

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Saturday, March 25, 1933, at 2:40 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  
Mr. Wyatt, General Counsel  
Mr. Goldenweiser, Director, Division of Research  
and Statistics

ALSO PRESENT: Mr. A. A. Ballantine, Under Secretary of the Treasury  
Mr. W. R. Burgess, Deputy Governor, Federal Reserve  
Bank of New York.

The Committee considered and acted upon the following matters:

Letter to the Acting Comptroller of the Currency stating that, in accordance with the recommendation contained in his letter of March 21, 1933, the Federal Reserve Board has approved a salary at the rate of \$5,100 per annum for National Bank Examiner Paul E. Hoover, assigned to the Twelfth Federal Reserve District.

Approved.

Telegram to Mr. Walsh, Federal Reserve Agent at Dallas, replying to his wire of March 23, 1933, with regard to the application of the Farmers State Guaranty Bank, Valliant, Oklahoma, for permission to withdraw immediately from membership in the Federal Reserve System. The reply stated that the Board waives the usual requirement of six months' notice of intention to withdraw and that, accordingly, upon surrender of the Federal reserve bank stock issued to the Farmers State Guaranty Bank the Federal reserve bank is authorized to cancel such stock and make a refund thereon.

Approved.

3/25/33

-2-

553

Letter dated March 24, 1933, to Mr. Case, Federal Reserve Agent at New York, stating that it is observed from the analyses of the reports of the three latest examinations of the Power City Trust Company, Niagara Falls, New York, that the institution apparently is engaged in the business of selling mortgage participations which is a change in the functions of the institution contrary to the spirit and purpose, if not in actual violation, of the general condition under which its predecessor, the Power City Bank, was admitted to membership in the Federal Reserve System, and requesting an expression of the agent's views as to any action which can be taken appropriately, either by the Board or the agent's office, in connection with this particular activity of the institution. The letter also stated that, inasmuch as 98.2% of the stock of the member institution is owned by the Marine Midland Corporation, the ownership by the trust company of 2,270 shares of stock of the corporation and the holding by it of 41,742 shares of such stock as security for loans is contrary to the spirit and purpose of the provisions of section 9 of the Federal Reserve Act prohibiting member banks from lending on or purchasing their own stock, and that it is suggested that the agent advise the Power City Trust Company that it should dispose of the stock as soon as it is practicable to do so and either liquidate the loans secured by such stock or obtain other collateral thereto in lieu of the stock.

Approved.

Draft of a letter prepared for the signature of the Secretary of the Treasury and approved by four members of the Board, to Hon. Harold L. Ickes, Secretary of the Interior, replying to a letter dated March 3, 1933, from his predecessor in office, with regard to a bill proposed to be introduced in the Senate by Senator Gore which would exempt from the reserve requirements

3/25/33

-3-

of section 19 of the Federal Reserve Act deposits of Indian funds by the Secretary of the Interior with member banks when such deposits are secured by a pledge of United States bonds and draft of a letter prepared for the signature of Mr. Hamlin with regard to a joint resolution having the same purpose, a copy of which had been left with Mr. Hamlin by Senator Gore.

The letters referred to the ruling of the Federal Reserve Board that deposits of Indian funds under the control of the Department of Interior do not constitute deposits of public moneys by the United States in designated depositories, and to the recommendations contained in the report of the System Committee on Bank Reserves and in the Board's letter of March 29, 1932, to the Chairman of the Committee on Banking and Currency of the Senate with regard to the Glass Bill, that the provisions of law exempting deposits of public moneys by the United States in designated depositories from the reserve requirements of the Federal Reserve Act be repealed, notwithstanding that such deposits are required to be secured, and stated that for the reasons outlined in the report and the Board's letter it is not believed that deposits of Indian funds should be exempt from the reserve requirements, even though they are secured by United States bonds.

Approved.

Letter dated March 23, 1933, from Mr. G. R. Cooksey, Secretary of the Reconstruction Finance Corporation, inclosing a copy of a telegram addressed to the managers of the loan agencies of the corporation on March 23, 1933, stating that the instructions contained in previous wires addressed by the corporation to the agencies that national and member State banks which have obtained loans from the corporation or which are applying to the corporation for loans be encouraged to obtain credit and currency from the Federal reserve banks in lieu of loans from the corporation, are revoked until further notice.

Noted.

3/25/33

-4-

Letter dated March 24, 1933, from Governor Harrison of the Federal Reserve Bank of New York stating that he had received from Under Secretary of the Treasury Ballantine a copy of the tentative draft of March 22, 1933, of the proposed executive order relating to the recapture of gold, on which Mr. Ballantine had invited his suggestions; that he had attempted to give Mr. Ballantine some of his reactions over the telephone; that after talking over the telephone with Mr. Burgess, who has been in Washington, he realized that many of the questions of policy and much of the detail had already been agreed upon; that he had written to Mr. Ballantine on the basis of those decisions; and that while it is not desired unnecessarily to inject the views of the Federal Reserve Bank of New York, a copy of the letter to Mr. Ballantine is being sent to the Board with the thought that it might be helpful in the consideration of the problem.

Noted.

Mr. Ballantine stated that the proposed executive order in the form presented at the meeting of the Executive Committee of the Board yesterday had been further discussed by himself and Messrs. Burgess, Morrill and Wyatt and that certain additional changes had been drafted for the consideration of the Federal Reserve Board. These changes were outlined by Mr. Morrill and approved by the Board.

Upon motion by Mr. Hamlin, Mr. Ballantine was requested to submit to the Secretary of the Treasury, as the recommendation of the Federal Reserve Board, the proposed order in the following revised form:

"EXECUTIVE ORDER  
Forbidding the Hoarding of Gold Coin, Gold Bullion  
and Gold Certificates.

By virtue of the authority vested in me by subsection (b) of Section 5 of the Act of October 6, 1917, as amended by Section 2 of the Act of March 9, 1933, entitled 'An Act to provide relief in the existing national emergency in

3/25/33

-5-

banking, and for other purposes', I, Franklin D. Roosevelt, President of the United States of America, do hereby prohibit the hoarding of gold coin, gold bullion, and gold certificates within the continental United States by individuals, partnerships, associations and corporations and hereby prescribe the following regulations for carrying out the purposes of this order:

Section 1. For the purposes of this regulation, the term 'hoarding' means the withdrawal and withholding of gold coin, gold bullion or gold certificates from the recognized and customary channels of trade. The term 'person' means any individual, partnership, association or corporation.

Section 2. All persons are hereby required to deliver on or before April 15, 1933, to a Federal reserve bank or a branch or agency thereof or to any member bank of the Federal Reserve System all gold coin, gold bullion and gold certificates except the following:

(a) Such amount of gold as may be required for legitimate and customary use in industry, profession or art within a reasonable time, including gold prior to refining and stocks of gold in reasonable amounts for the usual trade requirements of owners mining and refining such gold.

(b) Gold coin and gold certificates in an amount not exceeding in the aggregate \$100.00 belonging to any one person; and gold coins having a recognized special value to collectors of rare and unusual coins.

(c) Gold coin and bullion licensed for legitimate export transactions (not involving hoarding or speculation) including gold coin and bullion imported for reexport or held pending action on applications for export licenses.

(d) Gold coin and bullion earmarked or held in trust for a recognized foreign government or foreign central bank or the Bank for International Settlements.

(e) Gold coin and bullion actually needed to meet maturing obligations payable in gold coin or bullion in any case where payment in gold coin or bullion actually has been demanded by the obligee; provided that, in order to facilitate the enforcement of Section 3 hereof, the obligor 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 or for whose account such a payment is made and the amount paid to each such person.

Section 3. Until otherwise ordered, any person becoming the owner of any gold coin, gold bullion or gold certificates after April 12, 1933, (except as exempted by the provisions of Section 2) shall, within three days after receipt thereof, deliver the same in the manner prescribed in Section 2.

Section 4. Upon receipt of gold coin, gold bullion or gold certificates delivered to it in accordance with Sections 2 or 3, the Federal reserve bank or member bank will pay therefor an equivalent amount of any other form of coin or currency coined or issued under the laws of the United States.

Section 5. Member banks shall deliver all gold coin, gold bullion and gold certificates owned or received by them (other than as exempted under the provisions of Section 2) to the Federal reserve banks of their respective districts and receive credit or payment therefor.

Section 6. The Secretary of the Treasury, out of the sum made available to the President by Section 501 of the Act of March 9, 1933, will in all proper cases pay the reasonable costs of transportation of gold coin, gold bullion or gold certificates delivered to a member bank or Federal reserve bank in accordance with Sections 2, 3, or 5 hereof, including the cost of insurance, protection, and such other incidental costs as may be necessary, upon production of satisfactory evidence of such costs. Voucher forms for this purpose may be procured from Federal reserve banks.

Section 7. In cases where the delivery of gold coin, gold bullion or gold certificates by the owners thereof within the time set forth above will involve extraordinary hardship or difficulty, the Secretary of the Treasury may, in his discretion, extend the time within which such delivery must be made. Applications for such extensions must be made in writing under oath, addressed to the Secretary of the Treasury and filed with a Federal reserve bank. Each application must state the date to which the extension is desired, the amount and location of the gold coin, gold bullion and gold certificates in respect of which such application is made and the facts showing extension to be necessary to avoid extraordinary hardship or difficulty.

Section 8. The Secretary of the Treasury is hereby authorized and empowered to issue such further regulations as he may deem necessary to carry out the purposes of this order and to issue thereunder, through such officers or agencies as he may designate, licenses permitting the Federal reserve banks and member banks of the Federal Reserve System, in return for an equivalent amount of other coin, currency or credit, to deliver gold coin and bullion to persons showing the need for the same for any of the purposes specified in paragraphs (a), (c), (d), and (e) of Section 2 of these regulations.

Section 9. Whoever willfully violates any provision of this Executive Order or of these regulations or of any rule, regulation or license issued thereunder may be fined not more than \$10,000, or, if a natural person, may be imprisoned for not more than ten years, or both; and any officer, director, or agent of any corporation who knowingly participates in any such violation may be punished by a like fine, imprisonment, or both.

This order and these regulations may be revoked at any time.

THE WHITE HOUSE  
March \_\_\_\_, 1933."

3/25/33

-7-

558

Mr. Goldenweiser then presented a revision of the press statement which it is contemplated will be issued by the President of the United States simultaneously with the executive order above referred to, and upon consideration of the statement Mr. Ballantine suggested that it be revised to include (1) a reference to the exceptions contained in section 2 of the order, (2) a statement that those who, after the order is issued, come into possession of gold not exempted by the order will be required to exchange such gold for other forms of currency and (3) a statement as to what the order accomplishes. Certain other changes in phraseology were proposed and Mr. Goldenweiser was requested to redraft the statement in accordance with the suggestions and he left the room for that purpose.

During the consideration of the press statement Mr. Smead, Chief of the Division of Bank Operations, joined the meeting.

Mr. Ballantine stated that consideration must also be given as soon as possible to the question of the regulations to be issued by the Secretary of the Treasury in accordance with the provisions of section 8 of the proposed executive order, and it was pointed out that the only regulations contemplated by the section referred to are regulations covering the mechanics of issuing licenses by the Secretary of the Treasury. In this connection the suggestion was made that it might be well to have someone in the Federal Reserve Bank of New York who is familiar with the procedure of making gold payments prepare a draft of regulation covering the issuance of the licenses contemplated by section 8 of the executive order. Mr. Ballantine then left the meeting.

The Secretary presented a memorandum dated March 23, 1933, from Mr. Wingfield, Assistant Counsel, submitted in connection with an application

3/25/33

-8-

559

filed by the Lynchburg Trust and Savings Bank, Lynchburg, Virginia, for membership in the Federal Reserve System, and stating that, while the bank it in good condition it is doing a savings and trust business only and apparently no commercial banking business, and as there is a possibility of applications being received from many other institutions of a similar kind, the application raises an important question of policy as to whether the Board should admit non-commercial banking institutions to membership, and that, in his opinion, such institutions would not be desirable members of the System. The memorandum mentioned as supporting reasons for this opinion that it is not apparent what substantial advantages the applicant bank would obtain from membership in the System, that it would not have any eligible commercial or agricultural paper to rediscount at the Federal Reserve Bank of Richmond, and that if a large number of savings and other non-commercial banking institutions were admitted to membership at this time it would probably result in a few years in considerable pressure from within the membership of the System for a broadening of the eligibility requirements for discount in order that such non-commercial members might have the privilege of rediscounting real estate paper and other classes of paper which are now ineligible for rediscount. The memorandum also called attention to a letter addressed to the Federal Reserve Agent at Cleveland by the Board on December 11, 1930, stating that the Board would be disposed to disapprove the application for membership filed by an institution, the great bulk of whose assets are of a kind ineligible for rediscount or purchase by a Federal reserve bank.

In connection with the above the Secretary also presented a letter dated March 22, 1933, from Mr. Stevens, Federal Reserve Agent at Chicago, with regard to an application for membership filed by the Personal Loan



3/25/33

-9-

560

and Savings Bank, Chicago, Illinois; the letter stating that the bank, which is in excellent condition and considered one of the outstanding banks of its type in the country, operates under a general banking charter authorizing it to engage in a general banking business, but has confined its business to the making of small personal loans, and that the committee on admissions of the Federal Reserve Bank of Chicago is prepared to recommend the admission of the bank provided that such action is consistent with the policy of the Board as to banks of this character. It was pointed out that the Personal Loan and Savings Bank is apparently operating on a plan similar to the Morris Plan and that the applications of that bank and the Lynchburg Trust and Savings Bank present the problem to the Board as to whether it will adopt the policy of admitting to membership savings banks and banks organized on the Morris Plan, which do no commercial banking business, and have practically no eligible commercial or agricultural paper, although the Lynchburg Bank has a substantial amount of Government securities on which they could borrow from the Federal reserve bank.

The problem thus presented was discussed, the suggestion being made that it might be well for the Board to defer a decision as to its future policy in the matter pending further developments in the situation as to banking legislation now before Congress, particularly that sponsored by Senator Glass.

Upon motion by Mr. James, action on the two applications referred to was deferred, and Governor Meyer was requested to discuss with Senator Glass the questions of policy involved in the applications.

The Secretary then called attention to letters received under date of March 22, 1933, from Governor Norris of the Federal Reserve Bank of

3/25/33

-10-

Philadelphia and March 24, 1933, from Mr. Austin, Chairman of the board of directors of the bank, copies of which had been furnished to the individual members of the Board, with regard to changes now proposed to be made in the bank's building program and concerning which the building committee of the Philadelphia bank will meet with the Board on Monday, March 27, 1933, at 12:00 o'clock noon. The changes as outlined in the letter from Governor Norris were discussed briefly.

Mr. Goldenweiser then rejoined the meeting and presented a revised draft of the press statement regarding the proposed gold order, prepared by him in accordance with the Executive Committee's instructions. Certain further changes were suggested and incorporated in the draft by Mr. Goldenweiser. At this point Mr. Ballantine rejoined the meeting.

After some further slight changes the proposed statement was approved in the following form for submission by Mr. Ballantine to the Secretary of the Treasury:

"The country has responded patriotically to the President's proclamation of March 6 and to his radio speech of March 12. Between March 4 and March 22, \$250,000,000 of gold coin and \$310,000,000 of gold certificates were returned to the Federal reserve banks, in addition to more than \$320,000,000 of other kinds of currency.

Many persons throughout the United States have hastened to turn in gold in their possession as an expression of their faith in the Government, and as a result of their desire to be helpful in an emergency. There are others, however, who have waited for the Government to issue a formal order for the return of gold in their possession. Such an order is being issued by the President today.

The order provides adequate opportunity for obtaining gold for all legitimate needs. It makes available gold for the purpose of meeting gold obligations and permits the exportation of gold for trade purposes.

With these exceptions the order requires all persons who have in their possession gold coin, gold certificates, or gold bullion, in excess of \$100 and not having a recognized special value to collectors of rare and unusual coins, to exchange this gold for other currency at one of the Federal reserve banks, branches or agencies, or at a member bank. While the order is in effect persons who come into possession

3/25/33

-11-

of gold not exempted by the exceptions noted in the order, will also be required to exchange it for other currency.

The chief purpose of the order is to restore to the country's reserves gold which has been withdrawn for hoarding and the withholding of which under existing conditions does not promote the public interest. The order is limited to the period of this emergency."

Reports of Standing Committee dated March 24, 1933, recommending approval of the following changes in stock at Federal reserve banks:

<u>Application for SURRENDER of stock:</u>	<u>Shares</u>	
<u>District No. 10.</u>		
First National Bank, Decatur, Nebraska. (Decrease in surplus)	9	
First National Bank, Kemmerer, Wyoming. (Decrease in surplus)	75	
Union National Bank, Fremont, Nebraska (Insolvent)	<u>120</u>	204

Approved.

Thereupon the meeting adjourned.

Olester Brown  
Secretary.

Approved:

Ernest C. ...  
Governor.