

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Tuesday, March 14, 1933, at 11:30 a. m.

PRESENT: 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.

There was presented a telegram dated March 13, 1933, from Mr. George DeCamp requesting that the Board accept immediately the resignation filed by him in his letter of January 3, 1933. Governor Meyer stated that, in accordance with the action taken at the meeting yesterday, he had discussed with Mr. L. B. Williams his appointment as Chairman and Federal Reserve Agent at the Cleveland bank and that Mr. Williams had stated that he would like to have Mr. DeCamp remain in the agent's department as an assistant to the Chairman until May 31, 1933. Mr. Williams also recommended, Governor Meyer stated, that Mr. E. S. Burke, Jr., be appointed as a class C director of the bank for the unexpired portion of the term ending December 31, 1935.

After discussion, the resignation of Mr. DeCamp was accepted effective at the close of business today; Mr. Williams was designated as Chairman of the board of directors and Federal Reserve Agent at Cleveland, effective March 15, 1933, with salary at the basic rate of \$30,000 per annum; and Mr. E. S. Burke, Jr., was appointed a class C director of the bank for the unexpired portion of the term ending December 31, 1935, effective upon his qualifying for the office.

The Secretary was also requested to advise Mr. Williams that the Board has no objection to the employment of Mr. DeCamp as assistant to the Chairman from March 15 to May 31, inclusive, and that the Board approves for Mr. DeCamp a salary at the basic rate of \$12,000 per annum.

Assistant Secretary McClelland was instructed to advise Mr. Williams by telephone that the question of the time and method of announcing the changes

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at the Cleveland bank would be left entirely to the discretion of Mr. Williams, with the suggestion, however, that when arrangements have been made to announce Mr. Williams' appointment at Cleveland he advise the Board so that appropriate announcement may be made here at the same time.

Governor Meyer reported to the Board the information received by him in telephone conversations with senior officers of the Federal reserve banks, regarding conditions in the respective Federal reserve districts incident to the reopening of banking institutions.

There was then presented a tentative draft of a proposed amendment to title II of the Emergency Banking Act of March 9, 1933, prepared by the Treasury, which would authorize Federal reserve banks to make advances to conservators of national banks to aid them in administering the affairs of the banks for which they are appointed. It was pointed out that such conservators have the same authority under the law to borrow from the Reconstruction Finance Corporation as receivers of national banks, and the members present expressed the opinion that the legislation is not only unnecessary but would be undesirable from the standpoint of public interest for the reason that the public would be quite likely to regard with suspicion loans by the Federal reserve banks against the assets of closed institutions and that the maintenance of confidence in the Federal reserve banks and in the currency they issue is essential to the success of a sound banking program. It was the consensus of the members present that the power which is now vested in conservators of national banks to borrow from the Reconstruction Finance Corporation should be availed of to the extent that needs develop for advances to such conservators.

Telegram dated March 14, 1933, from the Secretary of the Federal

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Reserve Bank of Minneapolis advising of the establishment at the bank today of the following schedule of effective buying rates on bankers' acceptances:

|                 |        |
|-----------------|--------|
| 1 to 90 days    | 3 1/2% |
| 91 to 120 days  | 3 5/8% |
| 121 to 180 days | 4%     |
| Repurchase      | 3 1/2% |

Without objection, noted with approval.

Telegrams dated March 14, 1933, from the Chairmen of the Federal Reserve Banks of Cleveland and Chicago advising of the establishment at those banks, subject to the approval of the Federal Reserve Board, of a rate of 4 1/2% on advances to individuals, partnerships or corporations on the promissory notes of such individuals, partnerships or corporations secured by direct obligations of the United States under the provisions of section 13 of the Federal Reserve Act as amended by section 403 of the Act of March 9, 1933.

The rates so established by the Federal Reserve Banks of Cleveland and Chicago were approved, effective today.

Memoranda dated March 9, 1933, from Mr. Paulger, Chief of the Division of Examinations, recommending that Mr. H. O. Koppang and Mr. R. B. Chamberlin, Assistant Federal Reserve Examiners, be designated as Federal Reserve Examiners with no increase in the salaries they are now receiving.

Approved, effective March 15, 1933.

Telegram dated March 14, 1933, from the Federal Reserve Agent at St. Louis, requesting approval of the appointment, as of March 15, 1933, of Mr. Walter A. Hombs as an examiner at the bank with salary at the rate of \$3,000 per annum. The reply stated that the Board approves the appointment as requested.

Approved.

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Telegram dated March 14, 1933, from the Federal Reserve Agent at Richmond requesting approval of the temporary appointment of Messrs. P. H. Eubank, Charles E. Register and J. Madison Macon as examiners at the bank with compensation at rates of \$125, \$150 and \$175 per month, respectively, and requesting approval of the authorization of Mr. R. H. Smart to assist in the examination of State banks. The reply stated that the Board approves the appointments and authorization as requested, it being understood that Mr. Smart is being temporarily loaned to the Federal reserve bank by the Reconstruction Finance Corporation without salary. The reply also requested advice as to the dates upon which he and the other appointees assume their duties and that there be forwarded to the Board for its records statements of their previous experience and qualifications.

Approved.

Telegraphic reply to a telegram dated March 14, 1933, from Deputy Governor Rounds of the Federal Reserve Bank of New York requesting authority to purchase from the Cranford Trust Company, Cranford, New Jersey, \$50,000 of tax notes of the Town of Cranford. The reply stated that the Board authorizes the purchase with the understanding that the warrants meet all requirements of Regulation E except that the amount offered, together with \$100,000 of such notes already held by the New York bank, exceeds 25% of the total warrants of the municipality outstanding.

Approved.

Telegraphic reply on March 13, 1933, approved by three members of the Board, to a telegram of that date from the Federal Reserve Agent at Dallas inquiring whether in determining the amount of depreciation on bonds of the Dallas Joint Stock Land Bank the examiners should be governed

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by the average price at which local sales of these bonds are known to have been made in recent months and whether the Board would require such depreciation to be charged off prior to admission to membership of a bank holding such bonds. The reply stated that in determining the depreciation existing in this class of bonds the examiners should be governed as in other cases by the current market value based on the best available quotations and that the Board feels that it cannot waive the requirement as to the charge off of depreciation on securities classified below the four highest grades, defaulted bonds, and stocks and securities not rated.

Approved.

Telegraphic reply to a telegram dated March 14, 1933, from the Governor of the Federal Reserve Bank of Kansas City, stating that the bank does not understand that it is required to make advances to individuals, partnerships or corporations on their promissory notes secured by direct obligations of the United States under the provisions of the last paragraph of section 13 of the Federal Reserve Act as amended by the Act of March 9, 1933, and inquiring if there is any objection to the bank obtaining a margin of approximately 10% on such advances. The reply stated that there is no requirement that the amount of an advance under the last paragraph of section 13 of the Federal Reserve Act as amended be equivalent to the par value of Government obligations securing it and that the matter is one for determination by the Kansas City bank.

Approved.

Telegraphic reply on March 13, 1933, approved by three members of the Board, to a telegram dated March 12, 1933, from the Governor of Virginia

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urging that the same facilities be made available as far as possible to nonmember banks as are made available to member banks, and particularly that member banks be permitted to rediscount at the Federal reserve bank paper pledged with them by, and paper which they may take from, nonmember banks. The reply stated that the Board has authorized Federal reserve banks until further notice to rediscount for member banks, with their indorsement, eligible and acceptable paper acquired from nonmember banks, when such action is advisable in the judgment of the Federal reserve bank and not in conflict with the President's proclamations or executive orders and regulations thereunder. The reply also stated that under the provisions of section 10(b) of the Federal Reserve Act as amended by the Act of March 9, 1933, Federal reserve banks may make advances in special circumstances to member banks upon the security of assets not eligible for rediscount by Federal reserve banks under other provisions of the law, when such member banks have no further eligible and acceptable assets available to enable them to obtain adequate credit accommodations through other methods provided by the Federal Reserve Act, and that the Federal Reserve Board is advising the Federal reserve banks that they may accept paper acquired from or indorsed by nonmember banks as security for such advances whether or not such paper is of the kinds eligible for rediscount by Federal reserve banks, provided such security is satisfactory and such action is advisable in the judgment of the Federal reserve banks and not in conflict with the President's proclamations or executive orders and regulations thereunder. The reply also called attention to the fact that under section 13 of the Federal Reserve Act as amended by the Act of March 9, 1933, any Federal reserve bank may make

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advances to nonmember banks on the promissory notes of such nonmember banks secured by direct obligations of the United States for periods not exceeding 90 days.

Approved.

Telegrams to the Federal reserve agents stating that the Federal Reserve Board has approved applications filed by the following State institutions for membership in the Federal Reserve System and for stock in the Federal reserve bank of their respective districts subject to certain conditions set forth in the telegrams:

| <u>Name of Bank</u>                                       | <u>Number of Shares</u> | <u>Federal Reserve Bank</u> |
|---|-------------------------|-----------------------------|
| Summit Trust Company, Summit,<br>New Jersey.              | 480                     | New York                    |
| Commerce Guardian Bank,<br>Toledo, Ohio.                  | 450                     | Cleveland                   |
| Amalgamated Trust and Savings Bank,<br>Chicago, Illinois. | 180                     | Chicago                     |
| California Bank, Los Angeles, Calif.                      | 4,020                   | San Francisco               |

Approved.

Telegram to the Federal Reserve Agent at Chicago stating that since the State Bank of Clearing, Chicago, Illinois, which has submitted an application for membership in the Federal Reserve System, has capital amounting to only \$100,000 while located in a city with population in excess of 50,000 inhabitants and counsel for the Federal Reserve Bank of Chicago advises that under Illinois law a State bank may not now be organized in Chicago, regardless of whether it is located in an outlying district thereof, with capital of less than \$200,000, the applicant does not have sufficient capital to make it eligible for membership under the provisions of section 9 of the Federal

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Reserve Act as construed in connection with requirements of the national bank act regarding capital required for organization of national banks.

Approved.

Telegraphic reply to a telegram dated March 14, 1933, from Assistant Federal Reserve Agent Bailey at Minneapolis stating that the Belgrade State Bank, Belgrade, Montana, and the Ravalli County Bank, Hamilton, Montana, request permission to withdraw from membership in the Federal reserve system immediately and that the executive committee of the Federal reserve bank requests that the immediate withdrawal of the banks be approved. The reply requested advice as to whether the banks have complied fully with all requirements of section 8 of Regulation H, whether the Federal reserve bank's counsel has passed upon the resolutions of the directors, the banks' reasons for desiring to withdraw, and a full statement of the reasons for the Assistant Federal Reserve Agent's recommendations.

Approved.

Telegram to the Governors and Chairmen of all Federal reserve banks, advising that the Board feels that every reasonable purpose would be served and a great deal of work and expense avoided if the Federal reserve banks discontinued wiring other Federal reserve banks the names of member and non-member banks in their respective districts which have been licensed to reopen and discontinued wiring the Board the names of nonmember banks reopened and, instead, each Federal reserve bank would print and mail not later than Thursday, March 16th, a list, arranged alphabetically by States and cities, of all member banks in its district licensed to reopen on Monday, Tuesday, and Wednesday and of all nonmember banking institutions licensed to reopen on such days so far as information with regard to them has been received

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from the respective state banking departments. The telegram suggested that each such list be prepared on paper of approximately the same size and in the same general form as the Board's par list, indicating the head office or branch zone, and that it contain a statement that it is a list of all banks which, according to advices received, have reopened but that it does not take the place of the par list; that State bank members be designated by an asterisk; that the Federal Reserve Board be furnished one hundred copies of such list and each other Federal reserve bank with a sufficient number of copies to mail a copy to each of its member banks; that such lists be forwarded to the Board and other reserve banks by air mail if this will expedite delivery; and that in order that the lists may be kept substantially up to date, for the time being supplements thereto be prepared as of each Wednesday beginning Wednesday, March 22, and mailed on Thursday, covering banks licensed to reopen during the week ending Wednesday, including also any changes in previous lists. The telegram also stated that the Board is advised that a number of the Federal reserve banks will forward to other Federal reserve banks all checks drawn on par banks in other districts received by them; also that some reserve banks have temporarily discontinued all direct sending privileges.

Approved.

The Assistant Secretary submitted a memorandum dated March 14, 1933, from the Board's chief telegraph operator stating that in order to take care of the increased volume of business going through the telegraph office it was necessary to employ today, two telegraph operators, S. B. Roberts and E. F. McCarthy, with compensation at the rate of \$.85 per hour and that their

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services will apparently be required tomorrow.

Upon recommendation of the Assistant Secretary, the temporary employment of the two additional operators in accordance with the memorandum was approved.

Thereupon the meeting adjourned and reconvened at 2:30 p.m.

Mr. Morrill reported that a few minutes after 1:00 o'clock this afternoon he was in the office of Under Secretary Ballantine and heard the latter portion of Mr. Ballantine's remarks in a telephone conversation which he was carrying on with the Director of the Budget, Mr. Lew Douglas, from which it appeared that there had been introduced by Senator Robinson, of Arkansas, a bill, No. S. 320, which had something to do with loans by the Federal reserve banks; that Mr. Ballantine knew nothing about the bill; that Mr. Morrill had not heard of it; that Mr. Ballantine told Mr. Douglas that he felt that when impending legislation having an important effect upon policies of the Treasury and the Federal Reserve Board was under consideration the Department and the Board ought to be consulted. Mr. Morrill reported that he immediately made inquiry of Mr. Wyatt regarding the bill and found that the legal department had no information concerning it and efforts were instituted at once to get a copy, which was finally obtained shortly after 2:00 o'clock through an examination of the Congressional Record. It was found that the bill was one which had been introduced by Senator Robinson, of Arkansas, on March 13 as No. S. 320, and reads as follows:

"A Bill to provide for direct loans by Federal reserve banks to State banks and trust companies in certain cases.

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"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title IV of the Act entitled 'An Act to provide relief in the existing national emergency in banking, and for other purposes', approved March 9, 1933, is amended by adding at the end thereof the following new section:

"Sec. 404. During the existing emergency in banking or until this section shall be declared no longer operative by proclamation of the President, but in no event beyond the period of one year from the date this section takes effect, any State bank or trust company not a member of the Federal reserve system may apply to the Federal reserve bank in the district in which it is located and obtain from said Federal reserve bank direct loans under the terms provided in section 10(b) of the Federal Reserve Act, as amended by section 402 of this Act; Provided, That all applications for such loans shall be accompanied by the written approval of the State banking department or commission of the State from which the State bank or trust company has received its charter and a statement from the said State banking department or commission that in its judgment said State bank or trust company is in a sound condition."

It appeared that none of the Board members present had heard anything about the bill and there ensued immediately a discussion of its effect, if enacted, upon the Federal reserve system. The view was expressed that such legislation is unnecessary because the Reconstruction Finance Corporation has ample authority to make advances to all kinds of banking institutions including nonmember State banks as well as State member banks and national banks; that it would be undesirable for the Federal reserve banks to enter into the field already occupied by the Reconstruction Finance Corporation as to nonmember State banks; that it would be unfair to the member banks of the Federal Reserve System, who were the sole owners of the Federal

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reserve banks and had contributed not only the entire capital but the bulk of the resources of the System, to use the resources of the Federal reserve banks for loans to nonmember State banks which had contributed nothing to the maintenance of the system but, in fact, had competed with it; that the Federal reserve banks possessed little or no information as to particular nonmember State banks and as a rule were completely out of touch with the financial condition of the individual banks; that reports of examinations of nonmember State banks by State banking authorities were not available to the Federal reserve banks; and that even if made available in many instances such reports would be out of date for periods up to a year or more, and often entirely inadequate in the amount of information provided. While the bill was under discussion Governor Meyer, in the presence of the other members, talked over the telephone with Senator Glass at about 3:45 p. m. and Senator Glass advised him that the bill had already passed the Senate.

Secretary Woodin was then requested to attend the meeting, which he did.

After further discussion, it was agreed that Governor Meyer and Mr. Miller should accompany Secretary Woodin to the White House for the purpose of conferring with the President and advising him of the views of the members of the Board regarding the undesirability of the enactment of the Robinson Bill.

Thereupon the meeting was adjourned.

Beginning at 9:30 p. m. Governor Meyer, Mr. Hamlin, Mr. Miller and Mr. James, together with Messrs. Harrison, Wyatt and Morrill, met pursuant to request sent out by Governor Meyer to all Board members earlier in the evening. Governor Meyer advised the other members that he had endeavored

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to arrange for the presence of Secretary Woodin but had been informed that on account of numerous telephone calls Secretary Woodin felt that he should remain in his office. Governor Meyer added that an invitation had been extended to Senator Glass to come to the meeting if he desired but Senator Glass had sent word that he was too tired to leave his hotel room and that he could be reached on the telephone or would be available for conference at the hotel, if desired. Governor Meyer reported that in accordance with the understanding with the other members of the Board at their meeting in the Governor's office this afternoon, Dr. Miller and he had participated in a conference at the White House regarding the Robinson bill, S. 320, and that among the others present were also Secretary Woodin, Senator Glass and Mr. Morrill. The members of the Board were informed that during the discussion at the White House Senator Glass indicated that by unanimous consent, although the bill had passed the Senate, its transmission to the House had been withheld, pending the introduction of a motion to reconsider. It was also stated that the President was informed as to objections which had been expressed by members of the Board to such legislation from the standpoint of the welfare of the Federal reserve system.

Governor Meyer said that during the discussion the President offered a number of suggestions as to safeguards which might be introduced into the bill and interlined some of these suggestions in a typewritten copy of the bill which he handed to Mr. Morrill just before the conference ended. Mr. Morrill then showed the members of the Board a copy of the bill with the changes interlined by the President and added that attention had been called to the fact that the bill did not provide for making notes acquired by Federal reserve banks under the Robinson bill eligible for security for Federal reserve notes or the new Federal reserve bank notes, and that as a result of the discussions Mr.

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Morrill had been requested during the conference to take the copy of the bill which had been handed him by the President and draw up amendments which would incorporate substantially the interlined suggestions of the President, together with a provision for eligibility of the notes acquired from the applicant banks as security for Federal reserve bank notes. Mr. Morrill reported that the President had stated that he desired that it be made clear that the making of loans should be discretionary with the Federal reserve banks and that the conditions under which the loans might be made should be safeguarded. Mr. Morrill added that upon his return from the conference he had gone over the matter with Mr. Wyatt and that Mr. Wyatt had drawn up a memorandum of changes which would carry out the suggestions discussed at the conference at the White House and also a revised copy of the bill incorporating these changes. Mr. Wyatt then distributed among the members of the Board present copies of the bill showing the changes, and the memorandum setting out each individual change, the bill and the memorandum reading as follows:

"73d Congress

S 320

## IN THE SENATE OF THE UNITED STATES

March 13, 1933.

Mr. Robinson of Arkansas introduced the following bill; which was read twice and referred to the Committee on Banking and Currency.

## A BILL

To provide for direct loans by Federal reserve banks to State banks and trust companies in certain cases.

BE IT ENACTED BY THE SENATE AND HOUSE OF REPRESENTATIVES OF THE UNITED STATES OF AMERICA IN CONGRESS ASSEMBLED, That title IV of the Act entitled 'An Act to provide relief in the existing national emergency in banking, and for other purposes', approved March 9, 1933, is amended by adding at the end thereof the following new section:

'Sec. 404. During the existing emergency in banking, or until this section shall be declared no longer operative by proclamation of the

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"President, but in no event beyond the period of one year from the date this section takes effect, any State bank or trust company not a member of the Federal reserve system may apply to the Federal reserve bank in the district in which it is located and ~~obtain from~~ said Federal reserve bank, in its discretion and after inspection and approval of the collateral and a thorough examination of the applying bank or trust company, may make direct loans to such State bank or trust company ~~direct loans~~ under the terms provided in section 10(b) of the Federal reserve act, as amended by section 402 of this Act: Provided, That all ~~All~~ applications for such loans shall be accompanied by the written approval of the State banking department or commission of the State from which the State bank or trust company has received its charter and a statement from the said State banking department or commission that in its judgment said State bank or trust company is in a sound condition. The notes representing such loans shall be eligible as security for circulating notes issued under the provisions of the sixth paragraph of section 18 of the Federal Reserve Act, as amended by section 401 of this Act, to the same extent as notes, drafts, bills of exchange, or bankers' acceptances acquired under the provisions of the Federal Reserve Act."

"AMENDMENT

"Intended to be proposed by Mr. Glass of Virginia to the bill (S. 320). to provide for direct loans by Federal reserve banks to State banks and trust companies in certain cases, viz:

On page 2, line 3 strike out the words 'obtain from.'

On page 2, line 4, after the word 'bank', strike out the words 'direct loans' and insert a comma and the words 'in its discretion and after inspection and approval of the collateral and a thorough examination of the applying bank or trust company, may make direct loans to such State bank or trust company.'

On page 2, line 6, change the colon to a period, strike out the words 'Provided, That all' and substitute the word 'All'.

On page 2, line 12, after the period and before the quotation marks, insert the following new sentence: 'The notes representing such loans shall be eligible as security for circulating notes issued under the provisions of the sixth paragraph of Section 18 of the Federal Reserve Act, as amended by Section 401 of this Act, to the same extent as notes, drafts, bills of exchange, or bankers' acceptances acquired under the provisions of the Federal Reserve Act.'"

During the course of the discussion some of the members of the Board pointed out that probably the Federal reserve banks were not aware of the pendency of the Robinson bill and expressed the opinion that, in view of its great importance to the system, they should be informed at once regarding its con-

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tents. Thereupon the Secretary was requested to send to the Chairmen and Governors of all Federal reserve banks and to all members of the Federal Advisory Council immediately a telegram with the following introduction: "The following bill, S. 320, passed the Senate today but transmittal to the House of Representatives has been withheld by unanimous consent pending a motion to reconsider", followed by a verbatim copy of the bill.

After considering the bill with the amendments suggested at the White House conference, various ideas as to the contents of a letter that might be written to Senator Glass or the President or both expressing the views of the Board were discussed by the Board members and Dr. Miller dictated the following as his suggestion as to the basic thought which should be incorporated in such a letter: "Such a law would be inadvisable and prejudicial to the best interests of the Federal reserve system and to the financial structure of the country on which the Federal reserve system has its foundation. We are of opinion that it should not be exposed to any further hazards." This idea met with the approval of the other Board members. Mr. James stated that he felt that the Board occupied a position of special responsibility as a trustee for the interests of the member banks who were the sole stockholders of the Federal reserve banks and that a protest should be made to the President and should be published. Governor Meyer stated that he felt that the objections to the bill had been made clear to the President by Senator Glass, Mr. Miller, and himself at the afternoon conference.

Later during the discussion Secretary Morrill was called from the room to answer a telephone call from Senator Glass. Upon Mr. Morrill's return to the room he informed the members of the Board that Senator Glass had referred to endeavors on the part of Senator Long, of Louisiana, to

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bring about action by Congress which would result in all State banks being admitted automatically to the Federal reserve system and Senator Glass' vigorous objection to such attempts, and that Senator Glass also referred to the Robinson bill and to the need for quick determination of the Board members' attitude toward it. Mr. Morrill reported that he advised Senator Glass that the appointive members of the Board were then meeting for the purpose of discussing it and that the suggestion had been made that a letter might be written to Senator Glass expressing their views regarding the Robinson bill and that Senator Glass said that he thought that such a letter would be very desirable and that he would be glad to receive it. In this connection Mr. Morrill said that Senator Glass stated that what he was afraid of was that the bill as passed by the Senate and to which he was opposed might be sent over to the House and that it might pass in its present form, that he would like to have in the morning a draft of the bill modified in accordance with the suggestions which had been made at the White House, and that he would also like to have copies of the modifications, so that he could give them to Congressman Steagall.

Following Mr. Morrill's report of his conversation with Senator Glass there was further discussion of the suggested changes in the Robinson bill and of the desirability of substituting for the Robinson bill a plan for making obligations of the Reconstruction Finance Corporation eligible for purchase by Federal reserve banks or as security for member bank notes in the same manner as bonds and notes of the United States Government under the Federal Reserve Act, and, in addition, the desirability of an amendment to the Reconstruction Finance Corporation Act along the lines of a bill introduced by Senator Robinson, of Arkansas, for the purpose of eliminating the

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present requirement of the law as to publicity for loans made by the Reconstruction Finance Corporation, which has been a serious embarrassment to banking institutions which have found it necessary to apply to the corporation for loans. In addition, there was discussed the idea of a further alternative, under which any State bank which desired to obtain a loan from a Federal reserve bank should first apply for membership in the Federal Reserve System, and that pending consideration of its application the Federal reserve bank might be permitted to rediscount paper for, or make loans to, such applicant under the same terms and conditions as for member banks, and the matter was discussed by Dr. Miller with Secretary Woodin in the latter's office.

It was suggested that Mr. Wyatt draft substitute bills covering these alternatives. This was done and the alternatives, which are quoted below, were carefully considered:

"AMENDMENT

"Intended to be proposed by Mr. Glass of Virginia to the bill (S. 320) to provide for direct loans by Federal reserve banks to State banks and trust companies in certain cases, viz:

On page 1, line 7, strike out everything after the words 'Sec. 404', through and including the word 'condition' at the end of line 12, page 2, and insert in lieu thereof the following:

'The Federal Reserve Banks shall have the same powers (1) to discount notes, drafts, and bills of exchange secured by obligations issued by the Reconstruction Finance Corporation, (2) to make advances to member banks on their notes secured by such obligations, (3) to use all paper and obligations so acquired, and (4) to purchase and sell such obligations, as they have with respect to bonds and/or notes of the United States.'

Add a new section to the bill to read as follows:

'Sec. 2. Subsection (b) of Section 201 of the Emergency Relief and Construction Act of 1932 is amended to read as follows:

'(b) The Reconstruction Finance Corporation shall submit monthly to the President and to the Senate and the House of Representatives, (or the Secretary of the Senate and the Clerk of the House of Representatives, if those bodies are not in session) a report of its activities and expenditures under this section and under the Reconstruction Finance Corporation Act.'

## "AMENDMENT"

"Intended to be proposed by Mr. Glass of Virginia to the bill (S.320) to provide for direct loans by Federal reserve banks to State banks and trust companies in certain cases, viz:

On page 1, line 7, strike out everything after the words 'Sec. 404', through and including the word 'condition' at the end of line 12, on page 2 and insert in lieu thereof the following:

'Any State bank or trust company which is not a member bank of the Federal Reserve System but desires to obtain loans from a Federal reserve bank, shall apply for membership in the Federal Reserve System in the manner prescribed by Sec. 9 of the Federal Reserve Act, and, immediately upon filing such application shall be entitled to all of the privileges of member banks and shall be subject to all the provisions of the Federal Reserve Act applicable to member banks: Provided, however, That, if such bank is not admitted to membership in the Federal Reserve System within six months from the date of the filing of such application, it shall no longer be entitled to any of the privileges of a member bank and shall no longer be subject to the provisions of the Federal Reserve Act regarding member banks: Provided, further, That this section shall become inoperative when the President by proclamation shall declare the termination of the present emergency and in no event later than one year from the date this section takes effect.'"

The view was expressed by some members of the Board that, if the Federal reserve banks are to make loans to nonmember banks, not only should the loans be made on the same terms and conditions as loans to member banks, but, in fairness to the latter, the nonmember banks should be required to comply with all the provisions of the Federal Reserve Act and the regulations of the Board, to maintain the reserves required of members by section 19 of the act, and to deposit with the Federal reserve banks sums equal to amounts they would have to pay on account of capital stock subscriptions if they were members. Mr. Wyatt stated that he had drafted a provision along this line which, if desired, could be added at the end of the Robinson bill. The provision read as follows:

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"During the time that such bank or trust company is indebted in any way to a Federal reserve bank it shall be required to comply in all respects with the provisions of the Federal Reserve Act applicable to member State banks and the regulations of the Federal Reserve Board issued thereunder, Provided, That in lieu of subscribing to stock in the Federal Reserve Bank, it shall, in addition to maintaining the reserve balance required by Section 19 of the Federal Reserve Act, maintain on deposit with the Federal Reserve Bank an amount equal to that which it would be required to pay on account of its subscription to such stock if it became a member bank."

Following these discussions, Dr. Miller left the meeting, and subsequently Governor Meyer was requested to bring to the attention of the Secretary the substitute relating to the Reconstruction Finance Corporation and the provision which would require nonmember banks receiving loans from the Federal reserve banks, as contemplated by the Robinson bill or any other similar measure, to comply with all the provisions of the Federal Reserve Act and regulations, including the maintenance of reserves, etc. A letter to Senator Glass was then drafted and approved by the remaining members, incorporating the idea which had been suggested by Dr. Miller, and was signed by Governor Meyer, with the understanding that he would deliver it to Senator Glass. The letter read as follows:

"Following the discussion this afternoon, the Bill S. 320 introduced by Senator Robinson of Arkansas, entitled 'A Bill to provide for direct loans by Federal reserve banks to State banks and trust companies in certain cases', was considered by the appointive members of the Federal Reserve Board, and we are unanimously of the opinion that such a law, even with the changes suggested during the discussion, would be highly inadvisable and prejudicial to the best interests of the Federal Reserve System and to the financial structure of the nation. We feel strongly that the System and the country should not be subjected to the hazards involved in the passage of the proposed legislation."

FRASER  
Reports of Standing Committee dated March 8, 10, 13 and 14, 1933,

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recommending approval of the following changes in stock at Federal reserve banks:

| <u>Applications for ORIGINAL Stock:</u>   | <u>Shares</u> |             |
|---|---------------|-------------|
| <u>District No. 5.</u>  |               |             |
| Baltimore National Bank, Baltimore, Maryland  | 2,400         | 2,400       |
| <u>District No. 7.</u>  |               |             |
| First National Bank, Stockton, Illinois.  | 18            | 18          |
|   | <hr/> Total   | <hr/> 2,418 |
| <br><u>Applications for ADDITIONAL Stock:</u>   |               |             |
| <u>District No. 1.</u>  |               |             |
| First National Bank, Brunswick, Maine.<br>(Increase in capital)                                   | 15            | 15          |
| <u>District No. 4.</u>  |               |             |
| Peoples National Bank, New Lexington, Ohio.<br>(Increase in surplus)                              | 4             |             |
| Farmers Bank & Savings Company, Pomeroy, Ohio.<br>(Increase in surplus)                           | <u>1</u>      | 5           |
| <u>District No. 12.</u>   |               |             |
| Northern California National Bank, Redding, Calif.<br>(Increase in surplus)                       | 1             | 1           |
|   | <hr/> Total   | <hr/> 21    |
| <br><u>Applications for SURRENDER of Stock:</u>   |               |             |
| <u>District No. 1.</u>  |               |             |
| Merchants National Bank, New Bedford, Mass.<br>(Decrease in surplus)                              | 1,050         |             |
| Worcester Bank & Trust Company, Worcester, Mass.<br>(Decrease in surplus)                         | 1,980         |             |
| Citizens National Bank, Tilton, New Hampshire.<br>(Decrease in surplus)                           | 10            |             |
| State National Bank, Windsor, Vermont.<br>(Decrease in surplus)                                   | <u>15</u>     | 3,055       |
| <u>District No. 4.</u>  |               |             |
| Lynch National Bank, Lynch, Ky. (Decrease in surplus)   | 13            |             |
| First National Bank, Natrona, Pa. (Decrease in surplus)   | <u>30</u>     | 43          |
| <u>District No. 6.</u>  |               |             |
| First National Bank, Opp, Ala. (Decrease in surplus)  | 30            |             |
| Louisiana National Bank, Baton Rouge, La.<br>(Decrease in surplus)                                | 60            |             |
| First National Bank, Elton, La. (Decrease in surplus)   | 1             |             |
| Hibernia Bank & Trust Company, New Orleans, La.<br>(Decrease in surplus)                          | 600           |             |
| First National Bank, Oberlin, La. (Decrease in surplus)   | 3             |             |
| First National Bank & Trust Co., Vicksburg, Miss.<br>(Decrease in surplus)                        | 180           |             |
| First National Bank, Longville, La. (V.L.Abs. by<br>Calcasieu National Bank in Lake Charles, La.) | 17            |             |
| First National Bank, Columbus, Ga. (Decrease in surplus)  | <u>30</u>     | 921         |

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| Applications for SURRENDER of Stock: (Cont'd)   |  | Shares       |              |
|---|--|--------------|--------------|
| <u>District No. 7.</u>  |  |              |              |
| Ridgely-Farmers State Bank, Springfield, Ill.<br>(Insolvent)  |  | 450          |              |
| Citizens National Bank, Winchester, Indiana. (V.L.Abs.<br>by Peoples Loan & Trust Company, nonmember)                         |  | <u>34</u>    | 484          |
| <u>District No. 8.</u>  |  |              |              |
| First National Bank, Oran, Mo. (V.L. terminal)  |  | 18           | 18           |
| <u>District No. 9.</u>  |  |              |              |
| Citizens & Security National Bank, St. James, Minn.<br>(Insolvent)  |  | 60           | 60           |
| <u>District No. 10.</u>   |  |              |              |
| First National Bank, Craig, Nebraska. (Insolvent)   |  | 21           |              |
| First National Bank, Madison, Nebraska. (Insolvent)   |  | 105          |              |
| First National Bank, Leigh, Nebraska. (Insolvent)   |  | <u>42</u>    | 168          |
| <u>District No. 11.</u>   |  |              |              |
| First National Bank, Post, Texas. (Cons. of First<br>National Bank of Post City and Citizens National<br>Bank of Post, Texas) |  | 33           |              |
| First National Bank, Thorndale, Texas. (V.L.Abs. by<br>Thorndale State Bank, Thorndale, Texas, nonmember)                     |  | 36           |              |
| Kerens National Bank, Kerens, Texas. (V.L.Suc. by<br>First National Bank of Kerens)   |  | <u>60</u>    | 129          |
| <u>District No. 12.</u>   |  |              |              |
| First National Bank, Oceanside, Calif. (Insolvent)  |  | 72           |              |
| California National Bank, Sacramento, Calif. (Insolvent)  |  | 1,500        |              |
| First American National Bank, Port Townsend, Wash.<br>(Decrease in surplus)   |  | 12           | 1,584        |
|   |  | <u>Total</u> | <u>6,462</u> |

Approved.

Thereupon the meeting adjourned.

Walter Merrill  
Secretary.

Approved:

C. J. [Signature]  
Governor.