

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Monday, April 10, 1933, at 10:30 a. 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. Paulger, Chief, Division of Examinations.

ALSO PRESENT: Mr. Eugene M. Stevens, Chairman and Federal Reserve Agent at the Federal Reserve Bank of Chicago
Messrs. J. R. Leavell, E. R. Estberg and George J. Schaller, Class A Directors of the Federal Reserve Bank of Chicago.

Governor Meyer referred to the letter addressed by the Board to Mr. Stevens under date of April 3, 1933, requesting that he and a committee of directors of the Federal Reserve Bank of Chicago come to Washington to confer with the Board regarding the matters covered by the report submitted by its Division of Examinations with special reference to the handling of transactions in Government securities in the fiscal agency department of the Chicago bank. He stated that the members of the Board felt that these matters were of such importance that they should be discussed with a committee of directors of the bank.

Mr. Stevens read a memorandum prepared by him a few days ago of the informal action taken by the board of directors of the bank at its meeting on February 24, 1933, when an informal motion was unanimously approved entirely absolving the officers and Mr. Simpson, a Class C director of the bank, from any wilful intent on their part or any personal blame in the matter of the over-allotment of Government securities on subscriptions made by them, and expressing a vote of complete confidence in them in this

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regard. Messrs. Estberg and Schaller stated that the memorandum expresses their understanding of the action taken at the meeting. Mr. Leavell stated that he had not been elected a director of the bank at the time of the meeting referred to. A copy of this memorandum has been placed in the Board's files.

Copies of the summary, dated March 25, 1933, of the report submitted by the Board's Division of Examinations, and of a supplemental memorandum with regard to the matter, prepared in the Division of Examinations under date of March 30, 1933, were handed to each of the directors and were read by them, and Mr. Stevens stated that the statements therein are in practical agreement with the information contained in the records of the Federal reserve bank. He also stated that at a meeting on January 26, 1933, the directors were advised in detail of the situation which led up to the resignation of Deputy Governor Jones, and that following that meeting there was developed the information with regard to the over-allotment of securities to officers of the bank, which was brought to the attention of the board of directors at its meeting on February 24, 1933.

During the ensuing discussion, Mr. Stevens referred to Mr. A. W. Dazey, Manager of the Investment Department of the Chicago bank, and to Mrs. L. C. Lederer, formerly secretary to Mr. Jones, and stated that the resignation of Mr. Dazey was requested and accepted last Saturday, April 8, 1933, and that Mrs. Lederer was dropped from the bank's rolls within the past few days.

There was a general discussion as to whether the other officers of

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the bank and Mr. Simpson, who received over-allotments of securities, had knowledge of such over-allotments or should be held responsible for the over-allotments in any way, and the members of the committee of directors expressed the feeling that neither the officers nor Mr. Simpson had such knowledge, nor had any intention to obtain over-allotments on their subscriptions; that they had complete confidence in the integrity and ability of such officers and Mr. Simpson; and that in their opinion all of the subscriptions were for bona fide investments for which the subscribers were in a position to pay.

Reference was made to the situation leading up to the resignation of Mr. George T. Jarvis, Assistant Cashier at the Detroit branch, to the recent defalcation at the branch, to an over-payment of gold at the branch, and to the shortage of \$3,000 of bonds in the collateral held for the Reconstruction Finance Corporation at the head office, and it was pointed out to the committee that all of these things raise a question in the minds of the members of the Board as to whether the operation of the Chicago bank is all that could be desired from an administrative point of view. There was also a discussion as to the effectiveness of the auditing department of the bank and Mr. Stevens and Mr. Leavell expressed the opinion that it should be strengthened. Mr. Stevens stated that the directors are alert to the problems of the bank and have taken steps to prevent any recurrence of the irregularities referred to. All of the directors present expressed the opinion that there is also need for strengthening the management of the bank. They suggested that the Federal Reserve Board take no action at

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this time with regard to the matter, but that it give the board of directors, who have the primary responsibility for the operation of the bank, an opportunity to make the necessary corrections.

Governor Meyer requested that as soon as the board of directors of the bank has surveyed the situation it forward to the Board a summary of its conclusions and the steps which it is proposed to take, in order that the Federal Reserve Board, in the discharge of its responsibility, may be assured that the irregularities that have occurred may not be expected to recur in the future and that the general operating efficiency of the bank will have the detailed consideration of the board of directors. It was understood that this procedure would be followed.

The meeting then recessed and reconvened at 3:55 p.m., the appointive members of the Board and Messrs. Morrill, McClelland, Harrison and Wyatt, of the Board's staff, being present.

The Committee considered and acted upon the following matters:

Telegram dated April 7, 1933, from the Secretary of the Federal Reserve Bank of Cleveland stating 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 April 6, 1933, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, confirming the advice previously given over the telephone of the action taken at the meeting of the board of directors on

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April 6, 1933, in voting, subject to review and determination of the Federal Reserve Board, to establish a rate of 3% per annum for rediscounts of eligible paper for member banks and advances to member banks under the terms of section 13 of the Federal Reserve Act, effective from the opening of business April 7, 1933; which rate was approved at the meeting of the Executive Committee of the Board on April 6. The letter also stated that the directors had voted to establish, effective from the opening of business on April 7, 1933, a minimum buying rate of 1% for the purchase of bankers' acceptances at or above which currently effective minimum buying rates may be fixed by the officers of the bank, and that, in accordance with the usual custom, the rates for trade bills and repurchase agreements on Government securities were reduced to 3%.

The minimum buying rate of 1% was approved and the reduction in the rates on trade bills and repurchase agreements was noted with approval.

Telegram dated April 10, 1933, from the Chairman of the Federal Reserve Bank of Dallas stating that, subject to approval by the Federal Reserve Board, the board of directors of the bank had fixed a rate of 5% per annum 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 directors of the Dallas bank was approved effective today, April 10, 1933.

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Letter dated April 7, 1933, from the Federal Reserve Agent at Boston stating that the appointments of Messrs. Richard Rapport and George V. Wallace, whose designations as examiners were approved in the Board's telegram of April 6, 1933, are on a permanent rather than a temporary basis. The letter also requested approval of the temporary appointment as an examiner in the Federal reserve agent's department, of Mr. George T. Barry with salary at the rate of \$3,600 per annum.

The Secretary was requested to advise the Federal Reserve Agent at Boston that the Board notes with approval that the appointments of Messrs. Rapport and Wallace are on a permanent basis, and that the Board approves the temporary appointment of Mr. Barry as an examiner, with salary at the rate of \$3,600 per annum.

Letter dated April 7, 1933, from Governor Geery of the Federal Reserve Bank of Minneapolis, stating that at the suggestion of the board of directors of the Helena branch, the executive committee of the bank, on that date, approved the payment of additional compensation at the rate of \$100 per month to Mr. A. A. Hoerr, Cashier of the branch during the period in which Mr. R. E. Towle, Managing Director is absent from the branch incident to his service as Manager of the Regional Agricultural Credit Corporation at Spokane, Washington.

The Secretary was requested to advise Governor Geery that effective as of April 7, 1933, the Board approves the payment of additional compensation to Mr. Hoerr in accordance with the action of the executive committee of the bank.

Telegrams dated April 8, 1933, to the respective Federal reserve agents, approved by three members of the Board, stating that the Board has approved the applications filed by the following State banking institutions

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for membership in the Federal Reserve System and for Federal reserve bank stock, subject to the conditions prescribed in the individual telegrams:

<u>Name of Bank</u>	<u>Number of Shares</u>	<u>Federal Reserve Bank</u>
Everett Bank and Trust Company, Everett, Massachusetts.	240	Boston
Brookline Trust Company, Brookline, Massachusetts.	300	Boston
Boulevard Trust Company, Brookline, Massachusetts.	420	Boston
Citizens Bank of White Plains, New York.	480	New York
Farmers Exchange Bank, Abingdon, Virginia.	36	Richmond
The Bank of Glade Spring, Glade Spring, Virginia.	60	Richmond

Approved.

Telegrams to the respective Federal reserve agents stating that the Board has approved the applications of the following State banks for membership in the Federal Reserve System and for Federal reserve bank stock, subject to certain conditions prescribed in the individual telegrams:

<u>Name of Bank</u>	<u>Number of Shares</u>	<u>Federal Reserve Bank</u>
Citizens Bank and Savings Company, Leesburg, Ohio.	18	Cleveland
Western State Bank, Cicero, Illinois.	180	Chicago
Hutchinson State Bank, Hutchinson, Kansas.	122	Kansas City

Approved.

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Telegram dated April 8, 1933, to Mr. Bailey, Assistant Federal Reserve Agent at Minneapolis, approved by three members of the Board, referring to the application filed by the South Range State Bank, South Range, Michigan, 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, accordingly, upon surrender of the Federal reserve bank stock issued to the South Range State Bank the Federal reserve bank is authorized to cancel such stock and make a refund thereon.

Approved.

Letter dated April 7, 1933, to Mr. Stevens, Federal Reserve Agent at Chicago, approved by three members of the Board, calling attention to the fact that the report of examination of the Uptown State Bank, Chicago, Illinois, as of February 14, 1933, and the formal application for membership submitted by that institution, show certain reserves in the amount of \$197,096.15, and an estimated loss of \$186,002 on the asset of \$805,226 due from the Fidelity Trust and Savings Bank, information as to which was not included in the telegraphic advice transmitted to the Board and on which the Board acted in approving the application, and requesting that the agent advise the Board of the present status of these items and whether they were omitted from the telegraphic advice through inadvertence or for some particular reason.

Approved.

Telegraphic reply on April 7, 1933, approved by three members of the Board, to a telegram dated April 6, 1933, from Governor Young of the Federal Reserve Bank of Boston, stating that the board of directors of the

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bank has authorized the discount of a note of the H. T. Cushman Manufacturing Company, North Bennington, Vermont, furniture manufacturers, in the amount of \$25,000; \$10,000 of which will be used to pay indebtedness to H. P. McCullough recently incurred for current operations while the application to the bank was pending; and that while the advance made by Mr. McCullough is a personal one, he is President of the First National Bank of North Bennington which has already loaned the maker up to the legal limit. The telegram also stated that if necessary under the provisions of section 5 of the Board's circular letter of July 26, 1932, the Board's approval of the proposed discount is requested. The reply stated that with the understanding that the note meets the requirements of eligibility laid down by the law and the Board's regulations, and is acceptable to the Federal reserve bank from a credit standpoint, the Federal Reserve Board will interpose no objection to its discount by the Federal Reserve Bank of Boston because of the fact that a portion of the proceeds will be used for the purpose of paying off the existing indebtedness referred to.

Approved.

Reply to a letter dated March 23, 1933, from Controller Hollocher of the Federal Reserve Bank of St. Louis, inclosing a copy of a letter from the Lincoln Bank and Trust Company, Louisville, Kentucky, inquiring whether it is necessary to maintain reserves covering deposits of trust funds authorized by Treasury Regulation 7; it being the opinion of the Federal reserve bank that, inasmuch as the deposits referred to were segregated and maintained in cash in the member bank's vaults or deposited with the Louisville branch in a special account, they could be eliminated from

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deposit calculations and no reserve required against such amounts. The reply referred to the Board's telegram of March 30, 1933, which provides that deposits received in special trust accounts pursuant to Treasury Regulation 7, by a member bank not licensed to open, are demand deposits and subject to demand deposit reserves, and stated that reserves against such deposits may consist of amounts with the Federal reserve bank in a special account opened for the receipt of the proceeds of deposits received by the member bank in such special trust accounts.

Approved.

Telegraphic reply on April 7, 1933, approved by three members of the Board, to a telegram dated April 5, 1933, from Governor Hamilton of the Federal Reserve Bank of Kansas City, referring to the Board's telegram to him of that date regarding the maintenance of reserves by member banks on special trust deposits received by member banks pursuant to the provisions of Treasury Regulation No. 7 or by conservators in charge of such banks, and stating that since the law and Treasury regulation require that the entire amount of such deposits be either kept in cash, in direct obligations of the United States or deposited with the Federal reserve bank, it is believed to be inconsistent to require any reserve thereon, although as a matter of fact it is believed that in most instances conservators have deposited the greater portion of such funds in the Federal reserve bank. The reply stated that the matter has had careful consideration by the Board, and that, in view of the provisions of section 19 of the Federal Reserve Act, it is the Board's opinion that the deposits in question are subject to demand deposit reserves as stated in the Board's telegram of March 30, 1933,

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to the Governors of all Federal reserve banks.

Approved.

Telegram dated April 8, 1933, to the Governors of all Federal reserve banks, approved by three members of the Board, referring to the Board's telegram of March 30, 1933, with regard to the assessment of penalties for deficiencies in reserves, and stating that the Board will interpose no objection to the non-assessment of penalties for deficiencies in reserves of member banks from March 1. to March 15 in cases where member banks did not have an adequate opportunity to restore deficient reserve balances to the amounts required by section 19 of the Federal Reserve Act.

Approved.

Telegraphic reply to a telegram dated April 7, 1933, from Governor Calkins of the Federal Reserve Bank of San Francisco, stating that the Board's telegram of April 6, 1933, would prohibit the borrowing by unlicensed member banks in those States where laws specifically provide for a conservator but would allow borrowing by unlicensed State member banks in States where similar restricted performance of banking functions may be conducted by officers without the formality of appointing a conservator and that the discrimination seems to apply to the form of management rather than the form of banking service. The reply stated that, in view of the fact that member banks in the hands of conservators or other State officials having similar authority are in a status similar to that of banks in the hands of receivers or banks otherwise closed by supervisory authorities, the Board is of the opinion, as stated in its telegram of April 6,

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1933, that Federal reserve banks are not authorized to discount for or make advances to such banks; that unlicensed member banks operating under Treasury Regulation 27 are still in charge of their own directors and officers and have not been taken over by supervisory authorities either for liquidation or conservation of assets; that their status is essentially different from banks in the hands of conservators and the Board feels that Federal reserve banks are not legally prohibited from extending credit to such banks to the extent authorized by Treasury regulations; and that loans are prohibited by the Board's telegram of April 6, 1933, only to banks actually in the hands of conservators or to such conservators.

Approved.

Telegraphic reply on April 7, 1933, approved by three members of the Board, to a letter dated March 27, 1933, from Mr. Walsh, Federal Reserve Agent at Dallas, inclosing a copy of a circular being prepared for distribution to member banks in the Eleventh Federal Reserve District covering the requirements and procedure governing the admission of State banks and trust companies to membership in the Federal Reserve System and requesting any suggestions or criticisms which the Board may have to offer in connection with the text of the circular. The reply suggested a number of changes in and additions to the circular as submitted.

Approved.

Copy of a telegram dated April 8, 1933, addressed by the Acting Secretary of the Treasury to the Governors of all Federal reserve banks, referring to the paragraph contained in the executive order issued by the President of the United States on April 5, 1933, prohibiting the hoarding

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of gold, which authorizes the Secretary of the Treasury, out of the sum made available to the President by section 501 of the Act of March 9, 1933, to 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 the order, and stating that the Federal reserve banks are authorized to pay any expenses described in the executive order which they may deem reasonable under the circumstances in connection with the delivery or shipment of gold to them and to pay any such reasonable expenses in connection with the delivery or shipment of gold to a member bank upon being furnished by the member bank with an affidavit that such gold has been received taking a receipt for such payment and such other satisfactory evidence of the expenses incurred as may be obtained from the member bank or other person delivering or shipping such gold, or by the member bank from the person delivering or shipping such gold.

Noted.

Telegraphic reply on April 7, 1933, approved by three members of the Board, to a telegram dated April 6, 1933, from Deputy Governor Crane of the Federal Reserve Bank of New York stating that advice has been received from the Bank for International Settlements that the Austrian National Bank is requesting a renewal for three months of the full amount of the credit to that institution, stating that, in view of its foreign exchange position, no other course is open to it pending settlement regarding the new loan to the Austrian Government referred to in paragraph 3 of the contract letter dated July 18, 1932, relating to the credit. The telegram also stated that the Austrian National Bank may request a reduction

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in the rate of interest from 5 1/4% to 5% which is its present official bank rate, and that at the meeting of the board of directors of the Federal Reserve Bank on April 6, it was voted, subject to the approval of the Federal Reserve Board, to authorize the officers to arrange for the renewal, for a period not exceeding three months, of the bank's participation of approximately \$975,000 in the credit which expires April 18, 1933, provided the other principal participants in the credit do likewise. The reply stated that the Board offers no objection to the action of the directors of the New York bank, it being understood that the renewal will be upon the same terms and conditions as govern the existing credit except that if requested by the Austrian National Bank and agreed to by the other participants, the rate of interest may be reduced from 5 1/4% to 5%.

Approved.

Telegraphic reply on April 7, 1933, approved by three members of the Board, to a telegram dated April 6, from Deputy Governor Crane of the Federal Reserve Bank of New York, stating that advice has been received from the Bank for International Settlements that, in the absence of any improvement in the foreign exchange position of the National Bank of Hungary and in view of the persistent low level of its free available foreign exchange, it is compelled to request a renewal of the credits extended to that institution for a further three months period from April 18, 1933. The telegram also stated that at the meeting of the board of directors of the Federal Reserve Bank of New York on April 6, 1933, it was voted, subject to the approval of the Federal Reserve Board, to authorize the officers to arrange for the renewal of the bank's participation of approximately

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\$4,000,000 in the credits for a period not exceeding three months from April 18, 1933, provided the other principal participants in the credits do likewise. The reply stated that the Board offers no objection to the action of the directors, it being understood that the renewals will be upon the same terms and conditions as the existing credits.

Approved.

Telegram received under date of April 5, 1933, from Governor Harrison of the Federal Reserve Bank of New York, and circulated among the members of the Board, stating that advice has been received from the Bank for International Settlements that the proposed modification of Clause 5 of the renewal agreement of December 3, 1932, which was suggested by the Bank of France, has proved unacceptable to the Reichsbank; that the Bank of France considered Clause 5 somewhat ambiguous as to the repayment in gold or its equivalent and sought to modify the clause so as to remove any possible ambiguity; and that the Reichsbank has asked the participants in the credit to retain Clause 5 as previously drawn, failing which, it offers immediate repayment in full. The telegram also stated that the New York bank has advised the Bank for International Settlements of its willingness either to continue its participation in the credit under the terms of Clause 5 as previously drawn or to accept immediate repayment of the amount now outstanding; that the Bank of France informed the Bank for International Settlements that it prefers to accept the Reichsbank's offer of repayment in full and requests that such repayment be effected before the end of the current week; and that it now appears likely that the whole credit will be repaid in full in the next few days. The Assistant Secretary

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also presented a telegram dated April 8, 1933, from Governor Harrison, stating that advice has been received that the credit to the Reichsbank will be repaid in full probably on April 13, 1933.

Noted.

Telegraphic reply to a telegram dated April 3, 1933, from Mr. McClure, Federal Reserve Agent at Kansas City, stating that Mr. E. A. Walker, of Oklahoma City, who has been authorized by the Board to serve three banks under the Clayton Act (the Tradesmen's National Bank of Oklahoma City, the Love County National Bank of Marietta, Oklahoma, and the First National Bank of Ardmore, Oklahoma), resigned as a director of the First National Bank of Ardmore, Oklahoma, some months ago, and now contemplates accepting the presidency of a new national bank to succeed the First National Bank, and before proceeding with his plans desires permission, or assurance that he will receive permission, to serve the new bank and the two remaining banks covered by the present permit. The reply stated that, on the basis of the information before it, the Board would be prepared to grant the application of Mr. Walker to serve the three banks referred to, provided the agent is disposed to recommend approval of the application after investigation of all the relevant facts, including those appearing in the reports of examination of the banks involved and of other facts that may have a bearing upon the compatibility with public interest of such service.

Approved.

Application of Mr. Marshall Field, Huntington, Long Island, New York, for permission to serve at the same time as director of the Guaranty Trust Company of New York City, as a director of the Bank of the Manhattan

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Company, New York City, and as a director of the Continental-Illinois National Bank and Trust Company of Chicago, Illinois; the Federal Reserve Agent at New York stating in his letter of March 2, 1933, transmitting the application, that because of the conversion of the Continental Illinois Bank and Trust Company in October, 1932, into the Continental Illinois National Bank and Trust Company, Mr. Field's service of the three institutions was brought within the provisions of section 8 of the Clayton Act making the application necessary, that there is no evidence in the reports of the New York banks or otherwise at hand which would indicate that the applicant's service as a director of the three banks named over the past eight years or more has resulted in any restriction of credit or in any lessening of competition, or has had any other effect not compatible with the public interest, and that in view of these considerations he recommends approval of the application. A letter dated March 6, 1933, from Mr. Stevens, Federal Reserve Agent at Chicago, stated that he concurs in Mr. Case's favorable recommendation.

The application was discussed and Mr. Miller stated that he is of the opinion that the application should not be approved as regards both of the two New York City banks but that he would not be opposed to Mr. Field serving as a director of either one of the New York City institutions and the Continental Illinois National Bank and Trust Company of Chicago.

At the conclusion of the discussion, Mr. Morrill was requested to call the Federal Reserve Agent at New York on the telephone and to request that he ascertain from Mr. Field whether he would be willing to resign as a director of one of the New York institutions.

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Reply to a letter dated March 22, 1933, from the Secretary of the Treasury suggesting that it would greatly facilitate the administration of the Bank Conservation Act if the Federal reserve banks would accept for safekeeping the restricted conservatorship funds held by conservators of national banks pending final disposition of the affairs of the banks, and requesting that the Board advise as soon as possible whether arrangements can be made for cooperation by the Federal reserve banks in this respect. The reply referred to the instructions recently prescribed by the Comptroller of the Currency for conservators of national banks, providing for the deposit of funds of conservators under certain terms and conditions in accounts with Federal reserve banks, and stated that consideration of the terms and conditions of the sections of the instructions with regard to accounts with Federal reserve banks by the office of the Comptroller of the Currency, with the assistance of members of the Board's staff and representatives of Federal reserve banks, had commenced prior to the receipt of the Secretary's letter, and that the Board has advised the Federal reserve banks that it considers it desirable that they cooperate in this matter by opening and maintaining accounts for conservators in accordance with the terms and conditions of the Comptroller's instructions. The reply also inclosed for the information of the Secretary of the Treasury a copy of the Board's letter of April 1, 1933, to the Federal reserve banks on this subject.

Approved.

Reply to a letter received by the Secretary of the Treasury from Mr. Albert C. Schott, New Orleans, Louisiana, and by the former referred to

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the Federal Reserve Board for reply, suggesting that the Secretary of the Treasury instruct the Federal reserve banks to assist certain specified banks in New Orleans which are now operating on a restricted basis in the liquifying of their assets in order that confidence in the banks may be restored. The reply stated that while the Federal reserve banks operate under the supervision of the Federal Reserve Board they are owned entirely by their member banks and not by the Federal government and the extent to which they may properly discount paper or make loans within their legal authority is a matter primarily for the exercise of the judgment of the board of directors and executive officers of each Federal reserve bank; that the Board understands that the officers and directors of the Federal Reserve Bank of Atlanta and its New Orleans branch are thoroughly familiar with the situation of the banks in New Orleans and have given that situation close and sympathetic consideration; and that the Board therefore feels confident that the Federal Reserve Bank of Atlanta will cooperate to the fullest possible extent from the standpoint of the best interests of all of its member banks in working out a sound solution of the New Orleans situation.

Approved.

Reply to a letter addressed by Mr. Bertram Chesterman, President of the Morris Plan Bank of Washington, D.C., to the Secretary to the President of the United States, under date of March 8, 1933, suggesting that the paper of Morris Plan banks be made eligible for rediscount by Federal reserve banks. The reply stated that a broadening in the eligibility requirements in the manner suggested would be inconsistent with the purposes

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for which the Federal Reserve System was established; that it is contemplated by the Federal Reserve Act that the paper rediscounted for member banks should arise out of commercial or agricultural transactions which ordinarily will be consummated within a comparatively short period of time and out of which will be derived funds to pay the paper at maturity; and that the paper of Morris Plan banks is not of this character. The reply also called attention to the provisions of Section 10(b) of the Federal Reserve Act, as amended; to the action of the Board in authorizing Federal reserve banks to accept as security for advances to member banks, under the provisions of that section, paper acquired from or indorsed by banks which are not members of the Federal Reserve System; and to the fact that the Reconstruction Finance Corporation is authorized to make advances under certain conditions to banks, credit unions and certain other similar institutions, and that the security which it may accept for such loans is not confined to paper which would be eligible for discount at Federal reserve banks.

Approved.

Reply to a letter dated November 17, 1932, from Mr. E. H. Gough, Deputy Comptroller of the Currency, requesting advice as to the proper classification by the Central United National Bank of Cleveland, Ohio, of certain balances due to savings and loan companies. The reply stated that the Board has communicated with the Federal Reserve Bank of Cleveland with respect to this matter and it appears from the information which it has received that the savings and loan companies in question, which are organized under the laws of the State of Ohio, are authorized to receive, and do receive, from their members and from others deposits not subject to

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check or to payment on demand, and also to make loans to their members and others upon certain classes of security, and that it is the practice of many of these companies to receive deposits in substantial amounts and to permit their immediate withdrawal upon request of the depositor. The reply also stated that, after consideration of the nature of these savings and loan companies, it is the opinion of the Federal Reserve Board that they properly may be considered as banks within the meaning of the eighth paragraph of section 19 of the Federal Reserve Act and that deposits made by such institutions in a member bank properly may be classified by it as amounts due to banks in computing its reserves and in preparing its reports of condition.

Approved.

Governor Meyer stated that it had been suggested by the Chairman of the Board that there should be a meeting of the Governors in the near future, and he inquired as to the feeling of the other members of the Board in the matter.

After discussion, the Governor was requested to consider the matter further with the Chairman of the Board and, if it is found to be feasible for the Governors to be away from the Federal reserve banks, to arrange a meeting in Washington at an early date.

Governor Meyer also stated that he attended the meeting of the board of directors of the Federal Reserve Bank of New York on April 6, 1933, and that in connection with a discussion of the possible stabilization of the English pound, he had stated that, in his opinion, and, as he understands it, in the opinion of the Board, any suggestion on the part of Federal reserve authorities that the granting of licenses for the export of gold

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from this country should be conditioned upon the stabilization at this time of the English pound was entirely inappropriate.

Mr. Wyatt then referred to the letters addressed by the Board to the Chairmen of the Committee on Interstate and Foreign Commerce of the House of Representatives and the Committee on Banking and Currency of the Senate under date of April 3, 1933, suggesting an amendment to the bills (S. 875 and H.R. 4314) being considered by those committees which provide for the supervision of traffic in investment securities in interstate commerce. Mr. Wyatt stated that since that letter was dispatched it has been suggested that there are other types of short term open market commercial paper which would not be covered by the suggested amendment and he suggested that in replying to a letter received by the Board under date of April 4, 1933, from the Acting Clerk of the Senate Committee on Banking and Currency requesting a report on the bill, the Board submit another form of amendment covering the classes of paper referred to. In accordance with his suggestion, Mr. Wyatt submitted a draft of a proposed letter to the Chairman of the Banking and Currency Committee of the Senate, stating that in its letter of April 3, 1933, the Board suggested that the securities bill should be amended so as to exempt bankers' acceptances and notes, drafts and bills of exchange growing out of current commercial, agricultural or industrial transactions or the proceeds of which have been or are to be used for commercial, agricultural or industrial purposes, when such paper has maturities not in excess of nine months; that there are, however, other similar classes of paper such as paper issued to finance the breeding of live stock, which may be sold on the open market with maturities exceeding

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nine months, and it would seem desirable in the circumstances that the Federal Trade Commission be given sufficient discretion to enable it to apply the provisions of the bill in harmony with its true intent and meaning; and that a form of substitute amendment for this purpose is being submitted for the consideration of the committee. The letter also stated that it appears that the provisions of the bill are manifestly not intended to be applicable to Federal reserve notes, Federal reserve bank notes, and Federal reserve bank stock, but the definition of "securities" contained in subsection (a) of Section 2 of the bill appears to be broad enough to include such notes and stock, and that in order to make the provisions of the bill inapplicable to Federal reserve banks, it is suggested that Section 11 be amended by adding at the end thereof a new subsection in the form inclosed with the letter.

After a discussion, the letter was approved and the Secretary was requested to address a similar letter to the Chairman of the Committee on Interstate and Foreign Commerce of the House of Representatives.

Reference was then made to the new Glass Bill, S. 245, which was introduced in the Senate by Senator Glass under date of March 11, 1933, and is now under consideration by a subcommittee of the Senate Banking and Currency Committee and Mr. Wyatt called attention to a tentative memorandum, prepared in his office, of suggested changes in the bill, copies of which were furnished to the members of the Board on April 8, 1933. Some of the provisions of the new bill were discussed and consideration was also given to the desirability of submitting to the subcommittee or to Senator Glass the suggestions of the Board as to changes in the bill;

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Mr. Wyatt stating that he understands that it is planned to report the bill to the full committee this week so that any suggestions which the Board desires to make should be submitted promptly. Mr. Hamlin moved that the Secretary be requested to take the matter up with Senator Glass and to ascertain whether he desires to receive from the Board a report on the bill.

Action on Mr. Hamlin's motion was deferred for consideration at a meeting of the Board.

Consideration was given particularly to a provision, which it is understood is contained in the sub-committee redraft of the bill, which would prohibit the payment of interest by banks on all demand deposits, and the opinion was expressed that the elimination of interest on such deposits would involve a major change in an already complicated banking situation; that it would be difficult to foresee all the effects of such a change; and that, in any event, the matter is not an urgent one and, because of the possible risks involved, should be carefully studied in all its aspects before it is adopted.

Thereupon the meeting adjourned.

Robert Wallace
Secretary.

Approved:

Ernest C. Ferguson
Governor.