A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Thursday, March 23, 1933, at 12:10 p.m.

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

Mr. Morrill, Secretary
Mr. McClelland, Assistant Secretary
Mr. Harrison, Assistant to the Governor

The Committee considered and acted upon the following matters:

Telegrams dated March 22, 1933, from Mr. Curtiss, Chairman of the Federal Reserve Bank of Boston advising of the establishment by the board of directors of a rate of 4 1/2% on advances to individuals, partnerships or corporations secured by direct obligations of the United States under the last paragraph of section 13 of the Federal Reserve Act as amended by the Act of March 9, 1933, and that no other change was made in the bank's existing schedule of rates of discount and purchase.

> The rate of 4 1/2% established by the Boston directors was approved, and their action in making no other change in the bank's existing schedule of rates of discount and purchase was noted with approval.

Telegrams dated March 22, 1933, from Mr. McClure, Chairman of the Federal Reserve Bank of Kansas City, advising of the establishment by the directors of the bank of rates of 5% on advances to individuals, partnerships or corporations on the promissory note of such individuals, partnerships or corporations secured by direct obligations of the United States under the last paragraph of section 13 of the Federal Reserve Act as amended by section 403 of the Act of March 9, 1933, and on advances made under section 10(b) of the Federal Reserve Act as amended by section 402 of the Act of March 9, 1933; no other changes having been made in the bank's existing schedule of rates of discount and purchase.

> The rate of 5% on advances in accordance with the provisions of Section 10(b) of the Federal Reserve Act as amended, was approved, and Mr. Harrison was requested to call Mr. McClure on the telephone and to inquire whether, in establishing a rate of 5% on advances in accordance with the last paragraph of Section 13 of the Federal Reserve Act, as amended, his directors had given consideration to the fact that ten of the other Federal reserve banks have established a rate of 4 1/2% on such advances.

Mr. Harrison left the meeting and upon his return stated that Mr. McClure had advised over the telephone that in his opinion the action of the other Federal reserve banks should be given further consideration, and that the matter will be presented to the executive committee of the bank today and the Board will be advised this afternoon of the decision reached.

Telegraphic reply to telegrams dated March 22, 1933, from the Federal Reserve Agent at San Francisco requesting approval by the Board of the temporary appointment of Messrs. S. L. Stewart and Charles P. Weigand as examiners in the Federal reserve agent's department with salary at the rate of $260 and $300 per month, respectively. The reply stated that the Board approves the appointments as requested.

Approved.

Letters dated March 18 and 20, 1933, from the Federal Reserve Agent at Chicago advising that under the authority granted in the Board's telegram of March 16, 1933, he has employed on a temporary basis Messrs. E. R. Mauss, B. K. Patterson and E. M. Joseph as examiners with salaries at the rates of $4,000, $6,000 and $4,500 per annum, respectively, and Mr. D. B. Brann as an assistant examiner with salary at the rate of $3,200 per annum.

Noted with approval.

Bonds, each in the amount of $50,000, executed by Messrs. William D. McRae, H. V. Roelse and Maclin P. Davis as assistant Federal reserve agent at the Boston bank, acting assistant Federal reserve agent at the New York bank, and acting assistant Federal reserve agent at the Nashville branch, respectively.

Approved.

Telegraphic reply to a telegram dated March 20, 1933, from Governor Calkins of the Federal Reserve Bank of San Francisco stating that the bank has received telegraphic information from other Federal reserve banks with reference to the handling of checks on unlicensed member and nonmember banks which indicates a varying procedure ranging from the return of all items on such banks without presentation to the handling of such items under normal conditions in accordance with the uniform check collection circular; that it is believed that this lack of uniformity is extremely confusing; and that it is suggested that the Board issue instructions to all Federal reserve banks to handle such items on a uniform basis. Governor Calkins suggested as a possible procedure that all such items be presented in the usual manner with the exception that protest instructions be modified to provide that only items on which the word "protest" is stamped or written on the face thereof be protested and in no case should protest be effected on items of less than $500. The reply stated that the Board agrees with the view expressed as to the desirability of a uniform practice by Federal reserve banks in handling checks on unlicensed member and nonmember banks, but feels that it would be preferable if Federal reserve banks would agree voluntarily upon a proper procedure in view of the varying practical problems involved. It was suggested that it would be desirable for Governor

Calkins, as Chairman of the Governors' Conference, to request the Standing Committee on Collections to consider the matter immediately and endeavor to obtain a voluntary agreement between the Federal reserve banks as to a uniform practice and it was stated that the Board would be glad to be advised as to the action taken by him and the committee.

Approved.

Telegram to Mr. Stevens, Federal Reserve Agent at Chicago, referring to the application filed by the United States Bank and Trust Company, Rochester, Indiana, for permission to withdraw immediately from membership in the Federal Reserve System, and stating that the Board waives the usual requirement of six months' notice of intention to withdraw and that upon surrender of the Federal reserve bank stock issued to the United States Bank and Trust Company, the Federal Reserve Bank of Chicago is authorized to cancel such stock and make a refund thereon.

Approved.

Letter to Mr. Alexander Wall, Secretary of the Robert Morris Associates, referring to a letter addressed by him to Mr Hamlin in regard to representation of the Federal Reserve Board, by subscription, to the Robert Morris Associates, and stating that this expenditure was discontinued in the interest of economy for the reason that the Board was advised by its division of research and statistics that the continuance of the representation referred to was not necessary in carrying on the work of that division. The letter also stated that as the situation in this respect has not changed, the Board regrets that it can not see its way clear to renew the expenditure at this time.

Approved.

Mr. Harrison stated that Mr. Smead, Chief of the Division of Bank Operations, had raised the question whether the regular weekly statement of reporting member banks in New York and Chicago should be published today; Mr. Smead calling attention to the fact that while the Federal Reserve Bank of New York is anxious that the statement be published as to New York banks, there is a question in his mind whether the statement for the Chicago banks should be published because of a change resulting from a consolidation of two important banks in Chicago, one of which was a non-reporting bank, the result being a substantial increase in the figures reported for Chicago banks.

> Mr. Harrison was requested to advise Mr. Smead that the Board feels that the statement should be published today with a note explaining the reason for the increase in the figures contained in the statement for the Chicago banks.

At this point the Chairman joined the meeting which continued as a meeting of the Federal Reserve Board.

Reference was made to the application received by the Board from the Texas Bank and Trust Company, Sweetwater, Texas, for permission to withdraw immediately from membership in the Federal Reserve System, which was discussed at the meeting yesterday, and to the question whether, in the case of State member banks which have not been licensed to resume normal operations, the Board should make any change in its present policy of waiving the requirement of six months' notice of intention to withdraw from membership. The Secretary of the Treasury stated that he had given the matter very careful consideration and had reached the conclusion that, in view of the present banking situation, it would be desirable to permit the immediate withdrawal of such banks in accordance with the policy heretofore followed by the Board.

> Mr. Hamlin then moved, as a substitute for the motion made by Mr. James at the meeting yesterday, that the Board waive the usual six months' notice and permit the Texas Bank and Trust Company, Sweetwater, Texas, to withdraw from membership immediately. Mr. Hamlin's motion was carried.

At this point Mr. Ballantine, Under Secretary of the Treasury, joined the meeting.

The Chairman stated that he had requested Mr. Fred I. Kent, of New York City, who is in charge of the foreign exchange division recently established by the Federal Reserve Bank of New York, to submit to him a plan for the supervision of foreign exchange transactions pursuant to the executive order issued by the President of the United States on March 10, 1933, and that he would like to discuss Mr. Kent's suggestions with the Federal Reserve Board. Accordingly, it was agreed that the Board will meet for that purpose at a time convenient to the Secretary of the Treasury.

Mr. Ballantine then stated that Deputy Governor Burgess of the Federal Reserve Bank of New York, who is in Washington today, has discussed with him suggestions of counsel and officers of the New York bank in connection with the issuance by the President of the United States under the authority conferred upon him by the Emergency Banking Act of March 9, 1933, of an order prohibiting the hoarding of gold, and that he feels the matter should be discussed further with the Board in order that the Treasury Department may determine upon a definite recommendation to the President of the United States as soon as possible. At Mr. Ballantine's suggestion Mr. Burgess, Dr. Goldenweiser, Director of the Board's Division of Research and Statistics, and Mr. Stark, Chief of the Financial and Economic Research Section of the Treasury Department, were invited into the meeting. Mr. Wyatt, General Counsel, also joined the meeting.

There followed a general discussion as to the reasons for the issuance of the proposed executive order and as to whether the definition of "hoarding" as contained in section 1 of the draft of order tentatively approved by the Board should except gold coin, gold bullion and gold certificates held on or before a specified date.

The meeting recessed at 1:00 p.m. and reconvened at 3:00 p.m. with the same attendance as at the morning session.

The discussion as to the inclusion of a specific date in the definition of "hoarding" in section 1 of the proposed order was resumed and it was expressed as the feeling of the majority of the members of the Board that the definition should make no reference to a date. A motion by Mr. Hamlin that the words: "but this order and these regulations shall not apply to gold coin or gold bullion shown by the owner thereof to have been actually held by him on or before June 30, 1931," should be eliminated from section 1 of the order, was carried.

It was also agreed that there should be no limitation placed upon the period during which the order would be in effect, it being understood that, if the order is issued, the President may at any time declare its termination.

The question was raised as to whether the order should apply to gold bullion as well as gold coin and gold certificates, and it was suggested by Dr. Burgess that very little gold bullion has been hoarded, and the elimination of bullion from the terms of the order would permit people in this country to obtain bullion freely, thereby removing, to that extent, the possibility of a feeling of discrimination on the part of people in the

United States. It was the opinion of the members of the Board, however, that to the extent that bullion may be hoarded, its omission from the order would amount to a discrimination in favor of those who were in a position to purchase and hoard gold in relatively large quantities; that the omission would require an explanation to the general public as to why the order did not include bullion; that the only fundamental reason for eliminating bullion from the terms of the order would be to prepare the way for the adoption in this country of a gold bullion standard; that such a step involves a very important question of monetary policy and is not now in the contemplation of the Board or, apparently, of the Treasury Department, and that, in the circumstances, there is no sound reason for the elimination of gold bullion from the terms of the order.

During the course of the discussion Mr. Burgess talked over the telephone with the New York bank and reported that counsel and officers of the bank who have been giving consideration to a proposed form of executive order, feel that no provision should be made in the order excepting gold held prior to a specified date; that it would be better not to include gold bullion in the terms of the order; and that the order should not permit the payment of gold to meet maturing obligations which by their terms are payable in gold. He also stated that these opinions were not unanimous, were reached without the benefit of reference to the form of order now under consideration by the Board and the Treasury Department, and that some of the points made have already been covered in the discussion here.

Inquiry was then made by Mr. Ballantine as to the possibility, under section 2(e) of the draft of order under consideration, which permits the payment of gold coin or gold bullion when demanded to meet maturing obligations payable in gold coin or gold bullion, of a foreigner purchasing large amounts of Government or other obligations payable in gold and upon their maturity demanding payment in gold with the idea of exporting the gold from this country. It was pointed out that there is little likelihood of such action under present conditions, that as a result of world trade this country gains gold rather than loses it, that foreigners would necessarily pay for any Government obligations purchased by them with gold or its equivalent, and, that in any event, if the executive order is issued in the form proposed, a license from the Secretary of the Treasury will be required before gold can be exported.

A number of further changes in the draft of order were then proposed, including a suggestion by Mr. Ballantine that section 2(e) be amended to include the requirement that a person permitted to withdraw gold to meet an obligation payable in gold shall furnish to the Federal reserve bank of the district in which such payment is made, a written statement showing the name and address of each person to whom such a payment is made and the amount paid to each such person. Mr. Hamlin suggested, in this connection, that the names of persons for whose account gold is paid should also be required, inasmuch as in some cases the immediate payee may not be the same as the person ultimately receiving the gold.

It was understood that the proposed order would be amended in accordance with the discussion and presented for further consideration at a meeting of the Board tomorrow.

The Assistant Secretary presented a telegram received this afternoon from the Chairman of the board of directors of the Federal Reserve Bank of Kansas City stating that, the executive committee of the bank, under the authority of the board of directors, has established a rate of 4 1/2% for advances to individuals, partnerships or corporations secured by direct obligations of the United States under the last paragraph of section 13 of the Federal Reserve Act as amended by the Act of March 9, 1933.

The rate of 4 1/2% established by the executive committee of the Kansas City bank was approved, effective today, and the action of the directors at their meeting on March 22, in making no changes in the bank's existing schedule of rates of discount other than the rates proposed in Mr. McClure's telegram of March 22, 1933, which was presented at the session this morning, was noted with approval.

Thereupon the meeting adjourned.

Chester Morrill
Secretary.

Approved:

Eugene Meyer
Governor.