

A meeting of the Federal Reserve Board was held in Washington on Friday, March 17, 1933, at 11:30 a. m.

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

At the request of the Secretary of the Treasury the Board went into executive session, following which Messrs. Morrill, McClelland, Harrison and Wyatt of the Board's staff were called into the meeting.

Secretary Woodin said that he felt that in view of the fact that the Federal reserve banks had been advised of the letter to Senator Glass regarding the Robinson bill they should be advised also of the action taken at this meeting.

A discussion ensued as a result of which it was voted, upon motion of Mr. James, "that the revised bill as presented by the Secretary of the Treasury should be transmitted to all Federal reserve banks with a statement of the action taken by the Board."

Mr. Hamlin then read the following statement of the action taken:

"The Secretary of the Treasury explained to the Board the present status of the proposed legislation and after discussion the Board voted that it is prepared to accept the bill as presented by the Secretary."

Thereupon Mr. James moved that the statement be amended to include the words "and approve"; Mr. Hamlin accepted the amendment; and the Board approved the statement as thus amended.

The Board then instructed its Secretary to transmit the following telegram to all Federal reserve banks:

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"Referring Trans 1667 and Trans 1672 the Secretary of the Treasury has submitted to Federal Reserve Board following proposed revision of S. 320:

QUOTE 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 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 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 under the terms provided in section 10 (b) of the Federal Reserve Act, as amended by section 402 of this Act: Provided, that loans may be made to any applying non-member State bank or trust company upon eligible security. 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.'

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 to 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 maintain the

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reserve balance required by section 29 of the Federal Reserve Act during the existence of such indebtedness.

NOTE: Attention has been called to the fact that where section 29 of the Federal Reserve Act is referred to in the bill, reference was probably intended to section 19 of the Federal Reserve Act UNQUOTE

In the light of circumstances explained to the Board by the Secretary of the Treasury in connection with the present status of the proposed legislation the Board voted that it is prepared to accept and approve the bill as presented by the Secretary."

Governor Meyer said that the Secretary of the Treasury had stated that the President will write a letter to the Board that the intent of this measure is that only sound institutions shall be aided and maintained through the facilities afforded by the measure.

The Board then considered and acted upon the following matters:

Letter dated March 16, 1933, from the Secretary of the Federal Reserve Bank of New York advising that at the meeting of the board of directors on that date no change was made in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Letter dated March 17, 1933, from Deputy Governor Kenzel of the Federal Reserve Bank of New York, advising of the establishment at that bank today of the following schedule of effective buying rates on acceptances:

Bankers' Acceptances:

1 to 90 days	3%
91 to 120 days	3 1/8%
121 to 180 days	3 1/2%
Repurchase	3%

Trade Bills	3 1/2%
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Without objection, noted with approval.

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Telegrams dated March 17, 1933, from the Chairmen of the Federal Reserve Banks of Richmond and Chicago advising of the establishment at those banks today of the following schedule of effective buying rates on bankers' acceptances:

1 to 90 days	3%
91 to 120 days	3 1/8%
121 to 180 days	3 1/2%

Without objection, noted with approval.

Letter dated March 13, 1933, from the Chairman of the Federal Reserve Bank of Boston and telegram dated March 17, 1933, from the Chairman of the Federal Reserve Bank of San Francisco, advising that the Boards of directors of the banks had voted on those dates 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 rates established by the Federal Reserve Banks of Boston and San Francisco were approved, effective March 17, 1933.

The letter from Mr. Curtiss also stated that the Board of Directors of the Federal Reserve Bank of Boston on March 13, also voted to establish, subject to the approval of the Board, a rate of 5% on advances to individuals, partnerships and corporations on the notes of such individuals, partnerships, and corporations, secured by direct obligations of the United States, under section 13 of the Federal Reserve Act as amended by section 403 of the Act of March 9, 1933.

The Assistant Secretary reported that during a telephone conversation Mr. Curtiss advised him that the above action was taken by his board of

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directors in view of the Board's telegram of March 10, 1933 (Trans 1613) but that before or at the time of any advances under section 13, as amended by section 403 of the Act of March 9, 1933, a rate of 4 1/2% will be established thereon, which is the rate being established at all other Federal reserve banks.

Accordingly, no action was taken by the Board on the rate of 5% established by the Boston directors.

Telegram dated March 17, 1933, from Mr. L. B. Williams, advising that his designation as Chairman of the board of directors and Federal Reserve Agent at the Federal Reserve Bank of Cleveland, the appointment of Mr. E. S. Burke, Jr., as Class C Director of the bank, and Mr. Burke's appointment as Deputy Chairman of the board of directors, will be released to the afternoon papers today.

The Board also authorized the release of a statement to the press.

Telegram dated March 16, 1933, to the Federal reserve agents at all Federal reserve banks stating that, in any case where it appears necessary or desirable for the Board to act expeditiously on an application for fiduciary powers received from a national bank newly organized or proposed to be organized to take over the business of a State institution or another national bank exercising trust powers, the agent should obtain from the chief national bank examiner of the district in which the bank is located or other reliable sources and forward to the Board promptly certain information outlined in the telegram and a copy of the report of any preliminary examination of the applicant which may have been made which the Board should have to enable it to act in the premises. The telegram stated

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that if the old institution is not a national bank such information on these points as the agent may be able to develop from the State Banking Department, or other reliable sources, should be obtained, and any other pertinent facts which may be of value to the Board in determining the qualifications of the applicant for the exercise of trust powers and adequacy of the safeguards surrounding trusts committed to its care. The telegram further stated that recommendations of the Federal reserve bank's committee should accompany the application and, in any case of the kind referred to, advice of receipt of the application and the agent's recommendation and that of his committee may be sent by telegraph under the symbols set out in the telegram, care being taken to see that the information submitted under each such symbol is adequate. The telegram also stated that if in any case the agent's recommendation is wired to the Board before the application is forwarded he should include advice that counsel for the Federal reserve bank has approved the form of application and has executed a certificate of counsel usually accompanying fiduciary applications; called attention to conditions 15, 16 and 17 as set forth in the Board's telegram of March 11, 1933 (Trans 1619) which are prescribed for State institutions exercising trust powers applying for membership, and stated the Board's attitude toward certain types of investments for trust funds as reflected in these conditions should be borne in mind.

Approved.

Telegraphic reply, approved by four members of the Board, to a telegram dated March 15, 1933, from the Governor of the Federal Reserve Bank of Dallas advising that the State Treasurer of Texas desires to lease

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certain vault space from the bank. The reply stated that, in view of the circumstances stated in the Governor's wire, the Federal Reserve Board has no objection to the Federal Reserve Bank of Dallas leasing vault space to the State Treasurer of Texas, for a period not exceeding six months, for use in connection with the holding by him of securities pledged by banks to secure deposits of the State Treasurer therein, provided he will have control of the vault space so leased and the Federal reserve bank will not have access thereto and will not assume any responsibility as depository, custodian or otherwise for securities placed in such leased vault space. The reply also stated that it is assumed by the Board that counsel for the Federal reserve bank will be requested to prepare or approve leasing contract containing appropriate safeguards to protect the Federal reserve bank from any liability as custodian, depository or otherwise.

Approved.

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

<u>Name of Bank</u>	<u>No. of Shares</u>	<u>F. R. Bank</u>
Lake Shore Trust and Savings Bank, Chicago, Illinois.	330	Chicago
Citizens Bank, Bancroft, Nebraska.	24	Kansas City
Huntsville Bank and Trust Company, Huntsville, Texas.	36	Dallas

Approved.

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Telegram to the Chairman of the Federal Reserve Bank of New York referring to his telegram of March 15, 1933, and Deputy Governor Logan's letter of March 15, 1933; the Board's telegram advising of approval of salary at the rate of \$6,000 per annum for Mr. Todd G. Tiebout as Assistant Counsel of the bank, it being understood that Mr. Tiebout is to be a permanent employee and his salary, therefore, will be subject to deductions in accordance with and during the period of the share-the-work plan adopted by the directors of the bank. It also advised that the Board has noted the arrangements made by the Federal Reserve Bank of New York with Davis, Polk, Wardwell, Gardiner and Reed to have a senior clerk, experienced in banking matters, available for consultation with officers of the bank as questions arise, with the further understanding that a partner in the firm may be conferred with whenever it is desired. Attention was called to the fact that under the Board's letter of February 15, 1926, (X-4531), in any case where services of special attorneys are likely to involve an expenditure in excess of \$1,000, the Federal reserve bank should request the Board to approve payment of compensation up to a stated amount and it was requested that if it is contemplated compensation in excess of \$1,000 will be paid to the firm named by the Federal Reserve Bank of New York, the best estimate of the maximum expense involved be submitted for the consideration of the Board.

Approved.

Reply to telegram dated March 16, 1933, from the Federal Reserve Agent at Kansas City with reference to the application of the Saline County Bank, Western, Nebraska, for permission to withdraw immediately from member-

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ship in the Federal Reserve System. The reply stated that the Board waives the usual requirement of six months' notice of intention to withdraw, and accordingly, upon receipt of the resolution of the board of directors of the bank authorizing the withdrawal, and upon surrender of the Federal reserve bank stock held by the member bank, the Federal Reserve Bank of Kansas City is authorized to cancel such stock and to make refund thereon. The reply also requested the Federal reserve agent to advise the Board when cancellation of the stock is effected and on what date refund is made and also to forward to the Board the resolution of the board of directors authorizing the withdrawal.

Approved.

Telegraphic reply, approved by three members of the Board, to a telegram dated March 16, 1933, from the Federal Reserve Agent at Kansas City stating that it is the opinion of the committee of the bank that where a bank desires to become a member of the Federal Reserve System with a capital equal to 60% of the amount sufficient to entitle it to become a national bank and has funds available to increase its capital to 100% of the amount required for the organization of a national bank, it should adjust its capital to the full requirements prior to membership in the System. The reply stated that it is the practice of the Board in acting upon applications for membership by State banks or trust companies to consider all facts involved in each case and to make such requirements as to increase in capital or other improvements as the facts involved in the particular case show are desirable to place the bank in a sound financial condition, and suggested that in cases of the kind mentioned in the agent's telegram he

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consider all of the circumstances involved in each case and upon submission to the Board of the application advise whether in his opinion the bank should be required, before it is admitted to membership or immediately thereafter, to increase its capital to 100% of the amount required for the organization of a national bank.

Approved.

The Assistant Secretary presented to the Board the question of policy involved in the shipment of unissued Federal reserve bank notes to the assistant Federal reserve agents and acting assistant Federal reserve agents at the various branch Federal reserve banks, acting for the Federal reserve agents as agents of the Comptroller of the Currency and the Treasurer of the United States, for which no specific provision was made in the regulations regarding the issue of Federal reserve bank notes promulgated by the Secretary of the Treasury on March 11, 1933.

It was pointed out in the discussion that with the return flow of currency to the Federal reserve banks which has characterized the current week, it does not appear that there will be any immediate need for heavy issues of Federal reserve bank notes as the reserve positions of the Federal reserve banks are steadily improving and currency demands apparently can be fully met through Federal reserve note payments. It was also pointed out that should any Federal reserve bank desire to have any reasonable amount of Federal reserve bank notes forwarded to a branch, such notes can be shipped from Washington as issued notes to be received into the cash of the branch, through the deposit with the Federal reserve agent at the head office, on the date of shipment, of the required collateral.

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It was the consensus that for the time being no amendment to the regulations of the Secretary of the Treasury specifically authorizing the shipment of unissued Federal reserve bank notes to assistant Federal reserve agents and acting assistant Federal reserve agents at branches is necessary and that any Federal reserve bank desiring that Federal reserve bank notes be forwarded to a branch should be advised of the procedure by which such notes can be issued and shipped to the branch.

Attention was then called to the fact that the opinion of the Board's counsel on the question of the constitutionality of a unified banking system is being printed in the current issue of the Federal Reserve Bulletin and that there will in all probability be a considerable demand for the opinion.

The Secretary was authorized to arrange to have 5,000 copies of the opinion reprinted from the Bulletin.

The Board then discussed a proposed order to be issued by the Secretary of the Treasury under section 11(n) of the Federal Reserve Act, as amended by the Act of March 9, 1933, requiring, with certain exceptions, that individuals, partnerships, associations and corporations deliver to the Treasurer of the United States, or to a Federal reserve bank as fiscal agent of the United States, not later than March 31, 1933, gold coin, gold bullion and gold certificates owned by such individuals, partnerships, associations and corporations and that all individuals, partnerships, associations and corporations receiving gold coin, gold bullion and gold certificates on or after March 28, 1933, deliver such gold coin, gold bullion and gold certificates to the Treasurer of the United States or to a Federal reserve bank within three days from the date of such receipt. The proposed order also prescribed penalties for failure to comply with such order, in accordance with section 11(n) of the Federal Reserve Act, as amended.

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Various questions of policy involved in the issuance of the proposed order were discussed and final action looking toward a recommendation to the Secretary of the Treasury regarding it was deferred.

Report of Standing Committee dated March 17, 1933, recommending approval of the following change in stock at a Federal reserve bank:

<u>Application for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 11.</u>		
First National Bank in Midlothian, Texas.	15	15

Approved.

Thereupon the meeting adjourned.

C. E. Hoover
Secretary.

Approved:

W. C. Clegg
Governor.