BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-225
Reg. L-13

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 13, 1940

Dear Sir:

The Board recently considered a case involving the question whether two places were "contiguous or adjacent" within the meaning of the Clayton Act. (Footnote 8, Regulation L.) The purpose of this letter is to inform you of the Board's conclusions, summarizing the facts which were examined in great detail in the original ruling.

The banks were located in two "Towns" in New England, and the boundaries of the two "Towns" touched. However, in view of the Board's letter of February 27, 1940, S-205, it was suggested that the limits of the towns should be disregarded and that the applicability of the statute should be decided on the same basis as if two unincorporated communities were involved.

However, in this case each of the communities was incorporated as a "City" and had a city form of government administered by a mayor and city council. The corporate limits of the two cities were the same as the limits of the two "Towns", and therefore touched each other. In the circumstances the Board ruled that the two cities were "contiguous".

The Board pointed out that the position taken in its letter S-205 was taken for the purpose of avoiding discrimination in the application of the Clayton Act in various parts of the United States. That letter took notice of the fact that in certain States in New England the entire area of the State is divided into "Towns" whereas in other parts of the United States a town is merely an area drawn to include a cluster of houses, leaving large parts of the State which are not included in any city, town or village. Had the Board not taken this position the result would have been a discrimination in the application of the statute against some interlocking relationships existing

in New England. Accordingly, the Board's letter S-205 proceeded on the theory that the boundaries of a subdivision of a county known as a "Town" were not necessarily to be regarded as the boundaries of unincorporated communities located within the town. It did not proceed on the theory that the limits of a community should be disregarded where the community is in fact an incorporated municipality with defined corporate limits such as a city, town or village as they exist generally throughout the United States, because to disregard the corporate limits in such a case would involve a discrimination in favor of that community and against similar incorporated communities throughout the United States where such limits have been consistently followed in applying the statute.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS