

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, April 23, 1936, at 2:30 p. m.

PRESENT: Mr. Eccles, Chairman
Mr. Broderick
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. Parry, Chief of the Division of Security Loans
Mr. Dreibelbis, Assistant General Counsel
Mr. Benedict, Assistant Counsel

There was presented a memorandum prepared by Mr. Parry and approved by Counsel since the meeting yesterday with the subcommittee of the American Bankers Association appointed to confer with the Board on Regulation "U". The memorandum recommended that subsection 3(f) of Regulation "U" be amended to read as follows:

"Without prejudice to the legal effect of any general lien created by a loan agreement or otherwise, a loan need not be treated as being secured for the purposes of this regulation by collateral which is held by the bank only in the capacity of custodian, depository or trustee, or under similar circumstances; and withdrawals or substitutions of other collateral shall not be restricted by this regulation if it is specifically allocated in good faith to a loan which is not for the purpose specified in section 1, or which is excepted by the provisions of section 2, or which was made prior to May 1, 1936: Provided, That, in any such case, the collateral has not been treated as having loan value for the purposes of this regulation."

Mr. Parry stated that the proposed amendment was designed to meet the first suggestion made by the subcommittee of the American Bankers

4/23/36

-2-

Association at the meeting yesterday and would enable a bank to permit withdrawals of security for an unregistered loan even though such collateral by reason of the existence of the usual general loan or pledge agreement or otherwise also secures a regulated loan, but such withdrawals would be permitted only in cases in which such collateral had not served in any way to provide the required collateral for the regulated loan. He also stated that the proposed amendment does not alter the requirement of section 1 that in permitting withdrawals of collateral from a regulated loan, the bank must take into account the position of all other regulated loans to the same borrower, and that it is believed that, on the basis of representations made to the Board by the subcommittee of the American Bankers Association and an independent investigation by the staff, the amendment will clarify the regulation, save needless work on the part of banks, facilitate the handling of collateral loans made by them for commercial purposes and promote the keeping by banks of records useful to bank examiners and adapted to ready use by the banks in making reports to the Board.

Mr. Parry's recommendation was discussed at length and the suggestion was made that action thereon be deferred in order to afford the members of the Board additional time in which to consider the proposed amendment.

Accordingly, it was agreed unanimously that the matter would be taken up for further consideration at the meeting to be held tomorrow.

4/23/36

-3-

Upon inquiry by Mr. Broderick, Mr. Parry stated that he had discussed with Mr. Landis, Chairman of the Securities and Exchange Commission, certain aspects of the request of the subcommittee of the American Bankers Association that Regulation "U" be amended to exempt therefrom loans by banks to brokers and dealers and that, if agreeable to the Board, he would like to consider the matter further before submitting a recommendation with regard thereto.

Reference was then made to the question raised at the meeting yesterday morning whether a loan which had been made prior to May 1, 1936, for the purpose of purchasing or carrying registered stocks, would maintain its exempt status if transferred from one bank to another after that date and Mr. Parry stated that it had been hoped to have a ruling on the question ready for consideration at this meeting but that, as it had proved to be more difficult than had at first been supposed, it was believed the matter should be given further study by the Division of Security Loans and by Counsel before a suggested ruling is submitted to the Board for consideration.

It was agreed unanimously that the matter should be submitted to the Board for consideration as promptly as possible.

At this point Messrs. Thurston, Wyatt, Smead, Parry, Dreibelbis and Benedict left the meeting and consideration was then given to each of the matters hereinafter referred to and the action stated with respect thereto was taken by the Board:

Telegrams to Mr. Leach, President of the Federal Reserve Bank of

4/23/36

-4-

Richmond, and to Mr. Thomas, Chairman of the Federal Reserve Bank of Kansas City, stating that the Board approves the establishment without change by the banks today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated April 20, 1936, from Mr. Morrill recommending that, for the reason stated in the memorandum and in view of the absence from the city of Mr. Morrison, Mr. C. S. Bradley who is now acting as Secretary to Mr. Morrison be continued on the Board's payroll during the month of May, with salary at the present rate of \$3,000 per annum, and with the understanding that in the event his services are not continued beyond May 31, 1936, there will be paid to the Retirement System, in accordance with the action taken by the Board on January 30, 1936, an amount equal to six months' salary for the purpose of increasing the annuity to which Mr. Bradley would be entitled under that System.

Approved unanimously.

Telegram to Mr. Thomas, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"Refer McAdams' letter April 17. Board extends to May 22, 1936, time within which 'Saratoga State Bank', Saratoga, Wyoming, may accomplish membership in System. Please advise bank accordingly."

Approved unanimously.

Letter to the Presidents of all Federal reserve banks except Richmond, prepared for the signature of the Board's Fiscal Agent, and reading

4/23/36

-5-

as follows:

"Reference is made to my letter of December 31, 1935, (X-9409), with which was transmitted a copy of a resolution adopted by the Board of Governors of the Federal Reserve System levying an assessment upon the various Federal reserve banks in an amount equal to six hundred five thousandths of one per cent (.00605) of the total paid-in capital stock and surplus (Section 7 and Section 13b) of the Federal reserve banks as of the close of business December 31, 1935, to defray the estimated general expenses of the Board for the period January 1 to June 30, 1936, together with approximately \$1,000,000 to be applied upon the cost of the erection of a building for the Board of Governors of the Federal Reserve System. The resolution provided that twenty-two and three tenths per cent of such assessment was to be paid in on January 2, 1936, a like per cent on March 2, 1936, and the remainder (fifty-five and four tenths per cent) at such times and in such amounts as the Board might call for the payment thereof during the six months period beginning January 1, 1936.

"The Board has decided to transfer to the Federal Reserve Bank of Richmond on May 1, 1936, a part of the unpaid portion of the assessment, and you are requested, therefore, to credit the Federal Reserve Bank of Richmond on May 1, 1936 with forty-five per cent (45%) of the unpaid fifty-five and four tenths per cent (55 4/10%) in your daily statement of credits through the Interdistrict Settlement Fund for credit to the account of the Board of Governors of the Federal Reserve System - Building Account, with telegraphic advice to Richmond of the purpose and amount of the credit."

Approved unanimously, together with a letter, prepared for the signature of the Board's Fiscal Agent, to Mr. Leach, President of the Federal Reserve Bank of Richmond, reading as follows:

"Reference is made to my letter of December 31, 1935, with which was transmitted a copy of a resolution adopted by the Board of Governors of the Federal Reserve System levying an assessment upon the various Federal reserve banks in an amount equal to six hundred five thousandths of one per cent (.00605) of the total paid-in capital stock and surplus (Section 7 and Section 13b) of the Federal reserve banks as of the close of business December 31, 1935, to defray the estimated general expenses of the Board for the period Janu-

4/25/36

-6-

uary 1 to June 30, 1936, together with approximately \$1,000,000 to be applied upon the cost of the erection of a building for the Board of Governors of the Federal Reserve System. The resolution provided that twenty-two and three tenths per cent of such assessment was to be paid in on January 2, 1936, a like per cent on March 2, 1936, and the remainder (fifty-five and four tenths per cent) at such times and in such amounts as the Board might call for the payment thereof during the six months period beginning January 1, 1936.

"The Board has decided to transfer to the Federal Reserve Bank of Richmond on May 1, 1936 a part of the unpaid portion of the assessment, and you are requested, therefore, to pay such assessment by crediting to the Board of Governors of the Federal Reserve System - Building Account, on May 1, 1936, forty-five per cent (45%) of the unpaid fifty-five and four tenths per cent (55 4/10%). A copy of the Board's letter to the other Federal reserve banks is attached."

Letter to the George A. Fuller Company, Washington, D. C., reading as follows:

"In accordance with the provisions of Article 33 of the construction contract, you are hereby directed to cause the work covered by Allowance 'C', Exterior Carving, in Section 1 of the Specifications, page S1-13, to be done by Piccirilli Bros., 467 East 142nd Street, New York, New York, for the sum of Four Thousand Nine Hundred Seventy-five and No/100 (\$4,975.00) Dollars.

"You should, of course, make certain that all of the work covered by this Allowance, as provided in the contract documents, is covered by the contract which you enter into with Piccirilli Bros.

"In view of the fact that said sum of \$4,975.00 is less than \$5,150.00, the amount named in the Specifications as the allowance for this work, the difference, namely, One Hundred Seventy-five and No/100 (\$175.00) Dollars, will be deducted in making the adjustment in the contract sum resulting from the differences between the amounts of the allowances named in the Specifications and the amounts for which the Board may direct the work to be done, as provided in said Article 33 and in paragraph 80 of Section 1 of the Specifications, page S1-12.

"A copy of the estimate submitted by Piccirilli Bros., dated March 27, 1936, is inclosed."

4/23/36

-7-

Approved unanimously, the sub-contractor referred to having been approved by the Board's architect, the Board's superintendent of construction and by Mr. Miller.

Letter to the George A. Fuller Company, Washington, D.C., reading as follows:

"In accordance with the provisions of Article 33 of the construction contract, you are hereby directed to cause the work covered by Allowance 'F', Hardware, in Section 1 of the Specifications, page Sl-13, to be done by the Supplee-Biddle Hardware Company, of Philadelphia, Pennsylvania, for the sum of Twenty-two thousand three hundred and no/100 (\$22,300.00) Dollars.

"You should, of course, make certain that all of the work covered by this Allowance, as provided in the contract documents, is covered by the contract which you enter into with the Supplee-Biddle Hardware Company.

"In view of the fact that said sum of \$22,300.00 is less than \$32,000.00, the amount named in the Specifications as the allowance for this work, the difference, namely, Nine thousand seven hundred and no/100 (\$9,700.00) Dollars, will be deducted in making the adjustment in the contract sum resulting from the differences between the amounts of the allowances named in the Specifications and the amounts for which the Board may direct the work to be done, as provided in said Article 33 and in paragraph 80 of Section 1 of the Specifications, page Sl-12.

"A copy of the bid submitted by the Supplee-Biddle Hardware Company, dated April 20, 1936, is inclosed."

Approved unanimously, the sub-contractor referred to having been approved by the Board's architect and by Mr. Miller.

Letter to the George A. Fuller Company, Washington, D. C., reading as follows:

"In accordance with the provisions of Article 33 of the construction contract, you are hereby directed to cause the work covered by Allowance 'I', Special Glass, in Section 1 of the Specifications, page Sl-14, to be done by Harriton Carved Glass, Inc., 404 East 49th Street, New York, New York, for the sum of Two thousand six hundred fifty and no/100

4/23/36

-8-

"(\$2,650.00) Dollars, which is the amount named in the Specifications as the allowance for this work.

"You should, of course, make certain that all of the work covered by this Allowance, as provided in the contract documents, is covered by the contract which you enter into with Harriton Carved Glass, Inc.

"A copy of the estimate submitted by Harriton Carved Glass, Inc., dated March 31st, 1936, is inclosed."

Approved unanimously, the sub-contractor referred to having been approved by the Board's architect, the Board's superintendent of construction and by Mr. Miller.

Thereupon the meeting adjourned.

Chesster Morris
Secretary.

Approved:

W. C. Miller
Chairman.