

A meeting of the Federal Reserve Board with the Governors of Federal reserve banks was held in Washington on Friday, July 15, 1932, at 10:30 a. m.

PRESENT: Governor Meyer
 Mr. Hamlin
 Mr. Miller
 Mr. James
 Mr. Magee

Mr. Morrill, Secretary
 Mr. McClelland, Assistant Secretary
 Mr. Harrison, Assistant to the Governor
 Mr. Goldenweiser, Director, Division of Research and Statistics
 Mr. Smead, Chief, Division of Bank Operations
 Mr. Wyatt, General Counsel.

PRESENT ALSO: Governors Young, Harrison, Fancher, Seay, Black, McDougal, Martin, Geery, Hamilton, McKinney, and Calkins, and Deputy Governors Burgess and Hutt.

Reference was made to the proposed amendment to section 13 of the Federal Reserve Act, contained in section 210 of the new unemployment relief bill, H. R. 9642, and the Secretary of the Board stated that the amendment, as reported by the conferees, reads as follows:

"In unusual and exigent circumstances, the Federal Reserve Board, by the affirmative vote of not less than five members, may authorize any Federal reserve bank, during such periods as the said board may determine, at rates established in accordance with the provisions of section 14, subdivision (d), of this Act, to discount for any individual, partnership, or corporation, notes, drafts, and bills of exchange of the kinds and maturities made eligible for discount for member banks under other provisions of this Act when such notes, drafts, and bills of exchange are indorsed and otherwise secured to the satisfaction of the Federal reserve bank: Provided, That before discounting any such note, draft, or bill of exchange for an individual, partnership, or corporation the Federal reserve bank shall obtain evidence that such individual, partnership or corporation is unable to secure adequate credit accommodations from other banking institutions. All such discounts for individuals, partnerships or corporations shall be subject to such limitations, restrictions, and regulations as the Federal Reserve Board may prescribe."

Consideration was then given to a tentative draft of a letter to

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all Federal reserve banks, prepared by Counsel as a basis for discussion at this meeting, copies of which were furnished to the governors yesterday, and which outlined the requirements of the law and a tentative procedure to be followed by Federal reserve banks in connection with paper discounted under the provisions of the amendment.

Governor Meyer stated that in his opinion the amendment offers the Federal reserve banks an opportunity to do constructive work, particularly in cases where business men and other legitimate users of credit are located in districts without banking facilities or where the bank with which they have done business is not in a position at the present time to make loans to its customers. He stated that he believes the administration of the amendment should be approached with the attitude of good faith and helpfulness and not with the idea of avoiding responsibility in connection with it; that it will afford the Federal reserve banks an opportunity to ascertain definitely to what extent the commercial banks are meeting the legitimate credit needs of the country; and that the amendment enables the Federal reserve banks to take a more definite position in endeavoring to arrange adequate credit accommodations for worthy applicants. He also called attention to the fact that the administration of the amendment involves a new kind of banking, so far as Federal reserve banks are concerned with which some of the Federal reserve officials have not had a great deal of experience, and that to take care of the business which may come to them as a result of the amendment, the banks should, if necessary, add to their forces men experienced in granting commercial bank loans.

There ensued a general discussion of various questions of law and procedure which it was contemplated would arise under the amendment.

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Governor Meyer stated that it would be helpful to the Federal Reserve Board if the Federal reserve banks would make weekly reports to the Board on the activity at the banks under the amendment, not only as to the discounts made and the circumstances surrounding them, but, also, as to applications denied, and credits which may be arranged through commercial banks.

Governor Meyer then referred to the publicity which is now being given to the desirability of the use of trade acceptances as a means of expanding credit in the present situation and he inquired whether there is any evidence in the various districts as to the increased use of this form of credit. It was pointed out that the American Acceptance Council is conducting a campaign in this direction at the present time and that there is a possibility of a larger volume of trade acceptances coming into existence. The question of the advisability of a preferential rate at Federal reserve banks for trade acceptances also was discussed briefly.

The matter of another meeting of the Governors or of the Open Market Policy Conference was referred to and it was the consensus that a meeting should be held not later than the first of September.

Thereupon the meeting adjourned.

Walter Moore
Secretary.

Approved:

Walter Meyer
Governor.