

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, February 8, 1937, at 11:30 a. m.

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

Mr. Morrill, Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Clayton, Assistant to the Chairman

Consideration was 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 5, 1937, were approved unanimously.

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on February 6, 1937, were approved and the actions recorded therein were ratified unanimously.

Telegram to Mr. Powell, Secretary of the Federal Reserve Bank of Minneapolis, stating that the Board approves the establishment without change by the bank today of the rates of discount and purchase in its existing schedule.

Approved unanimously.

Letter to Mr. Snyder, Vice President of the Federal Reserve Bank of Chicago, stating that the Board approves a change in the personnel classification plan of the Detroit branch by a substitution of the position of "Assistant Supervisor", with a maximum salary of \$2,520 per

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annum, for the position of "Reconciler", with a maximum salary of \$2,160 per annum.

Approved unanimously.

Telegram to Mr. Hamilton, President of the Federal Reserve Bank of Kansas City, reading as follows:

"Relet February third. Board approves the designations of the employees listed as assistant examiners in order that they may lend clerical assistance to your regular examiners when needed in the examinations of State member banks. It is understood, of course, that none of these employees will be transferred permanently to examining work without Board's approval. Practically all of those listed in your letter have already been approved by the Board for such service and in the future only additional names need be submitted. It is requested, however, that you keep Board's Division of Examinations currently advised of any deductions from list."

Approved unanimously.

Letter to Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, reading as follows:

"Referring to your letter of February 3, the Board approves the reappointment of Messrs. J. Ebert Butterworth, John S. Chipman, H. W. Prentis, Jr., B. F. Mechling, and John T. McDade as members of the Industrial Advisory Committee for the third Federal Reserve District to serve for terms of one year each beginning on March 1, 1937."

Approved unanimously.

Memorandum dated February 3, 1937, from Mr. Solomon, Assistant Counsel, stating that it was the opinion of the office of the Board's Counsel, which was concurred in by Mr. Parry, Chief of the Division of Security Loans, that the views expressed by the Federal Reserve Bank of New York in the following letter dated January 22, 1937, addressed to

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the Irving Trust Company, New York, New York, by Mr. Rounds, Vice President, were correct and that consequently no further action was necessary:

"We acknowledge receipt of your letter of January 5, 1937, inquiring with respect to Regulation U of the Board of Governors of the Federal Reserve System.

"We understand from your letter and our conversations with your Mr. Vail, that you have in mind a case in which a broker desires to obtain two loans from a bank, each of which is for the purpose of purchasing or carrying a stock registered on a national securities exchange. Registered stocks owned by the broker would be pledged to secure loan A and would be specifically allocated to that loan. Registered stocks carried by the broker for the account of his customers other than his partners would be pledged to secure loan B and would be specifically allocated to that loan. These are the only loans by the bank to the broker made on or after May 1, 1936 for the purpose of purchasing or carrying registered stocks. The broker would furnish the bank, and the bank would accept in good faith, the broker's signed statement provided for in the supplement to Regulation U with respect to loan B. By virtue of a general collateral agreement existing between the broker and the bank securities specifically allocated to loan A would also secure loan B, and vice versa.

"We understand your questions to be whether under Regulation U:

(1) the bank may make the two loans if, at the time of the making, the maximum loan value (calculated at 45% of current market value) of the broker's stocks specifically allocated to loan A equals or exceeds the amount of loan A, and the maximum loan value (calculated at 60% of current market value) of the customers' stocks specifically allocated to loan B equals or exceeds the amount of loan B; and

(2) if the first question is answered in the affirmative and the loans have been made, the bank may permit the withdrawal of stocks specifically allocated to either of such loans even though the amount of the other loan exceeds the maximum loan value of the stocks specifically allocated thereto, provided that there remain specifically allocated to the first loan stocks having a maximum loan value (calculated as aforesaid) equal to at least the sum of the amount of the first loan plus such deficiency in the other loan.

"In our opinion, the above two questions should be answered in the affirmative. We believe you understand that this is merely

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"our opinion and not a ruling of the Board."

Approved unanimously.

Memorandum dated February 4, 1937, from Mr. Parry, Chief of the Division of Security Loans, recommending that the Board authorize the printing of 25,000 copies each of a "List of Stocks Registered on National Securities Exchanges" to be compiled as of January 31, 1937, and three supplementary lists to be issued quarterly during the remainder of the year 1937, which approximates the number printed in 1936, at an estimated cost for paper and printing of about \$1,500. The memorandum also recommended approval of the following letter to the Presidents of all Federal reserve banks which sets forth the proposed method of distribution:

"The Board has decided to publish a list of stocks registered on national securities exchanges, as of January 31, 1937, and three supplementary lists to be issued quarterly during the year 1937. These lists, to be published by the Board to facilitate compliance by banks with the provisions of Regulation U, will be similar in form to those published by the Board last year.

"The Board will furnish one copy of the list and of each supplementary list free of charge to each member and nonmember bank in the United States and to all bank examiners and supervisory authorities, and will send additional copies to those in this group who request them for their own use. Upon request the Board will also furnish copies free of charge to national securities exchanges, government officials, members of Congress, press representatives and educational institutions for their own use.

"The lists will also be supplied to brokers or other persons who may request them at a charge of 25 cents for the annual number and the three supplements. On bulk orders calling for five or more copies, the rate will be 20 cents per copy, and on orders for fifty or more copies the rate will be 15 cents. The Board will send a notice of the 1937 publication and an order form directly to each person who requested copies of the lists in 1936, other than those who will continue

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"receiving copies gratis.

"Please notify the Board as soon as possible of the number of copies of these lists which your bank will require for its own use, including the requirements of its examiners. Please refer to the Board any requests or orders which you may receive from other persons."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris  
Secretary.

Approved:

W. Steeles  
Chairman.