

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, July 24, 1940, at 10:45 a.m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

The Secretary stated that yesterday a letter was received in the Board's offices from John R. Kennedy, Editor of the Federal Register, enclosing a photostat of an Executive Order signed by the President on July 18, 1940, designating Mr. Ransom as Vice Chairman of the Board of Governors of the Federal Reserve System. The Executive Order, the original of which is on file in The National Archives, read as follows:

"EXECUTIVE ORDER

"DESIGNATING THE VICE CHAIRMAN OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

"By virtue of and pursuant to the authority vested in me by section 10 of the Federal Reserve Act (38 Stat. 260) as amended by section 203(b) of the act of August 23, 1935 (49 Stat. 704), I hereby designate Ronald Ransom as Vice Chairman of the Board of Governors of the Federal Reserve System, to serve as such for a term of four years from August 6, 1940, unless and until his services as a member of said Board shall have sooner terminated."

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 20, 1940, were approved unanimously.

The minutes of the meeting of the Board of Governors of the

7/24/40

-2-

Federal Reserve System held on July 22, 1940, were approved and the actions recorded therein were ratified unanimously.

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

"This is in reply to your letter of July 15, 1940, submitting the request of City Bank Farmers Trust Company, New York, New York, for permission, under condition of membership numbered 17, to consolidate into one general common trust fund the three common trust funds known, respectively, as Investment Fund Number 1, Uniform Trust Plan A, and Plan of Uniform Trusts B.

"In view of the circumstances and your recommendation, the Board will interpose no objection under the condition of membership to the consolidation of the three funds. This is with the understanding that such consolidation is permissible under the laws of the State of New York, that the Superintendent of Banks does not object to the consolidation, that in the transaction the interests of the beneficiaries of the respective funds will not be impaired, and that counsel for the bank shall be satisfied as to the legal aspects of the transaction, for the protection of the beneficiaries and the bank itself."

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 July 16, 1940, with enclosures, presenting for the consideration of the Board the question of the applicability of exception numbered (5) of section 8 of the Clayton Act to the services of Mr. Terence F. Carmody as a director of The Colonial Trust Company, Waterbury, Connecticut, and as a director and trust officer of The Watertown Trust Company, Watertown, Connecticut.

"Enclosed with your letter was a copy of a letter dated June 25, 1940, from Mr. Carmody setting forth certain facts and information regarding Watertown and Waterbury City; a copy of a letter dated June 25, 1940, from

7/24/40

-3-

"Mr. Carmody supplementing the letter just referred to; a copy of a letter dated July 15, 1940, from Mr. Carmody commenting more specifically upon the nature of the Watertown Fire District and the Oakville Fire District and the distances between them, the density of settlements, etc.; and two maps prepared by Price & Lee Company, each of which shows Waterbury City on one side and Watertown on the other.

"From the information and maps which have been submitted it appears that, although the corporate limits of the 'City of Waterbury' and the 'Town of Watertown' touch or coincide, the 'Town of Watertown' is a political subdivision of the State in the nature of a township, that The Watertown Trust Company is situated in a small community known as Watertown, which comprises an incorporated taxing area known as the Watertown Fire District with power to levy taxes and provide such public services as electric lighting, sewer system, water system, etc., and that the limits of the community (and of the Fire District) are not coterminous with the limits of the 'Town of Watertown' but are, on the contrary, some distance removed therefrom. As indicated by the ruling summarized in the Board's letter of July 13, 1940, S-225, the limits of the 'City of Waterbury' should not be disregarded but the limits of the 'Town of Waterbury' should be disregarded in determining the applicability of exception numbered (5) in this case.

"On the basis of the information submitted with your letter the Board sees no reason to differ from the conclusion reached by your counsel that the 'City of Waterbury', in which The Colonial Trust Company is situated, and the community known as Watertown in which The Watertown Trust Company is situated, are not 'contiguous or adjacent' within the meaning of the Clayton Act."

Approved unanimously.

Letter to Honorable Guy T. Helvering, Commissioner of Internal Revenue, reading as follows:

"This refers to your letter (IT:Rec:F:G-MSG) of April 10, 1940, relating to the credit claimed under section 26(d) of the Revenue Act of 1936 by Marine Midland Corporation, Jersey City, New Jersey, in its income tax return for 1936.

7/24/40

-4-

"Upon the basis of the information contained in such tax return and the related papers, inspected at your Bureau by representatives of the Board, and the information otherwise available to the Board, the Board certifies that during the calendar year 1936 Marine Midland Corporation devoted earnings or profits in the amount of \$293,093.75 to the acquisition of readily marketable assets other than bank stock in compliance with section 5144 of the Revised Statutes."

Approved unanimously with the understanding that a copy of the letter will be sent to the Federal Reserve Bank of New York and to the Marine Midland Corporation.

Letter to Mr. E. A. Dent, Assessor for the District of Columbia, reading as follows:

"Receipt is acknowledged of your letter of July 17, 1940, addressed to Honorable Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System, advising that under a recent opinion of the Corporation Counsel of the District of Columbia the Commissioners have directed you to place the Federal Reserve Building on the taxable list and make the assessment retroactively effective for the past three years. You enclose with your letter tax bills for the fiscal years 1938, 1939 and 1940 in the total amount of \$200,985.86.

"The Board of Governors regrets that it was not afforded an opportunity to present its views with reference to this matter before the opinion of the Corporation Counsel was rendered and the Commissioners took action thereon. The Board of Governors is a strictly Governmental organization created by Congress for the purpose of administering the Federal Reserve Act and other related statutes and the Board is advised by its General Counsel that its building is not subject to taxation.

"The Board has authorized its General Counsel to discuss this subject informally with the Corporation Counsel of the District of Columbia, but we are advised that the Corporation Counsel is now on his vacation and will not return to the city until August 1st. The Board's General

7/24/40

-5-

"Counsel will communicate with the Corporation Counsel upon the latter's return to the city."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morie
Secretary.

Approved:

W. C. ...
Chairman.