

A meeting of the Federal Reserve Board was held in Washington on Thursday, March 16, 1933, at 5:30 p. m.

PRESENT: Mr. Woodin, 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

The Governor explained that the meeting had been called at the request of Mr. James to consider the following telegram received earlier in the afternoon from the Chairman of the Board of Directors of the Federal Reserve Bank of Dallas:

"Your confidential telegram trans 1672 was read to our board in session this morning. It is the unanimous thought of our Board that the passage of the Robinson Bill would be injurious to the Federal Reserve System and the country as a whole, and the members of the Board, collectively and individually, have a desire to protest against the passage of the bill if the Federal Reserve Board has no objection. They have in mind the adoption of a resolution urging defeat of the bill to be transmitted to you for such use as you might want to make, and in addition to that the several members of the Board would like to have the privilege of wiring their Senators and congressmen over the individual signatures expressing their opposition to the measure. However, no action whatever in this connection will be taken unless and until the Federal Reserve Board signifies it has no objection."

The Secretary of the Treasury stated that S. 320 in an amended form is now before the House of Representatives and in all probability will be acted on tonight. He said that amendments were under consideration in the House, all of which had previously been discussed by the members of the Board, and suggested that a reply be made to the telegram received from the Dallas bank that any action along the lines proposed by the directors should be deferred until tomorrow.

Governor Meyer pointed out that the board of directors of the Federal

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Reserve Bank of Dallas has been in session all day, that some of them are not residents of Dallas, and that apparently they are remaining in session awaiting a reply to the chairman's telegram to the Board.

Mr. James then moved that the Federal Reserve Board interpose no objection to the directors of the Federal Reserve Bank of Dallas taking such action in the matter as they deem appropriate in the circumstances.

During the discussion of the motion, Mr. Hamlin suggested that the power of general supervision over the Federal reserve banks vested in the Federal Reserve Board has never been construed to interfere with the right of directors of Federal reserve banks to express their opinions as to the effect of any proposed legislation upon their respective institutions.

Mr. Miller then moved, as a substitute for the motion by Mr. James, that the directors of the Federal Reserve Bank of Dallas be informed that the Federal Reserve Board advises against the course they have in contemplation.

A general discussion followed, during which the Secretary of the Treasury left the meeting to confer with Congressman Steagall, Chairman of the Committee on Banking and Currency of the House of Representatives who had previously sent word that he would like to see him. Shortly thereafter the Secretary of the Treasury sent word that he would like to have Mr. Morrill, Secretary of the Board, come to his office.

Mr. Hamlin then suggested that the Board address the following telegram to the Chairman of the Federal Reserve Bank of Dallas:

"While there is no authority in the Board to interfere with individual expressions of opinion on proposed legislation, the Board in response to your direct question feels that the action you propose to take is not advisable."

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Mr. James stated that he did not feel that he could vote in favor of the telegram proposed by Mr. Hamlin, but that he would be willing to be recorded as not voting in order that it could be transmitted as representing the view of the majority of the members of the Board.

Mr. Hamlin then left the meeting to consult with the Secretary of the Treasury regarding the form of telegram proposed by him with the inclusion therein of a statement showing that it was action taken by a majority vote, and upon his return reported that the Secretary of the Treasury asked to be recorded as favoring the proposed telegram as amended.

Mr. Hamlin then moved as an amendment to Mr. Miller's substitute motion that the following telegram be sent to the Chairman of the board of directors of the Federal Reserve Bank of Dallas:

"While there is no authority in the Board to interfere with individual expressions of opinion on proposed legislation, the Board, by majority vote, in response to your direct question feels that the action you propose to take is not advisable."

Mr. Hamlin's motion was then carried,
Mr. James not voting.

Mr. Morrill returned and said that he had been asked by Secretary Woodin to report to the Board what had occurred. Mr. Morrill said that Congressman Steagall was in the Secretary's office with a draft of the bill containing changes along the lines which have been discussed; that Mr. Steagall said that he had made a public statement that this proposed legislation would give to a nonmember bank exactly the same privileges of obtaining loans from Federal reserve banks as any member bank would have and that some one had raised the question whether he understood the bill clearly as it didn't seem to be that broad; that Mr. Steagall's attention had been directed to the reference in the bill to section 10(b) of the Federal

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Reserve Act and that it had been pointed out to him that under section 10(b) a member bank must have exhausted its eligible paper; and that it had been suggested that a nonmember bank to come in under the new bill would have to first exhaust its eligible paper and that no means were provided by which it could come in with eligible paper. Mr. Morrill said he called Mr. Steagall's attention to the language of the bill and pointed out that in that respect it was the same as the Robinson bill as originally introduced and that since under the Robinson bill a nonmember would come to the Federal reserve bank under the terms of section 10(b), it meant that it could do so under that bill only when it had exhausted its eligible paper. Mr. Morrill said that he pointed out, however, that under other provisions of the Federal Reserve Act a nonmember bank could come to a Federal reserve bank through a member bank with eligible paper under permission granted by the Federal Reserve Board or could borrow on such paper from a correspondent bank. Mr. Morrill added that Mr. Steagall said that upon the understanding of the bill which he had gotten from Senator Glass he believed it gave a nonmember bank all the privileges of a member bank, but Mr. Steagall was told by Mr. Morrill that so far as he had discussed the bill with Senator Glass, the latter seemed to be perfectly aware of the facts with reference to section 10(b). However, Mr. Morrill said that Secretary Woodin stated that he was not aware of that interpretation of the Robinson bill and as a result Congressman Steagall and Secretary Woodin decided to ask to see the President tomorrow morning to ascertain what his intention was and what he desired; that Mr. Steagall said that he wanted to do whatever the President desired; that Secretary Woodin also said that he had before him an additional paragraph which the President had approved, with some changes, which the

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President had asked to be added to the bill; and that Mr. Woodin had spoken to Senator Glass and had intended to speak to Congressman Steagall about it, but, realizing how extremely rushed the latter was, had not done so. Mr. Morrill said that, apparently, it was the paragraph which had been suggested as a desirable addition to require the applicant banks to comply with the conditions of the law with respect to member banks, and that the President had written on the side some changes. Mr. Morrill understood Secretary Woodin to say that the President wanted this paragraph added to the bill.

Governor Meyer stated that late yesterday afternoon Secretary Woodin had requested the assistance of Mr. Morrill and Mr. Wyatt, acting in the capacity of draftsmen, in rewriting the Robinson bill with proper safeguards and incorporating therein a provision which would give the obligations of the Reconstruction Finance Corporation the same status as Government obligations so far as the Federal reserve banks are concerned and a provision which would repeal the requirement with respect to publicity of the loans of the Corporation. He added that last night Mr. Morrill and Mr. Wyatt had drafted a bill, in the form of an amendment to the Robinson bill, and that copies of the bill had been furnished to the members of the Board. The bill is as follows:

"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 6, strike out the word 'section' and insert in lieu thereof the word 'sections'.

"On page 1, line 7, strike out everything commencing with 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:

"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 which desires to discount with or obtain advances from a Federal reserve bank but which is not a member of the Federal Reserve System, shall apply for membership in the Federal Reserve System in the manner prescribed by Section 9 of the Federal Reserve Act, as amended, and pending final action upon such application, the Federal reserve bank, subject to regulations prescribed by the Federal Reserve Board, may discount paper for and make advances to such bank or trust company on the same terms and conditions as it is authorized to discount paper for and make advances to member banks. Before any such discount or advance is made, the applying bank or trust company shall deposit with the Federal reserve bank in a special account the amount which it would be required to pay on account of its subscription to the capital stock thereof upon admission to membership in the Federal Reserve System; and, during the time that such bank is indebted in any way to the Federal reserve bank, it shall be subject to the provisions of the Federal Reserve Act and the regulations thereunder applicable to member banks. If the application of such State bank or trust company for membership be approved and it shall fail to complete its membership within the time prescribed therefor by the Federal Reserve Board, or if such application be disapproved, such bank or trust company shall not thereafter be entitled to any further privileges under this section; but, in either event, when all its indebtedness to the Federal reserve bank shall have been paid or provided for, such bank or trust company shall be entitled to the return of the amount deposited on account of its subscription to capital stock and to the return of all other moneys, securities and other property due to it or held for it by the Federal reserve bank. Under such regulations as the Federal Reserve Board may prescribe, the privileges afforded under this section to State banks and trust companies applying for membership in the Federal Reserve System may be made available to State banks and trust companies applying for conversion into national banking associations. Notes, drafts, bills of exchange and bankers' acceptances acquired by a Federal reserve bank under the provisions of this section 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.

"Sec. 405. With the view of facilitating the operations of the Reconstruction Finance Corporation, including the making of loans to State banks and trust companies which are not members of the Federal Reserve System, by increasing the marketability of the notes, debentures, bonds, and other such obligations of that corporation, which are unconditionally guaranteed by the United States, the Federal reserve banks shall have the same powers (1) to discount notes, drafts, and bills of exchange secured by such obligations, (2) to make advances to member banks on their notes secured by such obligations, (3) to purchase and sell such obligations, and (4) to use all paper and obligations so acquired, as they have with respect to bonds and notes of the United States.

"Sec. 406. Subsection (b) of Section 201 of the Emergency Relief and Construction Act of 1932 is amended by adding at the end thereof a new sentence reading as follows:

"The statement showing the names of borrowers shall be made available to the Committees on Banking and Currency of the Senate and House of Representatives, respectively, for their confidential information, and shall not be made public."

Governor Meyer stated that Senator Glass has a copy of the bill and that the ideas embodied in it, other than the provision relating to the Reconstruction Finance Corporation, seemed to appeal to him; that he (Governor Meyer) was inclined to feel that the bill was one that the Board would be justified in approving; and that he had discussed the matter fully with Mr. Ballantine, who had indicated that he would discuss it with Secretary Woodin.

Telegram dated March 16, 1933, from the Chairman of the Federal Reserve Bank of Atlanta advising of the establishment at the bank on that date 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.

Letter dated March 14, 1933, from the Secretary of the Federal Reserve Bank of Kansas City advising of the establishment at the bank on March 13,

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1933, 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%

Without objection, noted with approval.

Telegrams dated March 16, 1933, from the Chairmen of the Federal Reserve Banks of Richmond, Dallas and San Francisco, 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 established by the Federal Reserve Banks of Richmond, Dallas and San Francisco, were approved, effective March 16, 1933.

The above telegrams also advised of the establishment at the Federal Reserve Banks of Dallas and San Francisco of the following schedule of 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.

Telegram dated March 16, 1933, from the Chairman of the Federal Reserve Bank of Richmond advising that the board of directors of that bank had voted to establish a rate of 5%, subject to the approval of the Federal Reserve Board, on advances made under section 10(b) of the Federal Reserve Act as amended by section 402 of the Act of March 9, 1933.

The rate established by the Federal Reserve Bank of Richmond was approved, effective March 16, 1933.

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Telegram dated March 16, 1933, approved by four members of the Board, to the Federal reserve agents at all Federal reserve banks advising that the Acting Comptroller of the Currency has brought to the attention of the Board his telegram to the Federal reserve agents quoting instructions sent today to all Chief National Bank Examiners with regard to the handling of inquiries being received in connection with the proposed reorganization of national banks. The telegram stated that while the responsibility for the direction of reorganizations of national banks rests with the chief national bank examiners, and with the State banking authorities in the case of State banks, the Board feels it would be desirable for the Federal reserve agents to cooperate with the supervising authorities in such matters.

Approved.

Reply to a letter dated March 14, 1933, from the Secretary of the Federal Reserve Bank of Cleveland requesting approval of the salary of \$5,500 per annum fixed by the board of directors of the Cleveland bank, effective March 15, 1933, for Mr. E. A. Carter who was appointed Assistant Cashier of the bank as of that date. The reply stated that the Board approves the salary fixed by the board of directors of the Cleveland bank, and advised that it is understood that Mr. Carter's salary will be subject to deductions in accordance with and during the period of the share-the-work plan established by the board of directors of the bank.

Approved.

Letter dated March 15, 1933, from Deputy Governor Crane of the Federal Reserve Bank of New York, inclosing a copy of a telegram which was sent by the New York bank on that date to the Governors of the other Federal reserve banks regarding steps which were taken to carry out the control of foreign exchange transactions in the Second Federal Reserve District as contemplated by the Executive Order of March 10, 1933.

Noted.

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Reply to a letter dated March 3, 1933, from the Acting Comptroller of the Currency requesting approval by the Board of a salary of \$3,600 per annum for National Bank Examiner Clifton A. Poole, assigned to the Fifth Federal Reserve District; the reply advising that the Federal Reserve Board approves the salary recommended.

Approved.

Telegraphic reply, approved by four members of the Board, to a telegram of March 15, 1933, from the Federal Reserve Agent at New York requesting approval of the appointment of Messrs. S. G. H. Turner and Barton P. Turnbull as special advisers in the Federal reserve agent's department of the bank in connection with the reorganization of member banks, with salary at the rate of \$1,000 per month. The reply stated that the Board approves the salaries at the rate stated above and requested that the agent advise the Board when Messrs. Turner and Turnbull assume their new duties in the Federal reserve agent's department.

Approved.

Telegraphic reply to a telegram dated March 16, 1933, from the Federal Reserve Agent at Boston requesting approval by the Board of the appointment to the agent's examining staff for one month of Messrs. A. P. Noble, A. I. Shatswell, H. E. Brown, H. S. Lamprey, R. W. Marr, F. H. Shute, M. L. Hopkins and P. B. Hamel, with salary at the rate of \$400, \$400, \$180, \$180, \$180, \$135, \$202, and \$127 per month, respectively; the reply stating that the Board approves the appointments and salaries recommended, and requesting advice of the dates on which the several men assume their new duties and whether they are designated as examiners or assistant examiners.

Approved.

Telegraphic reply to a telegram dated March 16, 1933, from the Federal Reserve Agent at Chicago requesting approval by the Board of the

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temporary appointment as examiners of Messrs. B. K. Patterson, A. L. Wilson, E. R. Mauss, E. M. Joseph and Boyd Brown, with salaries within a range of from \$3,000 to \$6,000 per annum; the reply stating that the Board approves the appointments and salary range recommended, and requesting advice of the dates on which the respective appointees assume their new duties and at what salaries appointed.

Approved.

Telegraphic reply to a telegram dated March 16, 1933, from the Federal Reserve Agent at Kansas City requesting approval by the Board of the appointment of Mr. L. F. Mills as an examiner at the Kansas City bank; the reply stating that the Board approves the appointment recommended, with salary at the rate of \$2,700 per annum.

Approved.

Telegram on March 15, 1933, to the Governors of all Federal reserve banks, approved by four members of the Board, advising that the Federal Reserve Board feels that an advance to an individual, partnership or corporation under the provisions of the last paragraph of section 15 of the Federal Reserve Act, as amended by section 403 of the Act of March 9, 1933, should be made only by the Federal reserve bank of the district in which the principal place of business of such individual, partnership or corporation is located.

Approved.

Telegram to the Assistant Federal Reserve Agent at Minneapolis, referring to the applications for permission to withdraw immediately from membership in the Federal Reserve System filed by the Belgrade State Bank, Belgrade, Montana, the Ravalli County Bank, Hamilton, Montana, and the

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Miners Savings Bank and Trust Company, Butte, Montana; the telegram advising that the Board waives the usual requirement of six months notice and that, accordingly, upon surrender of the Federal reserve bank stock issued to these banks, the Federal Reserve Bank of Minneapolis is authorized to cancel such stock and make refund thereon.

Approved.

Telegrams to the Federal Reserve Agent at Chicago advising that the Federal Reserve Board has approved applications filed by the following state banks for membership in the Federal Reserve System and for stock in the Federal Reserve Bank of Chicago, subject to conditions set forth in the individual telegrams:

<u>Name of Bank</u>	<u>Number of Shares</u>
Sears-Community State Bank of Chicago, Illinois.	32
Boulevard Bridge Bank, Chicago, Illinois.	450

Approved.

Telegrams to the Federal Reserve Agent at Kansas City and to all other Federal reserve agents, advising that in view of the second sentence of section 303 of the Act of March 9, 1933, when read in connection with the first sentence of the tenth paragraph of section 9 of the Federal Reserve Act, unimpaired preferred stock of a State bank lawfully issued and outstanding may be included as capital of such bank in determining whether it has sufficient capital to entitle it legally to become a member of the Federal Reserve System. The telegrams also stated that even though the capital of the bank is legally sufficient, the Federal Reserve Board, in acting upon its application for membership, would take into consideration, among other things, whether the kinds and amount of its capital appeared to meet the

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needs of the bank under all the circumstances of the case.

Approved.

Telegram on March 15, 1933, to the Governors of all Federal reserve banks, approved by four members of the Board, referring to the Board's previous telegram of that date, trans. 1669, and advising that the Board feels it would be desirable to have the alphabetical list referred to therein prepared in three sections: (1) member banks licensed to resume banking operations; (2) nonmember banks licensed to resume banking operations without any restrictions other than those applicable to all banking institutions under the Executive Order of March 10, 1933; (3) nonmember banks licensed to resume banking operations under restrictions in addition to those applicable to all banking institutions. The telegram also suggested that the captions relating to nonmember banks should clearly indicate that the lists are based upon the best information obtainable by the Federal reserve bank to date.

Approved.

Telegram to the Governors of all Federal reserve banks stating that the office of the Comptroller of the Currency advises that, notwithstanding the appointment of a conservator for a national bank under the Bank Conservation Act, deposits received by such bank prior to the appointment of a conservator, in special trust accounts created under the provisions of Regulation No. 7 of the Secretary of the Treasury issued March 6, 1933, may be withdrawn upon demand without restriction or limitation to the full extent of the amount of cash, Federal reserve bank balances and proceeds of United States obligations in which such deposits have been kept separate or invested in accordance with the provisions of said Regulation No. 7.

Approved.

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Telegram to the Governors of all Federal reserve banks advising that in the Board's consolidated press statement of condition of the Federal reserve banks to be issued today the items "Special deposits-member bank" and "Special deposits-nonmember bank" will be inserted immediately preceding the item "Other deposits." The telegram also advised that in the Board's COND wire "Special deposits-member bank" will be designated by the code word COMB and "Special deposits-nonmember bank" by the code word CANE.

Approved.

Telegram to the Governors of all Federal reserve banks advising that in the Board's consolidated statement of condition of Federal reserve banks the item "Redemption fund - F. R. Bank notes" will be inserted following the item "Non-reserve cash," and that the item "F. R. bank notes in actual circulation" will be inserted following item "F. R. notes in actual circulation." The telegram also advised that in the Board's COND wire, the code word BIRD will be used to designate "Redemption Fund - F. R. bank notes" and the code word TINT to designate "F. R. bank notes in actual circulation."

Approved.

Telegram to the Federal reserve agents at all Federal reserve banks advising that no statements of condition of reporting member banks or of bank debits will be issued for the week ending March 15, 1933, but that figures should be collected if practicable as was done last week and furnished to the Board.

Approved.

Letter to the President of the First Federal Foreign Banking Corpora-

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tion, New York, New York, replying to his letter to the Board of March 11, 1933, advising that if a license to reopen for the performance of its usual banking functions should be granted to the corporation, steps would be taken promptly to call a special meeting of the stockholders of the corporation in order to take action to provide new funds for the corporation in an amount sufficient to restore its capital to \$2,000,000 and to provide a reserve for losses of at least \$200,000, or, in the alternative, to liquidate the corporation; the Board's reply stating that in the light of the above statements the Board has brought the matter to the attention of the Secretary of the Treasury, who has amended his regulation No. 22 so as to authorize corporations organized under the provisions of section 25(a) of the Federal Reserve Act to open and perform their usual banking functions, subject to certain restrictions stated therein. The letter requested that the Board be advised promptly of the date set for the special meeting of the stockholders of the corporation at which action is to be taken upon the questions stated above.

Approved.

Letter to Honorable Harold Ickes, Secretary of the Interior, replying to a letter addressed to the Board under date of March 3, 1933, from the then Secretary of the Interior, requesting the Board's views with respect to a bill that Senator Gore of Oklahoma proposes to introduce, which, if enacted into law, would exempt from the reserve requirements imposed by section 19 of the Federal Reserve Act, as amended, deposits of Indian funds made with member banks of the Federal Reserve System in all cases where such deposits were secured by a pledge of United States bonds. The letter to Secretary Ickes quoted certain views contained in the report of the committee

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on bank reserves of the Federal Reserve System with regard to reserves on United States Government deposits, and stated that, for the same reasons, the Board is of the opinion that Indian funds secured by the pledge of United States bonds should not be exempt from reserve requirements.

Approved.

Memorandum dated March 14, 1933, from the Board's General Counsel recommending that the Board's subscription to the congressional service regarding banking and currency matters furnished by the Corporation Trust Company at the rate of \$100 per session of Congress, be renewed for the present session of Congress which commenced on March 9, 1933.

Approved.

Reports of Standing Committee dated March 15 and 16, 1933, recommending approval of the following changes in stock at Federal reserve banks:

<u>Applications for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 11.</u>		
City National Bank in Wichita Falls, Texas.	240	
First National Bank in Mt. Calm, Texas.	18	
Citizens National Bank in Ennis, Texas.	<u>30</u>	288

Approved.

Thereupon the meeting adjourned.

Walter M. Howell
Secretary.

Approved:

W. M. Howell
Governor.