

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, September 3, 1941, at 11:30 a.m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. Draper

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary

The action stated with respect to each of the matters hereinafter referred to was taken by the Board:

Memorandum dated September 3, 1941, from Mr. Parry, Chief of the Division of Security Loans, recommending that, effective immediately, Irvin Wesley be appointed on a temporary basis for a period of not to exceed sixty days as a Specialist in that Division, with salary at the rate of \$11,700 per annum, to assist in the solution of problems concerning personal finance companies arising in connection with Regulation W. The memorandum stated that the proposed salary at the rate of \$11,700 per annum included an allowance to cover one-half of the estimated cost, to be paid by Mr. Wesley, of his travel from Washington to Indianapolis each week and return.

Approved unanimously, with the understanding that Mr. Wesley would pay his own living expenses while in Washington.

Letter to the board of directors of "The Munsey Trust Company", Washington, D. C., stating that, subject to conditions of membership numbered 1 to 6 contained in the Board's Regulation H, the Board approves

9/3/41

-2-

the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Richmond. The letter also contained the following special comment:

"It appears that the bank possesses certain powers which are not being exercised and which are not necessarily required in the conduct of a banking and trust business, such as the power to conduct a commercial storage and warehousing business as described in paragraph (9) of article 'Second' of its certificate of incorporation. Attention is invited to the fact that if the bank desires to exercise any powers not actually exercised at the time of admission to membership, it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before exercising them. In this connection the Board understands that there has been no change in the scope of the corporate powers exercised by the bank since the date of its application for membership."

Approved unanimously, together with a letter to Mr. Leach, President of the Federal Reserve Bank of Richmond, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of 'The Munsey Trust Company', Washington, D. C., for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the Board of Directors of the institution.

"It has been noted that, with respect to the question whether, upon the bank's admission to membership, C. W. H. Corporation and The Frank A. Munsey Company would become affiliates of the bank under the provisions of section 2(b)(2) of the Banking Act of 1933, no opinion was expressed in Mr. Mercer's letter of August 16, 1941, to Mr. Paulger because of a question concerning the interpretation of the law which was discussed in Mr. Wallace's memorandum recently submitted in another connection. It is understood that The Frank A. Munsey Company is a shareholder of the bank; that a majority of the stock of The Frank A. Munsey Company is owned by C.W.H. Corporation; that a majority of the stock of C.W.H. Corporation is owned by

9/3/41

-3-

"certain individuals who are shareholders of the bank; and that the shares of the bank's stock owned by such individuals and by The Frank A. Munsey Company together constitute more than 50 per cent of the number of shares voted for the election of directors of the bank at the preceding election. On the basis of these facts, the Board is of the opinion that such individuals should be deemed to control C.W.H. Corporation and The Frank A. Munsey Company and, through them, to control the stock of the bank owned by The Frank A. Munsey Company and that, accordingly, upon the admission of the bank to membership, such corporations will be affiliates of the bank within the meaning of section 2(b)(2). Further, attention is called to the fact that such information as has been submitted suggests the possibility that certain other organizations, reported as ones which will become affiliates under section 2(b)(3) by reason of interlocking directorates, may also become affiliates under section 2(b)(2)."

In connection with the above matter, reference was also made to a memorandum dated August 29, 1941, from Mr. Paulger, Chief of the Division of Examinations, in which it was stated that an assistant examiner in the Division was indebted to The Munsey Trust Company, and that the loan made in 1928 in the original amount of \$15,000 had been reduced to \$8,470 on January 27, 1941, and was secured by marketable securities valued at \$4,850 and other collateral consisting of second trust notes. The memorandum referred to the opinion expressed in a memorandum dated August 27, 1941, from Mr. Baumann, Assistant Counsel, that renewals on extensions of loan would not be violation of Section 22(a) of the Federal Reserve Act after admission of the trust company to membership, and suggested that the Board should take no action on the matter.

It was agreed unanimously that no action by the Board was called for.

9/3/41

-4-

Letter to Mr. Gidney, Vice President of the Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of July 25, 1941, and accompanying memorandum with reference to The Plainfield Trust Company, Plainfield, New Jersey, and to your memorandum to files dated July 17, 1941, regarding your interview with the officers of the bank. The detailed information that you have furnished with respect to the bank's condition and the steps being taken to meet matters of criticism is very much appreciated.

"It is noted that you feel that the management has been doing a good job and that the bank is making and should continue to make reasonable progress in meeting its problems although it continues to be faced with important and difficult situations to be worked out in connection with its mortgage and other real estate accounts. However, the Board cannot escape the feeling that there is a real question whether the management is fully aware of the seriousness of, and is taking a realistic attitude toward, the bank's problems, also whether the management will be able to place the institution in a satisfactory condition within a reasonable time without the introduction of new capital funds.

"It is requested, therefore, that you take every opportunity to impress upon the management and the directorate of the bank the gravity with which the institution's problems are regarded and the necessity for taking every advantage of the present volume of business activity to press for the improvement of the institution's condition."

Approved unanimously.

Telegram to the Presidents of all of the Federal Reserve Banks reading as follows:

"When presenting any question requiring Board interpretation of Regulation W, it is suggested that you indicate, either with or without statement of reasons, what you think answer should be. This request is being made of all the Federal Reserve Banks and is in accord with established procedure on Board's other regulations."

Approved unanimously.

9/3/41

-5-

Telegram to the Presidents of all of the Federal Reserve Banks
reading as follows:

"Reg. W-20. The classification 'mechanical refrigerators' does not include coin operated machines for dispensing beverages or coolers designed for the purpose of holding bottled beverages offered for sale even though they are of less than twelve cubic feet rated capacity."

Approved unanimously.

Telegram to the Presidents of all of the Federal Reserve Banks
reading as follows:

"Reg. W-21. The classification 'water pumps designed for household use' includes water system pumps which are either shallow-well or reciprocating deep-well pumps having a rated capacity of 300 gallons per hour or less, or deep-well jet type or centrifugal pumps operated by motors having a rating of 1/3 horsepower or less. The actual use to which the pumps are put does not affect the classification."

Approved unanimously.

Telegram to the Presidents of all of the Federal Reserve Banks
reading as follows:

Reg. W-22. Re ruling number six the classification 'mechanical refrigerators' does not include frozen food cabinets designed for the display of frozen foods offered for sale but does include frozen food cabinets designed for the home freezing of foods or for the home storage of frozen foods."

Approved unanimously.

9/3/41

Thereupon the meeting adjourned.

Whester Morrie
Secretary.

Approved:

Wm. H. Hanson
Vice Chairman.