

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, December 14, 1944, at 10:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. McKee
Mr. Draper
Mr. Evans

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

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

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on December 13, 1944, were approved unanimously.

Memorandum dated December 11, 1944, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that, because of illness, Miss Ruth Brooks, an administrative clerk in that Division, be granted leave from November 23, 1944, to January 2, 1945, inclusive, with the understanding that she will utilize her accumulated annual leave through November 29 and sick leave from November 30 through December 3, 1944, and that the remainder of her leave will be taken as leave without pay. The memorandum recommended further that the Board continue to make its contributions to the retirement system on Miss Brooks' behalf during her leave without pay provided she continues her own contributions for the same period.

Approved unanimously.

-2-

12/14/44

Memorandum dated December 8, 1944, from Mr. Paulger, Director of the Division of Examinations, recommending that the Board continue to allow a per diem of \$7 for the period January 1, 1945, to December 31, 1945, inclusive, for Board examiners while they are in a travel status in connection with the examination of Federal Reserve Banks, with the understanding that should conditions become more nearly normal at any time during the period and apparently justify a return to a \$6 per diem the whole subject would be reviewed and a report submitted to the Board.

Approved unanimously.

Memorandum dated December 8, 1944, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the following increases in basic annual salaries of employees in that Division be approved, effective December 16, 1944:

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Paul Snouffer	Guard	\$1,620	\$1,680
Leonard Norden	Guard	1,560	1,620

Approved unanimously.

Memorandum dated December 9, 1944, from Mr. Bethea, Director of the Division of Administrative Services, recommending that, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination, Albert R. Price be appointed as a laborer in that Division on a temporary basis for an indefinite period with basic salary at the rate

-3-

12/14/44

of \$1,200 per annum and with the understanding that he will become a member of the Board's retirement system.

Approved unanimously.

Memorandum dated December 13, 1944, from Mr. Bethea, Director of the Division of Administrative Services, recommending that, effective as of the date upon which she enters upon the performance of her duties after having passed satisfactorily the usual physical examination, Miss Leone Klapat be appointed as a telegraph operator in that Division on a temporary basis for an indefinite period with basic salary at the rate of \$1,860 per annum and with the understanding that she will become a member of the Board's retirement system.

Approved unanimously.

Memorandum dated December 11, 1944, from Mr. Bethea, Director of the Division of Administrative Services, recommending, for the reasons stated in the memorandum, that Mrs. Frances B. Florence, a clerk-stenographer in that Division, be granted leave from December 26, 1944, to February 28, 1945, with the understanding that she will utilize her accumulated and accrued annual leave to 10:30 a.m. on January 11, 1945, and that the remainder of her leave will be taken as leave without pay. The memorandum recommended further that the Board authorize the continuation of Mrs. Florence's death benefits under the retirement system for the period of her leave of absence without pay with the understanding that she would make appropriate contributions therefor.

Approved unanimously.

12/14/44

-4-

Memorandum dated December 13, 1944, from Mr. Bethea, Director of the Division of Administrative Services, recommending, for the reasons stated in the memorandum, that the Board extend to December 31, 1944, inclusive, the authorization granted on October 17, 1944, to reimburse the Western Union Telegraph Company for the services of Miss Muriel Pace, at the rate of \$160 per month, who has been assigned to the Board's telegraph office in the absence of regular operators.

Approved unanimously.

Letter to Mr. McCreedy, Assistant Vice President and Secretary of the Federal Reserve Bank of Philadelphia, reading as follows:

"The Board of Governors approves the payment of salary to Mr. William D. Cobb, Assistant Cashier, Federal Reserve Bank of Philadelphia, for the period January 1, 1945 to April 30, 1945, inclusive, at the rate of \$6,000 per annum, which is the rate fixed by your Board of Directors as reported in your letter of December 7, 1944."

Approved unanimously.

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

"This is in reply to your letter of December 2 advising that, upon recommendation of the Boards of Directors of the Cincinnati and Pittsburgh Branches, the directors of the Federal Reserve Bank of Cleveland have adopted a resolution increasing, subject to the approval of the Board of Governors, the number of directors at the Cincinnati Branch and the Pittsburgh Branch from five to seven.

"In view of the action taken by your directors, the Board will interpose no objection to the proposed increase in the number of directors at the two Branches. It is assumed that the amendments to the bylaws to provide for the increase will become effective January 1, 1945.

-5-

12/14/44

"It is noted that, in order to provide for orderly staggering of terms, one of the directors at each of the branches appointed by the Bank for terms beginning January 1, 1945 will be appointed for a 2-year term and the other will be appointed for a 3-year term. The Board will follow a similar procedure in making its appointments to the boards of the two Branches."

Approved unanimously.

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

"This refers to your letter dated November 25, 1944, with which was enclosed a letter dated November 15, 1944, from J. P. Morgan & Co. Incorporated, applying for permission under the provisions of section 25 of the Federal Reserve Act to invest \$850,000 in the capital stock of Morgan & Cie. Incorporated, a corporation organized under the laws of the State of New York, which application was accompanied by your favorable recommendation. It is noted that the Banking Board of the State of New York has granted its approval in the matter.

"The Board of Governors of the Federal Reserve System is prepared to grant the requested permission upon condition that Morgan & Cie. Incorporated shall deliver to you within ninety days from the date of this letter two copies of the enclosed agreement duly executed by the appropriate officers of Morgan & Cie. Incorporated and that J. P. Morgan & Co. Incorporated agree to consummate the proposed increased investment in the capital stock of Morgan & Cie. Incorporated not later than July 1, 1945. Upon receipt of a duly executed copy of such agreement, the Board will write a letter directly to J. P. Morgan & Co. Incorporated granting the requested permission and will forward a copy of such letter to you.

"The agreement provides that Morgan & Cie. Incorporated shall not establish any branches or agencies except with the approval of the Board. The letter of application from J. P. Morgan & Co. Incorporated shows that the establishment of a branch in Paris, France, of Morgan & Cie. Incorporated to succeed to the business of the firm of Morgan & Cie. is an integral part of the plan for the operation of Morgan & Cie.

12/14/44

"Incorporated. In the circumstances, the Board will also write a letter directly to Morgan & Cie. Incorporated granting permission for it to establish a branch at Paris, France, provided such branch is established not later than July 1, 1945, and the Board advised in writing by Morgan & Cie. Incorporated that such branch has been established and opened for business.

"In the Board's letter of April 23, 1942, to J. P. Morgan & Co. Incorporated, advising the institution of the approval of its application for membership, it was stated that the provisions of condition of membership numbered one are applicable to the operations of subsidiary affiliates of a member bank as well as to the operations of the bank itself. Since Morgan & Cie. Incorporated was at that time dormant, the proposal for it to become active in international or foreign banking obviously comes within the purview of the condition. Therefore, you may advise J. P. Morgan & Co. Incorporated that the grant of permission to invest in the stock of Morgan & Cie. Incorporated is to be interpreted as carrying with it permission under condition of membership numbered one for Morgan & Cie. Incorporated to engage in international or foreign banking as contemplated by the provisions of section 25 of the Federal Reserve Act, subject to any agreements entered into with the Board thereunder.

"In connection with this matter, however, it will be appreciated if you will call to the attention of the proper representatives of J. P. Morgan & Co. Incorporated that Morgan & Cie. Incorporated will continue to be an affiliate of J. P. Morgan & Co. Incorporated, and the member bank will be expected to comply with the provisions of section 9 of the Federal Reserve Act with regard to the submission and publication of reports of this and any other affiliates in addition to any reports which may be called for from Morgan & Cie. Incorporated under the provisions of subsection (d) of Paragraph 6 of the Agreement.

"Special Regulation No. 15 of the Banking Board of the State of New York by subsection (3) of section (a) of Paragraph 3., Investment of Funds, provides that Morgan & Cie. Incorporated may invest in so much of the capital stock of any other corporation as may be specifically authorized by resolution of the Banking Board of the State of New York. Please inform the representatives of Morgan & Cie. Incorporated that when application is made to the Banking

-7-

12/14/44

"Board for permission to invest in the capital stock of any other corporation, a copy of such application is to be furnished simultaneously to the Federal Reserve Bank of New York for transmission to the Board of Governors for its information.

"The Board has considered your suggestion that there be incorporated in the agreement a provision that the character and scope of the business of Morgan & Cie. Incorporated shall not be broadened or changed without first obtaining the approval of the Board. In this connection, however, it has been the Board's long standing practice, in order to permit American foreign banking corporations to compete effectively in foreign countries, to give latitude to the development of their business abroad and not to prescribe rigid restrictions or in too much detail but to prescribe only general rules for their guidance. Also the right to restrict the operations of Morgan & Cie. Incorporated is specifically reserved to the Board by the provisions of paragraph 8 of the agreement so that any restrictions deemed necessary, should unsatisfactory tendencies develop, can be imposed to meet the need for corrective action. Except for Bankers Company of New York whose operations are limited solely to holding stock in a British fiduciary affiliate, none of the agreements presently in operation has a provision requiring the Board's permission for a change in the character and scope of the subscribing corporation's business and no apparent need therefor has been developed as a result of their operations. For these reasons the Board has not included in the agreement a provision of the type suggested.

"Please have two copies of the enclosed agreement executed on behalf of Morgan & Cie. Incorporated by its appropriate officers and forward the original executed copy thereof to the Board of Governors. The other executed copy of the agreement should be retained for the records of the Reserve Bank. When the agreement has been executed and the Board's formal permission has been granted, it will be appreciated if you will supply a copy of the agreement to the Superintendent of Banks of the State of New York for his information and files."

Approved unanimously.

-8-

12/14/44

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

"For your information there is enclosed a copy of a wire received from the Federal Reserve Bank of San Francisco, dated December 6, 1944, regarding amending guarantee agreements to provide for lower guarantee fees without adopting the 1944 V guarantee form.

"There is also enclosed a copy of a memorandum received from the War Department, dated December 11, 1944, signed by Colonel Paul Cleveland, Chief, Advance Payment and Loan Branch, in reply thereto."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Norvell
Secretary.

Approved:

Paul Cleveland
Chairman.