

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, July 2, 1940, at 11:00 a.m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Thurston, Special Assistant to the
Chairman
Mr. Wyatt, General Counsel
Mr. Dreibelbis, Assistant General Counsel

Reference was made to a memorandum prepared by Mr. Vest, Assistant General Counsel, under date of June 27, 1940, submitting a draft of a proposed agreement between the Board and Paul P. Cret, Architect, which had been negotiated in accordance with the action taken by the Board on June 4, 1940, and which provided for the drawing of plans and other architectural services in connection with the possible construction of an addition on the lot north of C Street or the filling in of the wings of the present building, or both.

The memorandum had been circulated among the members of the Board and Mr. McKee had attached a memorandum under date of July 1, 1940, in which he stated that he was opposed to the filling in of the wings in the present building. Messrs. Ransom and Draper had indicated agreement with Mr. McKee's position, and Mr. Clayton had suggested that the Board consider (1) whether the filling in of the wings should be

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excluded from the contract, and (2) whether there is any need for contracting for work beyond the preliminary plans.

In the discussion of the matter which followed, Mr. Davis expressed the feeling that it would be in the interest of good administration if all of the Federal banking authorities in Washington were housed in this vicinity, entirely apart from any question of merger or consolidation, and that the possibilities of bringing the agencies together would be greatly enhanced if the Board were in position to provide adequate accommodations without unnecessary delay. For these reasons, he thought that it would be desirable to get the architects to work as soon as possible on drawing up plans for both filling in the wings of the present building and an addition on the north side of C Street, without any commitment at this time as to whether either or both of these projects would actually be constructed. He said that in taking this position, he felt in no way committed as to how he would vote on filling in the wings but that it would not be possible for him to pass judgment on that question until he could see not only the architect's drawings of the proposed elevations but also floor plans and any other features that would show exactly what might be accomplished.

Mr. McKee stated that he felt that in any event the wings of the present building should not be filled in but that he would not oppose the execution of the contract with the Architect for preparing the necessary drawings with the understanding that, when the matter of constructing either the addition or the wings came up, first

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consideration should be given to the addition and that consideration should not be given to filling in the wings unless and until it developed that the space provided by the addition would not be adequate.

Mr. Davis moved that, with the understanding suggested by Mr. McKee, the Secretary be authorized to execute the contract as negotiated.

Mr. Davis' motion was put by the chair and carried unanimously.

Mr. Ransom referred to the action taken at the meeting of the Board on June 20, 1940, in approving a draft of a bill to amend subsections 14(e) and 25(b) of the Federal Reserve Act with respect to certain types of transactions between Federal Reserve Banks and foreign banks and bankers and foreign States and Governments, and stated that during discussions which were had yesterday with representatives of the State and Treasury Departments the suggestion had been made by the representatives of the two Departments that the bill should be amended to (1) state specifically that the legislation does not affect the existing powers of the Government with respect to the licensing of transactions in foreign exchange and other property, and (2) provide that in any case requiring a license the issuance of such license or a certification that a license will be issued shall be a prerequisite to any action by the Secretary of State under the proposed legislation.

Mr. Ransom stated that such an amendment had been drafted and the question before the Board was whether it would approve a letter

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to Senator Wagner, Chairman of the Banking and Currency Committee of the Senate, transmitting the proposed amendment. In this connection he read a draft of letter to Senator Wagner as follows:

"Following my telephone conversation with you yesterday in regard to the Bill relating to foreign accounts in Federal Reserve Banks, representatives of the State and Treasury Departments have requested an amendment for the purpose of making it clear that the Bill would not have the effect of impairing any authority of the Government under certain existing legislation.

"The State and the Treasury Departments desire that this amendment be incorporated in the pending Bill and the Board of Governors concurs.

"The amendment, a copy of which is attached hereto, consists of two sentences, which should be made a part of the new paragraph set forth in section 2 of the Bill by inserting these two sentences preceding the final quotation mark at the end of the paragraph after the work 'organization', which is the last word in the paragraph."

At Mr. Ransom's request, the draft of the proposed amendment was read by Mr. Dreibelbis and the purposes sought to be accomplished by the amendment were discussed.

At the conclusion of the discussion Mr. Ransom moved that the draft of amendment and letter to Senator Wagner be approved and transmitted immediately.

Carried unanimously with the understanding that the letter of transmittal would be signed by Mr. Ransom.

Mr. Ransom stated that Messrs. F. Gloyd Awalt and William W. Lancaster, attorneys for the National City Bank of New York, called on him this morning and stated that, although the London branch of the national bank had greatly reduced its deposits since last September, it still held approximately \$25,000,000 of deposits and that the

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attorneys proposed to suggest legislation under which the bank would be authorized to say to the remaining depositors that if the deposits are allowed to remain in the branch the depositors could look only to the assets of the branch for the discharge of the deposit liabilities. The reason for this proposal, Mr. Ransom said, was that the bank did not feel that under existing circumstances there would be time for it to arrange separate contracts with the depositors, as apparently was done in the case of the Far Eastern branches of the bank, under which the depositors would agree to look only to the assets of the branch for the discharge of the deposit liability, and that the attorneys felt the only way in which the desired result could be accomplished would be by the enactment of legislation.

Mr. Ransom added that the purpose of the attorneys' visit was to inquire what the position of the Board would be in the event it received an inquiry from committees of Congress as to the desirability of legislation.

During the discussion of this question it was stated that it was understood that possibly as much as 60 per cent of the remaining deposits in the London branch of the national bank were deposits of foreign branches or affiliates of American business concerns.

It was suggested that, in view of the special and limited purpose for which the legislation was being proposed, it was not a matter on which the Board should be expected to express an opinion, and at the

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conclusion of the discussion Mr. Wyatt was requested to call Mr. Awalt on the telephone and tell him that the Board did not wish to take a position on it at the present time.

Mr. Wyatt inquired what statement should be made to Mr. Awalt in the event he inquired what the position of the Board would be if Congress asked for the Board's opinion, and Mr. Wyatt was requested to state to Mr. Awalt that in the event of such a request the Board would state that in its opinion the matter was not a question of general banking interest on which the Board should express an opinion.

Chairman Eccles presented a letter received by him under date of April 1, 1940, from the President of the United States, reading as follows:

"I understand that Lauchlin Currie's leave of absence from the Board's staff expires shortly. I would appreciate it if the Board extended Mr. Currie's leave, together with that of his secretary, Mrs. Eleanor Myer, for an additional half year."

It was agreed unanimously that the Chairman should advise the President that the Board would be glad to extend the leave of absence without pay granted to Mr. Currie and Mrs. Myer for six months from July 17, 1940, the date upon which the current leave of absence granted to them will expire.

It was also agreed that Mr. Currie and Mrs. Myer should be advised in letters addressed to them that the additional leave without pay is being granted on the understanding (1) that the Board will make no contributions to the Retirement System on their behalf during the period of their further leave of absence, and that they will also make no contributions during the period and (2) that, upon their return to active service, the Board authorizes payment to the Retirement System of such

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amounts as may be necessary to restore the benefits to which they would have been entitled as a result of the Board's regular contributions if their membership had been continuous, on condition that they will also make such payments to the Retirement System as will be necessary to provide the benefits to which they would have been entitled as a result of their regular contributions if their membership had been continuous.

Mr. Ransom stated that Mr. Sproul, First Vice President of the Federal Reserve Bank of New York, called on the telephone yesterday to advise that the New York Bank had received a communication from the Guaranty Trust Company of New York with respect to an application received by the Bank from Uruguay for a loan in connection with a proposed rearmament program in that country, that the Trust Company felt that the matter was one that should be called to the attention of the Board of Governors and of any other appropriate Government department in Washington, that the communication was being sent to the Board of Governors by mail, and that it would be appreciated by the Federal Reserve Bank of New York if the Board would give the matter consideration and suggest how it should be handled. Mr. Ransom stated that the letter from the New York Bank and its enclosures had not yet been received but that the matter was being brought to the attention of the members of the Board at this time for such consideration as they might wish to give to it.

Chairman Eccles suggested that, upon receipt of the file Mr. Ransom discuss the matter with Mr. Morrill and the Legal Division, and that, unless it was felt that it

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should be handled in some other manner, it be sent to the State Department as a matter properly coming within the jurisdiction of that Department.

Mr. Eccles' suggestion was approved unanimously.

At this point Mr. Davis left the meeting.

Reference was then made to the informal discussion at the meeting of the Board on June 28, 1940, of the existing policy of the Board of not approving the appointment of Presidents of Federal Reserve Banks who would reach 70 years of age during the period of their appointment and the matter was given further consideration. While no action was taken, it was the general consensus that no exception should be made to the existing policy in the absence of strong reasons for such an exception.

At this point Messrs. Thurston, Wyatt, and Dreibelbis left the meeting and the action stated with respect to each of the matters hereinafter referred to was then taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on July 1, 1940, were approved unanimously.

Mr. Morrill reported that the Comptroller of the Currency today issued a call on all national banks for reports of condition as at the close of business on June 29, 1940, and that, in accordance with the usual practice, a call was made on behalf of the Board of Governors of the Federal Reserve System today on all State member

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banks for reports of condition as of the same date.

The call made on behalf of the Board
was approved unanimously.

Memorandum from Mr. Nelson, Assistant Secretary, submitting
the resignation of Robert W. Rieseberg as a clerk in the Secretary's
Office, effective as of the close of business on July 17, 1940, and
recommending that the resignation be accepted as of that date.

Approved unanimously.

Letter to the board of directors of the "Manatee River Bank
and Trust Company", Bradenton, Florida, stating that, subject to con-
ditions of membership numbered 1 to 6 contained in the Board's Regula-
tion H, 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 Atlanta.

Approved unanimously for transmis-
sion through the Federal Reserve Bank
of Atlanta.

Letter to the board of directors of "The Sandborn Banking
Co.", Sandborn, Indiana, stating that, subject to conditions of mem-
bership numbered 1 to 3 contained in the Board's Regulation H, 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 St. Louis.

Approved unanimously, together with
a letter to Mr. Martin, President of the

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Federal Reserve Bank of St. Louis, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of 'The Sandborn Banking Co.', Sandborn, Indiana, 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 to the Director, Department of Financial Institutions, for the State of Indiana for his information.

"The Washington Office of the Federal Deposit Insurance Corporation advised the Board's Division of Examinations that during the time the bank was insured the fidelity and burglary and robbery coverage provided by the bank was never considered adequate, and that attempts to have the coverage increased were unsuccessful. It is requested, therefore, that the matter be given special consideration by the Reserve Bank and the management called upon to increase the protection if the coverage now provided is deemed to be inadequate."

Telegram to Mr. Stroud, General Counsel of the Federal Reserve Bank of Dallas, reading as follows:

"Retel July 1 concerning The Citizens State Bank, Knox City, Texas. Condition of membership numbered 3, prohibiting bank from engaging as a business in selling obligations representing real estate loans, does not prohibit infrequent and isolated transactions."

Approved unanimously.

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

"Reference is made to your letter of June 28, 1940, regarding the plans of The Washington Loan and Trust Company, Washington, D. C., to improve and enlarge its West-End branch office located at 17th and G Streets. On May

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"24, 1940 the Board approved the proposed expenditure of an amount not to exceed \$80,000 for such purpose. The member bank now reports, however, that the contractor's bid for the work is \$73,500 and the architect's fee will be \$5,500. In order to provide for contingencies which may arise, the bank requests permission to spend \$7,500, if necessary, in addition to the \$80,000 previously authorized.

"In accordance with your recommendation, the Board approves of the increase from \$80,000 to \$87,500 in the proposed expenditure and it is requested that you advise the bank accordingly."

Approved unanimously.

Letter to Mr. Gilbert, President of the Federal Reserve Bank of Dallas, reading as follows:

"Further reference is made to your letter of June 12, 1940, regarding the Hemphill Exchange-Trust of Hemphill, Texas, and its methods of operation.

"In response to a telephone inquiry, the Copyright Office of the Library of Congress advised that on April 25, 1936, a book was copyrighted by Elmon Armstrong and Company, the firm mentioned in the correspondence attached to your letter. Accordingly, a copy of this book was borrowed from the Library of Congress and is enclosed for your information. Please return it to us when it has served your purpose.

"It will be noted that the 'book' consists of a four-page, unnumbered statement, the principal captions of which are 'Charter', 'Constitution', 'By-Laws of the ...' and 'Certificate of Authority'. The copyright Office advised informally that a copyrighted book may consist, for example, of a 50-volume encyclopedia, or of a two-page pamphlet. A copy of Copyright Office Bulletin No. 14, containing the Copyright Law of the United States, is enclosed and may be retained if desired.

"It is noted from the photostats enclosed with your letter that the Exchange-Trust pass book contains a statement, 'This Exchange-Trust operates under the provisions of the "National Exchange-Trust System", copyrighted in Washington, D. C.' Section I, Article VII under the

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"caption 'Constitution' of the copyrighted book states that the 'Association' shall be referred to as 'Exchange-Trust' in its bylaws, and we find no reference in the copyrighted material to the 'National Exchange-Trust System'. As a matter of fact, the Copyright Office mentioned that obtaining a copyright on a book does not protect the author against the use of any system, plan, or idea expressed therein. Their informal interpretation of the Copyright Law is that it covers only the literary or artistic conception of the author as expressed in some tangible form.

"It is mentioned in your letter that the National Exchange-Trust System apparently has headquarters in Washington, D. C. As far as we have been able to ascertain, this 'System' does not have any headquarters here. The Copyright Office advises us that the address of Elmon Armstrong and Company at the time its book was copyrighted was 502 West Locust Street, Bloomington, Illinois. The 1940 edition of the Bloomington city directory does not list 'Elmon Armstrong and Company' but an Elmon Armstrong, occupation 'Pharmacist', is listed at 702 North Oak Street, Apartment 4.

"Within the past few years the Board has had some correspondence with the Federal Reserve Banks of Chicago and St. Louis regarding the operation of 'exchange-trusts', or 'security trusts' as they were called in those Districts. Our files also show that some of these 'trusts' were organized under the auspices of Elmon Armstrong. So far as we know, all of these 'trusts' have been reported to the Department of Justice as possibly operating in violation of section 21 of the Banking Act of 1933, and we are advised that a United States Attorney in Illinois has brought a test case under the provisions of such section. You may, therefore, wish to consider whether the 'trusts' referred to in your letter are apparently operating in violation of section 21 and, if so, report the matter to the local United States Attorney in the usual manner.

"It will be appreciated if you will keep us advised of any further developments in the operation of 'exchange-trusts' in your District."

Approved unanimously.

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

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"Reference is made to your letter of June 19, 1940, and enclosures, with respect to the absorption of The First National Bank of Caledonia by the Sprague State Bank, Caledonia, Minnesota, effected as of the close of business May 22, 1940.

"On the basis of the information submitted, the Board concurs in the opinion of Counsel for the Reserve Bank that the transaction has not resulted in any change in the general character of the assets of the Sprague State Bank or the scope of its powers within the meaning of condition of membership numbered 1. The Board, therefore, will interpose no objection under the conditions of membership to the absorption."

Approved unanimously.

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

"This refers to your letter of May 18, 1940, with enclosures, and Mr. A. C. Kennel's letter of June 13, 1940, and enclosures, regarding the applicability of the Clayton Act to Mr. Bernard W. Doyle, who is serving as a director of The Merchants National Bank of Leominster, Leominster, and of The Safety Fund National Bank of Fitchburg, Fitchburg, both of Massachusetts.

"It is understood that 'Fitchburg City' constitutes an incorporated political subdivision of a county; that it possesses a city form of government administered by a mayor and city council; that its total population is approximately 42,000; that its total area is slightly more than twenty-eight square miles; that within this area is a community without corporate boundary lines known also as Fitchburg, the area of which is slightly more than two square miles and the population of which is approximately 15,000; that The Safety Fund National Bank of Fitchburg is located within this community; and that also within the total area of 'Fitchburg City' are the following communities without corporate boundary lines: Cleghorn, with an estimated area of sixty-eight one hundredths (.68) square miles and an estimated population of 11,000, West Fitchburg with an estimated area of thirty-two one hundredths (.32) square miles and an estimated population, including Crockerville, of 4,000, and South Side with an estimated area of eighty-five one hundredths (.85) square miles and an estimated population, including South Fitchburg, of 10,000.

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"It is understood also that 'Leominster City' constitutes an incorporated political subdivision of a county; that it possesses a city form of government administered by a mayor and city council; that its total population is approximately 22,000; that its total area is twenty-nine square miles; that within this area is a community without corporate boundary lines known also as Leominster, the area of which is three square miles and the estimated population of which is 18,000; that The Merchants National Bank of Leominster is located within this community; that also within the total area of 'Leominster City' is a community without corporate boundary lines known as North Leominster with an estimated area of one and one-quarter (1-1/4) square miles and an estimated population of 2,000, and having stores, churches, a separate railroad station and numerous dwellings.

"Since the corporate limits of 'Fitchburg City' and 'Leominster City' touch or coincide for some distance and since the community known as Fitchburg, where The Safety Fund National Bank of Fitchburg is located, and the community known as Leominster, where The Merchants National Bank of Leominster is located, do not touch, the question presented is whether exception numbered (5) of section 8 of the Clayton Act is applicable to Mr. Doyle's services with the banks named.

"From the information which has been submitted, in addition to the foregoing, it appears that the distance between the business centers of the communities where the respective banks are located is about five miles; that the distance between the edges of the same communities on their nearest sides is three or four miles; that the communities have entirely separate shopping centers, chambers of commerce, and various community interests; that over the principal route between the two communities there is a stretch of road, perhaps a mile in length, which is sparsely settled, one stretch of road about a half mile in length along which there are virtually no houses, and other routes which run for longer distances through sparsely settled sections; and that an estimated 90 out of 1702 checking depositors of The Merchants National Bank of Leominster are residents of 'Fitchburg City' and an estimated 109 out of 2083 checking depositors of The Safety Fund National Bank of Fitchburg are residents of 'Leominster City'.

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"On the other hand, it appears from the information and maps submitted that the communities in 'Fitchburg City' known as Fitchburg, Cleghorn, West Fitchburg and South Side are in reality component parts of the same general settlement or community rather than separate communities. Cleghorn is described as a large shopping center, West Fitchburg as a manufacturing center, and Crockerville as a small manufacturing center. It appears also from the maps submitted that certain developed portions of the community known as South Side and the community known as Leominster meet or adjoin each other at the corporate boundary lines of the incorporated municipalities with the result that there is at this point, but within the corporate limits of 'Leominster City', a small settled area which otherwise might be regarded as a continuation of the South Side Community of 'Fitchburg City'; and that such sparsely settled territory as lies along the principal route between the communities where the two banks are located lies within the corporate limits of 'Leominster City' and between the main settled portion thereof and the small settled portion thereof which lies along the corporate line separating the two cities.

"Accordingly, the situation is almost identical with that discussed in the recent correspondence concerning Mr. Austin L. Adams who is serving banks in Waterbury and Naugatuck, Connecticut. As stated in connection with that case, the Board's letter of February 27, 1940, S-205, proceeded on the theory that the boundaries of a New England 'Town' were not necessarily to be regarded as the boundaries of unincorporated communities located within the 'Town'; but that letter did not imply that the limits of a community should be disregarded where the community was an incorporated municipality with defined corporate limits, such as a city, town or village of the kind existing generally throughout the United States. In the present case Fitchburg City and Leominster City are incorporated municipalities, each having a mayor and city council; and their corporate limits touch. They are therefore 'contiguous' within the meaning of footnote 8 in Regulation L. This conclusion of course makes it unnecessary to decide whether they are 'adjacent', a question which would apparently be a very close one in view of the information and maps which have been submitted."

Approved unanimously.

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

"This refers to your letter of May 20, 1940, with enclosures, regarding the applicability of the Clayton Act to Mr. Austin L. Adams, who is president and director of The Colonial Trust Company, Waterbury, Connecticut, and chairman of the board of directors and trust officer of The Naugatuck National Bank, Naugatuck, Connecticut.

"It is understood that the 'Town of Naugatuck' constitutes an incorporated political subdivision of a county; that it possesses a 'town' form of government administered by a town clerk, selectmen and other officials generally associated with the New England form of 'town' government as a subdivision of the county and State governments; that superimposed upon the 'Town of Naugatuck' is the 'Borough of Naugatuck' which is a municipal corporation formed for local governmental purposes and possessing the 'borough' form of government administered by a warden, burgesses and other officials generally associated with the New England 'borough' form of government; that the corporate limits of the 'Borough of Naugatuck' are coextensive with the corporate limits of the 'Town of Naugatuck'; that the total area of the 'Town' and 'Borough' of Naugatuck is 10,750 acres and the total population is approximately 14,000; that within and near the center of this area is one central business and residential community, commonly known also as Naugatuck, which comprises an area estimated at 1,000 acres, has a population of 7,000, and has its own post office, railroad station, business and manufacturing buildings; that The Naugatuck National Bank is located within this community; that approximately one mile from this central area, but still within the corporate limits of the 'Town' and 'Borough' of Naugatuck and between the central area just described and the corporate limits of the adjoining 'Town of Waterbury', is another thickly settled community known by the name of Union City, having a population of over 3,000 and a separate post office, railroad station, and other buildings; and that in general the remainder of the total area of the 'Town' and 'Borough' is devoted to farm land, woodland and undeveloped property.

"It is understood also that the 'Town of Waterbury' constitutes an incorporated political subdivision of a

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"county; that it possesses a 'town' form of government similar in nature to that of the 'Town of Naugatuck'; that, likewise, superimposed upon the 'Town of Waterbury' is the 'City of Waterbury' which is a municipal corporation possessing the city form of government administered by a mayor, board of aldermen and other officials generally associated with the city form of government; that the corporate limits of the 'City of Waterbury' are co-extensive with the corporate limits of the 'Town of Waterbury'; that the total area of the 'Town' and 'City' of Waterbury is 18,400 acres and the total population is 106,500; that within and near the center of this area is a main central community, known also as Waterbury, which comprises an area estimated at 4,000 acres and has an estimated population of 15,000; that The Colonial Trust Company is located within this community; that within the corporate limits of the 'Town' and 'City' of Waterbury are other somewhat distinct communities, one designated by the name Waterville having a population of approximately 5,000 and having its own post office; and that in general some of the total area of the 'Town' and 'City' is devoted to farming, woodland and undeveloped property.

"Since the corporate limits of the 'Town' and 'Borough' of Naugatuck for some distance apparently touch the corporate limits of the 'Town' and 'City' of Waterbury and since the main settled community where The Naugatuck National Bank, in Naugatuck, is located and the main settled community where The Colonial Trust Company, in Waterbury, is located are some distance apart, the question presented is whether exception numbered (5) of section 8 of the Clayton Act is applicable to Mr. Adams' services with the banks named.

"From the information which you have submitted, in addition to the foregoing, it appears that the distance between the business centers of the main settled areas known by the name of Naugatuck and Waterbury, where the respective banks are located, is over five miles; that the distance between the edges of the two settled areas on their nearest sides is over three miles, a little less than one mile of which distance, embracing the Union City community, is a densely settled area, while the remainder of the distance includes territory containing some residences, a few business establishments and one factory; that Naugatuck has theatres, department stores and furniture stores equipped to take care of the usual local trade,

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"has a Chamber of Commerce, Rotary Club and other such organizations which are not connected with similar organizations in Waterbury; and that an estimated 26 out of 1,500 depositors of The Naugatuck National Bank are residents of Waterbury and an estimated 49 out of 2,600 depositors of The Colonial Trust Company are residents of Naugatuck.

"However, this latter information relates to the question whether the two places are 'adjacent', and was evidently submitted in view of the Board's letter of February 27, 1940, S-205, because the information is not material if the two places are 'contiguous'. In this connection it should be pointed out that the position taken in the Board's letter S-205 was taken for the purpose of avoiding discrimination in the application of the Clayton Act in the various parts of the United States. The letter took notice of the fact that in certain States in New England the entire area of the State is divided into 'Towns', whereas in other parts of the United States a town is merely an area drawn so as to include a cluster of houses, leaving large parts of the State which are not included in any city, town, or village. Had the Board not taken this position the result would have been a discrimination in the application of the statute against some interlocking relationships existing in New England. Accordingly, the Board's letter S-205 proceeded on the theory that the boundaries of a subdivision of a county known as a 'Town' were not necessarily to be regarded as the boundaries of unincorporated communities located within the 'Town'. It did not proceed on the theory that the limits of a community should be disregarded where, in fact, such community was an incorporated municipality with defined corporate limits, such as a city, town or village as they exist generally throughout the United States. In the present case the Borough of Naugatuck and the City of Waterbury are incorporated municipalities having specified corporate limits. In this respect they are similar to other incorporated municipalities existing throughout the United States. To ignore their corporate status as a 'Borough' and a 'City', respectively, would constitute discrimination in their favor and against interlocking relationships existing in similar incorporated municipalities throughout the United States where in the application of the statute these limits have been consistently followed. The fact that the area of the Borough of Naugatuck is divided into tax districts cannot be regarded as controlling since such

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"districts frequently exist in similar incorporated municipalities throughout the country and incorporated cities, towns and villages are divided into such areas as wards, precincts, school districts, etc., for various purposes.

"Since the corporate limits of the Borough of Naugatuck and City of Waterbury touch, the communities are 'contiguous' within the meaning of footnote 8 of Regulation L. This position is based on the defined corporate limits of the Borough and City, irrespective of the fact that their corporate limits happen to coincide with the corporate limits of the 'Town' political unit."

Approved unanimously.

Thereupon the meeting adjourned.

Ester Morley
Secretary.

Approved:

W. S. ...
Chairman.