

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Thursday, February 23, 1933, at 11:35 a. m.

PRESENT: Governor Meyer
Mr. Hamlin
Mr. Miller
Mr. James

Mr. Morrill, Secretary
Mr. McClelland, Assistant Secretary
Mr. Harrison, Assistant to the Governor.

The Assistant Secretary presented the following recommendation adopted by the Federal Advisory Council at its meeting on February 21, 1933:

"The Federal Advisory Council is of the opinion that the list of loans made by the Reconstruction Finance Corporation may well be filed with the President of the United States and the chairman of the appropriate committee in each of the houses of Congress. As the object of these loans was and is to restore public confidence in the financial and industrial structure of the country, the Council believes that much of the good accomplished has been undone by the publication of the names of the institutions to which loans have been made. The Council believes that all such publicity is harmful and should cease."

Noted.

The following matters were then presented and acted upon by the Committee:

Telegram dated February 21, 1933, from the Chairman of the Federal Reserve Bank of Boston advising of the establishment by the Board of Directors of the bank, at its meeting on that date, of a minimum buying rate of 1/2% on bankers' acceptances and stating that no other change was made in the bank's existing schedule of rates of discount and purchase.

The Secretary was requested to advise Mr. Curtiss that it is understood that the action of the directors constitutes a ratification of the request made by the officers of the bank, after consultation with seven of the directors, that the

2/23/33

-2-

Federal Reserve Board approve a reduction in the minimum authorized rate for purchases of bankers' acceptances at the bank to $1\frac{1}{2}\%$, which approval was given in the Board's telegram to Governor Young of February 20.

There being no objection, the action of the directors in making no other change in the bank's existing schedule of rates of discount and purchase was noted with approval.

Letter dated February 21, 1933, from the Secretary of the Federal Reserve Bank of Kansas City advising of the establishment by the executive committee of the bank, effective February 20, 1933, of a minimum rate of $1\frac{1}{2}\%$ for purchases of bankers' acceptances.

Approved.

Reply on February 20, 1933, approved by three members of the Board, to a letter dated February 14, from the Chairman of the Federal Reserve Bank of Richmond inclosing a letter of the same date from Mr. Charles C. Reed, Class B director of the bank, in which the latter states that he proposes, subject to the approval of the Federal Reserve Board, to submit his resignation as Chairman of the Board of Supervisors of Chesterfield County, Virginia, effective in April, and to continue as a member of the board of directors of the Federal Reserve Bank of Richmond. The reply stated that the Board will interpose no objection to Mr. Reed continuing to serve as a Class B director of the bank, with the understanding that his resignation from the board of supervisors will be effective not later than April 30, 1933.

Approved.

Letter dated February 20, 1933, to the Federal Reserve Agent at Atlanta, approved by four members of the Board, referring to the recent

2/23/33

-3-

appointment of Mr. T. H. Broadus as acting assistant Federal reserve agent at the New Orleans branch and stating that since the Board's letter to the agent of February 6, 1932, plans have been worked out in connection with the appointment of acting assistant Federal reserve agents at branches of other Federal reserve banks which do not involve the appointment of a person not otherwise connected with the Federal reserve bank. The letter outlined the plans in effect at the Detroit branch and the branches of the Federal Reserve Banks of Cleveland and Dallas and suggested that the agent give consideration, before the termination of the three months period for which Mr. Broadus was appointed, to the feasibility of the adoption of such a plan at New Orleans in the event he should then feel that it would be advisable for him to continue to be represented by an acting assistant Federal reserve agent at the branch.

Approved.

Letters dated February 20, 1933, to the Chairmen of the Federal Reserve Banks of Boston, Philadelphia, Cleveland and Richmond, approved by three members of the Board, stating that as the members of the Board's staff of examiners who conduct examinations of Federal reserve banks are allowed, in accordance with the Government travel regulations, the actual cost of railroad and Pullman fares plus \$5.00 per day in lieu of actual subsistence expenses, it is felt that employees of the Federal reserve banks who are assigned to assist the Board's examiners in these examinations should be reimbursed on the same basis and the compensation paid such employees in addition to their regular salaries should be on a basis which takes into consideration variations in the number of days that they are

2/23/33

-4-

away from their official headquarters on account of this work, and that the Federal Reserve Board will reimburse the Federal reserve banks hereafter for the assistance of such employees on the following basis:

1. Railroad and Pullman fares from headquarters to place of examination and return.
2. Taxicab fares to and from railroad stations.
3. In lieu of actual subsistence expenses, \$5.00 per calendar day and \$1.25 for each quarter of a calendar day during the period of necessary absence from the city where the employee's official headquarters are located.
4. As compensation for the extra services rendered, in addition to their regular salaries, \$5.00 per day or fraction thereof, but in no case more than \$25.00.

The letters also outlined the procedure to be followed in billing the Board for the services of employees used in examinations and requested, in order that there may be no misunderstanding on the part of the employees concerned, that the agents inform each of such employees who may hereafter be utilized for such services in advance of his specific designation for any particular examination.

Approved.

Telegraphic reply, approved by five members of the Board today, to a telegram dated February 21, 1933, from the Governor of the Federal Reserve Bank of Boston requesting authority for the continuance, in the amount of \$7,000 now outstanding under the authority of the Board's telegram of November 23, 1932, at a rate of 5% per annum, and payable on demand, of the advance made by the bank to the Peoples National Bank, Southbridge, Massachusetts, in accordance with the provisions of section 10(b) of the Federal Reserve Act; Governor Young stating that while conditions are somewhat improved the bank is not in a position to fully

2/23/33

-5-

liquidate the advance at the present time, and that the board of directors of the Federal reserve bank, subject to the approval of the Federal Reserve Board, has authorized, for a period of 90 days from February 21, 1933, such advances as the member bank may require not to exceed a total of \$75,000, including the amount now outstanding, with interest at the rate of 5% per annum. The reply stated that the Board interposes no objection to the continuance of the outstanding advance subject to the terms and conditions recommended, and that in the event the advance is not fully repaid nor demand for payment made within 90 days from this date, the matter should again be presented to the Board with a statement of the conditions which, in the opinion of the Federal reserve bank, justify continuance of the advance without demand for payment. The reply also stated that the Board would be glad to give prompt consideration to the Federal reserve bank's request for authority for an additional advance, in accordance with the provisions of section 10(b), if and when such advance is requested by the member bank and upon receipt in connection therewith of a full statement of the facts and exigent circumstances requested in the Board's letter of March 10, 1932.

Approved.

Telegraphic reply on February 20, 1933, approved by five members of the Board, to a telegram of that date from Deputy Governor Rounds of the Federal Reserve Bank of New York requesting authority for an advance in accordance with the provisions of section 10(b) of the Federal Reserve Act to the Manville National Bank, Manville, New Jersey, in the amount of \$22,000, for a period of 90 days, with interest at the rate of 5% per

2/23/33

-6-

annum, and on the security of miscellaneous customers' collateral notes and unsecured notes with a margin of at least 25%; Deputy Governor Rounds stating that the bank desires the advance to meet anticipated further withdrawals of deposits. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended.

Approved.

Telegraphic reply on February 20, 1933, approved by five members of the Board, to a telegram of that date from Deputy Governor Rounds of the Federal Reserve Bank of New York requesting authority for the renewal in the reduced amount of \$15,000, for a period of 90 days from February 20, 1933, with interest at the rate of 5% per annum, of the advance made by the Federal reserve bank, in accordance with the provisions of section 10(b) of the Federal Reserve Act, to the Haledon National Bank, Haledon, New Jersey, under authority of the Board's telegram of December 29, 1932; Deputy Governor Rounds stating that the bank is not in a position to liquidate the advance at the present time. The reply stated that the Board authorizes the renewal of the advance subject to the terms and conditions recommended.

Approved.

Telegraphic reply on February 21, 1933, approved by five members of the Board, to a telegram dated February 20, from Deputy Governor Rounds of the Federal Reserve Bank of New York requesting authority for an additional advance, in accordance with the provisions of section 10(b) of the Federal Reserve Act, to the First National Bank and Trust Company, Yonkers, New York, in the amount of \$300,000, for a period of 90 days, with

2/23/33

-7-

interest at the rate of 5% per annum, and on the security of miscellaneous customers' collateral notes with a margin of at least 25%; Deputy Governor Rounds stating that the bank desires the advance to meet anticipated further withdrawals. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended.

Approved.

Telegraphic reply on February 21, 1933, approved by five members of the Board, to a telegram of that date from Deputy Governor Rounds of the Federal Reserve Bank of New York requesting authority for an advance, in accordance with the provisions of section 10(b) of the Federal Reserve Act, to the Metuchen National Bank, Metuchen, New Jersey, in the amount of \$14,000, for a period of 90 days, with interest at the rate of 5% per annum, and on the security of miscellaneous customers' collateral notes and unsecured notes with a margin of at least 25%; Deputy Governor Rounds stating that the bank desires the advance to meet anticipated further withdrawals of deposits. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended.

Approved.

Telegraphic replies on February 21, 1933, approved by five members of the Board, to telegrams dated February 20, from Deputy Governor Rounds of the Federal Reserve Bank of New York requesting authority for the renewal in the amounts of \$25,000 and \$10,000, each for a period of 90 days from February 21, 1933, with interest at the rate of 5% per annum, of the advances made by the New York bank, in accordance with the provisions of section 10(b) of the Federal Reserve Act, to the Labor National Bank,

2/23/33

-8-

Paterson, New Jersey, and the Atlanta National Bank, Atlanta, New York, respectively, under authority previously granted by the Board; Deputy Governor Rounds stating that the banks are not in a position to repay the advances at the present time. The replies stated that the Board authorizes the renewal of the advances subject to the terms and conditions recommended.

Approved.

Telegraphic reply on February 20, 1933, approved by five members of the Board, to a telegram dated February 19, from the Governor of the Federal Reserve Bank of Chicago requesting authority for an advance, in accordance with the provisions of section 10(b) of the Federal Reserve Act, to the Fletcher American National Bank, Indianapolis, Indiana, in the amount of \$1,100,000, to mature May 1, 1933, with interest at the rate of 5% per annum, and on the security of sundry bills receivable aggregating \$2,400,000; Governor McDougal stating that as a result of seasonal withdrawals of deposits the bank is in need of additional funds to meet anticipated further withdrawals. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended.

Approved.

Reply on February 20, 1933, approved by four members of the Board, to a letter dated February 9, from the Federal Reserve Agent at San Francisco reporting that the First National Bank, Morgan, Utah, was continuously deficient in its required reserves during the period of six months ending December 31, 1932. The reply stated that, in view of the information submitted, the Board will take no action in the matter at this time other than to forward copies of the agent's letter and inclosures to the

2/23/33

-9-

Acting Comptroller of the Currency for the information of his office.

Approved.

Letter dated February 20, 1933, to the Federal Reserve Agent at Chicago, approved by four members of the Board, stating that it appears from the analysis of report of examination as of September 26, 1932, of the Oak Park Trust and Savings Bank, Oak Park, Illinois, that the present practice of that institution of selling real estate mortgages, without having obtained the Board's approval, may be construed as being contrary to the spirit and purpose, if not an actual violation, of the general condition under which the bank was admitted to membership in the Federal Reserve System, and that the Board will be glad to receive an expression of the agent's views as to any action which can be taken appropriately at this time by the Board or the agent's office in connection with this particular activity of the institution. The letter also requested additional information with regard to the affiliated Oak Park Securities Company, and as to any further action which may be taken by the member bank toward an improvement of its unsatisfactory condition.

Approved.

Telegraphic reply on February 21, 1933, approved by four members of the Board, to a telegram of that date from the Federal Reserve Agent at San Francisco advising that the Valley Bank and Trust Company of Phoenix, Arizona, has requested permission to take over and merge with its Prescott branch the assets and deposit liabilities of the First National Bank in Prescott, Arizona. Mr. Newton stated that, while it is not certain that the transaction will be consummated, the Board's approval is desired so

2/23/33

-10-

that the banks will be in a position to act in case of necessity and that he recommends approval of the proposed transaction by the Federal Reserve Board. The reply stated that the Board does not feel that it can give final consideration to the matter on the basis of the limited information furnished in the telegram and in a telephone conversation of the Secretary of the Board with Assistant Federal Reserve Agent Sargent on February 21. The reply also called attention to the procedure outlined in the Board's letter of March 8, 1932, regarding a similar transaction in Colfax, Washington, and stated that it is assumed that the agent, in his contacts with the interests involved in the proposed transaction, will keep in mind the desirability, if feasible, of preserving the individual liability of the shareholders of the national bank and trusteeing the rejected assets for the benefit of the State member bank.

Approved.

Letter to the Federal reserve agents at all Federal reserve banks transmitting a copy of the Board's form B-15, "Computation of Reserve to be Carried with the Federal Reserve Bank by Member Banks", which is to take the place of the form St. 6059 inclosed with the Board's letter of January 21, 1929, which has been revised in accordance with the Board's recent ruling that certificates of deposit payable to other banks within 30 days are demand deposits within the meaning of section 19 of the Federal Reserve Act.

Approved.

Telegraphic reply to a letter dated February 20, 1933, from the Governor of the Federal Reserve Bank of New York stating that advice has

2/23/33

-11-

been received from the Bank for International Settlements that the Reichsbank has requested a renewal, for a further three months period, in the reduced amount of \$70,000,000, of the credit to that institution, and has asked the participants in the credit to reduce the rate of interest to 4% per annum for the period of the renewal; that under the terms of this request the Reichsbank would repay each participant in the credit \$4,000,000 on March 4; and that at the meeting of the executive committee of the Federal reserve bank on February 20, it was voted, subject to the approval of the Federal Reserve Board, to authorize the officers of the bank to arrange for the renewal of its participation in the credit for a period of not more than three months from March 4, 1933, in an amount not exceeding \$17,500,000 provided all other participants in the credit agree to do likewise. The letter also stated that the present proposal of the Reichsbank for a reduction of \$16,000,000 in the principal amount of the credit is in accord with the understanding of the participants at the time of the last previous renewal and with the view that the best interests of the Reichsbank and the German credit position as a whole will be served by expediting the liquidation of this obligation, and that in these circumstances the Federal Reserve Bank of New York is in favor of reducing the interest rate to 4% which would improve further the position of the Reichsbank. The reply stated that the Board interposes no objection to the action of the executive committee, it being understood that the renewal of the advance will be on the same terms and conditions as the last previous renewal with the exception that the rate of interest will be 4%.

Approved.

2/23/33

-12-

Telegram dated February 23, 1933, from the Federal Reserve Agent at Chicago stating that the bank moratorium in the State of Michigan has been extended, effective today, under modified terms proclaimed by the Governor of Michigan, which provide, among other limitations, that payments to depositors in either commercial or savings departments shall be limited in amount in the proportion which the total individual deposit bears to the cash on hand, reserves in banks, and United States bonds in each such department; that banking institutions may take new deposits which will be treated as trust deposits; and that there is to be opened in each institution a trust deposit department where such deposits shall be payable on demand without interest and held solely for repayment to such depositors. The telegram also stated that it is understood by the agent's office that it is discretionary with individual banks whether they reopen under the provisions of the modified proclamation or whether they continue the bank holiday.

Noted.

Governor Meyer stated that, following the issuance by the Governor of the State of Michigan of the proclamation above referred to, he called Governor McDougal of the Federal Reserve Bank of Chicago on the telephone and discussed with him the attitude of the bank toward the purchase of Government securities for its own account from member banks in the Detroit territory and any other parts of the district where it may appear that such action would be helpful to the member banks. Mr. Harrison then stated that Governor McDougal had just called again on the telephone and advised that the bank has about \$60,000,000 of short term Government securities, about

2/23/33

-13-

one-half of which mature in March, and that it is prepared to take about \$35,000,000 in addition, which if purchased would mean an increase at least temporarily in the bank's holdings of Government securities. Mr. Harrison stated that he inquired whether, if the bank makes additional purchases, it will allow the March maturities to run off and Governor McDougal advised that such would not necessarily be the case. He also advised, Mr. Harrison said, that the Federal reserve bank has not informed its member banks of its willingness to purchase Government securities from them, but that the bank's readiness to do so will be indicated whenever a member bank takes the matter up.

The Governor then presented a letter received this morning from the President of the United States requesting that he be advised by the Board as to whether it considers that the existing situation is one that has reached a public danger and whether it considers the Federal Reserve System can protect the public interest, or whether the Board considers any measures should be undertaken at this juncture and especially what, if any, further authority should be obtained.

There was discussion regarding the reply which the Board should make to the President's letter, but final action was deferred for a meeting tomorrow or Saturday, at which the Chairman of the Board can be present.

Mr. L. B. Williams, Deputy Chairman of the Federal Reserve Bank of Cleveland, then entered the meeting and at the request of the Board reviewed the most recent banking developments in the Cleveland district. He stated that the Governor of Ohio, upon the advice of bankers in the central and

2/23/33

-14-

southern part of the State who feel that they are in a position to meet any difficulty that might arise as a result of the situation which exists in Cleveland, was opposed to a moratorium in any form. He stated that the immediate cause of concern to the banks is the flight of deposit balances which have been maintained in the Cleveland institutions by outside depositors, there being no reason to believe that the withdrawal of such deposits will not continue. He added that consideration has been given to the possibility of having one of the large institutions taken over by another, but expressed the opinion that this would be a dangerous course to pursue.

He outlined briefly the activities of the Reconstruction Finance Corporation in connection with the situation and the extent to which further assistance may be rendered by the corporation. He also described briefly a moratorium plan which had been urged by himself and others for adoption in the State of Ohio.

Mr. Williams was called from the meeting and upon his return stated that he had just talked over the telephone with the Commissioner of Banking of the State of Ohio who reported that although the Clearing House Association had been in session all night no progress was made; that the Toledo, Columbus and Cincinnati bankers are still united in urging upon the Governor of the State not to declare a moratorium; and that the Governor is now considering a proclamation somewhat along the lines of the extended moratorium in Michigan, which would in fact permit the banks of the State of Ohio to take advantage of the moratorium or remain open.

2/23/33

-15-

At this point, the Governor received a call from the Chairman of the Committee on Banking and Currency of the House of Representatives to appear before the Committee this afternoon at 2:30 p. m. in connection with Senate Joint Resolution 256, which was passed by the Senate yesterday in the form approved by the Board on February 16, except that a proviso has been added to the effect that the Comptroller of the Currency shall not permit the establishment of branches by national banks except as authorized by existing law. It was the consensus of the members present that it would be desirable for Governor Meyer to attend the hearing in the interest of the prompt approval of the resolution by the House of Representatives.

Reports of Standing Committee dated February 21, 1933, recommending approval of the following changes in stock at Federal reserve banks:

<u>Applications for SURRENDER of Stock:</u>	<u>Shares</u>	
<u>District No. 6.</u>		
First National Bank, Maryville, Tenn. (Insolvent)	75	
Andalusia National Bank, Andalusia, Alabama. (Insolvent)	165	
First National Bank, Morristown, Tennessee. (Insolvent)	<u>120</u>	360
<u>District No. 7.</u>		
First National Bank, Algonac, Michigan. (Insolvent)	23	
National Exchange Bank, Waukesha, Wisconsin. (Insolvent)	180	
Center Line State Savings Bank, Center Line, Michigan. (Insolvent)	72	
Lincoln Park National Bank, Lincoln Park, Mich. (Insolvent)	75	
Liberty National Bank, Marine City, Michigan. (Insolvent)	<u>38</u>	388

2/23/33

-16-

<u>Applications for SURRENDER of Stock: (Cont'd)</u>	<u>Shares</u>	
<u>District No. 8.</u>		
First National Bank, Roodhouse, Illinois. (Insolvent)	45	45
<u>District No. 9.</u>		
First National Bank, Milton, North Dakota. (Insolvent)	19	19
<u>District No. 10.</u>		
First National Bank, Newkirk, Oklahoma. (V.L. Abs. by The Eastman National Bank of Newkirk, Oklahoma.)	20	20
<u>District No. 11.</u>		
First National Bank, Pleasanton, Texas. (V.L.Suc. by First National Bank in Pleasanton)	36	
First State Bank, Copperas Cove, Texas. (V.L.Abs. by First State Bank, Killeen, Texas, member)	<u>17</u>	53
<u>District No. 12.</u>		
First National Bank, Orland, California. (V.L.Abs. by Bank of America, San Francisco, Calif., nonmember)	39	
First National Bank, Heppner, Oregon. (Insolvent)	90	
Farmers & Stockgrowers National Bank, Heppner, Oregon. (Insolvent)	33	162
	<u>Total</u>	<u>1,047</u>

Approved.

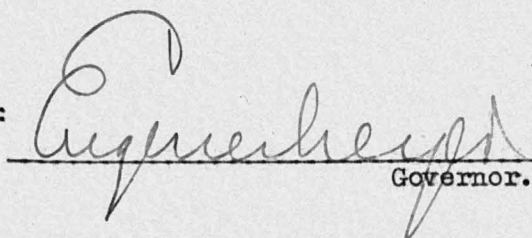
Report of Standing Committee dated February 17, 1933, recommending approval of the following Clayton Act application:

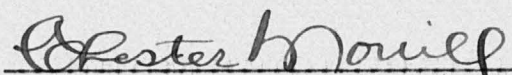
Mr. Hal Y. Lemon, for permission to serve at the same time as director of the Stock Yards National Bank of Kansas City, Missouri, and as director and officer of the Commerce Trust Company of Kansas City, Missouri.

Approved.

Thereupon the meeting adjourned.

Approved:


Governor.


Secretary.