

## The Papers of Charles Hamlin (mss24661)

369\_01\_001-

Hamlin, Charles S., Scrap Book – Volume 252, FRBoard Members

205.001 - Hamlin Charles S  
Scrap Book - Volume 252  
FRBoard Members

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BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

## Office Correspondence

Date August 12, 1941To The Files

Subject: \_\_\_\_\_

From Mr. Coe

MPC.

After correspondence with Mrs. Hamlin (see letters of May 25 and June 4, 1941) the items attached hereto and listed below, because of their possible confidential character, were taken from volume 252 of Mr. Hamlin's scrap book and placed in the Board's files:

VOLUME 252Page 1

Governor Black's memo to Mr. Pecora on bill.

Page 33

Letter to F.R. Board employees on Retirement System.

Page 35

Memo setting forth Board's views re Securities Exchange Act of 1934.

Page 87

Earnings and Expenses of F.R. Banks, March 1934.

Page 109

Memo to Mr. Hamlin from Mr. Goldenweiser re Problem of Price Raising.

Page 121

Memo to Mr. Hamlin from Mr. Goldenweiser giving comparison of the proposed Bank of Canada with the Federal Reserve System.

Page 126

Confidential Memoranda re Advances to Member Banks under Section 10(b) of the Federal Reserve Act.

Page 131

Memo to Mr. Hamlin from Mr. Smead re gold reserves as of October 23, 1929.

*copy*  
*See. 1934* *See Act*  
*See Board to discuss, N7C*  
*and State Com.*

The Board is in thorough accord with the following purposes of the bill:

- (1) To regulate National Securities Exchanges to the end that they may operate under fair practices only.
- (2) That speculation be properly curbed and dishonest speculation be eliminated.
- (3) That exchange credit be properly restrained and the undue use of credit in speculation be prevented.
- (4) That necessary penalties be enacted to guarantee the accomplishment of these purposes.

The Board is not primarily concerned with the features of the bill with regard to the policing or regulating of the exchanges, but feels that these features should be fair and in accord with established American business principles.

If it is desired the Board will be glad to undertake the responsibilities of the bill regarding the fixation of marginal requirements upon loans based upon exchange equities, whether the loans are made by brokers or banks, provided power is vested in the Board to handle this subject in the public interest and to the protection of the investor. This function would usefully supplement the considerable powers vested in the Board under the Banking Act of 1933 to prevent the undue use of credit for speculative purposes and would in the judgment of the Board furnish effective protection against the economic evils of speculation.

*Mr. Hamilton*

*See 126*

TO FEDERAL RESERVE BOARD EMPLOYEE MEMBERS OF THE RETIREMENT SYSTEM

As members of the Board of Trustees of the Federal Reserve Bank Retirement System, Mr. James and the undersigned attended the organization meeting of the Board of Trustees held at the Federal Reserve Bank of Chicago on March 14 and 15, 1934, and I have to report in regard to the action taken at the meeting, as follows:

Preliminaries. The meeting was called to order at about 10 A.M., March 14, by Mr. Rounds, Chairman of the Organization Committee, which had been appointed by the Chairman of the Governors' Conference to organize the retirement system in accordance with the Rules and Regulations adopted by the Federal Reserve banks with the approval of the Federal Reserve Board, and which had charge of the enrollment of the membership, the election of trustees of the retirement system, and the arrangements for the first meeting of the Board of Trustees.

Following the roll call, to which all of the twenty-six trustees responded, the Board of Trustees elected Governor Wm. B. Geery of the Minneapolis Federal Reserve Bank temporary Chairman, and then received an oral report from Mr. L. R. Rounds, Chairman of the Organization Committee, in regard to the work of that committee as referred to above. In his report Mr. Rounds stated that, on the basis of reports received up to that time, it appeared that more than 99 percent of the officers and employees of the Federal Reserve banks and the Federal Reserve Board had enrolled as members of the Retirement System.

Election of Officers. Permanent officers to serve until the next annual meeting of the Board of Trustees were elected as follows:

Chairman	William B. Geery	Minneapolis
Vice Chairman	Robert B. Coleman	Dallas
Secretary	H. F. Strater	Cleveland
Treasurer	J. W. Jones	New York
Asst. Secy. and Treas.	Mrs. Dalerie Miller	New York

Appointment of Retirement Committee. A Retirement Committee, to act as an Executive Committee in administering the detailed provisions of the Rules and Regulations governing the operation of the retirement system, as provided for in the Rules and Regulations, was appointed as follows:

Chairman	L. R. Rounds	New York
	M. J. Fleming	Cleveland
	J. S. Walden	Richmond
	W. G. McCreedy	Philadelphia
	C. R. Camp	Atlanta

Appointment of Investment Committee. An Investment Committee, charged with the duty of investing the funds of the Retirement System within the limitations as to classes of securities and as to amounts of particular classes of securities prescribed by the Rules and Regulations and by the Board of Trustees, was appointed as follows:

Chairman	C. R. McKay	Chicago
	W. W. Paddock	Boston
	Wm. B. Geery	Minneapolis
	C. A. Worthington	Kansas City
	Wm. A. Day	San Francisco
	A. H. Hail	St. Louis
	M. C. Smyth	Dallas

Location of Permanent Office, etc. The Board of Trustees voted to locate the permanent office of the retirement system at the Federal Reserve Bank of New York; to fix the last day of February as the date on which the fiscal year of the retirement system shall end; and to fix the third Tuesday

in April as the date for the annual meeting of the Board of Trustees to be held at the Federal Reserve Bank of Chicago.

Term of Office of Trustees. As required by Section 6 of the Rules and Regulations, the Board of Trustees determined by lot the initial terms of office of the various trustees, except Mr. James whose term of office as a trustee is at the pleasure of the Federal Reserve Board. The term of office of the twenty-five trustees whose term of office was determined by lot is as follows:

<u>Three years</u>	<u>Two years</u>	<u>One year</u>
L.R. Rounds, New York	W.W. Paddock, Boston	J.S. Sinclair, Philadelphia
C.R. McKay, Chicago	M.J. Fleming, Cleveland	J.S. Walden, Richmond
C.A. Worthington, Kans.Cy	O.M. Attebery, St. Louis	H.F. Conniff, Atlanta
Wm.A. Day, San Francisco	R.B. Coleman, Dallas	Wm. B. Geery, Minn.
Wm.G. McCreedy, Phila.	Wm.A. Heintz, New York	E.G. Hult, Boston
C.E. Daniel, Kansas City	H.F. Strater, Cleveland	Hugh Leach, Richmond
M.C. Smyth, Dallas	A.H. Hall, St. Louis	C. R. Camp, Atlanta
C.E. Earhart, San Francisco	M.E. Lysen, Minneapolis	A. M. Black, Chicago
		J.R. Van Fossen, Board

Adoption of Declaration of Trust. A form of Declaration of Trust was adopted, binding the trustees and their successors and defining the trust relationship existing between the Board of Trustees and the employee members of the Retirement System, the Federal Reserve banks and the Federal Reserve Board, by reason of management of the funds of the Retirement System vested in the Board of Trustees. This Declaration of Trust will be signed by each trustee.

Adoption of By-Laws. By-Laws adopted by the Board of Trustees provide for the filling of vacancies in the Board of Trustees, in its official staff, and in the Retirement and Investment committees; provide for the calling of special meetings of the Board of Trustees; fix the date of the annual

meeting of the Board of Trustees as the third Tuesday in April; specify that a majority of the Trustees or of the Retirement or Investment Committees shall constitute, respectively, a quorum of such board or committee; provide for the election by the Board of Trustees of a Chairman, a Vice-Chairman, a Secretary, a Treasurer and such other officers as they may deem appropriate; direct the Secretary to furnish promptly to each member of the Board of Trustees a copy of the minutes of each meeting of the Board of Trustees and of the Retirement and Investment Committees; and provide that the receipt and disbursement of the funds of the Retirement System shall be handled by the Treasurer, or an Assistant Treasurer, under the control and supervision of the Retirement Committee.

Certificate of Membership. The Retirement Committee was authorized to have prepared and to issue a certificate of membership to each member of the Retirement System.

Method of providing benefits. Determination of the method of providing death benefits, disability retirement allowances, and service retirement allowances was left for the present to the discretion of the Retirement Committee.

Securities eligible for purchase by the Retirement System. The Rules and Regulations provide, in respect to the investment of the funds, that in no event shall such funds be invested in securities other than those in which the funds of life insurance companies doing business in the States of Massachusetts, Connecticut or New York may be invested under



the laws of such states, respectively. Within these limitations, the Board of Trustees authorized the investment of the funds of the system in obligations of the United States, in obligations of agencies of the United States guaranteed by the United States, in obligations of States or cities, or in railroad, public utility or industrial bonds rated not lower than "A" by at least two recognized investment services regularly engaged in the rating or grading of securities: Provided, that not more than 25 percent of the funds of the System may be invested in any of the three classes of corporate bonds nor more than \$50,000 in the obligations of any one corporation.

Rules with respect to the receipt and disbursement of funds. Detailed rules with respect to the receipt and disbursement of funds were adopted, under which disbursements of the funds of the System for each specified purpose may be made only by the persons designated (by title) in the rules, and only on proper authorization by the persons specifically designated by the rules.

Clerical and other staff. The Retirement Committee was authorized to engage and fix the compensation of such clerical and other staff as may be necessary, including an actuary, counsel as necessary, three physicians to act as a Medical Board, and other physicians as needed from time to time, and was directed to arrange for the bonding of the Treasurer, the Assistant Treasurer, and the clerical staff in minimum amounts specified.

Traveling expenses of members of the Board of Trustees and Committees.

The Secretary of the Board of Trustees was directed to request the Federal Reserve banks and the Federal Reserve Board to defray the traveling ex-

penses of the two trustees representing each, incident to attendance at meetings of the Board of Trustees or of Committees thereof, such arrangement to continue during the present year and the subject to be again considered at the next annual meeting of the Board of Trustees.

Printing of the Rules and Regulations, etc. The Retirement Committee was instructed to print and furnish to each Federal Reserve bank and to the Federal Reserve Board, for issuance to any member requesting a copy thereof, the Declaration of Trust signed by each Trustee, the Rules and Regulations, and the By-Laws.

All other. Other matters considered by the Board of Trustees were either of minor importance or decision thereon was deferred to a subsequent meeting of the Board of Trustees.

#### COMMITTEE ACTIVITIES OF GENERAL INTEREST

Investment Policy. The Chairman of the Investment Committee advised the Board of Trustees that, under existing conditions, a very conservative investment policy would be pursued, and that the rate of return on the funds of the Retirement System would, therefore, in the beginning be relatively low. In this connection the fact should be borne in mind that funds available for investment during the first year of operation will be comparatively small and a low rate of return thereon will, therefore, have little bearing on the rate that will subsequently be yielded by the invested funds of the system.

Retirement Committee. The Retirement Committee is undertaking the preparation of annuity tables from which it will be possible to ascertain approximately the annuity that can be purchased with a given amount of

money at specified ages. Copies of these tables will be furnished each Federal Reserve bank and the Federal Reserve Board. The Retirement Committee also provisionally adopted the rule that any additional contributions by members, as permitted by Section 5 of the Rules and Regulations, must be not less than one percent of the member's salary if a percentum contribution, and a multiple of \$100 if a lump sum contribution, with the proviso that such contributions when made, or when initiated if a percentum contribution, shall not appear to be more than sufficient to purchase an additional annuity at age 65 equal to 50 percent of the employee's salary.

Respectfully submitted,

*JR Van Fossen*

J. R. Van Fossen.

WASHINGTON, D. C.  
MARCH 23, 1934.

Sen Bk

*copy*  
*Delivered to Sen Cramer by Joe Glass*  
*Dec 22, 34*

The staff of the Federal Reserve Board conferred for a week with representatives of the Treasury and with Mr. Pecora, Mr. Corcoran and Mr. Cohen, Attorneys, in reference to the provisions of the National Securities Exchange Act of 1934. Governor Black participated in some of these conferences, was in close touch with all of them, and kept the members of the Board fully advised. During these conferences the attitude of the Board was requested and the following expression of this attitude was given:

"The Board is in thorough accord with the following purposes of the bill:

- (1) To regulate National Securities Exchanges to the end that they may operate under fair practices only.
- (2) That speculation be properly curbed and dishonest speculation be eliminated.
- (3) That exchange credit be properly restrained and the undue use of credit in speculation be prevented.
- (4) That necessary penalties be enacted to guarantee the accomplishment of these purposes.

The Board is not primarily concerned with the features of the bill with regard to the policing or regulating of the exchange, but feels that these features should be fair and in accord with established American business principles.

If it is desired the Board will be glad to undertake the responsibilities of the bill regarding the fixation of marginal requirements upon loans based upon exchange equities, whether the loans are made by brokers or banks, provided power is vested in

B35

the Board to handle this subject in the public interest and to the protection of the investor. This function would usefully supplement the considerable powers vested in the Board under the Banking Act of 1933 to prevent the undue use of credit for speculative purposes and would in the judgment of the Board furnish effective protection against the economic evils of speculation."

During these conferences very many changes in the original bill were recommended by the Federal Reserve staff. These recommendations were followed in substance and changes were made in the bill, and the bill was greatly improved in order to properly effectuate its purposes.

The bill known as H. R. 8720 introduced in the House by Mr. Rayburn embraces these recommended changes. It is the feeling of the Reserve Board that the revised bill H. R. 8720 is workable, is right in principle, and will accomplish the purpose of regulating National Securities Exchanges under fair practices and that undue and excessive speculation will be properly curbed, and that exchange credit will be properly restrained and the undue use of credit in speculation be prevented. The Board is therefore prepared to approve the bill as revised.

The Board requests the privilege of making such further constructive suggestions as to the bill as may appear necessary or desirable as the result of the further study of the bill, and this request applies especially to questions affecting technical operations of the exchanges covered by the bill.

EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS, MARCH 1934

Federal Reserve Bank	Month of March 1934								January - March 1934			
	Earnings from -					Current expenses		Current net earnings		Current net earnings		
	Dis-counted bills	Pur-chased bills	U.S. Govt. securi-ties	Other sources	Total	Exclusive of cost of F. R. currency	Total	Total	Ratio to paid-in capital	Total	Ratio to paid-in capital	Less accrued dividends and net charges (current) to profit and loss
								Per cent		Per cent		
Boston	\$3,013	\$3,163	\$260,535	\$3,590	\$270,301	\$162,963	\$171,645	\$98,656	10.9	\$252,739	9.6	\$137,091
New York	51,464	897	1,392,219	12,601	1,457,181	604,720	634,686	822,495	16.4	2,454,444	16.9	1,781,153
Philadelphia	45,803	931	281,205	289	328,228	196,327	207,410	120,818	9.1	358,199	9.2	177,434
Cleveland	8,266	1,366	351,038	8,791	369,461	240,939	248,510	120,951	11.2	337,922	10.9	190,698
Richmond	7,242	545	153,974	12,281	174,042	136,583	137,370	36,672	8.7	46,559	3.8	-9,543
Atlanta	5,430	587	138,305	6,225	150,547	111,168	113,289	37,258	9.9	58,349	5.3	6,449
Chicago	2,305	1,546	673,135	19,500	696,486	318,086	326,110	370,376	34.1	1,008,333	32.0	1,042,458
St. Louis	2,685	525	154,644	3,584	161,438	125,426	130,713	30,725	9.2	97,001	10.0	51,998
Minneapolis	2,894	453	118,832	3,399	125,578	95,222	99,512	26,066	10.8	62,455	8.8	32,146
Kansas City	2,781	579	144,542	49,552	197,454	145,195	148,700	48,754	14.1	53,266	5.3	8,016
Las Vegas	229	4,130	127,332	1,516	133,207	98,269	101,097	32,110	9.7	80,301	8.4	38,089
San Francisco	2,737	1,863	274,094	8,917	287,611	204,653	210,864	76,747	8.5	190,537	7.3	69,842
TOTAL												
Mar. 1934	134,849	16,585	4,069,855	130,245	4,351,534	2,439,551	2,529,906	1,821,628	14.7			
Feb. 1934	164,213	35,070	3,521,233	99,191	3,819,707	2,280,728	2,425,564	1,394,143	12.5			
Mar. 1933	2,777,282	403,749	2,752,284	150,117	6,083,432	2,478,731	3,167,153	2,916,279	22.9			
Jan.-Mar. 1934	565,747	100,761	11,450,395	334,018	12,450,921	7,048,489	7,450,816	5,000,105	13.9	5,000,105	13.9	3,525,841
1933	4,264,140	659,746	7,319,762	410,787	12,654,435	6,605,600	7,573,386	5,081,049	13.7	5,081,049	13.7	2,764,180

FEDERAL RESERVE BOARD  
DIVISION OF BANK OPERATIONS  
APRIL 13, 1934.

*387*

## Office Correspondence

FEDERAL RESERVE  
BOARD

Date February 3, 1934

To Mr. Hemlin

Subject:

From Mr. Goldenweiser *Goldenweiser*

16-852

Referring to your memorandum of February 2, I believe that your statement is accurate. I should be inclined to add, however, that so long as the dollar is depreciated and foreign countries do not adopt corresponding devaluations of their currencies, there will be gradual pressure for American prices to rise until their level will be equal to that prevailing in other countries. This process, however, is likely to be a slow one, and, as you indicate, it will take effect first among commodities entering into international trade and will only gradually spread from them to other commodities.

*B.109*

February 2, 1934.

PROBLEM OF PRICE RAISING.

Comparing 1926 with 1934, a dollar will purchase in the United States much more today than it would have purchased in 1926; that is to say, prices of commodities have greatly fallen. The problem on which the administration is working, is to bring about an increase in commodity prices up to the level of 1926, so that a man may pay debts contracted - say in 1926 - with the same amount of labor.

When we went off the gold standard in April, 1933, the purchasing power of the dollar decreased; that is to say, prices in the United States rose. There was no economic reason for this increase except the uncertainty of the future monetary policy of the United States, coupled with some speculative activity in exchange.

This increase, very marked last July, has fallen off, although prices are still a little higher than a year ago.

The falling off in the purchasing power of the dollar was more pronounced in our exports than in domestic exchanges, and it was hoped that this decline in purchasing power would spread to domestic commodities, but it has done so only to a very limited degree.

The administration tried to increase prices by purchasing the newly mined gold, and then extending this to the purchase of foreign gold, but although this latter may have operated to put up prices of our exportable products, it has not lifted up domestic prices generally, for the reason, among others, that our foreign trade exchanges were only about 10% of our domestic exchanges, and the influence of increased prices for the former could not lift up the latter. The Government has



just devalued the dollar at a ratio of a little under 60¢, but the purchasing power of the dollar in domestic exchanges is nearly 80¢; that is to say, the dollar appears to be undervalued. While this devaluation will affect at once prices of our exports, the question arises whether this will exercise a similar influence on our domestic exchanges.

Professor Warren claims that devaluation will at once, or in the near future, put up all domestic prices. Other economists claim that there is no direct cause or relation between gold and prices.

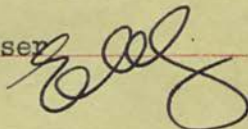
Should domestic prices not increase as the result of this devaluation, it is feared that there will be a demand either for further devaluation, or possibly for deliberate inflation along the lines of greenback issues. The question really comes down to this: A dollar today will buy more commodities in the United States than it will buy abroad of foreign commodities, and administration efforts are being exerted to lower the purchasing power of the dollar in the United States to these foreign levels.

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## Office Correspondence

FEDERAL RESERVE  
BOARDDate March 20, 1934*See Na*To Mr. Hamlin

Subject: \_\_\_\_\_

From Mr. Goldenweiser

2-8495

I have asked Mr. Barton to prepare the attached memorandum, which you asked for, comparing the proposed Bank of Canada with the Federal Reserve System.

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PAGE 121*P. 121*

## Office Correspondence

FEDERAL RESERVE  
BOARDDate March 19, 1934To Mr. GoldenweiserSubject: Comparison of proposed Bank ofFrom Mr. Barton *HCB*Canada with Federal Reserve System

16-852

The powers of the proposed Canadian central bank about which Mr. Hamlin inquires were not specified in full detail in the Macmillan Report. A bill to incorporate the Bank of Canada, however, was introduced by the Minister of Finance on February 22, 1934 in the House of Commons. The bill embodies in specific form the general recommendations of the Macmillan Committee.

It empowers the Bank of Canada to "accept from the Dominion Government or the government of any province or from any chartered bank deposits which shall not bear interest" and to act as depository for foreign central banks and the Bank for International Settlements. I find no other affirmative provisions relating to the acceptance of deposits and infer that they may not be received from persons in general.

The bill provides that the Bank may make loans or advances to chartered banks, the Dominion Government, and the government of any province, but makes no provision for any other direct loans. It may, however, "for the purpose of its open market operations, buy and sell in the open market from or to any person.... securities, cable transfers, bankers' acceptances, promissory notes and bills of exchange.... with or without the endorsement of a chartered bank." Presumably the Bank might, under this power, enter into lending activities which would be in competition with the chartered banks. The Minister of Finance, on the other hand, stated on the floor of the House that "The Bank of Canada is not to be regarded as a competitor with our chartered banks."

This, I think, answers Mr. Hamlin's particular questions. A comparison of the features proposed for the Bank of Canada with the corresponding legal requirements of the Federal Reserve System is made below.

Bank of Canada

1. One central bank at Ottawa.
2. Branches and agencies attached to central bank.
3. Capital subscribed by individuals or corporations. But no share of the capital stock of the Bank shall be held by or for the benefit of any chartered bank or any director, officer, clerk or employee of such bank.
4. Board of Directors composed of a Governor, Deputy Governor, and seven directors. Directors are elected by stockholders and appoint Governor and Deputy Governor with the approval of the Governor General in council.
5. To take over power to issue Dominion notes. Notes of chartered banks to be gradually reduced to 25 per cent of their unimpaired paid-up capital, with further reduction at discretion of Parliament.
6. One-third of all net profits in excess of a 6 per cent cumulative dividend to be paid into surplus and the remainder to the Government until surplus equals paid-up capital; afterwards 10 per cent of such profits shall be paid into surplus and the remainder to the Government until surplus is double paid-up capital; and thereafter all such profits shall be paid to the Government.

Federal Reserve System

1. Twelve regional banks.
2. Branches and agencies attached to regional banks.
3. Capital subscribed by member banks.
4. Federal Reserve Board appointed by the President with the advice and consent of the Senate. Boards of Federal Reserve banks partly appointed by Federal Reserve Board and partly elected by member banks.
5. Note issue right shared with Treasury and national banks.
6. Franchise tax until Banking Act of 1933. Then subscription to Federal Deposit Insurance Corporation stock and payment of net profits in excess of 6 per cent cumulative dividend requirements to surplus.

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| <p>7. To be fiscal agent of Dominion Government. Upon request of Minister of Finance, shall act generally in respect of the management of the Canadian public debt. May also act as banker or fiscal agent for provincial governments.</p> <p>8. Commercial banks to keep on deposit reserves equal to 5 per cent of their deposit liabilities within Canada.</p> <p>9. Specie and exchange powers:<br/>       (a) Buy and sell gold, silver, nickel, and bronze coin and gold and silver bullion. Gold may be sold only in bars of about 400 fine ounces<br/>       (b) Effect transfers of funds<br/>       (c) Buy and sell trade acceptances, bankers' acceptances, and bills of exchange drawn in or on places outside Canada and maturing not more than 3 months from purchase date.</p> <p>10. Investment powers--to buy and sell:<br/>       (a) Securities issued or guaranteed by Dominion of Canada or any province maturing not more than 2 years from date of purchase<br/>       (b) A limited amount of securities issued or guaranteed by the Dominion of Canada or any province maturing more than 2 years from date of purchase<br/>       (c) Certain foreign government securities maturing not more than 6 months from date of purchase</p> | <p>7. Fiscal agents for Federal Government when required by Secretary of the Treasury.</p> <p>8. Member banks keep 7, 10, and 13 per cent reserves against demand deposits and 3 per cent against time deposits.</p> <p>9. Specie and exchange powers:<br/>       (a) Gold may be sold only to holders of Treasury licenses<br/> <br/>       (b) Effect transfers of funds<br/>       (c) Buy and sell bills of exchange eligible for rediscount and 90-day bankers' acceptances.</p> <p>10. Investment powers--to buy and sell:<br/>       (a) United States Government securities<br/> <br/>       (b) Certain local Government obligations issued in anticipation of assured revenues<br/> <br/>       (c) Specified obligations of certain Federal agencies</p> |
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- (d) A limited amount of United Kingdom or United States Government securities maturing more than 6 months from date of purchase
- (e) Commercial and industrial bills of exchange and promissory notes, endorsed by a chartered bank, and maturing not more than 3 months from date of purchase
- (f) Bills of exchange and promissory notes for agriculture, mining, lumbering and fishing, endorsed by a chartered bank, and maturing not more than 6 months from date of purchase.

11. Discount and rediscount powers:

(a) Same as 10(a)

(b) Same as 10(e)

(c) Same as 10(f)

12. Loans and advances:

- (a) To chartered banks for 3 months or less on any of the foregoing instruments or Canadian municipal securities or specie

- (d) Bankers' acceptances and acceptances of certain Federal agencies

- (e) 90-day bills of exchange and secured sight and demand bills eligible for rediscount

11. Discount and rediscount powers:

- (a) For member banks--commercial, agricultural, and industrial paper of specified maturities.
- (b) For Federal Intermediate Credit Banks--agricultural paper of specified maturities unless endorsed by a State bank or trust company eligible for membership in the Federal Reserve System
- (c) For regional agricultural credit corporations--agricultural paper of specified maturities
- (d) For any bank--promissory notes with no more than 9 months to run secured by adjusted service certificates
- (e) For individuals, partnerships, or corporations--in unusual and exigent circumstances--with the approval of the Federal Reserve Board, paper suitably secured and eligible for rediscount for member banks

12. Loans and advances:

- (a) To member banks for not more than 90 days on their promissory notes secured by paper eligible for rediscount

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|---|---|
| <p>(b) To the Dominion or any provincial government when properly secured</p> <p>(c) To the Dominion Government an amount not more than one-third of anticipated yearly income and to be repaid before the end of the first quarter of the fiscal year following that in which the loan was made</p> <p>(d) To the Government of any province an amount not more than one-fourth of anticipated yearly income and to be repaid before the end of the first quarter of the fiscal year following that in which the loan was made</p> <p>13. Open-market operations: For the purpose of its open-market operations, the Bank is to buy and sell in the open market from or to any person any credit instrument, with or without the endorsement of a chartered bank, in which the Bank may deal for exchange, investment, or rediscount purposes except "United Kingdom and United States Government securities maturing more than six months from date of purchase."</p> <p>14. To concentrate gold holdings of the country.</p> <p>15. To keep a 25 per cent gold reserve against note and deposit liabilities plus an unspecified amount of silver bullion and foreign exchange.</p> | <p>(b) To member banks for not more than 15 days on their promissory notes secured by Federal Government issues, certain obligations of specific Federal agencies</p> <p>(c) To member banks, or groups of member banks, in exceptional circumstances on their properly secured time or demand notes</p> <p>(d) To individuals, partnerships, and corporations--in exceptional circumstances for not more than 90 days on their promissory notes secured by direct obligations of the United States.</p> <p>13. Open-market operations: Any Federal Reserve bank may purchase and sell in the open market cable transfers; bankers' acceptances and bills of exchange of the kinds and maturities eligible for rediscount, with or without the endorsement of a member bank; obligations of the Federal Government; certain securities of local governments issued in anticipation of assured revenues; and specified obligations of certain Federal agencies.</p> <p>14. (This done by the Treasury.)</p> <p>15. Must keep a 40 per cent reserve in gold certificates against notes in actual circulation and a 35 per cent reserve in gold certificates or lawful money against deposits.</p> |
|---|---|



The proposed Bank of Canada would be, in some respects, a more typical central bank than is the Federal Reserve System. Its centralized location, greater concentration of authority, more exclusive note issue powers, and possession of its country's gold reserve are attributes typically found among such institutions.

This is not to say, however, that it would have any greater influence on Canadian banking and business than does the Federal Reserve System in this country. The absence at the present time of an organized money market in Canada would probably reduce the effectiveness of its open market operations and rediscount rates as methods of credit control. Regulation of exchange rates would, therefore, be of correspondingly greater importance.

The bill to incorporate the Bank of Canada is now being debated in the House of Commons. Of the constitutional provisions outlined above, that of the private ownership of the Bank appears to have aroused the most controversy.

*See P. 26*

CONFIDENTIAL MEMORANDA

I. ADVANCES\* TO MEMBER BANKS UNDER SECTION 10 (b) OF THE F. R. ACT

Federal Reserve Bank	Advanced Feb. 27, 1932 to Apr. 18, 1934	Outstanding on Apr. 18, 1934	Week ending April 18, 1934	
			Advanced during week	Paid during week
Boston	\$4,062,000	--	--	--
New York	47,258,000	\$6,413,000	\$675,000	\$1,552,000
Philadelphia	13,957,000	943,000	--	85,000
Cleveland	37,101,000	896,000	--	35,000
Richmond	4,939,000	195,000	--	--
Atlanta	22,947,000	126,000	--	150,000
Chicago	13,335,000	733,000	--	6,000
St. Louis	1,467,000	9,000	9,000	--
Minneapolis	544,000	2,000	--	--
Kansas City	9,142,000	--	--	--
Dallas	1,003,000	--	--	--
San Francisco	146,370,000	--	--	--
Total	(a) 302,125,000	9,317,000	684,000	1,829,000

II. BILLS DISCOUNTED\* BY F.R. BANKS FOR INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS

Federal Reserve Bank	Advanced July 21, 1932 to Apr. 18, 1934		Outstanding April 18, 1934		Week ending April 18, 1934	
	Secured by U.S. Govt. obligations	All other	Secured by U.S. Govt. obligations	All other	Discounted during week	Paid during week
Boston	--	\$35,000	--	--	--	\$10,000
New York	\$1,000,000	807,000	--	\$335,000	--	--
Philadelphia	95,000	108,000	--	--	--	--
Cleveland	158,000	--	--	--	--	--
Richmond	116,000	--	\$72,000	--	\$75,000	25,000
Atlanta	440,000	118,000	--	--	--	--
Chicago	278,000	--	--	--	--	--
St. Louis	76,000	--	5,000	--	--	--
Minneapolis	38,000	113,000	--	--	--	--
Kansas City	--	204,000	--	4,000	2,000	--
Dallas	--	--	--	--	--	--
San Francisco	1,215,000	--	22,000	--	--	--
Total	(b) #3,416,000	(c) 1,385,000	99,000	339,000	77,000	35,000

DIVISION OF BANK OPERATIONS  
APRIL 27, 1934.

\*Exclusive of renewals.

#Includes \$57,550 to building and loan associations, \$300,000 to a Federal land bank and \$2,319,210 to nonmember banks (including \$1,000,000 to a Mutual Savings Bank.)

(a) Advanced in 1932; \$28,965,000; In 1933, \$265,448,000; In 1934 to date \$7,712,000  
 (b) " " 1932; -- ; In 1933, 3,341,000; In 1934 to date 75,000  
 (c) " " 1932; 860,000; In 1933, 511,000; In 1934 to date 14,000

## Office Correspondence

FEDERAL RESERVE  
BOARD

Date April 9, 1934

See Nk

To Mr. Hamlin

Subject:

From Mr. Smead

16-852

Following is the information requested in your memorandum of April 2:

1. On October 23, 1929, the weekly statement date preceding the stock market crash gold reserves of the Federal Reserve banks totaled \$3,035,000,000, Reserve bank credit outstanding was \$1,374,000,000, and loans and investments of reporting member banks \$22,895,000,000. On October 4, 1929, the nearest date for which figures are available, loans and investments of all member banks totaled \$35,914,000,000, and of all banks in the United States \$58,835,000,000.
2. Cash reserves of the Federal Reserve banks at this time averaged about \$3,150,000,000 and the reserve ratio about 74 percent.
3. That the Federal Reserve banks easily sustained the amount of credit outstanding in October 1929 is evidenced by the reserve ratio of about 74 percent.
4. Answered in No. 1.
5. Gold reserves of the Federal Reserve banks on April 4, 1934, totaled \$4,343,000,000, which is equivalent to about \$2,565,000,000 on the basis of the gold content of the dollar prior to devaluation. This latter amount is less than the amount of gold reserves held by the Federal Reserve banks in 1929 prior to the stock market crash.

The total monetary gold stock on April 4, 1934, amounted to \$7,703,000,000 equivalent to \$4,549,000,000 on the basis of the gold content of the dollar prior to devaluation. This latter amount is in excess of the monetary gold stock at any time before the 1929 collapse, but not

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Mr. Hamlin - #2

in excess of the gold stock at the end of 1930 or throughout the greater part of 1931.

6. Following is a comparison of bank credit outstanding at the present time and prior to the 1929 stock market crash:

	<u>Latest available date</u>	<u>Nearest date to Stock market crash</u>
Reserve bank credit	\$2,509,000,000 4-4-34	\$1,374,000,000 10-23-29
Loans and investments of--		
Reporting member banks	17,472,000,000 3-28-34	22,895,000,000 10-23-29
All member banks	*25,220,000,000 12-30-33	35,914,000,000 10-4-29
All banks	*40,089,000,000 6-30-33	58,835,000,000 10-4-29

\*Licensed banks

7. Loans "For others" made to brokers and dealers in securities by reporting member banks in New York City amounted to \$3,823,000,000 on October 23, 1929. The peak figure for such loans on any weekly statement was \$3,941,000,000 on October 9, 1929.