

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, September 2, 1937, at 2:30 p. m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. Davis

Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary

Consideration was given to each of the matters hereinafter referred to and the action stated with respect thereto was taken by the Board:

Telegram dated September 2, 1937, from Mr. Thomas, Chairman of the Federal Reserve Bank of Kansas City, stating that, for the reasons set forth in the telegram, the executive committee of the bank, under authority of the board of directors, had voted to establish a rate of $1\frac{1}{2}$ percent per annum on rediscounts of eligible paper for member banks and advances to member banks under the provisions of Sections 13 and 13a of the Federal Reserve Act and a rate of 2 percent on advances to member banks under the provisions of Section 10(b) of the Federal Reserve Act, effective the first business day following that on which approved by the Board of Governors, and to establish without change the other rates of discount and purchase in the bank's existing schedule.

The discount rate of $1\frac{1}{2}$ percent and the rate of 2 percent on advances under Section 10(b) of the Federal Reserve Act, established by the executive committee of the Federal Reserve Bank of Kansas City, were approved unanimously, effective September 3, 1937.

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The establishment by the bank without change of the other rates of discount and purchase in its existing schedule was also approved unanimously.

The reasons for approval by the Board of the reduced rates were the same as stated by the Board in connection with its approval on August 20, 1937, of rate reductions by the Federal Reserve Banks of Atlanta and Chicago.

Telegram dated September 2, 1937, from Mr. Sargent, Secretary of the Federal Reserve Bank of San Francisco, stating that the board of directors of the bank, at its meeting today, voted to establish, for the reasons set forth in the telegram, a discount rate of $1\frac{1}{2}$ percent per annum on rediscounts of eligible paper for member banks and advances to member banks under the provisions of Sections 13 and 13a of the Federal Reserve Act, effective September 3, 1937, and to establish without change the other rates of discount and purchase in the bank's existing schedule.

The discount rate of $1\frac{1}{2}$ percent established by the board of directors of the Federal Reserve Bank of San Francisco was approved unanimously, effective September 3, 1937.

The establishment by the bank without change of the other rates of discount and purchase in its existing schedule was also approved unanimously.

The reasons for approval by the Board of the reduced rate were the same as stated by the Board in connection with its approval on August 20, 1937, of rate reductions by the Federal Reserve Banks of Atlanta and Chicago.

In connection with the above actions there was presented a telegram from Mr. Broderick stating that he approved the reduced rates fixed

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by the boards of directors of the Federal Reserve Banks of Kansas City and San Francisco.

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

"Further reference is made to your letter of August 23, 1937, inclosing a copy of a letter from Mr. T. E. Ivey, Jr., Vice President of the California Bank, Los Angeles, California, inquiring whether the provisions of Regulation U, as amended to September 1, 1937, are applicable to a loan made by a bank prior to the enactment of the Securities Exchange Act of 1934, for the purpose of purchasing or carrying a stock which subsequently became a stock registered on a national securities exchange. Mr. Ivey asks whether the regulation should be regarded as not applicable in such a case because there were no stocks 'registered on a national securities exchange' prior to 1934.

"The regulation is applicable, with certain exceptions, to any loan initially made for the purpose of purchasing or carrying a stock 'registered on a national securities exchange', and the phrase quoted has reference to the present status of the stock. Accordingly, a loan for the purpose of purchasing or carrying a particular stock is for the purpose of purchasing or carrying a registered stock if that particular stock is now registered, and this would be true even if the stock was not registered at the time the loan was originally made, as would be the case if the loan had been made prior to the enactment of the Securities Exchange Act of 1934."

Approved unanimously.

Letter to Mr. McRae, Chief Examiner for the Federal Reserve Bank of Boston, reading as follows:

"This refers to your letter of July 9, 1937, inclosing a copy of a letter from Mr. R. B. Spear, Executive Vice President of the Depositors Trust Company, Augusta, Maine, submitting the question whether, under the Comptroller's regulations governing the purchase of investment securities, the amortization of bonds should be based upon the average cost of bonds of a given issue, or upon the specific cost of each lot of bonds of such issue held by the member bank.

"This matter was submitted by the Board of Governors

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"to the Comptroller of the Currency for an expression of his views thereon and there is inclosed herewith a copy of a letter from the Comptroller dated August 27, 1937, with reference to such question. It will be appreciated if you will bring the views expressed in the inclosed letter to the attention of the member bank."

Approved unanimously, together with a letter to the Presidents of all Federal reserve banks, reading as follows:

"There is inclosed herewith for your information a copy of a letter from the Comptroller of the Currency expressing his views upon the question whether the amortization of investment securities should be based on the average cost of bonds of a given issue or upon the specific cost of each lot of bonds of such issue held by a member bank."

Memorandum dated September 1, 1937, from Mr. Bethea submitting the following budget of expenditures estimated to be required for the operation and maintenance of the Board's new building during the four months ending December 31, 1937:

PERSONAL SERVICES

Salaries - See Exhibit 'A'	\$ 25,681.00
Retirement System Contribution for Current Service @ 5.2%	1,335.41

NON-PERSONAL SERVICES

Traveling Expenses	50.00
Postage and Expressage	50.00
Telephone and Telegraph (7 phones)	100.00
Printing and Binding	150.00
Stationery and Supplies - See Exhibit 'B'	1,650.00
Furniture and Equipment - See Exhibit 'C'	700.00
Books and Subscriptions	20.00
Light, Heat, Power and Water - See Exhibit 'D'	10,630.00
Repairs and Alterations to Building - See Exhibit 'E'	2,200.00
Rental and Repairs (Furniture and Equipment)	200.00
Miscellaneous - outside laundry, all licenses, permits and inspection charges	700.00
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	\$ 43,446.41"

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The memorandum stated that, in order that the Secretary's office might be in a position to authorize expenditures for the operation and maintenance of the building during the remainder of the year, within the limitations fixed by the proposed budget, without the necessity of submitting individual items to members of the Board for approval, it was recommended that the budget be approved.

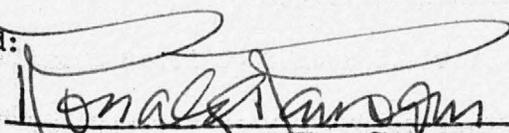
Approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Vice Chairman.