

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Tuesday, September 18, 1934, at 2:30 p. m.

PRESENT: Mr. Thomas, Vice Governor
Mr. Hamlin
Mr. Szymczak

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Wyatt, General Counsel
Mr. Goldenweiser, Director of the Division
of Research and Statistics
Mr. Parry, Assistant Director of the
Division of Research and Statistics
Mr. DuBois, Assistant Counsel
Mr. Woodlief Thomas, Research Assistant,
Division of Research and Statistics

ALSO PRESENT: Mr. Edward Greenbaum) Special Assistants to Mr.
Mr. Samuel Klaus) Oliphant, General Counsel to
Mr. Theodore Yntema) the Secretary of the Treasury

Mr. Thomas stated that the members of the Board's staff who had been working on the preliminary draft of the regulation to be issued by the Board with regard to the extension and maintenance of credit by brokers, dealers, and members of national securities exchanges had completed a revised draft of the regulation dated September 17, 1934, and that this meeting had been called to consider the new draft. He also stated that Messrs. Greenbaum, Klaus, and Yntema had been invited to attend the meeting in connection with the study of the draft regulation which is being made by Mr. Oliphant, General Counsel to the Secretary of the Treasury.

The draft was considered section by section and Messrs. Parry and Wyatt explained the reasons for the form and substance of the various sections considered. Mr. Parry reviewed the steps which had been taken by the Board's staff since the passage of the Securities Exchange Act. He also stated that very careful consideration had been given to the memorandum

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submitted by Mr. Richard Whitney, President of the New York Stock Exchange with his letter of September 12, 1934, to the statements made at the hearing on September 13, 1934, by Mr. Whitney and others, and to the suggested amendments to the draft regulation submitted by counsel for the New York Stock Exchange following the hearing, and he outlined the reasons why, in the opinion of the members of the staff who had worked on the regulation, it would not be desirable to follow the suggestions of the New York Stock Exchange that (1) the Board adopt a regulation applicable only to margin accounts and to credit extended by brokers for the purpose of evading or circumventing the regulations imposed upon margin accounts, and (2) that the Board fix as the maximum amount of credit that may be extended or maintained by brokers on securities registered on a national securities exchange (other than exempted securities) 75% of the current market value instead of the margin requirements contained in the Securities Exchange Act of 1934. He also stated the reasons which, in the opinion of the members of the staff, make it desirable for the Board to prescribe in the regulation the statutory margin requirements. He explained that a substantial number of the changes incorporated in the September 17 draft of regulation were the result of suggestions made by representatives of the New York Stock Exchange and also of suggestions made at meetings in Washington on September 7 and 8, 1934, attended by members of the Board's staff; A. C. Hodge, Federal Reserve Bank of Chicago; Mr. James M. Brittain, of the legal firm of Williams, Brittain and Sinclair, Philadelphia; accountants from the accounting firm of Haskins and Sells; and representatives of the Boston Stock Exchange; the New York Stock Exchange; Laidlaw & Company, New York; Dominick and Dominick,

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New York; E. A. Pierce and Company, New York; the Chicago Stock Exchange; the Chicago Association of Stock Exchange Firms; and Lamson Bros. and Company, Chicago. Mr. Wyatt stated that, in his opinion, the adoption of a regulation in accordance with the first suggestion of the New York Stock Exchange referred to above would not comply with the law.

Prior to the adjournment of the meeting Vice Governor Thomas inquired whether the representatives of the Secretary of the Treasury had any comments to make and Mr. Greenbaum stated that they had attended the meeting merely with the idea of listening to the discussion and, therefore, had nothing to say at this time.

Thereupon the meeting adjourned.

Chester Merrill
Secretary.

Approved:

J. J. Greenbaum
Vice Governor.