

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

SECRET

# Office Correspondence

Date June 25, 1947

To Chairman Eccles

Subject: Executive Session of National

From Mr. Knapp

Advisory Council held this morning

At its executive session this morning, the National Advisory Council approved a letter to the Securities and Exchange Commission supporting the Bank's request for the following exemptions:

(1) Exemption from the provision of the Securities Act of 1933 imposing civil liabilities upon dealers in the Bank's securities;

(2) Exemption from the provisions of the Securities Exchange Act of 1934 that (a) require dealers in the Bank's securities to register with the S.E.C. as over-the-counter dealers and to comply with membership requirements of the N.A.S.D., and (b) forbid pre-issue listing of the Bank's securities on the Stock Exchange;

(3) Exemption from the provisions of the Trust Indenture Act of 1939.

Secretary Snyder informed the Council that following his discussions with Mr. Gaffrey he had been informed that the S.E.C. would grant the exemptions listed above if they received a letter from the N.A.C. requesting such action. Secretary Snyder added that he was opposed to exemption of the Bank's securities from the anti-manipulation provision of the Securities Exchange Act of 1934 and that the Bank was reconciled to this conclusion.

With respect to the first point, the main question has always been whether or not the S.E.C. had legal power to grant the exemption. Mr. O'Connell stated that he had prepared a legal opinion for the S.E.C. concluding that it had such power. He admitted that he had to stretch things a lot in writing this opinion, but that he was prepared to stand on it.

With respect to the exemption of dealers in the Bank's securities from the requirements of registering with the S.E.C. and joining the N.A.S.D., it was pointed out by Mr. O'Connell that at the S.E.C. hearings on this matter held yesterday, representatives of the N.A.S.D. has opposed the exemption. Mr. O'Connell explained this as simply a desire by the Association to retain business for its members, and the Council did not seem inclined to attach much weight to it. (Incidentally, immediately after my return to my office, I received a telephone call from Mr. Garner of the International Bank who thought that the N.A.C. meeting had not yet been held. Mr. Garner had called you (and then me) to inform us that last night he met the chairman of the N.A.S.D. who informed him that their representative in Philadelphia had been instructed not to oppose the proposed exemption

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at the S.E.C. hearings. In any case, the Council has now acted, and the matter is closed.)

There was no particular discussion on items 2(b) and 3 listed above. However, Bill Martin again stated in a general way that he regretted seeing the National Advisory Council become involved in business of this character.