

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, April 23, 1942, at 10:30 a.m.

PRESENT: Mr. Ransom, Vice Chairman  
Mr. McKee

Mr. Morrill, Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Clayton, Assistant to the Chairman

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

Memorandum dated April 21, 1942, from Mr. Nelson, Assistant Secretary, recommending that James V. Minor, Jr., be appointed as a guard in the Secretary's Office on a temporary basis for an indefinite period, with salary at the rate of \$1,380 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination, with the understanding that if his work is satisfactory during the first six months of his appointment a further recommendation will be submitted asking that his salary be increased to \$1,500 per annum.

Approved unanimously.

Telegram to Mr. Mercer, Vice President of the Federal Reserve Bank of Richmond, reading as follows:

"Board approves designations of Joseph L. Jenkins and Roland E. Whitaker as special assistant examiners."

Approved unanimously.

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Letter to the board of directors of "J. P. Morgan & Co. Incorporated", New York, New York, stating that, subject to conditions of membership numbered 1 to 6 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of New York.

The letter also contained the following special comments:

"At the request of the Federal Reserve Bank of New York, your bank has furnished certain information relating to the question whether Morgan Grenfell & Co. Limited is engaged 'principally' or 'primarily' in the types of securities business described in sections 20 and 32 of the Banking Act of 1933. Upon the basis of this information, the Board has concluded that Morgan Grenfell & Co. Limited is not now so engaged.

"After careful consideration of the information submitted, the Board has concluded that, through the powers which your bank has with respect to the liquidation of Morgan Grenfell & Co. Limited and the fixing of the remuneration of its directors, your bank controls the election of a majority of the company's directors and, accordingly, the company will be an affiliate of your bank upon the latter's admission to membership. The Board also is of the opinion that the company will be an affiliate of your bank because your bank owns more than 50 per centum of the number of shares voted for the election of directors of the company at the preceding election.

"The provisions of condition of membership numbered 1 are construed to apply to the operations of subsidiary affiliates of a member bank as well as to the operations of the bank itself. Attention is drawn to this fact in order that, if any changes are made in the operations of your subsidiaries, consideration may be given to whether or not such changes come within the scope of condition of membership numbered 1."

Approved unanimously, together  
with a letter to Mr. Sproul, President

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of the Federal Reserve Bank of New York,  
reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of 'J. P. Morgan & Co. Incorporated', New York, New York, 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. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Superintendent of Banks for the State of New York for his information.

"Standard condition of membership numbered 6 has been prescribed in order that its provisions may be invoked at any time in the future if necessary, but as in other cases and in accordance with the general authorization previously granted by the Board, you are authorized to waive compliance with the condition until further notice in so far as the condition applies to funds which are given statutory preference in the State of New York."

Letter to Mr. Hays, Vice President and Secretary of the Federal Reserve Bank of Cleveland, reading as follows:

"Receipt is acknowledged of your letter of April 9, 1942, enclosing two questions and the opinions of your Counsel regarding them.

"The first question is whether Group E of the Supplement to Regulation W includes materials and services used to alter a room in the basement of a residence for use as (1) a photographic dark room; (2) a work shop; (3) a garage for the owner's car; (4) a laundry room, or (5) a general storeroom for screens, etc.

"Your Counsel points out that although the first three uses, if viewed out of their setting, are not necessarily residential in character, they are all conventional uses of residential basements. He feels that if a doctor remodels a room in his home to use as an office, the altered room would be designed 'exclusively for non-residential use', but he concludes that none of the five examples given above are examples of 'non-residential' improvements or alterations. The Board agrees.

"The second question relates to the business of landscaping, including the construction of driveways, sodding, treatment of lawns, construction of rock gardens, planting of trees, and similar jobs.

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"On the analogy of W-122 your Counsel concludes that materials and service used in these jobs would be included in Group E, assuming that there is an existing structure on the property which is not designed exclusively for non-residential use, and the Board agrees."

Approved unanimously, with the understanding that copies of the above letter would be sent to the Presidents of all the Federal Reserve Banks.

Letter to Mr. Hale, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"This is with reference to your letter of April 6, 1942 inquiring about the treatment of gems added as decorations on watches for purposes of applying the provisions of Regulation W.

"The Board agrees with you that the provisions of Regulation W apply to the entire cost of the watch including the case and gems which are attached to the case, whether the gems are added prior to the sale or at about the same time as the sale. This rule would also apply to gems in watchbands sold with the watches.

"The Board also agrees that a replacement watch case is not subject to the regulation."

Approved unanimously.

Letter to Mr. Hale, Vice President and Secretary of the Federal Reserve Bank of San Francisco, reading as follows:

"Receipt is acknowledged of your letter of April 6 regarding the question whether landscaping is included within Group E of the Supplement to Regulation W. The work includes sodding, planting trees, constructing driveways and similar jobs, and it is assumed, of course, that there is an existing structure on the property which is not designed exclusively for non-residential use.

"Under these conditions the Board is of the opinion that, as indicated in W-122, to which you refer, the materials and services are included in Group E."

Approved unanimously.

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Letter to Mr. F. J. Bailey, Assistant Director of Legislative Reference, Bureau of the Budget, reading as follows:

"Your letter of April 10, 1942, addressed to Honorable Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System, and enclosing a proposed report to the Senate Committee on Banking and Currency prepared for the signature of the Secretary of the Treasury on S. 2039, was received in the absence of Mr. Eccles from the City.

"S. 2039 is a bill 'To amend section 5136 of Revised Statutes of 1873, as amended (U.S.C., sec. 24, title 12), to authorize the reimbursement of directors, officers, and employees of national banking associations for expenses incurred by them in connection with the defense of actions, suits, or proceedings instituted against them in their official capacity'. It would make rather minor changes in the National Bank Act which are favored by the Comptroller of the Currency and which are favored by the Secretary of the Treasury if certain suggestions made by the Secretary of the Treasury to the Chairman of the Banking and Currency Committee are included in the bill. If the changes suggested by the Secretary of the Treasury are made, the Board of Governors of the Federal Reserve System sees no objection to the enactment of the legislation."

Approved unanimously.

Thereupon the meeting adjourned.

Charles Mowbray  
Secretary.

Approved:

Donald Hanson  
Vice Chairman.