

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, February 4, 1937, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Ransom, Vice Chairman  
Mr. Szymczak  
Mr. McKee

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. Parry, Chief of the Division of Security Loans  
Mr. Dreibelbis, Assistant General Counsel

There was a general discussion of questions related to the proposal of the New York Stock Exchange that the amendment of Regulation T, Extension and Maintenance of Credit by Brokers, Dealers and Members of National Securities Exchanges, be deferred to afford the Exchange an opportunity to eliminate, by an amendment to its rules, the practice of "three-day riding" on the Exchange.

It was the consensus of the members present that a final decision on the matter should not be reached at this time and Mr. Parry was requested to advise Mr. Dean K. Worcester, Executive Vice President of the New York Stock Exchange, by telephone that the Board had not acted on the matter and very likely would defer action for at least a week.

Mr. Morrill referred to the action taken at the meeting of the Board on January 9, 1937, in approving the payment of the total estimated value of the work completed during December on the Board's new building (\$278,000) less \$14,700, bringing the amount retained by the Board since the beginning of the construction work up to \$175,000, or approximately

2/4/37

-2-

5% of the total contract price, and recommended, with the concurrence of Mr. Kramer, the Board's Superintendent of Construction, that in accordance with the terms of the contract covering the construction of the building, the Board approve the payment of the entire estimated value of the work completed during January (\$243,300).

Mr. Morrill's recommendation was approved unanimously.

Mr. Ransom referred to the understanding reached at the meeting of the Board on February 2, 1937, with respect to topics to be suggested for discussion by the Federal Advisory Council at its meeting on February 15-16, 1937, and stated that, if agreeable to the Board, he would like to have the question which he had in mind for submission to the Council presented at the meeting of the Council with the request that the members give consideration thereto during the period prior to the May meeting of the Council and advise the Board of their conclusions with respect thereto at the time of the later meeting.

Mr. Ransom's suggestion was approved unanimously.

Reference was then made to other topics that might be submitted to the Council for discussion, and Mr. Morrill was requested to address a letter to the Secretary of the Federal Advisory Council suggesting that the Council consider at its forthcoming meeting the two questions set forth below:

1. Are customers of commercial banks carrying large cash deposits and in a position to finance their requirements without borrowing during the remainder of this year or are there indications that there will be an increased demand for loans to meet obligations of customers during that period?
2. If there is a demand for loans, does it originate with large corporations or with small business enterprises and what are the purposes for which there is the greatest demand for loans?

2/4/37

-3-

At this point Messrs. Thurston, Parry and Dreibelbis 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 February 2, 1937, were approved unanimously.

Telegrams dated February 3 to Mr. Young, President of the Federal Reserve Bank of Boston, Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, and Mr. Helm, Vice President of the Federal Reserve Bank of Kansas City, and February 4, 1937, to Mr. Helm, Vice President of the Federal Reserve Bank of Kansas City and Mr. Sargent, Secretary of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Banks of Boston, Philadelphia and Kansas City on February 3, and by the Federal Reserve Banks of Kansas City and San Francisco on February 4, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated January 23, 1937, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending the appointment of Mr. Arthur D. Gayer on a temporary basis for a period of five months as a Senior Economist in the Division, with salary at the rate of \$5,600 per annum, effective as of the date upon which he enters upon the performance of his duties. The memorandum called attention to the fact that Mr. Gayer was a British subject and stated that he had been advised that the Board would require that he declare his intention of becoming an American

2/4/37

-4-

citizen before it would consider approving his appointment, and that Mr. Gayer had advised that he would comply with this requirement.

Approved unanimously.

Letter to the board of directors of "The Emmet County State Bank", Harbor Springs, Michigan, stating that, subject to the conditions of membership numbered 1 to 6 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock of the Federal Reserve Bank of Chicago.

Approved unanimously, together with a letter to Mr. Schaller, President of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of 'The Emmet County State Bank', Harbor Springs, Michigan, for membership in the Federal Reserve System, subject to the conditions prescribed in the inclosed letter which you are requested to forward to the board of directors of the institution. Two copies of such letter are also inclosed, one of which is for your files and the other of which you are requested to forward to the Commissioner of the Banking Department for the State of Michigan for his information.

"It has been noted that, while the bank has been granted authority to exercise certain trust powers, it has availed itself thereof only to a limited extent and that at the time of examination in connection with the application for membership, the only fiduciary capacities in which it was acting were as guardian and executor in eight small trusts, all of the assets of which consisted of cash and were subject to court order. According to the report of examination, proper records of the fiduciary accounts were maintained but the bank had not established a trust department nor designated a trust officer.

"It is understood that the bank makes no effort to obtain trust business. Trust business, however, no matter how small, should not be accepted unless a bank is organized and equipped to handle it properly. It is suggested, therefore, that you request the bank to designate a trust officer to be responsible

2/4/37

-5-

"for the handling of the fiduciary business. Should the bank at any time in the future desire to exercise fiduciary powers in addition to those of administrator, executor, and guardian, which it is now authorized to exercise, permission to do so, of course, should be obtained from the Board in accordance with the provisions of condition of membership numbered 1."

Letter to Mr. Sinclair, President of the Federal Reserve Bank of Philadelphia, reading as follows:

"Reference is made to your letter of January 18, 1937, transmitting with favorable recommendation a request of the Provident Trust Company of Philadelphia, Pennsylvania, for the Board's approval, under the provisions of Section 24A of the Federal Reserve Act, of a proposed investment of a sum not to exceed \$250,000 in a four-story building and lot adjoining the institution's main office property. The acquisition of the additional property is said to be for the purpose of providing for future expansion of the banking quarters.

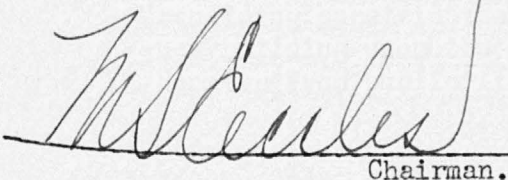
"While the bank's capital stock amounts to only \$3,200,000, a net capital account of \$19,274,000 is reflected in the last report of examination, as of April 1, 1936, and you state that there is every reason to believe that a current appraisal of the institution's position would reveal a net worth equal to or in excess of that shown on the date of the examination. The bank is reported to be under capable management and in a strong liquid position, and the proposed investment, which is relatively small in amount, does not appear to be in violation of the spirit and purpose of the applicable provisions of the Federal Reserve Act.

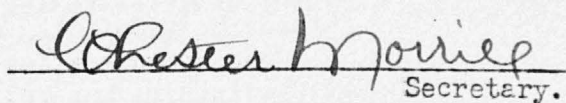
"In view of the circumstances and your recommendation, therefore, the Board approves the investment of a sum not to exceed \$250,000 in the property described, and you are requested to advise the bank accordingly. In approving the bank's request, however, the Board has made no attempt to determine any technical legal questions which may be involved as to the applicability of Section 24A to the proposed investment."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

  
Chairman.

  
Secretary.