A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, February 15, 1937, at 3:00 p.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Ransom, Vice Chairman  
Mr. Broderick  
Mr. Szymczak  
Mr. McKee  
Mr. Davis  
Mr. Morrill, Secretary  
Mr. Bethea, 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

Mr. Davis recommended that Mr. Donald Comer, Avondale Mills, Birmingham, Alabama, be appointed a director of the Birmingham Branch of the Federal Reserve Bank of Atlanta for the unexpired portion of the term ending December 31, 1938.

Mr. Davis' recommendation was approved unanimously.

Further consideration was then given to the amendment which had been proposed to Regulation T, Extension and Maintenance of Credit by Brokers, Dealers and Members of National Securities Exchanges, for the purpose of eliminating the practice known as "three-day riding" on the securities exchanges, and to the letter of January 27, 1937, from Mr. Charles R. Gay, President of the New York Stock Exchange in regard to this practice. The previous discussions of this subject were reviewed.

Mr. Broderick moved that the following resolution be adopted:
"Resolved, in view of assurances received from representatives of the New York Stock Exchange and others, that the practice commonly known as 'three day riding' can be eliminated by action of the New York Stock Exchange and other national securities exchanges and in order to provide an opportunity to observe the effectiveness of the proposed action to be taken, that the Board lay on the table the amendment to Regulation T, which was proposed for the purpose of eliminating this practice, without prejudice to the Board's complete freedom to promulgate such or any amendment at any time when it seems advisable to do so either for the purpose of eradicating the practice referred to or for any other reason which, in the Board's judgment, justifies such action."

Carried unanimously.

Mr. Broderick moved that, in response to Mr. Gay's letter of January 27, 1937, a reply in the following form be transmitted today:

"This is in answer to your letter of January 27 summarizing the views expressed and the proposal made to the Board of Governors of the Federal Reserve System by representatives of the Exchange on January 18, 1937, with reference to the practice commonly known as 'three-day riding' and the amendment of Regulation T as tentatively proposed by the Board under date of November 20, 1936 for the purpose of eliminating this practice.

"The contents of this letter and the statements made by you and your associates have been carefully considered by the Board of Governors, together with material from other sources bearing on the same subject matter, from which it appears that there is general agreement that the practice in question should be eliminated. It has been represented to the Board of Governors, on behalf of the national securities exchanges, that the occasion for amending the regulation for the specific purpose of preventing 'three-day riding' would disappear if appropriate action should be taken by the New York Stock Exchange and other national securities exchanges.

"The Board notes from your letter that the New York Stock Exchange is prepared to take such action promptly by adopting and enforcing rules and regulations which, in the opinion of the Exchange, would effectively eliminate the practice within the field of jurisdiction of the New York Stock Exchange. The Board notes also that the Exchange would require that members..."
"keep certain records and make certain reports to the Exchange, which would result in the accumulation of a substantial quantity of information in regard to the manner in which margin requirements are met, and that the Exchange would cooperate with the Board in making available to it, in convenient form, the information thus accumulated.

"Having given further consideration to the problem, and taken account of the representations made in behalf of the New York Stock Exchange and other national securities exchanges, the Board of Governors has deferred adoption of the proposed amendment of Regulation T in order to afford to the New York Stock Exchange and other national securities exchanges an opportunity to eliminate the practice. The Board's action is without prejudice to its complete freedom to promulgate such an amendment or any other amendment at any time when it seems advisable to do so either for the purpose of eradicating the practice referred to or for any other reason which, in the sole judgment of the Board, justifies such action.

"There is enclosed a copy of a statement which the Board will give to the press for release in afternoon papers of Tuesday, February 16, and the Board is transmitting to each Federal Reserve bank a copy of this letter, together with a copy of the press statement."

Carried unanimously.

Thereupon Mr. Broderick moved that the press statement referred to in the letter to Mr. Gay be approved and released for publication in the afternoon papers of Tuesday, February 16, 1937.

Carried unanimously.

After referring to the action taken at the meeting of the Board on February 4, 1937, with respect to questions for submission to the Federal Advisory Council at its meeting on February 16, Mr. Ransom stated that he felt the questions with respect to the practices of commercial banks of maintaining deposit balances with banking institutions other than Federal reserve banks, which had been under consideration for submission to the Council should be studied further, and, therefore, stated, that in the absence of objection, he would defer the matter pending
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Further study. No objection was offered by any of the members of the Board.

At this point Messrs. Thurston, Parry and Dreibelbis left the meeting and consideration was then given to each of the matters herein-after 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 12, 1937, were approved unanimously.

Telegram dated February 13, 1937, to Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, reading as follows:

"Reret February 8. Board approves rider which modifies bond executed on July 10, 1933, by J. Frank Rehfuss as Acting Assistant Federal Reserve Agent at your bank so as to state position of Mr. Rehfuss to be Alternate Assistant Federal Reserve Agent effective January 1, 1937."

Approved unanimously.

Letter to Mr. J. J. Mooney, Chief Telegraph Operator in the Board's Telegraph Office, reading as follows:

"In view of the rules of the retirement system and the general policy with respect to employees eligible for retirement thereunder, the term of your employment by the Board of Governors will expire at the close of February 28, 1937, the date to which your period of service was last extended, and the Board has authorized the payment to the retirement system of an amount equal to six months' salary for the purpose of increasing the allowance to which you will be entitled under the rules of the retirement system.

"In taking this action the members of the Board have requested me to express to you the deep appreciation which they feel of the long and faithful service which you have rendered not only to the Board but to the Federal Reserve
"System as a whole. The members have been advised of the wholehearted devotion to duty which you have displayed at all times in seeing that the functions of the leased wire system were carried out smoothly and expeditiously and they commend you most highly for the results which you have obtained. Your close and complete cooperation with the members of the staff and the telegraph offices at the Federal reserve banks has done much to increase the effectiveness of the leased wire system and we wish to take this opportunity to express our appreciation of our pleasant association with you. You will leave the service with the satisfaction of important duty well done and with the best wishes of all who have had the pleasure of working with you.

"Trusting that your friends in the organization will hear from you from time to time after your retirement in order that we may keep in touch with you,"

Approved unanimously.

Letter to Mr. Burke, Chairman of the Federal Reserve Bank of Cleveland, reading as follows:

"In accordance with the request contained in your telegram of February 5, the Board approves the reappointment of Messrs. F. A. Smythe, D. R. Davies, E. C. Folsom, and D. C. Swander as members of the Industrial Advisory Committee for the Fourth Federal Reserve District to serve for terms of one year each beginning on March 1, 1937.

"The Board also approves the appointment of Mr. Herman R. Neff as a member of the Industrial Advisory Committee for your district for a term of one year from March 1, 1937, it being understood that Mr. Neff is actively engaged in some industrial pursuit within the Fourth Federal Reserve District."

Approved unanimously.

Letter to Mr. Worthington, First Vice President of the Federal Reserve Bank of Kansas City, reading as follows:

"Reference is made to the report of examination of the 'Dougal County State Bank', Chappell, Nebraska, as of January 7, 1937, and your letter of January 28, 1937, in regard thereto."
"The unsound practices of the management, the dissen-
sion among the stockholders, and other matters as disclosed
by the report of examination are disturbing. It is noted
that the State Banking Department has taken a firm stand in
requiring the correction of the criticized matters and the
installation of a competent executive officer acceptable to
the Superintendent of Banks, and that the bank has reported
the correction of most of the criticized matters but has
advised that it is not yet prepared to select an executive
officer and wishes to defer such selection until the return
of Mr. Carlson, a director and the principal stockholder,
who is now in California.

"In view of the action which has been taken, it is as-
sumed that this matter will be followed to a conclusion and
that a satisfactory management will be installed. It would
appear, however, that the situation requires not only that a
competent management be installed, but that the directors
give closer attention to the affairs of the bank and be more
active in the discharge of their responsibilities."

Approved unanimously.

Letter to Mr. Leo T. Crowley, Chairman of the Federal Deposit
Insurance Corporation, reading as follows:

"The Board of Governors has been advised that the 'West-
wood Trust Company', Westwood, New Jersey, has made applica-
tion to the Federal Deposit Insurance Corporation for a loan
in order to facilitate a merger with the Peoples Trust Com-
pany of Bergen County, Hackensack, New Jersey. Mr. Gidney,
Vice President of the Federal Reserve Bank of New York, has
reported that Mr. Penn, Supervising Examiner of the Federal
Deposit Insurance Corporation, has stated that he would like
to participate in an examination of the Westwood Trust Com-
pany, in view of the possibility that your Corporation may
have to absorb a loss either in connection with a merger or
liquidation of the trust company.

"In view of the circumstances, the Board of Governors
of the Federal Reserve System, in accordance with the provi-
sions of subsection (k) (2) of Section 12B of the Federal Re-
serve Act, hereby grants written consent for the participation
by examiners for the Federal Deposit Insurance Corporation
in the suggested joint examination of the Westwood Trust Com-
pany, Westwood, New Jersey."

Approved unanimously.
Thereupon the meeting adjourned.

Approved: [Signature]

Chairman.

[Signature]