

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, October 10, 1944, at 10:30 a.m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary

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 October 9, 1944, were approved unanimously.

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

"The Board of Governors approves the payment of salary to Mr. George H. Emde, Assistant Cashier, Federal Reserve Bank of Cleveland, for the period November 1, 1944 to April 30, 1945, inclusive, at the rate of \$5,000 per annum, which is the rate fixed by your Board of Directors as reported in your letter of October 5, 1944."

Approved unanimously.

Letter to the Chairmen of all the Federal Reserve Banks, prepared in accordance with action taken by the Board on June 27, 1944, reading as follows:

"In the Board's letter of November 17, 1943, S-709, (Loose Leaf Service #3032.1) the Reserve Banks were advised that in connection with appointments of directors

10/10/44

-2-

"of branches of Federal Reserve Banks for terms beginning January 1, 1944, the Board, without making a formal change in the regulations, would waive the rule regarding limitations on terms of branch directors. The limitations were waived because of unusual conditions brought about by the war.

"The Board stated at the time that the matter would be considered again toward the end of the following year and that the Banks would be advised of the conclusions reached with respect to terms beginning January 1, 1945.

"The Board still believes that the principle of the six-year rule is sound and should be adhered to in ordinary times. For the same reasons, however, which prompted the waiver of the rule last year, the Board waives the rule in connection with appointments for terms beginning January 1, 1945."

Approved unanimously.

Letter to the "Citizens Bank & Trust Company", Batesville, Arkansas, 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 'First National Bank', Batesville, Arkansas, the national bank into which the Citizens Bank & Trust Company, Batesville, Arkansas, 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, and committee of estates of lunatics, 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 Citizens Bank & Trust Company into the First National Bank 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

10/10/44

-3-

"ratifying your application for permission to exercise fiduciary powers, and a certified copy of the resolution so adopted should be forwarded to the Federal Reserve Bank of St. Louis 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. Schlaikjer, Vice President and General Counsel of the Federal Reserve Bank of Boston, reading as follows:

"This refers to your letter to Mr. Dreibelbis of September 28, 1944, enclosing a copy of a letter to Mr. Flanders, dated September 21, 1944, from G. Harold Welch, Secretary, Connecticut Bankers Association, enclosing a draft of Connecticut Bank Credit Agreement and requesting an opinion regarding the applicability of section 8 of the Clayton Act as it relates to the members of the Credit Committee created by such agreement. We also have noted your memorandum dated September 27, 1944 regarding the applicability of section 8 of the Clayton Act to the Connecticut Bank Credit Agreement.

"It seems that the general purpose of the agreement is to encourage the extension of credit to individuals, firms and corporations in Connecticut during the post-war period. The agreement provides for an association of commercial banks located in Connecticut, - a bank may become a party to the agreement by a majority vote of the banks then parties thereto. Each bank has one vote at all meetings and each bank becoming a party to the agreement agrees to make available upon demand an aggregate sum not exceeding at any one time five per cent of its combined capital stock and stated surplus, or fifty per cent of its lending limit to one borrower, which amount is written opposite its name at the end of the agreement. The agreement also provides that the affairs of the association shall be managed by a Credit Committee consisting of not less than five nor more than seven officers of the banks, but no bank shall be represented on

10/10/44

-4-

"such committee by more than one officer. Such committee is given the authority to commit the banks in the association to participate in loans approved by the committee, by a unanimous vote of the members of such committee present at the meeting.

"The procedure in making loans appears to be as follows: Any Connecticut bank may present a loan for the consideration of the Credit Committee - such bank being known as the 'originating bank'. The originating bank may retain such share of the loan as may be agreed upon between it and the committee and when the committee accepts a loan, it notifies the originating bank which in turn notifies each bank in the association of the amount of the loan to be retained by it and the proportion of each bank in the remainder of such loan which is to be proportionate to its commitment as provided in the agreement. Each bank then remits the amount of its share of such loan to the originating bank which, when the loan is made, delivers to each participating bank a participation certificate, or note of the borrower, evidencing the amount of the participation received from such bank. The originating bank furnishes the committee the historical and financial data concerning the borrower, a plan for extending credit and other pertinent information; and after the loan is made, the originating bank services the loan.

"Section 8 of the Clayton Act makes it unlawful for a 'director, officer, or employee' of any member bank of the Federal Reserve System to be at the same time a director, officer, or employee of any other bank, with certain exceptions not here applicable and the question seems to be whether, in view of the above arrangement, the officer who serves on the Credit Committee should be considered a 'director, officer, or employee' of any other bank which is a party to the agreement. It is assumed, of course, that the Credit Committee is not a bank.

"In view of the facts of this case as stated above, it seems clear that the members of the committee do not, by virtue of the terms of the agreement, become officers, directors, or employees of any banks other than their own and, accordingly, the arrangement is not deemed to be in violation of section 8 of the Clayton Act."

Approved unanimously.

10/10/44

Thereupon the meeting adjourned.

Chester Morice
Secretary.

Approved:

Ronald Thomson
Vice Chairman.