

A meeting of the Federal Reserve Board with the Federal reserve agents and representatives from their departments was held in Washington on Tuesday, August 15, 1933, at 10:45 a. m.

PRESENT: Mr. Black, Governor
Mr. Hamlin
Mr. James
Mr. Thomas
Mr. Szymczak
Mr. O'Connor

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Paulger, Chief of the Division of Examinations
Mr. Wyatt, General Counsel
Mr. Smead, Chief of the Division of Bank Operations
Mr. Parry, Assistant Director of the Division of Research and Statistics
Mr. Leonard, Federal Reserve Examiner
Mr. Vest, Assistant Counsel
Mr. Wingfield, Assistant Counsel

ALSO PRESENT: Messrs. Curtiss, Case, Austin, Williams, Hoxton, Newton, Stevens, Wood, Peyton, McClure, and Walsh, Federal reserve agents; Messrs. Fletcher, Fry, Young, Stewart, McAdams, and Sargent, assistant Federal reserve agents; Mr. Rounds, Deputy Governor of the Federal Reserve Bank of New York; and Mr. Gilson, Acting Chief Examiner of the Federal Reserve Bank of Boston.

Governor Black welcomed the Federal reserve agents and representatives of their departments and expressed appreciation of the cooperation which the Federal reserve banks are giving the Board in the present situation.

He also referred to the recent Treasury financing operations and stated that the Federal Reserve Board has kept in close touch with the office of the Secretary of the Treasury in an effort to aid in that program, and that up to the present time there has been no suggestion on the part of the President, the Secretary of the Treasury, or other officials

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that any action be taken pursuant to the provisions of the Thomas amendment to the Agricultural Relief Act.

Governor Black also referred to the regulations recently promulgated by the Board with regard to open market operations of Federal reserve banks, relations of Federal reserve banks with foreign banks and bankers, and voting permits for holding company affiliates, and he stated that the regulation with regard to interest rates to be paid by member banks on time deposits, a tentative draft of which had been furnished to all Federal reserve banks, was now being considered in connection with the changes suggested by the various Federal reserve banks, and that the regulation as finally adopted will prescribe a maximum rate of 3% for all Federal reserve districts on time and savings deposits. He also stated that there is being prepared a revision of the Board's Regulation H, with regard to membership of State banking institutions, and Regulation L, with regard to interlocking directorates, and that tentative drafts of these regulations will be submitted to the Federal reserve banks for their suggestions and comments.

Governor Black then stated that the Board has given close attention to the recent speculative movement on the stock exchanges, and has carefully considered what, if any, action should be taken by the Board pursuant to its enlarged powers under the provisions of the Banking Act of 1933; that the Board has been unable to detect any undue use of bank credit for the purpose of aiding the speculative movement; and that up to the present time it has not appeared necessary to use any of the enlarged powers of the Board. The Governor read various provisions of the Banking Act of 1933 enlarging the powers of the Federal Reserve System with regard

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to the control of speculative activities, and called attention particularly to section 3(a) of the Act which provides that each Federal reserve bank shall keep itself informed of the general character and amount of the loans and investments of its member banks with a view to ascertaining whether undue use is being made of bank credit for the speculative carrying of or trading in securities or commodities, and stated that, in his opinion, the Federal reserve banks, as well as the Federal Reserve Board, have a very definite responsibility to prevent the undue use of bank credit throughout the United States for speculative purposes. He stated that the Federal Reserve Board has been in close contact with the Federal Reserve Bank of New York in connection with this matter; that the New York stock exchange has adopted recently certain rules having for their purpose the curbing of speculation on the exchange; and suggested that the other Federal reserve banks use their influence with the officials of stock exchanges throughout the country toward the adoption of similar rules by such exchanges.

Governor Black then reviewed the open market policy of the Federal Reserve System since the meeting of the Executive Committee of the Open Market Policy Conference on May 23, 1933, and he expressed the opinion that the System should stand ready to make further purchases of Government securities in the event such action should be considered necessary.

At the request of Governor Black, Mr. O'Connor, who as Comptroller of the Currency will be one of the directors of the Federal Deposit Insurance Corporation created by the Banking Act of 1933, stated that it is expected that the other two directors of the Corporation will be appointed by the President in the very near future, and he reviewed, for the information of

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the conference, the steps which have been taken by him to expedite the work of the Corporation. He also presented copies of a chart prepared in his office setting forth a tentative plan of internal organization of the Corporation which he proposes to suggest to the other directors when appointed. He stated that a letter had been addressed by the President of the United States to the governor of each State requesting that they confer with representative State bankers and the State banking departments of their respective States for the purpose of ascertaining what changes are necessary in State laws to enable banks to take advantage of the provisions of the Banking Act of 1933 with regard to the insurance of bank deposits, and that certain States, in accordance with this suggestion, have passed the necessary legislation. Mr. O'Connor also added that, in order to expedite the examination work of the Corporation, he had written to the banking commissioners of the various States requesting that they furnish him with the names of from five to thirty men who will be available as experienced examiners, with the idea that, when the board of directors of the Corporation is organized, a large force of examiners can be placed in the field to complete the necessary examination of nonmember State banks within from sixty to ninety days. Mr. O'Connor also stated that he proposes to suggest that experienced examiners from the Comptroller's office be placed by the Federal Deposit Insurance Corporation in the offices of the State bank commissioners of the respective States to cooperate with them and to act as liaison officers between the Corporation and the State banking departments, and that it is felt that if the proper cooperation is obtained the matter of examining State institutions in connection with their qualifying as members of the Temporary Federal Deposit Insurance

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Fund will be greatly simplified.

There then ensued a general discussion with regard to the procedure and policy of the Federal reserve banks and the Federal Reserve Board in connection with applications of State banks and trust companies for membership in the Federal Reserve System, particular reference being made to the points which should be considered by the Federal reserve banks in submitting their recommendations to the Federal Reserve Board. The question was raised as to the possibility of a definite uniform basis for the consideration of applications for membership, but it was agreed that, aside from the general principles which had been followed in recent months, each application will have to be considered in the light of the special circumstances involved. At the conclusion of the discussion, the Governor stated that the Board would attempt to formulate certain cardinal principles as a general guide to the Federal reserve banks in connection with their consideration of membership applications and that these principles would be submitted to the Federal reserve agents for their consideration later.

Governor Black called attention to the fact that it will be necessary for State banking institutions, in order to insure their continued successful operation, to place themselves in such condition that they can qualify as members of the Temporary Federal Deposit Insurance Fund, and to become members of the Federal Reserve System before July 1, 1936, so that they may continue as stockholders of the Federal Deposit Insurance Corporation, and that it is necessary for the Federal reserve banks and the Federal Reserve Board to be in a position to act on the applications submitted by State banking institutions as promptly as possible.

Mr. Wingfield called attention to the fact that the Federal Reserve

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Board expects counsel for the various Federal reserve banks to satisfy themselves with regard to all of the legal aspects involved in applications of State banking institutions for membership in the Federal Reserve System before the applications are forwarded to the Board for consideration and he stated that it will be very helpful if this procedure is followed in all cases.

Thereupon the meeting adjourned.

Chester Morrill
Secretary.

Approved:

E. R. Beach
Governor.