

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, October 10, 1939, at 2:15 p. m.

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

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

The action stated with respect to each of the matters herein-after referred to was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on October 7, 1939, were approved unanimously.

Letter dated October 9, 1939, to Mr. Young, President of the Federal Reserve Bank of Boston, prepared in accordance with the action taken at the meeting of the Board on October 6, 1939, reading as follows:

"Mr. Davis has brought to the attention of the Board your letter of October 2, 1939, in regard to the payment of the traveling expenses of representatives of member banks in attending the annual stockholders' meeting at the Federal Reserve Bank of Boston.

"In view of the long established practice of your Bank of paying such expenses, the relatively small amount involved, and the feeling of your directors that the meeting is beneficial to the relations of the Federal Reserve Bank with its member banks, the Board has decided to offer no objection to the practice of your Bank of paying the traveling expenses of one representative from each member

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"bank attending the annual stockholders' meeting of the Bank, which it is understood from your letter is in accordance with your request. The general question of policy involved in the Board's letter of December 8, 1938, is being reviewed for the purpose of determining what should be the position of the Board in these matters in future."

Approved unanimously.

Memorandum dated October 3, 1939, from Mr. Parry, Chief of the Division of Security Loans, reading as follows:

"On October 31, 1938, the Board approved a recommendation that the Board sponsor jointly with the SEC, in connection with a proposed revision of the SEC's reporting service, a preliminary Survey (to be conducted by the New York Stock Exchange) of trading 'on margin' and 'for cash' for a sample week in November. The principal purpose of the survey, as stated by the Exchange with the approval of the Board and the Commission, was

'to assist the authorities in deciding whether collection currently of similar but less detailed reports would be of sufficient value to justify the work involved -- and if so, in what degree of detail, at what intervals, and by what methods.'

"The Division of Security Loans, in collaboration with the Trading and Exchange Division of the SEC, participated in formulating the plans for this survey, made first-hand observations at the time of the survey on the amount of work which it occasioned for the Exchange and for the member firms, and has given careful study to the returns.

"A partial summary of these returns was included in 'Current Comments' for February 7, 1939, and a detailed summary of about 70 pages was subsequently prepared in the SEC's Trading and Exchange Division. For the information of the Board, copies of both these documents accompany this memorandum.

"The study of these data indicates quite clearly that the collection of 'similar but less detailed reports' would in fact be of substantial value both to the Commission and the Board. The principal value to the Board would be to

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"provide actual information, which could be used to replace current conjecture, concerning (1) increase or decrease from time to time in the relative volumes of cash trading and margin trading by the general public (which were in the sample week, as measured in dollars, 36 per cent in cash accounts and 64 per cent in margin accounts); and (2) whether, in any advancing or declining market, the preponderance of public buying or selling comes from margin traders or from cash traders (in the sample week, when prices were declining, the margin traders bought on balance about 370,000 shares while cash traders sold on balance).

"In recognition of the value of these data, as found by the Trading and Exchange Division of the SEC, the Commission has authorized that Division (provided the Board will give a corresponding authorization to its Division of Security Loans) to proceed jointly with us to negotiate with the New York Stock Exchange for the purpose of reaching an agreement with the Exchange, if possible, to collect weekly such of the figures included in the survey as may be agreed upon and to furnish them to the Commission and to the Board. At the time of the survey, the officials of the Exchange were very cooperative, but it is not known what attitude they would now take towards a proposal for regular weekly reports.

"The selection of items to be collected, which is one of the matters to be negotiated with the Exchange, would be determined partly with a view to the needs of the Commission and the Board and partly with a view to minimizing the amount of work members of the Exchange would have to do. It now seems, from the study given to the matter by the SEC and by ourselves, that reports containing as few as four captions and possibly as few as two would serve the purpose (see for illustration attached forms, of which Form A is somewhat more detailed than Form B, which have figures for the sample week inserted in ink).

"The Board is accordingly requested to authorize the Division of Security Loans to participate with representatives of the SEC in the proposed negotiations, the results to be reported back to the Board."

The recommendation was approved
unanimously.

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Thereupon the meeting adjourned.

Cheser Morrell
Secretary.

Approved:

W. S. ...
Chairman.