

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, July 29, 1944, at 10:00 a.m.

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

Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Thurston, Special Assistant to the Chairman
Mr. Goldenweiser, Director of the Division of Research and Statistics
Mr. Dreibelbis, General Attorney
Mr. Leonard, Director of the Division of Personnel Administration
Mr. Vest, Assistant General Attorney
Mr. Thomas, Assistant Director of the Division of Research and Statistics
Mr. Wyatt, General Counsel

Before this meeting the attention of the members of the Board had been called to a memorandum dated July 11, 1944, from Mr. Thomas recommending that the temporary appointment of Paul Hermberg, an economist in the Division of Research and Statistics, be extended for an additional year when it expires at the close of business on July 31, 1944, and that his basic salary be increased from the rate of \$4,800 to \$5,000 per annum, effective August 1, 1944. Mr. McKee had indicated on the memorandum that he would be willing to approve a six-month extension of the appointment.

At this meeting Mr. McKee stated that it was not possible at this time to forecast when the war would end and that it was his feeling that all appointments of temporary employees on the Board's staff

7/29/44

-2-

should not be extended for longer than six months so that the Board would be able to fill positions on its staff with former employees returning from military service. He said that he would vote to approve an extension for one year of Mr. Hermberg's appointment, but that in the future he would be willing to approve extensions of temporary appointments only for six-month periods, and that it was his suggestion that the Board adopt a policy in connection with cases of this kind as a guide to the Personnel Committee.

It was the consensus of other members of the Board that each of the cases arising in the future would have to be decided on its merits in the light of all the surrounding circumstances.

Thereupon, upon motion by Mr. Szymczak and by unanimous vote, Mr. Thomas' recommendations with respect to the appointment and salary of Mr. Hermberg were approved.

Under date of May 5, 1944, the Board received from Chairman Wagner of the Senate Banking and Currency Committee a request for a report on bill S. 1892, introduced by Senator Thomas of Oklahoma, which would provide in effect that United States obligations owned by banks, insurance companies, or institutions receiving deposits should be deemed, for the purposes of Federal law or regulation, to have a value equal to par regardless of the market value thereof, and would require Federal Reserve Banks to purchase such obligations or accept them for credit at not less than par. A similar request was received by the

7/29/44

-3-

Treasury Department, and the Board was informed by a representative of the Treasury that it proposed to submit a report and would like to be informed as to the nature of the Board's report. The matter was discussed by representatives of the Board with representatives of the Treasury on May 7, at which time it was stated that, in accordance with its usual practice, the Board would prefer not to submit a report on the bill until it was evident that it was to be given active consideration. However, it appeared to be the practice of the Treasury to submit reports in response to all such requests in the event that could be done before the adjournment of Congress or unless the matter was disposed of in some other way. It also appeared that there was disagreement among Treasury representatives as to the kind of report that should be made by the Treasury and that, while the matter had not been considered by Secretary Morgenthau or Under Secretary Bell, there was some likelihood that the Treasury might make a report which would not be in agreement with the kind of report that some of the members of the Board had indicated informally they would like to have made.

Because of the interest of the Federal Open Market Committee in any report that might be made, Chairman Eccles presented the matter at a meeting of the executive committee of the Federal Open Market Committee in Washington yesterday, at which time it was agreed by the committee to suggest to the Board of Governors that the Treasury be informed that the Board believed it would be better not to make a report

7/29/44

-4-

on the bill unless and until it became clear that the bill was to be given active consideration in hearings or otherwise, that in that event it was hoped that the Treasury and the Board could submit reports which would be in agreement, and that, if the Treasury should decide to make a report before it appeared that the bill was to be given active consideration, the Board would like to have an opportunity to discuss the Treasury draft of report before it was sent.

All of the members present agreed that the Board should proceed in accordance with this suggestion, and it was understood that Chairman Eccles would call Mr. Bell on the telephone and advise him accordingly.

Mr. McKee stated that, following receipt of the letter addressed to him by the Board under date of July 15, 1944, Mr. Creighton, Chairman of the Federal Reserve Bank of Boston, called to discuss further the proposed payment by the Federal Reserve Bank of \$15,000 to the Retirement System to supplement the retirement allowance of Mr. Carrick, Vice President and General Counsel of the Bank. Mr. McKee also said that under date of July 20, 1944, he had written a memorandum for the files covering the information presented by Mr. Creighton as justification of his request that the matter be reconsidered by the Board, that he (Mr. McKee) had gone over the matter carefully with Mr. Leonard, but that he did not find anything new in the situation which would justify the Board in changing its position as set forth in its letter of July 15 to Mr. Creighton.

In view of Mr. Creighton's request, the whole matter was again reviewed in the

7/29/44

-5-

light of his conversation with Mr. McKee. It was felt, however, that the Board should not make an exception in this case to the policy as set forth in its letter of July 15, 1944, and it was agreed that Mr. Creighton should be advised by letter of this decision.

Chairman Eccles referred to the reply received under date of July 3, 1944, to the Board's letter of June 30 to the Federal Reserve Bank of Cleveland asking for additional information with respect to the services rendered by the Bank's counsel in connection with the disclaimer of interest by the Federal Reserve Banks in the Board's building. The reply stated that in the initial stages of this matter there were several members of the board of directors who took a rather strong position on certain clauses in the disclaimer, whereupon it was referred to counsel for examination and an opinion, that subsequently counsel met with a committee of the board and with the full board of directors and submitted a written as well as an oral opinion on the matter, and that it was believed that the bill rendered was reasonable.

Chairman Eccles said that he had considered the matter in the light of the fees which had been paid to counsel by the Reserve Bank in the past and the fact that the present annual retainer fee paid by the Bank to Squire, Sanders, and Dempsey as counsel for the Bank was at the rate of \$5,000 per annum, and that he felt that a retainer fee of that amount should cover legal services rendered in connection with matters of this kind.

7/29/44

-6-

Following a discussion of the purposes of a retainer fee, it was requested that a letter to the Cleveland Bank be prepared for consideration by the Board, which would state that the Board believed that the services rendered by counsel in connection with the disclaimer were of a kind that should be covered by the retainer fee paid by the Bank.

At Mr. McKee's request, the following letter received from Chairman Lassiter of the Federal Reserve Bank of Richmond under date of July 17, 1944, was read:

"Your letter of June 29 in regard to maximum salaries of the Presidents and First Vice Presidents of the Federal Reserve Banks of Richmond, Atlanta, Kansas City, and Dallas was read to our directors in executive session at the regular monthly meeting on July 13, and I was requested to transmit their views to you.

"Our Board has felt for several years that the salary of the President of the Federal Reserve Bank of Richmond should be \$25,000 a year, and as you know, we fixed the salary at this amount on January 1, 1939, June 1, 1940, and June 1, 1941 subject to the approval of the Board of Governors, which approval was not granted. We now feel even more strongly than we did in 1939, 1940, and 1941, for reasons that it is not necessary to enumerate at this time, that the salary of Mr. Leach should be made \$25,000 as soon as practicable.

"Because of the opinion of the Board of Governors that the maximum salary could not be changed under the salary stabilization regulations now in force, our directors will not pursue the matter further at this time, however, they are unanimous in the view that they would not be properly fulfilling their responsibility if they did not press for action as soon as there is a change in the existing situation."

Noted.

On October 8, 1943, Mr. Day, President of the Federal Reserve Bank of San Francisco, addressed a letter to the Board advising that

7/29/44

-7-

the board of directors of the Bank, subject to approval by the Board of Governors, had voted that Mr. Agnew, Counsel for the Bank, be given the benefits of the Retirement System as of the date of his original employment, April 7, 1921, and that the Bank make a contribution to the Retirement System of approximately \$30,000 for that purpose, it being understood that Mr. Agnew would contribute approximately \$5,500 to cover his contributions for the period from March 1, 1934, to July 31, 1940. Mr. Day's letter stated that it was the understanding of the Bank that such an enrollment could be accomplished under the provisions of Section 9 of the Rules and Regulations of the Retirement System.

In a memorandum dated July 26, 1944, the request was submitted to the Board by Mr. Leonard with the statement that the proposal of the Federal Reserve Bank would give Mr. Agnew the same treatment under the Retirement System as was accorded to Messrs. Leedy, Stroud, and Parker, Counsel, respectively, for the Federal Reserve Banks of Kansas City, Dallas, and Atlanta, all of whom were on a retainer basis when the Retirement System was established in 1934 and who received credit for all of their service since their original connection with the respective Banks. When the Retirement System was first established the question whether counsel for a Federal Reserve Bank should become members of the System was left to the discretion of the respective Reserve

7/29/44

-8-

Banks. The memorandum also stated that, for reasons outlined therein, it was believed that the cases of Mr. Ueland, Vice President and Counsel of the Federal Reserve Bank of Minneapolis, and Dr. Fitzgerald, physician for the Federal Reserve Bank of Chicago, were so similar to that of Mr. Agnew that, if requests were made by the Federal Reserve Banks of Minneapolis and Chicago to provide Messrs. Ueland and Fitzgerald with the benefits of the Retirement System covering the period of their prior service, the Board would be obligated to approve such requests if the request of the San Francisco Bank on behalf of Mr. Agnew were approved, but that these two cases were the only ones known in which such a question might arise.

At the conclusion of a discussion, the following letter to President Day was approved unanimously:

"In accordance with your request, the Board of Governors approves, under Section 9 of the Rules and Regulations of the Retirement System, the payment to the Retirement System, as authorized by your directors, of the amount necessary to give Mr. Albert C. Agnew, General Counsel, the benefits of the Retirement System from the date of his original employment by the Bank in April 1921 to August 1, 1940, when he was enrolled as a member of the Retirement System. It is understood that, on his part, Mr. Agnew will pay to the Retirement System the amount necessary to cover his back contributions, with interest, for the period March 1, 1934 to July 31, 1940, inclusive.

"This approval is given in view of the special circumstances in this particular case and is not to be considered as a precedent for any cases in the future where compensation may be paid on a retainer basis."

Mr. McKee said that the State and War Departments were anxious to have branches of American banks established in countries where armed

7/29/44

-9-

forces of the United States were operating in order to furnish needed financial facilities in connection with such operations, that an inquiry had been received from The National City Bank of New York regarding the establishment of branches in Paris, France, by the International Banking Corporation, the stock of which is owned by The National City Bank, that applications undoubtedly would be received for the establishment of other branches, and that, if there were any objection to the establishment of such branches on the part of any member of the Board, the matter should be discussed.

It was agreed that, although each such application would have to be considered on its merits, there was no present objection on the part of the members of the Board to the establishment of branches wherever necessary to furnish facilities for the armed forces of the United States.

Mr. McKee then stated that the Federal Reserve Bank of New York had discussed with Mr. Smead, Director of the Division of Bank Operations, whether there had been any change in the position previously taken by the Board with respect to the sale by the Federal Reserve Banks of canceled postage stamps. It appeared from information submitted by the Bank that, in accordance with existing policy, the Bank was destroying canceled domestic and foreign postage stamps with a resale value of between \$200 and \$300 per week. Mr. McKee stated that it was his understanding that, while the Post Office Department had no authority to prohibit the sale of canceled domestic stamps, it was very

7/29/44

-10-

strongly of the opinion that they should not be resold because of the danger of their falling into the hands of parties who might wash and resell them as new stamps. Mr. McKee also said that he had come to the conclusion that the Federal Reserve System should cooperate with the Department in this matter and that the Bank should continue to destroy all canceled American stamps, but that it should be free to decide whether the revenue received from foreign stamps would justify their resale to collectors.

The other members of the Board were in agreement with the view expressed by Mr. McKee, and it was understood that the New York Bank would be advised informally in accordance therewith.

Unanimous approval was then given to a letter to the Chairmen and Presidents of all the Federal Reserve Banks in the following amended form:

"Pursuant to informal requests received from the Chairman of the Chairmen's Conference and the Chairman of the Presidents' Conference Committee on Research and Statistics that the Board send to the Reserve Banks material of interest relating to the Bretton Woods Conference, there is enclosed a memorandum prepared by Mr. Goldenweiser in answer to criticisms of the proposed International Monetary Fund contained in a statement issued by Senator Taft while the Conference was in session. The memorandum has not been released and should be regarded as strictly confidential.

"As you know, the text of the plans for the International Monetary Fund and the International Bank for Reconstruction and Development as approved at Bretton Woods have been published in The New York Times and other newspapers. However, there is now in preparation in the Board's offices a memorandum analysis of such plans, and as soon as this is available copies will be sent to you."

7/29/44

-11-

Mr. McKee reported that a question had been raised with him informally by representatives of certain banks in connection with a plan sponsored by the American Bankers Association's Post-War Credit Commission for Small Business as a means of providing credit for small business under which a group of banks in New York would become associated for the purpose of participating in commercial and industrial loans originating and made by outlying correspondent banks throughout the country, the participation in such loans to be passed on by a committee representing the participating banks the members of which would consist of officers of the banks, and each member of the committee, in addition to authority to commit his own bank, would be given by resolution adopted by the board of directors of another participating bank authority to commit the second bank as well. It was contemplated that the plan would be so drawn that it could be adopted by any group of banks in any of the principal cities of the United States but that it would be used first by an association of banks which were members of the New York Clearing House. In discussing the plan, its sponsors said that their attorneys had advised that a legal question was involved in the plan because, under the arrangement as proposed, the officer of the one bank with authority to commit the second bank might be an officer of the second bank under the applicable provisions of the Clayton Act and his service in that capacity would

7/29/44

-12-

be in violation of the law and the Board's Regulation L, Interlocking Bank Directorates Under the Clayton Act. In these circumstances, the representatives of the banks had inquired of Mr. McKee and Mr. Ransom whether the Board would be willing to amend the regulation to permit such service, as it would have authority to do under section 8 of the Clayton Act.

In a discussion of the matter, Mr. Dreibelbis stated that there was some question in his mind whether the officer of the one bank would be an officer or employee of the second bank within the meaning of the Clayton Act and the Board's regulation, that there was some ground for the position that he would not be, but that it was his understanding that the representatives of the banks who had conferred with Mr. McKee and Mr. Ransom would not be satisfied with a ruling to that effect but would prefer an amendment to the Board's regulation. He was not sure that one of the motives was not to strengthen and make clearer the position of the participating banks under the antitrust laws. Mr. Dreibelbis also said that the Board had authority to amend the regulation in the manner proposed and that whether it did so was entirely a matter of policy.

The members of the Board present indicated that they would not be inclined to favor an amendment of Regulation L for this purpose and requested Mr. Dreibelbis to study the matter further and report to the Board with respect to the possibility of satisfactorily meeting the situation

7/29/44

-13-

by a ruling on the question whether the officer of the one bank would be an officer or employee of the second bank within the applicable provisions of the Clayton Act.

At this point Mr. Leonard left the meeting.

Mr. Ransom reported that he had heard indirectly that Senator Wagner, Chairman of the Senate Banking and Currency Committee, was planning to hold hearings beginning the week of August 7, 1944, on the Brown-Maybank bill relating to the absorption by member banks of exchange and collection charges.

Mr. Dreibelbis referred to the statement made by him at the meeting of the Board on May 9, 1944, that the Comptroller of the Currency was considering the submission of a certification to the Board pursuant to the provisions of section 30 of the Banking Act of 1933 of the facts in connection with the service of Messrs. John Agnew and F. O. Fayerweather as directors of the Paterson National Bank of Paterson, New Jersey, and employees of the firm of Eastman, Dillon & Co., a dealer in securities, in violation of the law and the Board's Regulation R, Relationships with Dealers in Securities under Section 32 of the Banking Act of 1933. He said that such a certificate was received from the office of the Comptroller of the Currency under date of June 29, 1944, and that he had had several conferences with Deputy Comptroller Upham with respect to the responsibility of the Comptroller of the Currency to present at the hearing to be held by the Board such

7/29/44

-14-

evidence as that office had to support the facts set forth in the certificate. He said that there had been some question in the minds of representatives of the Comptroller's office as to whether the office had responsibility for the presentation of such evidence, that he had prepared a draft of order to Messrs. Agnew and Fayerweather to appear and show cause why they should not be removed as directors of the national bank, and that with the position of the Comptroller's office in mind he had made it clear in the order that the Board looked to the office of the Comptroller to present the evidence to support the facts that had been certified by that office. Mr. Dreibelbis went on to say that thereafter he had discussed the draft with Mr. Upham who, after conferring with other representatives of the Comptroller's office, had indicated that the office would be willing to present the supporting evidence at the hearing, and that the draft had been revised accordingly and had been discussed with Mr. McKee in the light of all that had occurred.

At the conclusion of a discussion, upon motion by Mr. McKee, the following order was adopted unanimously, with the understanding that it would be issued as of a date to be determined subsequently by the members of the Board who are in Washington when arrangements have been completed for the service of the order:

7/29/44

-15-

"Board of Governors
of the
Federal Reserve System
Washington

"In the matter of
John Agnew and F. O. Fayerweather, Directors,
The Paterson National Bank,
Paterson, New Jersey.

"Order for Hearing to Determine Whether
John Agnew and F. O. Fayerweather
Should Be Removed from Office As Directors of
The Paterson National Bank, Paterson, New Jersey

"Preston Delano, Comptroller of the Currency of the United States, being of the opinion that John Agnew and F. O. Fayerweather (each hereinafter referred to as a 'respondent'), as Directors of The Paterson National Bank, Paterson, New Jersey (hereinafter referred to as the 'National Bank'), have continued to violate a provision of law relating to national banking associations, namely, section 32 of the Banking Act of 1933, as amended, after having been warned by the Comptroller of the Currency to discontinue such violation of law; and the said Preston Delano, having, pursuant to the provisions of section 30 of the Banking Act of 1933, duly certified the facts to the Board of Governors of the Federal Reserve System (hereinafter referred to as the 'Board');

"Accordingly, it is ordered that each said respondent be notified to appear before the Board on the 2nd day of October, 1944, at 10 o'clock a.m., at the offices of the said Board on the premises of the Federal Reserve Bank of New York, to show cause why he should not be removed from office as director of the National Bank; and it is further ordered in accordance with section 30 of the Banking Act of 1933, that notice of such hearing be served upon each said respondent and a copy of this Order be sent to the several directors of the National Bank by delivering to each of them as provided in said section 30 a true copy of this Order and a true copy of the aforesaid certificate of the Comptroller of the Currency of the United States annexed to such Order and made a part thereof.

7/29/44

-16-

"It is further ordered that Walter Wyatt, of Washington, D. C. (hereinafter referred to as the 'hearing officer'), be and he is hereby commissioned as an officer of the Board to receive all of the testimony taken in such hearing and to report the same completely to the Board, including therewith any statements, motions, exceptions, arguments or briefs which may be made or filed in accordance with this Order. In such capacity the hearing officer shall preside at such hearing and he shall, with all convenient speed, receive the evidence and report the same to the Board.

"If, after notice as provided in this Order, a respondent shall fail to appear in response to this Order, the hearing officer shall report such fact to the Board which, after such further hearing as it may require, may treat such failure as an admission by such respondent of the truth of the facts certified by the Comptroller of the Currency and proceed with its consideration and disposition of the matter in the light thereof. Otherwise the hearing officer shall proceed with the hearing, but he is authorized, at any time prior to the taking of the testimony, to initiate, conduct, or participate in prehearing proceedings looking toward (a) the simplification of the issues; (b) the possibility of obtaining stipulations of fact and of documents which will avoid unnecessary proof; and (c) such other matters as may aid in the disposition of the proceedings; and if, in connection with such proceedings, a satisfactory disposition of the matter appears probable to the hearing officer, he is authorized to adjourn the hearing for such period as may be necessary to submit the proposed disposition to the Board for its consideration. He shall preside at the taking of the testimony and he is authorized to adjourn the hearing during the course thereof from time to time as may be necessary for the orderly and convenient taking of the testimony. He shall fix the time and places where he will take the testimony at any adjournments of the hearing.

"The hearings shall be private and, except as the hearing officer may otherwise permit at the request of a respondent, shall be attended only by the respondents, their representatives or counsel, the Comptroller of the Currency, his representatives or counsel, representatives of the Board of Governors of the Federal Reserve System, and witnesses and other persons having an official interest in the proceedings. The hearing officer shall receive all reliable, probative

7/29/44

-17-

"and relevant evidence offered by the Comptroller of the Currency or either respondent and shall be governed by the rules of law applicable generally to the admissibility of evidence in administrative proceedings. He shall reject all evidence which is clearly inadmissible under the foregoing test and injurious or confusing to the orderly progress of the hearing, but if any evidence proffered by a respondent is rejected on such grounds, such respondent may, not later than the end of the business day following such rejection or within such further time as the hearing officer may allow, file a written exception setting out the nature of the evidence which was rejected, the facts which it was expected such evidence would prove, and the ground upon which he claims it should have been received. Such exception shall be filed with the hearing officer and included in the Transcript of the Record, provision for which is hereinafter made in this Order, and if, upon consideration, the Board deems the exception to be well taken, it will either regard the facts as having been established or reopen the hearing for evidence on that issue.

"The hearing officer shall at the expense of the Board employ stenographers to take the testimony and transcribe the same and otherwise to assist in taking the evidence and reporting the same. Upon the completion of the taking of testimony, the hearing, for that purpose, shall be closed, and, except as may be otherwise expressly directed by the Board, no further proceedings shall be had other than the making or filing of arguments, briefs, exceptions, motions, or statements.

"Promptly after the hearing is closed for the purpose of receiving testimony, the hearing officer, from the transcribed evidence shall prepare Tentative Findings of Fact which shall set out clearly and succinctly the pertinent facts which he deems have been established by the evidence. A copy of the transcribed evidence and a copy of the Tentative Findings of Fact shall be delivered promptly in person or by regular mail to each said respondent, each of whom shall have 30 calendar days from the date of personal delivery or of their deposit in the post office, as the case may be, in which to file with the hearing officer any exceptions to any of the Tentative Findings of Fact, any motion for additional findings of fact, and any arguments, briefs, or other statements for the consideration of the Board. The hearing officer shall furnish

7/29/44

-18-

"each respondent with copies of all exceptions, motions, arguments, briefs, or other statements filed by the other respondent and a respondent, in filing any such paper with the hearing officer, shall file sufficient additional copies to enable the hearing officer to prepare a Transcript of the Record in duplicate and furnish copies of all papers in accordance with this Order. Delivery of such copies by the hearing officer may be in person or by deposit in the post office.

"For the Board's use in making its findings of fact, entering its final order, or otherwise disposing of the matter, the hearing officer, at the expiration of the 30 calendar days provided for in the preceding paragraph, shall make such revisions and additions to this Tentative Findings of Fact as he may deem appropriate after considering all exceptions thereto and all motions for additional findings of fact and, at the expense of the Board, promptly prepare and file with the Board, in duplicate, a Transcript of the Record which shall contain the original of (1) the transcribed evidence; (2) his Tentative Findings of Fact; (3) his Recommended Findings of Fact; (4) the originals of all exceptions, motions, arguments, briefs, or statements filed with the hearing officer; and (5) a certificate by the hearing officer that copies of all such papers have been delivered to the proper parties as provided in this Order and that the Transcript of the Record is a complete record of all of the proceedings.

"By order of the Board of Governors of the Federal Reserve System issued this _____ day of _____, 1944.

SEAL

(Signed) L. P. Bethea
Assistant Secretary
Board of Governors
of the
Federal Reserve System"

Consideration was then given to a question which had been raised by the Legal Division in connection with the responsibility and authority of the Board for the enforcement of section 7 of the Clayton Act where applicable to banks, banking associations, and trust companies.

Section 7 of the Clayton Act provides in part as follows:

7/29/44

-19-

"No corporation engaged in commerce shall acquire, directly or indirectly, the whole or any part of the stock or other share capital of another corporation engaged also in commerce, where the effect of such acquisition may be to substantially lessen competition between the corporation whose stock is so acquired and the corporation making the acquisition, or to restrain such commerce in any section or community, or tend to create a monopoly of any line of commerce.

"No corporation shall acquire, directly or indirectly, the whole or any part of the stock or other share capital of two or more corporations engaged in commerce where the effect of such acquisition, or the use of such stock by the voting or granting of proxies or otherwise, may be to substantially lessen competition between such corporations, or any of them, whose stock or other share capital is so acquired, or to restrain such commerce in any section or community, or tend to create a monopoly of any line of commerce.

"This section shall not apply to corporations purchasing such stock solely for investment and not using the same by voting or otherwise to bring about, or in attempting to bring about, the substantial lessening of competition. Nor shall anything contained in this section prevent a corporation engaged in commerce from causing the formation of subsidiary corporations for the actual carrying-on of their immediate lawful business, or the natural and legitimate branches or extensions thereof, or from owning and holding all or a part of the stock of such subsidiary corporations, when the effect of such formation is not to substantially lessen competition."

A memorandum relating to this question had been prepared by Mr. Dreibelbis under date of July 26, 1944, in which he had reached the conclusion that it might be advisable to explore the question with the Attorney General with a view possibly of obtaining an opinion with respect to the Board's authority and responsibility. Copies of the memorandum had been sent by Mr. Dreibelbis to the members of the Board and discussed informally with them, and at this meeting, Mr. Dreibelbis suggested that

7/29/44

-20-

if the Board should decide to take the matter up with the Attorney General it would be his thought that, in view of the importance of a decision that the Board did have responsibility for the enforcement of section 7 of the Clayton Act in so far as it related to banks and trust companies, he should be instructed to pursue the matter informally with the office of the Attorney General before any formal action was taken by the Board to obtain his opinion on the question.

Mr. Dreibelbis' suggestion was approved unanimously and he was requested to proceed accordingly.

In connection with the above matter, Mr. McKee stated that at the appropriate time he would like to present to the Federal Advisory Council for consideration and discussion with the Board the questions (1) the Board's responsibility under Section 7 of the Clayton Act, particularly in the light of the Supreme Court's decision in the insurance case, and (2) whether the Board's Regulation L, Interlocking Bank Directors under the Clayton Act, should be amended in the manner referred to earlier in this meeting.

At this point Messrs. Thurston, Goldenweiser, Dreibelbis, Vest, Thomas, and Wyatt withdrew from the meeting, and the action stated with respect to each of the matters hereinafter referred to was taken by the Board:

7/29/44

-21-

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on July 28, 1944, were approved unanimously.

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

"In accordance with the request contained in your letter of July 25, 1944, the Board approves the appointment of William S. Wallace as an assistant examiner for the Federal Reserve Bank of Boston. Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

Letter to the board of directors of the "First State Bank of East Detroit", East Detroit, Michigan, stating that, subject to conditions of membership 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 Chicago.

Approved unanimously, for transmission through the Federal Reserve Bank of Chicago.

Under date of June 28, 1944, the Board received a letter from Mr. Gidney, Vice President of the Federal Reserve Bank of New York, which transmitted an application of The National City Bank of New York, New York, New York, for permission to establish branches at Dhahran and

7/29/44

-22-

Ras Tanura, Kingdom of Saudi-Arabia, and a recommendation of the Federal Reserve Bank that the application be approved. In response to the Board's inquiries of July 3, 1944, the Comptroller of the Currency and the State Department advised that they knew of no objection to the Board issuing permission to the national bank to establish such subsidiary branches.

Accordingly, the following order was adopted by the Board:

"ORDER OF THE
BOARD OF GOVERNORS OF
THE FEDERAL RESERVE SYSTEM

July 29, 1944

"WHEREAS The National City Bank of New York has made application to the Board of Governors of the Federal Reserve System, pursuant to the provisions of section 25 of the Federal Reserve Act, for permission to establish branches at Dhahran and Ras Tanura, Kingdom of Saudi-Arabia; and

"WHEREAS it appears that the said bank may properly be authorized to establish branches at Dhahran and Ras Tanura, Kingdom of Saudi-Arabia;

"NOW, THEREFORE, IT IS ORDERED that The National City Bank of New York be and it hereby is authorized to establish branches at Dhahran and Ras Tanura, Kingdom of Saudi-Arabia, upon the condition that unless the branches hereby authorized are actually established and opened for business on or before July 15, 1945, all rights hereby granted as to such branches shall be deemed to have been abandoned and the authority hereby granted as to it shall automatically terminate; but, if the branches shall be established and opened for business on or before said date, the said bank may operate and maintain the same subject to the provisions of section 25 of the Federal Reserve Act."

In connection with the above matter, the following letter to Mr. Gidney was also approved unanimously:

7/29/44

-23-

"Reference is made to your letter of June 28, 1944, transmitting the application of The National City Bank of New York, New York, for permission to establish branches at Dhahran and Ras Tanura, Kingdom of Saudi-Arabia.

"Pursuant to the provisions of section 25 of the Federal Reserve Act, the Board of Governors of the Federal Reserve System has authorized The National City Bank of New York to establish branches at Dhahran and Ras Tanura, Kingdom of Saudi-Arabia, upon the condition that the branches be actually established and opened for business on or before July 15, 1945.

"There is enclosed herewith a certified copy of the order adopted by the Board authorizing the establishment of the branches which you will please deliver to the bank. There is also enclosed a copy of the order for your files.

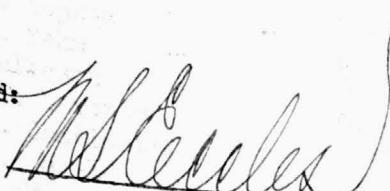
"It will be appreciated if you will advise the Board of the date the branches are actually established and opened for business."

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Chairman.