

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, August 17, 1944, at 11:00 a.m.

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

Mr. Bethea, Assistant Secretary  
Mr. Carpenter, Assistant 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:

Memorandum dated August 15, 1944, from Mr. Bethea submitting the resignation of Lois A. Love as a cafeteria helper in the Secretary's Office, to become effective as of the close of business on August 21, 1944, and recommending that the resignation be accepted as of that date.

The resignation was accepted as recommended.

Letter to the board of directors of "The Farmers Trust Company of Lebanon, Pa.", Lebanon, Pennsylvania, 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 Philadelphia. 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 act as surety in certain

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"circumstances. Attention is invited to the fact that if the bank desires to exercise any powers not actually exercised at the time of admission to membership, it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before exercising them. In this connection, the Board understands that there has been no change in the scope of the corporate powers exercised by the bank since the date of its application for membership."

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

"The Board of Governors of the Federal Reserve System approves the application of 'The Farmers Trust Company of Lebanon, Pa.', Lebanon, Pennsylvania, 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 Secretary of Banking for the Commonwealth of Pennsylvania, for his information.

"It is noted that you expect to follow the matter of the bank's bringing into conformity with the provisions of law and the Board's regulations the savings accounts listed on page 16-1 of the report of examination for membership."

Letter to the board of directors of "The Middle Tennessee Bank", Columbia, Tennessee, 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 Atlanta. The letter also contained the following special comment:

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"It appears that the bank may possess 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 guarantee the payment of bonds and mortgages owned by other persons and the power to guarantee titles to real estate. Attention is invited to the fact that if the bank desires to exercise any powers not actually exercised at the time of admission to membership, it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before exercising them. In this connection, the Board understands that there has been no change in the scope of corporate powers exercised by the bank since the date of its application for membership."

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

"The Board of Governors of the Federal Reserve System approves the application of 'The Middle Tennessee Bank', Columbia, Tennessee, 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 Tennessee, for his information.

"It is noted that the bank has promised to dispose of the \$3,000 2-1/2 per cent U. S. Treasury bonds of 1964-69, acquired from customers, which are not eligible for purchase by commercial banks. Please advise the Board when this has been done."

Letter to "The Luzerne-Hadley Bank", Luzerne, New York, reading as follows:

"The Board is glad to learn that you have completed all arrangements for the admission of your bank to the Federal Reserve System and takes pleasure in transmitting herewith a formal certificate of your membership.

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"It will be appreciated if you will acknowledge receipt of this certificate."

Approved unanimously.

Letter to Mr. Clark, Vice President of the Federal Reserve Bank of Atlanta, reading as follows:

"In reply to your letter of July 10, 1944, addressed to Mr. Paulger, this is to advise you that the Board concurs in the opinion of your Counsel that The Brantley Company and its subsidiaries are affiliates of The Blackshear Bank, Blackshear, Georgia. The Board also concurs in your conclusion that an advance by The Blackshear Bank to the Pierce Trading Company, a subsidiary of The Brantley Company, must be treated as a loan or extension of credit to an affiliate and subject to the provisions of section 23A of the Federal Reserve Act. As the advance does not come within the terms of the waiver authorized by the Board, The Blackshear Bank must submit a report of the Pierce Trading Company as of June 30, 1944 and publish such report.

"In this connection, the Board observes from your letter of July 29, 1937 that you were assured at that time that all parties at interest understood the affiliate relationships between the bank and the companies referred to therein, including the Pierce Trading Company, and that the provisions of law and the regulations of the Board in respect of loans to affiliates and the preparation and submission and publication of reports would, in the future, be strictly followed. It does not appear from your recent letter that there are any substantial differences between the facts as to affiliate relationships as they existed in 1937 and such facts as they exist today.

"It has also been noted from the information submitted with your letter of July 10, 1944, that The Brantley Company owns more than 50 per cent of the number of shares voted for the election of directors of The Blackshear Bank at the preceding election. In view of the particular circumstances, the Board has deemed it desirable to make a determination in accordance with the authority contained in the last paragraph of section 2(c) of the Banking Act

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"of 1933 that The Brantley Company is not a holding company affiliate within the meaning of such section, without receiving a request for such determination. Unless there are further facts which you believe should be considered by the Board, you are requested to forward the enclosed letter to The Brantley Company, together with any additional comments which you desire to make. A copy of the letter is enclosed for your files."

Approved unanimously, together with the following letter, referred to in the last paragraph of the above letter, to The Brantley Company, Blackshear, Georgia:

"From information contained in the latest report of examination of The Blackshear Bank, Blackshear, Georgia, it appears that The Brantley Company owns 388 shares of stock of The Blackshear Bank which is more than 50 per cent of the number of shares voted for the election of directors of the bank at the preceding election. Section 2(c) of the Banking Act of 1933 provides, in part, as follows:

'(c) The term "holding company affiliate" shall include any corporation, business trust, association, or other similar organization--

'(1) Which owns or controls, \* \* \* more than 50 per centum of the number of shares voted for the election of directors of any one bank at the preceding election, \* \* \*'

"In view of this provision of law, and in accordance with the ruling of the Board published in the 1942 Federal Reserve Bulletin at page 207, The Brantley Company is a holding company affiliate of The Blackshear Bank.

"However, the Board understands that The Brantley Company was not organized and is not operated for the purpose of managing or controlling banks; that it does not own or control any significant portion of the stock of, or manage or control, any bank other than The Blackshear Bank; and that it would not be a holding company affiliate if the shares of The Blackshear Bank which it owns had been voted at the preceding election of directors of the bank.

"In view of these facts the Board has determined that The Brantley Company is not engaged directly or indirectly

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"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 further provision 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.'

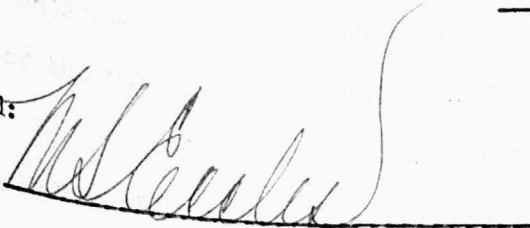
"By reason of such determination The Brantley Company is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act. However, if the facts should at any time differ from those set out above to an extent which would indicate that such company might be deemed to be engaged as a business in holding the stock of, or managing or controlling, banks, this matter should be submitted to the Board for its further determination. The Board reserves the right to make a further determination of this matter at any time on the basis of the then existing facts."

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Chairman.