

STRICTLY CONFIDENTIAL

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

October 15, 1943

Chairman Eccles

L. M. Piser

Government security dealers

In the event that a decision is reached to present to Congress our case against the Government security dealers, it seems to me that it would be desirable for us to have on hand specific examples of abuses by dealers, including names and dates. At present, we could supply sufficient detail on changes in the dealers' portfolios, which in earlier years accentuated changes in the market and could do so again. We have only very general information that dealers have induced clients to sell when the System has been buying, that dealers have made recommendations to clients that have been more in the interest of adding to the dealers' profits than of benefiting the clients, and that dealers have manipulated quotations in order to increase activity. Officials of the Reserve Banks in their many conversations with commercial bankers obtain examples of such activities on the part of dealers. I should like to suggest, therefore, that it would be helpful in strengthening our case if you request the Reserve Bank presidents to furnish you with any such information that they already have and to keep a record of such information as they obtain in the future.

LMP:msk

