

A meeting of the Federal Reserve Board was held in Washington on Friday, March 3, 1933, at 12:00 o'clock, noon.

PRESENT: Mr. Mills, Chairman  
Mr. Meyer, Governor  
Mr. Hamlin  
Mr. Miller  
Mr. James

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

Governor Meyer stated that the board of directors of the Federal Reserve Bank of New York, at its meeting yesterday afternoon, voted to establish a rediscount rate of 3 1/2% on all classes of paper of all maturities, effective today, and that in accordance with the action of the Federal Reserve Board at the meeting yesterday, he had advised Governor Harrison of the approval of the rate by the Board.

The Assistant Secretary presented a letter dated March 2, 1933, from the Secretary of the Federal Reserve Bank of New York confirming advice of the action of the board of directors of the bank yesterday in establishing a rediscount rate of 3 1/2% on all classes of paper of all maturities, effective March 3, 1933, and stating that in accordance with the usual custom the rates for trade bills and repurchase agreements on Government securities were advanced to the discount rate. The letter also stated that the board of directors had voted to establish, effective from the opening of business on March 3, 1933, a minimum buying rate of 2 1/2% for the purchase of bankers' acceptances, at or above which currently effective minimum buying rates may be fixed by the officers of the bank.

The Secretary was requested to advise the Secretary of the Federal Reserve Bank of New York that the advance in the buying rates of the

3/3/33

-2-

bank for trade bills, and on Government securities under repurchase agreement, has been noted with approval by the Board, and that the minimum buying rate of  $2\frac{1}{2}\%$  established by the directors of the bank for the purchase of bankers' acceptances has been approved by the Board.

There was then presented a telegram dated March 3, 1933, from the Chairman of the Federal Reserve Bank of Chicago, stating that at a special meeting today the board of directors of the bank established a rediscount rate of  $3\frac{1}{2}\%$  on all classes of paper of all maturities, effective the first business day following that on which approved by the Federal Reserve Board.

The Secretary was requested to advise Mr. Stevens that the Federal Reserve Board approves for the Federal Reserve Bank of Chicago a rediscount rate of  $3\frac{1}{2}\%$  on all classes of paper of all maturities, effective March 4, 1933.

Attention was then called to the fact that, pending qualification of the Secretary of the Treasury designate as a member of the Board, a quorum of the Board might not be available over the weekend to take action in the event the board of directors of any Federal reserve bank other than New York and Chicago should make a change in its rediscount rate.

After discussion, the Governor, or in his absence, the Chairman of the Executive Committee, was authorized to approve, for and on behalf of the Board, increases in the rediscount rate up to a rate of  $4\frac{1}{2}\%$  at any Federal reserve bank, except New York and Chicago.

Reference was then made to the legislation which is being passed in various States restricting withdrawals of deposits from banks and providing for the segregation of new deposits with the understanding that they will be repaid in full on demand, and to the information which has come to

3/3/33

-3-

the Board that many banks are receiving amounts of currency in excess of their needs which they desire to deposit with the Federal reserve banks on condition that the latter will open separate accounts for this purpose; and the suggestion was made that, in order to encourage the deposit of currency with member banks which in turn would deposit it with the Federal reserve banks, the reserve banks should be advised that the Board believes that it is important that the Federal reserve banks cooperate with their member banks by opening separate accounts for this purpose under appropriate safeguards adopted with advice of counsel. Mr. Wyatt stated that he believes reasonable safeguards can be worked out to protect the interests of the Federal reserve banks in such transactions.

After discussion, the Secretary was requested to send a telegram to the Governor of each Federal reserve bank in accordance with the suggestion.

Governor Meyer reviewed briefly the information which has come to the Board by telephone reports and otherwise, with regard to the present banking situation in the different Federal reserve districts, currency and gold payments at the Federal reserve banks, and the reserve positions of the Federal reserve banks. He stated that Governor McDougal of the Federal Reserve Bank of Chicago, in a telephone report to Mr. Morrill this morning as to the conditions in that district, said that it was felt that the Federal Reserve Bank of Chicago has done as much as it can in assisting the New York and other Federal reserve banks.

The Board then considered and acted upon the following matters:

Telegrams dated March 2, 1933, from the Chairmen of the Federal Reserve Banks of Atlanta and San Francisco, advising of the establishment



3/3/33

-4-

at those banks on that date of the following schedule of effective buying rates on bankers' acceptances; the Chairman at San Francisco also advising that no change was made in the bank's existing rediscount rate of 3 1/2%:

1 to 90 days	2%
91 to 120 days	2 1/8%
121 to 180 days	2 1/2%
Repurchase	2%

Without objection, noted with approval.

Telegram dated March 3, 1933, from Deputy Governor Kenzel of the Federal Reserve Bank of New York, stating that as a result of further advances in dealers' bid and asked rates on bills, the Federal Reserve Bank of New York, as of the opening of business today, established the following schedule of effective buying rates on acceptances:

Bankers' Acceptances:

1 to 90 days	3 1/4%
91 to 120 days	3 3/8%
121 to 180 days	3 3/4%
Repurchase	3 1/4%

Trade Bills 3 1/2%

Without objection, noted with approval.

Telegram dated March 3, 1933, from the Secretary of the Federal Reserve Bank of Minneapolis, advising of the establishment at the bank on that date of the same schedule of buying rates on acceptances as was made effective at the Federal Reserve Bank of New York on that date and of the establishment today of the following schedule of effective buying rates:

Bankers' Acceptances:

1 to 90 days	3 1/4%
91 to 120 days	3 3/8%
121 to 180 days	3 3/4%
Repurchase	3 1/4%

3/3/33

-5-

Trade Bills

3 1/2%

Without objection, noted with approval.

Telegram dated March 3, 1933, from the Chairman of the Federal Reserve Bank of Richmond, advising of the establishment at that bank today of the following schedule of effective buying rates on bankers' acceptances:

1 to 90 days	3 1/4%
91 to 120 days	3 3/8%
121 to 180 days	3 3/4%

Without objection, noted with approval.

Telegraphic replies on March 2, 1933, approved by five members of the Board, to telegrams of that date from Deputy Governor Rounds of the Federal Reserve Bank of New York requesting authority for advances, in accordance with the provisions of section 10(b) of the Federal Reserve Act, to the First National Bank, East Rutherford, New Jersey, and the Federal Trust Company, Newark, New Jersey, in the amounts of \$95,000 and \$1,000,000, respectively, each for a period of 90 days, with interest at the rate of 5% per annum, and on the security described in the telegrams; Deputy Governor Rounds stating that the banks desire the advances to meet anticipated further withdrawals of deposits. The replies stated that the Board authorizes the advances subject to the terms and conditions recommended.

Unanimously approved.

Telegraphic replies on March 2, 1933, approved by five members of the Board, to telegrams of that date from Deputy Governor Rounds of the Federal Reserve Bank of New York, requesting authority for advances, in accordance with the provisions of section 10(b) of the Federal Reserve Act, to the National Newark and Essex Banking Company, Newark, New Jersey, and

3/3/33

-6-

the Merchants and Newark Trust Company, Newark, New Jersey, each in the amount of \$5,000,000, for a period of 90 days, with interest at the rate of 5% per annum, and on the security described in the telegram; Deputy Governor Rounds stating that the advances are desired by the banks to enable them to make advances to the Howard Savings Institution of Newark which is experiencing a run, it being anticipated that if a large amount of funds is needed the savings institution will arrange to obtain a loan from the Reconstruction Finance Corporation, from the proceeds of which it will retire the advances made to it by the member banks. The replies stated that the Board authorizes the advances subject to the terms and conditions recommended.

Unanimously approved.

Telegraphic reply to a telegram dated March 3, 1933, 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 National Chautauqua County Bank, Jamestown, New York, in the amount of \$300,000, for a period of 90 days, with interest at the rate of 5% per annum, and on the security of miscellaneous bonds with a margin of at least 25%; Deputy Governor Rounds stating that the bank is experiencing heavy withdrawals and is urgently in need of additional funds. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended.

Unanimously approved.

Telegram dated March 2, 1933, to the Governor of the Federal Reserve Bank of Richmond, approved by five members of the Board, authorizing an ad-



3/3/33

-7-

vance by that bank in accordance with the provisions of section 10(b) of the Federal Reserve Act to the American Bank and Trust Company, Richmond, Virginia, in the amount of \$250,000, with interest at the rate of 5% per annum, for a period of one day and to be renewed from day to day until the pending application of the bank for a loan from the Reconstruction Finance Corporation is approved. Mr. Morrill reported that Governor Seay had requested authority for the advance over the telephone and later had confirmed the request by wire, stating that the advance was to be secured by bills receivable with a total face amount of \$2,747,247.76 and that it was desired to enable the bank to meet the payment of its settlement yesterday in the local clearing house.

Unanimously approved.

Telegram dated March 2, 1933, to the Governor of the Federal Reserve Bank of Atlanta, approved by five members of the Board authorizing the bank to make an advance, in accordance with the provisions of section 10(b) of the Federal Reserve Act to the Fulton National Bank, Atlanta, Georgia, in the amount of \$2,500,000, with interest at the rate of 5% per annum, and payable on demand; and stating that in the event the advance is not repaid nor demand for payment made within 90 days from March 2, 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. Mr. Morrill reported that Governor Black had requested authority for the advance over the telephone and later had confirmed the request by wire, stating that the advance was to be secured by receivables, bonds and stocks with a margin

3/3/33

-8-

of 20%, and that it was desired by the bank to meet withdrawals of deposits.

Unanimously approved.

Telegraphic reply to a telegram dated March 3, 1933, from Governor Black of the Federal Reserve Bank of Atlanta, requesting authority for an advance, in accordance with the provisions of section 10(b) of the Federal Reserve Act, to the Trust Company of Georgia, Atlanta, Georgia, in the amount of \$5,000,000, with interest at the rate of 5% per annum, payable on demand, and on the security of stocks and bonds in the amount of \$6,000,000; Governor Black stating that the advance is desired by the bank to meet 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.

Unanimously approved.

Telegraphic reply on March 2, 1933, approved by three members of the Board, to a telegram of that date from Deputy Governor Rounds of the Federal Reserve Bank of New York requesting authority to purchase from the First National Bank, Perth Amboy, New Jersey, \$100,000 of tax notes of the City of Perth Amboy. The reply stated that the Board authorizes the purchase with the understanding that the notes meet all requirements of Regulation E except that the amount offered, together with \$375,000 of such notes now held by the New York bank, exceeds 25% of the total outstanding warrants



3/3/33

-9-

of the municipality.

Approved.

Telegraphic reply on March 2, 1933, approved by three members of the Board, to a telegram of that date from the Chairman of the Federal Reserve Bank of New York recommending approval of an application from the Marine Trust Company of Buffalo, New York, for permission to rediscount a 15-day note of the Buffalo Savings Bank in the amount of \$1,000,000 secured by \$1,200,000 par value of United States bonds; Mr. Case stating that because of banking conditions in the community it is believed to be important that the request be granted. The reply stated that the Board authorizes the Federal Reserve Bank of New York, in its discretion, to rediscount for the Marine Trust Company the note referred to.

Approved.

Telegraphic reply on March 2, 1933, approved by three members of the Board, to a telegram of that date from the Chairman of the Federal Reserve Bank of Kansas City, inquiring whether there is any objection to the bank's complying with a request from a State member bank to purchase from the State member bank, under a repurchase agreement, a substantial amount of Government securities and whether such securities may be used, if needed, as collateral for Federal reserve notes. The reply stated that the Board interposes no objection to the Kansas City bank acquiring Government securities on repurchase agreement from a State member bank, and that in the existing circumstances the Board will not object to the use of such bonds as collateral for Federal reserve notes, if the agreement with the member bank authorizes the Federal reserve bank to pledge the securities.

Approved.

3/3/33

-10-

Letter dated March 2, 1933, to the Acting Comptroller of the Currency, approved by three members of the Board, replying to his memorandum of February 20, 1933, recommending approval of the application of the First National Bank of Gibson, Gibson City, Illinois, for permission to reduce its capital stock from \$80,000 to \$50,000 and immediately thereafter to increase the capital stock to \$80,000 by the sale of new shares. The reply stated that the Board approves the reduction in capital stock under the plan submitted, subject to certain conditions set forth in the reply.

Approved.

Reply on March 2, 1933, approved by four members of the Board, to a letter dated February 2, from the Federal Reserve Agent at New York with regard to the syndicate arrangement between the Merchants and Newark Trust Company and J. S. Rippel and Company, Inc., involving the stock of the Firemens Insurance Company, and the heavy borrowings from the trust company of Mr. Rippel and his affiliations. The reply stated that the Board is entirely in accord with the criticism made by the examiner of such syndicate arrangements and feels that they should not be tolerated. The reply requested advice as to whether the syndicate arrangements were authorized by the board of directors of the trust company, and additional information with regard to the borrowings of Mr. Rippel; the agent also being requested to participate in the next examination of the trust company with a view to developing further information with regard to these matters, and, in the meantime, to make every effort to bring about a satisfactory correction of the criticized features of the company's condition.

Approved.

3/3/33

-11-

Letter dated March 2, 1933, to the Chairman of the Federal Reserve Bank of New York, approved by four members of the Board, referring to the expense report submitted by the bank for the month of December 1932, which discloses an expenditure of \$650 during the month for "outside services 1932"; and stating that although the Board is without definite advice in the matter, it is understood that this expenditure represents gifts to policemen, customs officials, express employees, etc., in appreciation of special services rendered during the year; that while the gifts undoubtedly were not made in consideration of or for any act or omission contrary to law, the making of such gifts might result in questions being raised under the provisions of section 1600 and 1601 of title 19 of the United States Code or the provisions of other State or Federal statutes which might appear to be applicable; and that in the circumstances, the Board feels that, if its understanding of the matter is correct, consideration should be given to the advisability of discontinuing the practice.

Approved.

Letter dated March 2, 1933, to the Federal Reserve Agent at Chicago, approved by four members of the Board, stating that the Board has carefully considered the statements contained in his letter of February 7, 1933, regarding securities held in safekeeping by the Federal Reserve Bank of Chicago for the account of certain corporations and individuals, and that the Board feels that under the law a Federal reserve bank is not warranted in holding such securities in safekeeping for such corporations and individuals, and in the circumstances, appropriate arrangements should be made for the termination of those custodies, with advice to the Board when



3/3/33

-12-

such custodies have terminated. The letter reviewed the consideration which was given to this matter by the Governors' Conference in 1927 and 1929, and to the bank's circular dated January 2, 1933, on the subject of safekeeping of securities which apparently contemplates that custody of securities deposited for safekeeping with the Federal reserve bank shall be confined to negotiable securities owned by member banks in the Seventh Federal Reserve District; and stated that it has been noted since the Board's letter of January 25, 1933, that the Federal reserve bank is holding securities in safekeeping in the amounts of \$17,723,744 which are pledged to other banks, receivers and public officials; \$5,000 to secure deposits by a receiver of a national bank with a nonmember bank; and \$850,420 for receivers of suspended banks. The agent was also advised that it will be appreciated if he will give the Board detailed advice as to the circumstances in each of these safekeeping transactions, together with a statement of the reasons which in his opinion justify the custody of securities by the Federal reserve bank in these cases.

Approved.

Reply on March 2, 1933, approved by four members of the Board, to a letter dated February 20, 1933, from Assistant Federal Reserve Agent Young at Chicago, inclosing a copy of a memorandum addressed to the Federal Reserve Agent under date of February 16, 1933, by Mr. F. R. Burgess, auditor of the bank, in regard to a discrepancy of \$3,000 Fourth Liberty Loan bonds in the collateral held for the Reconstruction Finance Corporation. The reply stated that it is difficult to understand why Mr. Burgess failed to mention this matter to Mr. Paulger, Chief of the Board's Division of

3/3/33

-13-

Examinations, when the latter was in Chicago on February 10 and 11, 1933, and that the Board feels that the investigation of the matter, referred to in Mr. Young's letter, should be pursued vigorously with the special purpose of ascertaining, if at all possible, the person responsible for the shortage and of preventing repetitions; in which connection the Reconstruction Finance Corporation should be invited to cooperate to the fullest possible extent. The reply also requested that the Board be advised fully as to the results of the investigation.

Approved.

Letter dated March 2, 1933, to Mr. John U. Calkins, Chairman of the Governors' Conference, approved by four members of the Board, referring to the action taken at the Governors' Conference during its meetings on November 15 and 16, 1932, with regard to the establishment of pension plans by Federal reserve banks, and to a supplementary report dated November 7, 1932, of the pension committee of the conference, referred to in the action of the Governors' Conference, which contains a recommendation that the Federal Reserve Board authorize the inauguration of a general retirement plan for the Federal Reserve System and that the operation of such plan be provided for under one of the following forms of organization: (1) a corporation organized by Special Act of Congress; or (2) a retirement corporation organized under the amendment to the insurance laws of the State of New York; or (3) a corporation organized under the laws of the District of Columbia; or (4) a board of trustees to be appointed by the Federal reserve banks, or otherwise, under the supervision of the Federal Reserve Board without incorporation; or (5) the purchase of retirement annuity insurance

3/3/33

-14-

from the company or companies with which the Federal reserve banks now carry their group life insurance, to be supplementary to such group life insurance. The letter stated that the Board feels that the establishment of a pension system by the Federal reserve banks would be desirable, and after giving careful consideration to the request of the Governors' Conference and the recommendations of the pension committee, is disposed, for reasons stated in the letter, to favor the procurement from an insurance company or companies, of retirement annuities for the personnel of the Federal reserve banks, if obtainable under satisfactory conditions and limitations at a reasonable cost. The letter also stated that the Board feels that the pension committee should be instructed to canvass the possibilities of negotiating with insurance companies for such annuities; that it would seem that negotiations on behalf of the twelve Federal reserve banks collectively might result in more advantageous terms than would be obtained if negotiations on behalf of any Federal reserve bank were conducted separately; that as a basis for such negotiations it would seem that a detailed description of the plan worked out by the committee should be submitted to insurance companies which have adequate resources and financial responsibility and satisfactory experience in providing retirement annuities for employees of other large corporations, consideration being given to the feasibility of obtaining competitive bids before entering into a contract; and that under such a plan the employees of each Federal reserve bank should be required to pay a certain reasonable proportion of the total premiums paid by the bank for the insurance, which should be based on the number, age, and compensation of its employees, and the benefits of the plan should be



3/3/33

-15-

limited to the personnel of the twelve Federal reserve banks and its operation confined to reasonable maximum salary rates and retirement annuities. The letter further stated that when the pension committee has inquired fully into the possibilities of proceeding along the lines suggested as to insurance companies and has formulated its views with respect to them, the Board will be pleased to give prompt consideration to its report, and that, if the committee should find that there is a reasonable prospect of obtaining retirement annuities on a satisfactory basis from reliable insurance companies, there should be attached to the report a detailed description of the plan in the form in which the committee would submit it to the companies as a basis for bids.

Approved.

Report of Standing Committee dated March 2, 1933, recommending approval of the following change in stock at a Federal reserve bank:

Application for SURRENDER of Stock:

Shares

District No. 11.

First National Bank, Albany, Texas. (Cons. of  
First National Bank and Albany National  
Bank of Albany, Texas)

54

54

Approved.

Thereupon the meeting adjourned.

Robert Morill  
Secretary.

Approved:

Augustus H. [Signature]  
Governor.