

A meeting of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington on Wednesday, March 18, 1936, at 10:20 a. m.

PRESENT: Mr. Eccles
Mr. Broderick
Mr. Szymczak
Mr. McKee
Mr. Ransom
Mr. Morrison
Mr. Harrison
Mr. Fleming
Mr. McKinney
Mr. Hamilton

Mr. Morrill, Secretary of the Board of
Governors of the Federal Reserve System
Mr. Wyatt, General Counsel of the Board of
Governors of the Federal Reserve System

Chairman Eccles stated that this meeting of the Federal Open Market Committee, which was the first meeting of the Committee as constituted by Section 12A of the Federal Reserve Act as amended by the Banking Act of 1935, had been called for the purposes of organization of the Committee, the adoption of by-laws, the adoption of regulations required by Section 12A of the Federal Reserve Act to be issued by the Committee, and such other action as might be found to be desirable.

He suggested that the Committee first elect a temporary chairman, a temporary secretary, and temporary counsel.

Upon motion duly made and seconded Mr. Eccles was elected temporary chairman, Mr. Morrill was elected temporary secretary, and Mr. Wyatt was elected temporary counsel.

The Committee was informed that certified copies of the records of the elections of Messrs. Harrison, Fleming, Hamilton and McKinney as members of the Federal Open Market Committee, and of Mr. Roy A. Young,

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President of the Federal Reserve Bank of Boston, as alternate for Mr. Harrison, and of Mr. Oscar Newton, President of the Federal Reserve Bank of Atlanta, as alternate for Mr. McKinney, had been received by the Board of Governors. No question was raised by any member of the Committee as to the election or eligibility of any of the presidents referred to for service on the Committee in the respective capacities stated.

The Committee then took up for consideration a tentative draft of proposed by-laws which was read and discussed paragraph by paragraph.

At the conclusion of the discussion, upon motion duly made and seconded, and by unanimous vote, by-laws were adopted in the following form:

"ARTICLE 1. MEMBERS

"Section 1. Organization - Prior to the first meeting of the Committee following March 1 each year, each member of the Committee representing the Federal Reserve banks and each alternate elected to serve in the absence of such member shall forward the record of his election or a certified copy thereof to the Secretary of the Committee; and, if any question be raised as to the election or eligibility of such member or alternate, the Committee shall determine such question before permitting such member or alternate to participate in the meetings.

"Section 2. Alternates - An alternate shall be entitled to attend meetings of the Committee only in the absence from a meeting of the member for whom such alternate is elected but in such cases the alternate shall have the same status as the member for whom he is serving.

"Section 3. Oath - Each member of the Federal Open Market Committee and each alternate shall take the same oath of office as that required by the Constitution for officers of the United States.

"Section 4. Quorum - Seven members (including alternates present and acting in the absence of members) shall constitute a quorum for the transaction of business; but less than a quorum may adjourn from time to time until a quorum is in attendance.

"Section 5. Meetings - The Committee shall meet in Washington, D. C., at least four times each year and oftener if deemed necessary. Meetings shall be held upon the call of the Chairman of the Board of Governors of the Federal Reserve System or at the request of any three members of the Committee. Notices of calls by the Chairman to other members shall be given by the Secretary. Requests of any three members for the calling of a meeting shall state the time therefor and shall be filed in writing or by telegram with the Secretary who shall forthwith notify all members of the Committee in writing or by telegram. When the Secretary shall have sent notices to all members of the Committee that a meeting has been requested by three members and of the time therefor, a meeting shall be deemed to have been called. Whenever any member of the Committee representing Federal Reserve banks shall find that he will be unable to attend a meeting of the Committee, he shall promptly notify his alternate and the Secretary of the Committee in writing or by telegram.

"Section 6. Conduct and Deliberations - The proceedings, deliberations, discussions and actions of the Committee, except as required by law and except as authorized by the Committee, shall be strictly confidential, and no information shall be released except as authorized by the Committee and in the annual report required to be made to Congress by section 10 of the Federal Reserve Act as amended. Except as herein provided, no reports on the meetings of the Committee shall be made to any person or persons whatsoever.

"Section 7. Order of Business - The following shall be the order of procedure to be followed at meetings of the Committee:

1. The Secretary shall present the minutes of the last meeting of the Committee and the minutes of all meetings of the Executive Committee held since such meeting.
2. The Manager of the System Open Market Account shall make his report of all operations of the System Open Market Account occurring since the preceding meeting.
3. The Committee Economist shall make his report.
4. The Committee shall then consider open-market policies.

By a majority vote of members present, the Committee may adopt a different order of business for any particular meeting.

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"ARTICLE II. OFFICERS

"Section 1. Chairman and Vice Chairman of the Committee - At its first meeting after March 1 of each year the Committee shall elect a Chairman and a Vice Chairman to serve until the first meeting after March 1 of the next year. The Chairman of the Committee shall preside at all meetings thereof and shall perform such other duties as the Committee may require. The Vice Chairman shall perform the duties of the Chairman in the absence of the Chairman.

"Section 2. Secretary - The Secretary of the Board of Governors of the Federal Reserve System shall be the Secretary of the Committee. It shall be his duty to keep minutes of all meetings of the Committee and a complete record of the action taken by the Committee upon all questions of policy relating to open-market operations and shall record the votes taken in connection with the determination of open-market policies and the underlying reasons assigned therefor. He shall have custody of such minutes and records and shall perform such other duties as the Committee may require. In the absence of the Secretary an Assistant Secretary of the Board of Governors of the Federal Reserve System shall act as Secretary pro tem.

"Section 3. Economist and Associate Economists - At its first meeting after March 1 of each year, the Committee shall elect an Economist to serve until the first meeting after March 1 of the next year. The Committee shall also from time to time, as it may decide, elect one or more Associate Economists. The Economist shall prepare for the use of the Committee and present to it such information about business and credit conditions as will assist the Committee in the determination of open-market policies, and shall perform such other duties as the Committee may require.

"Section 4. General Counsel - At its first meeting after March 1 of each year the Committee shall elect a General Counsel and an Assistant General Counsel to serve until the first meeting after March 1 of the next year. It shall be the duty of the General Counsel to furnish such legal advice as the Committee may require. In the absence of the General Counsel, the Assistant General Counsel shall act as General Counsel pro tem.

"Section 5. Manager of System Open Market Account - The Committee shall select a Federal Reserve bank to execute transactions for the System Open Market Account. Such bank shall select a Manager of the System Open Market Account who shall be satisfactory to the Committee. He shall serve at the pleasure of the Committee and shall attend all meetings of both the Committee and the Executive Committee.

"Section 6. Filling Vacancies - At any meeting the Committee may fill any vacancy in the office of Chairman, Vice Chairman, Economist, General Counsel or Assistant General Counsel.

ARTICLE III. EXECUTIVE COMMITTEE

"Section 1. How constituted - The Committee at its first meeting after March 1 of each calendar year shall select from its own members an Executive Committee of five members, including the Chairman of the Committee who shall be Chairman of the Executive Committee. The Executive Committee shall consist of three members of the Board of Governors of the Federal Reserve System and two representatives of the Federal Reserve banks. At any duly called meeting, a majority of the Executive Committee shall constitute a quorum for the transaction of business. Three alternates to serve in the absence of members of the Board and two to serve in the absence of representatives of the Federal Reserve banks shall be selected at the same time and in the same manner as members of the Executive Committee and they shall serve during such absences in the order prescribed at the time of their selection.

"Section 2. Secretary - The Secretary of the Federal Open Market Committee shall act as the Secretary of the Executive Committee and it shall be his duty to keep minutes of all meetings of the Executive Committee, furnish copies thereof to the members of the Executive Committee, and perform such other duties as may be required. In the absence of the Secretary, an Assistant Secretary of the Board of Governors of the Federal Reserve System shall act as Secretary pro tem.

"Section 3. General Counsel - The General Counsel of the Committee shall be the General Counsel of the Executive Committee and it shall be his duty to furnish such legal advice as the Committee may require. In the absence of the General Counsel, the Assistant General Counsel of the Committee shall act as General Counsel pro tem.

"Section 4. Meetings - The Executive Committee shall meet on the call of the Chairman thereof or upon the request of any two members filed with the Secretary. Notices of all such calls shall be given by the Secretary.

"Section 5. Powers and duties - The Executive Committee shall perform the duties prescribed for it in the regulations of the Committee and such other functions and duties as may be assigned to it from time to time by the Committee.

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"ARTICLE IV. AMENDMENTS

"These by-laws may be amended at any meeting of the Committee by a majority vote of the entire Committee."

The meeting then recessed and reconvened at 2:40 p. m. with the same attendance as at the morning session.

The form of oath of office required by Section 3 of Article 1 of the by-laws was executed by each member of the Federal Open Market Committee present and filed with the Secretary.

Upon motions duly made and seconded, and by unanimous votes, the following officers of the Federal Open Market Committee were elected to serve until the first meeting of the Committee after March 1, 1937:

Marriner S. Eccles	Chairman
George L. Harrison	Vice Chairman
E. A. Goldenweiser	Economist
John H. Williams	Associate Economist
Walter Wyatt	General Counsel
J. P. Dreibelbis	Assistant General Counsel

Upon motion duly made and seconded, and by unanimous vote, the Federal Reserve Bank of New York was selected to execute transactions for the System open market account.

President Harrison indicated that he would recommend that the Federal Reserve Bank of New York select Mr. W. R. Burgess, Vice President of the bank, who had managed the System open market account under the direction of the old Federal Open Market Committee, as manager of the System open market account. President Harrison stated that as a matter of practice it would be necessary, of course, for the New York Bank in executing transactions for the committee to act as a bank through its other regularly assigned officers as well.

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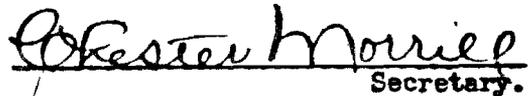
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Upon motion duly made and seconded, and by unanimous vote, it was decided that the selection of Mr. Burgess by the New York Bank as manager of the account would be satisfactory to the Committee.

A tentative draft of a proposed regulation to be adopted by the Committee with regard to open market operations by Federal reserve banks was then taken up, read, and discussed paragraph by paragraph.

Mr. Fleming raised a question as to the adequacy of existing bonds carried by the Federal reserve banks to cover losses that might be suffered by the banks through defalcations in connection with the System open market account and during the course of the discussion Mr. Harrison suggested that the question be considered by the Presidents' Conference.

At the conclusion of the discussion the meeting adjourned with the understanding that the Committee would meet again at 10:15 a. m. tomorrow.


Secretary.

Approved:


Chairman.