

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7431

May 9, 1933.

SUBJECT: Proposed Revision of Federal Reserve
Board Forms 94, 94a and 94b.

Dear Sir:

In the Board's letter of May 1, 1933 (X-7426), relating to the administration of the provisions of the Clayton Antitrust Act, a procedure was outlined for the handling of applications which was designed to bring about a more complete presentation of the relevant facts. In this connection consideration is being given to the advisability of revising Federal Reserve Board Forms 94, 94a and 94b so that they will call for the necessary information more specifically and in more detail, and thus facilitate a proper presentation and prevent unnecessary correspondence and delay.

There is inclosed, for your information, a copy of a recommendation and the accompanying statement of facts submitted by the Federal Reserve Agent at Dallas in connection with a recent application, as well as a copy of a letter addressed to the president of one of the banks involved in the application.

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It is felt that these contain several features which might well be adopted in a revision of the Board's printed forms.

The Board would appreciate your suggestions for the improvement of the printed forms and any comments which you may desire to make regarding the procedure to be followed in assembling and presenting the relevant facts.

Very truly yours,

Chester Morrill,
Secretary.

Inclosures.

RECOMMENDATION ON CLAYTON ACT APPLICATION

(Name of Applicant)

FOR PERMISSION OF THE FEDERAL RESERVE BOARD
TO SERVE AS

DIRECTOR, (Bank No. 1)

DIRECTOR, (Bank No. 2)

1. The distance between the two banks is approximately six miles, the (Bank No. 1) being located in the southern part of the City of (_____), while the (Bank No. 2) is located in the center of the down-town financial and retail shopping section. Prior to the extension of the corporate limits of the City of (_____), about six years ago, the village of (_____), in which the (Bank No. 1) is located, was an incorporated town. With the growth of (_____) certain suburbs were taken into the City of (_____). The principal business of the (Bank No. 1) is that of retail merchants in (_____), accounts of employes of the industrial plants located adjacent to the (_____) ship channel, truck growers, and small farmers. It is therefore entirely different from that handled by the (Bank No. 2).
2. The distance between the banks and difference in class of customers served would eliminate the question of their being natural competitors.
3. The attached statement of facts shows that Mr. (_____) has been a director of the (Bank No. 1) for eight years, owning, however, only a small number of shares of stock in that bank. He has regularly attended meetings of the Board of Directors of the (Bank No. 1) and served on the discount and examining committees. This contact enables him to be in very close touch with the affairs of the institution.
4. Mr. (_____) does not unduly "ride" either bank through borrowings, direct or indirect, and he does not own enough stock in either to permit any domination or control of the management.

It is therefore felt that his service would be entirely compatible with the public interest and favorable action on the application is recommended.

(Signed) C. C. Walsh
Federal Reserve Agent
Federal Reserve Bank of Dallas

Statement of facts in re application of

(Name of Applicant)

for permission of the Federal Reserve Board,
under the provisions of the Clayton Act, to
serve as

DIRECTOR, (Bank No. 1)

DIRECTOR, (Bank No. 2)

1. Character of management of the banks involved in the application(a) (Bank No. 1)(b) (Bank No. 2)

The character of management of both banks is first class,
and their affairs are capably handled.

The Managing Director of the (_____) Branch, Federal Reserve Bank of Dallas, makes the following comment: "We have a high regard for the management of both of these banking institutions. We think it safe and efficient."

2. Character of the service rendered by the applicant

(a) The applicant was elected a director of the (Bank No. 2) on February 14, 1933, and has attended one directors' meeting since his election.

He has been a director of the (Bank No. 1) since April 6, 1925, and has been absent at only one directors' meeting during the past two years. He has served on the discount and examining committees of the (Bank No. 1).

(b) There is no evidence that he dominates the banks with which he is connected.

(c) At the present time Mr. (_____) is directly indebted to the (Bank No. 1) for \$3,130. He is not a frequent borrower and has never been directly or indirectly indebted to the (Bank No. 2).

(d) The applicant was elected a director of the (Bank No. 2) on February 14, 1933, and has attended one meeting of the directors of that institution since his election. He has been absent at only one meeting of the directors of the (Bank No. 1) during the past two years.

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3. Condition of the banks involved(a) (Bank No. 1)

This bank was last examined on November 10, 1932. The examiner makes the following comment: "The little bank is about paying expenses, but entirely solvent and it is believed the general character of its assets are sound."

(b) (Bank No. 2)

This bank was last examined on August 30, 1932. The examiner makes the following comment: "A conservatively managed bank."

The classification of its assets does not show excessive ratios subject to criticism. Net depreciation in bonds and securities of \$331,622, is amply provided for with the bank's large surplus, undivided profits and reserve accounts.

- (b) Since there is no common ownership of stock of either bank, it is not believed their condition would be affected by an interlocking directorate. Only one other director of either bank is a director of another bank.

4. General banking situation

- (a) The local banks in (_____) compete for all classes of business, but based on the information developed the competition between them is friendly and not destructive or unethical.
- (b) The banks affected are not under common ownership, or control.
- (c) There are five directors of the (Bank No. 1) two of whom (including the applicant) are directors in other banks.
- There are twenty-six directors of the (Bank No. 2), two of whom (including applicant) are directors in other banks.
- (d) There are fifteen banks in the City of (_____).
- (e) None of them are in a chain or group banking system.
- (f) The application has not resulted from a situation in which one bank has assisted in the recapitalization or reorganization of another bank.

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5. The management of neither bank needs strengthening in "man-power" or financially.
6. Mr. (_____) owns 10 shares, or 2 per cent of the capital stock of the (Bank No. 1), and 50 shares, or 1/2 of 1 per cent, of the capital stock of the (Bank No. 2).
7. The reasons why Mr. (_____) desires to serve as a director of the (Bank No. 1) and (Bank No. 2) are stated in his letter to Assistant Federal Reserve Agent Hall, dated April 14, attached.

(Note: The letter from the applicant, referred to in No. 7 above, is not inclosed, but it was in response to the attached letter addressed to one of the banks involved by the office of the Federal Reserve Agent.)

FEDERAL RESERVE BANK OF DALLAS

February 17, 1933

Mr. (_____), President
(Bank No. 1)
(_____) Texas.

Dear Mr. (____):

Your letter of February 15, addressed to our (____) Branch, has been referred to this office by Cashier (____) for attention. In compliance with your request I am pleased to enclose form 94, "Application for permission of the Federal Reserve Board to serve under the provisions of the Clayton Antitrust Act," and copy of Regulation L, Series of 1930, to which I direct your attention to Section II, paragraph (3).

The Federal Reserve Board has recently announced that it does not consider an application of this kind complete, unless it is accompanied by a statement of the applicant's own reasons why he believes the granting of the application would not be incompatible with the public interest. This is especially applicable to cases wherein the applicant wishes to serve as a director of two or more banks located in the same city and competing for the same general classes of business. Attention is invited, therefore, to paragraph 8 of the application form which reads as follows:

"The applicant is invited to give, on a separate sheet or in a letter attached hereto, any other information which will tend to prove that the issuance of the permit applied for would not be incompatible with the public interest."

There are also enclosed forms 94a which should be filled out by each of the banks the applicant desires to serve, and accompanied by a copy of the report of condition of the bank as shown on the call of December 31, 1932. The following information from each of the banks should also be furnished:

1. Length of time the applicant has been a director of the bank
2. Amount of stock held in the bank by applicant
3. Record of his attendance at directors' meetings for the past two years
4. Reasons why the bank desires the applicant to serve as a member of its Board of Directors

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5. Whether the two banks are considered natural competitors for any class of business
6. If natural competitors for any class of business, would the applicant's service as a director of both institutions tend to lessen such competition
7. Number of directors in bank who are also directors in other banks
8. Would the applicant's service as a director of both institutions be incompatible with the public interest, as defined in the Federal Reserve Board's Regulation L, Series of 1930, Section 4, paragraph D, page 4
9. Has the applicant ever served as a member of your Executive, Discount, or Examining committees
10. Would the general banking situation in (_____) be strengthened by the applicant continuing to serve as a director of the institution
11. Any other relevant facts, or opinions, the bank desires to submit.

Upon receipt of the application, properly executed forms and supporting data, the file will be transmitted to the Federal Reserve Board for its consideration.

Yours very truly,

(Signed) Chas. C. Hall

Assistant Federal Reserve Agent