

Sept. 19, 1916.

STATEMENT FOR THE PRESS.
CLAYTON ACT.

The Federal Reserve Board has received a large number of applications from directors of national banks in all parts of the country, asking the consent of the Board to serve as directors of other banking institutions.

The Clayton Act, as originally enacted, prohibited directors of members banks of the Federal Reserve System, from serving as directors in other banking institutions, except in certain specific cases; the purpose of the Act being, in the language of the Judiciary Committee of the House, "to prevent as far as possible control of great aggregations of money and capital through the medium of common directors between banks and banking associations, the object being to prevent the concentration of money or its distribution through a system of interlocking directorates."

The Kern amendment to the Clayton Act provides that with the consent of the Federal Reserve Board, an officer, director or employe of a member bank may serve as officer, director, or employe of not more than two other banks if such other bank or banks are not in "substantial competition" with such member bank. In passing upon the applications, the Board has given careful consideration to the facts submitted by the applicants, and to the reports and recommendations of the Federal Reserve Agents of the respective districts.

The Board has considered each case on its own merits, but has taken the general position that the mere purchase by two banks of commercial paper in the open market, or the making of time or demand loans on collateral securities having a wide market, or the purchasing of such securities, need not necessarily or invariably be considered as indicating "substantial competition" within the meaning of the Kern Amendment. It is, however, the view of the Board that "substantial competition" must be held to exist in cases where the resources of the banks are of such magnitude, or of such character that the ability of the banks jointly to grant or to withhold credit, or otherwise to influence the conditions under which credit may be obtained, might constitute them a dominant factor in the general loan market, even though the character of the deposits carried by the institutions in question might be quite different.

In drawing the distinction in various cities, no fixed rule as to amount of assets could be applied, as different lines of demarcation had to be observed, suggested by the relative importance of the financial institutions involved and the character and scope of the markets in which they operate.

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The Board has up to this time passed on 679 applications; 556 favorably and 123 adversely. The following is a statement of the applications granted and denied in each Federal Reserve District :

	Granted	Denied.
Boston	35	15
New York	134	48
Philadelphia	85	9
Cleveland	101	8
Richmond	49	28
Atlanta	8	1
Chicago	44	8
St. Louis	7	2
Minneapolis	10	0
Kansas City	15	1
Dallas	0	0
San Francisco	68	3

All applications granted are, in accordance with the terms of the Kern Amendment , subject to revocation by the Federal Reserve Board.

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