A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, January 29, 1937, at 10:45 a. m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Broderick
Mr. Szymczak
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. Goldenweiser, Director of the Division of Research and Statistics
Mr. Smead, Chief of the Division of Bank Operations
Mr. Parry, Chief of the Division of Security Loans
Mr. Dreibelbis, Assistant General Counsel

Mr. Broderick stated that, pursuant to the action taken at the meeting of the Board on January 19, he had discussed with President Schaller when he was in Washington recently in connection with the meetings of the Presidents' Conference and the Federal Open Market Committee, the action taken by the board of directors of the Federal Reserve Bank of Chicago with respect to salaries of officers of the bank for the year 1937, and that he (Mr. Broderick) wished to recommend to the Board that it advise the Federal Reserve Bank of Chicago that the Board was not prepared to approve the increases of $1,000 and $600 proposed in the salaries of William H. Snyder, Vice President and Cashier, and Ralph H. Buss, Managing Director of the Detroit Branch, respectively; that, pending the completion of a survey to be made by the Board of the auditing departments of the Federal reserve banks, action would be deferred on the proposed increase of $1,000 in the salary of Mr. John J. Endres, Auditor; and that the Board approves for such officers for the year 1937 salaries at the respective rates in effect on December 31, 1936, ($17,500, $12,600 and $6,000) if fixed by the board of directors at such rates.

Mr. Broderick also recommended that the salaries of the other officers of the Federal Reserve Bank of Chicago for the year 1937, as fixed by the board of directors, be approved by the Board as follows:

Name	Title	Salary
George J. Schaller	President	$35,000
Howard P. Preston	First Vice President	25,000
Clifford Young	Vice President and Secretary	16,000
J. H. Dillard	Vice President	12,000
William C. Bachman	Assistant Vice President	9,000
Otto J. Netterstrom	Assistant Vice President	9,000
Alfred T. Sihler	Assistant Vice President	9,000
Arthur L. Olson	Assistant Vice President and Assistant Secretary	8,000
Neil B. Dawes	Assistant Cashier	7,000
Jesse G. Roberts	Assistant Cashier	6,750
Joseph C. Callahan	Assistant Cashier	6,750
Franklin Purrington	Assistant Cashier	6,500
Fred Bateman	Assistant Cashier	6,000
Frank A. Lindsten	Assistant Cashier	6,000
Carl M. Saltnes	Assistant Cashier	6,000
Louis G. Meyer	Assistant Cashier	5,000
Allan Black	Manager, Planning	5,400
Robert Hargreaves	Manager, Personnel	6,000
Charles B. Dunn	General Counsel	12,000
	Detroit Branch	
Harlan J. Chalfont	Cashier	8,500
Harold L. Diehl	Assistant Cashier	5,000

Mr. Broderick stated that the above recommendations had been discussed with Mr. McKee and that, while it was understood he was in agreement therewith, it was suggested that the letter to the Federal Reserve bank of Chicago advising of any action taken by the Board with respect thereto be held until after the return of Mr. McKee tomorrow.

The recommendations were approved unanimously, with the understanding that the letter of advice to the Chicago bank would be held in accordance with Mr. Broderick's suggestion.

Mr. Broderick then stated that he had consulted with Mr. McKee and the Division of Examinations, and that there was being prepared a plan for a survey by examiners from the Division of Examinations of the auditing and examination departments of the Federal reserve banks with a view to determining the effectiveness of the audits being conducted and whether reports of audits to the boards of directors are sufficiently broad in scope and are properly prescribed, and for the further purpose of effecting some degree of uniformity in the organization and operation of the two divisions at the various Federal reserve banks.

Upon recommendation of Mr. Broderick, the Board voted unanimously to authorize the surveys referred to.

Chairman Eccles suggested for the Board's consideration the desirability of having available in its Division of Research and Statistics a man who could qualify as an expert on the economic aspects of labor problems in relation to monetary and credit matters. During a discussion, some of the members present indicated that, while they felt it would be desirable to have the services of such an individual available, in order that the Board might have the benefit of all necessary information, care should be taken to make sure that any individual employed by the Board in such a capacity was not so identified with, or committed to, any particular point of view as would make the Board's action in approving such employment subject to the interpretation that it was supporting any particular theory with respect to labor or was taking sides in the present labor controversy.

Reference was made to the discussion at the meeting of the Board yesterday with respect to the desirability of postponing a decision on the question of the amendment of Regulation T, Extension and Maintenance of Credity by Brokers, Dealers, and Members of National Securities Exchanges. Mr. Parry stated that, in accordance with the suggestion made at the meeting of the Board on January 22, further conferences had been held by representatives of the Securities and Exchange Commission and the New York Stock Exchange, that an agreement had been reached with respect to the information that would be made available to the Commission under the Stock Exchange proposal, and that a letter had been addressed to the Board under date of January 27, 1937, by Mr. Charles R. Gay, President of the New York Stock Exchange, formally submitting the proposal of the New York Stock Exchange that it be afforded an opportunity to eliminate the practice of in-and-out trading on the Exchange. Mr. Parry also stated that, in view of existing circumstances, he was in agreement that it would be desirable to defer at least until next week a decision on the question whether the Board should amend Regulation T or afford the New York Stock Exchange an opportunity to put its proposal into effect.

It was agreed that the matter would be given further consideration at the meeting of the Board on February 5, 1937.

Mr. Ransom then read a memorandum addressed to him today by Mr. Smead which indicated that, on the basis of figures compiled from the December 31, 1936, call reports for State member banks in the St. Louis Federal Reserve District, country State member banks in that district in places with a population of less than 15,000 people are in as good a position to meet an increase in reserve requirements as are the larger "country" banks located outside of reserve and central reserve cities.

Chairman Eccles stated that, following the meeting yesterday, he had advised the Secretary of the Treasury of the suggestion made at the meeting that, if the Board should take action increasing reserve requirements by 33 1/3%, one-half of the increase be made effective as of March 1 and the remaining half on April 1 or May 1 and that the Secretary had stated that he saw no objection to such a procedure from the standpoint of the Treasury financing program. Chairman Eccles said that he also had discussed the subject with Mr. Burgess, Vice President of the Federal Reserve Bank of New York and Manager of the System Open Market Account, who had stated that he was in complete agreement that such a procedure should be followed.

There was presented for consideration a draft of a statement for release to the press in the event the Board should take action increasing reserve requirements of member banks. Consideration of the statement paragraph by paragraph was undertaken.

The meeting recessed and reconvened at 3:15 with the same attendance as at the morning session, with the exception of Messrs. Ransom and

Dreibelbis who had gone to the office of Representative Robert L. Doughton to discuss with him complaints which had been made to him with respect to the definition of "interest" contained in subsection 1(f) of Regulation Q, Payment of Interest on Deposits.

Consideration, paragraph by paragraph, of the draft of statement for release to the press in the event the Board should take action increasing reserve requirements was resumed. At the conclusion of the discussion of the statement, Messrs. Szymczak, Thurston and Goldenweiser left the room and Messrs. Ransom and Dreibelbis joined the meeting.

Mr. Ransom stated that he had called on Representative Doughton and explained to him the reason for the Board's action in adopting the definition of "interest" contained in Regulation Q and the necessity for such a provision in the Regulation under the present law. He said that Representative Doughton stated that he felt Congress needed time for a study of the problem involved on the basis of which it might decide on legislative action. Mr. Ransom then advised Representative Doughton that undoubtedly the Board would wish to afford ample time for such a study. There was a discussion, Mr. Ransom said, as to what evidence the Board would have of the desires of Congress in the matter and it was suggested that requests might be made by the Chairmen of the Banking and Currency Committees of the Senate and House of Representatives for postponement of the effective date of subsection 1(f). Mr. Ransom replied that he felt that such requests would be satisfactory evidence of the desire of Congress in the matter, and that, while he could not speak for the Board, he would be willing to recommend to the Board that upon receipt of such requests it defer the effective date of the subsection for a sufficient length of time to afford an opportunity for interested members of Congress to see what could be done to arrive at a solution of the problem involved by legislative enactment.

All of the members of the Board present approved Mr. Ransom's position in the matter and Mr. Ransom was requested to call the Congressman and advise him that if requests were received from Representative Steagall, Chairman of the Banking and Currency Committee of the House, and Senator Wagner, Chairman of the Banking and Currency Committee of the Senate, that the Board defer the effective date of subsection 1(f) for, say, sixty days to afford members of Congress an opportunity to consider legislation to meet the problem presented, the Board would be willing to give favorable consideration to such requests.

It was subsequently ascertained that Senator Wagner was confined in New York by illness. Thereupon Chairman Eccles left the room and upon his return stated that he had communicated with Senator Wagner by telephone and had related the circumstances which had arisen and that the Senator had requested that the Board defer the effective date of subsection 1(f) for at least sixty days if a request to defer the effective date were also received from Chairman Steagall.

Chairman Eccles then left the room to discuss the matter with Chairman Steagall over the telephone and upon his return stated that Chairman Steagall had agreed to forward a letter to reach the Board before noon tomorrow in which a request would be made by him as Chairman of the Banking and Currency Committee of the House that the Board defer the effective date of subsection 1(f).

Thereupon the meeting adjourned, with the understanding that the

Board would meet tomorrow, Saturday morning, at 10:00 a. m. for the purpose of considering the requests of Senator Wagner and Representative Steagall, as well as the question what, if any, action should be taken by the Board with respect to an increase in reserve requirements of member banks.

Chester Morrill
Secretary.

Approved:

M S Eccles
Chairman.