

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, July 13, 1940, at 12:30 p.m.

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

Mr. Morrill, 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 July 12, 1940, were approved unanimously.

Telegram to Mr. Hamilton, President of the Federal Reserve Bank of Kansas City, reading as follows:

"Referring your telephone conversation yesterday with Governor Szymczak, from which it is understood that C. E. Daniel, Managing Director at Oklahoma City, has resigned effective at the close of August 31 and that G. H. Pipkin, now Assistant Cashier at Kansas City, is to be transferred to Oklahoma City to succeed Daniel effective September 1 at \$7,500 per annum, Board approves salary, if fixed by your directors at that rate, for Mr. Pipkin until May 31, 1941."

Approved unanimously.

Memorandum dated July 11, 1940, from Mr. Smead, Chief of the Division of Bank Operations, submitting a letter dated July 6 from Mr. Worthington, First Vice President of the Federal Reserve Bank of

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Kansas City, which recommended approval by the Board of changes in the personnel classification plan of the Bank and the Oklahoma City Branch of the Bank to provide for the creation of a new position of "Chief Telephone Operator" at the head office, and increases in the maximum salaries for the positions of "Supervisor-Country Check and Clearing House" in the Check Collection Department, "Assistant Examiner" in the Examination Department, both at the head office, and the position of "Utility Teller" in the Money Department at the Oklahoma City Branch. The memorandum stated that the proposed changes had been reviewed and recommended that they be approved.

Approved unanimously.

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

"This refers to your letter of July 9, 1940, submitting a draft of a letter you propose to forward to Mr. Harold J. Field, of the Rhode Island Hospital Trust Company, in reply to his inquiry with regard to common trust funds.

"Your proposed reply correctly interprets the provisions of Regulation F which are involved and fully covers the questions in which Mr. Field is interested. It appears that it should give him all the information he desires and we do not have any suggestions to make with reference to the proposed reply.

"When transmitting an inquiry to a Federal Reserve Bank for reply, we endeavor in each case to make such comments from the Board's standpoint as it appears may be helpful to the Federal Reserve Bank in answering the inquiry, and it was for this purpose in this case that we referred to the differences in the terms in Regulation F applicable to different types of common trust funds. However, we shall keep your suggestions in mind in forwarding any future inquiries for reply."

Approved unanimously.

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Letter to the Presidents of all the Federal Reserve Banks,
reading as follows:

"The Board recently considered a case involving the question whether two places were 'contiguous or adjacent' within the meaning of the Clayton Act. (Footnote 8, Regulation L.) The purpose of this letter is to inform you of the Board's conclusions, summarizing the facts which were examined in great detail in the original ruling.

"The banks were located in two 'Towns' in New England, and the boundaries of the two 'Towns' touched. However, in view of the Board's letter of February 27, 1940, S-205, it was suggested that the limits of the towns should be disregarded and that the applicability of the statute should be decided on the same basis as if two unincorporated communities were involved.

"However, in this case each of the communities was incorporated as a 'City' and had a city form of government administered by a mayor and city council. The corporate limits of the two cities were the same as the limits of the two 'Towns', and therefore touched each other. In the circumstances the Board ruled that the two cities were 'contiguous'.

"The Board pointed out that the position taken in its letter S-205 was taken for the purpose of avoiding discrimination in the application of the Clayton Act in various parts of the United States. That 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 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 the community is in fact an incorporated municipality with defined corporate

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"limits such as a city, town or village as they exist generally throughout the United States, because to disregard the corporate limits in such a case would involve a discrimination in favor of that community and against similar incorporated communities throughout the United States where such limits have been consistently followed in applying the statute."

Approved unanimously.

Memorandum dated July 12, 1940, from Mr. Smead, Chief of the Division of Bank Operations, recommending that the balance of approximately \$47,000,000 of the Bank of England with the Federal Reserve Bank of New York, which is now carried as a balance of the British Government, be included in the weekly statement of condition of Federal Reserve Banks against the caption "Other deposits". The memorandum also recommended that, in the event bill H.R. 10127, a bill to amend section 14(e) and section 25(b) of the Federal Reserve Act, becomes law, the caption "Deposits-Foreign bank" in the weekly statement be changed to read "Deposits-Foreign" and that all foreign balances, including both foreign governments and foreign banks, be included against the revised caption.

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris
Secretary.

Approved:

W. Smead
Chairman.