

FEDERAL RESERVE BOARD

121

WASHINGTON

X-8007

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

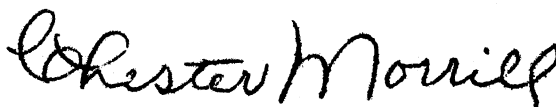
September 17, 1934.

SUBJECT: Section 32--Suggestions as to
Questionnaire to be Answered by
Member Banks Operating under
Blanket Permit.

Dear Sir:

There are inclosed for your information a copy of the body of a letter received from the office of the Federal Reserve Agent at the Federal Reserve Bank of New York, a copy of the form referred to therein, and a copy of the Board's letter to Mr. Case, relating to the obtaining of information from member banks regarding syndicate operations in which they participate pursuant to the blanket permit referred to in the Board's telegram of June 23, 1934 (Trans 2015).

Very truly yours,



Chester Morrill,
Secretary.

Inclosures.

TO ALL FEDERAL RESERVE AGENTS EXCEPT NEW YORK.

Following our telephone conversation, I am enclosing for your consideration a draft of a printed form which might be used to facilitate obtaining from member banks information desired in connection with Section 32 of the Banking Act of 1933.

In general, the questions appearing on this form follow those suggested in the Board's letter of July 17. I also enclose a copy of the circular letter which was sent to all member banks in this district, in accordance with the Board's letter of July 17. In compliance with this circular letter, we have already received some twelve or fifteen reports from member banks. These reports are not uniform in all cases, as to the information reported, manner of reporting and time as of which the report was made. It would materially facilitate our analysis of the information if the incoming reports were uniform as to period covered, the answers given and the size of paper used in reporting. In informal discussions with several of the important reporting banks, the latter have volunteered that a printed form would likewise facilitate them in furnishing the desired information.

From the discussions referred to, it appeared that certain of the questions enumerated by the Board might be slightly rephrased, to furnish a somewhat clearer picture of the underlying transactions. The questions, as phrased in the proposed printed form, met with the approval of the banks, who tell us that the answers can in every case be easily ascertained from their existing records with a minimum of effort.

You will note that in our proposed question No. 2, we have included the amount of participation of each syndicate member. This is readily obtainable from the copy of the syndicate letter which each participant receives.

In 2b we have provided for the name of the syndicate manager, in the event of any question arising upon which we might desire further information than that contained in the regular report.

2c would indicate relationship as to liability. Practically all syndicates originating in the East are so-called undivided syndicate accounts, that is, each participant is liable, not only for the sale of his own share of the account, but proportionately the unsold share of other participants. The more unusual divided account is one where the participant is responsible for the disposition of his participation only.

In our suggested question 3a, we have used the expression "withdrawn from the account", rather than the word subscribed, since it is the practice as regards municipal issues not to subscribe but to withdraw securities from the account only as they are actually sold. Hence this figure may be more or less than the actual amount of participation.

3b will indicate the amount of the issue apportioned to the reporting bank, in addition to what the bank itself took down from the account.

Question 4, I believe, is self-explanatory.

Question 5 should indicate the spread between purchase and sale price, indicating the approximate profit resulting from the transaction.

In 5b, provision is made for the average price to the public, because it sometimes happens that a proportion of the issue will be sold at one price and then, in order to move the balance, a price adjustment must be made.

As I say, we have discussed this informally and rather carefully with several banks who think well of it. If it meets with your approval, we should like to adopt it for the balance of the period during which the information will be coming in to us. If you have any questions regarding the use of the report, or the phraseology of the questions, I should be glad to try to answer them.

CORRESPONDENT RELATIONSHIPS BETWEEN MEMBER BANKS
AND DEALERS IN SECURITIES

Information to be Submitted to Federal Reserve Bank of New York
by Member Banks Operating Under Blanket Permit
(Section 32 of the Banking Act of 1933)

1. Description of issue, including name of the issuer, nature of the obligations (whether bonds, notes, or other obligations), amount of the issue, maturity, and rate of interest.
2. a) Names of members of the syndicate or group, including yourselves, which participated in the transaction, and amount of each member's original participation
b) Name of syndicate manager
c) Nature of relationship -
 Divided)
 Undivided) as to liability
3. a) Amount of the issue actually withdrawn from the account by the reporting member bank
b) Amount of the issue apportioned to reporting member bank on termination of the account
c) Amount of the issue otherwise acquired by the reporting member bank during the term of the account
d) Total of a, b, and c
4. a) The amount of the issue sold by the reporting member bank during the term of the account
b) The amount of the issue retained by the reporting member bank as investment
c) The amount of the issue held by the reporting member bank pending resale
d) Total of a, b, and c (Should equal 3d)
5. a) Purchase price paid to issuer of securities by the buying syndicate or group
b) Average offering price to public

(Please forward above information as of close of
account, as promptly as possible after its termination)

(Name of Bank)

(Official signature)

(Date)

September 17, 1934.

Mr. J. H. Case,
Federal Reserve Agent,
Federal Reserve Bank of New York,
New York, New York.

Dear Mr. Case:

In its letter of July 17, 1934 (X-7963), the Board described the information which should be submitted to you by each member bank in your district regarding each syndicate operation in which it participates pursuant to the blanket permit referred to in the Board's telegram of June 23, 1934 (Trans 2015). The Board also requested you to obtain such information in addition to that described in its letter as you may feel is necessary to enable you to form a conclusion as to whether or not the permit in each particular case is in the public interest.

Accordingly, the Board's letter of July 17, 1934, was not intended to prescribe rigidly the form of the questions which should be asked in connection with such syndicate operations, and the Board will offer no objection to the use by your bank of a questionnaire similar in form to that inclosed in Mr. Douglas' letter of August 23, 1934.

In view of the fact that there may be instances in which you will wish to obtain information other than that called for by the questionnaire, or at a time other than the closing of the particular account, you may find it desirable, in transmitting any revised questionnaire to the member banks in your district, to repeat the

substance of the last paragraph of your circular No. 1403, dated July 23, 1934, which reads:

"In its letter of July 17, 1934 the Board also requested me to obtain such additional information from a member bank as I deem advisable, if in any case I feel that the information submitted is not sufficient to enable me to form a conclusion as to whether or not the permit in the particular case is in the public interest."

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.