

DEPARTMENT OF JUSTICE.

Office of the Solicitor of the Treasury,

WASHINGTON, D. C. November 24, 1914.

The Federal Reserve Board.

Gentlemen:

Referring to the so-called "Clayton Law" approved October 15, 1914, regarding monopolies, etc., I am requested to advise you whether the words "from and after two years from the date of the approval of" the said act, apply to paragraph 2 of section 8.

In other words, Mr. Robert W. Webb, Vice President of the Minneapolis Trust Company, inquires of your board by letter dated the 20th instant, whether a director of the company is eligible to serve as a director of a national bank not having common ownership of stock, until the expiration of two years after the approval of the act. And if so, may he not further serve for such time thereafter as would constitute the unexpired part of one year from the date of his election?

The first paragraph provides:

"That from and after two years from the date of the approval of this act no person shall at the same time be a director or other officer or employee of more than one bank, banking association, or trust company, organized or operating under the laws of the United States, either of which has deposits, capital, surplus, and undivided profits aggregating more than \$5,000,000, and no private banker or person who is a director in any bank or trust company, organized and operating under the laws of a State, having deposits, capital, surplus, and undivided profits aggregating more than \$5,000,000, shall be eligible to be a director in any bank or banking association organized or operating under the laws of the United States."

This paragraph further provides that -

x x x "When a director, officer, or employee has been elected or selected in accordance with the provisions of this act it shall be lawful for him to continue as such for one year thereafter under said election or employment."

Paragraph 2 of said section provides that -

"No bank, banking association, or trust company, organized or operating under the laws of the United States, in any city or incorporated town or village of more than 200,000 inhabitants, as shown by the last preceding decennial census of the United States, shall have as director or other officer or employee any private banker or any director or other officer or employee of any other bank, banking association, or trust company located in the same place: Provided, That nothing in this section shall apply to mutual savings banks not having a capital represented by shares: Provided further, That a director or other officer, or employee of such bank, banking association, or trust company may be a director or other officer or employee of not more than one other bank or trust company organized under the laws of the United States, or any state where the entire capital stock of one is owned by stockholders in the other: and provided further, That nothing contained in this section shall forbid a director of class A of a Federal reserve bank, as defined in the Federal reserve act from being an officer or director or both an officer and director in one member bank."

The last paragraph of section 8 directs that -

"When any person elected or chosen as a director or officer or selected as an employee of any bank or other corporation subject to the provisions of this act is eligible at the time of his election or selection to act for such bank or other corporation in such capacity, his eligibility to act in such capacity shall not be affected and he shall not become or be deemed amenable to any other provisions hereof by reason of any change in the affairs of such bank or other corporation from whatever cause, whether specifically excepted by any of the provisions hereof or not; until the expiration of one year from the date of his election or employment."

From the facts stated and in accordance with my interpretation of the statute, I am of the opinion that the two years' limitation mentioned

in the first paragraph of section 8 of the act applies also to the second paragraph, and that a director of the said trust company is eligible to serve as a director of a national bank not having common ownership of stock, until the expiration of two years after the approval of the act; and that by authority of the last paragraph above quoted, he is eligible to further serve for such time thereafter as constitutes the unexpired part of one year from the date of election.

I am of the opinion also that the statute will fairly bear the liberal interpretation that it was intended that paragraphs 1 and 2 should be read together in order that the existing arrangements might not be subject to sudden and inconvenient changes; and that the first paragraph as to eligibility to serve as a director in two institutions whose deposits, capital, etc., exceed \$5,000,000, be modified by the second in the case of institutions the stock of one of which is wholly owned by the stockholders in the other.

I am further of the opinion that it was the intention of Congress that the first two paragraphs of section 8 as to banks whose deposits, capital, surplus, etc., aggregate more than \$5,000,000, and as to all banks in cities of over 200,000 population, the provisions as to time of the act taking effect, mutual savings banks, common stock ownership and Federal reserve banks, should apply alike.

The letter of Mr. Webb is herewith returned.

Very respectfully,

(Signed) F. A. Reeve,

Acting Solicitor.

(Enc).

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