A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Friday, March 31, 1933, at 12:00 o'clock noon.

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

Mr. Morrill, Secretary
Mr. McClelland, Assistant Secretary
Mr. Harrison, Assistant to the Governor
Mr. Goldenweiser, Director, Division of Research and Statistics
Mr. Wyatt, General Counsel.

The Committee considered and acted upon the following matters:

Letter dated March 30, 1933, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, stating that the board of directors, at its meeting on that date, made no change in the bank's existing schedule of rates of discount and purchase.

Without objection noted with approval.

Letter dated March 28, 1933, from the Chairman of the Federal Reserve Bank of Dallas advising of the establishment at that bank on March 27, 1933, of the following schedule of effective buying rates on bankers' acceptances:

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

Without objection noted with approval.

Letter to the Acting Comptroller of the Currency stating that in accordance with the recommendation contained in his memorandum of March 24, 1933, the Board approves a reduction in the common stock of

the First National Bank of Havre de Grace, Maryland, from $60,000 to $36,000, under the plan submitted, involving the sale of preferred and new common stock, subject to certain conditions set out in the letter.

Approved.

Draft of a reply, prepared by the Secretary in accordance with the request of the Executive Committee on March 28, 1933, to the letter received by the Board under date of February 6, 1933, from the wife of Mr. Geo. T. Jarvis, Assistant Cashier of the Detroit Branch. The reply stated that since Mrs. Jarvis' letter was received the matter of the continuance of Mr. Jarvis' employment at the branch has been carefully reviewed by the Board, with full appreciation of and sympathy for the situation with which his family is confronted, but the Board sincerely regrets that, in view of all the circumstances, there does not appear to be any further action it can properly take in the matter.

Approved.

There were presented for consideration the following revised sections 2 and 3 of the proposed executive order of the President, prohibiting the hoarding of gold:

> "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 earmarked or held in trust for a recognized foreign government or foreign central bank or the Bank for International Settlements.

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

"Section 3. Until otherwise ordered, any person becoming the owner of any gold coin, gold bullion, or gold certificates after April 12, 1933 (except for purposes specified in paragraphs (a), (b), and (c) of section 2, or except for purposes specified in paragraph (d) of section 2 if with respect to the gold coin or bullion involved such person is a licensee or applicant for an export license pending action thereon) shall, within three days after receipt thereof, deliver the same in the manner prescribed in section 2."

Mr. Goldenweiser stated that, at the request of Under Secretary of the Treasury Ballantine, he had accompanied him to the Attorney General's Office this morning where Section 2 of the proposed order as set forth above was discussed together with other suggestions as to the form of that section, and that the Attorney General, and the Solicitor General who also participated in the discussion, approved the section in the above form; the Solicitor General stating that the reasons discussed at the meeting of the Board yesterday for exempting gold now held under earmark from the requirement of a license appealed to him.

Mr. Goldenweiser also stated that the Attorney General suggested some further changes in Section 3 of the order as approved by the Board on March 25 and that there be inserted after the word "deliver" in line 7 of Section 8 of the order as recommended by the

Board on March 25, the words "earmark or hold in trust".

Attention was called to the fact that Section 8 of the order as recommended by the Board authorizes the Secretary of the Treasury to issue licenses permitting Federal reserve banks and the member banks to deliver gold coin and bullion to persons showing a need therefor, but does not provide for the issuance of licenses to persons to retain gold held under the provisions of Section 2(d), and it was suggested that Section 8 be amended by adding after the word "issue" in line 3 the word "licenses", and after the word "designate" in line 4 the word "including".

At this point Mr. Ballantine joined the meeting, and he stated that both the Attorney General and the Solicitor General favor Section 2 of the order as set out above. He also referred to suggestions of the Attorney General with regard to Section 3 and his attention was called to the proposed revision of Section 3 quoted above. Certain further changes in the proposed section were suggested by Mr. Ballantine as a result of his discussion with the Attorney General and these changes were discussed.

Mr. Ballantine also presented a revised draft of the press statement which it is proposed will be issued by the President of the United States simultaneously with the issuance of the executive order. The draft was discussed and a number of changes therein were suggested.

Mr. Morrill then referred to the report made by him at the meeting of the executive committee yesterday of his conversation over the telephone with Mr. Stevens, Federal Reserve Agent at Chicago, with regard to a plan for the reorganization of banks in the State of

Michigan. He stated that the representatives of the two banks referred to by Mr. Stevens, the Traverse City State Bank of Traverse City, Michigan, and the Alpena Trust and Savings Bank of Alpena, Michigan, called on him this morning, and that as the primary purpose of their plan to reorganize the banks was to obtain licenses from the Secretary of the Treasury to reopen, he had referred them to Assistant Secretary of the Treasury Douglas and had advised them that if, after talking with Mr. Douglas, they desired to discuss the matter further with Mr. Paulger, Chief of the Board's Division of Examinations, Mr. Paulger would be glad to receive them in his office. Mr. Morrill also reported that Mr. Douglas had later called him on the telephone, and had expressed the opinion that the proposed plan of reorganization (which it is expected will be applied later to a large number of Michigan banks) involves questions of law and policy which should be considered by the Federal Reserve Board. Mr. Morrill stated that he had told Mr. Douglas that he had arranged with Mr. Paulger to hear what they had to say about their plans, that if any legal questions arose Mr. Paulger would arrange to have a representative of counsel's office join in the conference with the understanding, of course, that the Board would not be committed in any way as to matters of policy, and that Mr. Paulger would submit the matter to the Board if any action on its part seemed to be necessary in the light of all the facts. Mr. Morrill also handed to each of the members present a copy of a letter dated March 30, 1933, just received from the Federal Reserve Agent at Chicago, stating that

the plan referred to above has been worked out with the approval of the Governor and the State Banking Commissioner, and in its fundamentals contemplated the conversion of a specified percentage of the deposits of the State banks into preferred stock, such percentage being sufficient to offset unacceptable assets, which would result in the doubtful assets being retained in the bank, without the addition of any new assets or any reduction in total liabilities. The letter also stated that while such a plan would serve to materially increase the protection of the depositors from the standpoint of the solvency of the bank under the licensing power of the Secretary of the Treasury, the unacceptable assets would in all probability show an impairment of the capital stock which would call for an assessment shortly after reorganization. The letter further stated that the plan raises a question of policy as regards the whole State of Michigan which is in a distressed situation; that if the problems involved are not solved the wholesale closing of banks or a general withdrawal from membership will result; and that while the representatives of the two banks abovementioned understand that they cannot expect definite action from the Board without further consideration of the matter by the Federal reserve agent, he feels they are justified in their desire to have the Board, the Treasury Department, and possibly the Comptroller of the Currency, have a thorough understanding of their problem and their idea of a solution.

The meeting recessed at 1:15 P.M. and reconvened at 3:10 P.M. with the same attendance as at the morning session, except Mr. Goldenweiser who was not present.

The Secretary presented a telegram dated March 30, 1933, from the Governor of the Federal Reserve Bank of San Francisco, stating that the other Federal reserve banks had agreed to the plan suggested in his telegram of March 20, 1933, covering the handling for collection of items drawn on unlicensed member and nonmember banks, and that he had suggested that all Federal reserve banks forward to their member and nonmember clearing banks, a uniform letter (quoted in the telegram) in accordance with that plan.

Noted.

There was also presented a letter to the Federal reserve agents at all Federal reserve banks containing detailed instructions as to the procedure to be followed and the information to be furnished by the agents in connection with applications submitted by State banks and trust companies for membership in the Federal Reserve System, and forwarded by telegraph to the Board.

Approved.

There were then presented copies of the proposed executive order prohibiting the hoarding of gold, containing sections 3 and 8 revised in accordance with the discussion at the morning session, and reading as follows:

"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 banking, and for other purposes', in which amendatory Act Congress declared that a serious emergency exists, I, Franklin D. Roosevelt, President of the United States of America, do declare that said national emergency still continues to exist and pursuant to said section 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 earmarked or held in trust for a recognized foreign government or foreign central bank or the Bank for International Settlements.

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

Section 3. Until otherwise ordered any person becoming the owner of any gold coin, gold bullion, or gold certificates after April 12, 1933, shall, within three days after receipt thereof, deliver the same in the manner prescribed in Section 2; unless such gold coin, gold bullion or gold certificates are held for purposes specified in paragraphs (a), (b) and (c) of Section 2; or unless such gold coin or gold bullion is held for purposes specified in paragraph (d) of Section 2 and the person holding it is, with respect to such gold coin or bullion, a licensee or applicant for an export license pending action thereon.

"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 licenses thereunder, through such officers or agencies as he may designate, including 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 (or earmark or hold in trust gold coin and bullion for) persons showing the need for the same for any of the purposes specified in paragraphs (a), (c) and (d) 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 modified or revoked at any time.

THE WHITE HOUSE
March ___, 1933."

The revised order was discussed but no further action was taken.

There was also some further discussion of the proposed press statement to be issued by the President of the United States in connection with the executive order, which was revised to read as follows:

"STATEMENT

"In the past weeks the country has given a remarkable demonstration of confidence. With the reopening of a majority of the banks of the country, currency in excess of $1,000,000,000, of which $600,000,000 was in the form of gold and gold certificates, has been returned to the Federal reserve banks.

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 the 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 authorizes the Secretary of the Treasury to issue licenses for obtaining gold for industrial requirements, exportation of gold for trade purposes, and other legitimate needs not involving hoarding. With these exceptions, the order requires all persons to deliver to one of the Federal reserve banks, branches or agencies, or to a member bank, in exchange for other currency, their gold coin, gold bullion and gold certificates other than gold coin and gold certificates not exceeding $100 and gold coin having a recognized special value to collectors of rare and unusual coins. While the order is in effect persons who come into possession of gold not covered by the exceptions set forth in the order, will also be required to exchange it for other currency. The order is limited to the period of the emergency.

The chief purpose of the order is to restore to the country's reserves gold held for hoarding and the withholding of which under existing conditions does not promote the public interest."

During the discussion of the proposed statement Mr. Smead joined the meeting.

The Governor referred to the questions of policy involved in the report made by Mr. Smead at the meeting yesterday of the possibility that the Federal Reserve Bank of San Francisco may be called upon to make section 10(b) advances in a considerable amount to one of the large member banks in its district, and there was discussion as to the attitude which should be taken by the Board toward the making of such advances by the San Francisco bank in view of its present reserve and collateral position.

Mr. Smead stated that $25,200,000 of Federal reserve bank notes were forwarded to the Federal Reserve Bank of San Francisco yesterday and today, so that they will have available an ample stock of such notes if, as a matter of policy, they are to be paid out, and can be put into circulation, in view of the continued return flow of currency. He again stated that if there is a substantial demand for section 10(b) advances the bank will be actively faced with the problem, unless it should be able to issue a substantial amount of Federal reserve bank notes, of rediscounting notes representing section 10(b) advances with other Federal reserve banks or permitting its reserve against Federal reserve notes to become deficient.

Mr. Wyatt stated that after a preliminary investigation he is of the opinion that Federal reserve banks may rediscount for each other notes representing section 10(b) advances and that the Board, on the

affirmative vote of five members, may require a Federal reserve bank to rediscount such notes for another Federal reserve bank.

There was further discussion, but no action was taken in the premises.

There followed a brief discussion of the questions of policy presented by the applications for membership in the Federal Reserve System filed by the Lynchburg Trust and Savings Bank, Lynchburg, Virginia, and the Personal Loan and Savings Bank, Chicago, Illinois, but no decisions were arrived at.

The Assistant Secretary then presented a telegram dated March 31, 1933, from Mr. Stevens, Federal Reserve Agent at Chicago, stating that the Executive Committee of the Bank had established a rate of 5% on advances to be made under the provisions of section 10(b) of the Federal Reserve Act as amended by Section 402 of the Act of March 9, 1933, and on advances to nonmember State banks and trust companies under the provisions of Section 404 of the Act of March 9, 1933, as amended by the Act of March 24, 1933.

The rate of 5% established by the Chicago Bank on such advances was approved effective today, March 31, 1933.

Thereupon the meeting adjourned.

Chester Morrill
Secretary.

Approved:

Eccles
Governor.