

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, August 16, 1944, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Draper

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

The action stated with respect to each of the matters hereinafter referred to was taken by the Board:

Memorandum of this date from Mr. Thomas, Assistant Director of the Division of Research and Statistics, recommending that the basic salary of Robert Triffin, an Economist in that Division, be increased from \$5,200 to \$5,600 per annum, effective August 16, 1944.

Approved unanimously.

Memorandum dated August 14, 1944, from Mr. Thomas, Assistant Director of the Division of Research and Statistics, submitting the resignation of Mrs. Elizabeth Faulkner Brent as a clerk in that Division, to become effective as of the close of business on August 18, 1944, and recommending that the resignation be accepted as of that date.

The resignation was accepted as recommended.

Memorandum dated August 14, 1944, from Mr. Thomas, Assistant Director of the Division of Research and Statistics, recommending that the resignation of Miss Leila McLaughlin, a clerk-typist in that Division who had informed the Division of Personnel Administration that she

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wished to resign to regain her health following an operation, be accepted as of the close of business on July 31, 1944, with the understanding that appropriate reimbursement will be obtained for 2 days and 30 minutes of unearned annual leave.

The resignation was accepted as recommended.

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

"The Board of Governors approves the changes in the personnel classification plan of the Buffalo Branch, involving the Office Service Division, as submitted with your letter of August 10, 1944."

Approved unanimously.

Letter to the board of directors of the "Fidelity and Columbia Trust Company", Louisville, Kentucky, stating that, subject to conditions of membership numbered 1 to 6 contained in the Board's Regulation H and the following special condition, 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, with the understanding that the bank will be allowed 90 days within which to complete membership:

- "7. Prior to admission to membership, such bank shall have increased its capital to not less than \$3,250,000 and its surplus to not less than \$4,750,000 and shall have effected the proposed absorption of the Citizens Union National Bank substantially in accordance with the plan submitted in connection with the application for membership."

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The letter also contained the following special comment:

"It appears that the bank possesses certain powers which are not being exercised and which are not necessarily required in the conduct of a banking and trust business, such as the power to issue bonds secured by collateral. Also in this connection it is understood that the bank's wholly owned affiliate, Fidelity and Columbia Insurance Company, exercises no powers which the bank itself is not empowered to exercise. Attention is invited to the fact that if the bank, directly or through the subsidiary, should desire to exercise any powers not actually exercised at the time of admission of the bank to membership, it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before exercising them. It is assumed, of course, that there has been no change in the scope of corporate powers exercised by the bank or the company since the date of the bank's application for membership. The absorption of the Citizens Union National Bank, to be effected prior to admission to membership, substantially in accordance with the plan submitted with the application for membership, will not be considered a change in the general character of the business of the bank within the purview of condition of membership numbered 1."

Approved unanimously, together with a letter to Mr. Davis, President of the Federal Reserve Bank of St. Louis, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Fidelity and Columbia Trust Company', Louisville, Kentucky, 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, Division of Banking for the Commonwealth of Kentucky, for his information.

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"It has been noted that one of the directors of the bank is a partner in a firm of security dealers and additional information will be submitted in order to arrive at a determination as to whether such relationship would be in violation of Section 32 of the Banking Act of 1933. It is also noted that in the case of an adverse determination, the hope is expressed that he may be permitted to continue to serve until the next annual election. The Board would be unable to grant such permission if requested as the law does not authorize exceptions in individual cases. Please advise us as to the final disposition of this matter.

"Prior to admission of the bank to membership, you should be satisfied that the absorption contemplated under the plan submitted with the application has been approved by the appropriate authorities of the Commonwealth of Kentucky and that any and all charter amendments, contracts or agreements incident to the transaction are in order and, in the opinion of Counsel for the Reserve Bank, legally effective. It is requested that a copy of the opinion of your counsel given in this connection together with copies of any agreements and amendments to the Articles of Incorporation, be furnished for the Board's files. Also, please give the exact corporate title in your telegram advising the Board of completion of membership.

"A letter to the Trustees holding the stock of the bank, relating to their status as a holding company affiliate upon the admission of the bank to membership, is enclosed and is to be transmitted to the Trustees. Two copies of the letter are also enclosed, one of which is for your files and the other is for transmittal to the bank."

The letter referred to in the last paragraph of the above letter to the Trustees under Trust Agreement, Dated January 31, 1919, as Amended July 30, 1920, and January 26, 1923, with Reference to Stocks in the Citizens Union National Bank of Louisville and Fidelity and Columbia Trust Company, Both of Louisville, Kentucky, was also approved unanimously in the following form:

"This refers to the Board's approval on this date of the application of Fidelity and Columbia Trust Company, Louisville, Kentucky, for stock in the Federal Reserve Bank of St. Louis, subject to certain conditions, and to the

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"status of your organization as a holding company affiliate upon the admission of Fidelity and Columbia Trust Company to membership in the Federal Reserve System.

"The Board understands that your organization will own substantially all of the shares of outstanding common stock of Fidelity and Columbia Trust Company and, accordingly, it appears that upon the latter's admission to membership, your organization will become a holding company affiliate of the trust company within the meaning of the following provisions of section 2(c) of the Banking Act of 1933:

'The term "holding company affiliate" shall include any corporation, business trust, association, or other similar organization—

'(1) Which owns or controls, directly or indirectly, * * * a majority of the shares of capital stock of a member bank * * *.'

"However, the Board also understands that at the time of admission of Fidelity and Columbia Trust Company to membership in the Federal Reserve System, such trust company will have absorbed the Citizens Union National Bank substantially in accordance with the plan submitted in connection with the application for membership and your organization will not own or control any stock of, or manage or control, any banking institution other than Fidelity and Columbia Trust Company.

"In view of these facts, the Board has determined that your organization will not be engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies within the meaning of the following provisions of section 2(c) of the Banking Act of 1933:

'Notwithstanding the foregoing, the term "holding company affiliate" shall not include (except for the purposes of section 23A of the Federal Reserve Act, as amended) * * * any organization which is determined by the Board of Governors of the Federal Reserve System not to be engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies'.

"As a result of such determination, your organization will not be a holding company affiliate for any purposes

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"other than those of section 23A of the Federal Reserve Act. However, the Board reserves the right to make a further determination at any time on the basis of the then existing facts and, if there should be such a change in the facts as to indicate that your organization might be deemed to be engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, this matter should again be submitted to the Board."

Telegram to Mr. Clerk, First Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"Retel August 16th. Board suggests that you reply to bank to effect that Federal Reserve Bank of San Francisco cannot attempt to advise it as to legal rights or responsibilities of parties under a contemplated contract between the bank's stockholders and prospective purchasers of their stock but that there is no regulation of the Board which restricts the bank's stockholders in a sale of their stock. Board would like to have name of bank making inquiry and to be advised of any further developments."

Approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Chairman.