

INTERPRETATION OF LAW OR REGULATION

(Copies to be Sent to All Federal Reserve Banks)

March 13, 1940

Mr. _____, Vice President,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

Reference is made to your letter of January 26, 1940, regarding the Clayton Act status of Mr. _____, who is serving as a director of Commercial Trust Company of _____, _____, as chairman of the board of The Corporation Trust Company, New York, New York, and as chairman of the board of The Corporation Trust Company, Jersey City, New Jersey.

You have submitted information to the effect that Commercial Trust Company of _____ is a member of the Federal Reserve System and does a general banking and individual trust business. On the other hand, The Corporation Trust Company of New York and The Corporation Trust Company of New Jersey are members of a group of associated companies organized primarily to furnish domestic and foreign statutory representation to organizations throughout the country and to assist counsel in the organization of new corporations. The activities of the companies cover a wide field of specialized services for corporations including furnishing information and official forms pertaining to the organization of corporations under the laws of the various States; conducting organization meetings; procuring necessary stock books and seals; keeping stock books in regular form; holding annual meetings of the corporations and supplying inspectors of elections and filing reports and statements; qualifying corporations to transact business in foreign States; informing attorneys of all taxes and required reports affecting corporations which they represent.

The Corporation Trust Company of New York showed approximately \$30,000 of deposits in a recent published report of condition, but Mr. _____ has explained to you that these moneys were not "deposits", that they were not subject to check and that they represented principally funds left with the Company to pay dividends for several corporations and some minor items connected with corporations which the Company represents. He further advised that deposits of approximately \$71,000 shown by a recent report of condition of The Corporation

Trust Company of New Jersey are of substantially the same nature as those of the New York corporation.

All three Companies which Mr. _____ is serving act as transfer agent and registrar for a number of different corporations. The Commercial Trust Company acts as dividend paying agent for six corporations and both Corporation Trust Companies do so for approximately the same number. As far as corporate trust business is concerned, the situation seems to be as follows: Commercial Trust Company does not act as corporate trustee, having discontinued such business many years ago, the only exception being that the Company was substituted as trustee for two bond issues of the Erie Railroad Company when it was placed in bankruptcy and the New York banks which had been trustees had conflicting interests. The two Corporation Trust Companies did at one time engage in this class of business "in a rather small way" but do not solicit it at present, being now indenture trustees only in one and two instances, respectively.

You state that you do not believe that it was intended that the Clayton Act should prohibit an interlocking relationship between Commercial Trust Company of _____, which does a general banking and individual trust business, and the two nonmember institutions, which do not engage in the banking business as that term is generally understood since they do not accept deposits or make loans of any kind. You point out that the only activities engaged in by the two nonmember institutions which are engaged in by Commercial Trust Company are those described above and that if their activities as transfer agent and registrar are eliminated as merely an adjunct to the kind of business in which they are engaged and not the kind of business contemplated by the Clayton Act, there would be little left. In fact, all that would be left would be the instances in which the three Companies act as dividend paying agents, and the instances, which have practically reached the vanishing point, where they act as indenture trustee.

The Corporation Trust Companies are a special type of organization operating in a special field, and the Board agrees with you that it was not intended that the Clayton Act should prohibit interlocking relationships between such organizations and member banks. Accordingly, the Board is of the opinion that the statute is not applicable to Mr. _____'s relationships described above.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.