

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Thursday, April 6, 1933, at 2:45 p.m.

PRESENT: Mr. Woodin, Chairman of the Federal Reserve Board
Mr. Miller, Chairman, Executive Committee
Mr. Hamlin
Mr. James

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

Mr. Miller stated that Governor Harrison of the Federal Reserve Bank of New York had just called him over the telephone and advised that at its meeting this afternoon the board of directors of the bank had voted, subject to review and determination of the Federal Reserve Board, to establish a rediscount rate of 3%, effective April 7, 1933. Mr. Miller stated that Governor Harrison advised that Governor Meyer attended the meeting in New York and is in favor of the reduction in rate.

The rate of 3% established by the board of directors of the New York bank was approved, effective April 7, 1933.

The Secretary referred to the fact that the President of the United States on April 5, 1933, issued an executive order prohibiting the hoarding of gold, in the form approved by the executive committee of the Board at its meeting on April 3, 1933. He stated that a number of Federal reserve banks have inquired whether, in view of the executive order, the Board still desires to have forwarded to it the lists requested in its telegrams of March 8, 12, and 18, 1933, of persons who have withdrawn gold and not deposited it in a bank on or before March 27, 1933.

The Secretary was requested to send a telegram to the Governors of all Federal reserve banks stating that the Board still desires to receive the lists requested by it.

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The following press statement of the Secretary of the Treasury as to the executive order referred to above was presented for the record:

"The President's order of today requiring the turning in of hoarded gold, and at the same time providing that gold shall be available for all proper purposes, is an expected step in the process of regularizing our monetary position and furnishing adequate banking and currency facilities for all customary needs.

"Such an order was in contemplation from the time of the passage of the Emergency Banking Act. As the President indicated today, while many of our citizens voluntarily and helpfully turned in their gold, there were others who did not so respond. In fairness, the conduct of all citizens with reference to gold should be the same in this emergency, and this is assured by the order. Those surrendering gold, of course, receive an equivalent amount of other forms of currency, and other forms of currency may be used for obtaining gold in an equivalent amount where authorized for proper purposes.

"Gold held in private hoards serves no useful purpose under present circumstances. When added to the stock of the Federal reserve banks it serves as a basis for currency and credit. This further strengthening of the banking structure adds to its power of service toward recovery.

"A vital provision of the order is that authorizing the Secretary of the Treasury to issue licenses for gold for proper business needs not involving hoarding. Applications will be passed upon as the facts in each case warrant.

"Regulations governing the procedure of the Treasury under the new order are in course of preparation."

At the request of the Chairman of the Board, the Committee went into executive session, and Messrs. Morrill, McClelland and Harrison then left the meeting.

At the conclusion of the executive session the Chairman of the Board left the room and Messrs. Morrill, McClelland and Harrison rejoined the meeting.

The Assistant Secretary reported that the Secretary of the Treasury had approved the telegram to the Federal Reserve Agent at San Francisco,

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approved by the other members of the Board at the meeting yesterday, with regard to the currency printing program and the policy to be followed in connection with the issuance of Federal reserve bank notes. He stated that in accordance with the Board's instructions letters along the same lines are being addressed today to the other Federal reserve agents.

The Executive Committee then considered and acted upon the following matters:

Telegrams dated April 5, 1933, from the Chairmen of the Federal Reserve Banks of Boston and Philadelphia advising that, at meetings of their boards of directors on that date, no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Telegram dated April 6, 1933, from the Chairman of the Federal Reserve Bank of San Francisco stating that, subject to the approval of the Federal Reserve Board, the board of directors of the bank had fixed a rate of 5% for all 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 board of directors of the San Francisco bank was approved, effective today, April 6, 1933.

Telegraphic reply to a telegram dated April 5, 1933, from Mr. Stevens, Chairman of the Federal Reserve Bank of Chicago, stating that he will present the request contained in the Board's letter of April 3, 1933, at the meeting of the executive committee of the bank on April 7, 1933, and endeavor to make arrangements for three of the directors to accompany him

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to Washington; that it may be difficult to arrange a time when he and three of the directors can come to Washington together; but that it is hoped that a meeting can be arranged some time during the first part of next week. The reply stated that it will be satisfactory to the Board if Mr. Stevens will arrange for a meeting with the Board in Washington early next week.

Approved.

Telegraphic reply to a telegram dated April 5, 1933, from Mr. Curtiss, Federal Reserve Agent at Boston, requesting approval of the appointment of Messrs. Richard Rapport and George V. Wallace, Jr., as examiners in the Federal reserve agent's department, with salaries at the rates of \$4,020 and \$3,300 per annum, respectively. The reply stated that on the assumption that the appointments are to be on a temporary basis for the period of emergency only the Board approves the appointments at the salaries named and requests that the agent advise the dates on which the appointments become effective and that he forward to the Board for its records information as to the qualifications and experience of the appointees.

Approved.

Letter to Mr. Case, Federal Reserve Agent at New York, replying to Assistant Federal Reserve Agent Dillistin's letter of April 3, 1933, requesting approval by the Board of the temporary appointment of Messrs. Joseph D. Gross, Charles D. Johnston, John George Kauderer and Ferris I. Palmer as assistant examiners in the Federal reserve agent's department. The reply stated that the Board approves the temporary appointments effec-

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tive as of the dates stated in Mr. Dillistin's letter upon which the employment of the respective appointees began.

Approved.

Letter to the Acting Comptroller of the Currency stating that, in accordance with the recommendation contained in his letter of April 4, 1933, the Board has approved a salary at the rate of \$3,000 per annum for national bank examiner Francis B. Fanning assigned to the Seventh Federal Reserve District.

Approved.

Letter to the Acting Comptroller of the Currency referring to his letter of April 6, 1933, with further regard to the reappointment of Mr. Paul E. Hoover as a national bank examiner and advising that the Federal Reserve Board, in accordance with the recommendation contained in the Acting Comptroller's letter, has approved for Mr. Hoover a salary at the rate of \$6,000 per annum.

Approved.

Telegraphic reply to a telegram dated March 25, 1933, from Mr. Austin, Federal Reserve Agent at Philadelphia, transmitting the request of the Wilkes-Barre Deposit and Savings Bank, Wilkes-Barre, Pennsylvania, for permission to acquire 200 shares of stock of the Miners Bank of Wilkes-Barre and 25 shares of stock of the West Side Trust Company of Newark, New Jersey; the reason given for the request being that this stock is now held as collateral to a loan which it may be necessary to call very soon and the member bank desires to protect its interests if no satisfactory bids are received. The telegram also recommended that the request be granted on condition that the stock be disposed of within a period of six months. The

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reply stated that in view of the circumstances described and the agent's recommendation, and pursuant to the condition of membership prescribed for and accepted by the Wilkes-Barre Deposit and Savings Bank, the Board will interpose no objection to the acquisition by the bank of the shares of stock referred to, if it is necessary for the bank to acquire such stock to prevent losses on debts previously contracted, upon condition that the stock shall be disposed of within six months from the date of acquisition unless the time is extended by the Federal Reserve Board. The reply also stated (1) that in conformity with the regular condition No. 7 now being imposed on banks applying for membership, it will be the policy of the Board, in cases where a bank is subject to a condition similar to the one imposed on the Wilkes-Barre Deposit and Savings Bank, not to object to the acquisition of stock by such institutions in any other bank or trust company in satisfaction or protection of debts previously contracted in good faith, provided that the stock so acquired shall be disposed of within six months from the date on which it was acquired unless the time is extended by the Board, (2) that in the absence of unusual circumstances the agent need not submit to the Board any case of this kind unless the bank fails to dispose of the stock within six months from the date acquired and (3) that the agent is requested, however, in each such case which comes to his attention to immediately advise the bank involved of the Board's position in cases of this kind and that a failure to dispose of any such stock within six months after it is acquired may be considered a violation of the condition to which the bank is subject, unless an extension of such six months period is obtained from the Board.

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Approved, and the Secretary was authorized to advise the other Federal reserve banks, for their information and guidance, of the policy of the Board as stated above.

Telegraphic reply to a telegram dated April 4, 1933, from Governor Young of the Federal Reserve Bank of Boston calling attention to the practice, which has existed for a number of years in Boston, for certain investment houses and brokers to supply savings banks and others with time collateral notes secured by stocks and bonds, and inquiring if it would be possible for the Board to call this practice to the attention of the committees considering the bill now before Congress which provides for the supervision of the sale of investment securities in interstate commerce, with the view to having placed in the bill a provision exempting this class of paper from its provisions. The reply stated that the Board believes it would be more appropriate for those interested in the matter to take it up directly with the Senate Committee on Banking and Currency or the House Committee on Interstate Commerce.

Approved.

Telegraphic reply to a telegram dated April 4, 1933, from Governor Seay of the Federal Reserve Bank of Richmond referring to the Board's telegram of April 3, 1933, with regard to the classification of paper held under discount for a member bank which has not been licensed to open by the Secretary of the Treasury, and inquiring whether the Board construes banks in the hands of conservators as banks in process of liquidation. The reply stated that for the purposes of the Board's telegram of April 3, 1933, a bank in the hands of a conservator should not be treated as in process of liquidation unless the conservator is in fact a liquidating agent.

Approved.

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Telegraphic reply to a telegram dated April 4, 1933, from Governor Calkins of the Federal Reserve Bank of San Francisco, referring to the Board's wire of March 30, 1933, directing that penalties should not be assessed against a member bank for deficiencies in reserves for the period beginning March 6, 1933, and ending on the date next preceding March 13, 14 and 15; calling attention to the fact that bank holidays in all States in the Twelfth Federal Reserve District were effective at earlier dates commencing March 2, 1933, during which time member banks were unable to replenish reserves; and requesting authority to waive penalties during the period from March 1 to March 15 in any instance which the Federal reserve bank deems proper. The reply stated that the Board interposes no objection to the non-assessment of penalties for deficiencies in reserves of member banks from March 1 to 15 in those cases where, in the judgment of the Federal reserve bank, member banks did not have an adequate opportunity to replenish reserves.

Approved.

Telegram to the Governors of all Federal reserve banks, stating that the Board has advised in response to inquiries received from a Federal reserve bank with regard to a State member bank in the hands of a conservator that (1) the mere fact that a conservator or other State official having similar authority has been appointed for a State member bank pursuant to the executive order of March 18, does not make it necessary that the bank surrender its stock in the Federal reserve bank unless and until the bank should be placed in receivership or liquidation or its membership terminated in the manner provided by the Federal Reserve Act,

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(2) the balance with the Federal reserve bank to the credit of the bank in the hands of a conservator or State official having similar authority may be withdrawn subject to the provisions of the Federal Reserve Act and the Board's Regulation D, but it is assumed that the Federal reserve bank will not permit withdrawal in an amount which will exceed the amount of such balance in excess of any indebtedness of the bank to the Federal reserve bank, and (3) the Federal reserve banks are not authorized to discount for or to make advances to banks in hands of conservators or to such conservators. The telegram also stated that the questions raised had specific reference only to a State member bank in the hands of a conservator but the conclusions stated are applicable to national banks in the hands of conservators and to such conservators; and that in connection with the above conclusion number (2) as applied to national banks, attention is called to section 402 of the instructions of the Comptroller of the Currency to conservators of national banks. The telegram further advised that the Board has also stated, in reply to an inquiry from a Federal reserve bank, that the question whether a Federal reserve bank should extend credit to an unlicensed State member bank which is operating under Treasury regulation No. 27 is one for the determination of the Federal reserve bank in the light of all the circumstances of the case, and that in this connection the Board had called attention to Treasury Interpretation No. 12 defining the extent of the banking functions which unlicensed State member banks may carry on in operating under Regulation No. 27 and also the telegram from the Secretary of the Treasury of March 22, 1933, with regard to the duties of Federal reserve banks in this connection.

Approved.

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Reports of Standing Committee dated April 5 and 6, 1933, recommending approval of the following changes in stock at Federal reserve banks:

<u>Applications for ADDITIONAL Stock:</u>	<u>Shares</u>	
<u>District No. 9.</u>		
Ada National Bank, Ada, Minnesota. (Increase in surplus)	1	
First National Bank, Marshall, Minnesota. (Increase in surplus)	2	
Bloomington-Lake National Bank, Minneapolis. Minnesota. (Increase in surplus)	1	
First National Bank, Geysler, Montana. (Increase in surplus)	1	
First National Bank & Trust Company, Lake Norden, S. Dak. (Increase in surplus)	1	
Peoples National Bank, Hayward, Wisconsin. (Increase in surplus)	<u>1</u>	7
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 3.</u>		
Farmers National Bank, Exchange, Pennsylvania. (V.L.Abs. by Danville National Bank, Danville, Pennsylvania)	18	18
<u>District No. 4.</u>		
Ligonier National Bank, Ligonier, Pennsylvania. (V.L.Suc. by First National Bank in Ligonier)	150	150
<u>District No. 5.</u>		
First National Bank, Statesville, N. C. (Insolvent)	102	102
<u>District No. 6.</u>		
First National Bank, Huntsville, Tennessee. (Insolvent)	20	20
<u>District No. 7.</u>		
First National Bank, Manilla, Iowa. (Insolvent)	23	23
<u>District No. 8.</u>		
Mercantile-Commerce Bank and Trust Company, St. Louis, Mo. (Decrease in surplus)	1,800	
Shaw Bank & Trust Company, St. Louis, Mo. (Insolvent)	168	
First National Bank, Sebree, Kentucky. (V.L. Abs. by Sebree Deposit Bank, nonmember)	<u>36</u>	2,004

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<u>Applications for SURRENDER of Stock: (Cont'd)</u>	<u>Shares</u>	
<u>District No. 10.</u>		
Smith National Bank, St. Edward, Nebraska. (Insolvent)	36	36
<u>District No. 11.</u>		
Marlin-Citizens National Bank, Marlin, Texas. (Insolvent)	120	
First State Bank, Lorenzo, Texas. (Insolvent)	<u>30</u>	150
<u>District No. 12.</u>		
First Savings & Trust Bank, Colfax, Washington. (Insolvent)	72	72
	<u>Total</u>	<u>2,575</u>

Approved.

Report of Standing Committee dated April 5, 1933, recommending approval of the following Clayton Act application:

Mr. C. R. Harding, for permission to serve at the same time as officer of the United States National Bank of Portland, Oregon, as director of the First National Bank of St. Helens, Oregon, and as officer of the Peninsula National Bank of Portland, Oregon.

Approved.

Thereupon the meeting adjourned.

Chester M. Powell
Secretary.

Approved:
G. P. Miller
Chairman, Executive Committee.