

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, April 28, 1937, at 11:30 a. m.

PRESENT: Mr. Eccles, Chairman  
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 27, 1937, were approved unanimously.

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

"This is to advise you that the Board today approved the bond which was executed on April 16, 1937, by The Fidelity and Casualty Company of New York, New York, New York, and Mr. Henry D. Swengel, covering Mr. Swengel as Federal Reserve Agent's Representative.

"It is noted from your letter of April 17, 1937, forwarding this bond to the Board, that The Fidelity and Casualty Company of New York has advised that April 13, 1937, is the effective date of the bond, and it is, therefore, assumed that April 13, 1937, is the date upon which the change in Mr. Swengel's title from Acting Assistant Federal Re-

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"serve Agent to Federal Reserve Agent's Representative was made. Accordingly, unless prompt advice to the contrary is received from you, the Board will notify The Fidelity and Casualty Company of New York that it is under no obligation on the bond of March 6, 1937, covering Mr. Swengel as Acting Assistant Federal Reserve Agent, for any acts committed by him subsequent to April 13, 1937."

Approved unanimously.

Letter to Mr. Young, President of the Federal Reserve Bank of Boston, reading as follows:

"Reference is made to your letter of April 23, 1937, transmitting the request of the 'Depositors Trust Company', Augusta, Maine, for permission, in accordance with the provisions of membership condition numbered 8, to purchase a site and erect a one story bank building at a total cost of not more than \$30,000 for its branch at Boothbay Harbor, Maine.

"In view of the information submitted and in accordance with your recommendation, the Board interposes no objection to such investment in the amount indicated, and it is requested that you advise the trust company accordingly.

"It has been noted that in the letter dated April 21, 1937 to Mr. Paddock, the trust company expressed the desire that the Board leave open the authority to purchase from the receivers of the Augusta Trust Company the other five buildings occupied by offices of the Depositors Trust Company. The authority contained in the Board's letter of August 25, 1934 remains in force. It will be expected, however, that the aggregate investment in banking quarters in the points covered by such letter, including the proposed investment of \$30,000 at Boothbay Harbor, will not exceed \$225,000. Please advise the trust company accordingly."

Approved unanimously.

Letter to Mr. Sproul, First Vice President of the Federal Reserve Bank of New York, prepared pursuant to the action taken at the meeting of the Board on April 21, 1937, and reading as follows:

"Reference is made to your letter of April 12, 1937, advising of the purchase of \$10,000,000 of United States Government securities for the account of the Bank of Canada in accordance with the terms and conditions of the existing

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"agreement covering the maintenance of the account for that bank. The Board has considered these transactions in the light of the circumstances outlined in your letter and, as an exercise of part of the authority granted in this letter, approves the same.

"In this connection, the Board has noted your request that appropriate authority be given to your bank, in accordance with the terms and conditions of existing agreements covering accounts maintained with it by foreign central banks, to purchase United States Government securities for the account of foreign central banks, including the Bank for International Settlements, with the agreement of your bank, if requested at any time before maturity, to repurchase the securities, or, at your option, to sell them in the market.

"For the reasons which you mention, as well as those contained in the Board's letter of February 9th, 1937, relating to the grant of similar authority as applied to bankers' acceptances, the Board, pending approval of the revision of the outstanding agreements covering the accounts maintained by the Federal Reserve Bank of New York for foreign central banks, grants your request; provided, that the aggregate amount of the liability assumed by the Federal Reserve banks in connection with such purchases for the account of foreign central banks, including the Bank for International Settlements, shall not exceed at any one time the sum of \$50,000,000 without further specific authorization which shall be obtained in advance from the Board.

"Also, as pointed out in your letter, the authority herein granted is necessarily subject to the condition that your bank will not exercise its option to purchase Government securities from foreign central banks under this arrangement unless such purchase has been authorized by the Federal Open Market Committee by appropriate action in effect at the time of the purchase."

Approved unanimously.

Letter to Mr. Sawyer, Division of Security Loans, Federal Reserve Bank of Boston, reading as follows:

"Reference is made to your letter of March 10, 1937, regarding the inquiry received from A. L. Albee & Co., Inc., as to whether or not the company is subject to Regulation T.

"It is understood that A. L. Albee & Co., Inc., is not a member of a national securities exchange and that the sole question presented is whether it should be considered a

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"'broker or dealer who transacts a business in securities through the medium of any such member' within the meaning of section 7 of the Securities Exchange Act of 1934. Since this question necessarily depends upon questions of fact it will be seen that, in general, each case must turn upon the facts involved in that particular situation and could not be determined without giving careful consideration to all such relevant facts. However the firm in question presents the specific inquiry of whether it would cease to be a 'broker or dealer who transacts a business in securities through the medium of any such member' if it ceased to handle any business in registered securities.

"In this connection it is to be noted that the language involved does not refer to transacting a business in registered securities but refers to transacting a business in securities. Therefore, the Board feels that the mere failure to handle any business in registered securities would not, in itself, be sufficient to keep a person from being a broker or dealer who transacts a business in securities through the medium of such a member.

"The Board has not seen fit to specify any conditions or factual situations which would prevent a person from being a broker or dealer who transacts a business in securities through the medium of a member; and for your confidential information it may be stated that, in general, it seems advisable for all doubts to be resolved in favor of the presumption that the broker or dealer does transact a business in securities through the medium of a member. In this connection it is understood that a number of firms who express doubt as to whether they actually 'transact a business in securities through the medium of any such member' follow the provisions of Regulation T and thus avoid any question in the matter."

Approved unanimously.

Letter to Mr. Walter Lichtenstein, Secretary of the Federal Advisory Council, reading as follows:

"Further reference is made to your letter of April 16, 1937, in which you state that the Federal Advisory Council will meet in Washington on May 17 and 18, 1937.

"I have been requested to advise you that at the present time the Board does not have any topics to suggest for consideration by the Council at the meeting. However, as stated in my letter of April 16, the Board will be pleased to meet with the Council on May 18, and to take up any matters which

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"the Council may wish to present at that time."

Approved unanimously.

Letter to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, reading as follows:

"I have your letter of April 16, in regard to the invitations which you have received to address the Michigan Bankers Association and the South Dakota Bankers Association in June, and have brought it to the attention of the members of the Board.

"The Board agrees with you that it is desirable to take advantage of opportunities such as these and it is felt here that you and your associates have been doing excellent work in the field of public and bank relations in your district. In fact, no one here has any suggestion as to material which you might use that you have not incorporated in the different talks that have been made by yourself and your associates or that is not already available to you for this purpose.

"In the circumstances, the Board does not feel that it would be of any special advantage for its staff to prepare a talk for you to deliver and suggests that you follow the lines of thought that you think best in preparing for these addresses. Of course, if you should wish us to look over any manuscript, we will be glad to offer any suggestions that may occur to us."

Approved unanimously.

Letter to The George A. Fuller Company, Washington, D. C., reading as follows:

"In accordance with the provisions of Article 33 of the construction contract, you are hereby directed to cause the work covered by Allowance 'K', General Lighting Fixtures, in Section 1 of the Specifications, page S1-14, to be done by Harry Alexander, Inc., Investment Building, Washington, D. C., for the sum of Nine Thousand Two Hundred and No/100 (\$9,200.00) Dollars.

"You should, of course, make certain that all of the work covered by this Allowance, as provided in the contract documents, is covered by the contract which you enter into with Harry Alexander, Inc.

"In view of the fact that said sum of \$9,200.00 is less

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"than \$15,000.00, the amount named in the Specifications as the allowance for this work, the difference, namely, Five Thousand Eight Hundred and No/100 (\$5,800.00) Dollars, will be deducted in making the adjustment in the contract sum resulting from the differences between the amounts of the allowances named in the Specifications and the amounts for which the Board may direct the work to be done, as provided in said Article 33 and in paragraph 80 of Section 1 of the Specifications, page S1-12.

"The original bid submitted by Harry Alexander, Inc., dated April 9, 1937, is inclosed herewith. In this connection it will be noted that our acceptance is based upon their proposal to furnish for type 'G' fixtures, the Westinghouse Electric & Manufacturing Company's 'Magnaflux' semi-indirect lighting units."

Approved unanimously.

Letter to Mr. Fry, Vice President of the Federal Reserve Bank of Richmond, reading as follows:

"Reference is made to your letter of March 30, 1937 regarding the applicability of the Clayton Act to the services of Messrs. E. Asbury Davis and Blanchard Randall as directors of The First National Bank of Baltimore and the Safe Deposit and Trust Company of Baltimore, both of Baltimore, Maryland.

"As was pointed out in the Board's letter of March 22, 1937, it appears that the Act is applicable now to Mr. Davis, and will be applicable to Mr. Randall in any event after February 1, 1939; but the question whether the Act is applicable now to Mr. Randall depends upon whether section 8A was applicable to the trust company on August 23, 1935, the date of the enactment of the Banking Act of 1935. That section provided that after its effective date no director of a national bank should serve as a director of any corporation 'which shall make loans secured by stock or bond collateral'.

"With regard to this question you have furnished the Board with a quotation from a letter from the president of the trust company which states that the trust company did not make any loans secured by stock or bond collateral 'on August 23rd, 1935', and that it had few such loans on its books on that date. However, as pointed out in the Board's letter, information in the Board's files indicated that the trust company had a number of such loans on its books at the end of 1933, and also in the first part of 1937, and the statement which you quote from the letter of the president

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"of the trust company does not indicate that at the time of the enactment of the Banking Act of 1935 the trust company had ceased making such loans, so as to make section 8A inapplicable.

"Accordingly, it appears from the information before the Board that the Clayton Act is now applicable to the above services of both Mr. Davis and Mr. Randall."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris  
Secretary.

Approved:

W. S. ...  
Chairman.