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761.  
ADDRESS REPLY TO  
FEDERAL RESERVE BOARD

FEDERAL RESERVE BOARD  
WASHINGTON

August 2, 1916.

Dear Sir:

There have been received many inquiries relating to applications for consent of the Federal Reserve Board under the Kern amendment to the Clayton Act.

The Federal Reserve Board desires each applicant to make on the reverse side of Form 94 a complete list of all firms of which he is a member and a complete list of all corporations of which he is a director, officer or employee.

Inquiries about the questions which banks are requested to answer on Form 94a will be taken up in proper order.

Question No. 1. Character of the community which the banking institution serves.

The answer to this question should state the character of business of the community or in case of a large city of that section from which the bank draws a large majority of its customers.

Question No. 2. Character of business of the institution.

The reply "Commercial banking" would be sufficient if bank did not engage in other banking activities.

Question No. 3. Describe nature of demand deposits.

The answer should state whether bank, commercial, or individual, whether checking accounts or demand certificates of deposit, whether the average deposit is large or small and whether interest is allowed.

Question No. 4. Describe nature of time deposits.

This means whether saving accounts or time certificates and also character of depositors and approximate average size of deposits.

Question No. 5. Describe nature of acceptance liabilities.

A reply stating the liabilities on commercial letters of credit covering exports or imports and domestic transactions and location of the bulk of the customers for whom credits are opened would be sufficient unless the bank issued cash letters of credit, travelers' checks, etc.

Question No. 6. State practice of bank in respect to purchasing commercial paper, e. g. continuous or seasonal.

The reply "continuous" or "seasonal", as the case might be, would be sufficient. It might be well to mention in which markets purchases are primarily made.

Question No. 8. Describe nature of collateral.

This means the character of the collateral, i. e., commercial paper, stocks, bonds, mortgage notes, etc.

Question No. 9. Describe character of investments.

A reply stating "Long and short term railroad and municipal bonds and notes" would be sufficient, unless the bank made investments in real estate securities, etc.

Question No. 10. Describe practice of bank in respect to acquiring and disposing of investment securities.

Answer should state whether the purchases and sales are made in the open market or directly from corporations, etc., and whether underwriting syndicates are joined or formed, whether securities are acquired for long time investment or for short time investment for resale to customers, etc., and also whether there is a bond department.

Question No. 11. Describe nature of foreign exchange business, if any, done by the bank.

Reply should indicate amount of the business, with what foreign countries, whether or not done direct or through other institutions and whether only for customers or a wide open-market business.

Question No. 12. Describe kind and extent of fiduciary business done by the bank.

This includes acting as registrar of stocks and bonds, looking up and guaranteeing titles, etc.

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While in cases which are clear, the Board does not desire to be technical in passing upon the sufficiency of the answers to the questions on Form 94a, it will be necessary for the replies to go more into detail in the doubtful cases and in dealing with these the Federal Reserve Agent should use his own discretion in getting at all facts. The questions outlined in the schedule are only to be considered as general leaders.

Information relating to the ownership or control of the institutions involved would be very helpful in determining the question of substantial competition. Where the same group of individuals control the boards of directors of two banks the test should be whether the banks would, under normal conditions, be in substantial competition on October 15, 1916, i. e. on a date when the control no longer exists.

Where a group of persons owns the majority of the stock in two banks and through such ownership controls both institutions, careful consideration should be given to the question of whether the public is deprived of the benefits of competition by such control, and whether under normal conditions substantial competition would exist between the two institutions. Conditions of that kind, if found, should be considered as tantamount to substantial competition.

Very truly yours,

G o v e r n o r .