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act."
"If, however, the facts should at any time differ from those set out above to an extent which would indicate that your company might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to make a further determination at any time on the basis of the then existing facts."

Approved unanimously for transmission through the Federal Reserve Bank of Minneapolis.

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

"Reference is made to Mr. McRae's letter of January 24, 1940, and enclosures, presenting for the consideration of the Board the question whether The Taunton Morris Plan Company, Taunton, Massachusetts, is a 'bank' within the meaning of section 8 of the Clayton Act, since, if the Company is not a 'bank', the statute is not applicable to Mr. Harrison W. George who is serving as Treasurer and Clerk of the Company and as a director of the Bristol County Trust Company of Taunton.

"It is understood that the Company was incorporated in 1917 under Chapter 156 of the General Laws of Massachusetts; that by its charter it is 'not to carry on the business of a bank or trust company'; that since its incorporation it has continued as a Massachusetts business corporation and paid taxes as such; that having no deposits to insure, it has never applied for membership in the Federal Deposit Insurance Corporation; that, while it is subject to the supervision of the Commissioner of Banks of Massachusetts, it has never become a banking company within the meaning of Chapter 172A of the General Laws of Massachusetts; and that since February 1939 the stock of The Taunton Morris Plan Company has been entirely owned by The Morris Plan Company of Rhode Island, Providence, Rhode Island, with the result that in general the operation of the Company is similar in all respects to the manner in which the branches of The Morris Plan Company of Rhode Island are operated in that State.

"It is further understood that the Company sells fully paid investment certificates but only in denominations of fifty dollars or multiples thereof in an amount not to exceed $5,000 to any one person, firm or corporation, the total amount of such certificates outstanding as of November
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"25, 1939, being approximately $53,000; that, although it may redeem such certificates on demand, it requires the registered owner thereof to sign a receipt therefor on the back of the certificate with the practical result that there is no effective method of negotiating such certificate except by presenting it at the office of issue, which holds the stub originally attached to such certificate and which stub bears the owner's signature, the Company also reserving the right to require thirty days' notice in writing and to limit the aggregate amount of withdrawals on its investment certificates in any one calendar month to an amount not exceeding its net receipts of the previous calendar month; that, although the Company has authority to do so, it does not issue so-called installment investment certificates representing accounts opened for the purpose of purchasing fully paid investment certificates on an installment basis; that, although the Company pays interest on its fully paid investment certificates, such interest is payable to the customer by check on January and July first of each year; that the major portion of the Company's transactions consists of the discounting of its various types of installment notes, leases, etc., and the handling of the repayments on loans, the Company averaging about one hundred of such transactions per day; that the daily cash on hand to take care of the Company's transactions in loans and fully paid investment certificates averages not over $2,500, of which amount $500 is set aside for payments on fully paid investment certificates; that only a small amount of one teller's daily time is used in connection with the receipt and payment of funds with respect to investment certificates inasmuch as only approximately $53,000 of such certificates were outstanding as of November 25, 1939, representing only forty certificate holders; that there is very little turnover in the amount of fully paid investment certificates outstanding, there being an average of only one or two withdrawals per month; that the Company does not issue cashier's checks or drafts, such checks as it issues being drawn on banks where it has deposit accounts in Taunton, Massachusetts, or in Providence, Rhode Island; that the company does not accept deposits or maintain any form of so-called checking account service but receives funds in connection with the issue of its fully paid investment certificates; that the company is prohibited by law from transacting and does not transact a trust business; that it does not offer safety deposit facilities to the public;
"that it transacts no escrow or agency business for the public; that the company does not buy or sell securities for customers except in rare cases when it is necessary to make an occasional sale of securities held as collateral for a loan which is in default; that it is not a member of any clearing house association; that its business hours are not identical with those of banking institutions operating in the community, its hour of closing extending one hour beyond the closing hour of such banking institutions; that, although it is subject to the supervision of and examination by the Commissioner of Banks of Massachusetts, so also are cooperative banks, credit unions and small finance companies in the State; and that, although it is required to submit reports of condition to the Commissioner of Banks and to publish reports at such times and in such manner as the Commissioner shall direct, apparently it is not always required to publish such reports as frequently as banks and trust companies in the State are required to do, it having been required but once to publish its statement of condition. It is understood also that the general public regards the Company as a lending corporation or finance company operating primarily in the installment lending field and does not, to the best of existing knowledge, regard the Company as a bank of deposit.

"From the foregoing, it appears that the powers and activities of The Taunton Morris Plan Company, Taunton, Massachusetts, are essentially the same as those described in the Board's letter of October 19, 1939 (S-189-a). Accordingly, on the basis of the facts set forth above, it is the opinion of the Board that The Taunton Morris Plan Company, Taunton, Massachusetts, is not now a 'bank' within the meaning of section 8 of the Clayton Act."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:  

Chairman.

Secretary.