

A meeting of the Board of Governors of the Federal Reserve System with the Federal Advisory Council was held in Washington on Thursday, September 10, 1936, at 10:30 a. m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. Broderick
Mr. McKee
Mr. Davis

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Wyatt, General Counsel
Mr. Paulger, Chief of the Division
of Examinations
Mr. Smead, Chief of the Division of
Bank Operations
Mr. Parry, Chief of the Division of
Security Loans
Mr. Thomas, Assistant Director of the
Division of Research and Statistics

Messrs. Steele, Loeb, Braun, Gohen, Young,
Brown, Smith, Wold, Kemper, Frost
and Arnold, Members of the Federal
Advisory Council representing the
First, Third, Fourth, Fifth, Sixth,
Seventh, Eighth, Ninth, Tenth,
Eleventh and Twelfth Federal Reserve
Districts.

Mr. Lichtenstein, Secretary of the Federal
Advisory Council

Mr. Ransom stated for the information of the members of the Board that he had met with the Federal Advisory Council at luncheon yesterday, and that he had expressed the hope that there might be less formality in the Council's meetings with the Board and that the members of the Council might feel free to make suggestions to the Board regarding any phase of its activities. He said that he felt that the members of the Council could be most helpful by discussing candidly

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with the Board any problems about which questions had arisen in their respective districts and that he would like to have the meeting thrown open for such discussions.

Mr. Ransom stated further that in his opinion it would be helpful if proposed regulations of the Board were submitted to the Federal Advisory Council for criticism and comment at the same time drafts are submitted to the Federal reserve banks and he inquired of Messrs. Morrill and Wyatt whether they knew of any reason why this procedure could not be followed. They stated that they saw no objection. Mr. Morrill raised a question of procedure as to whether drafts of regulations should be submitted directly to individual members of the Council or to the Secretary of the Council to be handled by him with the individual members, and suggested that the latter course might be preferable. Mr. Lichtenstein agreed and said that he could act as a clearing house in assembling the views of the individual members of the Council and communicating them to the Board. It was the consensus of the members of the Board and the Council present that the procedure outlined by Mr. Lichtenstein would be satisfactory and it was agreed that in the future drafts of regulations which were submitted to other bodies for criticism would be submitted also to the Federal Advisory Council for an expression of its views.

Mr. Smith stated that the Council had no formal recommendations to submit to the Board at this time and inquired whether any member of the Council had any question he wished to take up with the Board.

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Mr. Arnold indicated that he was interested in the definition of "savings deposit" as contained in section 1(e) of the Board's Regulation Q. Mr. Ransom outlined some of the difficulties confronting the Board with regard to interpreting the definition, particularly in its application to corporations, associations or other organizations not operated for profit, and at his request Mr. Wyatt explained the legislative background and practical difficulties which had received consideration when the definition was being drafted. A general discussion ensued during which members of the Council explained the varying procedures of individual member banks in endeavoring to comply with this provision of the Board's regulation.

Mr. Young stated that bankers in his district were vitally interested in the definition of the term "interest" as contained in section 1(f) of the Board's Regulation Q insofar as it involved the absorption of exchange charges. There followed a round table discussion on this question and it appeared that the Board's action in suspending the definition by reason of its conflict with the definition of "interest" promulgated by the Federal Deposit Insurance Corporation had little or no effect in some districts whereas in other districts it was a source of embarrassment to member banks. Mr. Ransom raised the question as to whether in the opinion of the Council the promulgation of the definition as set out in the Board's regulation without similar action by the Federal Deposit Insurance Corporation would cause many banks to go off the par list. However, there appeared to be no unani-

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mity in the views of the members of the Council on this question.

At the suggestion of Mr. Ransom, Mr. Smith requested the individual members of the Council to make statements with regard to the general business conditions in their respective Federal reserve districts. It was the consensus that conditions generally were distinctly better than at any time during the past six years, some of the speakers reporting that in their sections a "mild boom" was in progress.

Thereupon the meeting adjourned.

Chester Morie
Secretary.

Approved:

Frank Ransom
Vice Chairman.