A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, April 1, 1936, at 10:30 a. m.

PRESENT: Mr. Broderick, Chairman pro tem
Mr. Szymczak
Mr. McKee
Mr. Ransom

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Thurston, Special Assistant to the Chairman
Mr. Wyatt, General Counsel
Mr. Smead, Chief of the Division of Bank Operations
Mr. Bradley, Assistant Chief of the Division of Security Loans

Mr. Broderick stated that following the meeting yesterday he had discussed with Chairman Eccles over the telephone the action of the board of directors of the Federal Reserve Bank of St. Louis on March 28, 1936 in connection with the salaries of Mr. O. M. Attebery, as First Vice President, and Mr. John S. Wood as Vice President of the bank. Chairman Eccles reported, Mr. Broderick said, that he had been advised that when the board of directors of the bank took action in January of this year appointing Mr. Martin as President and Mr. Attebery as First Vice President, the directors were without knowledge of the proposed transfer of the non-statutory duties of the chairman and Federal reserve agent to the bank and the possibility that the position of chairman and Federal reserve agent would be placed on an honorary basis, and that had they been in possession of such information they might have appointed Mr. Wood as First Vice President and possibly as President; the basis for the directors' position apparently being that Mr. Wood had been very helpful to the banks in the district in meeting their problems and was a distinct asset to the Federal reserve bank. Chairman Eccles also said, Mr. Broderick stated, that he had advised the directors that, if Mr. Wood was to supervise the examination work of the bank, the salary originally proposed for him was out of line with salaries contemplated for comparable positions at other Federal reserve banks, following which the directors had discussed and agreed to the arrangement set forth in Deputy Chairman Dillard's letter of March 28, 1936 (which was discussed at the meeting of the Board of Governors yesterday), which arrangement was satisfactory to Chairman Eccles, but that Chairman Eccles had made it clear that he was not committing the Board as to the action it would take with regard to the salaries fixed for Messrs. Attebery and Wood.

After a discussion, during which the members present expressed agreement that the arrangement approved by the directors was a satisfactory solution of the problem, Mr. McKee moved that the Secretary be requested to advise Deputy Chairman Dillard that, effective May 1, 1936, the Board approves salaries for Mr. O. M. Attebery as First Vice President and Mr. John S. Wood as Vice President of the Federal Reserve Bank of St. Louis, each at the rate of $15,000 per annum; it being understood that the action of the Board in connection with the salary fixed for Mr. Wood supersedes the action previously taken by the Board authorizing special payments to Mr. Wood and to the Retirement System on April 30, 1936, as set forth in the Board's letter of February 26, 1936 to Mr. Wood.

Carried unanimously.

Mr. Bradley stated that Mr. Norman Davis, who is in the Federal Reserve Agent's Department of the Federal Reserve Bank of New York, and who handles matters arising under Regulations "T" and "U", had called him on the telephone yesterday evening and had advised that Mr. D. K. Worcester, Vice President of the New York Stock Exchange, had telephoned Mr. Rounds, Vice President of the Federal Reserve Bank of New York, and had discussed with him the possibility of the Board postponing the effective date of the third paragraph of the supplement to Regulation "T", approved by the Board to become effective today, which provides that the maximum loan value of a registered security in a special account of a member, broker or dealer, with another member, broker or dealer, shall be 60% of the current market value of the security. Mr. Davis had said, Mr. Bradley stated, that some of the accounts with New York brokers maintained by brokers outside of New York would become restricted accounts upon the application of the 40% margin requirement thereto, and that Mr. Worcester was concerned as to the embarrassment to such outside brokers that might result.

Mr. Bradley pointed out that no criticisms of, or inquiries regarding, the provision referred to had been received from any one else and stated that he was of the opinion that the situation was not a serious one. While it was true, he said, that no net withdrawal could be made from a restricted account and that this fact might be a source of inconvenience to some brokers whose accounts were restricted and whose customers might wish to make withdrawals from their accounts, such brokers, unless they had extended themselves unduly, could make such accounts unrestricted without great difficulty. Furthermore, he said, such brokers might transfer their accounts to banks, which, until May 1, will not be restricted in making security loans, or the broker or dealer maintaining the outside brokers' accounts might make an emergency extension of credit under the provisions of sub-section 10(d) of Regulation "T" to which the 40% margin requirement would not apply. Mr. Bradley added that a further reason for his feeling that the question raised by the New York Stock Exchange was not a serious one was that he had taken this matter up with the firm of Haskin & Sells, certified public accountants and one of the outstanding authorities on brokerage accounts, in connection with the preparation of Regulation "U", and had been advised by them that they saw no reason why the 40% margin requirement on loans to brokers and dealers should not be applied. He also called attention to the fact that at a meeting of the Board on March 24, 1936, Mr. Landis, Chairman of the Securities and Exchange Commission, had indicated a feeling that a margin requirement of 40% on loans by banks to brokers and dealers would be proper.

A discussion ensued during which Mr. Bradley stated that it was his suggestion that no action be taken by the Board until such time as the New York Stock Exchange or some other interested party presented the matter to the Board in writing when it could be given full and careful consideration in the light of the circumstances involved. The members of the Board present indicated agreement with Mr. Bradley's suggestion.

Mr. Broderick called attention to a telegram which had been sent to the Presidents of the Federal Reserve Banks of Boston, Philadelphia, Cleveland, and Richmond on March 27, 1936, advising that information had come to the attention of the Board that many merchants in the flood areas in those districts had suffered severely from flood damage and were finding it difficult to obtain needed credit, and that advice would be appreciated as to the number and amount of requests, if any, received by the Federal reserve banks for working capital advances to take care of such cases and whether any special means for providing such credit had been set up by local member banks or other financing institutions. The telegram also suggested that the Federal reserve banks consider the advisability of making a survey of conditions in the flooded sections of the respective districts with a view to being as helpful as possible particularly in making credit available where practicable under the provisions of section 13b of the Federal Reserve Act. Mr. Broderick stated that advice had been received by letter from the Federal Reserve Banks of Boston and Richmond, by telegram from the Federal Reserve Bank of Philadelphia, and by telephone from the Federal Reserve Bank of Cleveland, that the banks were taking active steps to bring to the attention of possible applicants in the flood areas the facilities available at the Federal reserve banks for making industrial loans; that surveys of the flood territories were being made; and that further information would be submitted to the Board as soon as the surveys were completed.

In this connection, Mr. Clayton stated that yesterday Mr. Daiger, Special Assistant to the Board, had attended a meeting of representatives of various Government agencies on housing problems; that the Ways and Means Committee of the House of Representatives had called on the meeting for suggestions as to the means to be adopted in extending necessary credit to flood sufferers; and that Mr. Daiger had been requested to attend a meeting of the Ways and Means Committee of the House in this connection. Mr. Clayton stated that he had suggested that a member of the staff of the Division of Bank Operations should attend the hearing before the Committee and that, after consulting with Mr. Broderick, it had been decided that Mr. Daiger and Mr. Hammond, Technical Assistant in the Division of Bank Operations, should attend the hearing merely as unofficial observers and that in the event any information or documents were requested of them as representatives of the Board they should state that the requests would be submitted to the Board for consideration.

Messrs. Thurston, Wyatt, Smead and Bradley left the meeting at this point and consideration was then given to each of the matters hereinafter referred to and the action stated with regard thereto was taken by the Board:

Telegrams to Messrs. Curtiss and Austin, Chairmen of the Federal Reserve Banks of Boston and Philadelphia, respectively, stating that the Board approves the establishment without change by the respective banks today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrill
Secretary.

Approved:

J A Broderick
Chairman pro tem.