A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, September 12, 1946, at 10:30 a.m.

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

Mr. Carpenter, Secretary
Mr. Morrill, Special Adviser

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

Memorandum dated September 11, 1946, from Mr. Thomas, Director of the Division of Research and Statistics, submitting the resignation of Miss Lucy Axelbank, a research assistant in that Division, and recommending that the resignation be accepted, in accordance with her request, as of the close of business September 13, 1946, with the understanding that a lump sum payment be made for annual leave remaining to her credit as of that date.

Approved unanimously.

Memorandum dated September 11, 1946, from Mr. Bethea, Director of the Division of Administrative Services, submitting the resignation of Clarence M. Wilkinson, an apprentice engineer in that Division, and recommending that the resignation be accepted, in accordance with his request, as of the close of business September 13, 1946, with the understanding that a lump sum payment be made for annual leave remaining to his credit as of that date.

Approved unanimously.
Memorandum dated September 11, 1946, from Mr. Bethea, Director of the Division of Administrative Services, submitting the resignation of Richard J. Michel, a guard in that Division, and recommending that the resignation be accepted, in accordance with his request, as of the close of business September 20, 1946, with the understanding that a lump sum payment be made for annual leave remaining to his credit as of that date.

Approved unanimously.

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

"Reference is made to your letter of September 3, 1946, submitting for the consideration of the Board of Governors information regarding the proposed merger of the American Trust Company, Morristown, New Jersey, (nonmember) into 'The Morristown Trust Company', Morristown, New Jersey.

"The Board concurs in your opinion that the proposed merger will not result in a change in the general character of the assets of The Morristown Trust Company or a broadening in the functions exercised by it within the meaning of condition of membership numbered 3 to which it is subject."

Approved unanimously.

Letter to Mr. Marsh, Manager of the Accounting Department of the Federal Reserve Bank of New York, reading as follows:

"This refers to your letter of September 5 regarding penalty of $16.52 incurred by The Amsterdam City National Bank, Amsterdam, New York, as a result of a deficiency in reserves for the period ended August 15, 1946, the first deficiency in its reserves since 1924. In the circumstances, the Board authorizes your Bank not to make the assessment."

Letter to the "First National Bank of Magnolia", Magnolia, Arkansas, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Arkansas, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously.

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

"Retel September 9. Regulation U forbids bank to purchase from stock brokerage firm note evidencing loan made by firm to customer of bank for purchasing or carrying stocks registered on a national securities exchange. Such purchase of note would constitute making of a loan subject to the regulation, since facts described in numbered clauses of Board's letter S-903 (Loose Leaf #8130) do not exist in this case."

Approved unanimously.
Letter to the Presidents of all the Federal Reserve Banks,

reading as follows:

"Several questions have been received concerning the applicability of Regulation W to credit extended for certain types of heating equipment sometimes called 'floor furnaces'.

"One of the questions is whether Amendment No. 20 which limited the exemption for repairs and improvements to those not incorporating any listed article would modify the Board's letter of December 18, 1945 (S-885) which ruled that credit for a 'floor furnace' would be exempt if the equipment is affixed to the structure so as to become an 'alteration or improvement' upon the realty. The answer is that Amendment No. 20 makes the ruling of December 18, 1945, obsolete and the credit is subject to the regulation if the 'floor furnace' is a listed article, i.e., is a heating stove or space heater.

"A related question is how to determine whether a given make of 'floor furnace' is included in the classification 'space heaters'. The Board's telegrams of September 8, 1941 (S-314 and S-315) outline the general characteristics of the space heater category and classify gas-fired floor furnaces as space heaters. The determining factor in these cases is whether or not the heating unit is designed to transmit the heat directly to the space to be heated or to transmit the heat by one or more pipes or ducts. All of the models of heating equipment called 'floor furnaces' which have been described to us provide for direct transmission and accordingly are space heaters subject to the regulation. This distinguishing principle is to be applied to the border-line cases and may not be fully applicable to some types of heating equipment that are universally considered to be furnaces by the trade.

"The principal reason for drawing the line on the basis of the distinction outlined is that it serves to separate heating units roughly into two groups depending upon the size of the installation and the volume of heat to be delivered without requiring any technical tests of performance. It would appear to be inconsistent to say that 'floor furnaces' are not subject to the regulation while other types of circulating heaters.
"delivering the same amount of heat and generally serve-
ing the same purposes are within the regulation's scope."

"A number of arguments have been presented from
time to time to the effect that 'floor furnaces' should
in some manner be eliminated from the list of articles.
Most of these arguments apply equally to all kinds of
heating stoves and space heaters so that the proposal
actually amounts to a suggestion that the whole category
be deleted by amendment to the regulation. Much can be
said for this proposal particularly in view of the fact
that the larger types of heating equipment are exempt.
It is suggested that the proposal be studied particularly
in its bearing upon the list of articles which would ap-
pear in a simplified revision of the regulation, so that
the subject can be discussed when the provisions of the
revision are being determined."

Approved unanimously.

Thereupon the meeting adjourned.

[Signature]
Secretary.

Approved:

[Signature]
Vice Chairman.