

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, September 30, 1940, at 11:00 a.m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. Davis
Mr. Draper

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 September 28, 1940, were approved unanimously.

The minutes of the meeting of the Board of Governors of the Federal Reserve System with the Presidents of the Federal Reserve Banks held on September 28, 1940, were approved unanimously.

Memorandum dated September 26, 1940, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that, for the reason stated in the memorandum, the temporary appointment of Lucile G. Wilson as a clerk-stenographer in the Division, be extended for an additional period of three months from October 15, 1940, with no change in her present salary at the rate of \$1,440 per annum.

Approved unanimously.

Memorandum dated September 26, 1940, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that, for the reason stated in the memorandum, the temporary appointment of Mrs. Nancy B. Kelly as a clerk-stenographer in the Division,

9/30/40

-2-

be extended for an additional period of three months from October 9, 1940, with no change in her present salary at the rate of \$1,440 per annum.

Approved unanimously.

Letter to the board of directors of "The Lindenhurst Bank", Lindenhurst, New York, stating that, subject to conditions of membership numbered 1 to 6 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 New York.

Approved unanimously, together with a letter to Mr. Harrison, President of the Federal Reserve Bank of New York, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of 'The Lindenhurst Bank', Lindenhurst, New York, 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 Superintendent of Banks for the State of New York for his information.

"The amount of estimated losses classified in the report of examination for membership is relatively small; therefore, the usual condition regarding the elimination of estimated losses has not been prescribed.

"Standard condition of membership numbered 6 has been prescribed in order that its provisions may be invoked at any time in the future, if necessary, but as in other cases and in accordance with the general authorization previously granted by the Board, you are authorized

9/30/40

-3-

"to waive compliance with the condition until further notice insofar as the condition applies to funds which are given statutory preference in the State of New York."

Letter to the "Western State Bank of Cicero", Cicero, Illinois,
reading as follows:

"The Board of Governors of the Federal Reserve System has considered the application for permission to exercise fiduciary powers made by you on behalf of the Western National Bank of Cicero, Cicero, Illinois, the national bank into which the Western State Bank of Cicero, Cicero, Illinois, is to be converted, and grants such national bank authority, effective if and when it is authorized by the Comptroller of the Currency to commence business, to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Illinois, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"After the conversion of the Western State Bank of Cicero into the Western National Bank of Cicero becomes effective and the Comptroller of the Currency authorizes the national bank to commence business, you are requested to have the board of directors of the national bank adopt a resolution ratifying your application for permission to exercise trust powers, and a certified copy of the resolution so adopted should be forwarded to the Federal Reserve Bank of Chicago for transmittal to the Board for its records. When a copy of such resolution has been received by the Board, a formal certificate covering the national bank's authority to exercise trust powers will be forwarded."

Approved unanimously.

Letter to Mr. Fry, Vice President of the Federal Reserve Bank

9/30/40

-4-

of Richmond, reading as follows:

"Reference is made to your letter of September 13, 1940, enclosing copies of two letters from Mr. Henry H. McKee, President of the National Capital Bank and of the East Washington Savings Bank, both of Washington, D. C., regarding the applicability of the Clayton Act to himself and three other individuals who are serving both banks. The question presented by Mr. McKee is whether the two institutions are 'engaged in' any of the same 'classes of business' within the meaning of paragraph (6) in section 8 of the Clayton Act.

"You have not furnished the Board with your comments regarding the matter and you have not furnished the Board with any information except that contained in the two letters from Mr. McKee. Accordingly, this reply is confined to the question presented by Mr. McKee and is based upon the information contained in his two letters. It is, of course, possible that some other exception in section 8 of the Clayton Act may be applicable to Mr. McKee and the three other directors, and it is likewise possible that there are other items, in addition to those discussed by Mr. McKee, to which the phrase 'classes of business' in paragraph (6) might apply.

"However, Mr. McKee's letters state that the national bank has no savings deposits or thrift accounts, all of its deposits being demand deposits, and that it does not exercise trust powers. His letters indicate that there are only four items which might be regarded as 'classes of business' in which both banks are engaged: (1) The savings bank receives payment of some public utilities bills and contributions to the Community Chest, and permits checks to be drawn against such funds at stated intervals; (2) the savings bank has one note secured by stock collateral, for \$125; (3) the savings bank owns about \$8,000 of equipment trust notes of the Capital Transit Company; and (4) the national bank has seven real estate loans, which were made at various times between June 1926 and August 1939.

"On the basis of the information submitted, the accounts comprising the first of these items appear to be of the same class, for the purposes of paragraph (6) in section 8 of the Clayton Act, as the demand deposits of the national bank. However, Mr. McKee suggests two ways

9/30/40

-5-

"of handling the amounts involved so that the savings bank will not thereafter hold any demand deposits.

"With respect to the last three of these items it should be noted that paragraph (6) in section 8 of the Clayton Act refers to banks which are not 'engaged in' the same classes of business, and footnote 9 in Regulation L says that the paragraph 'refers to the various types of business engaged in by such institution * * * such as * * * making real estate loans * * *'. The Board is of the opinion that the phrase 'engaged in' refers to the business presently transacted by the institution and does not refer to business which may have been transacted by it in the past. (cf. Federal Reserve Bulletin for 1934, page 42). Accordingly, if, as suggested by Mr. McKee, the savings bank and the national bank, respectively, should not make any further loans of the kinds included in the last three items above, the Board is of the opinion that they would not be engaged in the same classes of business merely because certain loans of these types which had been made in previous years were still on their books."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

Rona Hanson
Vice Chairman.