

A meeting of the Federal Reserve Board was held in Washington on Wednesday, September 26, 1934, at 2:40 p.m.

PRESENT: Mr. Morgenthau, Chairman
Mr. Thomas, Vice Governor
Mr. Hamlin
Mr. James
Mr. Szymczak
Mr. O'Connor

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Wyatt, General Counsel
Mr. DuBois, Assistant Counsel

ALSO PRESENT: Mr. Herman Oliphant, General Counsel to
the Secretary of the Treasury
Mr. Edward Greenbaum, Special Assistant
to Mr. Oliphant.

At the request of the Chairman, Mr. Morrill read the draft of resolution prepared by counsel in accordance with the request made by the Board at the meeting yesterday afternoon. He also read a proposed statement prepared by counsel to be inserted in the front of the Board's printed regulation on margin requirements in the event the Securities and Exchange Commission takes action exempting securities affected by the regulation.

Mr. James suggested that, in view of the comments made at the meeting this morning at which representatives of the New York Stock Exchange were in attendance, it would seem to be desirable that the exemption of securities by the Securities and Exchange Commission should extend to October 15, 1934.

After discussion, during which a minor amendment was made in the form of resolution prepared by counsel, Mr. Hamlin moved that the resolution

be adopted in the amended form as follows:

"WHEREAS, Section 7 of the Securities Exchange Act of 1934 requires the Federal Reserve Board, prior to October 1, 1934, to 'prescribe rules and regulations with respect to the amount of credit that may be initially extended and subsequently maintained on any security (other than an exempted security) registered on a national securities exchange';

"WHEREAS, the Board has before it for action a draft of a proposed regulation on this subject which has been revised pursuant to its instructions;

"WHEREAS, it is desirable that the persons affected by such regulations be given time after October 1 to familiarize themselves with such regulations before the limitations and restrictions prescribed thereby become effective;

"WHEREAS, it is provided by law that, in addition to the securities specifically exempted by the provisions of the Securities Exchange Act of 1934, the Securities and Exchange Commission may exempt from the provisions of sections 7 and 8(a) such other securities as it deems necessary or appropriate to exempt in the public interest or for the protection of investors;

"NOW, THEREFORE, BE IT RESOLVED BY THE FEDERAL RESERVE BOARD, That the Securities and Exchange Commission be requested to issue, prior to October 1, 1934, rules and regulations exempting, until midnight of October 14, 1934, from the provisions of section 7 and subsection (a) of section 8 of the Securities Exchange Act of 1934, all securities not exempted by the law, whether registered or not."

Carried unanimously.

The proposed statement for inclusion in the front of the printed regulation on margin requirements was approved unanimously in the following form:

"In order that persons affected by Regulation T of the Federal Reserve Board might have additional time after October 1, 1934, within which to familiarize themselves with this regulation, the Securities and Exchange Commission, at the request of the Federal Reserve Board, has exempted, until midnight of October 14, 1934, from the provisions of section 7 and subsection (a) of section 8 of the Securities Exchange Act of 1934 all securities not exempted by the law, whether registered or not."

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Mr. Thomas stated for the information of the Chairman that the Board had met this morning with representatives of the New York Stock Exchange who had made various suggestions on the basis of the September 23 draft of regulation, and that these will be considered.

At this point, Mr. Parry, Assistant Director of the Division of Research and Statistics, entered the meeting.

The Chairman inquired as to how long it would take for the Board's staff to consider the suggestions made at the meeting last night of representatives of the Board, the Treasury Department, and the Securities and Exchange Commission and the suggestions made by representatives of the New York Stock Exchange at the meeting of the Board this morning.

Mr. Parry replied that he believed the Board's staff could complete the consideration of the suggestions tonight.

After a discussion of the procedure that might be followed in considering further changes made in the draft of the regulation by the Board's staff, Mr. O'Connor moved that two members of the Board to be designated by the Chairman, a representative of the Securities and Exchange Commission to be designated by the Chairman of the Commission, and a representative of the Secretary of the Treasury to be designated by him, be requested to meet with the Board's staff tomorrow morning at 9 o'clock for the purpose of giving further consideration to the regulation, with a view to having it ready for final action by the Board at a meeting to be held tomorrow afternoon at 2:30 p.m.

Carried unanimously.

Accordingly, the Chairman designated Messrs. Thomas and Hamlin to attend the meeting referred to above and stated that, as Secretary of the Treasury, he would designate Mr. Greenbaum to represent the Treasury Department. It was

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understood that Mr. Thomas would request Mr. Kennedy to designate a representative to attend the meeting.

Messrs. Oliphant and Greenbaum and the members of the Board's staff, with the exception of Mr. Morrill, left the meeting which continued as an executive session.

Mr. Morrill read a letter dated September 25, 1934, at Chicago, Illinois, signed by Mr. Walter Lichtenstein, Secretary of the Federal Advisory Council, and stating that, in accordance with instructions given to him by the Federal Advisory Council, he was handing to the Board, through the kindness of Mr. Howard Bruce, a copy of a statement prepared by the Federal Advisory Council for delivery to the Federal Reserve Board, and that he was instructed to inform the Board that the Council is planning to give publicity to the statement. The statement referred to in the letter was also read by Mr. Morrill. Mr. Thomas stated that the letter had been delivered to him this afternoon by a special messenger sent to Washington from Baltimore by Mr. Howard Bruce, a member of the Federal Advisory Council representing the Fifth Federal Reserve District.

There followed a discussion, at the conclusion of which Mr. O'Connor offered the following resolution which was adopted unanimously:

"RESOLVED, That the letter of September 25, 1934, received this afternoon by Vice Governor Thomas from Mr. Walter Lichtenstein, Secretary of the Federal Advisory Council, and the copy of a statement of the Federal Advisory Council referred to therein, be returned to the Secretary of the Federal Advisory Council, with the comment that the Board considers that the matter contained in the statement referred to does not come within the jurisdiction of the Federal Reserve Board and with the request that in this connection

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"the attention of the Federal Advisory Council be called to the fact that the second paragraph of Section 12 of the Federal Reserve Act reads as follows:

'The Federal Advisory Council shall have power, by itself or through its officers,
(1) to confer directly with the Federal Reserve Board on general business conditions;
(2) to make oral or written representations concerning matters within the jurisdiction of said board; (3) to call for information and to make recommendations in regard to discount rates, rediscount business; note issues, reserve conditions in the various districts, the purchase and sale of gold or securities by reserve banks, open-market operations by said banks, and the general affairs of the reserve banking system.'

Mr. O'Connor then suggested that in the letter written to Mr. Lichtenstein pursuant to the resolution referred to above there should be included a request that the attention of the Federal Advisory Council be called to the fact that there was no discussion of the subject matter of the statement by the Council during its meetings with the Federal Reserve Board on September 17 and 18, 1934, and that no intimation thereof was given to the Board by the Council at any time prior to the receipt of Mr. Lichtenstein's letter.

Mr. O'Connor's suggestion was approved unanimously.

It was understood that a copy of the letter to Mr. Lichtenstein would be sent direct to each member of the Federal Advisory Council.

A copy of the statement inclosed with Mr. Lichtenstein's letter has been placed in the Board's files.

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Thereupon the meeting adjourned.

Robert Morie
Secretary.

Secretary.

Approved:

J. H. Shanks
Vice Governor.

Vice Governor.