

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, February 19, 1940, at 10:00 a.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. 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:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on February 16, 1940, were approved unanimously.

Telegram dated February 17, 1940, to Mr. Nardin, Chairman of the Federal Reserve Bank of St. Louis, reading as follows:

"Referring your February 14 letter and February 17 telegram, Board interposes no objection to appointment of Mr. Schacht as Managing Director of Louisville Branch for remainder of current year, and approves payment of salary to him until May 31, 1940, at rate of \$8,000 per annum, if fixed by your Board of Directors at such rate. Please advise effective date of Mr. Schacht's appointment."

Approved unanimously.

Memorandum dated February 14, 1940, from Mr. Morrill recommending, for the reason stated in the memorandum, that L. H. Cooley,

2/19/40

-2-

part-time telegraph operator, be transferred from the Telegraph Office to the Building Operation and Maintenance Unit of the Secretary's Office as a full time elevator operator, with no change in his present salary at the rate of \$1,200 per annum, effective as of the date upon which he enters upon the performance of his new duties.

Approved unanimously.

Letter dated February 17, 1940, to Mr. Fry, Vice President of the Federal Reserve Bank of Richmond, reading as follows:

"Reference is made to your letter of February 5, 1940, with enclosures, requesting advice as to whether or not you should inform 'The Wilmington Savings & Trust Company', Wilmington, North Carolina, that the Board's permission is required under the condition of membership for the further retention of 480 shares of Socarnat Bank Corporation stock acquired for debts previously contracted and carried as a charged off asset. The applicable condition of membership reads as follows:

'7. Except with the permission of the Federal Reserve Board, such bank shall not purchase or acquire through any device whatever any stock of any other bank, trust company, or other corporation of any kind or character except in satisfaction or protection of debts previously contracted in good faith; and all stock acquired in satisfaction or protection of debts shall be disposed of within six months from the date on which it was acquired unless the time is extended by the Federal Reserve Board on the application of such bank for good cause shown.'

"It is noted from Vice President Thornton's letter that the Socarnat Bank Corporation stock was acquired in satisfaction of debts previously contracted and which had been charged off. It is observed also that Mr. Thornton is of the opinion that the stock of the corporation may in the not distant future bring an amount sufficient to effect a recovery in full of the debt for which it was acquired.

2/19/40

-3-

"As you suggest, the provisions of the condition apply to charged off assets as well as to stocks carried at some value in the bank's assets. It is felt, however, that in acting under the authorization to grant an extension of time under the provisions of the condition of membership for the disposal of stocks, consideration should properly be given to all of the circumstances involved, including those in connection with the acquisition of the stock, the nature of the stock, the amount of all stocks held as well as of the particular issue, and the policy of the bank with respect to the disposal of stocks acquired.

"In the present case it appears that you would be justified in granting an indefinite extension of time for disposal of the stock under the provisions of the condition of membership, retaining the right, however, to invoke the provisions of the condition at any time in the future should circumstances indicate the desirability of so doing."

Approved unanimously.

Letter to Mr. B. J. Savage, Cooper, Erving & Savage, Albany, New York, reading as follows:

"Your letter of January 31, 1940 has been received, and your comments regarding possible amendments to the Clayton Act have been brought to the attention of the members of the Board of Governors, although you apparently understand that this is a matter of legislative policy for the consideration of Congress, because you ask for the name of the Chairman of the Banking and Currency Committee of the Senate. He is Senator Robert F. Wagner of New York.

"You say that the Albany Morris Plan Bank might possibly relinquish any power to receive deposits, and thus, as you understand it, render the Act inapplicable. You evidently have reference to the fact that the Act is applicable to a director of a member bank only if he is serving a 'bank, banking association, savings bank, or trust company', which means, as indicated in our letter of January 30, that the statute would not be applicable if the Albany Morris Plan Bank ceased to be a 'bank'.

2/19/40

-4-

"As you know, one of the simplest definitions of a bank is an institution which is authorized to receive deposits. It is not always easy to define deposits, and in some borderline cases it is even less easy to determine whether an institution is a bank. However, if you are interested in pursuing this question further, I would suggest that before any steps are taken, you or the Morris Plan Bank communicate with the Federal Reserve Bank of New York which, because of its familiarity with New York State law and the rulings and regulations of this Board and the general factual background, will, I believe, be able to be of assistance."

Approved unanimously.

Letter to Mr. R. D. Cowley, President, Peoples Bank of Kelso, Kelso, Tennessee, reading as follows:

"Reference is made to your letter of January 31, 1940, requesting advice as to whether, under the provisions of section 8 of the Clayton Act and the Board's Regulation L, you may continue to serve at the same time as a director and officer of the Peoples Bank of Kelso, Kelso, Tennessee, and as a director of the Union National Bank of Fayetteville, Fayetteville, Tennessee.

"Section 8 of the Clayton Act was amended by the Banking Act of 1935 and the Board of Governors is no longer authorized to issue individual permits under the Act; and the permit which was issued to you under date of July 19, 1934, is no longer effective since interlocking directorate relationships are now governed by the provisions of the statute and the Board's Regulation L. As amended by the Banking Act of 1935, the provisions of the Clayton Act do not prohibit a director, officer or employee of a member bank of the Federal Reserve System from serving at the same time as a director, officer or employee of another bank which is not located and has no branches in the same city, town or village as such member bank or in a city, town or village contiguous or adjacent thereto. The Board is now in receipt of information from the Federal Reserve Bank of Atlanta which indicates that Kelso and Fayetteville, Tennessee, are not contiguous or adjacent within the meaning of the Clayton Act. Accordingly, your services as a director and officer

2/19/40

-5-

"of the Peoples Bank of Kelso and as a director of the Union National Bank of Fayetteville do not come within the prohibitions of section 8 of the Clayton Act."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morier
Secretary.

Approved:

W. S. ...
Chairman.