

A meeting of the Federal Reserve Board with the Federal reserve agents and the governors of the Federal reserve banks was held in Washington on Monday, June 25, 1934, at 10:30 a. m.

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

Mr. Morrill, Secretary  
 Mr. Bethea, Assistant Secretary  
 Mr. Carpenter, Assistant Secretary  
 Mr. Martin, Assistant to the Governor  
 Mr. Wyatt, General Counsel  
 Mr. Smead, Chief of the Division of Bank Operations  
 Mr. Goldenweiser, Director of the Division of Research and Statistics  
 Mr. Parry, Assistant Director of the Division of Research and Statistics  
 Mr. Vest, Assistant Counsel

ALSO PRESENT: Messrs. Curtiss, Case, Austin, Hoxton, Newton, Stevens, Wood, Peyton, McClure, and Walsh, Federal Reserve Agents at the Federal Reserve Banks of Boston, New York, Philadelphia, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas, respectively.  
 Messrs. Young, Harrison, Norris, Fancher, Seay, Schaller, Martin, Geery, Hamilton, McKinney, and Calkins, Governors of the Federal reserve banks of Boston, New York, Philadelphia, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco, respectively.  
 Mr. Johns, Acting Governor of the Federal Reserve Bank of Atlanta.  
 Mr. Stewart, Secretary, Federal Reserve Agents' Conference.

Governor Black advised the Federal reserve agents and governors of the death on Friday, June 22, 1934, of Mr. Newton, Chairman and Federal Reserve Agent at the Federal Reserve Bank of San Francisco,

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and he expressed regret at his passing.

Governor Black reviewed the legislative history of the Securities Exchange Act of 1934 and the part played by the Board and members of its staff in the revision of the earlier drafts thereof, and he outlined briefly the powers given to the Federal Reserve Board by the act as finally approved. He also stated that members of the Board's staff had been making a detailed study of stock market operations preparatory to the drafting of a regulation to be promulgated by the Board prior to October 1, 1934, under the provisions of Sections 7 and 8 of the act.

Reference was then made by Governor Black to the industrial credit act which was signed by the President on June 19, 1934, and he made a brief statement as to the powers granted to the Federal Reserve Board and the Federal reserve banks by the act. He advised the governors and the Federal reserve agents that there was under discussion with the Treasury Department the procedure to be followed by the Treasury Department in making payment to the Federal reserve banks of funds under the provisions of Section 1(e) of the act, and that they would be advised later of the decision reached with regard thereto.

The Governor then called attention to various incidents which have occurred during the past twelve months affecting the Federal Reserve System, and he stated that in his opinion the passage of the Securities Exchange Act, placing additional responsibilities on the Federal Reserve Board, and of the industrial credit act, giving the

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Board and the Federal reserve banks additional powers, is an indication of confidence in the Federal Reserve System and affords the System an opportunity for affirmative answer to criticisms which may be made during the period of the next twelve months with regard to the operations of the Federal Reserve System. He said that he felt that the next year may prove to be as crucial a period for the banks in the United States as the past twelve months period; that the best position for the Federal Reserve System is to render all the assistance it can to the recovery program by the exercise of the powers granted under the Securities Exchange Act of 1934 and the industrial credit act; that he was strongly of the opinion that it will not be sufficient for the Federal reserve banks to say during the next year merely that they stood ready to extend credit, to furnish currency, or to render any of the other services now being performed by the Federal reserve banks; that, while the Federal reserve banks now hold approximately \$2,400,000,000 of Government securities, it is not contemplated that further purchases will be made unless there are decided changes in the situation; and that, in view of the large excess reserves of member banks, it is not likely that the Federal reserve banks will be called upon to extend credit to the banks through the usual channels; so that the special opportunity now before the System is the affirmative administration of the powers granted to the System by the Securities Exchange Act, and the prompt and effective use of the authority granted by the industrial credit act to make loans for

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the purpose of furnishing working capital. He added that, while the extension by the Federal reserve banks of the credits provided by the industrial credit act is a departure from previous Federal reserve banking practice, he felt that there is a real need on the part of small industrial and commercial concerns for such capital, that, if such help be extended by the Federal reserve banks, it will accomplish much in furthering the recovery program, and that it was his strong feeling that the Federal reserve banks should do everything in their power during the next six months, within the confines of reasonably sound credit policies, to make the advances contemplated by the act.

Governor Black also expressed the opinion that it is of vital importance that all of the banks in the United States lend their support to the recovery program, and, in this connection, he referred to the recent ruling of the Board that State member banks may purchase stock for the account of their customers, and to the blanket permit granted by the Board to member banks to engage in correspondent relationships with dealers in securities in connection with issues of securities exempted from the restrictions of the paragraph marked "seventh" of Section 5136 of the Revised Statutes upon dealing in or underwriting securities. He stated that, when he submitted his resignation as Governor of the Board to the President recently, he had suggested to the President that he appoint a liaison officer to confer with the banks of the country and report to the President with regard

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to matters involving monetary policy, and in an attempt to obtain the active support by the banks of the recovery program. He said that he felt that the banks can allay most effectively any criticism which may be made of them by rallying to the support of that program, and that it is of the utmost importance for that reason that they do so. The Governor also stated that the President had expressed approval of his views.

Governor Black then reported that the Treasury Department is now making a study of banking and currency questions for the purpose of developing a legislative program for submission to the next session of Congress; that the suggestion had been made, and approved by the Federal Reserve Board, that a Federal Reserve System committee be appointed to prepare and submit to the Board for consideration next autumn a program for recommendation to Congress; and that, if agreeable to the Federal reserve agents and governors, he would appoint such a committee. He also stated that, if agreeable, he would appoint another committee to consider and make recommendations at a later session of this meeting with regard to the regulations to be promulgated by the Board under the Securities Exchange Act of 1934, and a third committee to consider and make recommendations to the meeting with regard to the procedure to be followed by the Federal reserve banks in making loans under the industrial credit act and particularly to consider the tentative draft of Regulation S.

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Upon motion by Governor Young, the appointment by Governor Black of the committees suggested by him was approved.

Thereupon the Governor appointed the following committees:

Recovery Program Committee: Messrs. Harrison, Young, Fancher, Schaller and Norris. In this connection, it was understood that the committee would confer with Mr. Thomas of the Federal Reserve Board.

Securities Exchange Act Committee: Messrs. Calkins, Norris, Seay, Geery, Stevens, Case and Curtiss. In this connection, it was understood that the committee would confer with Messrs. Miller and Szymczak of the Federal Reserve Board.

Industrial Credit Committee: Messrs. McKinney, Hamilton, Martin, Johns, Peyton, Newton and Wood. In this connection, it was understood that the committee would confer with Messrs. Hamlin and James of the Federal Reserve Board.

During the meeting Mr. Goldenweiser read a memorandum dated June 22, 1934, containing a tentative draft of principles for the administration of Sections 7 and 8 of the Securities Exchange Act of 1934, and copies of the memorandum, together with copies of the tentative draft of Regulation S, as amended at the meeting of the Board on June 23, were distributed to the agents and governors.

Toward the end of the session, Governor Black was called from the room, and upon his return, stated that Senator Glass had called him on the telephone with regard to the industrial credit act, and that he had invited the Senator to meet with the governors and agents while they are in Washington, and that the Senator had advised that he would endeavor to attend the meeting sometime tomorrow.

The meeting then adjourned, with the understanding that the

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Securities Exchange Act and Industrial Credit Committees would meet at 2:00 p. m. this afternoon, and that the meeting would reconvene at 10:00 o'clock tomorrow morning for the purpose of considering the committees' recommendations.

Robert Mowbray  
Secretary.

Approved:

W. H. Wood  
Governor.