

Finance Prepares

Foreign Exchange Group To Act in Event Of War Emergency

Would Maintain Orderly Markets and Guard Against Bear Raiding in Currencies

Washington Machinery Ready

In both Washington and New York yesterday close inspection was made of machinery designed to protect the nation's economic structure from the shock of European war, if it comes.

The first and only extraordinary step yet taken in New York financial quarters was the formation of a Foreign Exchange committee to which was given the job of trying to maintain orderly markets and prevent bear raiding in currencies.

In Washington, the President said all was in readiness to protect the economic structure from shock; SEC Chairman Frank and Archie Lockhead, director of the Treasury's stabilization fund, hurried home from their vacations; acting Secretary of Treasury Hanes said adjustment of the dollar was not being considered despite break in pound sterling, and SEC Commissioner Eicher conferred with the President on ways to keep the markets open.

Wall Street began yesterday to put in concrete form preparations for any possible financial emergencies that might develop should war break out in Europe.

First definite step was the formation of a Foreign Exchange committee at the suggestion of the Federal Reserve Bank of New York. This committee, composed of representatives of those institutions interested in the foreign exchange market, will cooperate with the Reserve Bank and other governmental markets towards maintaining as orderly a foreign exchange market as possible.

The formation of the committee was the only extraordinary step yet taken in the financial district to offset the effects of possible war in Europe. Yesterday both the stock market and the government bond market, which had declined sharply Thursday, advanced on the day.

The general readiness of the financial machinery to meet any emergency was again emphasized from Washington, this time by President Roosevelt who said provisions had been made to meet any conceivable strain.

Would Guard Against "Raids"

A chief aim of the Foreign Exchange committee which it is hoped will be continued on a permanent basis, will be to eliminate unnecessary speculation. "Bear raiding" of currencies will be carefully guarded against.

Also under consideration is the formation of a general advisory or consulting committee to meet with Reserve Bank officials in connection with possible protective measures in case of war. Whether this committee actually will be formed was not finally decided last night. Names of prospective members were being received, however, from institutions which are parts of interested groups. The various groups which would be represented on such a committee, according to tentative plans, are commercial banks, private banks, savings banks, investment houses, Stock Exchange firms, and insurance companies.

Suggestions that these committees be formed were first made by George L. Harrison, president of the Federal Reserve Bank here, at a meeting of commercial bankers Thursday afternoon. It is pointed out that developments in the markets so far have not been such as to make such steps necessary. They are taken, rather, with the idea of being prepared for any eventuality. Although the committee was formed at the suggestion of the Reserve Bank head it is noted that there are no Reserve officials on the Foreign Exchange committee formed yesterday and there will be none on the other group if it comes into being. These

Please turn to page 2, column 2

Finance Prepares

Continued from First Page

groups would serve as liaisons between the money markets and the Reserve Bank and other interested Government agencies.

About a year ago there was formed a foreign exchange committee in London. The one here will serve much the same purpose.

Carrying on his policy of keeping in close touch with members of the financial community, Mr Harrison conferred yesterday morning with private bankers and investment houses and yesterday afternoon with savings bankers.

After the organization meeting of the Foreign Exchange committee late yesterday afternoon, R. F. Loree, vice president of the Guaranty Trust Co. who was elected chairman of the group, said that a meeting of all interested commercial, private and foreign banks would be held Monday afternoon to acquaint them with the work of the committee. J. C. Rovensky, vice president of the Chase National Bank, was elected vice chairman of the new exchange committee.

Almost a year ago, at the time of the Munich conference, and again this past spring, when Czechoslovakia was being taken over, leading bankers here were called in by the Federal Reserve Bank. This is the first time, however, that definite steps have been taken looking toward the protection of American markets.

Meanwhile, yesterday, New York Stock Exchange officials kept a close eye on market activities. The aim of these officials is to keep the market open in the event of a war outbreak. The first thought also is to keep the market unrestricted, according to a philosophy developed during the Munich period last fall, and if that is found impossible, perhaps to inaugurate minimum prices. These probably would be adjusted daily.

Formation of a Foreign Exchange Committee here is particularly welcomed by Reserve Bank officials since it provides a small group with which they can quickly get in touch when necessary. At certain times in the past year it has been necessary for such contact and it meant reaching a large number of interested people. The committee's formation will greatly simplify this situation.

For much the same reason a general advisory committee is being considered. To contact commercial bankers in New York alone would mean reaching more than a score of men and other groups of financial institutions have many representatives. Therefore, it is pointed out, it is desirable to have a committee to represent these groups of institutions and give advice should developments make it seem desirable.

One of the markets which had been under discussion at the Thursday meeting of the commercial bankers was that for U. S. Government securities. These obligations, which suffered substantial declines in light trading on Thursday were moderately higher yesterday. There were reports of Federal Reserve Bank open market purchases of Government bonds but it is understood that the Reserve account was not a substantial factor in yesterday's market. Turnover continued light.

Following are the members of the newly-formed Foreign Exchange committee, in addition to Chairman Loree and Vice Chairman Rovensky: Leo Shaw, vice president of the National City Bank; C. E. C. Freyvogel, vice president of Bankers Trust Co. and B. Hwoschinsky, vice president of the Central Hanover Bank & Trust Co.—all representing commercial banks; Knight Woolley of Brown Brothers, Harriman & Co., and I. C. R. Atkins of J. P. Morgan & Co., representing private bankers and investment houses doing a foreign exchange business; G. J. Stephenson of the Canadian Bank of Commerce, representing foreign banks; and Sidney J. Weinberg, representing Stock Exchange firms. The members were picked by the various institutions in their groups.