

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, April 5, 1937, at 2:00 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. 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 April 3, 1937, were approved 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.

Memorandum dated April 5, 1937, from Mr. Kramer, Superintendent of Construction for the Board's new building, transmitting a requisition in the amount of \$270,000 submitted by the George A. Fuller Company covering the entire estimated value of the work completed on the Board's new building during the month of March, and recommending, for the reasons stated in the memorandum, and with the concurrence of Mr.

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Morrill, that the requisition be approved and that no increase be made in the amount retained by the Board until final completion and acceptance by the Board of all work covered by the contract.

Approved unanimously.

Letter to Mr. Sargent, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to your letter of February 18, 1937, regarding the question whether a certain loan which the Central Bank of Oakland, Oakland, California, wishes to make to a certain dealer should be considered to be a loan for the purpose of purchasing or carrying stocks registered on a national securities exchange and therefore subject to Regulation U.

"In the copy of the bank's letter which you forwarded, the bank asks whether the loan value of stocks securing the loan should be limited to 60 per cent. However, since there is nothing to indicate that the loan would come within the requirements specified in the supplement to the regulation for such a special loan value, the question, as you indicate, would seem to be whether or not the stocks securing such a loan should be limited to a loan value of 45 per cent.

"It is understood that the proceeds of the loan are not to be employed immediately but would be kept available for use in acquiring registered or unregistered securities. The securities are only acquired when a quick sale is in prospect and they are disposed of promptly. The securities purchased are often unregistered, but some registered stocks are so purchased and the Central Bank of Oakland wishes to know, in effect, whether such purchases of registered stocks cause the loan to be subject to the regulation.

"It seems clear from the borrower's business as a dealer that one purpose of the loan is to purchase or carry registered stocks. Therefore, while the loan may also have certain other purposes, it is the opinion of the Board that the loan should be considered to be a loan for the purpose of purchasing or carrying registered stocks.

"In advising the Central Bank of Oakland of the Board's views with respect to this matter, you may wish to consider mentioning the possibility that this dealer might separate certain transactions and obtain loans from time to time for particular purposes, so that certain loans to the dealer would not be for the purpose of purchasing or carrying registered

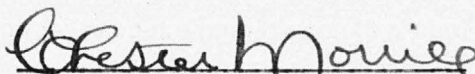
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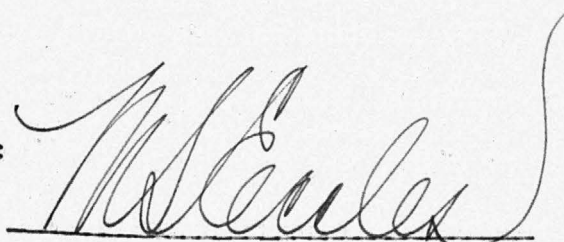
"stocks or would come within exemptions specified in the regulation, and would thus be excluded from the operation of the regulation."

Approved unanimously.

Thereupon the meeting adjourned.

  
Secretary.

Approved:

  
Chairman.