

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Thursday, February 28, 1935, at 12:00 o'clock noon.

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

Mr. Morrill, Secretary
Mr. McClelland, Assistant Secretary
Mr. Harrison, Assistant to the Governor
Mr. Wyatt, General Counsel.

Governor Meyer stated that he had talked over the telephone with the Governors of all Federal reserve banks except San Francisco with regard to conditions in their various districts and that it would appear from the reports received that the situation on the whole is comparatively quiet and the public reaction to the unsettled banking conditions in certain sections of the country is encouraging.

He stated that Governor Harrison of the Federal Reserve Bank of New York had advised that there are \$50,000,000 of bills in the System account maturing tomorrow; that arrangements have been made to purchase tomorrow approximately \$15,000,000 of new bills and \$5,000,000 of Government securities with maturities of from fifteen to eighteen months and that \$10,000,000 of additional securities of the same maturities will be purchased if circumstances warrant.

Governor Meyer also advised that he had raised with Governor Harrison the question whether, in view of the speculation which apparently is going on in the New York market in foreign exchange, it would be desirable for the New York City clearing house banks to issue a statement that they will continue to supply all commercial requirements for future deliveries of foreign exchange on the usual nominal profit basis, but that they will

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not supply exchange to meet speculative demands. This action, the Governor said, should immediately suggest that there are plenty of funds available in the market for future contracts on a normal basis, that the present premiums are the result of speculation, and that such speculation is not justified on the basis of the commercial needs of the country.

Governor Meyer then stated that in response to his request of Governor Norris, the latter had sent him today a telegram quoting the resolution adopted by the Pennsylvania Legislature and signed by the Governor of the State last night. The resolution authorizes and directs the secretary of banking not to take possession of any banking institution under the supervision of the department of banking because of the decision of such institution not to meet in full its liabilities for deposits made prior to the passage of the resolution or prior to any future date fixed by such institution, provided it shall have accepted such terms as the secretary of banking shall have imposed, including the segregation of new deposits in a separate fund available for withdrawal without limitation by the depositors making such deposits and invested only in liquid assets.

The Secretary stated that Mr. H. F. Strater, Cashier of the Federal Reserve Bank of Cleveland had called him on the telephone and inquired whether the Federal Reserve Board would interpose any objection to the Federal reserve bank, because of the uncertain conditions and changes which are taking place in that district, taking action to suspend entirely for the present the interdistrict time schedule in connection with the collection of checks in the district. Mr. Wyatt called attention to the fact that Regulation J provides that the Federal reserve bank may, in its discretion,

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refuse at any time to permit the withdrawal or other use of credit given for any item for which the Federal reserve bank has not received payment in actually and finally collected funds, and he suggested that this power might be exercised by the bank as a method of meeting the situation, although the suspension of the interdistrict time schedule may prove to be the more practicable method.

The Secretary was requested to advise Mr. Strater that if it is not feasible to adopt the alternative suggested by Mr. Wyatt, the Board will give favorable consideration to a request from the bank for permission to suspend temporarily the interdistrict time schedule in the Fourth Federal Reserve District.

Mr. Miller stated that he feels that the Board should suggest to the Federal reserve banks in districts where bank moratoria and restrictions on payments of deposits are in effect, that they give careful consideration to the use of clearing house scrip by banks in the affected areas as a means of making the deposits available for use in the respective communities. The Secretary stated that a letter to all Federal reserve agents is being prepared and will be presented to the Board, transmitting copies of memoranda with regard to the use of clearing house scrip, prepared by Mr. Clarence E. Bacon, manager of the New York clearing house, and by a committee composed of Mr. H. F. Strater, Cashier of the Federal Reserve Bank of Cleveland, Mr. J. S. Walden, Controller of the Federal Reserve Bank of Richmond and Mr. John S. Sinclair, of counsel for the Federal Reserve Bank of Philadelphia, who were called to Washington by the Board a few days ago.

The Committee then considered and acted upon the following matters:

Letter dated February 27, 1933, to the Acting Comptroller of the

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Currency, approved by three members of the Board, stating that in accordance with the recommendation contained in his letter of February 21, 1933, the Board approves a salary at the rate of \$3,000 per annum for National Bank Examiner George J. Fitzgerald, assigned to the Seventh Federal Reserve District.

Approved.

Telegraphic reply, approved by five members of the Board today, to a telegram dated February 27, 1933, from Governor Young of the Federal Reserve Bank of Boston requesting authority to advance, in accordance with the provisions of section 10(b) of the Federal Reserve Act, to the Worcester Bank and Trust Company, Worcester, Massachusetts, not to exceed \$750,000, with interest at the rate of 5% per annum, payable on demand, and on the security of miscellaneous stocks and bonds with a market value of \$1,103,000; Governor Young stating that the advance is desired to meet large withdrawals of deposits. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended, and that in the event the advance is not repaid nor demand for payment made within 90 days from this date the matter should again be brought to the Board's attention with a statement of the circumstances which, in the opinion of the Federal reserve bank, justify the continuance of the advance without demand for payment. The reply also stated that it is understood that after completion of arrangements which are now pending for the rediscount of eligible paper for the bank, it will have an insufficient amount of eligible and acceptable assets to obtain needed accommodation at the Federal reserve bank.

Approved.

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Telegraphic reply on February 27, 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 Clinton Trust Company, Newark, New Jersey, in the amount of \$200,000, for a period of 90 days, with interest at the rate of 5% per annum, and on the security of miscellaneous customers' collateral notes with a margin of at least 25%; Deputy Governor Rounds stating that the bank has been subject to a severe drain and 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, approved by five members of the Board today, to a telegram dated February 27, 1933, from Deputy Governor Rounds of the Federal Reserve Bank of New York requesting authority for a renewal in the reduced amount of \$17,349 now outstanding, for a period of 90 days from this date, with interest at the rate of 5% per annum, of the advance 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, Paterson, New Jersey, under the authority of the Board's telegram of November 29, 1932; Deputy Governor Rounds stating that the conditions giving rise to the original loan have not shown any improvement. The reply stated that the Board authorizes the renewal of the advance subject to the terms and conditions recommended.

Approved.

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Telegraphic reply, approved by five members of the Board today, to a telegram dated February 28, 1933, 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 Orange National Bank, Orange, New Jersey, in the amount of \$30,000, for a period of 90 days, with interest at the rate of 5% per annum, and on the security of ineligible tax revenue notes of a local township with a margin of at least 25%; Deputy Governor Rounds stating that the bank desires additional funds to meet anticipated further withdrawals of deposits. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended.

Approved.

Replies on February 27, 1933, approved by four members of the Board to letters dated January 5 and February 16, 1933, from the Federal Reserve Agent at Atlanta and February 18, 1933, from Assistant Federal Reserve Agent Bailey at Minneapolis reporting, respectively, that the First National Bank, Russellville, Alabama, and the First National Bank of Canton, South Dakota, have been continuously deficient in their required reserves for six months or more. The replies 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 correspondence to the Acting Comptroller of the Currency for the information of his office. The letter to Assistant Federal Reserve Agent Bailey also suggested that, if he had not already done so, he consider the advisability of addressing a letter to each of the directors of the First National Bank of Canton pursuant to section IV(b) of the Board's Regulation D.

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Approved.

Letter dated February 27, 1933, to the Federal Reserve Agent at Philadelphia, approved by four members of the Board, referring to the contingent liability disclosed by a report of examination as of August 6, 1932, of the Citizens Bank and Trust Company, Middletown, Pennsylvania, on account of mortgage participations sold with its guarantee, and requesting that, as the transaction of such business may constitute a violation of the general condition under which the bank was admitted to membership in the Federal Reserve System, the agent advise as to the extent and over what period the trust company has sold such participations and the nature of its liability on the certificates sold, and that he give the Board an expression of his views as to any action which can be taken appropriately at this time in connection with the matter. The letter also requested advice from time to time of any correction or improvement in the criticized features of the trust company's condition as a result of Assistant Federal Reserve Agent Hill's letter to the institution on October 29, 1932.

Approved.

Letter dated February 27, 1933, to the Federal Reserve Agent at Richmond, approved by four members of the Board, referring to the analysis of report of examination as of November 14, 1932, of the Peoples Trust Company, Martinsburg, West Virginia, and requesting additional information with regard to the relationships of the member institution to the Shenandoah Valley Company, \$83,600 of the stock of which is held by the trust company. The letter also requested advice as to the action taken by the trust company in connection with the criticism of its dividend policy

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and the holding of five shares of its own stock as collateral to a loan, as well as to any improvement that may be made in other unsatisfactory features of its condition.

Approved.

Letter dated February 27, 1933, to the Federal Reserve Agent at Atlanta, approved by four members of the Board, referring to the analysis of report of examination as of November 12, 1932, of the Greenville Banking Company, Greenville, Georgia; stating that it is apparent that the requirements imposed by the State banking authorities and the improvements effected by the bank fall far short of correcting its unsatisfactory condition; and suggesting that the agent, if he has not already done so, consider the advisability of communicating with the State banking authorities or the directors of the bank with a view to obtaining further corrections, advising the Board of the results accomplished.

Approved.

Reply to a letter dated February 4, 1933, from Mr. Harold N. Graves, Executive Assistant to the Postmaster General, with regard to insurance fees paid by the Federal Reserve System on shipments of coin and of currency of the \$1, \$2 and \$5 denominations which are made by parcel post insured, and stating that it is believed that, for reasons outlined in the letter, the Post Office Department would be fully warranted in issuing an amended order requiring the payment of an insurance fee of 15 cents on shipments of coin and currency of the \$1 and \$2 denominations accepted as insured mail from the Treasury department and its branches or from the Federal reserve banks and their branches but accorded registry treatment, and to make it

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plain that the present maximum insurance fee of 35 cents is to be collected on such mailings consisting of currency of the \$5 denominations. The reply stated that the fees above referred to appear to be in accordance with the principle on which the department's order No. 5738 of December 16, 1919, was based, and accordingly the Board has no suggestions to make with regard thereto, although attention is directed to the letter addressed to the Postmaster General under date of August 12, 1932, expressing the view of the Board that the present registry surcharges on currency shipments are excessive and that the theory upon which they appear to be based is unsound when applied to the Federal Reserve System.

Approved.

Reports of Standing Committee dated February 25 and 27, 1933, recommending approval of the following Clayton Act applications:

Mr. J. Homer Jordan, for permission to serve at the same time as director and officer of the Continental-American Bank and Trust Company of Shreveport, Louisiana, and as director of the First National Bank of Shreveport, Louisiana.

Mr. W. H. North, for permission to serve at the same time as director of the First National Bank of Shreveport, Louisiana, and as director of the Continental-American Bank and Trust Company of Shreveport, Louisiana.

Mr. S. D. Hunter, for permission to serve at the same time as director of the Commercial National Bank in Shreveport, Louisiana, as director of the Continental-American Bank and Trust Company, of Shreveport, Louisiana, and as director of the City Savings Bank and Trust Company of Shreveport, Louisiana.

Mr. Val H. Murrell, for permission to serve at the same time as director and officer of the Commercial National Bank in Shreveport, Shreveport, Louisiana, as director and officer of the Continental-American Bank & Trust Company of Shreveport, Louisiana, and as director of the First National Bank of Longview, Texas.

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Mr. F. D. Lee, for permission to serve at the same time as director and officer of the Commercial National Bank in Shreveport, Louisiana, and as director and officer of the Continental-American Bank & Trust Company of Shreveport, Louisiana.

Mr. Sam Wiener, Jr., for permission to serve at the same time as director of the Commercial National Bank in Shreveport, Louisiana, and as director of the Continental-American Bank & Trust Company of Shreveport, Louisiana.

Mr. E. T. Robinson, for permission to serve at the same time as director of the Commercial National Bank in Shreveport, Louisiana, and as director of the Continental-American Bank & Trust Company of Shreveport, Louisiana.

Mr. O. G. Bell, for permission to serve at the same time as officer of the Commercial National Bank in Shreveport, Louisiana, and as director of the Rembert National Bank of Longview, Texas.

Mr. W. W. Fondren, for permission to serve at the same time as director and officer of the National Bank of Commerce of Houston, Texas, and as director of the San Jacinto Trust Company of Houston, Texas.

Approved.

Thereupon the meeting adjourned.

Chas. M. Moulton
Secretary.

Approved:

W. W. Fondren
Governor.