

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

PRESENT: Mr. Eccles, Chairman (latter part of meeting)
 Mr. Ransom, Vice Chairman
 Mr. Szymczak
 Mr. McKee
 Mr. Davis

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. 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. Wingfield, Assistant General Counsel
 Mr. Leonard, Assistant Chief of the
 Division of Examinations

Reference was made to a letter received under date of November 20, 1936, from Assistant Vice President Knoke of the Federal Reserve Bank of New York in which he stated that the bank had recently had a visit from Reichsbankrat Jaenicke, Manager of the Foreign Exchange Department of the Reichsbank, who had arrived in New York in charge of the second and last shipment of German funding bonds for the unpaid coupons of German loans, and that, although Mr. Jaenicke was not representing the Reichsbank officially, the Federal Reserve Bank of New York intended, when he visited the bank again during the week of November 23, to take advantage of the opportunity to discuss with him certain matters relating

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to transactions passing through the account maintained by the Reichsbank with the Federal Reserve Bank of New York.

After a discussion, upon motion by Mr. McKee, the Secretary was requested to prepare, for the consideration of the Board a draft of a reply to Mr. Knoke's letter along lines suggested during the discussion.

Consideration was also given to a letter dated November 28, 1936, which had just been received from Mr. H. S. Johnson, President of the Point Pleasant National Bank, Point Pleasant, West Virginia, requesting that, because of his illness, the hearing which had been set for 2:00 p.m. on Wednesday, December 2, 1936, and at which he would be given an opportunity to question the examiners for the Comptroller of the Currency, be postponed for at least ten days from that date. Upon receipt of the letter it was ascertained from the office of the Chief National Bank Examiner for the Fifth Federal Reserve District that it would suit the convenience of his office if the date of the hearing were changed to any time during the week of December 14.

Mr. Szymczak moved that the hearing be postponed until 11:00 a.m. on Wednesday, December 16, 1936, and that Mr. Johnson and the Comptroller of the Currency be advised accordingly.

Carried unanimously.

There was then presented the following letter to the Presidents of all Federal reserve banks:

"Under date of August 28, there was forwarded to you, as stated in the Board's letter B-1170 of that date, a supply of

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"blank forms for the use of State bank members and their affiliates in submitting reports as of the next call date. Inasmuch as the usual Fall call for reports has not been made, the blank forms now in the possession of State bank members should be used in submitting the reports usually called for at the end of the year. In addition, however, it is desired that the banks report the amounts of their agricultural loans and farm real estate owned by them as of the next call date. For this purpose please send three copies of Form 105-f, _____ copies of which have been sent to you under separate cover, to each State bank member at the time it is formally notified of the next call for condition reports, with the request that a report thereon be submitted in duplicate at the same time that the condition report on Form 105 is submitted.

"The information called for by Form 105-f is the same as was called for by the two memorandum items which appeared at the bottom of page 4 of Form 105 on the June 30, 1936 call for condition reports. It is expected that this information will be called for regularly hereafter as of the mid-year and end-of-year calls, but it is proposed to include the items in Form 105 rather than in a separate schedule as is being done in the present instance. It is suggested that the figures reported on Form 105-f be compared with the corresponding figures reported in the two memorandum items at the bottom of page 4 of the reports rendered as of June 30, 1936, in order to make sure that the figures reported for the two call dates appear to be comparable. One copy of the report on Form 105-f should be sent to the Board and the other copy retained by your bank."

Approved unanimously.

Attention was called to a letter received under date of November 13, 1936, from Mr. McAdams, Secretary of the Federal Reserve Bank of Kansas City, advising that the executive committee had appointed Mr. J. J. Thomas, Chairman of the Board and Federal Reserve Agent at the Kansas City bank, to serve as an alternate member of the Federal Advisory Council at the meeting of the Council to be held in Washington on November 16-17, 1936. Following receipt of Mr. McAdams' letter there had been sent to the members of the Board copies of a memorandum dated November 16, 1936, setting forth the position taken by the Board in 1915

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that officers of Federal reserve banks should not serve as members of the Council and in 1925 that there was no way in which the Federal reserve banks might legally appoint alternates to serve as members of the Council in the absence of the regularly appointed members.

During the discussion of the action which should be taken by the Board in connection with the above matter, Chairman Eccles joined the meeting.

Upon motion by Mr. Ransom, the Secretary was requested to prepare, for the consideration of the Board, a draft of reply to Mr. McAdams' letter along lines suggested during the discussion.

There was then presented a draft of a letter to Mr. Eugene S. Leggett, Acting Executive Director of the National Emergency Council, inclosing, in response to his request of October 23, 1936, a statement on the policy and operations of the Federal Reserve System during the past year for use in the annual report of the National Emergency Council. The letter had been circulated among the members of the Board and had been placed on the docket for discussion at the request of Mr. McKee.

Mr. McKee stated that he questioned the advisability of the Board giving out in the manner proposed a summary of the actions taken on questions of policy before the policy record is submitted to Congress with the Board's annual report pursuant to the provisions of the last paragraph of Section 10 of the Federal Reserve Act, but that he saw no

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objection to furnishing the Council with copies of statements contained in the Federal Reserve Bulletin or press releases issued by the Board regarding such matters. The statement was read and certain suggested changes were discussed. During the discussion Mr. Goldenweiser, Director of the Division of Research and Statistics, joined the meeting.

At the conclusion of the discussion, Mr. Szymczak moved that the statement be referred to Messrs. Morrill, Goldenweiser and Thurston for revision in such manner as would meet the suggestions made during the discussion, with the understanding that the revised statement would conform to material previously released through the Federal Reserve Bulletin or press statements issued by the Board, and that it would be sent in its revised form without re-submission to the Board.

Carried unanimously.

Mr. Ransom stated that Mr. Daiger, Special Assistant to the Chairman, who had been working on problems presented in the revision of Regulation A, Advances to and Rediscounts for Member Banks by Federal Reserve Banks, had submitted a memorandum under date of November 20, 1936, regarding this matter, that the memorandum was being mimeographed, and that copies would be sent to all members of the Board for their information. Mr. Ransom said that he was referring to the matter at this time for the reason that he felt a careful study of the memorandum was a necessary preliminary to action by the Board on the revision of the regulation, and that after the members had had an opportunity to read the memorandum, he would submit a recommendation to the Board as to the action to be taken.

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Mr. McKee reported that, in addition to canvassing the problem with the Board's staff as he had advised the Board at its meeting on November 25, he had contacted individually, by correspondence and personal interview, several representatives of holding company affiliates, who had submitted some suggestions and comments relative to the possible amendment of the standard form of agreement required to be executed as a condition precedent to the issuance of general voting permits, which he felt should receive consideration. He said, however, that in this connection he had expressed the view that the Board would not be willing to amend the standard form of agreement until it was convinced that it would be in the public interest to do so and that there was a justifiable basis for changes which should be made not only in the case of agreements to be executed by holding company affiliates to which general voting permits have not yet been issued but also in the agreements which had been executed by holding company affiliates now holding such permits. He also said he had stated that he felt the Board would be willing to afford any holding company affiliate that so desired a full opportunity to present any information or arguments it may wish with respect to the amendment of the standard form of agreement. Mr. McKee added that he would follow the matter closely and recommend to the Board such action as appeared to be desirable in the premises.

Mr. Parry reported that at the invitation of the Chicago Stock Exchange he had gone to Chicago on November 25, 1936, and had met with representatives of the Exchange at the Federal Reserve Bank of Chicago for the purpose of hearing their comments and suggestions with respect to the proposed amendment to Regulation T, Extension and Maintenance of

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Credit by Brokers, Dealers and Members of National Securities Exchanges, which was sent to all Federal reserve banks on November 18, 1936. The representatives, Mr. Parry said, expressed their views regarding the amendment and volunteered to him privately expressions indicating their feeling that problems arising under the Securities Exchange Act of 1934 and the relations between the Stock Exchange and the Federal Reserve Bank of Chicago were not being competently handled by the bank. He added that the attitude of the representatives in the latter matter confirmed his impressions of the situation at the Chicago bank, and that he felt some action should be taken to effect the necessary correction.

It was understood that Mr. Parry would make such recommendations to the Board as he felt were necessary in the circumstances.

At this point Messrs. Thurston, Wyatt, Paulger, Goldenweiser, Smead, Parry, Wingfield and Leonard 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:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on November 25, 1936, were approved unanimously.

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on November 28, 1936, were approved and the actions recorded therein were ratified unanimously.

Telegram dated November 30, 1936, to Mr. Moore, Chairman of the Federal Reserve Bank of San Francisco, stating that the Board

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approves the establishment without change by the bank today of the rates of discount and purchase in its existing schedule.

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

McCurley
Chairman.