

DECLASSIFIED

Authority NND 30026

Form F. R. 131

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

REC'D IN FILES SECTION

MAY 14 1940

Date May 13, 1940

# Office Correspondence

To Files

Subject: \_\_\_\_\_

From Mr. Smead

Under the present requirements of the Treasury, Federal Reserve banks have to obtain authority from the Secretary of the Treasury for the issuance of a license to State banks upon admittance to membership in the Federal Reserve System. Since formal admission to membership has to be delayed at times until telegraphic or other advice is received from the Treasury Department authorizing the Federal Reserve bank to issue the license, and since the granting of such authority appears to be largely a matter of form, I asked Under Secretary Bell whether there was any objection on the part of the Treasury to giving the Federal Reserve banks blanket authority to issue licenses to existing State banks upon their admission to membership in the Federal Reserve System. I understand that this matter was referred to Treasury counsel.

Shortly before his leaving the office for a few days, Mr. Bell asked Mr. Heffelfinger to tell me that the Department preferred not to make any changes at this time in existing procedure. Mr. Heffelfinger stated that Mr. Bell thought this question might be reopened for consideration at a later date.



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JUL 28 1939

Mr. M. J. Fleming, President,  
Federal Reserve Bank of Cleveland,  
Cleveland, Ohio

Dear Mr. Fleming:

We have gone over the form of license enclosed with your letter of July 20, and while we agree with you that the form is not exactly what we would suggest if a new one were now being prepared, we doubt whether, in all the circumstances, it would be worthwhile to raise any question with the Treasury Department about it at this time.

It is assumed that the whole question of licenses will come up for consideration within the next two or three years.

Very truly yours,

(Signed) Chester Merrill

Chester Merrill,  
Secretary.

Appl. See  
Minutes on

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Form of license in use by  
Federal Reserve Bank of New York  
LICENSE

July 25, 1939.

The

of

is hereby permitted to open on

1931 its office(s) in the following

place(s), the above date being the date on  
which the above bank became a member  
of the Federal Reserve System.

and to perform its usual banking functions except:

(1) To the extent prohibited in the executive order of the President of the United States issued on March 10, 1933, as amended by the proclamation of December 30, 1933 and by the executive order of January 15, 1934 (an extract from which is printed hereon).

(2) To the extent limited or prohibited by any executive order of the President or by regulations of the Secretary of the Treasury.

This license may be revoked in whole or in part by the Secretary of the Treasury at any time.

Issued by direction of

H. MORGENTHAU, JR., *Secretary of the Treasury,*  
Federal Reserve Bank of New York,  
By

Date:

*Vice President  
Deputy Chairman.*

EXTRACT FROM EXECUTIVE ORDER OF THE PRESIDENT OF THE UNITED STATES,  
OF MARCH 10, 1933 AS AMENDED BY PROCLAMATION OF DECEMBER 30, 1933 AND  
EXECUTIVE ORDER OF JANUARY 15, 1934.

"By virtue of the authority vested in me by Section 5 (b) of the Act of October 6, 1917 (40 Stat. L. 411) as amended by the Act of March 9, 1933, and by Section 4 of the said Act of March 9, 1933, and by virtue of all other authority vested in me, I hereby issue the following executive order.

\* \* \* \* \*

"Until further order, no individual, partnership, association, or corporation, including any banking institution, shall export or otherwise remove or permit to be withdrawn from the United States or any place subject to the jurisdiction thereof any gold coin, gold bullion, or gold certificates, except in accordance with regulations prescribed by or under license issued by the Secretary of the Treasury.

"No permission to any banking institution to perform any banking functions shall authorize such institution to pay out any gold coin, gold bullion or gold certificates except as authorized by the Secretary of the Treasury, nor to allow withdrawal of any currency for hoarding.

Subdivision (b) of Section 5 of the Act of October 6, 1917, as amended and Section 4 of the Act of March 9, 1933, prescribe a penalty of a fine of not more than \$10,000 and/or an imprisonment for not more than ten years, for violation of the terms of the said sections.

\* This wording is used when a non-member bank  
is admitted to membership



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New York form:

Same as Cleveland form except that wording of first paragraph below signature reads:

Janus 1608 3/10/39

Extract from Executive Order of the President of the United States, issued on March 10, 1933, as amended by proclamation of December 30, 1933 and executive order of January 15, 1934:

By virtue of the authority vested in me by Section 5 (b) of the Act of August 6, 1917 (40 STAT. L. 411) as amended by the Act of March 9, 1933, and by Section 4 of the said Act of March 9, 1933, and by virtue of all authority vested in me I hereby authorize the executive order.

"Until further order, (balance same as Cleveland form)

Philadelphia form:

Practically same as Cleveland, except that the words "Issued by direction of H. Morgenthau, Jr." are omitted, and the form reads

(\_\_\_\_\_) Acting Secretary of  
the Treasury

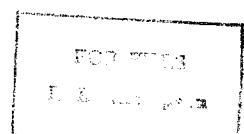
FEDERAL RESERVE BANK OF PHILADELPHIA

By

Governor

The words "amended as aforesaid" are omitted from the first line below the signature.

The name of the Secretary of the Treasury is omitted at bottom of the form.



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Mr Smead

Mr Pyley

Do you know  
what he wants. When  
do you think we should  
do? I hesitate to  
raise any question about it.

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FEDERAL RESERVE BANK  
OF CLEVELAND

July 20, 1939

*Carney*

*6/27/33*

Mr. Chester Morrill  
Care of Board of Governors of the  
Federal Reserve System  
Washington, D. C.

Dear Mr. Morrill:

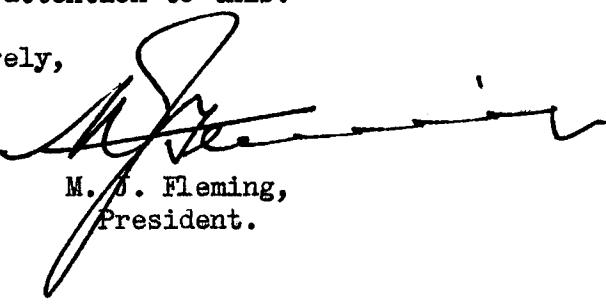
You will find enclosed a copy of the form of  
license which this bank has been issuing since  licenses  
have been required.

Our supply is very low and as the form, frankly,  
is a very poor one, I am wondering whether you would  
approach the proper source at the Treasury Department  
in the interest of procuring a new form of license.

The form enclosed is in accordance with the  
telegram of March 12, 1933 over the name of W. H.  
Woodin, Secretary of the Treasury.

I shall appreciate your early attention to this.

Yours very sincerely,

  
M. J. Fleming,  
President.

Encl.

FOR FILES  
R. E. Thompson

FEDERAL RESERVE BANK OF CLEVELAND

:: LICENSE ::

RECEIVED IN PLATES SECTION  
FEB 10 1934

The \_\_\_\_\_

of \_\_\_\_\_

is hereby permitted to open on \_\_\_\_\_, 1934, its offices in the following places \_\_\_\_\_  
and to perform its usual banking functions except:

(1)—To the extent prohibited in the Executive Order of the President of the United States issued on March 10, 1933, as amended by the Proclamation of December 30, 1933 and by the Executive Order of January 15, 1934, (an extract from which is printed hereon):  
(2)—To the extent limited or prohibited by any Executive Order of the President or by regulations of the Secretary of the Treasury.

This license may be revoked in whole or in part by the Secretary of the Treasury at any time.

Issued by direction of,  
H. MORGENTHAU, Jr., *Secretary of the Treasury.*  
FEDERAL RESERVE BANK OF CLEVELAND

By

(Deputy Governor.

Extract from Executive Order of the President of the United States, issued on March 10, 1933, amended as aforesaid:)

"Until further order, no individual, partnership, association, or corporation, including any banking institution, shall export or otherwise remove or permit to be withdrawn from the United States or any place subject to the jurisdiction thereof any gold coin, gold bullion, or gold certificates, except in accordance with regulations prescribed by or under license issued by the Secretary of the Treasury.

No permission to any banking institution to perform any banking functions shall authorize such institution to pay out any gold coin, gold bullion or gold certificates except as authorized by the Secretary of the Treasury, nor to allow withdrawal of any currency for hoarding."

Subdivision B of Section 5 of the Act of October 6, 1917, as amended, and Section 4 of the Act of March 9, 1933, prescribe a penalty of a fine of not more than \$10,000 and/or an imprisonment for not more than ten years, for violation of the terms of the said sections.

H. MORGENTHAU, Jr.,  
*Secretary of the Treasury.*

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February 8, 1939

Mr. Robert S. Parker,  
Vice President and General Counsel,  
Federal Reserve Bank of Atlanta,  
Atlanta, Georgia.

Dear Bob:

My attention has been called to a decision rendered in November 1938 by the Supreme Court of Mississippi in the case of Anthony v. Bank of Wiggins, 184 So. 626, holding that the President's Proclamation of March 6, 1933, declaring a bank holiday, was invalid.

If you can do so without too much trouble, I shall appreciate it if you will find out and advise me whether or not any effort is being made to take this case to the Supreme Court of the United States by way of appeal or writ of certiorari.

I believe that the decision on this point is wrong and I dislike to see it stand unchallenged. Therefore, if the case is to be taken to the Supreme Court of the United States, I am inclined to think that the matter should be brought to the attention of the Attorney General in order that he may consider the advisability of filing a brief as amicus curiae supporting the validity of the President's action.

Assuring you that any information which you can give me regarding the status of this case will be greatly appreciated, and with all best regards, I am

Cordially yours,



Walter Wyatt,  
General Counsel.

AM:scba

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December 28, 1938.

Mr. Wyatt, General Counsel

Mr. Shay, Law Clerk

Decision re invalidity of President's Proclamation declaring banking holiday.

Pursuant to your request of November 28, 1938, I herewith bring to your attention the case of Anthony v. Bank of Wiggins, 184 So. 626 (Miss. 1938), which was discussed in an article in the American Banker for November 28, 1938.

The defendant, in the aforementioned case, was indebted to the plaintiff bank on a note secured by a deed of trust on certain realty. After default in payment by the defendant, said realty was duly advertised for sale by the trustee on March 6, 1933, and purchased by the bank. In this suit, instituted more than six years after the due date of the aforementioned note, the bank, claiming both legal and equitable ownership, prayed for either a cancellation of the defendant's claim and the confirmation of its title, or for a second foreclosure in the event the sale of March 6, 1933, should be held invalid. The defendant invoked the statute of limitations and further contended that the foreclosure of March 6, 1933, was invalid because (1) the sale was made after the bank had received notice of the President's Proclamation closing all banking institutions and prohibiting the transaction of any banking business, and (2) because the price paid at the sale was inadequate.

In affirming the decree below awarding the bank possession, the court held that the statute of limitations was not a defense to the plaintiff's prayer for cancellation of the defendant's claim and confirmation of title in the plaintiff.

In disposing of the contention that the sale was invalid because in violation of the President's Proclamation of March 6, 1933, the court said:

"The Proclamation of the President was issued under what he conceived to be an authority vested in him by virtue of the provisions of Sec. 5(b) of the Act of Congress of October 6, 1917, 40 Stat. 411. This was done under Sec. 5(b) of the Act known as the "Trading With the Enemy Act", limited in its application to the period of the World War. Section 95, U.S.C.A., Title 12, pp. 362,363. The first proclamation, No. 2039, issued on March 6, 1933, was followed by his second proclamation, No. 2040, issued on March 9, 1933, after the Congress had passed an act on that date, being Chap. 1, § 2, 48 Stat. 1, Sec. 95a, Title 12, U.S.C.A., p. 361, granting such authority, and approving what had been done by the President in the premises.

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Mr. Wyatt - 2

"An historical note is found on page 361, Title 12, U.S.C.A., as follows: 'As originally enacted by Act of October 6, 1917, c. 106, § 5 (b), 40 Stat. 415, this section formed a part of the Trading With The Enemy Act, which was limited in its application to the World War and therefore was omitted from the Code, but printed as an appendix to Title 50 U.S.C.A. By Act of Mar. 9, 1933, c. 1, § 2, 48 Stat. 1, the section was made applicable to any war "or any other period of national emergency declared by the President," thus making it general and permanent legislation.'

"Thus it will be seen that although the banking institutions of the United States, out of a commendable spirit of co-operation in a time of economic crisis, generally obeyed the Presidential Proclamation of March 6, 1933, there was no authority in law for the issuance of such a proclamation until March 9, 1933. We are of the opinion that even though a sale by a trustee on March 6, 1933, under foreclosure proceedings theretofore legally advertised should be considered as transacting banking business, the approval by the Congress on March 9, 1933, of the President's action in closing the banks would not have the retroactive effect of rendering illegal that which had been legally done on March 6, 1933."

In conclusion, the court dismissed the defendant's contention based on the inadequacy of the price paid at the foreclosure sale by pointing out that, as a matter of fact, the bank paid all that the land was worth; and that mere inadequacy of price alone, unaccompanied by fraud or unfair advantage, would not suffice to warrant setting aside the sale.

Respectfully,

Jerome W. Shay,  
Law Clerk.

JWS/pc

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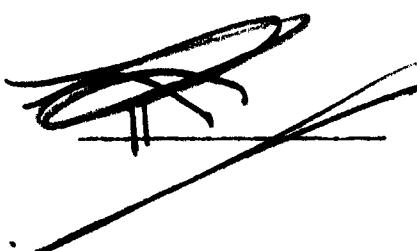
Mr. Szymczak

December 16, 1958

MEMORANDUM TO THE MEMBERS OF THE BOARD ONLY  
FROM RONALD RANSOM

CONFIDENTIAL

Under date of the 9th I circulated a preliminary draft on a matter that the Board had under discussion. Comments of the Board members were invited. This memorandum has now been redrafted with some of the suggestions incorporated. In the absence of additional suggestions, the Chairman contemplates submitting it at an early date. Suggestions can either go to the Chairman or to me. A copy of the last draft is attached.



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Rehabilitation of the American banking system, which has been brought about since the declaration of the bank holiday by Presidential proclamation on March 6, 1933, has been a notable achievement in which both the Congress and the Executive can justly take pride. The proclamation has remained in effect but, in view of national recovery and of the great improvement in the condition of our banks, I feel that it would be appropriate to remove the restrictions of the bank holiday.

In considering the termination of the bank holiday, I would like to suggest that the Congress, through appropriate committees or through a joint committee specially named for that purpose, should undertake a review of Federal banking statutes and a careful study of our banking system and of the agencies established by the Federal Government to supervise and regulate banking. Such a study will disclose what additional legislation may be desirable in order to strengthen still further the banking system, so that it will be as strongly fortified as possible to meet changing economic conditions and to meet adequately the credit needs of commerce, agriculture and industry, while protecting the rights of bank depositors and the public interest.

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Mr. Szymczak

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December 9, 1958

MEMORANDUM TO THE MEMBERS OF THE BOARD ONLY  
FROM RONALD RANSON

CONFIDENTIAL

You will recall that it was recently suggested that I draft a brief statement on a matter then under discussion. I attach for consideration a statement which seems to me to meet the thought that was before us during the conference in question. Your comments are invited.



FOR FILES  
A. M. Stone

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Mr. Szymczak

On March 6, 1933 a condition of national emergency required the proclamation of a bank holiday. National recovery, aided by important remedial banking legislation enacted by Congress, has improved the condition of American banks. Therefore it seems appropriate at this time to consider whether the requirements imposed by the declaration of a bank holiday can now be removed.

I think it desirable to suggest that the Congress, through appropriate committees or through a joint committee specially named for that purpose, should now undertake a careful study of the organic structure of the American banking system and of the agencies that have been established by the Federal Government to supervise and regulate banking. The banking system should at all times be able to withstand the impact of changing economic conditions. A study by the Congress will disclose what may be done towards strengthening the banking system and improving its supervision, so that our banks may meet adequately the credit needs of commerce, industry and agriculture, while protecting the rights of bank depositors and the public interest.

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470-2  
November 28, 1938

Mr. Shay

Mr. Wyatt, General Counsel

The American Banker for this date carries a story to the effect that the Supreme Court of Mississippi has held that the President's Proclamation of March 6, 1933 declaring a banking holiday was without authority of law.

Please watch for this opinion in the advance sheets and bring it to my attention when it is received.

Very truly yours,

Walter Wyatt,  
General Counsel.

WW:cba

GENERAL COUNSEL'S OFFICE

Dictated by .....

Approved by .....

Revised by .....

FILE COPY

Dec 2 1938

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*delet M.T.T.*  
COPY

September 30, 1937

Schaller - Chicago

I hereby direct the Federal Reserve Bank of Chicago, Illinois, acting as my designated agent, to issue a license in the form heretofore prescribed by me to transact normal banking functions to the following named national bank, charter for which was issued today by the Comptroller of the Currency:

The First National Bank of Highland Park,  
Highland Park, Illinois.

The above bank is a conversion of The Highland Park State Bank, Highland Park, Illinois.

(Signed) Stephen B. Gibbons

Acting Secretary of the Treasury.

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FEDERAL RESERVE SYSTEM

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X-9679



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 25, 1936.

Dear Sir:

Recommendations to the Secretary of the Treasury with respect to the licensing of newly admitted State bank members of the Federal Reserve System have been submitted by some of the Federal Reserve banks over the signature of the Federal Reserve Agent or Assistant Federal Reserve Agent and by others over the signature of the President or a Vice President. In view of the fact that the Bank Examinations function has already been transferred from the Federal Reserve Agent's supervision to that of the President at some of the Federal Reserve banks and as it is contemplated that similar action will soon be taken at the other Reserve banks, it is suggested that in the interest of uniformity all recommendations to the Secretary of the Treasury with respect to the licensing of newly admitted State bank members be made hereafter over the signature of the President or a Vice President of the Federal Reserve bank. In so far as the licenses themselves are concerned, it is understood that they are being signed by the President or a Vice President of the bank acting on behalf of the Secretary of the Treasury.

Very truly yours,

*orig. file 412.1* Chester Morrill

Chester Morrill,  
Secretary.

TO ALL PRESIDENTS.

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*Ca & Valt*

FEDERAL RESERVE BOARD OF

X-9677  
Reg. H-7

INTERPRETATION OF LAW OR REGULATION

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(Copies to be sent to all Federal reserve banks)

August 13, 1936.

Mr. Hugh Leach, President,  
Federal Reserve Bank of Richmond,  
Richmond, Virginia.

Dear Mr. Leach:

This refers to the circular dated May 27, 1936, which you transmitted to the member banks in your district advising of the admission to membership, on the date of the circular of the \_\_\_\_\_ Trust Company of \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and which also contained the statement that "in due course license will be issued by the Secretary of the Treasury as of the date of admission".

The Board's records show that, after the date upon which the membership of the \_\_\_\_\_ Trust Company of \_\_\_\_\_ became effective, the Acting Secretary of the Treasury authorized the Federal Reserve bank to issue a license to such bank to transact business as a member of the Federal Reserve System, and it is understood that such license was issued as of the date of the bank's admission to membership. In the circumstances, it is suggested that in any future case involving similar facts it would be desirable to avoid in any statement released to the public any expression which indicates that the State bank was transacting business as a member bank prior to the date when the Secretary of the Treasury authorized the issuance of the license. In order to avoid any possible question being raised,

*orig. filed 412.1*

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it is also suggested that the Federal Reserve bank advise the Secretary of the Treasury of the approval by the Board of an application of a State bank for admission to membership and submit its recommendation regarding the issuance of a license sufficiently far in advance of the effective date of membership to permit the Secretary of the Treasury to authorize the issuance of the license simultaneously with the entrance of the bank into the System.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.

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FEDERAL RESERVE BOARD FILE

470.2

June 15, 1936.

Governor Broderick

Mr. Paulger

Special questions raised by members of the official staffs of the Federal Reserve Banks of Minneapolis, Chicago and Cleveland.

In accordance with your request of May 19, 1936, the special questions raised at conferences with you of the official staffs of the above banks have, wherever possible, been followed through to a definite conclusion and the action taken in connection with each is shown below.

1. Whether a member bank would be required to exhaust its paper eligible for borrowing under section 13 before being granted accommodations under section 10-B. *Copy filed 332.206*  
(Raised by Chicago and Cleveland.)

In view of the importance of the question and the fact that there appears to be uncertainty in the minds of officials of other Federal reserve banks regarding the matter, it was deemed advisable to submit the question to counsel for consideration and preparation of a letter which it is suggested be sent to all Federal reserve banks. Counsel's memorandum on the subject, together with a draft of the proposed letter, which it will be noted requires action by the Board, are attached.

2. Why it was necessary to continue to obtain periodic reports on foreign transactions. It was stated that the necessity for furnishing these reports is frequently questioned, particularly by importers and exporters. *Copy filed 334.1-4*  
(Raised by Mr. Dawes of Chicago.)

Mr. Gardner, of the Board's Division of Research and statistics, who has supervision over such reports, has considered the question and has prepared a memorandum thereon, which is attached for your information. You will notice that the reports are made pursuant to an executive Order and Treasury regulations thereunder and are not, therefore, required by the Board although they are said to be extremely useful to the Board in following international movements of capital. Mr. Dawes directs particular attention in his question to the necessity for requiring the reports of importers, exporters, and industrial concerns. It appears that such reports are made only four times a year, which should not involve an undue amount of labor or trouble.

The contents of Mr. Gardner's memorandum were explained informally by Mr. Koppang, of this Division, to Assistant Agent Young of Chicago who stated that Mr. Dawes had apparently overlooked the fact that the reports were being made pursuant to an Executive Order and, furthermore, that in view of their value to the Board no further consideration need be given to their possible discontinuance. Mr. Young was requested to explain

*orig. filed 327-3*

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the matter to Mr. Dawes and to invite him to raise any further questions on the subject that he might have. Mr. Young suggested that the matter be dropped as he felt confident that the explanation regarding the need and use of the reports would satisfy Mr. Dawes completely.

3. Why the reserve banks could not have copies of newly issued regulations in their possession when the regulations are released to the Press by the Board of Governors, as it was embarrassing to the reserve banks when inquiries were received to have to advise the inquirers that the reserve banks had nothing official in their possession pertaining to the information sought.

(Raised by Mr. Pett of Chicago.)

*Left by Pett*  
152

The question here raised was submitted to Secretary's office and Mr. Carpenter has investigated and prepared a memorandum thereon, which is attached. It is difficult, in the light of the information contained in Mr. Carpenter's memorandum, to determine which of the regulations Mr. Pett had in mind. In an informal discussion Mr. Young stated that he believed Mr. Pett was probably thinking of Regulation U, which he recalled was not received by the Reserve banks until after it had been released by the Board to the Press. However, Mr. Carpenter has advised that Regulation U was sent to all Federal reserve banks by wire on May 25, 1936, and was not released to the Press until May 26, 1936. In any event, it is not believed there will be any further cause for complaint in this connection in view of Mr. Carpenter's statement that, "I have discussed Mr. Pett's comment with Mr. Thurston and he has agreed that in connection with future releases or amendments thereto no release should be made to the Press until copies are in the hands of the Federal reserve banks".

Mr. Young promised to pass the above information on to Mr. Pett.

4. Why the order requiring the licensing by the Secretary of the Treasury of banks admitted to the System had not been rescinded at least in the case of banks which had been operating on an unrestricted basis for many years.

(Raised by Mr. Young of Chicago.)

It is understood that the original purpose of the Executive Order requiring the licensing of member banks was to provide a means of effecting an orderly opening of sound banks which had been closed as a result of the President's Proclamation causing the banking holiday. Nevertheless, under the regulations of the Secretary of the Treasury all State banks are required to obtain a license from the Secretary of the Treasury in connection with admission to membership and all newly organized national banks are also required to obtain such a license. In addition to providing for an

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orderly reopening, the object of requiring banks to be licensed was to give the Secretary of the Treasury control over the banks, with particular reference to foreign exchange transactions, the payment or exportation of gold coin, gold bullion, and gold certificates, and it is no doubt because of the latter activities that the order requiring the licensing of member banks has not been rescinded. It is understood that the Secretary of the Treasury has in no case refused to issue a license, upon the recommendation of a Federal reserve bank, to State banks joining the System, and, while it would appear that the requirement is at present largely one of routine form, the matter of control, nevertheless, over the activities referred to may not be without significance. I do not feel that it would be proper for the Board or any of the Federal reserve banks to take the initiative in attempting to obtain a cancellation of the Executive Order at this time, and, in an informal discussion, Mr. Young stated that he was perfectly willing to drop the matter, that he had, as a matter of fact, raised the question only because he thought it may have been overlooked by the Secretary of the Treasury, and that there was little extra work or effort involved in forwarding the recommendations in connection with the few cases of banks joining the System.

The question was also referred to Counsel's office, and there is attached a memorandum dated May 28, 1936, which outlines the history and apparent purpose of the order, prepared by Mr. Cherry.

5. Reasons for delays at the Board's offices in acting upon applications for membership.

copy filed  
4/12/1

This question, which was raised by the Federal Reserve Bank of Cleveland, is phrased as a general question. It is understood, however, that the question was raised in particular reference to the Geo. D. Harter Bank, Canton, Ohio, and, to a lesser degree, to the Savings Deposit Bank and Trust Company, Elyria, Ohio. Each of these cases presented unusual circumstances, particularly the Geo. D. Harter Bank, which presented a question of policy. The cases will be discussed more fully later.

During the 11 months' period July 1, 1935 to May 31, 1936 the Board has acted upon 56 applications for membership.

Four of these cases were held for 50 days or more before approval. In each case unusual circumstances were presented; two were held for determination of matters of policy, one was held in abeyance pending enactment of legislation which would render it eligible; and one was held pending developments in a merger program.

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The following summary will show the average time between receipt and final action on the applications for membership received during the period.

|   | <u>No.</u> | <u>Average No.<br/>Calendar Days<br/>Elapsed</u> | <u>Average No.<br/>of Working Days<br/>in this Division</u> | <u>Average No.<br/>of Working<br/>Days until<br/>Approval</u> |
|---|------------|--|---|---|
| All cases acted on<br>7-1-35 to 5-31-36   | 56         | 22.4   | 10.   | 17.3  |
| Special cases referred<br>to above        | 4          | 70.5   | 31.1  | 54.8  |
| Other cases acted on<br>7-1-35 to 5-31-36 | 52         | 18.7   | 8.4   | 14.5  |

In cases of urgency or where there is reason for special consideration and treatment, the Board and the Staff have cooperated in endeavoring to expedite an application. In this connection it is noted that the application of the Elyria Savings and Trust Company, Elyria, Ohio, was received on Monday, May 4, 1936, and approved Monday, May 11, 1936, one week later.

The circumstances regarding the application of the two banks to which it is understood that the Federal Reserve Bank of Cleveland has specific reference were as follows:

|  |                                    |
|--|------------------------------------|
| <u>Geo. D. Harter Bank,<br/>Canton, Ohio</u> | Application received March 3, 1936 |
|  | Application approved May 5, 1936   |

The long delay before approval of the application of Geo. D. Harter Bank was due to the determination of a question of policy regarding the condition of membership requiring the bank to show separately the bank's investment in banking house and other real estate carried in investments and loans. The same question was under consideration at the time in connection with the request of the Union Trust Company of Maryland, Baltimore, for modification of a similar condition of membership. For the reasons set forth in the memorandum dated March 17, 1936, the Division recommended that such a condition be not prescribed in the case of the Geo. D. Harter Bank or in other similar cases, feeling that it is more properly a general condition to be handled through the call report than a question of a condition of membership in a particular case.

The matter was discussed informally with Messrs. Broderick, McKee, Ransom and Morrill. The situation regarding the call report was complicated by reason of the differences in opinion which had delayed the adoption by the Comptroller of the Currency, the F.D.I.C., and the Board, of a revised call report which would be substantially uniform for the three agencies and which would show such indirect ownership of banking house and other real estate.

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Authority NND30026

- 5 -

Following the discussion referred to, the Division of Bank Operations was requested to suggest a method of showing the desired information in the Board's form of call report regardless of whether the Comptroller's form was revised accordingly, and the application of the Geo. D. Harter Bank and the request of the Union Trust Company of Maryland for modification of the condition were held in abeyance pending a study of such procedure.

Mr. Fletcher was advised informally by telephone of the status of the bank's application and the reason for its being held in abeyance. He was also advised that in case of urgency we would endeavor to have the application acted upon but that we would prefer to hold it until the question of policy was determined. It was suggested that if he thought it advisable he could inform the bank that the delay in acting upon the application was not due to questions as to the financial condition of the bank but to a question of policy as to the method of treating certain accounts. Mr. Fletcher advised that the proposed procedure would be satisfactory.

Following reference of the question to the Division of Bank Operations, it seemed impracticable to cover the situation at the time by modification in the form of the Board's call report. Accordingly, the application was taken out of suspense and resubmitted with the original recommendation of the Division. At the same time the Division recommended that the condition of membership of the Union Trust Company of Maryland regarding publication of reports be canceled. The application of the Geo. D. Harter Bank for membership was thereupon promptly approved and the condition of membership applicable to the Union Trust Company of Maryland canceled.

The Savings Deposit Bank and  
Trust Company, Elyria, Ohio

Application received March 27, 1936  
Application approved April 28, 1936

This bank was a reorganized bank, and, as frequently is true in such circumstances, the application presented some complications. The Division had to develop some additional information from Cleveland regarding the possibility of a merger of the applicant and another bank which we heard in Washington was under consideration but of which Mr. Fletcher had not been advised.

The file was held longer than usual in Counsel's office because of the fact that, in addition to the usual review, Counsel's office had to determine whether a corporation organized in connection with the reorganization of the bank was a holding company affiliate.

It is intended that the question of delay in acting on membership applications will be discussed informally with Mr. Fletcher of Cleveland at the first favorable opportunity.

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- 6 -

6. The matter of uniform allocation of expenses on functional expense reports. (Raised by Minneapolis)

You have indicated a desire to discuss this question with Mr. Smead and me. I shall be glad to do so at any time you may suggest.

7. The Board's reason for permitting the renewal of an interest-bearing certificate of deposit to be dated as of the maturity of the original certificate if renewed within ~~ten~~ days after maturity of the original certificate. (Raised by Minneapolis.)

This question, as you have indicated, has been disposed of through the action taken by the Board as outlined in a letter of May 18, 1936, (X-9592).

I shall, of course, be glad to discuss further with you any of the questions covered in this memorandum at any time.

SUMMARY OF MEMORANDA ATTACHMENTS

Dated May 25, 1936, by Mr. Vest regarding advances under Section 10(b). *See file 332.106*  
Dated May 26, 1936, by Mr. Gardner regarding necessity for obtaining *See file 334.1-4* reports on foreign transactions.  
Dated May 21, 1936, by Mr. Carpenter regarding press releases on Regu-*See file 252* lations.  
Dated May 26, 1936, by Mr. Cherry regarding the continued licensing of *See file 327.1-3* banks.  
Dated June 16, 1936, By Mr. Koppang regarding telephone conversation *See file 327.1-3* with Mr. Young of Chicago.

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O P I

May 28, 1936

Division of Examinations

Mr. Cherry, Assistant Counsel

Licensing by the Secretary of the Treasury of banks admitted to membership in the Federal Reserve System.

This refers to Mr. Koppang's memorandum, dated May 21, 1936, requesting this office to give consideration to the following question raised by Mr. Young, Assistant Federal Reserve Agent at the Federal Reserve Bank of Chicago, and advise as to whether there are any steps which may be properly taken in connection therewith at this time. The question is as follows:

"Why the order requiring the licensing by the Secretary of the Treasury of banks admitted to the System had not been rescinded at least in the case of banks which had been operating on an unrestricted basis for many years."

Under the provisions of the proclamation of the President of March 6, 1933, declaring a bank holiday, it is provided, in part, as follows:

"During such holiday, excepting as hereinafter provided, no such banking institution or branch shall \* \* \* pay out deposits, make loans or discounts, deal in foreign exchange, transfer credits from the United States to any place abroad, or transact any other banking business whatsoever.

"During such holiday, the Secretary of the Treasury, with the approval of the President and under such regulations as he may prescribe, is authorized and empowered (a) to permit any or all of such banking institutions to perform any or all of the usual banking functions \* \* \*."

The proclamation of the President, dated March 9, 1933, continuing in force the bank holiday proclamation of March 6, 1933, provides that:

"All the terms and provisions of said proclamation of March 6, 1933 and the regulations and orders issued thereunder are hereby confirmed in full force and effect until further proclamation by the President."

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Division of Examinations -- 2

By virtue of this proclamation, which has not been revoked or rescinded, the proclamation of March 8, 1933, declaring a bank holiday and the regulations and orders issued thereunder are still in full force and effect. In other words, the bank holiday is still legally in existence.

Under the provisions of the executive order of the President, dated March 10, 1933, it is provided that:

"The Secretary of the Treasury is authorized and empowered under such regulations as he may prescribe to permit any member bank of the Federal Reserve System and any other banking institution organized under the laws of the United States, to perform any or all of their usual banking functions, except as otherwise prohibited.

\* \* \* \* \*

"All banks which are members of the Federal Reserve System, desiring to reopen for the performance of all usual and normal banking functions, except as otherwise prohibited, shall apply for a license therefor to the Secretary of the Treasury. Such application shall be filed immediately through the Federal Reserve Banks. The Federal Reserve Bank shall then transmit such applications to the Secretary of the Treasury. Licenses will be issued by the Federal Reserve Bank upon approval of the Secretary of the Treasury. The Federal Reserve Banks are hereby designated as agents of the Secretary of the Treasury for the receiving of application and the issuance of licenses in his behalf and upon his instructions."

Section 4 of the Emergency Bank Act of March 9, 1933, provides, in part, as follows:

"In order to provide for the safer and more effective operation of the National Banking System and the Federal Reserve System, to preserve for the people the full benefits of the currency provided for by the Congress through the National Banking System and the Federal Reserve System and to relieve interstate commerce of the burdens and obstructions resulting from the receipt on an unsound or unsafe basis of deposits subject to withdrawal by check, during such emergency

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Division of Examinations — 3

period as the President of the United States by proclamation may prescribe, no member bank of the Federal Reserve System shall transact any banking business except to such extent and subject to such regulations, limitations and restrictions as may be prescribed by the Secretary of the Treasury, with the approval of the President."

A criminal penalty is provided for violation of this section of law.

Pursuant to the authority quoted above, the Secretary of the Treasury prescribed the following form of license:

"LICENSE

"The \_\_\_\_\_ of \_\_\_\_\_  
is hereby permitted to open on \_\_\_\_\_ 1955  
its offices in the following places  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

and to perform its usual banking functions except:

- "(1) To the extent prohibited in the executive order of the President of the United States issued on March 10, 1953 (an extract from which is printed hereon):
- "(2) To the extent limited or prohibited by any executive order of the President or by regulations of the Secretary of the Treasury.

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Division of Examinations -- 4

"This license may be revoked in whole or in part by  
the Secretary of the Treasury at any time.

"Issued by direction of

"W. H. Woodin, Secretary of the Treasury

"Federal Reserve Bank of \_\_\_\_\_

"By \_\_\_\_\_  
Governor

The extracts referred to in the license relate to the prohibition upon the export or removal from the United States of any gold coin, gold bullion, or gold certificates; the prohibition against the paying out of gold coin, gold bullion, or gold certificates; the withdrawal of any currency for hoarding; and to engaging in any transaction in foreign exchange.

The above form of license has been amended in order to conform to subsequent proclamations and executive orders of the President relating primarily to the withdrawal of gold coin, gold bullion, and gold certificates and to engaging in transactions in foreign exchange.

While it would seem that the original purpose of the license was a means of effecting the orderly opening of sound banks which had been closed as a result of the proclamation of the President, the Secretary of the Treasury nevertheless advised the Board that;

"State bank upon admission to membership in  
Federal Reserve System must secure license from the  
Secretary of the Treasury to perform all usual and  
normal banking functions except as otherwise prohibited.  
Understand Federal Reserve Board only admitting to mem-  
bership such banks able to operate without restriction.  
License will be issued upon your recommendation."

The above quotation was contained in a telegram to all Federal Reserve Agents, dated May 24, 1935 (Trans. 1804, Counsel's Office File 460.5-X). It is not known when the Board received this advice from the Secretary of the Treasury as the Board's files and correspondence in connection with this point appear to have been lost.

It is also understood that newly organized national banks and State banks converting into national banks are also required to obtain a license from the Secretary of the Treasury before they may lawfully do business.

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Division of Examinations -- 5

It seems apparent from the foregoing that the object of a license was first, to effect the orderly reopening of banks which were closed during the bank holiday, and second, to give the Secretary of the Treasury control over such banks with particular reference to foreign exchange transactions, the paying out or exporting of gold coin, gold bullion, and gold certificates, and the withdrawal of currency for hoarding, and it is probably for this reason that the licensing by the Secretary of the Treasury of banks admitted to the System has not been rescinded even in the case of banks which had been operating on an unrestricted basis for many years. Control over the matters just referred to is maintained under the right of the Secretary of the Treasury to revoke a license.

Upon inquiry, I have learned that the Secretary of the Treasury has in no case refused to issue a license to a newly organised national bank or a State bank being admitted to membership in the Federal Reserve System upon recommendation of the Comptroller of the Currency or the Board.

In the event it should be determined to take steps to rescind the order requiring the licensing by the Secretary of the Treasury of banks admitted to the System, it would seem appropriate to first take the matter up with the Secretary of the Treasury, and, if he is agreeable to the proposition, it is believed that he is the proper person to advise the President that the proper proclamations and executive orders should be modified accordingly. It is not believed that the Secretary of the Treasury has any interest in the normal banking activities of the banks of the nation, but his interest lies primarily in effecting an enforcement of the provisions of law and the proclamations and executive orders of the President relating to the withdrawal of gold coin, gold bullion, and gold certificates, transactions in foreign exchange, and the withdrawal of currency for hoarding. Since the banks are no longer in possession of gold coin, gold bullion, and gold certificates as the result of the provisions of the Gold Reserve Act, and since there is little likelihood of currency being withdrawn for hoarding, and in view of the foreign exchange position of the United States, it may be that the Secretary of the Treasury would be willing to recommend to the President that licenses be no longer required for banks being admitted to membership in the Federal Reserve System.

Note: If the Board decides to take this matter up with the Secretary of the Treasury, it is suggested that, before doing so formally, a representative or representatives of the Board discuss the matter informally with the appropriate person or persons in the Treasury Department in order to avoid any possible misunderstanding as to the Board's position in the matter and in order to determine whether or not there is any objection from the Treasury standpoint to terminating the licensing of member banks.

Alfred K. Cherry,  
Assistant Counsel.

B. M. W.

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AM F. R. 131

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

C O P Y

## Office Correspondence

Date May 21, 1936.

To Mr. Wingfield

Subject: \_\_\_\_\_

From Mr. Koppang

6 P. O. 16-852

Mr. Paulger has received a memorandum from Mr. Broderick in which he refers to certain questions raised by officers of three of the Federal reserve banks in connection with recent conferences he held with the official staffs of such banks, and has requested that, if possible, the various questions raised be followed through to a definite conclusion. The following question was raised by Mr. Young at Chicago:

"Why the order requiring the licensing by the Secretary of the Treasury of banks admitted to the System had not been rescinded at least in the case of banks which had been operating on an unrestricted basis for many years."

It will be appreciated if you will give consideration to the question raised by Mr. Young and advise whether there are any steps which may properly be taken in connection therewith at this time.

In handing Mr. Paulger a memorandum to Mr. Wyatt regarding another question raised, Mr. Broderick stated:

"There is also attached a memorandum addressed to Mr. Wyatt with reference to one of the questions raised. I am not sending it to him direct, believing it will be better to have all the questions cleared through you."

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Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

Date October 11, 1935.

To Files

Subject: Miners Bank and Trust Company,

From Mr. Koppang

Lykens, Pennsylvania.

The "Narratell" wire received today on this bank from Philadelphia stated "membership is to be effective October 14, 1935". I called Mr. Hill at Philadelphia and asked for an explanation of the reasons for this method of handling and whether the Federal Reserve Bank stock was actually being issued as of today. I was advised that the Secretary of the Treasury had not as yet licensed the bank as a member and for this reason, although the funds in payment of the stock had been received, the issuance of the stock would not be made until the Secretary's license had been obtained which he expected would be not later than October 14. I was told that the Federal Reserve Bank stock had not as yet been actually issued and that the funds received in payment thereof were being carried by the Reserve bank in suspense account. I explained to Mr. Hill that this procedure was a little unusual in view of the wording of the code word "Narratell" that bank "has today made required payment on account of subscription to stock of this bank". Mr. Hill stated that he now recognized that the matter had not been handled correctly and that we should disregard the telegram, and that a subsequent "Narratell" wire would be sent the Board when the bank had been licensed and when payment for the Federal Reserve Bank stock had been accepted and the stock issued. 1C

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**FEDERAL RESERVE BANK OF CHICAGO**

230 SOUTH LA SALLE STREET

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OFFICE OF THE  
CHAIRMAN OF THE BOARD AND  
FEDERAL RESERVE AGENT

October 4, 1933

Federal Reserve Board

Washington, D. C.

Gentlemen:

For your information, I am enclosing copy of a letter received today from Mr. Nicholas H. Noyes, Secretary and Treasurer of Eli Lilly and Company, Indianapolis, who is also a director in this bank.

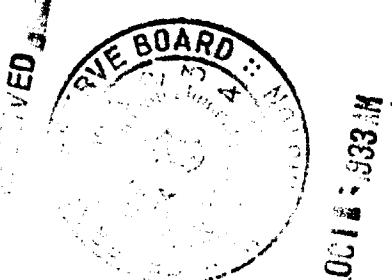
I recognize that his suggestion is not feasible, but it does bear greatly on the question which we have discussed so many times of coordination of the various activities in order that these important matters may be expedited.

I have heretofore expressed to some of you the hope that the R. F. C. in its present activities relative to preferred stock participation in the various banks, would avail itself of the information which we have. We are, of course, familiar not only with the banks but with the management and with the communities, and if the R. F. C. sends a man in there, cold, to judge of its participation, as has been the case sometimes heretofore, I am afraid that mistakes may be made and at least information and assistance which we could have given them will not be taken into account, and this may result in some serious delays.

Very truly yours,

*W. H. B. Stevens*  
Chairman

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COPY

ELI LILLY AND COMPANY  
INDIANAPOLIS, U.S.A.

October 2, 1933  
Dictated Sept. 29th

Mr. Eugene M. Stevens, Chairman  
Federal Reserve Bank of Chicago  
Chicago, Illinois

Dear Mr. Stevens:

There is a strong feeling here among some of our better bankers that the re-opening of closed banks and similar matters could be handled much better and more expeditiously if it were exclusively under the direction and authority of the Federal Reserve Bank of the district in which the individual banks are located.

The gentlemen with whom I talked seem to think that with the Comptroller of the Currency and the R. F. C. etc. having a finger in the matter, political pressure at Washington is bound to be brought in a good many cases. It is also felt that Washington cannot be anywhere near as closely in touch with these local situations and does not know the strength of these local banks as the Federal Reserve Bank of the district or the Chairman of the Federal Reserve Bank of the district would. I am becoming a little concerned over the substantial number of banks which seem to be closing up now but which were opened last March or later as "safe" banks.

I am sending this on to you simply as a pertinent comment of some of our more responsible bankers. If you think this criticism is sound perhaps some adjustment of the arrangement that has been prevailing will speed up the opening of such banks as can be put in condition promptly.

With kind regards, I am

Sincerely yours

NHN:EJ

(Signed) N. H. Noyes.

HL

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McCartee  
I spoke to  
Mr. Block about  
the as you know  
and I think this  
can be fixed.

Cm

10/26/13<sup>3</sup>

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Authority NND 80026

Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

To Mr. Morrill - Mr. Martin

Subject:

From Mr. Leonard

FEDERAL RESERVE BOARD FILE

Date August 22, 1933.

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*Cur 28 May 1933*

Mr. L. B. Williams, Federal Reserve Agent at Cleveland, telephoned  
For CIRCULATION

Gov. Black today to say that they had scheduled meetings beginning today, Tuesday,

Mr. Hamlin August 22nd, with representatives or the directors of all of the banks

Mr. James which were emergency cases, asking them to come into the reserve bank

Mr. Miller in order that the reserve bank might obtain first hand information as

Mr. Thomas to new conditions had changed since the date of examination.

Mr. O'Connor

Mr. Morrill The directors of one bank with whom they had conferred had gone

Mr. Martin home and were to report within a week how the \$300,000 of necessary

Mr. Wyatt

Mr. Paulger capital funds could be raised. This was a national bank and the emergency

Mr. Smead cases include other national banks as well as State member banks.

Mr. Goldenweiser

Mr. Bethel Mr. Williams stated that he did not want to take any firm position

Please note - initial

about recommendations in these cases until every resource had been ex-

hausted.

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**FEDERAL RESERVE BANK OF CHICAGO**

230 SOUTH LA SALLE STREET

470, 2nd

Office of the  
Chairman of the Board and  
Federal Reserve Agent

August 21, 1933

Federal Reserve Board

Washington, D. C.

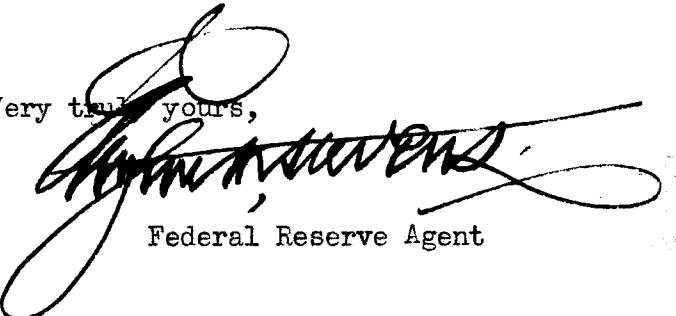
Mr. Morrill

Gentlemen:

Thank you very much for yours of the eighteenth with reference to the license form which was prescribed by the Treasury Department. Of course, we followed that form in the actual issuance of the licenses here, but I have always felt, as I think you do, that the Treasury at that time did not consider this to be a definitive action and conferring of authority in any particular office. I am quite sure that if the Treasury had considered the relationships and the policy and procedure in the Federal Reserve banks, in this connection, to the extent of determining definitely where the authority should lie, they would probably have acted differently.

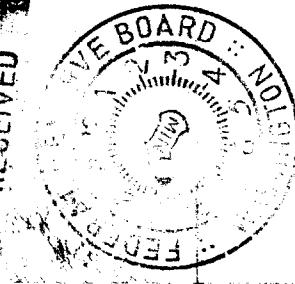
Again thanking you, I am

Very truly yours,

  
John T. Stevens  
Federal Reserve Agent

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Aug 23, 1933, 41

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Authority NND 30026

August 18, 1933

Mr. Eugene M. Stevens,  
Federal Reserve Agent,  
Federal Reserve Bank of Chicago,  
Chicago, Illinois.

Dear Mr. Stevens:

In connection with the question which arose during the meeting of the Federal Reserve Agents with respect to the procedure of the Treasury Department in communicating with the Federal reserve banks in regard to the issuing of licenses to member banks to reopen, I have obtained a copy of the confidential circular addressed by the Secretary of the Treasury to the Governors of all Federal Reserve Banks on March 12, from which you will note that the form of licenses to be issued provides for signature by the Governor of the Federal Reserve Bank. I think this will explain why the Treasury in most instances appears to have been communicating with the Governor of each Federal Reserve Bank.

Very truly yours,

(Signed) Chester Morrill

Secretary.

Inclosure.

CM-W

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# FEDERAL RESERVE BANK OF CHICAGO

230 SOUTH LA SALLE STREET

August 8, 1933

OFFICE OF THE  
CHAIRMAN OF THE BOARD AND  
FEDERAL RESERVE AGENT

Federal Reserve Board

Washington, D. C.

Gentlemen:

Referring to your letter of July 11, asking for our Attorney's opinion on the statute of the State of Michigan under which the Pinney State Bank of Cass City, Michigan, was reorganized, as well as several other banks - as I have already advised you, our Counsel, who was handling this matter, has been out of the city and only returned this week. I am enclosing, herewith, copy of an opinion received from him today, which I trust will answer your inquiry. If there are further questions with respect to this matter. I shall be glad to have you advise us.

Very truly yours,

Chairman

EMS HH

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OFFICE OF GENERAL COUNSEL

AUG 19/0 1933

10.15 A. M. \_\_\_\_\_ P. M. \_\_\_\_\_

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Authority NND 30026

(COPY)

Mayer, Meyer, Austrian & Platt  
Continental Illinois Bank Bldg.,

Chicago

August 5, 1933

Mr. Eugene M. Stevens,  
Federal Reserve Agent,  
Federal Reserve Bank of Chicago,  
Chicago, Illinois.

Dear Mr. Stevens:

We acknowledge receipt of your letter of July 13, 1933, enclosing a copy of a letter dated July 11, 1933, which you received from the Federal Reserve Board relating to the reorganization of state member banks located in the state of Michigan, under Michigan Public Act No. 8 of 1932 and Public Act of Michigan No. 32, of 1933. The writer, who is more or less familiar with this subject, was away on this vacation at the time your letter was received and did not return until the first of this week, which accounts for the delay in answering it.

We are of the opinion, as we have previously indicated to you, that the plan of reorganization adopted by the Michigan banking authorities complies with the applicable provisions of Act No. 8 of the Public Acts of Michigan for the year 1932 and Act No. 32 of the Public Acts of Michigan for the year 1933. Mr. O'Brien, Attorney General of the State of Michigan and one of his assistant attorney generals, as well as Mr. Levin, of counsel for the Detroit branch, have also given us their opinion that this reorganization plan complied with the statutory provisions.

Acts similar to the Michigan Acts in question have been held to be constitutional by the Kentucky Court of Appeals in the case of Dorman v. Dell, 245 Ky., 34; 52 S. W. 2nd 892 (1932) (followed by the same court in the case of Milner v. Gibson, 61 S.W. (2nd) 272, decided June 6, 1933) and by the Supreme Court of Florida in McConville v. Fort Pierce Bank and Trust Co., 135 So. 392 (1931). The Florida Statute was also applied and approved by the Supreme Court of Florida in the case of Becker v. Amos, 141 So. 136; 80 A. L. R. 1480 (1932). On the other hand, a somewhat similar Nebraska statute was held unconstitutional by a Federal District Court judge in the case of Shams v. Nebraska State Bank

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*Left to self &  
Bank of America  
Boston, Mass.*

*470, 2*

*Th*

JUL 24 1933

Mr. William Whiting,  
Whiting Paper Company,  
Holyoke, Massachusetts.

Dear Sir:

Reference is made to your letter of July 17, 1933, in which you inquire as to the rules governing access to safe deposit boxes in closed national and State banks.

The Presidential Proclamation of March 6, 1933, declaring a bank holiday, authorized the Secretary of the Treasury to issue regulations permitting any banking institution to perform any or all of its usual banking functions. Pursuant to that authority, the Secretary of the Treasury, under date of March 6, 1933, issued the following regulations:

"All banking institutions may allow their customers free access to the safety deposit boxes and safes rented to such customers".

On March 10, 1933, the President issued an Executive Order which authorized the State supervising authorities to prescribe regulations governing the operations of banks which were not members of the Federal Reserve System, subject to certain limitations not here material.

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Authority NND 30026

Mr. William Whiting --2

Accordingly, if the bank to which you refer is a member bank of the Federal Reserve System, the regulation quoted above is applicable. Otherwise, the State law and the regulations, if any, issued on the subject by the State authorities having supervision of banks, are controlling.

Very truly yours,

(Signed) Chester Merrill

**Chester Merrill,  
Secretary.**

GHC/sad

*PSR*  
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Authority NND 30026

Gen. L. T. Stevens

FEDERAL RESERVE BANK OF CHICAGO

230 SOUTH LA SALLE STREET

OFFICE OF THE  
CHAIRMAN OF THE BOARD AND  
FEDERAL RESERVE AGENT

RECEIVED  
OFFICE OF GENERAL COUNSEL

JUL 22 1933 4:45 P.M.

July 20, 1933. NUMBER

Federal Reserve Board,  
Washington, D. C.

Gentlemen:

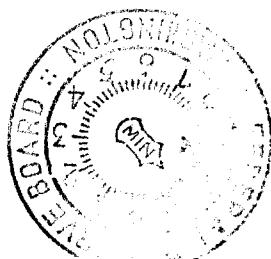
Referring again to yours of July eleventh asking for copy of attorney's opinion with respect to reorganization of state member banks in Michigan under the provisions of Act No. 32 of the Public Acts of Michigan for the year 1933, and Act No. 8 of the Public Acts of Michigan for the year 1932, our attorney who has been handling this matter has been out of the city since the receipt of your letter. I at once referred the matter to our counsel's office, and Mr. Carl Meyer advises me today that he would like to hold up the reply until the return of his associate, Mr. Dunn, within a few days.

Very truly yours,

*John Stevens*  
Chairman

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JUL 22 1933 AM



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cm No. 131

*Office Correspondence*

To Mr. Ballantine

From Mr. Carpenter

FEDERAL RESERVE  
BOARD

470 J  
Date July 19, 1933.

Subject: \_\_\_\_\_

2-8495

In accordance with the request contained in Mr. Ballantine's letter  
of March 24, 1933, I handed to Mr. Harlan, Legislative Assistant to the  
Under Secretary of the Treasury, on July 19, 1933, copies of telegrams (as  
per copies attached) which were sent to the various Federal reserve banks  
during the banking crisis in March, 1933, and which were initialed by  
officials of the Treasury Department.

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TELEGRAM

FEDERAL RESERVE BOARD  
WASHINGTON

March 6, 1933.

|                        |                      |                      |                          |
|------------------------|----------------------|----------------------|--------------------------|
| Young<br>Boston        | Panchar<br>Cleveland | McDougal<br>Chicago  | Hamilton<br>Kansas City  |
| Harrison<br>New York   | Seay<br>Richmond     | Martin<br>St. Louis  | McKinney<br>Dallas       |
| Norris<br>Philadelphia | Black<br>Atlanta     | Geory<br>Minneapolis | Calkins<br>San Francisco |

Under authority conferred upon him by President's proclamation declaring bank holiday, Secretary of Treasury has issued following regulation: NOTE "Any national or State banking institution may exercise its usual banking functions to such extent as its situation shall permit and as shall be absolutely necessary to meet the needs of its community for food, medicine, other necessities of life, for the relief of distress, for the payment of usual salaries and wages, for necessary current expenditures for the purpose of maintaining employment, and for other similar essential purposes: Provided, however, That (1) Every precaution shall be taken to prevent hoarding or the unnecessary withdrawal of currency; (2) No State banking institution shall engage in any transaction under this regulation which is in violation of State or Federal law or of any regulation issued thereunder; (3) No national banking association shall engage in any transaction under this section which is in violation of any Federal law or of any order or regulation issued by the Comptroller of the Currency; and (4) No gold or gold certificates shall be paid out.

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TELEGRAM

FEDERAL RESERVE BOARD  
WASHINGTON

Page 2.

Each banking institution and its directors and officers will be held strictly accountable for faithful compliance with the spirit and purpose as well as the letter of this regulation." UNQUOTE.

Morrill.

Initialed by: AAS  
LRR  
WJ

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TELEGRAM

FEDERAL RESERVE BOARD  
WASHINGTON

March 7, 1933.

|                        |                      |                      |                          |
|------------------------|----------------------|----------------------|--------------------------|
| Young<br>Boston        | Panchar<br>Cleveland | McDougal<br>Chicago  | Hamilton<br>Kansas City  |
| Harrison<br>New York   | Seay<br>Richmond     | Martin<br>St. Louis  | McKinney<br>Dallas       |
| Morris<br>Philadelphia | Black<br>Atlanta     | Geery<br>Minneapolis | Calkins<br>San Francisco |

Trans. 1562a. Under the authority conferred upon him by the President's proclamation declaring a bank holiday the Secretary of the Treasury has authorized the Federal reserve banks to make such transfers of credits or funds from one Federal reserve bank to another Federal reserve bank or banks through the Gold Settlement Fund, or otherwise, as the Federal Reserve Board may permit, and to engage in such transactions as have been authorized and/or required by the following resolution adopted today by the Federal Reserve Board: QUOTE  
 WHEREAS, on the 6th day of March, 1933, the ratio of total reserves of the Federal Reserve Bank of New York to its deposit and Federal reserve note liabilities combined was approximately 26.5 per cent;

WHEREAS, on such date the ratio of total reserves to deposit and Federal reserve note liabilities combined of each of the other Federal reserve banks was substantially in excess of such ratio of the Federal Reserve Bank of New York; and

WHEREAS, it is desirable to equalize the ratio of the total reserves to deposit and Federal reserve note liabilities combined of the Federal reserve banks so far as is consistent with existing conditions;

NOW, THEREFORE, BE IT RESOLVED by the Federal Reserve Board, that, pursuant to the power conferred upon it by subsection (b)

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FEDERAL RESERVE BOARD

- 2 -

of Section 11 of the Federal Reserve Act and on the affirmative vote of five members of the said Board, the Federal Reserve Banks of Boston, Cleveland, Richmond, Chicago, and St. Louis are hereby required to rediscount not later than the close of business on March 8, 1933, for the Federal Reserve Bank of New York discounted paper of the Federal Reserve Bank of New York in the amount set out below opposite the names of the Federal Reserve Banks of Boston, Cleveland, Richmond, Chicago and St. Louis, respectively, provided, however, that if any of such banks shall purchase obligations of the United States Government and/or bankers acceptances and/or bills of exchange from the Federal Reserve Bank of New York, any such Federal Reserve Bank shall be relieved of the requirement to rediscount for the Federal Reserve Bank of New York discounted paper of the Federal Reserve Bank of New York to the extent of the amount of United States Government obligations and/or bankers acceptances and/or bills of exchange so purchased.

Federal Reserve Bank of Boston \$20,000,000.

Federal Reserve Bank of Cleveland \$50,000,000.

Federal Reserve Bank of Richmond \$10,000,000.

Federal Reserve Bank of Chicago \$150,000,000.

Federal Reserve Bank of St. Louis \$15,000,000.

All of the above rediscounts shall be made at the rate of 3 1/2 per cent per annum.

Any Federal reserve bank is authorized to sell obligations of the United States Government and/or bankers' acceptances and/or

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FEDERAL RESERVE BOARD  
WASHINGTON

bills of exchange to any other Federal reserve bank and each Federal reserve bank is authorized in any such case to purchase obligations of the United States Government and/or bankers' acceptances and/or bills of exchange from other Federal reserve banks.

Any Federal reserve bank may make such transfers of credit or funds through the Gold Settlement Fund, or otherwise, as shall be necessary to carry out the transactions required or authorized by this resolution.  
UNQUOTE.

Merrill

Initiated by: NWV  
MM  
PPH  
CMB  
GNS  
ADM  
MBS  
CH  
WW  
BBW  
SRC

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FEDERAL RESERVE BOARD  
WASHINGTON

March 11, 1933.

Young - Boston  
Harrison - New York  
Morris - Philadelphia  
Panchar - Cleveland

Seay - Richmond  
Black - Atlanta  
McDougal - Chicago  
Martin - St. Louis

Geary - Minneapolis  
Hamilton - Kansas City  
McKinney - Dallas  
Calkins - San Francisco

TRANS. 1621 The Secretary of the Treasury instructs the Federal reserve banks, until further advised, to lower the standard of fitness on all forms of currency which they are permitted to pay out under the regulations of the Secretary of the Treasury issued pursuant to the Proclamation of the President of the United States. Only such currency as clearly cannot be used for further circulation purposes should be canceled and forwarded to Washington for redemption. The Federal reserve banks and their branches are also directed to exercise discretion in complying with denominational requests for currency, in the light of their reserve stocks in the various denominations. In making payments of currency, particularly in the larger denominations, the Federal reserve banks are also directed to keep in mind the President's Proclamation, the Executive Order, and the Regulations of the Secretary of the Treasury with respect to hoarding. This telegram is for the information of the Federal reserve banks and branches and is not to be given publicity.

DOUGLAS  
Assistant Secretary of Treasury.

Initiated by: WHW  
AAB  
JHD  
EM  
PRH  
ELS  
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EMM  
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FEDERAL RESERVE BOARD

WASHINGTON

March 6, 1933.

|                         |                       |                       |                            |
|-------------------------|-----------------------|-----------------------|----------------------------|
| Young,<br>Boston        | Jancher,<br>Cleveland | McDougal,<br>Chicago  | Hamilton,<br>Kansas City   |
| Harrison,<br>New York   | Seay,<br>Richmond     | Martin,<br>St. Louis  | McKinney<br>Dallas         |
| Norris,<br>Philadelphia | Black,<br>Atlanta     | Geary,<br>Minneapolis | Calkins,<br>San Francisco. |

Under authority conferred upon him by President's proclamation declaring bank holiday, Secretary of Treasury has authorized all Federal reserve banks and all other banking institutions to make change by the exchange of currency and/or coin of various denominations for an exactly equal amount of currency and/or coin of other denominations but no gold or gold certificates shall be paid out or used in making change. Text of formal regulations will be transmitted to you later. Please advise all banking institutions in your district as soon as possible.

MORRILL.

Initiated by: WHW  
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ORIGIN

TELEGRAM

FEDERAL RESERVE BOARD

WASHINGTON

March 6, 1933.

|                        |                      |                      |                           |
|------------------------|----------------------|----------------------|---------------------------|
| Young,<br>Boston       | Panchar<br>Cleveland | McDougal<br>Chicago  | Hamilton<br>Kansas City   |
| Harrison<br>New York   | Seay<br>Richmond     | Martin<br>St. Louis  | McKinney<br>Dallas        |
| Morris<br>Philadelphia | Black<br>Atlanta     | Geory<br>Minneapolis | Gallkins<br>San Francisco |

Under authority conferred upon him by President's proclamation declaring bank holiday, Secretary of Treasury has issued following regulation : Quote. All banking institutions may allow their customers free access to the safety deposit boxes and safes rented to such customers. Endquote.

Merrill

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**FEDERAL RESERVE BOARD**

**WASHINGTON**

March 6, 1933.

|                        |                      |                      |                          |
|------------------------|----------------------|----------------------|--------------------------|
| Young<br>Boston        | Panchar<br>Cleveland | McDougal<br>Chicago  | Hamilton<br>Kansas City  |
| Harrison<br>New York   | Seay<br>Richmond     | Martin<br>St. Louis  | McKinney<br>Dallas       |
| Morris<br>Philadelphia | Black<br>Atlanta     | Geory<br>Minneapolis | Calkins<br>San Francisco |

Under authority conferred upon him by President's Proclamation declaring bank holiday, Secretary of Treasury has issued the following regulation: quote "all banking institutions may upon request return intact and without restriction all cash, checks, and other items delivered for deposit or collection which were received after the last closing of business hours and have not been entered on the books of such banking institution." unquote.

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FEDERAL RESERVE BOARD

WASHINGTON

March 6, 1933.

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|-------------------------|-----------------------|-----------------------|---------------------------|
| Young,<br>Boston        | Fancher,<br>Cleveland | McDougal,<br>Chicago  | Hamilton,<br>Kansas City  |
| Harrison,<br>New York   | Seay,<br>Richmond     | Martin<br>St. Louis   | McKinney,<br>Dallas       |
| Morris,<br>Philadelphia | Black<br>Atlanta      | Geary,<br>Minneapolis | Calkins,<br>San Francisco |

Under authority conferred upon him by President's proclamation declaring bank holiday, Secretary of Treasury has issued the following regulation quote All banking institutions may continue, in accordance with usual practice, to cash checks drawn on the Treasurer of the United States, provided that no gold or gold certificates shall be paid out.

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Initiated by: WNW  
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FEDERAL RESERVE BOARD

WASHINGTON

March 6, 1933.

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|------------------------|----------------------|----------------------|--------------------------|
| Young.<br>Boston       | Panchar<br>Cleveland | McDougal<br>Chicago  | Hamilton<br>Kansas City  |
| Harrison,<br>New York  | Seay<br>Richmond     | Martin<br>St. Louis  | McKinney<br>Dallas       |
| Norris<br>Philadelphia | Black<br>Atlanta     | Geary<br>Minneapolis | Calkins<br>San Francisco |

Under authority conferred upon him by President's proclamation declaring bank holiday Secretary of Treasury has issued the following regulation quote Any banking institution may accept payments in cash or any other form acceptable to it on account or in settlement of obligations payable at or to such institution.

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FEDERAL RESERVE BOARD

WASHINGTON

March 6, 1933.

|                        |                      |                      |                          |
|------------------------|----------------------|----------------------|--------------------------|
| Young<br>Boston        | Fancher<br>Cleveland | McDougal<br>Chicago  | Hamilton<br>Kansas City  |
| Harrison<br>New York   | Seay<br>Richmond     | Martin<br>St. Louis  | McKinney<br>Dallas       |
| Norris<br>Philadelphia | Black<br>Atlanta     | Geery<br>Minneapolis | Calkins<br>San Francisco |

Under authority conferred upon him by President's proclamation declaring bank holiday, Secretary of Treasury has issued following regulation: Quote. Any banking institution may handle and collect drafts or other documents in connection with the shipment, transportation or delivery of food or feed products, may pay out or permit the withdrawal of such amounts of currency as shall be necessary in the judgment of such banking institution in connection with such shipment, transportation or delivery of food or feed products, and may perform such other banking functions as may be essential to the shipment, transportation or delivery of food or feed products, provided, however, that no banking institution shall pay out or permit the withdrawal of any gold or gold certificates. End Quote.

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## FEDERAL RESERVE BOARD

WASHINGTON

March 6, 1933.

|                          |                    |                         |                        |
|--------------------------|--------------------|-------------------------|------------------------|
| Young<br>Boston          | Black<br>Atlanta   | Hamilton<br>Kansas City | Harrison<br>New York   |
| McDougal<br>Chicago      | McKinney<br>Dallas | Panchar<br>Cleveland    | Martin<br>St. Louis    |
| Oalkins<br>San Francisco | Seay<br>Richmond   | Geory<br>Minneapolis    | Norris<br>Philadelphia |

Under authority conferred upon him by President's proclamation declaring bank holiday Secretary of Treasury has issued following regulations:

Quote Deposits heretofore received by any banking institution pursuant to agreement or legislative authority providing for segregation and for repayment without restriction may be paid on demand. Any banking institution which was lawfully engaged in the business of receiving deposits prior to March 6, 1933, may create special trust accounts for the receipt of new deposits which shall be subject to withdrawal on demand without any restriction or limitation and shall be kept separately in cash or on deposit in Federal Reserve Banks or invested in obligations of the United States. Federal reserve banks may open special accounts on their books for their member banks and temporarily for non-member banks and may receive in such special accounts the proceeds of new deposits received by such banking institutions. In making deposits with the Federal reserve bank pursuant to this regulation the depositing bank shall in the case of each deposit indicate to the Federal reserve bank by symbol or otherwise that the funds so deposited represent new deposits made under this regulation. Upon receipt of such deposits such Federal reserve bank shall credit the same in the special

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FEDERAL RESERVE BOARD

WASHINGTON

-2-

account of the depositing bank herein provided for and shall hold the same solely for repayment to such bank. Federal reserve banks shall permit the withdrawal of any part or all of such new deposits by the depositing bank without restriction provided that the depositing bank shall in such order or request for withdrawal indicate to the Federal reserve bank by symbol or otherwise that such withdrawal is to be made from such special account; provided however that no banking institution shall pay out or permit the withdrawal of any gold or gold certificates. End quote

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Initiated by: WHW  
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FEDERAL RESERVE BOARD

WASHINGTON

March 6, 1933.

|                        |                      |                      |                          |
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| Young<br>Boston        | Panchar<br>Cleveland | McDougal<br>Chicago  | Hamilton<br>Kansas City  |
| Harrison<br>New York   | Seay<br>Richmond     | Martin<br>St. Louis  | McKinney<br>Dallas       |
| Morris<br>Philadelphia | Black<br>Atlanta     | Geary<br>Minneapolis | Calkins<br>San Francisco |

Under authority conferred upon him by President's proclamation declaring bank holiday Secretary of Treasury has issued following regulation: "Where settlement for checks charged by drawee institutions to the drawers' accounts on its books on or before March 4, 1933 is incomplete, settlement may be completed where such settlement does not involve the payment of money or currency."

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Initiated by: WBN  
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FEDERAL RESERVE BOARD

WASHINGTON

March 6, 1933.

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| Young<br>Boston      | Harrison<br>New York    | Morris<br>Philadelphia | Panchar<br>Cleveland      |
| Seay<br>Richmond     | Black<br>Atlanta        | McDougal<br>Chicago    | Martin<br>St. Louis       |
| Geory<br>Minneapolis | Hamilton<br>Kansas City | McKinney<br>Dallas     | Calkins<br>San Francisco. |

Under the authority conferred upon him by the President's proclamation of March 6, 1933, declaring a bank holiday the Secretary of the Treasury has issued the following regulation: "Any banking institution may deliver to the person entitled thereto properly identified documents and securities held by such institution for safekeeping."

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Initiated by: AAB  
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FEDERAL RESERVE BOARD

WASHINGTON

March 6, 1933.

|                      |                         |                        |                            |
|----------------------|-------------------------|------------------------|----------------------------|
| Young<br>Boston      | Harrison<br>New York    | Norris<br>Philadelphia | Panchar<br>Cleveland       |
| Seay<br>Richmond     | Black<br>Atlanta        | McDougal<br>Chicago    | Martin<br>St. Louis        |
| Geary<br>Minneapolis | Hamilton<br>Kansas City | McKinney<br>Dallas     | Calkins,<br>San Francisco. |

Under the authority conferred upon the Secretary of the Treasury by the President's proclamation of March 6, 1933, declaring a bank holiday, you are advised that any bank having a branch in a foreign country may deposit collateral in the United States to secure advances to such branch in a foreign country, provided such transaction does not involve any transfer of credit from the United States to a foreign country and any bank having a branch in an insular possession of the United States may deposit United States Government securities or other collateral for a similar purpose when under the President's proclamation advances of local currency in the insular possession may lawfully be made.

Woodin  
Secretary of Treasury,

Initiated by: AAB  
LRR  
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FEDERAL RESERVE BOARD

WASHINGTON

March 7, 1933.

Young - Boston  
Harrison - New York  
Norris - Philadelphia  
Panchar - Cleveland

Seay - Richmond  
Black - Atlanta  
McDougal - Chicago  
Martin - St. Louis

Geary - Minneapolis  
Hamilton - Kansas City  
McKinney - Dallas  
Calkins - San Francisco

TRANS. Under the authority conferred upon him by the President's proclamation of March 6, 1933, declaring a bank holiday, the Secretary of the Treasury has issued the following regulations: quote Clearing house associations and other associations organized to provide an adequately secured medium of temporary exchange, are hereby permitted to issue certificates against sound assets of banking institutions, such certificates to be deliverable by each institution to its creditors and depositors on a prorata basis, provided, however, that no such certificates shall be issued before Friday, March 10, 1933, without the consent of the Secretary of the Treasury addressed to the clearing house or other association proposing to issue such certificates, and further provided that this permission may be revoked in the event that a national plan to meet the existing emergency is proposed by the Secretary of the Treasury if in his opinion the success of such plan would be inconsistent with the operation of the certificate plan unquote.

Douglas  
Asst. Secretary of the Treasury.

Initialed by: JHD  
SMG

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FEDERAL RESERVE BOARD  
WASHINGTON

March 7, 1933.

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|------------------------|----------------------|----------------------|--------------------------|
| Young<br>Boston        | Panchar<br>Cleveland | McDougal<br>Chicago  | Hamilton<br>Kansas City  |
| Harrison<br>New York   | Seay<br>Richmond     | Martin<br>St. Louis  | McKinney<br>Dallas       |
| Norris<br>Philadelphia | Black<br>Atlanta     | Geery<br>Minneapolis | Calkins<br>San Francisco |

Under authority conferred upon him by President's proclamation declaring bank holiday Secretary of Treasury has issued following regulation: QUOTE Any banking institution lawfully engaged in the business of acting as trustee, executor, administrator, registrar of stocks and bonds, transfer agent, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity may continue to transact such business in the normal and usual manner; provided that in the conduct of said business, except as may be permitted by other regulations of the Secretary of the Treasury, such banking institution shall not pay out or permit the withdrawal of coin or currency nor withdraw any trust or fiduciary funds on deposit with any other department of the bank UNQUOTE.

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Initialed by: WHW  
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**FEDERAL RESERVE BOARD  
WASHINGTON**

March 7, 1933.

|                        |                      |                      |                          |
|------------------------|----------------------|----------------------|--------------------------|
| Young<br>Boston        | Fancher<br>Cleveland | McDougal<br>Chicago  | Hamilton<br>Kansas City  |
| Harrison<br>New York   | Seay<br>Richmond     | Martin<br>St. Louis  | McKinney<br>Dallas       |
| Morris<br>Philadelphia | Black<br>Atlanta     | Geary<br>Minneapolis | Calkins<br>San Francisco |

Under authority conferred upon him by President's proclamation declaring bank holiday Secretary of Treasury has issued following regulation:  
QUOTE Federal reserve banks are authorized to conduct their normal and usual operations as fiscal agents of the United States in transactions pertaining to the exchange of obligations of the United States, such as making exchange of denominations, exchanging coupon for registered bonds, and vice versa, receiving registered bonds for transfer and effecting C.P.D. transactions. UNQUOTE

Merrill.

Initialed by: JHD  
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FEDERAL RESERVE BOARD  
WASHINGTON

March 8, 1933.

|                        |                      |                      |                          |
|------------------------|----------------------|----------------------|--------------------------|
| Young<br>Boston        | Panchar<br>Cleveland | McDougal<br>Chicago  | Hamilton<br>Kansas City  |
| Harrison<br>New York   | Seay<br>Richmond     | Martin<br>St. Louis  | McKinney<br>Dallas       |
| Morris<br>Philadelphia | Black<br>Atlanta     | Geery<br>Minneapolis | Calkins<br>San Francisco |

Trans. No. \_\_\_\_\_

Under authority conferred upon him by the President's proclamation of March 6, 1933, declaring a bank holiday, Secretary of Treasury has issued following regulation: QUOTE "The permission granted in Regulation Number 7 that deposits heretofore received by any banking institution pursuant to agreement or legislative authority providing for segregation and repayment without restriction may be paid on demand, includes any bank in which any such deposits have been redeposited by or on behalf of the receiving bank in accordance with such agreement or legislative authority." UNQUOTE

MORRILL

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AAB  
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JMH  
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DMW

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FEDERAL RESERVE BOARD  
WASHINGTON

March 6, 1933.

Young - Boston  
Harrison - New York  
Morris - Philadelphia  
Fancher - Cleveland

Seay - Richmond  
Black - Atlanta  
McDougal - Chicago  
Martin - St. Louis

Geery - Minneapolis  
Hamilton - Kansas City  
McKinney - Dallas  
Calkins - San Francisco

TRANS NO. 1557 For your information. Under authority conferred upon him by President's proclamation declaring bank holiday, Secretary of Treasury has directed the Treasurer of the United States during the continuance of such bank holiday, unless otherwise directed, to observe the following instructions:

"(1) Payments in gold in any form will be made only under license issued by the Secretary of the Treasury. This does not prohibit the deposit of gold and the usual payment therefor.

(2) Pay, as usual, all checks drawn on the Treasurer of the United States, but not in gold. When requested you are authorized to ship paper currency, other than gold certificates, in payment of checks.

(3) Continue the usual currency transactions between the Treasury and the Federal Reserve Banks and branches."

McClelland

Initialed by: JHD  
AAB  
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**FEDERAL RESERVE BOARD  
WASHINGTON**

March 6, 1933.

|                        |                     |                          |
|------------------------|---------------------|--------------------------|
| Young<br>Boston        | Seay<br>Richmond    | Geery<br>Minneapolis     |
| Harrison<br>New York   | Black<br>Atlanta    | Hamilton<br>Kansas City  |
| Norris<br>Philadelphia | McDougal<br>Chicago | McKinney<br>Dallas       |
| Fancher<br>Cleveland   | Martin<br>St. Louis | Calkins<br>San Francisco |

Under authority conferred upon him by President's proclamation declaring bank holiday Secretary of Treasury has issued following regulation. Upon instructions of the Treasurer of the United States Federal reserve banks are authorized to transfer funds to other Federal reserve banks through the gold settlement fund for the account of the Treasurer of the United States; to make payments to or receive payments from the Treasurer of the United States through the gold settlement fund and to make such entries in the Treasurer's general account on the books of the Federal reserve bank as the Treasurer of the United States may direct. Transfers of gold and gold certificates and gold fund credits may be made between the Federal reserve banks and their respective Federal reserve agents.

Morrill.

Initialed by: WHW  
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**FEDERAL RESERVE BOARD  
WASHINGTON**

March 6, 1933.

|                      |                         |                        |                          |
|----------------------|-------------------------|------------------------|--------------------------|
| Young<br>Boston      | Harrison<br>New York    | Norris<br>Philadelphia | Panchar<br>Cleveland     |
| Seay<br>Richmond     | Black<br>Atlanta        | McDougal<br>Chicago    | Martin<br>St. Louis      |
| Geary<br>Minneapolis | Hamilton<br>Kansas City | McKinney<br>Dallas     | Calkins<br>San Francisco |

Under authority conferred upon him by President's proclamation declaring bank holiday Secretary of Treasury has authorized Federal Reserve Board to advise you that any Federal reserve bank or branch or agency thereof may purchase gold or gold certificates and pay therefor any other form of coin or currency either directly or through any other Federal reserve bank or branch or agency thereof.

MORRILL

Initiated by: WHW  
JHD  
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SODY

TELEGRAM

March 7, 1933.

C. M. Price,  
Scott McNeash & Falk,  
134 South LaSalle Street,  
Chicago, Illinois.

Answering your telephone inquiry pawnbrokers and brokers making  
loans on collateral are banking institutions within meaning of term  
used in the Proclamation of President dated March sixth nineteen  
thirty three

(Initialed) J.H.D.  
DOUGLAS  
Assistant Secretary of the Treasury.

JHD:Lhs

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FEDERAL RESERVE BOARD  
WASHINGTON

March 7, 1933.

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| Harrison<br>New York   | Seay<br>Richmond     | Martin<br>St. Louis  | McKinney<br>Dallas       |
| Norris<br>Philadelphia | Black<br>Atlanta     | Geary<br>Minneapolis | Calkins<br>San Francisco |

TRANS NO. \_\_\_\_ Under authority conferred upon him by President's proclamation declaring bank holiday Secretary of Treasury has issued following regulation: QUOTE All Federal reserve banks are authorized to receive cash from collectors of internal revenue, collectors of customs and other collectors of public funds for deposit to the credit of the Treasurer of the United States. UNQUOTE.

Merrill

Initialed by: WWD  
FDR  
ADM  
GM

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WASHINGTON

March 7, 1933.

|                        |                      |                      |                          |
|------------------------|----------------------|----------------------|--------------------------|
| Young<br>Boston        | Fancher<br>Cleveland | McDougal<br>Chicago  | Hamilton<br>Kansas City  |
| Harrison<br>New York   | Seay<br>Richmond     | Martin<br>St. Louis  | McKinney<br>Dallas       |
| Morris<br>Philadelphia | Black<br>Atlanta     | Geary<br>Minneapolis | Calkins<br>San Francisco |

Trans. \_\_\_\_\_

Under authority conferred upon him by President's proclamation declaring bank holiday Secretary of Treasury has issued following regulation: Quote  
 Each Federal reserve bank may (1) make available to its member banks which, in the judgment of the Federal reserve bank, are complying strictly with the spirit and purpose as well as the letter of the regulations issued by the Secretary of the Treasury pursuant to the President's proclamation declaring a bank holiday, such limited amounts of coin and/or currency (other than gold or gold certificates) as shall be absolutely necessary in order to enable such member banks to exercise the restricted functions permitted by such regulations, (2) extend to each such member bank such limited amounts of discounts, advancements and accommodations as shall be absolutely necessary for the exercise of such restricted functions, and (3) make transfers of credit on its books for such restricted purposes between the accounts of such member banks and/or nonmember clearing banks which, in the judgement of the Federal reserve bank, are complying strictly with the spirit and purpose as well as the letter of such regulations; Provided, however, That before granting any such discounts, advancements or ac-

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FEDERAL RESERVE BOARD  
WASHINGTON

To all Governors -

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commodations or making such limited payments of coin and/or currency, the Federal reserve bank shall first require the member bank, (a) to inform the Federal reserve bank of the amounts of coin and currency which it has on hand, (b) to inform the Federal reserve bank of the circumstances giving rise to the need for additional coin and/or currency, and (c) to deliver to the Federal reserve bank in exchange for other forms of coin and/or currency or for credit on its books all gold and gold certificates held by such member bank in its own right." UNQUOTE

Morrill.

Initiated by: WHW  
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CODE

TELEGRAM

FEDERAL RESERVE BOARD  
WASHINGTON

March 7, 1933.

|                        |                     |                          |
|------------------------|---------------------|--------------------------|
| Young<br>Boston        | Seay<br>Richmond    | Geary<br>Minneapolis     |
| Harrison<br>New York   | Black<br>Atlanta    | Hamilton<br>Kansas City  |
| Borris<br>Philadelphia | McDougal<br>Chicago | McKinney<br>Dallas       |
| Panchar<br>Cleveland   | Martin<br>St. Louis | Calkins<br>San Francisco |

Trans. No. \_\_\_\_\_.

Under authority conferred upon him by President's proclamation declaring bank holiday Secretary of Treasury has issued following regulation: QUOTE "Federal reserve banks, in their discretion, are authorized to handle checks and collection items arising out of the restricted banking operations permitted under the regulations of the Secretary of the Treasury when it can reasonably be anticipated that funds satisfactory to the Federal Reserve Bank can be provided for the payment of such checks and collection items; Provided, however, that no gold or gold certificates shall be paid out by such Federal reserve banks." UNQUOTE

Morrill

Initiated by: VWW  
MM  
JWW  
XLS  
GM  
WW

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Authority NND 30026

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TELEGRAM

FEDERAL RESERVE BOARD  
WASHINGTON

March 7, 1933.

|                        |                      |                      |                          |
|------------------------|----------------------|----------------------|--------------------------|
| Young<br>Boston        | Fancher<br>Cleveland | McDougal<br>Chicago  | Hamilton<br>Kansas City  |
| Harrison<br>New York   | Seay<br>Richmond     | Martin<br>St. Louis  | McKinney<br>Dallas       |
| Norris<br>Philadelphia | Black<br>Atlanta     | Geary<br>Minneapolis | Calkins<br>San Francisco |

Trans. No. \_\_\_\_\_

Under authority conferred upon him by President's proclamation  
declaring bank holiday Secretary of Treasury has issued following regulation:  
QUOTE Each Federal reserve bank is authorized to settle through the gold  
settlement fund with each other Federal reserve bank for all transactions  
which are permitted under the regulations of the Secretary of the Treasury.  
UNQUOTE

Merrill.

Initiated by: AAB  
EM  
FBN  
LRR  
MLG  
CM

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TELEGRAM

FEDERAL RESERVE BOARD  
WASHINGTON

March 7, 1933.

|                        |                      |                      |                          |
|------------------------|----------------------|----------------------|--------------------------|
| Young<br>Boston        | Fancher<br>Cleveland | McDougal<br>Chicago  | Hamilton<br>Kansas City  |
| Harrison<br>New York   | Seay<br>Richmond     | Martin<br>St. Louis  | McKinney<br>Dallas       |
| Norris<br>Philadelphia | Black<br>Atlanta     | Geery<br>Minneapolis | Calkins<br>San Francisco |

Trans. No. \_\_\_\_\_. Under authority conferred upon him by President's proclamation declaring bank holiday Secretary of Treasury has issued following regulation: QUOTE All Federal Reserve Banks are authorized to continue their usual and normal functions pertaining to the handling of collateral securing the deposit of the public moneys of the United States, as provided in Treasury Circular 92 as amended and revised.  
UNQUOTE.

Morrill.

Initialed by: AAB  
LBR  
EM  
JRH  
EHS  
OM  
WV

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Authority NND 30026

Geary

TELEGRAM

FEDERAL RESERVE BOARD  
WASHINGTON

March 8, 1933.

Young - Boston  
Harrison - New York  
Morris - Philadelphia  
Panchar - Cleveland

Seay - Richmond  
Black - Atlanta  
McDougal - Chicago  
Martin - St. Louis

Geary - Minneapolis  
Hamilton - Kansas City  
McKinney - Dallas  
Calkins - San Francisco

TRANS NO. 1284. Under the authority conferred upon him by the President's proclamation of March 6, 1933, declaring a bank holiday, the Secretary of the Treasury authorizes any Federal Reserve bank, at its discretion within the limitations of the Federal Reserve Act and the regulations of the Federal Reserve Board thereunder, (1) to make transfers of credit on its books between foreign current accounts, (2) to make transfers on its books of bills and securities between foreign accounts, (3) to make transfers of earmarked gold from one foreign custody account to another, (4) to receive gold which is released from earmark for foreign account, provided that the proceeds thereof are credited on its books in dollars, (5) to make transfers on its books from foreign current accounts to the accounts of member banks and/or nonmember clearing banks, (6) to receive payments in dollars or gold or any other form acceptable to it on account of, or in settlement of, obligations due it from foreign correspondents, and (7) to credit on its books to foreign current accounts United States currency or gold deposited with it. Unless otherwise ordered by the Secretary of the Treasury, no such transactions shall involve the export or paying out of any gold or silver coin or bullion or currency, the transfer of credit from the United States to any place abroad, or an increase in the total amount of gold held by such Federal Reserve bank under earmark for foreign account.

MORRILL.

Initiated by: AMB

JHD

ML

MM

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TELEGRAM

FEDERAL RESERVE BOARD

WASHINGTON

March 11, 1933

Black - Atlanta

Refer your March 7th wire. There would appear to be no objection to bank releasing receipts calling for commodities sold and taking in exchange documents calling for commodities of same kind and substantially same value or to surrendering warehouse receipts in substitution draft drawn on purchaser of commodities with shipping documents attached.

Morrill

(S) Chester Morrill

ELS/EMM/faf

Initiated by: EM  
PEH  
ELS  
EMM  
CM  
WW  
JJH  
HER?

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Authority NND 30026

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TELEGRAM

FEDERAL RESERVE SYSTEM  
(Leased Wire Service)

24 F Y 85

Received at Washington, D. C.

Atlanta Ga March 7 1245 pm

Morrill

Washington

At the request of Certain Atlanta Banks we asked yesterday whether or not a bank holding receipts calling for commodities which have been sold could surrender such receipts to the pledgor owner taking in exchange documents calling for commodities of same kind and substantially equal in value. Banks would appreciate regulation on this subject which would cover in addition the question of whether they would be permitted to surrender warehouse receipts and receive in substitution draft drawn on purchaser of commodity with shipping documents attached.

Black

220p

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Authority NND 30026

COPY

March 18, 1933.

The Honorable,

The Secretary of State.

Dear Mr. Secretary:

Receipt is acknowledged of your letter of March 16, 1933 with reference to the treatment to be accorded to gold held, under earmark or otherwise, in this country by foreign central banks and other foreign banking institutions.

It is my understanding that this matter has been discussed with Mr. Feis of your Department, and that he is familiar with all the developments in connection therewith. The Treasury now has under consideration the issuance of certain orders or regulations relating to gold, and I am advised that, before any action is taken thereon, they will be further discussed with representatives of your Department.

Respectfully,

(signed) EUGENE MEYER

Governor

Initialed by: W. W., C. M., F. R. H., H. H. B., E. M.,  
G. R. J., C. S. H., A. C. M.

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Authority NND 30026

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Department of State

Washington

In reply refer to  
EA

March 16, 1933

My dear Mr. Meyer:

I am informed that the Federal Reserve Board will proceed in the near future to the formulating of decisions and the making of regulations governing the treatment to be accorded to gold that may be held, under earmark or otherwise, in this country by foreign central banks, foreign semi-official banks of different varieties, and ordinary foreign banking institutions.

Since these decisions may become matters affecting the general relations between this government and foreign governments, and since this Department is likely to be approached by foreign governments in regard to them, may I respectfully request, if it is proper, that this Department be informed in advance of the main lines of decision to be taken so that it may have an opportunity to consider them.

Sincerely yours,

(signed) Cordell Hull

The Honorable

Eugene Meyer,

Governor, Federal Reserve Board,

Washington, D. C.

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Authority NND 30026

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T E L E C R A M

FEDERAL RESERVE BOARD  
Washington

March 18, 1933.

Young - Boston  
Harrison - New York  
Norris - Philadelphia  
Panther - Cleveland

Seay - Richmond  
Black - Atlanta  
McDougal - Chicago  
Martin - St. Louis

Geory - Minneapolis  
Hamilton - Kansas City  
McKinney - Dallas  
Calkins - San Francisco

TRANS 1700 In response to requests the Board has extended until March 27 the final date referred to in the Board's wire of March 12, Trans 1631, which therefore is amended to read as follows: QUOTE It is requested that you prepare and forward to the Board as soon as possible after March 27, 1933, as complete a list as can be made from information you are able to obtain of the names and addresses of all persons who have withdrawn gold from your bank or a member bank in your district since February 1, 1933, and who have not redeposited it in a bank on or before March 27, 1933. UNQUOTE It is suggested that you give such further publicity to this matter as in your opinion may be appropriate.

Morrill

Initiated by: A. A. B.

C. M.

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Authority NND 30026

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TELEGRAM

FEDERAL RESERVE BOARD  
Washington

March 12, 1933

|                       |                    |                         |
|-----------------------|--------------------|-------------------------|
| Young - Boston        | Sawy - Richmond    | Gerry - Minneapolis     |
| Harrison - New York   | Black - Atlanta    | Hamilton - Kansas City  |
| Morris - Philadelphia | McDougal - Chicago | McKinney - Dallas       |
| Fancher - Cleveland   | Martin - St. Louis | Calkins - San Francisco |

TRANS 1631 The request contained in the Board's telegram of March 8 Trans 1577 is amended to read as follows: QUOTE It is requested that you prepare and forward to the Board as soon as possible after March 17, 1933, as complete a list as can be made from information you are able to obtain of the names and addresses of all persons who have withdrawn gold from your bank or a member bank in your district since February 1, 1933, and who have not redeposited it in a bank on or before March 17, 1933 UNQUOTE You may give such publicity to this matter as you consider appropriate

Morrill

Initialed by: E. M.

C. M.

A. C. M.

G. R. J.

F. R. H.

C. S. H.

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T E L E G R A M

FEDERAL RESERVE BOARD  
Washington

March 9, 1933

|                       |                    |                         |
|-----------------------|--------------------|-------------------------|
| Young - Boston        | Seay - Richmond    | Geary - Minneapolis     |
| Harrison - New York   | Black - Atlanta    | Hamilton - Kansas City  |
| Norris - Philadelphia | McDougal - Chicago | McKinney - Dallas       |
| Fancher - Cleveland   | Martin - St. Louis | Calkins - San Francisco |

TRANS NO. \_\_\_\_\_ Referring to Trans 1577 and 1583 request contained  
therein applies to both gold coin and gold certificates.

McClelland.

Initialed by: E. M. M.

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Authority NND 30026

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TELEGRAM

FEDERAL RESERVE BOARD  
Washington

March 8, 1933

|                       |                    |                         |
|-----------------------|--------------------|-------------------------|
| Young - Boston        | Seay - Richmond    | Geary - Minneapolis     |
| Harrison - New York   | Black - Atlanta    | Hamilton - Kansas City  |
| Norris - Philadelphia | McDougal - Chicago | McKinney - Dallas       |
| Pancoher - Cleveland  | Martin - St. Louis | Calkins - San Francisco |

TRANS NO. 1583 In response to inquiries from several Federal reserve banks re Trans. 1577, you are advised that there is no objection to Federal reserve banks (1) endeavoring to obtain similar information from nonmember banks in their respective districts; (2) obtaining information, where available, regarding withdrawals prior to February 1 although in submitting data to Board it should be segregated as between withdrawals before February 1 and those after February 1; (3) suggesting that publicity be given to request in each locality.

Merrill

Initialled by: E. M.  
C. M.  
F. R. H.  
C. R. J.  
C. S. H.  
E. M. M.

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Authority NND 30026

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TELEGRAM

FEDERAL RESERVE BOARD  
Washington

March 8, 1933.

|                       |                    |                         |
|-----------------------|--------------------|-------------------------|
| Young - Boston        | Seay - Richmond    | Geary - Minneapolis     |
| Harrison - New York   | Black - Atlanta    | Hamilton - Kansas City  |
| Norris - Philadelphia | McDougal - Chicago | McKinney - Dallas       |
| Fancher - Cleveland   | Martin - St. Louis | Calkins - San Francisco |

TRANS. 1577 It is requested that you prepare and forward to the Board as soon as possible after March 13, 1933, as complete a list as can be made from information you are able to obtain, of the names and addresses of all persons who have withdrawn gold from your bank or a member bank in your district since February 1, 1933, and who have not redeposited it in a bank on or before March 13, 1933.

Morrill

Initiated by: C. M.  
A. A. B.  
W. H. W.  
S. R. C.

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TELEGRAM

FEDERAL RESERVE BOARD

WASHINGTON

March 10 1933

Case

New York

With reference to telegrams already received by this office giving names of banks making application please advise your opinion as to reasonable safety in granting licenses in accordance with Secretary of the Treasurys telegrams

W. H. WOODIN  
Secretary of the Treasury

Send same telegram to following -

Black -- Atlanta

Geery -- Minneapolis

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Copy

380

Accounts and Deposits

Exp. Loans.

March 8, 1933.

GEERY  
MINNEAPOLIS

Retel March 7. Regulation 8 permits the completion of settlement transactions in question.

W.H. WOODIN  
Secretary of the Treasury

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TELEGRAM

FEDERAL RESERVE SYSTEM  
(Leased Wire Service)

297gta

Received at Washington, D. C.

Minneapolis mar 7 1003pm

Hon Secty of the Treasury

Washington

Minneapolis and St Paul clearing House requests further information regarding your regulation dated March 6 1933 in order to complete settlement of checks charged by drawee institution to the drawers account on it's books and for which drafts were issued on or before March 4, 1933 and which drafts are drawn upon banks other than the bank or originally forwarding such checks for collection and payment, would it be within the scope of the above regulation referred to for banks in Minneapolis and St Paul to clear such bank drafts among themselves where such settlement does not involve the payment of money or currency? Such arrangement would facilitate the disposition of several hundred thousand items previously forwarded for payment to other banks and eliminate the necessity of charging back to endorsers the amounts of such original items as well as endless controversies

Minneapolis

1030pm

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TREASURY DEPARTMENT

Washington

**TELEGRAM**

Official Business - Government Rates

March 8, 1933

Norris  
Federal Reserve Bank  
Philadelphia, Pennsylvania

Retel seventh. Regulations do not permit settlement of character  
mentioned in your telegram.

W. H. WOODIN

Secretary of the Treasury

Initiated by: JPD  
MEG

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Authority NND 30026

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TELEGRAM

FEDERAL RESERVE SYSTEM  
(Leased Wire Service)

Received at Washington, D. C.

lc fa

Philadelphia 1022a Mar 7

Board

Washn

Where an American Bank has issued a letter of credit and the holder had drawn on it in a foreign country and the foreign bank requests remittance from the American issuing bank may it remit stop One of our banks yesterday remitted by drawing on its balance with a Canadian bank.

Norris

1027am

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TELEGRAM

FEDERAL RESERVE BOARD

WASHINGTON

March 11 1933

HALE  
SAN FRANCISCO

INTERPRETATION OF REGULATION 17 AS EXPRESSED

IN YOUR MARCH 10 TELEGRAM IS CORRECT

MORRILL

LSMgcw

Initialed by: JJH  
CM  
My  
ELS  
EMM  
JPD

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TELEGRAM

FEDERAL RESERVE SYSTEM  
(Leased Wire Service)

Received at Washington, D. C.

llgb

San Francisco Mar 10-11 715am

Morrill

Washm

Referring board wire number 1614. As we interpret regulation therein it refers to the passing of entries represented by checks which a bank might hold drawn on itself received from one depositor for credit in his account drawn against the account of another depositor of the same bank and it would not apply to the clearance of checks between banks. Please confirm or correct our interpretation quickly.

Hale

1023am

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TREASURY DEPARTMENT

Washington

TELEGRAM

Official Business - Government Rates

March 8, 1933

Black  
Federal Reserve Bank  
Atlanta, Georgia.

Your telegram March eighth with reference to segregated deposits. This request is apparently now covered by Regulation 15.

W. H. WOODIN  
Secretary of the Treasury

Initialed by: JPD

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Authority NND 30026

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TELEGRAM

FEDERAL RESERVE SYSTEM  
(Leased Wire Service)

Received at Washington, D. C.

28f mr Bush

Atlanta 1233p Mar 8

Morrill

Washington.

On March third banks in Alabama were operating under Governor's proclamation permitting restricted withdrawals of old deposits and the opening of new deposits in cash or the equivalent for unrestricted withdrawal. Our Birmingham branch received on that day wire transfers from other federal Reserve Banks to First National of Birmingham for payment in currency to designated persons firms or corporations. These transfers were largely for payroll purposes or in payment for cotton which had been purchased. We agreed to complete these transfers by placing proceeds in special account to be opened up by Birmingham bank to meet withdrawals made by it's own depositors from new accounts created by the deposit of these particular funds. On March fourth reserve bank began observing Georgia holiday and transaction has never been completed for that reason and because of President's proclamation. Customers of First National Bank for whose account transfers were intended are now insisting that they be allowed to open new accounts pursuant to prior understanding out of transferred funds and Birmingham bank wishes the amounts

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Authority NND 30026

TELEGRAM

FEDERAL RESERVE SYSTEM  
(Leased Wire Service)

-2-

Received at Washington, D. C.

which we hold transferred to their credit in special account which will be available for sole purpose of meeting withdrawals from new accounts so established. We think that this disposition could be given to the matter without violating either the spirit or the letter of President's proclamation and regulations of the Secretary of the Treasury. Please advise as soon as possible.

Black

148pm

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Authority NND 30026

C O P Y

TELEGRAM

Official Business - Government Rates

March 10, 1933.

Norris  
Federal Reserve Bank,  
Philadelphia, Pa.

Retel seventh. Regulation I permits transaction mentioned.

CHESTER MORRILL  
Secretary to Board

Initialed by:

MLS  
NEH  
JJH  
CM

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Authority NND 30026

COPY

T E L E G R A M

F E D E R A L R E S E R V E S Y S T E M

Philadelphia 6p Mar 7

Board

Washn

In order to relieve the acute situation which apparently prevails in this district in connection with shipment of food or feed products believe it essential that action be taken at once permitting transfers of proceeds of drafts by wire between Federal Reserve Districts for cash payment to shipper.

Norris

FRB

608pm

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Authority NND 30026

C O P Y

T E L E G R A M

March 10, 1933.

Geery  
Federal Reserve Bank,  
Minneapolis, Minnesota.

Retel eighth Postmasters deposits are not included in transactions  
mentioned in regulation F.

CHESTER MORRILL  
Secretary to Board.

Initialed by:

ELS  
NEH  
JJH  
CM

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Authority NND 30026

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T E L E G R A M

F E D E R A L R E S E R V E S Y S T E M

77bs

Minneapolis Mar 8 244P

Morrill

Washington

Referring trans 1564 are we authorized to accept deposits of  
cash from Postmasters

Geery

438P

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Authority NND 30026

**C O P Y**

**TELEGRAM**

Official Business - Government Rates

March 10, 1933.

Fleming,  
Federal Reserve Bank,  
Cleveland, Ohio.

Retel eighth. It appears that regulations seven and G and I authorize  
the transfer of funds and credits requested in your wire.

Chester Morrill,  
Secretary to the Board.

Initialed by:

ELS  
MHG  
JJH  
CM

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Authority NND 30026

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T E L E G R A M

F E D E R A L R E S E R V E S Y S T E M

33dfa

Cleveland 144p Mar 8

Morrill

Washington

We have request for wire transfer from Detroit Branch to our Cincinnati Branch of currency accumulated in Detroit by chain store credit to be to Cincinnati member in segregated account. Also wire transfer from Philadelphia to us of currency for payment of drafts representing food and feed stuffs. Please request permission of Federal Reserve Board to consummate these transactions. We desire to procure a blanket permission from Federal Reserve Board to make transfers of credits or funds from or to this bank by other Federal Reserve Banks to facilitate member banks in functioning within existing restrictions of Secretary of the Treasury and State limitations.

Fleming

152pm

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Q Q P X

TELEGRAM

Official Business - Government Rates

March 10, 1933.

Seay,  
Federal Reserve Bank,  
Richmond, Virginia.

Re tel eighth. Regulation ten seems to permit a bank to discount a note to provide a customer with payroll funds if banks situation permits it and if transaction comes within spirit and purpose of that regulation. Rediscounts by Federal Reserve Bank are governed by regulation G stop. As to transactions between banks they are permitted if within regulation ten.

CHESTER MORRILL  
Secretary to Board.

Initialed by:

ELS  
NEM  
JJH  
CM

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Authority NND 30026

COPY

T E L E G R A M

F E D E R A L R E S E R V E S Y S T E M

33rhu

Richmond Mar 8 533p

Morrill

Washington

We request interpretation of Board's telegram March 6 giving regulation of Secretary of Treasury relating to Exercise of Banking function to provide funds for payroll and other necessities.

Can banks discount a note for customer to provide customer with funds to cover payroll or other authorized expenditure; and, if so, can Federal Reserve Bank rediscount such note to provide member bank with funds? Can one bank pay to correspondent bank funds to enable correspondent bank to pay customer to meet payrolls or other authorized expenditure?

Seay

537p

DECLASSIFIED

Authority NND 30026

C O P Y

TELEGRAM

Official Business - Government Rates

March 10, 1933.

Hamilton  
Federal Reserve Bank,  
Kansas City, Missouri.

Re tel eighth. Answering question A regulations H and I seem to cover this and to permit handling such drafts in the usual manner stop Answering question B regulation G seems to cover this permitting transfers of credit stop Answering question C regulations H and I seem to cover this. Answering question D regulation I seems to cover this stop We appreciate your difficulties and are endeavoring to cooperate as much as possible.

CHESTER MORRILL  
Secretary to Board.

Initialed by:

MLS  
MM  
JJH  
CM

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Authority NND 30026

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TELEGRAM

FEDERAL RESERVE SYSTEM

Kansascity Mar 8 1135am

Board  
Washn

We are receiving many inquiries from Banks, Livestock, Milling and Grain Associations for information as to how settlements can be made for necessary transactions as follows: 1--Shipments of stocker and feeder cattle in addition to livestock for slaughter already authorized. 2--Grain and flour drafts. 3--Drafts for produce and other foodstuffs. In our opinion it is necessary for the orderly transaction of business that regulations be issued or clarified with reference to the following points in connection with the above transactions. A--Can we receive from member and nonmember banks drafts covering transaction listed above and if so how are they to be handled. B--If such drafts are drawn on interior points how can such banks make remittance in funds available to us. C--If drawn on banks in other Federal Reserve Districts will such banks be able to transfer funds to us through other Federals. D--If member banks draw on their reserve accounts in payment for such items how are they to replenish reserves unless they can obtain transfers of balances carried in other reserve centers. These are a few of the practical obstacles with which we are confronted in our attempt to comply with regulations already issued. Please rush reply.

Hamilton.

118p

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Authority NND 30026

FEDERAL RESERVE SYSTEM - LEASED WIRE

KIMBALL  
NEW YORK

March 29, 1933

Responding your letter March twentieth Treasury advises as follows STOP Licensed banks are authorized to transact business with unlicensed banks to extent necessary to permit unlicensed banks to perform such restricted functions as are authorized under emergency banking regulations STOP Such regulations do not require licensed bank to investigate to determine if a particular transaction with unlicensed bank is for a purpose authorised within limitations of such regulations STOP Possibility if any of liability of licensed bank in any such case to depositors and creditors of unlicensed bank depends upon varying factors as governed by general principles of applicable law rather than by Treasury Regulations and licensed bank must act on own responsibility in this connection.

MORRILL

Initialed by:  
CJ:AK

JTC  
GHC  
JGM  
JHD  
CM

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Authority NND 30026

FEDERAL RESERVE BANK  
of  
NEW YORK

COPY

March 20, 1933.

Federal Reserve Board,  
Washington, D. C.

Sirs:

The following questions are representative of those which have been asked of us by various licensed and unlicensed banks and by customers of such banks:

1. Do the regulations of the Secretary of the Treasury permit an unlicensed bank, which is not in the hands of a receiver or conservator or of a similar official of a State Banking Department, to withdraw funds to the credit of such unlicensed bank on the books of a licensed bank?

2. Is the answer to the foregoing question affected by the existence of one or more of the following additional facts, and, if so, in what way;

(a) That the funds are to be transferred to the unlicensed bank.

(b) That the funds are to be transferred to a third party.

(c) That the unlicensed bank is a State member bank and has been authorized by the appropriate State authorities to permit withdrawals of 5% or less.

(d) That the unlicensed bank is a nonmember and has been authorized by the appropriate State authorities to permit withdrawals up to a specified limitation.

We believe that a substantial amount of the confusion which exists with respect to these matters might be eliminated by a ruling of the Secretary of the Treasury, and we should appreciate your attempting to obtain such a ruling or rulings.

Very truly yours,

(Signed) Herbert H. Kimball  
Herbert H. Kimball,  
Assistant Counsel.

DECLASSIFIED

Authority NND 30026

Q Q P X

FEDERAL RESERVE LEASED WIRE SYSTEM

YOUNG  
BOSTON

March 29, 1933

Re tel March twenty-third STOP Treasury advises Regulation thirteen prohibits payment or withdrawal of any trust funds on deposit with another department of bank whether or not such deposits are secured STOP Treasury advises that new regulations are now under consideration with respect to trust funds and also secured deposits STOP Treasury advises that in the case of a revocable trust Regulation thirteen permits delivery of securities held by bank thereunder if otherwise permitted.

MORRILL

Initialed by:

JTC:fht      JTC  
GHC  
CM

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Authority NND 30026

COPI

TELEGRAM  
FEDERAL RESERVE SYSTEM  
(Leased Wire Service)

Received at Washington, D. C.

67bfa

Boston Mar 23 1125am

Board

Washn

Request for ruling/an unlicensed National Bank has in its trust department revocable trusts under which they have been remitting specified sums of money each month. The funds in the trust department are deposited in other departments of the bank and securities have been segregated to secure the deposits due to the different trusts. Is there any way under regulation 13 whereby the bank can pay out or permit withdrawal of coin or currency for the payment of such monthly remittances when the fiduciary funds are on deposit with other departments of the bank. In the case of revocable trusts may grant or withdraw certain of his securities held in trust department in order to obtain elsewhere funds to meet his necessities.

Young 1144am

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Authority NND 30026

FOUNDED BY  
WILLIAM WHITING  
1865

WHITING PAPER COMPANY  
HOLYOKE, MASSACHUSETTS

RECEIVED  
OFFICE OF GENERAL COUNSEL

11 JUL 18 1933  
7

July 17, 1933.

The Federal Reserve Bank,  
Washington, D. C.

Dear Sir:-

I would like to inquire what the rules are  
about safe deposit boxes in National and State Banks, and  
what happens if a Bank has closed, and one's right under  
these conditions to have free access to safe deposit boxes.

Thanking you in this connection.

Yours respectfully,

*William Whiting*

RECEIVED



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Authority NND 30026

#7

470.2 at

JUL 13 1933

*Michigan*  
Mr. Eugene M. Stevens,  
Federal Reserve Agent,  
Federal Reserve Bank of Chicago,  
Chicago, Illinois.

Dear Mr. Stevens:

The Board, as you know, has considered recently, in the case of the Pinney State Bank of Cass City, Michigan, and in several other instances, a plan of reorganization of State member banks located in the State of Michigan carried out under the provisions of Act No. 32 of the Public Acts of Michigan for the year 1933, and Act No. 8 of the Public Acts of Michigan for the year 1932. The action taken by the Board in these cases has been with the understanding that your counsel was satisfied with the legal aspects of such plan of reorganization, and it will be appreciated if you will forward to the Board for its records a copy of any opinion your counsel may have rendered in this connection and with reference to the constitutional validity of the provisions of law above referred to.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.

BMW/sad

*RECORDED JULY 13 1933*

DECLASSIFIED  
Authority NND30026

**FEDERAL RESERVE BANK OF CHICAGO**

JUN 21 1933  
230 SOUTH LASALLE STREET

OFFICE OF THE  
CHAIRMAN OF THE BOARD AND  
FEDERAL RESERVE AGENT

475.2-  
June 28, 1933

Hon. Eugene R. Black  
Governor, Federal Reserve Board  
Washington, D. C.

Dear Governor:

Referring to my telephone conversation with you yesterday morning, Mr. Talley of the Reconstruction Finance Corporation has been in Chicago for two or three days dividing his time between his office here and our offices. We had an opportunity to discuss with him the banking situation in this district. Monday night he went to Grand Rapids, Michigan, with the Chief National Bank Examiner and Mr. Preston of this bank, to lend his authority to necessary participation of the R. F. C. in an agreed plan to reopen the Grand Rapids National Bank under a new charter. From there, we are advised he returned to Washington.

At Mr. Talley's request, a conference was called here of the bankers from Battle Creek, Michigan, which Mr. Talley attended. In that city there were three licensed national banks, one of which has already closed and the other two are in a precarious condition. Mr. Talley proposed a plan for these Battle Creek bankers to endeavor to raise sufficient capital to reorganize the two banks yet open, one on the basis of 60 per cent release of deposits, and the other on the basis of 70 per cent release of deposits, and the Battle Creek bankers are now endeavoring to proceed along these lines.

We have other situations in Michigan, which is by far the most difficult in its banking situation in our district, in which reorganization of some character of licensed banks is imminently necessary to prevent their closing. On the other hand, we have plans under way for the reopening of a considerable number of closed banks in Michigan, and in both of these cases, the closing or the reorganization of licensed banks in Battle Creek is having a serious reaction on the whole State.

There is notably a situation in Wayne County, Michigan, of four or five suburban banks, with deposits of about \$25,000,000, which are practically in the City of Detroit and in which something must be done at once to prevent their closing. This was discussed with Mr. Talley but nothing definite came out of this discussion.

The people understand that we have what amounts to a mandate from the President to keep licensed banks open 100 per cent. The Federal Reserve bank here is willing to go to the limit of its statutory powers in making loans to this end and the banks in Battle Creek have only survived so far by reason

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FEDERAL RESERVE BANK OF CHICAGO

-2-

June 28, 1953

Hon, Eugene R. Black

of large 10-b loans granted them by the Federal Reserve Bank of Chicago. The R. F. C. interprets the law under which it operates to limit its loans to such as can be justified as sound and without risk, and in both of these agencies, therefore, it is necessary that they take marginal collateral on loans against frozen assets, and all the assets of the bank may be so pledged without giving sufficient liquidity to the bank to liquidate its entire deposits if necessary. Such banks as those mentioned have reached the limit of their borrowing capacity in these agencies and are still having withdrawals of deposits

Notwithstanding assurances given the depositors of the complete ability of licensed banks to pay out in full, no way seems to have been devised to accomplish this in the extreme cases which are now arising. Owing to the legal limitations of the Federal Reserve banks and the R. F. C., a determination of methods and procedure to meet these situations must depend on a higher authority.

Without such determination, there appear to be three courses open, as follows:

(1) After exhausting its borrowing powers from the Federal Reserve Bank and the R. F. C., the bank must undergo a reorganization which would result in the releasing of only a portion of its deposits and necessitate the raising of new capital to protect them.

(2) In addition to the resources of the Federal Reserve banks and the R. F. C. as referred to, a resort to the new Home Loan Act, by which we understand banks could sell outright their urban mortgages to this agency, thereby creating additional liquidity and opening the way for obtaining sufficient local capital and preferred stock from the R. F. C. to reorganize the bank on a sound basis. (We think that this new agency might proceed aggressively in Michigan as the Farm Loan Agency is presently doing in Wisconsin, which would be very helpful.)

(3) The only other thing left seems to be to allow such banks to close after they have been licensed to open 100 per cent.

It seems to us that the time has come when we must face this condition squarely and determine upon the policy to be pursued; primarily, whether licensed banks should be allowed to reorganize on a percentage basis or otherwise close, or whether governmental agencies may be coordinated to keep them open 100 per cent. We in the Federal Reserve banks cannot do this alone, and apparently it cannot be done in cooperation with the R. F. C. on account of its limitations. We have a few imminent situations in Michigan which, if not handled properly, give promise of starting another conflagration in that State. We are doing everything we can to avert such trouble, but we cannot do so alone and in the absence of any method by which the various governmental

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FEDERAL RESERVE BANK OF CHICAGO

-3-

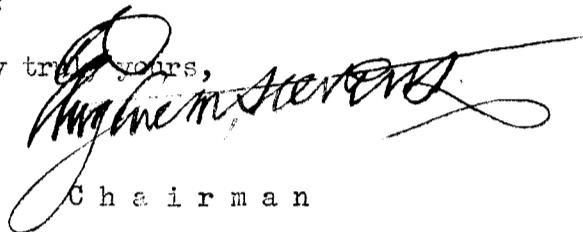
June 28, 1933

Hon. Eugene R. Black

agencies in cooperation can meet the situation, serious trouble is before us and we are at loss to know what can be done to prevent it.

Are we to lend our support and our services in working out reorganizations of licensed banks which entail the waiver of part of the deposits thereof? Just how far does our responsibility in the Federal Reserve Bank embrace the working out of these situations?

Very truly yours,



Chairman

EMS HH

Copy to - Hon. Walter J. Cummings  
Executive Assistant to the  
Secretary of the Treasury  
Washington, D. C.

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Authority NND 30026

FEDERAL RESERVE BANK OF

230 SOUTH LA SALLE STREET

EXCEP. 200  
CHICAGO

JUN 28 1933

440.2  
June 26, 1933

OFFICE OF THE  
CHAIRMAN OF THE BOARD AND  
FEDERAL RESERVE AGENT

Hon. Eugene R. Black  
Governor, Federal Reserve Board  
Washington, D. C.

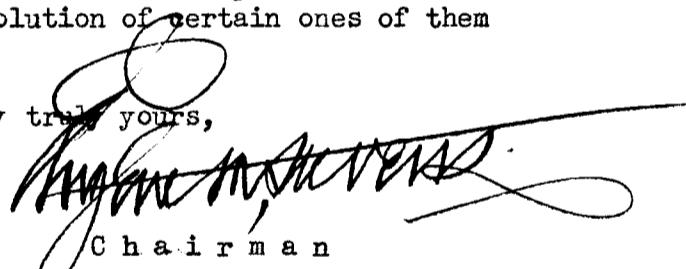
Dear Governor:

I very much appreciate your letter of the twenty-third/ relative to my letter of June 20 to the President of the United States, copy of which I sent you.

I should like to say in this connection that your very active cooperation in our recent banking problems in this district is greatly appreciated. You have certainly given us every support in what we are trying to do and with great promptness. We are particularly appreciative of your interest and helpfulness.

Mr. Talley is here and we have had the opportunity to review some of these situations with him. We hope that his active participation will expedite the solution of certain ones of them which are imminent.

Very truly yours,

  
Chairman

EMS HH

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Authority NND 30026

June 23, 1933

470-24  
470-2 ✓

Mr. Eugene Stevens, Chairman,  
Federal Reserve Bank,  
Chicago, Illinois.

Dear Mr. Stevens:

I have copy of your letter of June 20th (to the President of the United States relative to the banking situation in your district.

The facts contained in your letter have been most carefully noted. I will discuss your letter with Secretary Woodin and will aid in every way in my power to the end that the situation disclosed in your letter may be solved. I know of the activities of the Chicago bank in connection with the situations described in your letter and I have endeavored actively to cooperate with your bank in solving some of those situations.

I am pleased to advise that Governor Talley left yesterday afternoon to spend a day with your bank in discussing these matters and my information is that he will go to different points in Michigan in an effort to solve the situations at those points. There is at the present time very close cooperation between the offices of the Secretary of the Treasury, the Reconstruction Finance Corporation and the Federal Reserve Board in seeking to aid in the proper solution of these questions.

I write to express my appreciation of what the Reserve Bank of Chicago has done in connection with these matters and trust that with the continued cooperation of your bank we may be able to do effective work in all of them.

I note that your letter is written at the request of your Executive Committee and I wish you would express to them my intense interest in the matters disclosed in the letter and in the position taken by your bank.

With my regards, I am

Sincerely yours,

B-C

Governor.

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Authority NND 30026

# FEDERAL RESERVE BANK OF CHICAGO

230 SOUTH LASALLE STREET

JUN 22 1933

OFFICE OF THE  
CHAIRMAN OF THE BOARD AND  
FEDERAL RESERVE AGENT

June 20, 1933

## C O P Y

The President of the United States

Washington, D. C.

Sir:

I have been requested by the Executive Committee of the Board of Directors of this bank to invite your attention to the desirability of devising some means by which the reopening of closed banks in the Seventh Federal Reserve District may be expedited.

In this district, as of June 17, we have a total of 2,981 banks with deposits (based on last call report) of \$4,014,000,000.

Of this total, there are 1,157 banks unopened with deposits of \$759,000,000.

Of this latter amount, 867 are nonmember banks with deposits of \$384,000,000 (some of which are open on a restricted basis under State laws); 66 are State member banks with deposits of \$118,000,000; and 224 are National banks with deposits of \$257,000,000. Reorganization plans are in process of consummation for later opening of a considerable number of these banks, but present indications are that many of the closed banks will have to be liquidated.

We have representatives from this office constantly with the Chief National Bank Examiner's office in Chicago and working with the State Banking Commissioners in the various states in efforts to initiate and expedite the reorganization of banks and all such plans of reorganization are so formulated and agreed to here in conference with the officers and directors of the banks involved.

Under present procedure in the case of National banks, these plans must be submitted to the Comptroller's office in Washington for approval, and when approved there, all negotiations in connection with the consummation of the plans, including the necessary evidence of the conditions being met, are conducted by correspondence between Washington and the subject bank. Because of the great pressure on the Comptroller's office in Washington, there have been necessarily substantial delays, sometimes running into weeks, in the review of the plans after their submission, and, later, further delays occasioned by the working out of their consummation by correspondence from Washington with the banks involved.

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Authority NND 30026

-2-

June 20, 1933

In order to expedite this process, we venture the suggestion that the Comptroller either give additional authority to his present representative here or otherwise send here an agent from his office with authority - (1) to expedite the Comptroller's approval of the reorganization plans, and (2) to carry on the consummation of such plans direct from here instead of from Washington.

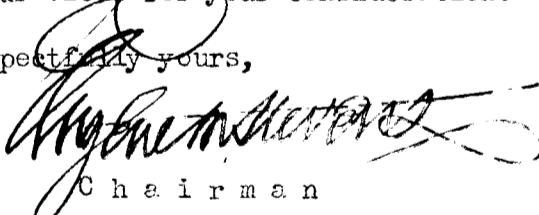
It is frequently necessary to invoke the assistance of the Reconstruction Finance Corporation in such reorganizations, either in its purchase of preferred stock or in granting loans. This also applies directly to emergency situations in banks which are open and have become subject to heavy withdrawals. All of such cases are subject to negotiations sometimes delicate in their character and of immediate urgency, and it is difficult to conduct such negotiations on the ground, every phase of which must be referred to the authorities in Washington.

We therefore suggest the advisability of the Reconstruction Finance Corporation placing, with headquarters in Chicago, an authoritative representative to review these various situations in the local atmosphere, and whose recommendation for imperative and immediate action would have weight with the Board of the Corporation.

It is obvious that no criticism of either the Comptroller's office or the Reconstruction Finance Corporation is implied in these suggestions, as we are fully aware of the great pressure on their offices in Washington, and fully appreciative of their cooperation. The suggestions are made, rather, with the view of expediting the coordination of the several agencies involved to the end that such coordination may be more effective.

It is the view of the Executive Committee of this bank that the adoption of these measures would be most helpful at this particular time and under these particular circumstances to expedite the release of a substantial portion of the three-quarters of a billion dollars of deposits still impounded in this district, and we respectfully submit our views for your consideration.

Most respectfully yours,

  
Chairman

EMS HH

Copies to - Hon. William H. Woodin, Secretary of the Treasury  
Hon. Eugene R. Black, Governor, Federal Reserve Board  
Hon. J. F. T. O'Connor, Comptroller of the Currency  
Hon. Jesse H. Jones, Chairman, Reconstruction Finance Corporation

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June 14, 1933.  
12:15 pm.

470.2

MEMORANDUM

Governor Black:

Mr. Delaney called and advised that the City National Bank and Trust Company, which put on the 90-day notice this morning, has had very few people in the lobby, probably 7 or 8 at a time. The Central National Bank and Trust Company, however, has had around 100 people in the lobby, and no progress seems to be made in reducing the number. Delaney has advanced this institution \$475,000. He states that there is a division of opinion among the directors of the institution as to whether they should put on the 90-day notice or continue making payments.

Mr. Delaney also says that it is the practice of the Battle Creek banks to keep open on Wednesday night from 6:30 to 8 o'clock.

E.M.McClelland

FILE COPY

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Authority NND30026

4702 ✓  
MEMORANDUM

June 14, 1933.

Governor Black:

The City National Bank and Trust Company, which lost \$200,000 in deposits yesterday, has invoked the 90-day notice on savings deposits. Mr. Jones has been in touch with Mr. Green, its president, and discussed the organization of a new bank with \$500,000 first preferred subscribed by the R. F. C., \$500,000 second preferred, and \$250,000 common subscribed locally. He also has communicated with the president of the Central National Bank and Trust Company, which lost \$500,000 yesterday, but has not invoked the savings clause. He stated that this bank apparently was not aware of the real seriousness of the situation and that he had suggested that its president get in touch immediately with Mr. Green with the idea of having both institutions take similar reorganization action during the day.

Mr. Delaney, of Chicago, advises that he has advanced the City National Bank \$115,000 and the Central National Bank and Trust Company \$450,000 against their 10 (b) notes. When they opened this morning each had only between \$40,000 and \$60,000 on hand. He also said that he understood the R. F. C. has made a commitment of \$300,000 to the Central and \$200,000 to the City.

7-14-33 D

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Authority NND 30026

4754  
11/11  
June 14, 1933.

5:30 p. m.

M E M O R A N D U M

In a conversation with Mr. Delaney, he stated that the Central National Bank and Trust Company today gained \$50,000 in commercial deposits and lost \$536,000 on savings deposits and certificates of deposit, and that, while they think they have beaten the run, it has practically cleaned out their cash. The Federal reserve bank let them have \$450,000 today, running their total indebtedness to about \$1,200,000. Delaney said that the Reconstruction Finance Corporation has made a commitment of \$450,000 which they will authorize him to pay the first thing in the morning if the bank gets the collateral in the corporation's hands tonight, which they are doing. He said he was also checking up to see what the Federal reserve bank could do for them. While he stated that he thought the present loans were well secured, he indicated that their additional borrowing capacity is very limited.

He said that the City National Bank and Trust Company lost about \$43,000 on commercial deposits and, that with the notice on, they lost only \$1,200 on savings. In response to your inquiry as to what was being done toward reorganization, he said that the City National Bank and Trust Company has a meeting on which he has not attended, but that Mr. Green told him that he had \$500,000 of stock promised. You then asked him to have, first, Mr. Green and then the president of the Central National Bank and Trust Company call you.

Mr. Green called at 5:50 p. m. and said that he did not think his bank lost anything today. He said they had two or three payrolls,

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Authority NND 30026

-2-

but that they would get credit for them tomorrow. He stated that they had a meeting this afternoon and that his workers are out this evening and tomorrow morning, and that the money for reorganizing will be there in the morning. He said what he was working on was \$250,000 common stock, ~~\$250,000~~ <sup>\$500,000</sup> preferred from local interests, and \$750,000 preferred from the Reconstruction Finance Corporation.

He also said that Mr. Jones called him and that Mr. Stoddard, who will be there tomorrow morning, wants to go over the matter of joint action, referring, I assume, to the suggestion that the new bank also take over one-half of the deposits of the Old-Merchants National Bank and Trust Company.

After you had expressed to him your idea as to the value of such joint action, he said that he thought more money would be needed and you stated that you thought it would be desirable. He expressed the opinion that one party (referring to Mr. Kellogg) might be willing to renew his previous proposition, and asked you how much money you thought would be required for the joint proposition. You stated that you thought they should get all they could, and that in your opinion \$500,000 or \$750,000 more would make a clean bank. Mr. Green said that he thought Mr. Stoddard and he could get at Mr. Kellogg in the morning. You suggested that something should be done as soon as possible and Mr. Green replied that Mr. Kellogg appeared to like Mr. Stoddard and that he would prefer to wait until the latter got in tomorrow morning. He said he thought he could call you before 12 o'clock.

At 6:15 p. m. Mr. Evans of the Central National Bank and Trust Company called and stated that they lost \$536,000 in savings and certificates of deposit. He said he thought their commercial figures

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Authority NND 30026

-3-

went off somewhat; also that there had been a transfer from certificates of deposit over to commercial deposits which, however, <sup>was</sup> were included in the \$536,000. He said they had about \$175,000 cash and had arrangements with the R. F. C. for \$400,000 and, in addition, were getting a loan from the Federal reserve bank of \$100,000, and in response to an inquiry whether they were doing anything about preferred stock, he said that they had not yet but that he would talk the matter over with the R. F. C. representative who will be there tomorrow. He said that they were reopening at 6:30 and that after their closing at 8:00 he would call you at the hotel and give you his final figures for the day.

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*Govt. will stand by  
Gull Standard of  
fitness*

To Governors, Federal Reserve Banks.

RECEIVED  
JUN 15 1933  
SAC

PRIVATE WIRE, No. of Loans  
470,000

June 14, 1933

Boston, Mass.  
New York, N. Y.  
Philadelphia, Pa.  
Cleveland, Ohio.  
Richmond, Va.  
Atlanta, Ga.

Chicago, Ill.  
St. Louis, Mo.  
Minneapolis, Minn.  
Kansas City, Mo.  
Dallas, Tex.  
San Francisco, Calif.

That part of Department's telegram of March eleven instructing Federal Reserve Banks until further advised to lower the standard of fitness on all forms of currency which they are permitted to pay out is hereby rescinded. The usual standard of fitness may hereafter be observed.

ACRESON  
Under Secretary Treasury

FED-2

Copy for:  
Federal Reserve Board  
Treasurer U.S.

Private Wire.

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Authority NND 30026

*Franklin D. Roosevelt*  
Room 277

COPY

*#9*

*470, J.*

June 14, 1933

PEYTON  
MINNEAPOLIS

Relet June 10, re Peoples State Bank of Bloomer, Wisconsin STOP

Under Executive Order March 10 banks not members of Federal Reserve System  
are licensed for normal business by appropriate authority in each State and  
member banks of Federal Reserve System are licensed for normal business by  
Secretary of the Treasury STOP Secretary of the Treasury has no authority  
to license Peoples State Bank of Bloomer as of date when bank actually did  
open under license issued by Commissioner of Banks of Wisconsin STOP

In order to avoid legal questions relating to banking transactions of State  
banks becoming a member the Federal Reserve System a license issued by  
Secretary of the Treasury is necessary STOP Amend license to Peoples  
State Bank of Bloomer, Wisconsin, to become effective concurrent with  
bank's admission to Federal Reserve System which I understand is June 8,  
1933.

W H W  
WOODIN

AKC-hkb

FEDERAL RESERVE SYSTEM - LEASED  
WIRE.

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Authority NND 30026

470.2

June 10, 1933.

Mr. E. M. Stevens,  
Federal Reserve Agent,  
Chicago, Illinois.

Dear Mr. Stevens:

In connection with the negotiations  
which have been under way at Battle Creek, Michigan,  
there is inclosed herewith for your confidential  
information copy of a self-explanatory telegram | 6-9-33  
which was transmitted yesterday to Honorable W. K.  
Kellogg.

Very truly yours,

E. R. Black,  
Governor.

Inclosure.

 ERM/vmt

FILE COPY

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Authority NND 30026

Form 148b

TELEGRAM

FEDERAL RESERVE BOARD  
WASHINGTON

STEVENS - Chicago

JUNE 10, 1933.

YOUR TELEGRAM. MAILING YOU TODAY COPY ON TELEGRAM ADDRESSED YESTERDAY  
TO MR. KELLOGG OVER SIGNATURES OF MESSRS. WOODIN, BLACK, AND JONES, READING  
AS FOLLOWS:

QUOTE We have just been informed by our representatives, Messrs. Stoddard and Preston, that you have again resumed leadership in the banking situation at Battle Creek. We are gratified at your action in again assuming this leadership which is so vital to the interests of the community which you have largely built and which means so much to you.

We urge now that under your leadership, you go forward with the plan heretofore proposed by you, as covered by your telephone conversation with Mr. Jones of last Friday which was to the effect that a new national bank would be formed with \$4,000,000 new cash capital, which new bank would assume the deposits in full of the old Merchants National Bank and the City National Bank. The Reconstruction Finance Corporation, under this plan, would subscribe for \$2,000,000 of preferred stock to bear dividends for the first five years at 5% and thereafter at 6%, and would lend you for three years, at a low rate of interest, \$1,750,000 with which to buy that amount of second preferred stock, the remaining \$250,000, representing common stock, to be subscribed by you or others there.

In addition to the above, the Federal Reserve is prepared to give the new bank its usual full credit accommodations and the Reconstruction Finance Corporation is prepared, in addition to such Reserve Bank action, to furnish the new bank such support as it may need in order to properly serve the people of Battle Creek and fully protect the depositors of the new bank.

We now urge that you assume the full leadership necessary and have the people of Battle Creek meet this emergency. You are a great philanthropist, and it is doubtful if you ever will have another opportunity to be as helpful to your friends and neighbors of life time.

The President joins in this request and want you, and the people of Battle Creek and Michigan to know that it is his purpose and the purpose of his Administration and of the agencies which we represent, to stand in the manner stated above, shoulder to shoulder with every community in the United States where similar emergencies may develop.

The banking situation throughout the country is rapidly becoming well stabilized, and another failure in Michigan, especially in a City whose citizens are able to avert it, would be extremely unfortunate. UNQUOTE.

E. R. BLACK

EMM/vmt

FILE COPY

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0 P 0

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Authority NND 30026

**TELEGRAM**

**FEDERAL RESERVE SYSTEM**

(LEASED WIRE SERVICE)

RECEIVED AT WASHINGTON, D. C.

<sup>13-794</sup>  
118gb

470.2

Chicago Jun 10 1226p

6-10-12

Black

Board Washn

Understood from McKay you were sending us copies your wires to Mr Kellogg, which have not yet been received. Will be very helpful to us here if we have such copies. I have just been talking with Mr Cummings here who also would like to be advised of the nature of the telegrams

Stevens

1231p

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Authority NND 30026

Form No. 181.

# Office Correspondence

FEDERAL RESERVE  
BOARD

Date June 10, 1933.

To Messrs. O'Connor, Miller, Hamlin & James Subject: 4722

From Mr. McAllister.

2-8495  
e p o

There is attached hereto, for your confidential information, copy of a telegram which was transmitted yesterday to Honorable W. K. Kellogg, Battle Creek, Michigan, regarding the situation which exists there.

Mr. Preston advises over the telephone that they will endeavor to close the negotiations for the organization of the new bank over this week-end.

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Authority NNB 30026

C O P Y

FEDERAL RESERVE BANK OF MINNEAPOLIS

June 10th, 1933

Mr. Chester Morrill, Secretary,  
Federal Reserve Board,  
Washington, D. C.

Dear Mr. Morrill,

I quote as follows from your wire of May 25th:

"State bank upon admission to membership in Federal Reserve System must secure license from the Secretary of the Treasury to perform all usual and normal banking functions except as otherwise prohibited.\*\*\*\*\*  
License will be issued upon your recommendation."

Under date of June 10th Secretary Woodin wired Governor Geery as follows:

"Having been advised by the Federal Reserve Bank of Minneapolis, Minn., that the following named bank has been admitted to membership in the Federal Reserve System and they recommend that a license be issued to the institution I hereby direct the Federal Reserve Bank of Minneapolis, Minn., acting as my designated agent, to issue a license in the form heretofore prescribed by me to transact normal banking business effective Saturday, June 10, 1933, to the Peoples State Bank of Bloomer, Wisconsin."

The actual wording of the license mentioned in the above wires runs in part as follows:

"Peoples State Bank, Bloomer, Wisconsin, is hereby permitted to open on the 10th day of June 1933, its office in the following place Bloomer, Wisconsin, and to perform its usual banking functions, except: \*\*\*\*\*"

It is a fact that this bank has been operation as a going institution since it was discharged by Presidential proclamation and the consent of the Commissioner of Banks of the State of Wisconsin, directly following the termination of President Roosevelt's bank holiday.

Is it not an anachronism and might it not lead to possible difficulties to license this bank to open as of June 10, 1933, whereas it has actually been conducting business for a considerable previous period. Isn't it possible that actual lawsuits might be started against the bank on the basis that the bank operated without permission up to June 10th?

Wouldn't it be possible to get a ruling from the Secretary of the Treasury which would change the wording on the license to read that the Peoples State Bank of Bloomer, Wisconsin, was permitted to open

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Authority NND 30026

Mr. Chester Morrill, Secretary,  
Federal Reserve Board, (2)

June 10, 1933

on that date when the bank actually did open? I am holding up the delivery of the license in this particular instance until I hear from you.

I have written you trusting that you will give an immediate response, as the matter has come up after you were closed in Washington with Saturday's half holiday, but I wish you would wire your response so that ~~XXXXXX~~ this license will not be unduly withheld.

With best personal regards,

J. N. Peyton  
Chairman of the Board.

JNP; b

DECLASSIFIED

Authority NND 30026

PATRONS ARE REQUESTED TO FAVOR THE COMPANY BY CRITICISM AND SUGGESTION CONCERNING ITS SERVICE

1211 A

| CLASS OF SERVICE DESIRED |                 |
|--------------------------|-----------------|
| DOMESTIC                 | CABLE           |
| TELEGRAM                 | FULL RATE       |
| DAY LETTER               | DEFERRED        |
| NIGHT MESSAGE            | NIGHT LETTER    |
| NIGHT LETTER             | WEEK END LETTER |

Patrons should check class of service desired; otherwise message will be transmitted as a full-rate communication.

NEWCOMB CARLTON, PRESIDENT

J. C. WILLEVER, FIRST VICE-PRESIDENT

|               |
|---------------|
| CHECK         |
| ACCT'G INFMN. |
| TIME FILED    |

# WESTERN UNION

Send the following message, subject to the terms on back hereof, which are hereby agreed to

June 9, 1933.

Hon. W. K. Kellogg,  
Battle Creek, Michigan.

My dear Mr. Kellogg:

We are informed by our representatives, Messrs. Stoddard & Preston, that you have decided not to assist in the banking situation at Battle Creek. This is very distressing and we urge, in the interests of the community which you have largely built and which means so much to you, that you reconsider and furnish that leadership which is so badly needed in this crisis.

The Reconstruction Finance Corporation is willing to go forward with the plan heretofore proposed by you as covered by your telephone conversation with Mr. Jones of last Friday, which was to the effect that a new national bank would be formed with \$4,000,000 new cash capital, which new bank would assume the deposits in full of the old Merchants National Bank and the City National Bank. The Reconstruction Finance Corporation would subscribe for \$2,000,000 of Preferred Stock to bear dividends for the first five years at 5% and thereafter at 6%. Also the Reconstruction Finance Corporation would lend you for three years at a low rate of interest \$1,750,000 with which to buy that amount of Second Preferred Stock, the remaining \$250,000 to be subscribed by you or others there.

In addition to the above we are prepared to give the new bank any support that it may need to properly serve the people of Battle Creek and to fully protect its depositors, and very earnestly urge that you personally assume the necessary leadership and get the people of Battle Creek to meet this emergency. You are a great philanthropist and it is doubtful if you will ever have another opportunity to be as helpful to your neighbors and friends of a lifetime.

The President joins in this request and wants you and the people of Battle Creek and Michigan to know that it is his purpose and the purpose of his Administration including the agencies which we represent to stand shoulder to shoulder with every community in the United States where similar emergencies may develop. The banking situation throughout the country is rapidly becoming well stabilized and another failure in Michigan, especially in a city whose citizens are able to avert it, would be extremely unfortunate. The President suggests you call a meeting of those of your citizens most able to help and present the matter as a civic proposition.

W.M. H. WOODIN,  
Secretary of the Treasury.

EUGENE R. BLACK,  
Governor of the Federal Reserve Board.

JESSE H. JONES,  
Chairman, Reconstruction Finance Corporation.

THE QUICKEST, SUREST AND SAFEST WAY TO SEND MONEY IS BY TELEGRAPH OR CABLE

DECLASSIFIED

Authority NND 30026

## ALL MESSAGES TAKEN . . . THIS COMPANY ARE SUBJECT . . . THE FOLLOWING TERMS:

To guard against mistakes or delays, the sender of a message should order it repeated, that is, telegraphed back to the originating office for comparison. For this, one-half the unrepeated message rate is charged in addition. Unless otherwise indicated on its face, this is an unrepeated message and paid for as such, in consideration whereof it is agreed between the sender of the message and this company as follows:

1. The company shall not be liable for mistakes or delays in the transmission or delivery, or for non-delivery, of any message received for transmission at the unrepeated-message rate beyond the sum of five hundred dollars; nor for mistakes or delays in the transmission or delivery, or for non-delivery, of any message received for transmission at the repeated-message rate beyond the sum of five thousand dollars, *unless specially valued*; nor in any case for delays arising from unavoidable interruption in the working of its lines; nor for errors in cipher or obscure messages.

2. In any event the company shall not be liable for damages for mistakes or delays in the transmission or delivery, or for the non-delivery, of any message, whether caused by the negligence of its servants or otherwise, beyond the sum of five thousand dollars, at which amount each message is deemed to be valued, unless a greater value is stated in writing by the sender thereof at the time the message is tendered for transmission, and unless the repeated-message rate is paid or agreed to be paid, and an additional charge equal to one-tenth of one percent of the amount by which such valuation shall exceed five thousand dollars.

3. The company is hereby made the agent of the sender, without liability, to forward this message over the lines of any other company when necessary to reach its destination.

4. Domestic messages and incoming cable messages will be delivered free within one-half mile of the company's office in towns of 5,000 population or less, and within one mile of such office in other cities or towns. Beyond these limits the company does not undertake to make delivery, but will, without liability, at the sender's request, as his agent and at his expense, endeavor to contract for him for such delivery at a reasonable price.

5. No responsibility attaches to this company concerning messages until the same are accepted at one of its transmitting offices; and if a message is sent to such office by one of the company's messengers, he acts for that purpose as the agent of the sender.

6. The company will not be liable for damages or statutory penalties in any case where the claim is not presented in writing within sixty days after the message is filed with the company for transmission.

7. It is agreed that in any action by the company to recover the tolls for any message or messages the prompt and correct transmission and delivery thereof shall be presumed, subject to rebuttal by competent evidence.

8. Special terms governing the transmission of messages according to their classes, as enumerated below, shall apply to messages in each of such respective classes in addition to all the foregoing terms.

9. No employee of the company is authorized to vary the foregoing.

THE WESTERN UNION TELEGRAPH COMPANY

INCORPORATED

NEWCOMB CARLTON, PRESIDENT

## CLASSES OF SERVICE

ard telegram rate for 10 words shall be charged for the transmission of 50 words or less, and one-fifth of such standard telegram rate for 10 words shall be charged for each additional 10 words or less.

### SPECIAL TERMS APPLYING TO NIGHT LETTERS:

In further consideration of the reduced rates for this special Night Letter service, the following special terms in addition to those enumerated above are hereby agreed to:

Night Letters may at the option of the Telegraph Company be mailed at destination to the addressees, and the Company shall be deemed to have discharged its obligation in such cases with respect to delivery by mailing such Night Letters at destination, postage prepaid.

No employee of the Company is authorized to vary the foregoing.

### FULL RATE CABLES

An expedited service throughout. Code language permitted.

### DEFERRED HALF-RATE CABLES

Subject to being deferred in favor of full rate messages for not exceeding 24 hours. Must be in plain language or country of origin or of destination, or in French. This service is in effect with most countries throughout the world.

### CABLE NIGHT LETTERS

An overnight, low-rate, plain-language service. Delivery by mail beyond London will be made if a full mailing address is given and the words "Post" and "London" are written in the address. Minimum 20 or 25 words charged for.

### WEEK-END LETTERS

At still lower rates. Similar to Cable Night Letters except that they are accepted up to midnight Saturday for delivery Monday morning, if telegraphic delivery is selected. Minimum 20 or 25 words charged for.

### TELEGRAMS

A full-rate expedited service.

### NIGHT MESSAGES

Accepted up to 2:00 A.M. at reduced rates to be sent during the night and delivered not earlier than the morning of the ensuing business day.

Night Messages may at the option of the Telegraph Company be mailed at destination to the addressees, and the Company shall be deemed to have discharged its obligation in such cases with respect to delivery by mailing such night messages at destination, postage prepaid.

### DAY LETTERS

A deferred day service at rates lower than the standard telegram rates as follows: One and one-half times the standard night letter rate for the transmission of 50 words or less and one-fifth of the initial rates for each additional 10 words or less.

#### SPECIAL TERMS APPLYING TO DAY LETTERS:

In further consideration of the reduced rate for this special Day Letter service, the following special terms in addition to those enumerated above are hereby agreed to:

A. Day Letters may be forwarded by the Telegraph Company as a deferred service and the transmission and delivery of such Day Letters is, in all respects, subordinate to the priority of transmission and delivery of regular telegrams.

B. This Day Letter is received subject to the express understanding and agreement that the Company does not undertake that a Day Letter shall be delivered on the day of its date absolutely, and at all events; but that the Company's obligation in this respect is subject to the condition that there shall remain sufficient time for the transmission and delivery of such Day Letter on the day of its date during regular office hours, subject to the priority of the transmission of regular telegrams under the conditions named above.

No employee of the Company is authorized to vary the foregoing.

### NIGHT LETTERS

Accepted up to 2:00 A.M. for delivery on the morning of the ensuing business day, at rates still lower than standard night message rates, as follows: The stand-

DECLASSIFIED  
Authority NND 30026

*Reed [initials]* 1/3  
June 9, 1933

MEMORANDUM FOR MR. AWALT,  
Deputy Comptroller,  
Treasury Building,  
Washington, D. C.

There is an apparent lack of progress in bank reorganizations in Michigan and there are several reasons for this continued restriction of bank credits.

1. The banks not licensed are generally in terrible shape. Commissioner Reichert is said to have stated that he has no banks not licensed that even approximate solvency, and generally speaking, the unlicensed national banks are in the same category. For the national banks the paramount problem at present is to keep open many of the banks already licensed.
2. The cash reserves of a vast majority of the banks in Michigan were on deposit with the Guardian National Bank or the First National Bank in Detroit, and as yet only 40% of the balance in each of these banks has been released. Incidentally, the one thing that is logically possible and which will quiet political ballyhoo and public clamor is another distribution in each of the above banks, if necessary through the medium of a loan from the Reconstruction Finance Corporation. This is possible, to the knowledge of the writer, in the case of the Guardian National Bank as they are able now to retire their first loan from the Reconstruction Finance Corporation.
3. The Governor's holiday in Michigan, which came several weeks before March 4th, enabled local and state politicians to brew a myriad of verbal panaceas which, to the lay mind, made sense but which were, in the face of facts, practically impracticable. As a natural result depositors in Michigan believe that all the unlicensed banks are in fair or good shape if the government, state or national, would allow them to open, and the bankers generally are glad to accept this premise, subject, of course, to the added condition that the government, by some magic, furnish the cash for the payment of deposits.
4. The bankers, because of the facts and conditions stated above, have hoped and believed that the politicians could pull the rabbit out of the hat and thereby transform their mistakes of the past twenty years into acceptable assets, and the bankers, therefore, have "just sat" rather than to admit their errors and effect reorganization on some feasible plan.

There has been enacted in Michigan a statute providing for the reorganization of banks. It requires, in brief, that the bank publish for sixty days its plan of reorganization, during which time any objecting depositor can have recourse to a court of competent jurisdiction to file his complaint in regard to the proposed plan. The decision as to the equality and acceptability of the plan is then up to the court. If this plan is approved, assets equal to a stated percentage of the deposits are segregated in a trust fund to pay these automatically waived deposits. Michigan statutes have heretofore required state banks to segregate certain assets for the protection, first, of savings deposits, and in liquidation these assets are used to pay savings depositors in full. If the savings depositors are not paid in full they share ratably in the remaining assets with the commercial depositors. However, the present plan of reorganization gives no preference to the savings depositors, and herein lies one of the many reasons which cause unbiased attorneys to predict that this reorganization statute will not hold water.

The present laws of Michigan do not provide for state banks to be capitalized by preferred stock, and because of the lack of availability of any capital many state banks are contemplating in their reorganization plans conversion into national banks.

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Memorandum For Mr. Awalt

-2-

6/9/33

Gradually, and with the aid of the local branch of the Reconstruction Finance Corporation, the banks, as well as the people of Michigan, are beginning to realize that they must do something themselves to bring about the rehabilitation of their banks. Mr. F. T. Fisher, Jr., local Reconstruction Finance Corporation Agent, states that it has been only in the past two weeks that the agency has been contacted by bankers at large, and he states that in the majority of cases the demand is for a new national charter.

It is the belief of the writer, as well as officials of the Detroit Agency of the Reconstruction Finance Corporation, that if any banks that are at present licensed are allowed to fail the whole state of Michigan will again be thrown into a chaotic condition.

(s) A. J. Mulroney

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A. J. Mulroney, Examiner.

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The following banks in the larger cities in Michigan, although licensed, are in such condition that should any licensed bank be allowed to fail these banks would, no doubt, have a hard time surviving:

**GRAND RAPIDS:** The Old Kent Bank open unrestricted, member of Federal Reserve System, condition precarious, reserve deficient, \$20,000,000.00 bank.

**BATTLE CREEK:** The banks in this community are the Old Merchants National Bank, the Central National Bank, the City National Bank, and it is questionable whether any of these banks would survive if the Old Merchants is allowed to fail.

**KALAMAZOO:** First National Bank, precarious condition, making only fair progress, is borrowing from Reconstruction Finance Corporation.

**LANSING:** No national or member banks open, however, there are three small state banks, two of which are open on unrestricted basis.

**PORT HURON:** First National Bank, open on an unrestricted basis, heavily indebted to the Reconstruction Finance Corporation. They are trying at present to recapitalize. Would not be able to stand many more withdrawals.

**FLINT:** Has Citizens Commercial and Savings Bank, non-member, open without restrictions, making fairly satisfactory progress as their deposits have increased approximately 20% since the holiday.

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Form 148b

**TELEGRAM**

**FEDERAL RESERVE BOARD**  
**WASHINGTON**

1470a-2  
June 8, 1933

**Newton - Atlanta**

In response to paragraph B of Trans 1769 of April 13 you reported Hibernia Bank and Trust Company and Canal Bank and Trust Company of New Orleans as operating under restrictions but have not reported any change in the status of either bank although their successors, the Hibernia National Bank and the National Bank of Commerce, opened for business on May 22. Please wire present status of two non-licensed state bank members.

SMEAD

ERL

FILE COPY

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Authority NND 30026

June 7, 1933.

3:45 P.M.

Mr. Preston advises that Mr. Kellogg has definitely turned down the proposition of a fifty-fifty arrangement with the Reconstruction Finance Corporation on \$4,000,000 of preferred stock. It appears that one of his grandsons and the head of the Kellogg Foundation are now endeavoring to work out a counter-proposition along with Mr. Green, President of the City National Bank and Trust Company, whom Mr. Preston describes as "the other rich man in town" and Mr. Kellogg's partner. Mr. Preston states that Mr. Green has just left him to go to a meeting with the grandson and the Foundation man, and so there is nothing definite to report as to the counter-proposition which will be made. He said, however, that he thought Mr. Kellogg would be willing to take \$1,000,000 of preferred stock, with the Reconstruction Finance Corporation, and a suggestion apparently has been made that the Reconstruction Finance Corporation advance \$1,500,000 on the bank buildings. Mr. Preston said that he understood Mr. Kellogg would not be willing to come in unless the bank got \$4,000,000 in cash, but that no suggestion had been made as to how the additional \$500,000 might be raised.

5 P.M.

Mr. Preston just called again and said that the following counter-proposition is being submitted to Mr. Jones for his consideration:

Mr. Kellogg to take \$1,000,000 of first preferred stock

Reconstruction Finance Corporation to take \$1,000,000 of first preferred stock

Reconstruction Finance Corporation to make a loan of \$2,500,000 on the two bank buildings and charged-cut assets.

The Old Merchants National Bank Building is carried on its books at \$2,300,000 and the City National Bank Building is carried at \$1,155,000.

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- 2 -

We have understood that the charge-offs would aggregate \$3,300,000, the amount of the entire capital funds of the two old institutions. Mr. Preston could not give me any definite information as to the real value of the two bank buildings.

He said that Mr. Green, who is participating to the extent of \$250,000 in Mr. Kellogg's preferred stock, felt that this proposition was the best that could be gotten, and Mr. Preston feels that unless the deal is closed approximately as submitted, the negotiations are ended. He pointed out that the counter-proposition contemplates \$4,500,000 of new money, whereas previous propositions were based on \$4,000,000, and indicated that this fact offered some leeway in consideration of the present proposal. He appears confident that although the proposal will not clean up the bank, it will save it, and says that when the public finds that Mr. Kellogg has put \$1,000,000 into the institution and that the Reconstruction Finance Corporation is also a stockholder, the situation will settle down.

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*#7*  
FEDERAL RESERVE BANK OF CHICAGO

230 SOUTH LA SALLE STREET

*File*  
OFFICE OF THE  
CHAIRMAN OF THE BOARD AND  
FEDERAL RESERVE AGENT

June 7, 1933.

Federal Reserve Board,  
Washington, D. C.

470.20

For CIRCULATION

~~Mr. Bla~~ Gov. Meyer

Mr. Hamlin

470.2 Mr. James

Mr. Magee

Mr. Miller

Mr. Mowry

Mr. McClelland

Mr. Smith

Mr. Tamm

Please note - initial and

Return to Secretary's Office

Gentlemen:

Supplementing my report of yesterday on state member banks unlicensed in the State of Michigan, I am now enclosing a similar report on all state member banks unlicensed in Indiana, Wisconsin, Illinois, and Iowa. You will note that most of these are small institutions.

Very truly yours,

*John A. Stevens*  
Chairman

EMS FC

JUN - 8 1933. u



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Mr. Stevens

June 6, 1933

Mr. Young

I am giving you herewith information concerning all of our State member banks in Indiana, which have not as yet been licensed.

St. Joseph Valley Bank, Elkhart. We have conferred on several occasions with officers of the bank, and our representative recently made an asset examination of the institution. It appears that it will be extremely difficult to raise capital which, in addition to the problem of borrowed money and extremely high volume of undesirable assets, makes this situation a difficult one to handle. They recently submitted a plan to us which we could not approve. Briefly, it provided for a 35% waiver outright by depositors, the remaining 65% of deposits to be frozen and released pro rata as collections are made from assets. At their request withdrawal papers have been forwarded, and we feel their application will be filed within a few days.

Dickinson Trust Company, Richmond. Our examiner made an asset examination of the institution, which reflected a much higher volume of criticised assets than that contained in the State examiner's report. We have today written Deputy Bank Commissioner Barr that the plan tentatively agreed upon a few days ago could not be approved due to the fact that our examiner indicates that approximately \$280,000 out of total assessment of \$300,000 can be collected from stockholders. Plan as submitted by State Banking Department provides for an assessment of \$150,000 and reduction in capital from \$300,000 to \$150,000 and a 50% outright waiver of deposits. We have suggested to the State Banking Department that another conference be held and it may be possible that a reorganisation can be effected.

Terre Haute Trust Company, Terre Haute. We have conferred on several occasions with officers, directors and depositor's committee of subject bank, and have approved the plan for the organization of a new bank, part of the capital to be furnished by the R. F. C., the new bank to assume 50% of the deposit liability. Depositor's committee reports today that they are confident that the necessary capital can be raised and that depositors' agreements can be secured.

St. Joseph Loan & Trust Company, South Bend. Voluntarily withdrew from membership, effective March 31, 1933.

U. S. Bank & Trust Company, Rochester. Voluntarily withdrew from membership, effective March 24, 1933.

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-2-

WISCONSIN

Farmers & Merchants State Bank, Seneca. No plan as yet has been agreed upon for reorganization of the institution. The matter will be taken up with the State Banking Department within a few days.

ILLINOIS

State Bank of Cuba, Cuba. Executive vice-president of the bank called a few days ago and stated that he would submit a plan for our consideration within a few days. It will provide for a 30% waiver of deposits and an assessment on the capital. Complete details not available. We are cooperating with the State Banking Department in regard to the institution.

IOWA

We will have one of our examiners visit the State Banking Department as soon as possible to confer with banking officials as to reorganization of the following banks which are operating under the provisions of Senate File 111:

|  |             |
|--|-------------|
| Farmers State Bank,                              | Charter Oak |
| State Savings Bank,                              | Chariton    |
| Iowa State Savings Bank,                         | Fairfield   |
| Citizens Savings Bank,                           | Gilman      |
| Fairbank State Bank,                             | Fairbank    |
| * Mechanicsville Trust & Savings, Mechanicsville |             |

(\*) Recent report indicates bank released from Senate File 111.

In my opinion only two of the unlicensed member banks in Iowa will be able to effect a reorganization which this office can approve.

\_\_\_\_\_  
C. S. Young

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Form No. 131

# Office Correspondence

FEDERAL RESERVE  
BOARD

Date June 6, 1933.

To Governor Black,

Subject: 470.2 ✓

From Mr. McClelland.

2-8405

6-6-33

Mr. Preston just called and said that up to 11 o'clock today the Old Merchants National Bank and Trust Company lost \$32,000, as much as their entire losses yesterday. Three fairly large savings accounts amounting to \$4,000, \$5,000 and \$7,000, respectively, have been closed out. Mr. Preston says that it looks as though the uncertainties attached to the negotiations last week are having an effect on the public. He does not see how the bank can last for more than two or three days. They had this morning \$310,000 in cash, \$250,000 available from the Federal reserve bank loan and \$63,000 in unused float at the Federal, a total of slightly less than \$625,000.

Stoddard, the Reconstruction Finance Corporation man, is in Grand Rapids today, but has an engagement with Mr. Kellogg tomorrow. Green, President of the City National Bank and Trust Company, tells Preston that he understands from Stoddard that he has been authorized to offer Mr. Kellogg the same class of stock as the Reconstruction Finance Corporation is taking, and a period of five years in which to make payment. Although the proposition has not yet been put up to Mr. Kellogg, Preston thinks he will go along on that basis. He says Mr. Harris, of the Harris Trust and Savings Bank of Chicago, advised Mr. Kellogg to go ahead as a civic matter, and not as a business proposition.

Philip Jones  
from Jones  
at 11:30 AM  
6/6/33 SAB

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Form No. 131

## Office Correspondence

FEDERAL RESERVE  
BOARDDate June 6, 1933.To Governor Black.Subject: 4/70. 52From Mr. McClelland.

... 2-8495



In a telephone conversation this morning, Mr. Preston stated that his latest information from Battle Creek is that the negotiations with Mr. Kellogg have gone over until Wednesday.

He stated, however, that on yesterday the Old Merchants National Bank and Trust Company lost only \$42,000, while the deposits at the Central National Bank and Trust Company increased about \$35,000, and those of the City National Bank and Trust Company about \$19,000. He said he thought this quieting of the situation was due to the impression which has become prevalent in the city that the Government is taking care of the banking situation and there is nothing to worry about. He also stated that the Federal reserve bank has not yet released any part of the proceeds of the \$250,000 loan which has been approved, although it may be necessary to do so today. He seemed to feel that the situation would rock along for a few days.

He also mentioned, in a confidential way, his feeling that the Reconstruction Finance Corporation should have a better man conducting negotiations. He referred to the inability of the present representative to carry negotiations through after preliminary arrangements had been made with Mr. Kellogg.

I inquired of Mr. Preston how the City National Bank and Trust Company came into the picture and he stated that they were being brought into the consolidation in order to provide management for the new institution. Although that institution, as well as the Central National Bank and Trust Company, is in a difficult position its management is regarded as the best of the three banks in Battle Creek.

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Mr. Morrill ✓  
Mr. McClelland ✓  
Mr. Paulger ✓  
Dr. Miller ✓

note  
When this has  
been circulated  
returned, the  
information should  
go in front  
of file

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Authority NND 30026

# FEDERAL RESERVE BANK OF CHICAGO

230 SOUTH LASALLE STREET

JUN - 8 1933

A circular postmark from the U.S. Post Office, Washington, D.C. The outer ring contains the text "U.S. POST OFFICE" at the top and "WASHINGTON, D.C." at the bottom. The inner circle contains the date "JUN 6" at the top and "1933" at the bottom. The entire postmark is in a light, embossed style.

June 6, 1933

OFFICE OF THE  
CHAIRMAN OF THE BOARD AND  
FEDERAL RESERVE AGENT

## Federal Reserve Board

Washington, D. C. Please note: ~~Indicates~~ and  
Return to Secretary's Office

Gentlemen:

I enclose for your files a report from our Mr. Pitman as to the condition of all the state member banks in Michigan (that part of which is in our district). Mr. Pitman, as you know, has been working at Lansing with the State Banking Commissioner on this matter for some weeks and every state member bank which is not yet licensed has been interviewed with results as shown in this report.

You will note that a considerable number of them have adopted plans which have been initiated by us and such plans are under way to consummation. You will note another substantial group that prefer to continue under a conservator until a better position can be established before reorganization is attempted; also, a third group where prospects of reorganization seem to be remote. One contributing cause to this latter situation is that the banks are so small that when a substantial portion of their deposits are waived and put in a trust fund, the resulting deposits in the reorganized bank would not warrant the expense of conducting the institution.

We are following these various cases, but it is probable that ultimately a substantial number of the banks in this group will have to go into liquidation or otherwise resign their membership in the Federal Reserve System. /

Very truly yours

~~Chairman~~

EMS HH

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Authority NND 30026

June 5, 1933

Memorandum for Mr. Stevens

From Mr. Pitman

I am giving you herewith information concerning all of the state member banks in Michigan which have not as yet been licensed. In answer to the question involving the matter of initiative I believe that can best be explained by the procedure followed in the interview of these institutions.

The Michigan Department designated one man who sat with me on all interviews relative to proposed reorganization plans. In addition four Michigan examiners were assigned to give assistance in matters involving member banks. Each day one of these examiners called the group of banks which were to be interviewed the following day. In view of this fact, I should say that the work was cooperative throughout.

The following is a list of the banks, together with the status at the present time -

ADRIAN STATE SAVINGS BANK, ADRIAN, MICHIGAN

No publication has as yet been made in the case of this institution. It is the desire of the officers of the bank to effect a reorganization, but I am inclined to question the probability of such a move. It appears that it will be extremely difficult to raise capital which in addition to the problem of borrowed money makes this situation a difficult one to handle. Possibly at a later date one of the remaining local banks may be able to take over at least a portion of this institution, thereby releasing some of the depositors' funds now impounded.

COMMERCIAL SAVINGS BANK, ADRIAN, MICHIGAN

Publication is under way for the reorganization of this institution under a plan which will release 65% of the deposits to depositors.

LEMAYEE COUNTY SAVINGS BANK, ADRIAN, MICHIGAN

Publication is being made of a plan which will release 50% of the present deposits to depositors.

COMMERCIAL & SAVINGS BANK, ALBION, MICHIGAN

It is the desire of the management of this bank to reorganize but they appreciate that it will be difficult for them to effect any plan until borrowed money, which is equal to approximately one-sixth of the deposit liability, has been liquidated. I am advised that the conservator is making every effort to accomplish this and at the same time arrange for capital in order that definite plans may be adopted. It would appear to me that a reorganization may be effected at a little later date.

ALPENA TRUST & SAVINGS BANK, ALPENA, MICHIGAN

In this instance it appears that an entirely new group of stockholders is necessary to supplant the present owners. The president of the bank, who is a major stockholder, advises that it is impossible for him to meet an assessment. Therefore, an attempt is being made to find outside capital. I am advised that a new conservator has been appointed and is working toward the end of a reorganization at this time. In this

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Authority NND 30026

Mr. Stevens - 2

case also borrowed money creates a barrier. In view of the size of this institution and the importance of it in northeastern Michigan, it is my opinion that eventually individuals of sufficient worth can be found to take an interest in the bank.

ARMADA STATE BANK, ARMADA, MICHIGAN

No publication is under way in this instance, due largely to an extremely low liquidity and the problem of raising new capital.

Some discussion was had relative to the merger of the two institutions at Armada but nothing definite has been determined at this time. It is my opinion that if new capital and sufficient liquidity can be provided for, a reorganization can be had at this point.

FARMERS STATE BANK, ARMADA, MICHIGAN

Because of the extremely high amount of undesirable assets in the case of this bank it is the opinion of the writer that the only answer is receivership. This appears to be appreciated by the management of the bank and unless sufficient liquidity can be provided to provide for a merger without injury to the Armada State Bank, I have no doubt but that liquidation will be the final result.

BIG RAPIDS SAVINGS BANK, BIG RAPIDS, MICHIGAN

Reorganization appears impossible, particularly at this time. Representatives of the bank believe it impossible to raise new capital and to create a liquidity sufficient to reorganize without danger. Borrowed money is equal to approximately one-sixth of the deposit liability.

BLANCHARD STATE BANK, BLANCHARD, MICHIGAN

Reorganization would be possible in this instance provided new capital could be had. However, the management of the bank doubts the advisability of continuing in business due to the limited amount of business which the bank might reasonably expect. On a reorganization basis deposits would amount to only \$120,000. The bank is to continue under conservator until definite plans can be had which will satisfy local people.

CASS CITY STATE BANK, CASS CITY, MICHIGAN

The cashier, Mr. Auten, owns \$28,500 of the present capital of \$40,000. He appears financially unable to make any reasonable payment toward an assessment and, therefore, it would appear impossible to expect any assistance from present stockholders. Mr. Auten felt the best plan in this case was to continue on under conservator at least for a time. While borrowed money is not a problem, cash liquidity was so low it appeared undesirable to attempt a merger of this bank with the other bank in Cass City referred to next below.

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Mr. Stevens - 3

PINNEY STATE BANK, CASS CITY, MICHIGAN

Plans are being published for a reorganization on the basis of a 50% release to depositors. Cash position of this bank is about 27% with no borrowed money. While a merger of the other bank with this institution was discussed, the officers of the Pinney State Bank did not appear willing to impair their own cash position by taking over the frozen assets of their competitor bank.

EATON COUNTY SAVINGS BANK, CHARLOTTE, MICHIGAN

Borrowed money in this case is equal to about 12% of the deposit liability with a relatively high cash position to offset. However, the officers of the bank believe it advisable to continue on under conservator in an attempt to eliminate those borrowings and to insure a good cash position before opening on a <sup>more</sup> ~~more~~ restricted basis. I believe eventually this bank can be reorganized, or perhaps consolidated with the First National Bank at Charlotte.

CHESANING STATE BANK, CHESANING, MICHIGAN

Plans are being published for reorganization of this bank but it appears the institution will withdraw from membership and go on a restricted basis. Since borrowed money is equal to about 12% of the proposed deposits and with a low liquidity at this time this probably is about all that can be expected unless the bank were to continue under conservator for a rather indefinite period. The plan of reorganization calls for a 50% return to depositors.

STATE BANK OF CROSWELL, CROSWELL, MICHIGAN

Publication is under way for the reorganization of this bank on the basis of a 50% release.

DAVISON STATE BANK, DAVISON, MICHIGAN

The conservator, who is also a large stockholder, has not as yet made his recommendations in this case. It is the opinion of the writer that reorganization can be effected ultimately but it will leave a rather limited volume. There is no borrowed money to interfere and liquidity is reasonably high. The matter of capital, however, appears to be a definite problem to be solved.

MONROE COUNTY BANK, DUNDEE, MICHIGAN

Borrowed money is a problem since it equals \$71,000 as compared to a deposit liability on the basis of a 50% reorganization of \$257,000. The conservator doubted the bank's ability to reorganize since he believed capital would be extremely difficult to raise. Aside from this the frozen condition of the bank would seem to be a barrier toward reorganization on an unrestricted basis. It is the opinion of the writer that liquidation will be the ultimate answer.

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Mr. Stevens - 4

ELK RAPIDS STATE BANK, ELK RAPIDS, MICHIGAN

The directors of the bank are extremely anxious to reorganize this institution. However, borrowed money of \$63,000 creates a considerable barrier since deposits on a reorganization of 60% would equal only \$153,000. It was agreed that the bank would continue under conservator in an attempt to provide for greater liquidity, either through liquidation or refinancing. On the basis of the present condition of the bank it appears doubtful whether or not a reorganization can be effected.

GENESEE COUNTY SAVINGS BANK, FLINT, MICHIGAN

Publication is under way for a reorganization on the basis of a 50% release. There appears to be nothing to interfere with this reorganization and it is believed the bank will be in a position to reopen late in June.

UNION INDUSTRIAL TRUST & SAVINGS BANK, FLINT, MICHIGAN

Plans are under way for reorganization on the basis of a 50% release and are being published at this time. However, the writer is rather doubtful of the ability of this bank to meet the requirements for licensing. The greatest difficulty appears to be that of relieving the bank of liability for borrowed money and creating a liquidity sufficient to meet the needs. The conservator appears confident he can accomplish this, however.

AMERICAN STATE BANK, FRANKENMUTH, MICHIGAN

Plans are being published for reorganization on the basis of a 50% release. These plans are being published in spite of a large amount of borrowed money since the management appear confident that that problem can be met. However, the writer is doubtful of the ultimate outcome unless this bank is merged with the other bank in Frankenmuth, the liquidity to be furnished by the latter bank.

FRANKENMUTH STATE BANK, FRANKENMUTH, MICHIGAN

Plans are being published for reorganization on the basis of a 60% release. There appears to be nothing to stand in the way of this reorganization since borrowed money is not a serious problem and it appears that liquidity can be provided. It is hoped the two banks in Frankenmuth can be merged and work is being done at this time toward that end.

OLD STATE BANK, FREMONT, MICHIGAN

Plans are being published for a reorganization on a 60% release basis. There appeared to be no question as to the provision for liquidity. The major problem is that of raising capital. The management appears confident, however, that this can be provided.

AMERICAN HOME SECURITY BANK, GRAND RAPIDS, MICHIGAN

There is little doubt in the mind of the writer but that this bank will be purely a liquidation matter. The analysis indicates that only about 20% of the general deposits could be paid out in a reorganization and in addition to that feature is the difficulty around borrowed money equal to about one-half of the deposit liability. The conservator concurs in this opinion although he suggests operation under conservator for a time to definitely determine that liquidation is the best procedure.

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Mr. Stevens - 5

GRAND RAPIDS SAVINGS BANK, GRAND RAPIDS, MICHIGAN

A suggestion has been made by this bank to a committee representing business and industry at Grand Rapids that a new bank be formed to take over the acceptable portions of both this bank and the Grand Rapids National Bank. A meeting is to be held in the near future at Grand Rapids for a further discussion on this subject. In the opinion of the writer that suggestion represents the best course to be followed. The Grand Rapids Savings Bank has such a high amount of preferred deposits and borrowed money that, after providing for these items, it might be difficult to arrange for a release of 50% of the remaining deposit liability. Management of bank appears to lean strongly toward a reorganization plan but unless a decidedly high amount of liquidation can be had it appears problematical whether or not that step is possible.

HILSDALE SAVINGS BANK, HILSDALE, MICHIGAN

Subject bank proposes to reorganize on the basis of a 65% release. Publication of plans to that end have not as yet been started since it is also proposed that a merger of this bank with the First State Savings Bank of Hillsdale, a non-member institution, be made. Examination to that end has been completed and the writer has recommended such a merger under the charter of the member bank. It is anticipated that plans will be adopted shortly.

FIRST STATE BANK, HOLLAND, MICHIGAN

Plans are being published for reorganization on a 50% basis. However, it appears that subject bank will withdraw from the system and go on a restricted plan of reorganization, due to the high amount of borrowed money and low liquidity, which apparently cannot be overcome.

HOLLAND CITY STATE BANK, HOLLAND, MICHIGAN

As in the case of the First State Bank, Holland, plans are being published for a 50% release. This bank undoubtedly will find it necessary to withdraw from the system and go on a restricted basis since they also have a serious problem in the matter of borrowed money and liquidity.

FIRST STATE & SAVINGS BANK, HOLLY, MICHIGAN

There appears to be no opportunity here for reorganization. Borrowed money in the amount of \$300,000 is equal to about 35% of the present deposit liability with a low liquidity figure and little apparent hope for liquidation. The conservator at this point appears to be decidedly weak and it is possible a new appointment will be made.

FIRST STATE & SAVINGS BANK, HOWELL, MICHIGAN

It has been agreed that this bank must continue under conservator due to the fact that borrowed money is equal to approximately 25% of the deposit liability, with a decidedly low liquidity figure. The writer is rather of the opinion that liquidation will be the ultimate answer, although there is a slight possibility that reorganization may be effected at a later date.

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Mr. Stevens - 6

GROSVENOR SAVINGS BANK, JONESVILLE, MICHIGAN

Subject bank probably can be reorganized provided borrowed money of \$57,000 can be eliminated and the present ratio of liquidity maintained. At this time borrowed money is equal to about 18% of deposit liability. The representatives of the bank agreed that continuance under conservator for a time was the logical plan.

BANK OF KALAMAZOO, KALAMAZOO, MICHIGAN

It has been agreed by the representatives of the Department and the management that receivership is the only course to be pursued in this case.

FARMERS & MERCHANTS STATE BANK, LAKEVIEW, MICHIGAN

Reorganization is possible in this instance on the basis of a 50% release provided additional liquidity can be provided. However, the management of the bank was very emphatic in the opinion that the bank could not be maintained on an unrestricted basis. No definite steps have as yet been taken.

CITY STATE BANK, LOWELL, MICHIGAN

Borrowed money, which totals \$56,000 and is equal to about 15% of the deposit liability, together with low liquidity, appears to bar reorganization in this instance for the time being. Management of the bank concurs in this idea and agrees that continuance under conservator is advisable until sufficient liquidation can be had.

LUDINGTON STATE BANK, LUDINGTON, MICHIGAN

Plans for reorganization on a 50% restricted basis is now under way. Undoubtedly this institution will withdraw from membership unless it is possible to overcome fear in the minds of the management of an unrestricted plan of reorganization.

FIRST STATE BANK, MILFORD, MICHIGAN

There are many legal points to be determined in the case of this institution which has twice been reorganized. Nothing can be done until the Banking Department in Michigan is satisfied of the steps necessary to be taken and a determination of the various depositors' rights.

PEOPLES BANK, MANCHESTER, MICHIGAN

Plans are being published for the reorganization of subject institution on a 50% release basis.

CHEMICAL STATE SAVINGS BANK, MIDLAND, MICHIGAN

Plans are being published for reorganization on the basis of a 75% release.

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Mr. Stevens - 7

FARMERS STATE BANK, MONTAGUE, MICHIGAN

Lack of volume, low liquidity and substantial borrowings would appear to prohibit reorganization of this institution. The State Department are attempting to merge this institution with the neighboring non-member bank at Whitehall, which appears to be the best solution.

EXCHANGE SAVINGS BANK, MT. PLEASANT, MICHIGAN

Plans for reorganization on the basis of a 50% release are now being published.

CITIZENS STATE SAVINGS BANK, NEW BALTIMORE, MICHIGAN

Plans for reorganization on the basis of a 50% release are being published.

ONSTED STATE BANK, ONSTED, MICHIGAN

Subject institution could be reorganized with full payment to depositors with the levy of an assessment of 100% against stockholders. Management of the bank strongly object to such an assessment. Therefore, no definite plans are under way in this instance.

PIGEON STATE BANK, PIGEON, MICHIGAN

This appears to be a matter of liquidation due to a high amount of unacceptable assets, heavy borrowings and a decidedly weak list of stockholders.

PINCONNING STATE BANK, PINCONNING, MICHIGAN

A large amount of highly undesirable assets together with low liquidity and heavy borrowed money appears to preclude ideas of reorganization. Management and directorate in this instance appear to be decidedly weak and it appears doubtful whether or not much resistance can be expected.

ROMEO SAVINGS BANK, ROMEO, MICHIGAN

Borrowed money and an extremely low cash liquidity appears to determine that operation under conservator for a time is desirable. A reorganization ultimately appears possible.

MACOMB COUNTY SAVINGS BANK, RICHMOND, MICHIGAN

Sound assets are not of sufficient quantity to warrant reorganization on a 50% basis. Heavy borrowed money and extremely low cash position create additional barriers. It is probable that liquidation will be the only solution.

BANK OF SAGINAW, SAGINAW, MICHIGAN

PEOPLES AMERICAN STATE BANK, SAGINAW, MICHIGAN

Examinations have just been completed which undoubtedly will finally determine that reorganization is not feasible in the case of either bank. Heavy borrowings, extremely large amount of pledged assets and high degree of unacceptable assets would seem to prohibit reorganization plans.

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Mr. Stevens - 8

ST. CHARLES STATE BANK, ST. CHARLES, ILLINOIS

Borrowed money is equal to about 15% of the deposit liability and it therefore seems that reorganization cannot be considered. Management in this instance does not appear strong and there is a question of the ability of the stockholders to meet an assessment with which to replace capital. Operation under conservator may show possibilities but the writer is of the opinion liquidation is the probable answer.

FRUIT GROWERS STATE BANK, SAUGATUCK, MICHIGAN

It was agreed that this bank continue under conservator in an attempt to improve liquidity sufficient to contemplate reorganization. It is the opinion of the writer this is highly improbable since borrowed money is equal to approximately 30% of deposit liability at the present time with a decidedly low cash position.

FARMERS & MERCHANTS STATE BANK, SEBEWAING, MICHIGAN

Plans are being published for reorganization on a 50% release basis.

SPARTA STATE BANK, SPARTA, MICHIGAN

Plans are being published for reorganization on a 60% release basis.

TRAVERSE CITY STATE BANK, TRAVERSE CITY, MICHIGAN

While publication is not under way at the moment the plans are all determined for reorganization on a 50% release basis. Management of the bank determined it would be unwise to make publication before having capital definitely arranged for. An interview with the attorney on Thursday of last week revealed the fact that in approximately ten days \$185,000 of the \$200,000 capital had been definitely committed.

UTICA STATE SAVINGS BANK, UTICA, MICHIGAN

Borrowed money is not a problem in this instance. However, liquidity of the bank is extremely low and it has been deemed advisable to continue under conservator for the time being in an attempt to improve that situation. Management of the bank appeared to doubt very much that an assessment can be collected in this instance. However, they are to make further investigation and report at a later date.

WASHINGTON SAVINGS BANK, WASHINGTON, MICHIGAN

Because of the high amount of unacceptable assets in this bank and the low volume which would result from a reorganization it appears doubtful that reorganization can be considered. In the opinion of the writer the bank ultimately will be placed in liquidation.

WILLIAMSTON STATE BANK, WILLIAMSTON, MICHIGAN

Management of the bank appeared rather disinterested at the time of the interview and had no definite ideas regarding their own situation. If sufficient interest could be aroused and the liquidity improved somewhat reorganization would be possible.

*J. L. Pitman*

C. L. PITMAN

K10.2  
6-6

| Name of bank                                       | Deposits | Present borrowings | Other liabilities | Probable equity in pledged assets collateral | Value of unpledged assets | Probable needs | Estimated loss to lending agency | Our opinion | General Condition                                       |   |
|--|----------|--------------------|-------------------|--|---------------------------|----------------|----------------------------------|-------------|---|---|
| Old Merchants N.B. & Trust Co. Battle Creek, Mich. | \$8,981  | \$2,156            | -                 | None   | \$4,150                   | \$3,000        | \$500                            | Poor        | Weak from frozen loans                                  |   |
| Central National Bank & Trust Co. Battle Creek     | " 6,183  | 597                | -                 | None   | 2,728                     | 2,000          | 350                              | Fair        | Real es.loans   |   |
| City National Bank & Tr.Co. Battle Creek           | " 3,471  | 981                | -                 | None   | 1,487                     | 1,200          | 300                              | Fair        | See page deposits                                       |   |
| First Natl. Tr. & Savings Bank, Port Huron         | " 7,066  | 2,164              | -                 | 600  | 1,600                     | 2,000          | 325                              | Poor        | Lack of confidence                                      |   |
| First Natl. Bank & Trust Co. Ann Arbor             | " 1,177  | 379                | -                 | None   | 675                       | 500            | 200                              | Fair        | Poor assets frozen                                      |   |
| Farmers & Mechanics Bank, Ann Arbor                | " 2,843  | 483                | -                 | None   | 1,200                     | 900            | 250                              | Poor        | Frozen  |   |
| Hackley-Union Natl. Bank, Muskegon                 | " 3,814  | 797                | -                 | None   | 1,180                     | 1,200          | 250                              | Fair        | Frozen local loans                                      |   |
| National Lumberman's Bank, Muskegon                | " 3,694  | 291                | -                 | None   | 1,550                     | 1,000          | 250                              | Fair        | Frozen local loans                                      |   |
| Guardian Bank of Dearborn, Dearborn                | " 2,376  | 557                | -                 | None   | 750                       | 1,500          | 150                              | Good        | Public funds  |   |
| Dearborn State Bank, Dearborn                      | " 5,080  | 175                | -                 | None   | 1,550                     | 850            | None                             | Good        | Deposit see page  |   |
| Highland Park State Bank, Highland Park            | " 14,784 | 1,956              | -                 | None   | 6,500                     | 4,000          | 1,000                            | Good        | Heavy with-<br>drawals                                  |   |
| First National Bank & Trust Co. Kalamazoo          | " 6,333  | 500                | -                 | None   | 2,300                     | 1,000          | 250                              | Fair        | Poor assets   |   |
| Lincoln National Bank & Trust Co. Fort Wayne, Ind. | 8,288    | 920                | -                 | 50   | 2,750                     | 1,500          | 600                              | Good        | Fixed assets  |   |
| First-Merchants National Bank, LaFayette,          | " 4,262  | 158                | -                 | 40   | 1,700                     | 1,500          | 200                              | Poor        | Poor assets   |   |
| Central National Bank & Tr. Co. Des Moines, Iowa   | 8,300    | None               | -                 | None   | 2,400                     | None           | 150                              | Fair        | Small cap-<br>ital City<br>Banking<br>structure<br>weak |   |
| Iowa-Des Moines National Ek.& Tr. Co.              | " "      | 21,000             | None              | -  | None                      | 7,000          | 3,000                            | 700         | Fair  | Poor assets<br>City Banking<br>structure weak |

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| Name of bank                               | Deposits | Present<br>borrow-<br>ings | Other<br>liabili-<br>ties | Probable<br>equity in<br>un-<br>pledged<br>collat-<br>eral | Value<br>of un-<br>pledged<br>assets | Prob-<br>able<br>needs<br>agency | loss to<br>lending<br>agency | Our<br>opinion | General Condition                       |
|--|----------|----------------------------|---------------------------|--|--------------------------------------|----------------------------------|------------------------------|----------------|---|
| Bankers Trust Co., Des Moines, Iowa        | \$5,483  | None                       | -                         | None   | \$2,500                              | \$1,000                          | \$400                        | Poor           | Poor assets City Banking structure weak |
| City National Bank, Clinton, Iowa          | 6,384    | 906                        | -                         | 100  | 2,000                                | 1,500                            | 300                          | Poor           | Deposit see page poor assets            |
| Palmer-American Natl. Bank, Danville, Ill. | 1,849    | 94                         | -                         | None   | 800                                  | 400                              | 100                          | Poor           | Poor assets                             |
| First National Bank, Danville, Ill.        | 3,244    | 241                        | -                         | None   | 1,350                                | 800                              | 200                          | Poor           | Poor assets                             |
| Third National Bank, Rockford, Ill.        | 3,630    | None                       | -                         | None   | 1,500                                | None                             | 150                          | Poor           | Concentrations                          |
|  |          |                            |                           |  |                                      | 28,850                           | \$6,625                      |                |   |

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Authority NND 30026

Form No. 181

# Office Correspondence

FEDERAL RESERVE  
BOARD

Date June 5, 1933.

To Governor Black  
From Mr. Wyatt, General Counsel.

Subject: Surplus required for grant  
of trust powers to proposed  
national bank at Battle Creek,  
Michigan. ... *abm*

470.2 ✓

If the proposed new national bank at Battle Creek desires 6-5-33  
to have trust powers either at the time it opens for business or shortly  
thereafter, the negotiations regarding its capital structure should  
not be closed until it has been determined how much surplus it will be  
necessary for the bank to have in order to be eligible for trust powers  
and until such surplus has been provided for.

Section 11(k) of the Federal Reserve Act provides that no  
permit to exercise trust powers shall be granted by the Federal Reserve  
Board "to any national banking association having a capital and surplus  
less than the capital and surplus required by State law of State banks,  
trust companies, and corporations exercising such powers."

The laws of Michigan require that when a bank or trust company  
in that State is organized it shall have a surplus of at least 20 percent  
of its capital.

The provision of the Michigan laws, however, which authorizes  
the issuance of preferred stock in connection with the reorganization  
of State banks and trust companies is a very recent enactment; and the  
State authorities have not yet decided whether a newly organized Michigan  
bank must have a surplus equal to 20 percent of its preferred stock or  
whether it is sufficient if it has a surplus equal to 20 percent of its  
common stock.

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At our suggestion Counsel for the Federal Reserve Bank of Chicago has been in communication with the State authorities in an effort to obtain an interpretation of the State law on this point but has not yet been able to obtain a definite ruling.

Inasmuch as the purpose of Section 11(k) of the Federal Reserve Act is to put national banks on a basis of substantial equality with State banks exercising trust powers, the Board would be justified in adopting any reasonable interpretation of the requirements of the State law regarding surplus which is adopted by the State authorities and therefore, it is impossible to tell what the requirements would be until we can obtain a ruling from the State authorities.

If a surplus is provided equal to 20 percent of the common stock plus 20 percent of the preferred stock there is no doubt that it will be sufficient to entitle the bank to trust powers.

It is possible, however, that the State authorities will rule:

(a) That a surplus equal to 20 percent of the common stock is sufficient; or

(b) That it is not necessary to have any surplus in order to obtain trust powers. (The requirement of the State law as to surplus relates to the amount of surplus required in order to charter a new bank and it is conceivable that the State authorities might take the position that they have the right to grant trust powers to a bank already in existence even though its surplus has been dissipated

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since it was organized. In this connection, however, it should be observed that the institution now under consideration is an entirely new bank and that it were being organized under State law it would be required to have a surplus equal to 20 percent of its capital regardless of whether or not it had trust powers.)

Every effort is being made to obtain a definite ruling from the State authorities through the Counsel for the Federal Reserve Bank of Chicago; and the parties handling the negotiations should be impressed with the importance of ascertaining what those requirements are and being prepared to meet those requirements before the negotiations are completed, if they desire the new bank to have trust powers.



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Form 148b

116

TELEGRAM

470.2

FEDERAL RESERVE BOARD  
WASHINGTON

June 5, 1933

Newton - Atlanta

Will appreciate it if you will arrange if practicable to have  
your supplemental report for week ended May 31 requested in Trans  
1769 reach Board's offices by Wednesday, by telegraph if necessary.

SMEDD

DR

JEH/fce

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Authority NND 80026

*J. J. Foley*  
**FEDERAL RESERVE BOARD**

X-7449

*470.2*  
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

June 3, 1933.

**SUBJECT: Right of unlicensed member banks to vote  
in elections of Class A and Class B  
directors.**

Dear Sir:

There is inclosed herewith for your information  
a copy of a letter which the Board is addressing to the Federal  
Reserve Agent at the Federal Reserve Bank of Richmond, with refer-  
ence to the question whether member banks which have not been  
licensed by the Secretary of the Treasury to reopen for the per-  
formance of usual banking functions are entitled to nominate  
candidates for Class A and Class B directors of Federal reserve  
banks and to vote in the election of such directors.

Very truly yours,

Chester Morrill,  
Secretary.

Inclosure.

TO ALL FEDERAL RESERVE AGENTS EXCEPT RICHMOND.

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X-7449a

June 3, 1933.

Mr. W. W. Hoxton,  
Federal Reserve Agent,  
Federal Reserve Bank of Richmond,  
Richmond, Virginia.

Dear Mr. Hoxton:

Reference is made to your letter of May 18, 1933, inquiring whether member banks which have not been licensed by the Secretary of the Treasury to reopen may participate in elections of Class A and Class B directors of Federal reserve banks.

Upon consideration of this question, it is the opinion of the Federal Reserve Board that member banks, which have not been licensed by the Secretary of the Treasury to reopen for the performance of usual banking functions and which have not been placed in liquidation or in the hands of receivers or conservators or State officials having similar authority, are entitled to nominate candidates for Class A and Class B directors of Federal reserve banks and to vote in the election of such directors. The Board also agrees with your view that banks in the hands of conservators or of State officials having similar authority are not entitled to nominate candidates for Class A and Class B directors or to vote in the election of such directors.

Very truly yours,

Chester Morrill  
Secretary

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## FEDERAL RESERVE BANK OF CHICAGO

230 SOUTH LASALLE STREET

470.2

June 2, 1935

OFFICE OF THE  
CHAIRMAN OF THE BOARD AND  
FEDERAL RESERVE AGENT

Hon. Eugene R. Black  
Governor, Federal Reserve Board  
Washington, D. C.

Dear Governor:

Referring to the Battle Creek, Michigan, situation, I think it is only fair to advise you as to the circumstances under which we recommended licenses for these two banks.

You will recall that our basis for licensing was stated to be on the last examiner's report. Both of these banks were national banks and we took the examinations of the Comptroller's department, as we do not ordinarily examine national banks ourselves.

The examination of the Old Merchants National Bank under date of November 18, 1932, showed -

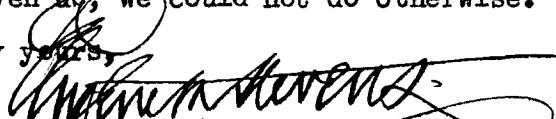
|   |             |
|---|-------------|
| Capital   | \$1,500,000 |
| Surplus and Undivided pfts.                         | 1,596,800   |
| Estimated Losses                                    | 288,100     |
| Doubtful  | 421,600     |
| Total Depreciation on Bonds<br>not classified above | 578,650     |

In the case of the City National Bank and Trust Company, an examination of November 4 showed -

|   |            |
|---|------------|
| Capital   | \$ 600,000 |
| Surplus and Undivided pfts.                         | 556,100    |
| Estimated Losses                                    | 39,300     |
| Doubtful  | 184,600    |
| Total Depreciation on Bonds<br>not classified above | 199,850    |

You will note in both of these cases that all losses and all doubtful and total bond depreciation to the markets would not have exhausted the surplus, and that in each case the capital stock would have been left unimpaired with some surplus remaining. We were, even so, rather hesitant to license these banks, but under the formula which was given us, we could not do otherwise.

Very truly yours,

  
John M. Stevens  
Federal Reserve Agent

EMS HH

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Form 148 b  
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TELEGRAM

331.1

FEDERAL RESERVE BOARD  
WASHINGTON

332  
MAY 29 1944  
470.2

DILLARD - CHICAGO

Referring your inquiry of May 22, it is suggested that when requested by a conservator to apply the old reserve balance of a member bank in his charge to its indebtedness, whether or not as of some previous date, the Federal reserve bank give consideration to the advisability of according the bank the same treatment as regards its reserve balance, as if the bank were in the hands of a receiver. Such action, it is assumed, would give the member bank, in the final settlement with the conservator, the benefit of its reserve balance in reduction of its indebtedness as of the date specified without in any way impairing the position of the reserve bank with reference to collection of the indebtedness, irrespective of whether or not the bank is subsequently placed in liquidation. In cases in which it is proposed to apply reserve balances as of date of the appointment of conservator, you may wish to consider advisability of taking such steps as may be necessary to preserve such rights as reserve bank may have to interest accrued after that date if charge to reserve account has been materially delayed upon request or upon agreement with conservator pending possible reorganization or resumption of business by bank or to preserve rights of Federal reserve bank to accrued interest BLACK in event bank should be subsequently permitted to resume business or should be reorganized.

FOR APPROVAL

Mr. Hendon

Mr. Hendon

Mr. \_\_\_\_\_

Mr. Miller

Mr. \_\_\_\_\_

Mr. \_\_\_\_\_ <input checked=""

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Form 148b

*H. L.*  
TELEGRAM

FEDERAL RESERVE BOARD  
WASHINGTON

*Johns - Atlanta*  
Johns - Atlanta

Referring your May 19 telegram, it does not appear practicable for the time being to avoid a discrepancy between holdings of bills discounted and earnings thereon as reported on bank's balance sheet, Form 34, in cases where reserve bank at request of a conservator applies reserve amount to indebtedness of member bank as of a prior date. In order, however, to keep reduction in accruals to earnings at a minimum it is suggested that no interest accruals on past due paper of banks in hands of conservators be included in earnings on Form 34.

MORRILL.

*ERB*  
ELS/lsh

*AT BOARD*

*BLACK*

*McFarland*

*McGinn*

*McArdle*

*✓ O'Connor*

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Mr. Carpenter.

# 2

410-2

470.2 ✓

5-26-33

May 26, 1933.

Dear Governor Black:

I am writing to you mainly to confirm the report which I made to you on the telephone following our directors meeting on Thursday, May 18, 1933, and again in person when I saw you in Washington on Tuesday, May 23, 1933, regarding the views expressed by our directors concerning the necessity for appropriate action to keep open any member bank licensed by the Secretary of the Treasury to open after the bank holiday.

As I advised you our directors are of the opinion that confidence in the banking situation, which has been restored largely as a result of steps taken by the Administration and the President's messages to the people, would be seriously impaired in the event that member banks licensed to open for business should now be permitted to fail. In that event the Administration's program which already has resulted in noticeable improvement in business would probably be risked to the great prejudice of the country. The question is how best to insure licensed member banks remaining open in the event of pressure from depositors.

Our directors at their meeting on May 18 expressed the views which they asked me to convey to you that this might effectively be accomplished in either one of two ways: (1) through the Federal Reserve banks; or (2) through the Reconstruction

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- 2 -

Finance Corporation. They suggest however that if the full responsibility for keeping licensed member banks open is to be placed upon the reserve banks through the exercise of their power to make so-called 10(b) loans, the views expressed by the President in his letter of March 11, 1933 to the Secretary of the Treasury, which was transmitted to all Federal reserve banks, should be translated into law. This they believe to be essential in order to protect the Federal reserve banks with their relatively small capital structure, as compared with total deposits of their member banks, against the risk of undue loss. Nothing in their judgment would be worse than any question in the public mind as to the integrity of the position of the Federal Reserve System. Consequently, if Federal reserve banks acting through their directors are to be prompt and liberal in making 10(b) loans in order to keep open any member bank which is placed under pressure by withdrawals of deposits, they should have the assurance of law that they would be protected against losses on account of any such loans.

If, however, this procedure is deemed impracticable or for any reason unsafe, then they believe that it is essential that the Reconstruction Finance Corporation must take the responsibility, on behalf of the government, of freely advancing all the funds necessary to keep open any licensed member bank. This would probably necessitate an amendment to the Reconstruction Finance Corporation Act so as to liberalize the lending powers of the corporation. We understand that an amendment which would accomplish this has already been prepared. If it should be enacted into law, it would probably

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- 5 -

be preferable even to the first suggestion that the full responsibility be placed upon the reserve banks under protection of Congressional amendment. It is believed, however, that even under such an amendment to the Reconstruction Finance Corporation Act a procedure might be developed whereby 10(b) loans might be made in the first instance by the Federal reserve banks, and then taken over dollar for dollar by the Reconstruction Finance Corporation upon whatever collateral the Federal reserve banks were able to obtain. Such procedure might even counter-plate the possibility of the reserve banks' providing the necessary funds to the Reconstruction Finance Corporation by the purchase of the corporation's debentures as permitted under the terms of the Thomas amendment to the Agricultural Relief Act. That, however, is a subject which could be left for future determination.

The important thing in the opinion of our directors is that something must be done promptly by the government to assure the keeping open of every licensed member bank, and in their judgment this can more effectively be accomplished by either one of the two procedures suggested above, and with less real risk to the banking situation of the country, than by any of the plans now pending for the insurance or guaranty of bank deposits. The record of bank deposit guaranty plans in the past has been a disastrous one, and it is feared that the proposal for the insurance of bank deposits now before Congress will be wholly inadequate of itself to keep open all licensed member banks. In fact, it is the opinion of our directors that the proposed legislation will close any bank which cannot qualify under the insurance plan, and will run the risk of forcing many sound member banks to withdraw from the Federal Reserve System, rather than to suffer the subscriptions that would probably be necessary to protect the weaker banks.

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The problem of protecting sound nonmember banks which have been licensed to open for business is rendered exceedingly difficult because of the fact that State banking authorities in many States adopted a much more liberal standard for licensing banks than was applied by the Treasury Department. However, there are many sound nonmember banks which are now licensed which should be protected. This is believed could best be accomplished by promptly admitting to membership in the Federal Reserve System, subject to all the rights and privileges of other licensed member banks, all those nonmember banks which are sound or which can comply with the same standard as other member banks open for business in the same area. It is felt, however, that the present rules governing the admission of new banks, adopted by the Federal Reserve Board, are so strict as to make this method of protecting nonmember banks impracticable for there would be too few nonmember State banks that could comply with present requirements. While, of course, it is desirable to have all banks admitted to membership in as sound a condition as may be practicable in all the circumstances, nevertheless, it is believed that the regulations of the Federal Reserve Board might be liberalized without seriously prejudicing the System and at the same time greatly facilitating a proper solution of the nonmember bank problem.

Faithfully yours,

(s) George L. Harrison,

George L. Harrison,  
Governor.

Miss Eugene R. Black,  
Governor, Federal Reserve Board,  
Washington, D. C.

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Authority NND 30026

116

~~Mr. Minshall~~

File  
Cm

Incoming Telegram

Received at Washington, DC

Atlanta Georgia May 25 3:45 Pm

Black - Washington

Copy of message requested follows:

"Washington 230 P March 11, 1933

Black - Atlanta, Georgia

(Confidential)

For the confidential information of yourself and your Board of Directors I am quoting below a letter which I have just received from the President of the United States and I beg to express the hope that in addition to other considerations you will have this letter in mind in transmitting to me applications of member banks in your District for permission to open for business. I hope also that in wiring such applications, you will please be good enough in each case to advise me specifically, as requested by telegram yesterday, whether in your opinion it would be reasonably safe in the circumstances for me to permit the full opening of the applicant, having in mind the proclamation of the President prohibiting the payments of currency by any bank for hoarding purposes. In the interest of expedition and in order to enable the prompt opening of as many member banks as possible, please forward applications as received, indicating only your opinion on the specific question asked above. Similar request has been made of the Comptroller's Office with respect to National Banks. The President's letter follows:

"March 11, 1933.

My Dear Secretary:

I am informed that the Directors of the 12 Regional Federal Reserve Banks are concerned over the question of the

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Authority NND 30026

- 2 -

immediate valuation to be given to the assets of member banks, National and State. I recognize that a drastic or strict estimate of values on a liquidating basis would prevent many banks from opening which could and should be 100 percent opened if their assets were reasonably valued on a fair going basis.

'I am convinced that the Directors of the Regional Federal Reserve Banks should take a fair and equitable basis for loan valuations rather than a forced liquidation basis. It is my desire that Federal Reserve Banks will proceed on the same fair and equitable basis in respect to loans to member banks, the purpose of which is to procure currency for State banks which are not members of the Federal Reserve System. Cooperation on the part of member banks in this regard is essential.

'No citizen expects the Directors to be infallible. All we can ask is that they use honest, and, under the circumstances, fairly liberal judgment. It is inevitable that some mistakes will be made. It is inevitable that some losses may be made by the Federal Reserve Banks in loans to their member banks.

'The Country appreciates, however, that the twelve Regional Reserve Banks are operating entirely under Federal law and the recent emergency bank act greatly enlarges their powers to adapt their facilities to a National emergency. Therefore there is a very definite obligation on the Federal Government to reimburse the twelve Regional Federal Reserve Banks for losses which they may make on loans made under these emergency powers.

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Authority NND 30026

- 3 -

"I do not hesitate to assure you that I shall ask the Congress to indemnify any of the twelve Federal Reserve Banks for such losses. I am confident that the Congress will recognize its obligations to these Federal Banks should the occasion arise, and grant such request.

Yours very sincerely

"Franklin D. Roosevelt"

"H. H. Woodin"

Johns 5:15 PM

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74

*See procedure  
Merrill*

470.2

May 24, 1933.

|                       |                      |                        |
|-----------------------|----------------------|------------------------|
| Curtiss - Boston      | Morton - Richmond    | McClure - Kansas City  |
| Case - New York       | Newton - Atlanta     | Walsh - Dallas         |
| Austin - Philadelphia | Stevens - Chicago    | Newton - San Francisco |
| Williams - Cleveland  | Peyton - Minneapolis |                        |

TRANS. 1804 For your information, the office of the Secretary of the Treasury has advised as follows in response to an inquiry from a Federal reserve bank as to whether a state bank which has been authorized by state authorities to perform any and all of its usual banking functions, except as otherwise prohibited, and which is later admitted to membership in the Federal Reserve System, is required to secure a license from the Secretary of the Treasury authorizing it to continue the performance of such functions:

"State bank upon admission to membership in Federal Reserve System must secure license from the Secretary of Treasury to perform all usual and normal banking functions except as otherwise prohibited. Understand Federal Reserve Board only admitting to membership such banks able to operate without restriction. License will be issued upon your recommendation."

Merrill.

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Authority NND 30026

*#7* 4/20/33  
**FEDERAL RESERVE BANK OF CHICAGO**

230 SOUTH LASALLE STREET

May  
Twenty-four  
19 33

Federal Reserve Board  
Washington, D. C.

Attention : Mr. S. R. Carpenter  
Assistant Secretary

Dear Sir:

I am writing to acknowledge, with thanks, your letter of May 22 and the accompanying copies of instructions issued to conservators of national banks supplementary to those contained in the pamphlet dated April 4.

I note that the Comptroller's office states that it is their practice to send to each Federal Reserve bank copies of all such instructions. In order to insure that they reach the persons in the bank most concerned, I am addressing a request to the Comptroller's office that hereafter these be addressed to the bank to my attention, whereupon I will distribute them.

I appreciate greatly your supplying these missing instructions.

Very truly yours,

*H. G. Pett*  
H. G. Pett, Manager  
Division of Research and Statistics

HGP:FB

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Authority NND 30026

RECEIVED

MAY 24 1933

OFFICE OF THE GOVERNOR  
FEDERAL RESERVE BOARD

**FEDERAL RESERVE BANK OF CHICAGO**

230 SOUTH LA SALLE STREET

*Get X Board*

470.2

May 22, 1933.

Hon. Eugene R. Black, Governor,  
Federal Reserve Board,  
Washington, D.C.

Dear Governor:

The following is an outline of the Battle Creek, Michigan, situation I discussed with you during my recent visit to Washington.

**OLD MERCHANTS NATIONAL BANK & TRUST COMPANY:**

Liability here . . . . . \$ 906,650.  
Liability R.F.C. . . . . 1,219,139.72

Deposits have declined approximately \$1,816,000 since December 31, 1932. An asset examination made May 4, 1933, indicates the bank has free assets, including paper and real estate mortgages which are classified as good and fair, against which a loan value has been placed of \$1,646,000. This does not include bonds of a book value of \$428,000. If this amount were made available its cash position would be approximately \$2,400,000 against deposit liability of approximately \$9,500,000. A review of the assets indicates estimated losses of \$2,721,000 against a total capital structure of \$2,785,000. This does not take into consideration doubtful commercial loans of approximately \$518,000 but does include \$553,000, based on a prospective offer of \$1,750,000 for bank building. A loss of 10% has been estimated on real estate mortgage loans, which is considered a very liberal classification. Real estate loans are equal to 39.2% of total loans. Investment in banking quarters represents a ratio of 26.3% to the total deposits. 27.2% of the deposits are demand and 72.8% are time. Assets predicated on real estate represent a ratio of 58.3% to total deposits.

**CENTRAL NATIONAL BANK & TRUST COMPANY:**

Liability here . . . . . \$ 597,000.  
Liability R.F.C. . . . . Nothing.

Deposits have declined approximately \$788,000 since December 31, 1932. An asset examination made May 4, 1933, indicates losses of \$839,511, with a total capital structure of \$1,121,523. This does not take into consideration doubtful commercial loans of \$77,659 or bank building and fixtures carried at \$1,530,670. A loss of only 10% has been estimated

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Authority NND 30026

FEDERAL RESERVE BANK OF CHICAGO

- 2 -

Hon. Eugene R. Black, Governor,  
Federal Reserve Board,  
Washington, D.C.

May 22, 1933.

on real estate mortgage loans, which is considered very liberal. Based on the asset examination the subject bank has free paper including real estate mortgages of \$9,330,000 and free bonds of \$748,000. These assets have been given a loan value of \$1,086,000. If this amount were made available the bank would show cash of approximately \$1,500,000 against deposit liability of \$6,280,700. The percentage of real estate mortgage loans to total loans is 72.8%. Investment in banking quarters bears a ratio of approximately 24% to total deposits. 12.5% of the deposits are represented by demand and 87.5% by time. Assets predicated on real estate bear a ratio to total deposits of 70.2%.

CITY NATIONAL BANK & TRUST COMPANY:

|                            |             |
|----------------------------|-------------|
| Liability here . . . . .   | \$ 540,142. |
| R.F.C. liability . . . . . | 425,828.81  |

Deposits have declined approximately \$810,000 since December 31, 1932. Losses disclosed in our asset examination of May 4, 1933, amount to approximately \$808,000 against capital structure of \$1,032,000. This does not take into consideration doubtful commercial loans of \$149,103 nor bank building and fixtures carried at \$1,168,733. A loss of only 10% has been estimated on real estate mortgage loans, which is considered liberal. Based on our asset examination the bank has free assets, including paper and real estate mortgages (including foreclosures), of a face value of \$510,000, classified as good and fair. A loan value of \$310,000 has been given these assets. If this amount were made available at present its total cash resources would be approximately \$626,000 against deposit liability of approximately \$3,446,000. The real estate mortgage loans bear a ratio to total loans of approximately 49.1%. Banking quarters represents a ratio to total deposits of 30.2%. Demand deposits represent 25.9% of total deposits and time deposits represent 74.1%. Assets predicated on real estate bear a ratio to total deposits of 76.8%.

The City National Bank & Trust Company was affiliated with the Guardian Detroit Union Group of Detroit and has suffered through that connection. Recently Chas. C. Greene, President of the bank purchased 56,000 shares of the bank's stock, which had previously been owned by the Group. The purchase price was \$25,000 and a plan of selling this stock to the public at \$10 per share was contemplated. The bank was getting along well with the plan and claimed to have promises of subscriptions in the amount of approximately \$125,000.

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FEDERAL RESERVE BANK OF CHICAGO

- 3 -

Hon. Eugene R. Black, Governor,  
Federal Reserve Board,  
Washington, D.C.

May 22, 1933.

While they were working on this plan the Old Merchants National Bank & Trust Company approached the City National Bank & Trust Company with a proposal to merge. Central National Bank & Trust Company was apparently not informed of this proposed merger. The management of the two banks considering the merger are friendly but there appears to be considerable feeling between the Central National Bank and the Old Merchants National Bank.

In accordance with your request I have endeavored to give you a brief outline of the Battle Creek, Michigan, situation and if there are any further details you desire I shall be happy to send them to you.

I appreciate the courtesies extended to me while in Washington and shall be pleased to keep you posted as to any new unfavorable developments in this territory.

Yours very truly,



Deputy Governor.

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Authority NND 30026

H7

470-2

MAY 22 1933

Mr. H. G. Pett, Manager,  
Division of Research and Statistics,  
Federal Reserve Bank of Chicago,  
Chicago, Illinois.

Dear Sir :

Referring to the request contained in your letter of May 18, 1933, to Mr. McClelland, there are inclosed herewith several copies of the instructions issued to conservators of national banks by the office of the Comptroller of the Currency supplementary to the instructions contained in the pamphlet dated April 4, 1933.

I am advised that it is the practice of the office of the Comptroller of the Currency to send to the Federal reserve banks copies of all such instructions and circulars which may be of interest to them; but, if for any reason you fail to obtain copies of any such instructions or wish to obtain additional copies, I am sure that the office of the Comptroller will be glad to supply you with a sufficient number upon request.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter  
Assistant Secretary

Inclussions

GBV/enc

FILE COPY

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Authority NND 30026

TELEGRAM

**FEDERAL RESERVE SYSTEM**

(LEASED WIRE SERVICE)

470.4

16-794

RECEIVED AT WASHINGTON, D. C.

94 F Y

Atlanta Georgia 337p May 19

Morrill

Washington

Our discount department has been holding notes and rediscounts of banks in Conservatorship as current earning assets and has been accruing interest on the same as earnings. Your telegram of April third trans 1748 directs this procedure as to banks not licensed to reopen until such banks have been placed in process of liquidation. Comptroller is now directing conservator of one bank to request Reserve Bank to apply reserve account to bank's indebtedness making application as of the date of conservator's appointment. In cases of banks in receivership Custom has been to accrue interest on

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Authority NND 30026

**TELEGRAM**

(2)

**FEDERAL RESERVE SYSTEM**  
(LEASED WIRE SERVICE)

RECEIVED AT WASHINGTON, D. C.

13-794

obligations but to allow partial offset by giving receiver credit for daily balances with reserve bank. If procedure in case of receivership is applicable in case of conservatorship we are showing earnings which will have to be reduced when final accounting is made with conservator. Will appreciate advice as soon as possible.

Johns

445pm

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RECEIVED  
TIOE OF GENERAL COUNSEL  
MAY 19 1933  
1245

**FEDERAL RESERVE BANK OF CHICAGO**

230 SOUTH LASALLE STREET

May  
Eighteen  
1 933

Federal Reserve Board  
Washington, D. C.

Attention : Mr. E. M. McClelland  
Assistant Secretary

Dear Mr. McClelland:

We have had a number of inquiries which would indicate that the Comptroller's office has issued instructions to conservators and regulations supplementary to those contained in the pamphlets, a number of copies of which you kindly supplied us several weeks ago.

I am wondering if it would be possible for you to arrange to have this bank supplied with about a dozen copies of any such additional instructions, regulations, etc., as have been or will be issued in the future. If they are sent in care of me, I will see that they reach the departments of the bank most interested. It might be possible that the Comptroller would undertake to send these directly to us, so that you would not be troubled.

I will appreciate anything your office can do to see that we are supplied with material of this kind emanating from the Comptroller's office.

Very truly yours,

H. G. Pett, Manager

Division of Research and Statistics

HGP:FB

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Authority NND30026

*Revolving credit  
agreement of  
Bank of National Welfare*

470.2

TELEGRAM

FEDERAL RESERVE BOARD  
WASHINGTON

MAY 2 1934

BLACK - ATLANTA

Reference your telegram April 26, Treasury Department advises that it will interpose no objection to agreement not to foreclose until October, 1934, provided (a) that such agreement is permissible under the applicable law, (b) that the agreement is duly authorized by the boards of directors of the banks as being for the best interests of all depositors and other creditors of such banks, and (c) that agreement is approved by the appropriate State authorities having supervision of such banks.

Morrill

GHC/sad

*AC  
CWB*

FILE COPY

2-9454 G.P.O.

DECLASSIFIED

Authority NND 30026

in 148a

TELEGRAM  
FEDERAL RESERVE BOARD

WASHINGTON

2-9454 ~~cc~~

BLACK - ATLANTA

Reference your telegram April 28. Treasury Department advises that it will interpose no objection to agreement not to foreclose until October, 1934, provided (a) that such agreement is permissible under the applicable law, (b) that the agreement is duly authorized by the boards of directors of the banks as being for the best interests of all depositors and other creditors of such banks, and (c) that agreement is approved by the appropriate State authorities having supervision of such banks. (Signed) Lester Merrill

Merrill

COALE F. R. M.

OB

JGF

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Authority NND 30026

MR. BALLANTINE  
MR. LOWMAN  
MR. HEATH  
MR. AWALT  
MR. BARTHOLOW  
MR. BELL  
MR. BROUGHTON  
MR. BURNET  
MR. CHAREST

MR. HALL  
MR. HARLAN  
MR. HEFFELFINGER  
MR. KILBY  
MR. MORAN  
MISS O'REILLY  
MR. SCHOENEMAN  
MR. STARK  
MR. THOMPSON

**MR. DOUGLAS**

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Authority NND 30026

Mr. Douglas <sup>DR</sup> ~~DR~~

If you agree  
will you please  
initial carbon  
copy and send  
to Mr. Gleason

MR. HARLAN

JGK

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Authority NND 30026

Mr. Harlan

Here is a draft -  
(extra copies for you)  
Will you send  
it to me when  
it is ready to go

AM

Room 204

DECLASSIFIED

Authority WWD 30026

Form 148b

*HJ*  
TELEGRAM

*3-377*  
FEDERAL RESERVE BOARD  
WASHINGTON

*3322*  
MAY 5 1939  
*470.2*

*gjw*  
Geary - Minneapolis

Your wire May 2. If Federal reserve bank, after consultation with its counsel and in light of the circumstances of a particular case, considers it advisable to comply with request of conservator of a national bank to charge amount of its rediscounts to its reserve account as of date of appointment of conservator and reserve account is sufficient for the purpose, Board offers no objection. In any event, however, you may wish to consider advisability of taking such steps as may be necessary to preserve such rights as reserve bank may have to interest accrued after date of appointment of conservator in a case in which charge to reserve account is materially delayed at request of or upon agreement with conservator pending possible reorganization or resumption of business by bank or to preserve rights of Federal reserve bank to accrued interest in event bank is subsequently permitted to resume business or is reorganized.

For ATTENTION:

*Appd.*

Worrill

Mr. Mayor   
Mr. Hamlin   
Mr. James   
Mr. Miller   
Mr. \_\_\_\_\_

GBV/ sad

*30V*  
*Mr. not*  
*cur W.W.*

Please initial file copy  
if you approve and return  
to Secretary's Office.

**FILE COPY**

2-0454

DECLASSIFIED

Authority NND 30026

Mr. Kane advises me that the Comptroller of the Currency has issued no general instructions on this subject but in those cases where a conservator has asked them to do so, they have authorized the conservator to request the Federal reserve bank to charge rediscounts against the reserve balance as of the date of the appointment of the conservator.

*GBV*

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Authority WWD 30026

TELEGRAM

**FEDERAL RESERVE SYSTEM**

(LEASED WIRE SERVICE)

470.2

13-794

163gb

RECEIVED AT WASHINGTON, D. C.

Minneapolis May 2 1150am

Board

Washn

The comptroller of the Currency has authorized various conservators representing banks which owe us and which have reserve balances sufficient to cover the borrowing to request us to charge all rediscounts to reserve account as of the date of appointment of Conservator. This would necessitate our rebating interest which we have been accruing on these rediscounts, and before doing so would appreciate instructions from the board.

Geery

112p

RECEIVED  
OFFICE OF GENERAL COUNSEL

MAY 2 1933

NUMBER 77-110-

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Authority NND 30026

TELEGRAM

470.2

**FEDERAL RESERVE SYSTEM**

(LEASED WIRE SERVICE)

RECEIVED AT WASHINGTON, D.C.

RECEIVED  
OFFICE OF GENERAL COUNSEL

APR 29 1933

10:45 A.M.  
NUMBER

Atlanta Georgia 317p April 28

Morrill

Washington

A large Mercantile Establishment in Neworleans is indebted to Various banks that City, among which are two member state banks not licensed to reopen but now operating on restricted basis under Treasury regulation number 27 and other regulations permitting limited operations. These banks here-to-fore agreed with said Mercantile Establishment that they would not foreclose certain collateral standing as security to their loans prior to October 1933. Prior to emergency banks had planned to extend this agreement not to foreclose until October 1934. It is regarded as important both to banks and to Mercantile Establishment that formal agreement to effect that no foreclosure of collateral

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**TELEGRAM**

**FEDERAL RESERVE SYSTEM**

(LEASED WIRE SERVICE)

Page 2 #104

RECEIVED AT WASHINGTON, D. C.

16-794  
will be undertaken prior to 1934 be now entered into, and ruling has been asked as to power of these two member state banks to make this agreement while still unlicensed. In my opinion the making of agreement would not be in violation of any of the proclamations or regulations issued thereunder and that matter would at most be one for consideration by State Banking Department. Banks, however, wish ruling from Treasury and I would appreciate your obtaining same.

Black

518pm

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Authority NND 30026

Form 118b

119  
TELEGRAM

470,2

FEDERAL RESERVE BOARD  
WASHINGTON

April 24, 1933

Bailey - Minneapolis

Your telegram. Twelve copies volume 1 instructions to National  
Bank Conservators mailed to you tonight.

McClelland (Signed) E. N. McClelland

119

FILE COPY

2-9454

670

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Authority NND 30026

**TELEGRAM**

**FEDERAL RESERVE SYSTEM**

(LEASED WIRE SERVICE)

470.2

16-794

RECEIVED AT WASHINGTON, D. C.

275gn

Minneapolis Apl 24. 330pm

Board

Washn DC

Please mail to us today twelve copies volume one of instructions  
to National Bank Conservators.

Bailey

455p

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Authority NND 30026

470.2

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

April 20, 1933

X- 7417

Dear Sir:

In confirmation of the telegram sent you today,  
there is inclosed herewith a copy of the Executive  
Order issued by the President of the United States  
relating to foreign exchange and the earmarking and ex-  
port of gold coin or bullion or currency.

Very truly yours,

Chester Morrill,  
Secretary

(Inclosure) 3-7417

To the Chairmen of all Federal reserve banks

CM

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Authority NND 30026

Form 118b

470.0

TELEGRAM

FEDERAL RESERVE BOARD  
WASHINGTON

April 20, 1933

Curtiss - Boston  
Case - New York  
Austin - Philadelphia  
Williams - Cleveland

Hoxton - Richmond  
Newton - Atlanta  
Stevens - Chicago  
Wood - St. Louis

Bailey - Minneapolis  
McClure - Kansas City  
Walsh - Dallas  
Newton - San Francisco

TRANS NO. 1777 The following Executive Order has today been issued by  
the President of the United States. (See attached)

Quote

Unquote

Morrill

FILE COPY

2-9454

o p o

DECLASSIFIED

Authority NND30026

EXECUTIVE ORDER

Relating to Foreign Exchange and the Earmarking  
and Export of Gold Coin or  
Bullion or Currency

By virtue of the authority vested in me by Section 5(b) 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 and by virtue of all other authority vested in me, do hereby issue the following executive order:

1. Until further order, the earmarking for foreign account and the export of gold coin, gold bullion or gold certificates from the United States or any place subject to the jurisdiction thereof are hereby prohibited, except that the Secretary of the Treasury, in his discretion and subject to such regulations as he may prescribe, may issue licenses authorizing the export of gold coin and bullion (a) earmarked or held in trust for a recognized foreign government or foreign central bank or the Bank for International Settlements, (b) imported for reexport or gold in reasonable amounts for usual trade requirements of refiners importing gold bearing materials under agreement to export gold, (c) actually required for the fulfilment of any contract entered into prior to the date of this order, by an applicant who in obedience to the

DECLASSIFIED  
Authority NND 30026

-2-

Executive Order of April 5, 1933 has delivered gold coin, gold bullion or gold certificates, and (d) with the approval of the President, for transactions which he may deem necessary to promote the public interest.

2. Until further order, the Secretary of the Treasury is authorized, through any agency that he may designate, to investigate, regulate, or prohibit, under such rules and regulations as he may prescribe, by means of licenses or otherwise, any transactions in foreign exchange, transfers of credit from any banking institution within the United States or any place subject to the jurisdiction thereof to any foreign branch or office of such banking institution or to any foreign bank or banker, and the export or withdrawal of currency from the United States or any place subject to the jurisdiction of the United States, by any individual, partnership, association, or corporation within the United States or any place subject to the jurisdiction thereof; and the Secretary of the Treasury may require any individual, partnership, association, or corporation engaged in any transaction referred to herein to furnish under oath, complete information relative thereto, including the production of any books of account, contracts, letters or other papers, in connection therewith in the custody or control of such individual, partnership, association, or corporation either before or after such transaction is completed.

3. The provisions relating to foreign exchange transactions contained in the Executive Order of March 10, 1933, shall remain in full force and effect except as amended or supplemented by this order and by regulations issued hereunder.

DECLASSIFIED  
Authority NND 30026

-3-

4. Applicants who have gold coin, gold bullion or gold certificates in their possession, or who in obedience to the Executive Order of April 5, 1933 have delivered gold coin, gold bullion or gold certificates shall be entitled to licenses as provided in Section 8 of said Executive Order for amounts not exceeding the equivalent of such coin, bullion or certificates held or delivered. The Secretary may in his discretion issue or decline to issue any other licenses under said Executive Order, which shall in all other respects remain in full force and effect.

5. Whoever willfully violates any provision of this Executive Order 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 may be modified or revoked at any time.

THE WHITE HOUSE  
April 20, 1933.

FRANKLIN D. ROOSEVELT

DECLASSIFIED

Authority NND 30026

*JK* 3327  
470.2

Curtiss - Young - Boston  
Gage - Garrison - New York  
Austin - Morris - Philadelphia  
Williams - Fancher - Cleveland  
Herten - Seay - Richmond  
Newton - Black - Atlanta

Stevens - McDonald - Chicago  
Wood - Martin - St. Louis  
Clark - Geary - Minneapolis  
McClure - Hamilton - Kansas City  
Walsh - McKinney - Dallas  
Newton - Calkins - San Francisco

TRANS 1776. Referring Board's letter X-7410 and accompanying statement revised figures submitted by Federal Reserve banks as follows: Chicago account closed banks New York, \$1,753,000; Richmond, \$2,690,000. Borrowings of banks not licensed to reopen, reallocated eligible paper Chicago district, \$7,993,667.02; advances under Section 13 Chicago district, \$2,140,091.62.

MONKILL.

DECLASSIFIED  
Authority NND 30026

117

FEDERAL RESERVE BANK OF CHICAGO

230 SOUTH LASALLE STREET

OFFICE OF THE  
CHAIRMAN OF THE BOARD AND  
FEDERAL RESERVE AGENT

44-2-1  
44-2-2  
April 15, 1933

Federal Reserve Board

Washington, D. C.

Mr. Chester Morrill.

Gentlemen:

After a telephone conversation with Mr. Jesse Jones today and on his request for more information, I have written him as per copy enclosed, which I think will be of interest to you.

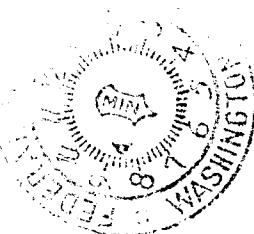
I feel very strongly that this is a case which calls for constructive and coordinated action.

Very truly yours,

*John M. Scherer*  
Chairman

EMS:HH

RECEIVED



APR 17 1933

Copies sent to Messrs. Meyer, Hamlin, Miller, James, Harrison, Wyatt, Paulger, and Smead

DECLASSIFIED

Authority NND 80026

April 16, 1935

PERSONAL

SUBJECT: Michigan Banking Situation.

Mr. Jesse Jones  
Chair, Reconstruction Finance Corporation  
Washington, D. C.

Dear Mr. Jones:

Referring to our telephone conversation today, you are, of course, familiar with the banking situation in the State of Michigan. Recent figures prepared by us show as follows:

|  | (89 state)     | (as of 12-31-32) |
|--|----------------|------------------|
| Member banks in Michigan - 154 (85 national) | Total deposits | \$239,000,000    |
| Banks licensed to open - 30                  | Deposits       | \$241,000,000    |
| Banks in hands of                            |                |                  |
| Conservators                                 | - 77           | " 706,000,000    |
| Banks unopened                               | - 17           | " 42,000,000     |

Percentage: Number 59%. Deposits 24-1/2%

The above figures include the two large banks in Detroit now in the hands of conservators but do not include the new National Bank of Detroit. If the two large banks with deposits of \$62,000,000 be eliminated from the picture, the percentages would show 58% number of banks opened, and 56% in deposits thereof. This compared with the rest of our district of 64% of member banks opened with 91% of total deposits.

This is a striking picture of the real position in the State of Michigan outside of Detroit. As you know, the moratorium in Michigan started on February 15, and most of these banks have been closed since that time. In the meantime, the publicity of the Detroit situation and the agitation there has been reflected all over the State. There are numerous points in the state where either no or insufficient banking facilities are in existence with resulting unemployment and unrest, particularly in the industrial centers, all of which constitutes a menacing situation not only in Michigan but, by example, elsewhere if another conflagration should start in Michigan. The unrest is also a menace to the banks which have been opened.

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Authority NND 30026

-2-

April 16, 1935

Mr. Jesse Jones.

The Governor and the Banking Commissioner have been working with the legislature since early in February on new banking legislation to meet this situation, and finally a bill was passed on March 21, 1935, designed to effect a blanket plan under which a large number of banks could be opened at once. We do not believe this is desirable due to varying conditions in various banks and communities, and there are many features of the proposed plan which do not meet with our approval. However, the reorganization of the banks in Michigan has generally been awaiting the outcome of this legislation. We have had numerous conferences with the State authorities and others in Michigan and also with the Treasury and the Federal Reserve Board in Washington. I think it is the view of all of us that this plan does not give the desired result.

We recognize the imperative necessity of releasing these frozen deposits as far as may be done under any sound plan. To conceive that the time has come when something constructive should be undertaken on the part of the various governmental authorities in conjunction.

To this end, in view of all these circumstances, I suggest the desirability of an approach from the standpoint of reorganization of the banking structure in Michigan, rather than of each individual bank, and with the initiative of governmental authorities.

I suggest, therefore, that your corporation designate a representative whose recommendations would have a compelling influence with your board, that the Comptroller's Reorganization Department designate a similar representative, that the Federal Reserve Agent in Chicago name a representative similarly qualified, and that these men proceed to Michigan to sit in with the State Commissioner of Banking and as a group be prepared to examine and sit upon, in coordination, the state requirements and also be prepared to stay on the job for some weeks if necessary.

This group would include men thoroughly familiar with the whole banking situation and requirements in the State and would have at its command the confidential reports of all banks and their needs. It should proceed from the consideration of the needs of the various communities for banking facilities, giving first attention to the key points in the State, and thereafter taking up the smaller communities.

It should explore the banking situation in a given town and thereupon determine from its joint knowledge and the figures of the banks in its possession what should be done. This might be in the nature of a reorganization of a certain bank or banks, consolidation or the starting of a new bank out of the existing banks. Thereupon, interested parties from

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Authority NND 30026

-3-

Mr. Jesse Jones.

April 15, 1935

that city should be called in to meet with the group, the situation reviewed and a plan set up which would meet the approval of the group and which might in numerous cases involve the participation of the R. F. C. in the purchase of preferred stock. The representatives of the city in question would be told that if they would go back and do thus and so, the R. F. C. would do certain things and the bank or bankers could thereupon be opened. This would give the community something definite to work on.

I believe that some such plan, in which the initiative were taken by these joint authorities, would tend to clear the situation at once and as these banks were being gradually and speedily established in the various communities, the morale of the whole State could immediately be strengthened. I think that when this job was finished, we would all of us have a banking structure in the most essential points in the State which would meet the needs. I think that by reason of the delays and the lack of coordination thus far, it is essential that the initiative be taken by those in authority in this particular instance.

The capitalisation of the member banks in the State which are not licensed to open is approximately \$16,000,000, with surplus and profits of approximately \$11,000,000. The nonmember banks are generally of smaller size. Some banks could not reopen at all and others would not need to have their present capital fully restored, so that my guess is that \$25,000,000 of new capitalisation furnished by the R. F. C. would put in force a sound banking structure in the State of Michigan where needed. I also feel that it would be much more effective and much sounder in its operation than if the authorities waited for the initiative of the various communities in going to them as individual banks.

I am enclosing, as an example, a memorandum of 20 key cities in Michigan, in which the banks listed are not open on account of their condition. There are many other situations of importance which need attention.

I believe that the cooperation of the various interests involved could be obtained to the advantage of each of them, and I trust this suggestion will have your consideration.

We have studied this matter intensively for some time and in my opinion this seems to be the best way out.

Very truly yours,

Chairman

RMS:HH

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Authority NND 30026

Form 1484

*ky*  
TELEGRAM

FEDERAL RESERVE BOARD  
WASHINGTON

331.1

470.2

332.2

FANCHER - CLEVELAND

Your wire April 13. Board sees no objection to application of old reserve balance of State member bank in hands of conservator to reduction of its bills payable to your bank under circumstances stated in your telegram and with understanding that special accounts with your bank in which are deposited proceeds of special trust deposits received by conservator or amounts made available for withdrawal will not be in any way affected. Suggest you consult your Counsel as to any legal questions which may be involved. In this connection see subdivision 2 of Board's TRANS 1758 and see also TRANS 1735 re reserve requirements of member banks in hands of conservators.

MORRILL

EXECUTIVE COMMITTEE  
MEETING

APR 17 1933

GBV/sad

For AFH, J. J.

Mr. Myrick ✓  
Mr. Marshall ✓  
Mr. Nichols ✓  
Mr. Moore ✓  
Mr. Miller ✓  
Mr. ... ✓  
Mr. ... ✓  
Mr. ... ✓  
Please initial and date  
in your appropriate  
box. See copy for  
example.

FILE COPY

2-9454

ere

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Authority NND 30026

Form 118b

TELEGRAM

FEDERAL RESERVE BOARD  
WASHINGTON

April 15, 1933.

FILE APPROVAL

Gov. Meyer

6/1

✓  
V.R.D.

Young - Boston  
Harrison - New York  
Norris - Philadelphia  
Panzer - Cleveland

Seay - Richmond  
McDougal - Chicago  
Martin - St. Louis  
Geary - Minneapolis

Hamilton - Kansas City  
McKinney - Dallas - Initial and  
Calkins - San Francisco, Calif.

TRANS. 1773 In response to an inquiry from a Federal reserve bank, the Treasury Department has advised as follows:

"Inasmuch as conservators are authorized to renew pledged notes with the consent of the pledgees, the Treasury will not object to accepting renewal notes held as collateral security against war loan deposit accounts, provided such renewals are for a period not exceeding thirty days which, I understand, is the limit of authority granted to conservators. As you will note by reference to the collateral security provisions of Circular No. 92, the approval and valuation of securities is committed to the several Federal reserve banks. The Treasury prefers, therefore, to leave the matter largely to the discretion of the various Federal reserve banks as they are in a better position to determine the desirability of this procedure in any given case. If renewal notes are not accepted it presumably would be necessary, in order to protect the interests of the United States, to proceed to collect maturing items direct from the makers or indorsers. This procedure would throw some additional work upon the Federal reserve bank and may not be desirable under present conditions. Pending final determination as to whether a depositary bank is to be reopened or liquidated, I am inclined to the opinion that all interests would be better served by accepting renewal notes upon a thirty day basis, as indicated above.

GB  
Owens  
The interest due from these notes should be collected in all cases and applied by the Federal reserve bank as a payment against the war loan deposit account of the depositary bank."

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2-8454

6/1

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Authority NND 30026

~~Mr. Monck~~ ~~mate & all~~  
~~books~~ ~~J. H.~~

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Authority NND 30026

Form 148b

TELEGRAM

470.2

FEDERAL RESERVE BOARD  
WASHINGTON

April 13, 1933.

Black  
Atlanta

Ratel April 8 Treasury advises as follows:

Quote. Inasmuch as conservators are authorized to renew pledged notes with the consent of the pledges, the Treasury will not object to accepting renewal notes held as collateral security against war loan deposit accounts, provided such renewals are for a period not exceeding thirty days which, I understand, is the limit of authority granted to conservators. As you will note by reference to the collateral security provisions of Circular No. 92, the approval and valuation of securities is committed to the several Federal reserve banks. The Treasury prefers, therefore, to leave the matter largely to the discretion of the various Federal reserve banks as they are in a better position to determine the desirability of this procedure in any given case. If renewal notes are not accepted it presumably would be necessary, in order to protect the interests of the United States, to proceed to collect maturing items direct from the makers or indorsers. This procedure would throw some additional work upon the Federal reserve bank and may not be desirable under present conditions. Pending final determination as to whether a depositary bank is to be reopened or liquidated, I am inclined to the opinion that all interests would be better served by accepting renewal notes upon a thirty day basis, as indicated above.

"The interest due from these notes should be collected in all cases and applied by the Federal reserve bank as a payment against the war loan deposit account of the depositary bank. Unquote.

MORRILL

For APPROVAL

W. W. come go

Mr. [unclear]  
Mr. [unclear]  
Mr. [unclear]

APRIL 13, 1933

Initial file copy  
Approve and return  
Treasury's Office

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DECLASSIFIED

Authority NNB 30026

TELEGRAM

**FEDERAL RESERVE SYSTEM**

(LEASED WIRE SERVICE)

*Conwell*  
104dea

10-794

Cleveland 525p apl 13 RECEIVED AT WASHINGTON, D. C.

470.2

4/13/33

Board,

Washn.

Is it permissible for this bank to apply old reserve balance of state member bank now in hands of conservator under Ohio statute to reduction of bills payable of state member bank to this bank at request of conservator under authority of state superintendent of banks with retention of all collateral to assure payment of balance remaining payable by state member bank? All segregated funds including <sup>un</sup>restricted portion of old balances are protected by 100 percent reserve in cash or balance in conservator's special account with this bank.

Fancher

532pm  
**RECEIVED**  
OFFICE OF GENERAL COUNSEL

APR 14 1933

9:45 AM M 1933  
NUMBER 1

DECLASSIFIED

Authority NND 30026

*Am West 210*  
40dea

## TELEGRAM

### FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

MO, Washn

16-794

RECEIVED AT WASHINGTON, D. C.

Your 18. Please change word restricted in last paragraph  
our 104 yesterday to read "unrestricted"

I, Clevd Apl 14

1136am

RECEIVED  
OFFICE OF GENERAL COUNSEL  
APR 14 1933  
12 PM  
NUMBER

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Authority WWD 80026

*✓ 332 2*

**FEDERAL RESERVE BOARD**

*470.2*

WASHINGTON

~~ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD~~

X-7410

April 13, 1933.

**SUBJECT: Borrowings of Unlicensed Member Banks  
From Federal Reserve Banks and Claims  
of Federal Reserve Banks Against  
Closed Banks.**

Dear Sir:

There is attached hereto, for your confidential information, a copy of a memorandum, together with a copy of the statement referred to therein, prepared under date of April 8, 1933, by Mr. Smead, Chief of the Division of Bank Operations of the Federal Reserve Board, with regard to the amount of borrowings from Federal reserve banks, as of March 31, 1933, by member banks not licensed by the Secretary of the Treasury to reopen, and the amount of claims of Federal reserve banks, on March 28, 1933, against closed banks.

Very truly yours,

Chester Morrill,  
Secretary.

Inclosures.

TO ALL GOVERNORS & CHAIRMEN OF ALL F. R. BANKS.

DECLASSIFIED

Authority NND30026

X-7410-a

FEDERAL RESERVE  
BOARD

OFFICE CORRESPONDENCE

Date April 8, 1933To Federal Reserve Board

Subject \_\_\_\_\_

From Mr. Smead

Attached is a statement showing the amount of borrowings from the Federal reserve banks, as of March 31, of member banks not licensed to reopen by the Secretary of the Treasury but which as of that date had not been placed in process of liquidation.

It will be noted from this statement that 892 of such banks were indebted to the Federal reserve banks in an aggregate amount of \$124,-752,000 of which \$48,264,000 was on rediscounted eligible paper, \$67,828,000 on advances under Section 13 of the Act and \$8,659,000 on advances under Section 10-b.

As of March 28, the last date for which figures are available, the Federal reserve banks also reported \$27,738,000 of claims against closed banks. The amount of such claims reported by each Federal reserve bank was as follows:

|              |           |               |           |
|--------------|-----------|---------------|-----------|
| Boston       | \$462,000 | Chicago       | \$887,000 |
| New York     | 3,917,000 | St. Louis     | 894,000   |
| Philadelphia | 4,243,000 | Minneapolis   | 1,777,000 |
| Cleveland    | 269,000   | Kansas City   | 1,060,000 |
| Richmond     | 6,710,000 | Dallas        | 855,000   |
| Atlanta      | 4,987,000 | San Francisco | 1,677,000 |

X-7410-b

BORROWINGS FROM FEDERAL RESERVE BANK OF MEMBER BANKS NOT LICENSED TO OPEN BY THE SECRETARY OF  
THE TREASURY, BUT WHICH HAVE NOT BEEN PLACED IN LIQUIDATION.

(Figures as of March 31, 1933)

| Federal Reserve Bank | Number of banks | Indebtedness to Federal Reserve Bank |                             |                           |                             |
|----------------------|-----------------|--------------------------------------|-----------------------------|---------------------------|-----------------------------|
|                      |                 | Total                                | Rediscounted eligible paper | Advances under Section 13 | Advances under Section 10-b |
| Boston               | 38              | \$7,701,893.06                       | \$3,759,343.58              | \$3,160,549.48            | \$782,000.00                |
| New York             | 119             | 21,898,781.13                        | 519,367.91                  | 17,565,507.40             | 3,813,905.82                |
| Philadelphia         | 87              | 24,231,022.16                        | 5,334,052.45                | 18,651,812.33             | 245,157.38                  |
| Cleveland            | 103             | 20,542,273.93                        | 8,595,441.50                | 11,946,832.43             | --                          |
| Richmond             | 83              | 15,228,930.91                        | 9,923,367.13                | 5,305,563.78              | --                          |
| Atlanta              | 41              | 7,923,424.36                         | 4,972,472.89                | 1,892,772.96              | 1,058,178.51                |
| Chicago              | 201             | 11,046,650.80                        | 10,135,758.64               | --                        | 910,892.16                  |
| St. Louis            | 37              | 1,669,720.62                         | 10,759.82                   | 1,658,960.80              | --                          |
| Minneapolis          | 50              | 2,977,699.62                         | 1,541,582.01                | 1,436,117.61              | --                          |
| Kansas City          | 69              | 7,191,986.49                         | 2,554,183.12                | 3,854,683.37              | 783,120.00                  |
| Dallas               | 27              | 588,129.76                           | 442,600.01                  | 145,529.75                | --                          |
| San Francisco        | 37              | 3,751,078.73                         | 475,221.59                  | 2,209,710.42              | 1,066,146.72                |
| <b>Total</b>         | <b>892</b>      | <b>124,751,591.57</b>                | <b>48,264,150.65</b>        | <b>67,828,040.33</b>      | <b>8,659,400.59</b>         |

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Authority NND 30026

DIVISION OF BANK OPERATIONS,  
APRIL 8, 1933.

DECLASSIFIED

Authority NND 30026

Form

1933. 13 AM 11 41

R.F.  
Field Bank  
1201er

## TELEGRAM

FEDERAL RESERVE BOARD

LEASED WIRE SERVICE  
WASHINGTON

470.2

APR 13 1933

2-9454 9-9

Carline - Boston  
Case - New York  
Austin - Philadelphia  
Williams - ClevelandMorton - Richmond  
Newton - Atlanta  
Stevens - Chicago  
Wood - St. LouisBailey - Minneapolis  
McClure - Kansas City  
Murch - Dallas  
Newton - San Francisco

TRANS 1769 In order that Board may follow closely all changes in status of banks, please mail as soon as practicable statements showing

(A) Name and location, also total deposits as of last call for condition reports, of each nonmember state bank, trust company, stock savings bank, mutual savings bank and private bank under state supervision in your district. This list should be prepared as of April 12, 1933, the date of your supplemental list of banks authorized to reopen, and the banks should be grouped as follows: (1) Operating without restrictions other than those applicable to all banking institutions under Executive Order of March 10, 1933, (2) Operating under restrictions in addition to those applicable to all banking institutions under Executive order of March 10, 1933, whether such additional restrictions were imposed by State banking departments or by banks' boards of directors, and whether such banks are in charge of State banking departments, of conservators or similar officials, or of banks' boards of directors, (3) Not included either in group 1 or group 2 but not placed in process of liquidation or in receivership.

(B) Name and location of each state bank and trust company member which, as of April 12, 1933, had not been licensed by Secretary of Treasury to resume full banking operations, grouped as follows: (1) Operating under restrictions in addition to those applicable to all banking institutions under Executive Order of March 10, 1933, (2) Not included in group 1 but not placed in process of liquidation or in receivership.

(C) Name and location of each private bank not under state supervision but

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TELEGRAM  
FEDERAL RESERVE BOARD  
LEASED WIRE SERVICE  
WASHINGTON

2-9454 8-20

- 2 -

TO ALL AGENTS

included in your printed lists of banks authorized to reopen, as well as of any other institution included therein which would not be included in abstract of condition reports of state banks.

(D) Name and location of each nonmember state bank, trust company, stock savings bank, mutual savings bank and private bank under state supervision which suspended, went into liquidation, or was absorbed by another bank during the period March 1 to 12, 1933, together with the date and manner in which the bank went out of existence.

Please also mail a supplement to lists A and B above as of each Wednesday beginning April 19, 1933, in order to enable Board to keep original list up to date.

No corresponding data need be submitted covering national banks.

In lieu of telegraphic and mail reports of bank suspensions heretofore furnished please wire Board as soon as practicable name and location of each bank which, during period March 13 to April 12 (1) suspended or went into liquidation after resuming full banking operations, code SAVE, (2) suspended or went into liquidation after resuming operations on a restricted basis or without having resumed any banking operations, code SERV, (3) was placed on a restricted basis after having resumed full banking operations, code SIMM. Please also wire corresponding data currently hereafter. Reports on form St. 6386-a should continue to be submitted monthly covering all bank consolidations, absorptions and mergers, and on form St. 6386-c covering new banks, successions and conversions.

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**TELEGRAM**  
**FEDERAL RESERVE BOARD**  
LEASED WIRE SERVICE  
WASHINGTON

2-9454 050

~~TO ALL AGENTS~~

- 3 -

Pending receipt and tabulation of these data, statistics of bank suspensions will not be published by Board, and it is suggested this policy be also followed at your bank.

MORRILL

DECLASSIFIED  
Authority NND 30026

Form 148b-2

TELEGRAM

FEDERAL RESERVE BOARD  
WASHINGTON

APR 18 1933

Clerk  
San Francisco.

Your wire April 11. If Oregon State member bank in question has been closed or required to discontinue normal banking functions by Superintendent of Banks under authority of provisions of State law, it would appear that its status, for purposes of your question, is similar to that of bank in hands of receiver or conservator and if so, Board feels that Federal reserve bank is not authorized to discount for or to make advances to such bank. Board not advised of provisions of statute in question, however, and cannot express definite opinion on this question. It is suggested you consult your counsel as to status of bank. Even if Federal reserve bank has requisite legal authority, however, question whether credit should be extended to any member bank is one for exercise of discretion of Federal reserve bank and as indicated in Trans. 1758 is to be determined in the light of all the circumstances in the case.

MORRILL (Signed) Clever, Morill

For APPROVAL

Mr. Adams   
Mr. Sanborn   
Mr. Coffey   
Mr. [redacted]   
Mr. Miller   
Mr. [redacted]

APR 17 1933

Please initial the copy  
if you approve and return  
to my office.

GBV gc

EXECUTIVE COMMITTEE  
MEETING

FILE COPY

2-9454

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Authority NND 30026



470.3

TREASURY DEPARTMENT

WASHINGTON

APR 12 1933

Conrad  
TO MR. MORRILL:

The notes referred to in the attached telegram, dated April 8, 1933, from Governor Black of the Federal Reserve Bank of Atlanta, are pledged against war loan deposit accounts under the provisions of Treasury Circular No. 92, a copy of which is attached.

Inasmuch as conservators are authorized to renew pledged notes with the consent of the pledgees, the Treasury will not object to accepting renewal notes held as collateral security against war loan deposit accounts, provided such renewals are for a period not exceeding thirty days which, I understand, is the limit of authority granted to conservators. As you will note by reference to the collateral security provisions of Circular No. 92, the approval and valuation of securities is committed to the several Federal reserve banks. The Treasury prefers, therefore, to leave the matter largely to the discretion of the various Federal reserve banks as they are in a better position to determine the desirability of this procedure in any given case. If renewal notes are not accepted it presumably would be necessary, in order to protect the interests of the United States, to proceed to collect maturing items direct from the makers or indorsers. This procedure would throw some additional work upon the Federal reserve bank and may not be desirable under present conditions. Pending final determination as to whether a depositary bank is to be reopened or liquidated, I am inclined to the opinion that all interests would be better served by accepting renewal notes upon a thirty day basis, as indicated above.

"The interest due from these notes should be collected in all cases and applied by the Federal reserve bank as a payment against the war loan deposit account of the depositary bank."

*James D. Douglas*

Assistant Secretary of the Treasury.

(enclosures)

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Authority NND 30026

215

TELEGRAM

470.2

215gb

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

RECEIVED  
OFFICE OF GENERAL COUNSEL

16-794 Sanfrancisco Apr 11 1147am

RECEIVED AT WASHINGTON, D.C.

APR 11 1933

Board

430 A.M. P.M.

NUMBER

Washn

Referring our wire 7th and yours 10th. Inasmuch as several oregon State member banks have been directed by State Supervisory authority to discontinue normal banking functions such banks under the law are in status similar to banks in hands of receiver. That official by oregon statute is the superintendent of banks. Oregon state law does not provide for appointment of conservator. Nevertheless the status of these member banks in effect is identical with those for which conservator has been appointed because management is restricted like conservator to liquidation and / or conservation of assets. We have before us application for discount from unlicensed oregon state member bank. Inasmuch as its status is identical with banks in which conservator has been appointed it is our feeling that to be consistent telegram #1758 should apply. It might make our position

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Authority NNB 30026

**TELEGRAM**

**FEDERAL RESERVE SYSTEM**

(LEASED WIRE SERVICE)

16-794

RECEIVED AT WASHINGTON, D. C.

clearer to state where conservators are legally created the title in many cases of the officer given charge of a restricted bank has been merely changed from president to conservator whereas in an oregon state bank title of the official of a similarly restricted bank remains unchanged. Therefore if the status of the restriction upon banking function is identical it does not seem logical to afford different treatment merely because the title of the official in charge if not identical. Please reply.

Clerk

306p

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Authority NND 30026

332.2

dr

APR 10 1933

440-2

470.2

✓

*M. O. Bkrs*  
*lend and answer*  
Mr. Albert C. Schott,  
1923 Esplanade Avenue,  
New Orleans, Louisiana.

Dear Mr. Schott:

Your letter of March 30 addressed to the Secretary of the Treasury was referred to this office for reply. 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. The Board understands that the officers and directors of the Federal Reserve Bank of Atlanta and its branch at New Orleans are thoroughly familiar with the situation of the banks in New Orleans and have given that situation close and sympathetic attention. 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 its member banks in working out <sup>all of</sup> APPROVAL a sound solution of the New Orleans situation.

*Appd*  
AT EXECUTIVE COMMITTEE  
MEETING

APR 10 1933

Very truly yours,

Mr. Hamilton ✓  
Mr. Barnes ✓  
Mr. Miller ✓  
Mr. ...

Secretary.

FILE COPY

Please initial file copy  
if you approve and return  
to Secretary's Office.

CM-W

**DECLASSIFIED**

Authority NND 30026

**Form 148b**

**TELEGRAM**

FEDERAL RESERVE BOARD  
WASHINGTON

**CALKINS- SAN FRANCISCO**

Your wire April 7. In view of fact that member banks in hands of conservators or other State officials having similar authority are in status similar to that of banks in hands of receivers or banks otherwise closed by supervisory authorities, Board is of opinion as stated in Trans. 1758 that Federal reserve banks are not authorized to discount for or to make advances to such banks. Unlicensed member banks operating under 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. Their status is essentially different from banks in hands of conservators and Board feels that Federal reserve banks are not legally prohibited from extending credit to such banks to extent authorized by Treasury Regulations. You suggest that Trans. 1758 prohibits Federal reserve banks to lend to unlicensed members in States where conservators may be appointed under the law, but your attention is called to fact loans are prohibited by Trans. 1758 only to those banks actually in hands of conservators or to such conservators.

MORRILL.

Gov. Meyer ✓  
Mr. Hamlin ✓  
Mr. James ✓  
Mr. Miller ✓

GBU/SEC

~~FILE COPY~~ *11/11/04* Please  
if you

~~Please Initial file copy~~

100-3000374-1044100000

to Secretary's Office.

DECLASSIFIED

Authority NND 30026



TREASURY DEPARTMENT *470, 2*

WASHINGTON

COMPTROLLER OF THE CURRENCY

April 10, 1933

ADDRESS REPLY TO  
"COMPTROLLER OF THE CURRENCY"

CIRCULAR LETTER NO. 1

To Conservators of National Banks:

Chapter II

Sec. 263. CORRESPONDENCE WITH COMPTROLLER. When addressing this office each communication of a Conservator should be confined to one subject, or asset, or claim. In handling the large volume of correspondence, both telegrams and mail, the work can be simplified and greatly expedited by refraining from referring to more than one subject in a single communication. The communications should contain a complete statement of the facts in order to enable this office to pass intelligently upon the question or problem presented. It has been observed that a great many of the letters submitted by conservators merely state the question, without giving any facts as to the names of debtors or creditors as the case may be, the amounts involved, character and value of the security or property, or other facts which this office must have before it in order to form any conclusion as to the propriety of granting the request, following the recommendation or otherwise instructing the Conservator.

The subject-matter of each communication should be briefly mentioned at the beginning of the letter at the right of the address and just below it. An example follows:

"Comptroller of the Currency,  
Washington, D. C.

Dear Sir:

RE: Preferred Claim

A. B. Company  
(or request for offset, Employment  
of attorney, Payment salaries of em-  
ployees, etc., or whatever may be  
the subject of the communication.)"

In case a letter requires immediate action or reply the Conservator should indicate at the beginning of the caption of his letter that a reply by telegram is necessary, using the words "TELEGRAPHIC REPLY REQUESTED", but unless it is absolutely necessary that a telegraphic reply be made, the Conservator should not so indicate. All matters should, if possible, be referred to the office by letter in sufficient time to permit replies by mail.

F. G. AWALT,  
Acting Comptroller.

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## TREASURY DEPARTMENT

WASHINGTON

COMPTROLLER OF THE CURRENCY

ADDRESS REPLY TO  
"COMPTROLLER OF THE CURRENCY"

May 9, 1933

### CIRCULAR LETTER NO. CR 2

To Conservators of National Banks:

#### Chapter II

Sec. 259. EMPLOYEES FIDELITY BONDS. You are directed to forward immediately to this office full information regarding the fidelity bonds carried by you upon your employees, advising whether or not you have examined the bonds carried by the bank previous to your appointment and have convinced yourself that the bonds adequately protect the Conservator, and whether you have had the necessary changes made by affixing riders extending the coverage to you as Conservator in accordance with Chapter II, Section 259 of Regulation I, Instructions to National Bank Conservators, bearing date of April 4, 1933.

In case individual bonds are being carried on your employees you will furnish this office with a complete list of all employees, designating the amount of the bond and the company issuing the same in each instance where bonded. If employees are covered by a banker's blanket bond, you will advise the amount of the bond, the company of issue and the names of employees that it covers. The names of all employees not covered by a banker's blanket bond should be furnished in a separate list with information as to their respective duties. If the banker's blanket bond contains coverage other than the fidelity of employees, the nature and amount of such coverage should be stated. In either case, furnish this office with the date of the expiration of each and every bond.

J. E. FOUTS  
Supervising Conservator

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## TREASURY DEPARTMENT

WASHINGTON

COMPTROLLER OF THE CURRENCY

ADDRESS REPLY TO  
"COMPTROLLER OF THE CURRENCY"

May 9, 1933

### CIRCULAR LETTER NO. CR 3

To Conservators of National Banks:

#### Chapter IV

Sec. 406. FEDERAL CHECK AND SAFE DEPOSIT RENTAL TAXES.  
This letter is addressed to all Conservators in order that they may be fully advised as to the proper handling of, and accounting for, the check and safe deposit box rental taxes provided for in the Revenue Act of 1932, which became effective on June 21, 1932.

It should be said that the United States Government as a matter of law is entitled to no priority of payment with respect to any claim which it may have against a National Bank in the hands of a Conservator, on account of the taxes herein discussed which accrued prior to the Conservator's appointment, except as such claim may be entitled to the protection of security deposited by the bank with the proper officer of the United States to secure government deposits and/or collections made by the bank as an agent of the United States. Cases in which it would seem that the giving of security by the bank to the United States Government would cover collections made by the bank of either check or safe deposit box rental taxes, should be submitted to this office in complete detail with a copy of the appropriate contract between the bank and the United States Government or one of its officers, as the case may be. Instructions hereinafter set out are not intended to apply to situations into which the question of security enters.

This office has not been able to find any authority for the abatement of the Federal check tax with respect to a Conservator's checks on other banks or his transfers of funds in other banks on orders other than checks. This applies to all three of the Conservator's accounts with the Federal Reserve Bank, namely: the bank's old reserve account, Conservator's special account for segregated funds and Conservator's general account, as well as to whatever depository account or accounts the Conservator may have opened or may hereafter open with licensed member banks.

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The Conservator should offer no objection to the charging of 2½ check tax on all checks or transfer transactions that he may have in these various accounts, and should submit to the collection of the tax by the Federal Reserve Bank or his depository bank or banks in the manner heretofore established.

(a) The Conservator should in every instance debit to all segregated accounts on his books from month to month, the 2½ check tax in accordance with the Government's regulations, and promptly remit the funds so accumulated to the Collector of Internal Revenue for his district, in the manner previously established and with the use of such forms as may be prescribed under Government regulations. All such tax as may not have been debited to segregated accounts prior to the Conservator's appointment should likewise be debited to the respective accounts and remitted to the Collector.

(b) If the Conservator has not already done so he should forthwith, except where paragraph (d) applies, debit to all restricted accounts on his books such Federal check tax as had accrued and had not been so debited at the date of his appointment. The total of these debits should be set up as a Conservator's credit entry in the account of the Collector of Internal Revenue on his books with appropriate symbol and description. This credit will then become an ordinary liability of the bank in favor of the Collector of Internal Revenue. Such credit can not be paid in priority to other ordinary liabilities of the bank, but, of course, should be included in any ratable distribution that may be authorized.

(c) The Conservator should in conformity with existing regulations, and on such forms as may be prescribed therefor, report to the Collector of Internal Revenue, with respect to all check taxes as he may accrue on his books by debiting restricted deposit accounts and contra credit entry in the account of the Collector of Internal Revenue, as provided for in paragraph (b), and he should in a separate affidavit securely attached to the report form, certify that he has been appointed Conservator of the bank, reciting the date of his appointment and stating that the credit carried to the account of the Collector of Internal Revenue is only an ordinary liability of the bank, which must be treated in the same manner as all other such ordinary liabilities without immediate cash remittance other than such ratable distribution as may be authorized.

(d) In cases where it is necessary for the Conservator to collect the check tax on items charged to accounts overdrawn, such collection must be made in cash and promptly remitted to the Collector of Internal Revenue as a trustee fund. In cases where the debit of check tax by the Conservator to an old account will create an over-draft, such part of the tax debit as may be provided for by the

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Authority NND 30026

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existing balance should be carried into the account of the Collector of Internal Revenue. That part of the tax which, if debited, would create an overdraft in the depositor's account, must be collected by the Conservator in cash and remitted to the Collector of Internal Revenue in the manner heretofore established. If the Conservator is unable to make such a collection in cash, he should promptly advise the Collector of Internal Revenue of that fact, giving him the amount due and the name and address of the depositor.

(e) The instructions above given with regard to debits to accounts and contra credit to the Collector, apply in all cases except where the tax due from a given depositor exceeds \$50.00. In cases such as this the Conservator should attempt to collect the full amount of the tax now due in cash and if successful, remit the collection to the Collector in due course. If not successful, the Conservator should promptly advise the Collector of Internal Revenue of the amount of uncollected tax with the name and address of the depositor, in order that the Collector may proceed directly against the depositor.

(f) The Conservator is obligated to collect and to remit to the Collector of Internal Revenue the 10% tax on all safe deposit box rentals which have accrued since June 21, 1932, and which have not been collected and remitted, or which may hereafter accrue. This tax can in no instance be charged to the accounts of depositors, but must be collected in cash. The Conservator should be careful not to permit any safe deposit box renter to surrender the keys for his box and to remove the contents therefrom until full payment has been made by him for accrued rental due to the bank, as well as the full amount accrued and unpaid with respect to the 10% tax.

(g) Conservators are advised that where prior to their appointment the banks now in their charge attempted to remit to Collectors of Internal Revenue with either their officer's checks or drafts on other banks, such officers' checks or drafts are only ordinary liabilities of their banks and must be handled in the same manner as all such liabilities, without any priority in favor of the United States.

Yours very truly,

F. G. Awalt,

Acting Comptroller.

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## TREASURY DEPARTMENT

WASHINGTON

COMPTROLLER OF THE CURRENCY

May 11, 1933

ADDRESS REPLY TO  
"COMPTROLLER OF THE CURRENCY"

CIRCULAR LETTER NO. CR 4

### MEMORANDUM FOR CONSERVATORS IN REGARD TO PREFERRED CLAIMS

To All Conservators of National Banks:

Conservators are not authorized to make payment of any claim asserted to be entitled to preference, nor to commit themselves to a recognition of such claim as a preferred one, until a full statement of the facts relative to such claim has been submitted to the Comptroller and a specific ruling made thereon by this office. However, it is thought that the following memorandum may be useful in enabling conservators to properly consider such claims.

The scope of this memorandum is limited to a discussion of claims asserted to be entitled to preference in payment over other claims of a general nature against the assets of a national bank coming into the hands of a conservator. There must immediately be excluded from consideration under this class of claims the following items:

(a) Claims based upon new accounts created by segregation of a percentage of old accounts or by new deposits of cash or its equivalent, which are treated fully in Section 301, Instructions to National Bank Conservators, April 4, 1933.

(b) Officers' checks or drafts purchased with funds from such segregated accounts or with cash subsequent to such segregation of new accounts.

(c) Deposits of public funds secured by pledge of bank assets.

Claims based upon secured deposits (c) are not, by reason of their character, entitled to preference, but in some cases it may be to the interest of the bank that pledged assets be redeemed. Each case of this class must be governed by specific instructions to the conservator from the Comptroller, which will be given at the request of the conservator.

Section 203 of the Bank Conservation Act of March 9, 1933, contains the following provision: "During the time that such conservator remains in the possession of such bank, the rights of all parties with respect thereto shall, subject to the other provisions of this title, be the same as if a receiver had been appointed therefor."

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Thus by statute the rights of persons asserting preferences against the assets in the hands of conservators are governed by the same statutory provisions and the same judicial decisions that would apply in case the bank were insolvent and in the hands of a receiver.

The experience of this office has been sufficient to indicate that conservators will have increasing difficulties with so-called preferred claims unless a clear understanding is had of the information necessary to enable this office to advise in regard to such claims and the reasons why all the facts surrounding the claim must be accurately obtained by conservators and transmitted to this office.

In the consideration of asserted preferred claims, the conservator should direct his inquiry to the facts as they existed at the time the bank ceased to do an unrestricted banking business.

With the exceptions of the priorities established by U.S.R.S. 5236 (Title 12, U.S.C.A., Sec. 194), which provides for any deficiency in redeeming the circulating notes of a national bank and the expenses of such redemption, and those established by Title 26, U.S.C.A., Sec. 103 (37 Stat. 733), and Title 19, U.S.C.A., Sec. 198 (36 Stat. 965), which deal with certain certified checks accepted by Collectors of Internal Revenue of the United States and Collectors of Customs, for internal taxes, public dues and duties on imports, there is no such thing, in the technical sense, as a preferred claim against the assets in the hands of conservators.

All persons who were creditors of the bank at the time of the appointment of the conservator must participate in the ratable distribution of the assets provided by "The National Bank Act" unless a reorganization is effected. Except for the priorities above mentioned, the only method open to the United States or a state or its political subdivisions (where security was not lawfully taken by the public depositor) or an individual to avoid ratable distribution is to make affirmative proof of the three essentials of a claim entitled to preferential treatment, namely:

- (1) That the relation between the bank and the depositor is that of trustee and beneficiary.
- (2) That the assets of the bank were augmented by the transaction.
- (3) That the funds arising from the transactions are traceable into the hands of the conservator.

All doubts are to be resolved against any asserted preferred claim (*Schuylerville v. Littlefield*, 232 U.S. 707). This well settled Federal rule is controlling to the exclusion of all state statutes and decisions because all questions relative to claims asserted against the assets of national banks in the hands of conservators or receivers are governed exclusively by the rules of law provided in the acts of Congress and the decisions of the Federal courts in connection therewith. For discussion of the legal principles applicable to so-called preferred claims, see *Empire State Surety Company v. Carroll County* 194 Fed. 593; *Beard v. Independent District*, 88 Fed. 375; *Larabee Flour Mills v. First National Bank*, 13 Fed. (2nd) 330, certiorari

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denied 273 U.S. 727; Mechanics & Metals National Bank v. Buchanan, 12 Fed. (2nd) 891, certiorari denied 273 U.S. 715; Blakey v. Brinson, 286 U.S. 254; Cook County National Bank v. United States, 107 U.S. 445; First National Bank v. Seldon, 120 Fed. 212; Davis v. Elmira Savings Bank, 161 U.S. 275; Easton v. Iowa, 188 U.S. 220.

Preferred claims asserted against the bank must be proved to the satisfaction of the Comptroller of the Currency or adjudicated in a court of competent jurisdiction. U.S.R.S. 5236 (U.S.C.A. Title 12, Sec. 194). All claims asserted against the conservator are general claims unless the claimant can affirmatively prove all of the three essentials stated above. Conservators are without authority to make any payments or to deliver any property in respect to claims of this nature, without specific instructions from the Comptroller of the Currency. Where a claimant seeks to avoid ratable distribution, the full facts necessary to enable the Comptroller to determine the status of the claim and to issue the necessary instructions should be forwarded by the conservator in his first letter on the subject.

To prove the first essential to a preferred claim, that of a trust relationship, there must be a showing that the bank received an identifiable thing in trust for the claimant. A trust relationship cannot be predicated upon a pre-existing credit balance in the bank. Blakey v. Brinson, *supra*. Accordingly, in forwarding preferred claims, the conservator should definitely identify the property received by the bank, such as cash, securities, or checks on other banks, which is alleged to be held in trust.

Even though a trust relationship appears, the liability is general only, unless augmentation and tracing appear for all or part of the money or other property received in trust. Ellerbe v. Studebaker Corp., 21 Fed. (2nd) 933:

"In ordinary cases, of course, the receipt by the collecting bank of a check drawn against the account of one of its depositors does not bring anything into the bank, and cannot be said to augment in any way assets passing into the hands of the Receiver. It is a mere shifting of credits. Larabee Mills v. First National Bank (C.C.A. 8th) 13 Fed. (2nd) 330; American Can Co. v. Williams (C.C.A. 2nd) 178 Fed. 429; North Carolina Corp. Com. v. Merchants & Farmers Bank, 137 N.C. 697, 50 S.E. 308."

Where the property alleged to have been transferred to the bank in trust consists of cash, it may be traceable to the cash on hand in the bank, and the conservator in such cases should furnish, in forwarding the claim, a tabulation of the amount of coin and currency, exclusive of cash items, in the bank at the close of business on the day preceding the delivery of the cash to the bank and the total cash in the bank at the close of each day's business from that day on, to and including the date of the conservator's appointment, making a clear distinction between actual cash of all forms and cash items. If the cash on hand at any time during this period was less than the alleged trust fund, dissipation and a general claim to the extent of the dissipation follows. Where the alleged trust property consists of securities, the Conservator must ascertain and report the disposition made thereof and advise

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fully as to what the bank received as proceeds: whether cash, a check on the bank, or a check on another bank. In every case where the trust property or its proceeds consisted of a check on another bank it is essential that the item be traced to the correspondent, if any, to which it was sent and that a transcript of the correspondent bank's account be obtained from its books beginning with the date of credit and running to the present time and forwarded to the Comptroller in order that he can ascertain whether or not partial dissipation occurred through a low balance thereafter or a complete dissipation occurred through a subsequent overdraft. The transcript should show the daily balances in the account during the period mentioned, and each credit, including items involved, should be clearly identified. The conservator should also advise as to the amount of cash or the sound value of collateral returned to him by such correspondent, also with regard to any present debt of his bank to such correspondent and the sound value of any collateral still pledged for such debt, if any.

If the alleged trust fund was created by the giving of a check on another bank in the same town which was cleared directly with such bank, rather than through a local clearing house, the balance, either in favor of or against the conservator's bank on the date of clearing and the manner in which such balance was paid should be reported. Care should be taken to explain fully whether a favorable balance was collected in cash or in a draft on a third bank which was forwarded to a correspondent bank for credit. If the latter, full particulars should be furnished as set out in the paragraph next above. If the check was on another bank in the same town and was cleared through a clearing house or through a Federal Reserve bank or one of its branches, the net balance in the clearing for or against the conservator's bank, on the date of clearing, is all that need be considered. Full particulars with regard to the settlement of this net balance should be given as above directed. Where this method of clearing was followed, no attention need be given to the respective debit or credit balances between the various member banks that participated in the joint clearing.

It is possible that certain preferred claims will be presented to the conservator predicated upon deposits with the bank prior to his appointment, based upon an alleged or actual agency agreement between the bank and its depositors which might have a bearing upon the subject. In order that preferred claims of this particular nature may be intelligently considered, if and as they arise, the conservator is requested to send to this office at once a sample of each and every pass-book of his bank which was in use at the date of his appointment, together with samples of all signature cards and deposit tickets then in use.

Probably more preferred claims arise from items received by a bank for collection and remittance than from transactions of any other nature. When an item is sent to a bank for collection and remittance, the bank receives the item as agent, and, having collected the funds, it holds them as agent and is bound to remit same according to instructions. American Can Co. v. Williams, *supra*. In cases of this nature, the first prerequisite exists and the allowance of the claim depends upon the second and third prerequisites: namely, augmentation and tracing, as hereinbefore set out. Where a bank

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receives an item for collection and credit there is a distinction between its receiving the item for collection and remittance. A copy of the collection letter or memorandum should be submitted to this office in connection with any preferred claim in either of these classes along with other pertinent data.

Another class of preferred claims which often arise are those based upon unpaid officers' checks or drafts on correspondent banks for the transfer of funds. In instances such as this, the customer merely purchases the bank's credit and accepts an evidence of its indebtedness. As a general proposition, regardless of whether such officers' checks or drafts were purchased with cash or by debit to a pre-existing credit balance, they are not entitled to preference. Unpaid officers' checks and drafts held by Collectors of Internal Revenue, given in remittance for Federal check taxes, are not entitled to priority. All claims of this character that may be asserted against a conservator should be promptly rejected without the formality of communication with this office for specific instructions.

In developing the facts relating to preferential claims, it may be found that the various funds are traceable into the cash on hand at the date of the conservator's appointment. Such claims, providing all three elements of preference can be established, would then become payable in full if the cash on hand at the date of the conservator's appointment should be equal to or should exceed the total of all such claims. It may be found, however, that the total of cash coming into the hands of the conservator at the date of his appointment was less than the total of all claims entitled to participate in a preferred distribution. For instance, three valid preferences for \$1,000.00 each, totaling \$3,000.00, might be traced into the conservator's original cash; but that cash may have amounted to only \$1,500.00. If a condition such as this should develop each preferred claim would be entitled to \$500.00 of the cash on a pro rata basis and the balance would be an ordinary claim. It should be understood that, in cases where a partial preference can be established and traced, the claimants will be entitled to payments in cash of such partial amounts, subject to any rights of others to pro rate, and will then have only ordinary claims for the balance.

In the event a suit is filed in a state court to establish a preferred claim, the conservator is instructed to have his attorney take the necessary steps for the removal of such suit to the Federal Court. Authorities applicable to the right of removal include the following: Studebaker Corp. v. First National Bank, 10 Fed. (2nd) 590, Title 28, U.S.C.A. Sec. 41 (1), (16), U.S.R.S. Sec. 563 (1), (15). A copy of any complaint filed in either state or Federal court against the conservator on a preferred claim should be promptly forwarded to this office for information and possible suggestions. The conservator is not to refer preferred claims to his attorney unless and until suit in connection therewith is filed. The legal unit of this office is familiar with the cases on this subject, and its assistance in such matters is available on request.

While this memorandum has been prepared with the idea of completely covering questions of preference which will be presented to the conservators, there probably will be cases which cannot be analyzed on the basis of the

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principles and instructions above laid down. Unusual cases of this character should of course be promptly reported to this office for consideration and specific instructions.

In conclusion, it is again stated that no conservator should pay any preferred claim or commit himself to the payment of any such claim without the specific approval of this office.

F. G. AWALT,  
Acting Comptroller.

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## TREASURY DEPARTMENT

WASHINGTON

COMPTROLLER OF THE CURRENCY

ADDRESS REPLY TO  
"COMPTROLLER OF THE CURRENCY"

May 19, 1933

### CIRCULAR LETTER NO. CR 5

To Conservators of National Banks:

#### Chapter II

Sec. 259. EMPLOYEES' FIDELITY BONDS. All bonds covering the fidelity of employees shall be kept in full force with standard recognized indemnity companies, except where cancellations or reductions may, upon proper recommendation to this office, be authorized. Under no circumstances will personal bonds be accepted as proper coverage. All premiums due on employees' fidelity bonds shall be paid out of the Conservator's depository account. Bonds in force before the Conservator's appointment must have riders attached extending the coverage to the Conservator, in accordance with Chapter II, Section 259, Regulation I, Instructions to National Bank Conservators bearing date of April 4, 1933.

If proper riders cannot be obtained, old bonds are to be cancelled and new bonds taken out in favor of the Conservator. However, old bonds are to be kept in force to the full amount of coverage until new bonds are issued and in the hands of the Conservator. All employees shall be bonded except those holding menial positions. If there is any doubt as to whether or not an employee should be bonded or as to the amount of coverage, details should be submitted to this office with the Conservator's recommendation, and he will be instructed.

J. E. FOUTS  
Supervising Conservator

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TREASURY DEPARTMENT

COMPTROLLER OF THE CURRENCY

WASHINGTON, D. C.

May 12, 1933

To Conservators of National Banks:

- Regulation No. 2 -  
(Instructions to National Bank Conservators Volume 1  
issued April 4th, 1933, being Regulation No. 1)

The Treasurer of the United States will continue the redemption of circulating notes of national banks for which conservators have been appointed which are presented to him for payment in accordance with law, charging the expenditures so made to the five per cent (5%) redemption fund of the bank, and notes in replacement of those redeemed will be issued and forwarded to the conservator. During the period of conservatorship, there will thus be no withdrawal of national bank notes from circulation, and such notes may be reissued by the conservator in the same manner as any other kind of currency in the usual course of business.

When notices are received from the Treasurer requiring payments in reimbursement of the redemption fund, the conservator should remit therefor through the Federal Reserve Bank of the District in which his bank is located, such remittance to be by draft upon the conservator's general account with the Federal Reserve Bank.

In instances where new currency, in replacement of circulating notes redeemed, has been received since the appointment of the conservator or was on hand at the time of his appointment, and is now held intact in the form in which received from this office, the conservator is authorized to place such currency in his vaults and to employ the same in the normal course of the administration of his conservatorship. In instances where requests for remittance to replenish the five per cent (5%) redemption fund have been received and such remittances have not been made, the conservator should immediately remit in the manner above indicated, although the currency may not have actually been received at the time of such remittance. New currency for which proper remittance has been received will be promptly issued and forwarded by this office to all conservators.

The annual assessment made by the Treasury against national banking associations to reimburse the Treasury for the expense incurred in connection with the redemption of circulating notes of such associations should be paid by conservators upon receipt of notice of the amount thereof.

This regulation applies only to the issuance of notes in replacement of those redeemed by the Treasurer of the United States prior or subsequent to the date of the commencement of the conservatorship.

J. F. T. O'CONNOR  
Comptroller

Approved:

A. A. BALLANTINE

Acting Secretary of the Treasury

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## TREASURY DEPARTMENT

WASHINGTON

COMPTROLLER OF THE CURRENCY

ADDRESS REPLY TO  
"COMPTROLLER OF THE CURRENCY"

### REGULATION III

#### INSTRUCTIONS TO NATIONAL BANK CONSERVATORS

May 11, 1933

Sec. 1. REORGANIZATION EXPENSE. Conservators will be permitted to pay their own necessary and reasonable expenses. Where the bank owns no automobile, 5 cents per mile will be allowed for use of the Conservator's automobile or a rented automobile. In addition they may pay for necessary postage and printing incident to communicating with depositors and shareholders with relation to the plan for reorganization.

Expenses incurred by former officers, directors, and other interested parties cannot be paid by Conservators.

Attorneys' fees and expenses incurred by reorganization committees must be paid by such committees out of funds raised by them. Conservators will not be permitted to pay these items out of the funds of their banks.

Sec. 2. SAFE DEPOSIT BOXES. Sec. 261, page 6 of Instructions to National Bank Conservators, Volume 1, relating to Safe deposit boxes, reads in part as follows:

"When any papers or property are removed or withdrawn from the boxes, signed statements should be procured from the renters to the effect that the contents removed, as well as the contents left in the box, if any, constitute all of the property and the papers deposited therein. Where any contents are removed, a signed statement and receipt should be procured releasing the bank and the Conservator from all liability."

The instructions conveyed by the portion of the Section referred to which has above been quoted, are hereby amended as follows:

So long as they do not wish to remove all of the contents of their safe deposit boxes, patrons of the bank may be permitted, within the Conservator's discretion, to have free access to their boxes in such a manner and under such regulations as were in force before the appointment of the Conservator. Whatever system was established by the bank to make sure that only authorized persons should have access to the safe deposit boxes, should, of course, be continued.

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Sec. 2 (continued)  
Instructions to Nat'l. Bank Conservators

May 11, 1933

In the event that any patron should desire to remove all securities and other papers from his safe deposit box, he should be required before being permitted to do so, to pay all arrears of box rent, and to pay in addition thereto whatever safe deposit box rental tax may have accrued and remain unpaid under provisions of the Revenue Act of 1932, which became effective on June 21, 1932. He should also be required at the time he removes all securities and other papers from his box, to surrender any and all keys that he may have therefor and to execute a receipt and a release to the Conservator and to the bank in form as follows:

"Doeville, Texas,

May 1933

"Received from Joe Doe, Conservator of the First National Bank of Doeville, all contents of safe deposit box No. \_\_\_\_\_, heretofore rented by me, which contents have been examined by me on this date, and found to be full, complete and intact. I hereby certify that I am entitled to the return and custody of said contents of said safe deposit box; that said contents are not a part of the effects of the First National Bank of Doeville, that they were not pledged or otherwise placed with the bank in any manner that might entitle the bank to a lien thereon or an interest therein, and in consideration of their surrender to me, I do hereby release the said First National Bank of Doeville and the said Conservator thereof, from all liability in connection with the said personal effects."

F. G. AWALT  
Acting Comptroller

Approved:

W. H. WOODIN  
Secretary of the Treasury

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APR 10 1933

X-7348

Honorable William E. Woodin,  
Secretary of the Treasury,  
Washington, D. C.

My dear Mr. Secretary:

Reference is made to your letter of March 22, 1933, received by the Board on March 27, in which you suggest that Federal reserve banks accept for safe keeping funds in the hands of conservators of national banks appointed pursuant to the provisions of Section 203 of the Act of March 9, 1933.

The instructions recently prescribed by the Comptroller of the Currency for conservators of national banks with your approval provide for the deposit of funds of conservators under certain terms and conditions in accounts with Federal Reserve banks. The sections of the instructions with regard to accounts with Federal reserve banks were prepared 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 and consideration of the terms and conditions of these sections had commenced prior to the receipt of your letter. The Federal Reserve Board has advised the Federal Reserve Banks that it considers it desirable that they cooperate in this matter by opening and maintaining accounts for

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Honorable William H. Woodin - 2

conservators in accordance with the terms and conditions of the instructions and there is inclosed herewith for your information a copy of the Board's letter to the Federal reserve banks on this subject and a copy of the inclosure therewith.

Very truly yours,

(Signed) Eugene Meyer  
Eugene Meyer  
Governor.

Inclosures.

GBV/sad

*Gov. H. W. Woodin  
Cc: Mr. James  
Mr. Miller  
Mr. Hamlin  
Mr. Appel*

AT EXECUTIVE COMMITTEE  
MEETING

APR 10 1933

*SA*

For APPROVAL

Gov. Meyer   
Mr. Hamlin   
Mr. James   
  
Mr. Miller   
Mr.

Please initial file copy  
if you approve and return  
to Secretary's Office.

FILE COPY

DECLASSIFIED

Authority NND 30026

Form 148b

TELEGRAM  
FEDERAL RESERVE BOARD  
WASHINGTON

April 10, 1933

470.2  
X-7398

Pett - Chicago

4/10/33

Your telegram 30 copies Comptroller's instructions to conservators  
of national banks forwarded tonight.

McClelland

(Signed) E. M. McCLELLAND

fsf

(Signature)

FILE COPY

2-9454

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Authority NND 30026

TELEGRAM

**FEDERAL RESERVE SYSTEM**

(LEASED WIRE SERVICE)

RECEIVED AT WASHINGTON, D. C.

16-794

233gb

Chicago April 10 255p

McClelland

Washn

Would appreciate your obtaining and sending us as soon as possible  
30 copies comptrollers pamphlet instructions to conservators of  
national banks

Pett

413p

470.2

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Authority NND 30026

Form 148b

~~10~~ **TELEGRAM**

**FEDERAL RESERVE BOARD**  
**WASHINGTON**

470-2  
479  
April 8, 1933

Worthington - Kansas City

*H18122*  
Your telegram. Instructions to conservators being mailed today.

McClelland

(Signed) E. M. McCLELLAND

src/fsf  
*MA*

**FILE COPY**

2-0454

6 P.D.

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Authority NND 30026

TELEGRAM

**FEDERAL RESERVE SYSTEM**

(LEASED WIRE SERVICE)

470.2

*Attunsel*

16-704  
101f fa

RECEIVED AT WASHINGTON, D. C.

Atlanta Ga 1247p Apr 8

Morrill

Washington

Certain banks in conservatorship are asking permission to renew notes pledged as security for war loan deposit accounts and held by us as custodian for Treasury. Under recently issued instructions to conservators, they are authorized to renew pledged notes with consent of pledgees, collecting interest in all cases and remitting same to pledgees. We do not think that we are authorized to give such consent in respect of notes pledged for war loan deposits and there would be no occasion for interest collected on such renewals to be forwarded, nor could we give Treasury credit for interest remitted, except in reduction of deposits.

Please ascertain as soon as possible if Treasury would be willing to authorize us to consent to renewals and also as to what disposition

**RECEIVED**  
OFFICE OF GENERAL COUNSEL  
APR 8 1933  
A. M. 228 P. M.  
NUMBER 7

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**TELEGRAM**

Sheet 2

**FEDERAL RESERVE SYSTEM**

(LEASED WIRE SERVICE)

16-794

RECEIVED AT WASHINGTON, D. C.

should be made of interest if remitted

Black

158pm

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Authority WWD 80026

**TELEGRAM**

**FEDERAL RESERVE SYSTEM**

(LEASED WIRE SERVICE)

470.2

16-794

RECEIVED AT WASHINGTON, D. C.

312

140gea

KasCity apl 8 1205p

Morrill

Washn

Referring trans 1751 please forward us today if possible  
25 copies of comptrollers printed instructions to conservators

Worthington

113p

162

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Authority NND 30026

**TELEGRAM**

**FEDERAL RESERVE SYSTEM**

(LEASED WIRE SERVICE)

470.2

16-794

RECEIVED AT WASHINGTON, D. C.

160gb

Sanfrancisco Apr 7 956am  
Board

Washn

Your telegram sixth number 1758 paragraph three prohibits borrowing by unlicensed members in those states (California for instance) where laws specifically provide for conservator but would allow borrowing by unlicensed state bank members in states (Washington for instance) where similar restricted performance of banking may be conducted by officers without formality of appointing conservator. Discrimination seems to apply to form of management rather than form of banking service. Is this correct.

Calkins

122p

RECEIVED  
OFFICE OF GENERAL COUNSEL

APR 7 1932

5/3  
NUMBER 3

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Authority NND 30026

*Mr. Marshall* #7

# FEDERAL RESERVE BANK OF CHICAGO

230 SOUTH LASALLE STREET

OFFICE OF THE  
CHAIRMAN OF THE BOARD AND  
FEDERAL RESERVE AGENT

April 6, 1933.

*Copies sent to 4  
Dodge members  
James Harrison  
S. P. Walker  
W. W. Hoyatt*

Federal Reserve Board,

Washington, D. C.

Gentlemen:

In connection with the licensing of banks to reopen and our recommendation thereon to the Secretary of the Treasury, we have had a good many problems involving state member banks and the divergent views of the State Banking Commissioners on what constitutes necessary qualifications and corrections for such opening.

As you are aware, the situation in Michigan is the major one with which we have to deal with respect to state banks, and also the most menacing one. As the representative of the Secretary of the Treasury in recommending to him banks for reopening, I have been in frequent communication with Mr. Douglas, the Assistant Secretary of the Treasury, by telephone and otherwise, and am enclosing copy of a letter which I have sent to him today in which I think you may be interested and on which I should very much appreciate any reactions which you may have from the standpoint of the Federal Reserve Board.

This situation, particularly in Michigan, is engaging very much of our attention, and great pressure is being brought to bear upon us from all sources by reason of the menacing situation in that state. I find it difficult sometimes to correlate the views of the Banking Commissioner with those of the Secretary of the Treasury and the Federal Reserve System, including our own institution as well as the Board at Washington, and I am very desirous of correlating, as far as possible, the activities of the state departments in reopening banks in such a way that they will meet, in general, the qualifications which are being imposed, and properly so, by the Treasury, the Federal Reserve Board, and in line with what is being done by the Comptroller in national banks.

We cannot, of course, in any case make a commitment as to what we will do in the future regarding the status of Federal reserve membership of these reopened banks, and we have steadfastly refused to make any such commitment in that respect. On the other hand we have, of course, been in

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Authority NND 30026

FEDERAL RESERVE BANK OF CHICAGO

- 2 -

To:  
Federal Reserve Board,  
Washington, D. C.

April 6, 1933.

position where we are constantly having to propose to banks the basis of reorganization on which we will be prepared to recommend to the Secretary of the Treasury that a license be issued, always with the statement that the final authority rests with him.

Very truly yours,

  
John M. Stevens  
Federal Reserve Agent

EMS FC

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Authority NND 30026

April 6, 1933.

Hon. James H. Douglas,  
Assistant Secretary of the Treasury,  
Washington, D. C.

Dear Mr. Douglas:

Referring to our conversation yesterday relative to the situation in Michigan-

As I advised you, Mr. Reichert, the Commissioner of Banking, telephoned me yesterday morning with a modification of his plan which was, in effect, that the proposed preferred stock to be substituted for deposits in banks would have no par value. By this means he was endeavoring to meet our objection that the unacceptable assets in reorganization must be taken out of the bank's structure, and his suggestion was that they might be set up at a nominal value, and on the other side the preferred stock having no par value might be set up at a similar nominal value.

We have had a number of conferences here about this whole situation in Michigan, and Mr. Reichert telephoned me again this morning asking our reaction as to his latest amended plan.

I told him that this amendment did not, in my opinion, change the essence of the plan; that aside from the protection to depositors which such a waiver afforded, a published statement of the bank would not be an honest one from the standpoint of the common stockholders, as it would not show the liability ahead of the common stock to the preferred stock; that it did not make much difference whether the liability was shown on the basis of par or a nominal amount, a certain major portion of it was at least a contingent liability on the part of the common stockholders, and that such a liability, even if contingent, would, in effect, serve as an impairment of the capital stock. I question the practice of having a preferred stock of no par value followed by common stock of a stated par value.

I further stated to Mr. Reichert that we were still of the opinion that any blanket plan to open a large number of banks at once was impracticable; for instance, that such a plan as he proposed would, in numerous cases, let out present stockholders who are able to make contributions if called upon to do so. I told him that our understanding of the plan of appointment of conservators

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Authority NND30026

- 2 -

To:  
Hon. James H. Douglas,  
Assistant Secretary of the Treasury,  
Washington, D. C.

April 6, 1935.

was that in each case the conservator would attempt to reorganize and restore the bank in accordance with conditions and possibilities existing in his own community.

I stated to him that out of our practice and that of our own men who are working with the Reorganization Department of the National System, we were proceeding generally upon the following lines:

1. As a first requisite, every effort should be made to obtain additional capital from the stockholders, directors, and even the officers of the institutions, and other voluntary contributors prior to the assessment route which might follow thereafter. We have had a considerable measure of success in opening about 50 banks in this district in the last 2 weeks by substantial and voluntary capital contributions of this sort, even in cases where it had heretofore been said to be impossible to obtain such capital.

2. Only after all such means have been exhausted, should a waiver of a portion of deposits be requested from the depositors, and the combined amount of correction thus obtained from stockholders and depositors should be sufficient to put the bank in an entirely clean position.

3. After the establishment of such waiver on the part of depositors or coincident with it, any necessary subscriptions to the capital stock funds from the depositors should be paid by them out of the deposits available in the reopened bank; this provision to mean that the capital structure would be in good assets rather than against undesirable assets as proposed in his plan.

4. I suggested further a warning against the issuance of too much preferred stock which might be a bar to an eventual reorganization of the bank or consolidation or merger.

5. The condition of the bank to be reopened under these provisions should not only present a clean picture as to the value of its assets, but also a satisfactory liquidity and assets of a type available for borrowing purposes in case of extraordinary demand.

6. That banks which were immediately opened after the moratorium are supposed to have retained the confidence of the communities; that banks opening at this late date and with the knowledge of the public that substantial corrections had been necessary in order to be open must regain the confidence of their communities. This would involve, among other things, the question of the management which had allowed the bank to get in such condition, while perhaps in competitor banks the bank's management had been such that its affairs allowed it to open at once.

We are emphasising particularly at this late date that banks which

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Authority WWD 30026

- 3 -

to:  
Hon. James M. Douglas,  
Assistant Secretary of the Treasury,  
Washington, D. C.

April 6, 1933.

open now must give us reasonable assurance that they can continue as going institutions with the confidence of the community, as we do not conceive that we should allow banks to open which probably would result in withdrawals amounting to liquidation; neither do we conceive that we in the Federal reserve banks should be called upon to make loans to such banks which were practically for liquidating purposes. It is apparent that unless the opening bank is set up in assets and management in a manner to insure full confidence of the community, there might be steady withdrawals from such bank to be deposited in the competitor bank which opened originally without criticism.

I am giving you our ideas somewhat at length because of your expressed interest. In the present situation there are now elements and new formulas of solvency involving the Treasury Department, the Federal Reserve Board, the Comptroller, and the various state authorities. It seems desirable that some set of principles may be adopted which will be acceptable to these various bodies, and one of our most serious problems is to adjust state bank reorganizations on relatively the same principles which the Comptroller may be using in the reorganization of national banks. As far as I know, no definite instructions as to fundamental principles of reorganization have emanated from his office, but I think the principles which I have outlined are being pretty generally followed in national bank reorganizations in this district, some elasticity having to be given in individual cases.

I should like very much to have your views on our conceptions of these matters and whether we are at variance with what you and the Comptroller are trying to do, in order that we may feel that we are guiding not only the state member banks, but the Banking Commissioners in their treatment of non-member banks along proper lines. I should also very much appreciate any suggestions which you may have from the standpoint of your position as a licensing authority.

Very truly yours,

EMS PC

Federal Reserve Agent

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Authority NND 30026

JFM 148 b

TELEGRAM

FEDERAL RESERVE BOARD  
WASHINGTON

470.2

April 6, 1933

Harrison - New York  
Norris - Philadelphia  
Panzer - Cleveland  
Seay - Richmond  
Black - Atlanta  
Young - Boston

Trans. 1758

McDougal - Chicago  
Martin - St. Louis  
Geary - Minneapolis  
Hamilton - Kansas City  
McKinney - Dallas  
Calkins - San Francisco

Board has replied as follows to inquiries received from a Federal reserve bank with regard to a State member bank in the hands of a conservator: (1) mere fact that conservator or other State official having similar authority has been appointed for State member bank pursuant to executive order of March 18 does not make it necessary that bank surrender its stock in Federal reserve bank unless and until bank should be placed in receivership or liquidation or its membership terminated in manner provided by Federal Reserve Act. (2) Balances with Federal reserve bank to credit of bank in hands of 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 Federal reserve bank will not permit withdrawal in an amount which will exceed the amount of such balance in excess of any indebtedness of bank to Federal reserve bank. (3) Federal reserve banks are not authorized to discount for or to make advances to banks in hands of conservators or to such conservators. Questions raised had specific reference only to State member bank in hands of conservator but conclusions stated are applicable also to national banks in hands of conservators and to such conservators. In connection with conclusion

SBV FILE COPY

2-9454

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Form 148b

## TELEGRAM

**FEDERAL RESERVE BOARD**  
**WASHINGTON**

All Governors - -2-

No. 2 above, as applied to national banks, attention is called to section 402 of instructions of Comptroller of Currency to conservators of national banks. Board has also stated in reply to an inquiry of a Federal reserve bank that question whether Federal reserve bank should extend credit to unlicensed State member bank which is operating under Treasury regulation No. 27 is one for the determination of Federal reserve bank in the light of all the circumstances of the case, and in this connection the Board called attention to interpretation No. 12 defining the extent of banking functions which unlicensed State member banks may carry on in operating under Regulation 27 and also to telegram from Secretary of Treasury of March 22 re duties of Federal reserve banks in this connection.

MORRILL

GBV gc

*Appel*  
AT THE EXECUTIVE COMMITTEE  
MEETING

APD

6192

**For APPROVAL**

Mr. Hemlin   
Mr. James   
Mr. Miller

Please initial file copy  
if you approve and return  
to Secretary's Office.

# FILE COPY

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Authority NND 30026

**TREASURY DEPARTMENT**

**OFFICE OF THE UNDER SECRETARY**

To .....

W. G. Basse  
F. R. Bd.

This telegram  
has been sent  
to Bell.

JGH

-----  
Senior Legal Assistant to the Under Secretary.

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Authority NND 30026

16

47012

FEDERAL RESERVE SYSTEM - LEASED WIRE

April 6, 1933

BELL  
ATLANTA

Retel April fourth STOP Consider issue by Postmaster of money orders payable in foreign countries to meet bona fide maturing obligation of remitter or to defray funeral expenses of parent of remitter living in foreign country permissible under existing regulations and Executive Order of March tenth.

J.H.D  
DOUGLAS

AKC:mll

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Authority NND 30026

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

470,2

*Opunel*

16-794

120 F Y

Atlanta 249p April 6

Morrill

Washn

RECEIVED AT WASHINGTON, D. C.

RECEIVED  
OFFICE OF THE CHIEF COUNSEL

APR 6 1933

— A.M. 5 Y — P.M.  
NUMBER — 98 —

On the fourth instant we wired Ballantine assistant secretary as follows.

" Do present regulations prohibit issue by Postmasters of money orders payable in foreign countries to meet maturing obligations of remitter or defray funeral expenses of parents of remitter in a foreign country".

Have not had reply, can you obtain this information for us.

Bell

358pm

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Authority NND 30026

JAN 14 1951

#1  
TELEGRAMFEDERAL RESERVE BOARD  
WASHINGTON

APR 5 1933

For APPROVAL

Gov. Meyer \_\_\_\_\_  
 Mr. Hamlin \_\_\_\_\_  
 Mr. James \_\_\_\_\_  
 \_\_\_\_\_  
 Mr. Miller \_\_\_\_\_  
 Mr. \_\_\_\_\_

Young - Boston

Your letter March 22, re 53-1. Question 1. See Treasury Regulation <sup>please initial B6 copy</sup> issued March 26. Question 2. mere fact that conservator or other <sup>if you approve and return to Secretary's Office</sup> State official having similar authority has been appointed for State member bank pursuant to executive order of March 18 does not make it necessary that bank surrender its stock in Federal reserve bank unless and until bank should be placed in receivership or liquidation or its membership terminated in manner provided by Federal Reserve Act. Question 3. Balance with Federal reserve bank to credit of bank in hands of 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 Federal reserve bank will not permit withdrawal in an amount which will exceed the amount of such balance in excess of any indebtedness of bank to Federal reserve bank. Question 4. Federal reserve banks are not authorized to discount for or to make advances to banks in hands of conservators or to such conservators. Question 5. See Treasury Regulation No. 30. Question 7. Limit on withdrawals prescribed by Regulation 27 is five per cent. Interpretation No. 12 defines extent of banking functions which unlicensed State member bank may carry on in operating under Regulation No. 27. See also telegram from Secretary of Treasury of March 22 re duties of Federal reserve banks in this connection. Question whether Federal reserve bank should extend credit to unlicensed State member bank which is operating under Regulation No. 27 is one for determination of Federal reserve bank in the light of all the circumstances of the case. Question 6 and question 8 answered in separate wire.

GBV:WW:mw

ccs

Merrill

APR 5 1933  
At Executive Committee  
Meeting

FOUR COPY

APR 5 1933

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Authority NND 30026

TELEGRAM

H6 C O P Y

Federal Reserve Board  
Washington

332-  
April 4, 1933.

JOHNS - ATLANTA

Your letter March 29 regarding proposed renewal of advance to First National Bank of Fort Myers, Florida. Action by Federal Reserve Board not required upon advances made in accordance with section 10(b) of Federal Reserve Act as amended by Act of March 9, 1933. See our Trans, 1611. In view of status of bank in hands of conservator and pending determination of question whether it will be liquidated or reorganized and reopened on unrestricted basis, the question naturally arises whether obligations of the bank should be reviewed or should be carried past due. This matter was discussed at conference here on March 27 and 28, which your counsel, Mr. Parker, attended, and it is suggested that you consult with him with reference to this matter.

MORRILL

GBV sad

APPD

AT EXECUTIVE COMMITTEE  
MEETING  
APR 4 1933.

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Authority NND 30026

Form 148b

## TELEGRAM

FEDERAL RESERVE BOARD  
WASHINGTON

APR 4 1933

470.2

|                       |                       |
|-----------------------|-----------------------|
| Young-Boston          | McDougal-Chicago      |
| Harrison-New York     | Martin-St. Louis      |
| Morrison-Philadelphia | Geary-Minneapolis     |
| Panchar-Cleveland     | Hamilton-Kansas City  |
| Seay-Richmond         | McKinney-Dallas       |
| Black-Atlanta         | Calkins-San Francisco |

Trans. No. 1251. Referring Board's letter of April 1  
 I-7398, instructions to conservators of national banks have  
 been approved by Comptroller of Currency and Secretary of  
 Treasury and it is understood that Comptroller's office will  
 mail you complete copies of instructions as approved as soon  
 as they can be printed. Instructions as approved contain sec-  
 tions relating to Bank's Old Reserve Account, Conservators'  
 Special Account, Conservators' General Account, Conservators'  
 Depositary Account and Assistants to Conservators in the form  
 in which those sections were inclosed with Board's letter of  
 April 1st.

(Signed) Charles W. Merrill

Merrill

Noted

Dated

APR 5 1933

SAC  
GBV/omc

FILE COPY

2-9454

8 P.M.

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Authority NND 30026

*Signatures* *Ballantine*  
~~TREASURY DEPARTMENT TELEGRAM~~ *4700.2*

~~RECORDED & SIGNED~~ ~~RECORDED & SIGNED~~ ~~RECORDED & SIGNED~~  
RECORDED & SIGNED: MR. BALLANTINE'S OFFICE

Washington,

April 3, 1933

To Governors, Federal Reserve Banks.

|                   |                       |
|-------------------|-----------------------|
| Boston, Mass.     | Chicago, Ill.         |
| New York, N. Y.   | St. Louis, Mo.        |
| Philadelphia, Pa. | Minneapolis, Minn.    |
| Cleveland, Ohio.  | Kansas City, Mo.      |
| Richmond, Va.     | Dallas, Tex.          |
| Atlanta, Ga.      | San Francisco, Calif. |

Member banks which have been granted Federal licenses to reopen are not permitted to take advantage of any State Stabilization Act providing for limitation of withdrawals or otherwise to operate on restricted basis STOP You are authorized and directed to advise any member bank which has been granted a license to reopen that unless it reopens to the full extent permitted by such license it will be necessary for me to revoke its license STOP If it fails to reopen to the full extent permitted by its license after being thus advised by you, you are authorized and directed to revoke the license heretofore granted to it STOP Regulation thirty covers cases where conservators or other appropriate officials have taken possession and control of bank.

*Noticed*  
*Initialed*  
WOODIN

(Initialed) A. A. B.

J. H. D.

APR 5 1933  
*SR*

EMERGENCY BANKING ACT

Private Wire.

JTC:fht

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Authority NND 30026

✓ 470.2  
425

April 3, 1933.

Young - Boston  
Barrison - New York  
Morris - Philadelphia  
Puncher - Cleveland  
Seay - Richmond  
Kleck - Atlanta

McDougal - Chicago  
Martin - St. Louis  
Geory - Minneapolis  
Hamilton - Kansas City  
McKinney - Dallas  
Calkins - San Francisco

over commercial wires  
TRANS 1749 It is suggested that payment of bills for telegrams sent by  
Federal reserve banks as representatives of Secretary of Treasury in  
connection with recent banking emergency be deferred pending decision by  
Treasury Department as to whether, and to what extent, it will reimburse  
Federal reserve banks for out-of-pocket expenses incurred in connection  
with special services rendered for Treasury Department during emergency.

McClalland.

(Signature of W. H. McClalland)



DECLASSIFIED

Authority NND 30026

*Smart Rb 743.1*

*Confidential*

April 3, 1933.

470.3

Yodig - Boston  
Harrison - New York  
Norris - Philadelphia  
Panchar - Cleveland

Seay - Richmond  
Black - Atlanta  
McBougal - Chicago  
Martin - St. Louis

Geary - Minneapolis  
Hamilton - Kansas City  
McKinney - Dallas  
Calkins - San Francisco

TRANS 1747. Please wire Board as of March 31, amount of paper held under discount for member banks not licensed to open by Secretary of Treasury but which have not been placed in process of liquidation, as follows: Rediscounted eligible paper, code REDB; advances under Section 13, code VAMC; and advances under Section 10-b, code TAMB. Please wire also number of such banks indebted to reserve bank on March 31.

MORRILL.

DECLASSIFIED

Authority NND 30026

Q Q P X

Federal Reserve System - Leased Wire

April 1, 1933

Dunlop  
Minneapolis

Re tel March twenty eighth | STOP Treasury advises unlicensed  
member bank cannot issue drafts in payment of five per cent redemption  
fund charges

Initialed by:

MORRILL

JTC-hkb JTC  
GHC  
DWB  
JGH  
JHD  
CM

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Authority NND 30026

(COPY)

Minneapolis Mar 28 425 p

Board - Washn

Please advise if unlicensed banks can issue drafts in payment of five per cent redemption fund charges. National Bank redemption agency apparently requesting payment from them.

Drafts not being paid by correspondent banks.

Dunlop

610 p

DECLASSIFIED

Authority NND 30026

*PLC*  
**FEDERAL RESERVE BOARD**  
WASHINGTON

470.2

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-7398

April 1, 1933.

SUBJECT: Regulations of Comptroller of the Currency re  
Conservators.

**CARDED**

Dear Sir:

The Comptroller of the Currency has prepared instructions to be issued to conservators of national banks appointed pursuant to the provisions of the National Bank Conservation Act (Title II of the Act of March 9, 1933), and there are inclosed herewith copies of the sections relating to Bank's Old Reserve Account, Conservator's Special Account, Conservator's General Account, Conservator's Depositary Account, and Assistants to Conservators. These sections were prepared by the Comptroller's office with the assistance of members of the Board's staff and the following representatives of Federal reserve banks:

Mr. John S. Sinclair, Counsel to the Federal Reserve  
Bank of Philadelphia

Mr. H. F. Strater, Cashier of the Federal Reserve  
Bank of Cleveland

Mr. J.S. Walden, Jr., Controller of the Federal Reserve  
Bank of Richmond

Mr. Robert S. Parker, Counsel to the Federal Reserve  
Bank of Atlanta

Mr. Charles B. Dunn, of Counsel to the Federal Reserve  
Bank of Chicago.

DECLASSIFIED

Authority NND30026

X-7398

- 2 -

The sections of the instructions inclosed herewith have been approved by the Comptroller of the Currency; but it is necessary that the instructions be approved both by the Comptroller of the Currency and by the Secretary of the Treasury. The latter is out of the city and will not return until Monday. We will advise you promptly by wire as soon as the complete instructions have been finally approved; and the Comptroller of the Currency will furnish you with complete copies of these instructions and request you to handle accounts for conservators of national banks in accordance with the terms and conditions thereof.

The Board considers it desirable that the Federal reserve banks cooperate in this matter by opening and maintaining accounts for conservators in accordance with the terms and conditions of the sections inclosed herewith.

Very truly yours,

Chester Morrill,  
Secretary.

Inclosure

TO GOVERNORS OF ALL FEDERAL RESERVE BANKS.

DECLASSIFIED  
Authority NND 30026

(Circular letter to Governors of all Federal Reserve Banks) 470.2

X-7398

4/11/33

SUBJECT: Regulations of Comptroller of the  
Currency re Conservators.

Dear Sir:

The Comptroller of the Currency has prepared instructions to be issued to conservators of national banks appointed pursuant to the provisions of the National Bank Conservation Act (Title II of the Act of March 9, 1933), and there are inclosed herewith copies of the sections relating to Bank's Old Reserve Account, Conservator's Special Account, Conservator's General Account, Conservator's Depositary Account, and Assistants to Conservators. These sections were prepared by the Comptroller's office with the assistance of members of the Board's staff and the following representatives of Federal reserve banks:

Mr. John S. Sinclair, Counsel to the Federal Reserve Bank of Philadelphia

Mr. H. F. Strater, Cashier of the Federal Reserve Bank of Cleveland

Mr. J. S. Walden, Jr., Controller of the Federal Reserve Bank of Richmond

Mr. Robert S. Parker, Counsel to the Federal Reserve Bank of Atlanta

Mr. Charles B. Dunn, of Counsel to the Federal Reserve Bank of Chicago.

gsv

FILE COPY

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Authority NND 30026

Circular letter to Governors of all Banks - 2

The sections of the instructions inclosed herewith have been approved by the Comptroller of the Currency; but it is necessary that the instructions be approved both by the Comptroller of the Currency and by the Secretary of the Treasury. The latter is out of the city and will not return until Monday. We will advise you promptly by wire as soon as the complete instructions have been finally approved; and the Comptroller of the Currency will furnish you with complete copies of these instructions and request you to handle accounts for conservators of national banks in accordance with the terms and conditions thereof.

The Board considers it desirable that the Federal reserve banks cooperate in this matter by opening and maintaining accounts for conservators in accordance with the terms and conditions of the sections inclosed herewith.

Very truly yours,

Chester Morrill,  
Secretary.

Inclosure

GBV/sad

GBV

AT EXECUTIVE COMMITTEE  
MEETING

APR 1 1933

CH.

FILE COPY

DECLASSIFIED

Authority NND 80026

470.2

4/1/33  
X X-7396

CERTAIN SECTIONS OF INSTRUCTIONS OF THE COMPTROLLER OF THE CURRENCY TO  
CONSERVATORS OF NATIONAL BANKS.

402 Bank's Old Reserve Account.

CARDED

The conservator should make no remittances or transfers for credit to bank's old reserve account and should draw no drafts whatever against such old account. The Federal reserve bank may be requested to make transfers to the conservator's special account, described below, of funds which have been credited to the bank's old reserve account but which the conservator has definitely determined to represent segregated deposits and which should have been credited to a special account in the Federal reserve bank. Where the bank in the hands of a conservator is not indebted to the Federal reserve bank or where the old reserve balance exceeds the amount of the indebtedness to the Federal reserve bank, the Federal reserve bank may be requested to make transfers of such excess amount to the conservator's general account, described below, with the authorization of the Comptroller of the Currency.

These transfers to the conservator's special account or general account may not be made by drafts or checks drawn by the conservator, but must be made with the consent of the Federal reserve bank under special arrangements agreed to by it.

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## 403 Conservator's Special Account.

If the conservator has been authorized to accept new deposits which are not subject to any limitation as to payment or withdrawal, to be segregated as provided in section 206 of the Bank Conservation Act, the funds received pursuant to such authority may be deposited in the Federal reserve bank of the district in which such bank is located in a special account in the name of the conservator which account may be styled substantially as follows:

" \_\_\_\_\_ Conservator's Special Account  
(Bank and address)

\_\_\_\_\_ (Conservator) "

The conservator may deposit with the Federal reserve bank in this account cash, Government checks, checks and other cash items which the Federal reserve bank can collect at par.

The Federal reserve bank may receive and handle all cash items deposited in this account subject to the terms and conditions of Regulation J of the Federal Reserve Board and of such bank's current circular regarding the collection of cash items.

The Federal reserve bank will not be expected to give credit for such checks and other cash items in accordance with its published time schedules which are used in giving credit to member banks, but may increase the time of credit availability in such time schedules by a number of days estimated to be suffi-

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cient to obtain mail advice of non-payment of such items. The conservator, however, should bear in mind that all such items are received by the Federal reserve bank subject to final payment and that withdrawals of deposits represented by such checks and other cash items should not be permitted by the conservator until sufficient time has elapsed to permit of the collection of such items in accordance with the foregoing provisions. The conservator may be held accountable for any loss resulting from the payment of such deposits in violation of these instructions.

The conservator may accept maturing notes, drafts, Government obligations and other non-cash items for collection and for credit when collected to the special segregated accounts of depositors. The Federal reserve bank may receive and handle such non-cash items for collection and credit on its books to the conservator's special account, in accordance with its non-cash collection circular. The conservator will be advised of such credit in each instance and should not permit any withdrawals of deposits represented by such non-cash items until he has received such advice.

All deposits by the conservator in the conservator's special account at the Federal reserve bank and all non-cash items sent to the Federal reserve bank for collection and credit of the conservator's special account should be marked so as to indicate clearly to the Federal reserve bank that such items are for the

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credit of such special accounts.

All items sent to the Federal reserve bank by the conservator for credit to this account, whether cash items or non-cash items, should be indorsed, "Pay to the Order of the Federal Reserve Bank of \_\_\_\_\_ for credit to Conservator's special account

\_\_\_\_\_ (Bank and address)

By \_\_\_\_\_  
(Conservator)

All prior indorsements guaranteed."

The conservator may draw drafts against this special account at the Federal reserve bank (a) in payment of checks or drafts drawn by depositors against such special segregated deposits when presented to him by other banking institutions; (b) in order to provide himself with cash with which to pay such deposits; or (c) to provide depositors in such segregated accounts with drafts for exchange purposes.

All drafts against such account should be signed by the conservator and otherwise identified in such manner as to show clearly the account to which they should be charged.

If the bank which is in conservatorship accepted new deposits withdrawable without restriction pursuant to agreement or under State legislation, gubernatorial proclamation or Presidential proclamation and opened and maintained a special account with the

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Federal reserve bank, representing such new deposits, the Federal reserve bank should be requested to transfer the balance now carried in such special account to the Conservator's Special Account at the Federal reserve bank.

404. Conservator's General Account.

Funds received by the conservator in connection with his conservatorship from any source other than from special segregated deposits referred to above may be deposited in the Federal reserve bank of the district in which such bank is located in a general account in the name of the conservator which account may be styled substantially as follows:

" \_\_\_\_\_ Conservator's General Account  
(Bank and address)

\_\_\_\_\_ (Conservator) "

Any collections made by the conservator upon the unpledged assets of the bank while in conservatorship may be deposited in this general account.

The conservator may deposit with the Federal reserve bank in this account cash, Government checks, checks and other cash items which the Federal reserve bank can collect at par.

The Federal reserve bank may receive and handle all cash items deposited in this account subject to the terms and conditions of Regulation J of the Federal Reserve Board and of such bank's current circular regarding the collection of cash items.

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The Federal reserve bank will not be expected to give credit for such checks and other cash items in accordance with its published time schedules which are used in giving credit to member banks, but may increase the time of credit availability in such time schedules by a number of days estimated to be sufficient to obtain mail advice of non-payment of such items. The conservator, however, should bear in mind that all such items are received by the Federal reserve bank subject to final payment.

The conservator may deposit in such general account maturing notes, drafts, Government obligations and other non-cash items for collection and for credit when collected. The Federal reserve bank may receive and handle such non-cash items for collection and credit on its books to the conservator's general account, in accordance with its non-cash collection circular, and the conservator will be advised of such credit in each instance.

All deposits by the conservator in the Conservator's General Account at the Federal reserve bank and all non-cash items sent to the Federal reserve bank for collection and credit of the Conservator's General Account should be marked so as to indicate clearly to the Federal reserve bank that such items are for the credit of such general account.

All items sent to the Federal reserve bank by the conservator for credit to this account, whether cash items or non-cash items,

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should be indorsed, "Pay to the Order of the Federal Reserve Bank  
of \_\_\_\_\_ for credit to Conservator's General Account.

\_\_\_\_\_  
(Bank and address)

By \_\_\_\_\_  
(Conservator)

All prior indorsements guaranteed."

The conservator may withdraw funds from this general account  
only when and as authorized by the Comptroller of the Currency.

All drafts against such account should be signed by the con-  
servator and otherwise identified in such manner as to show clearly  
the account to which they should be charged.

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405. Conservator's Depositary Account.

In addition to a Special Account and General Account maintained with the Federal reserve bank, the conservator may open an account with a national or State member bank, licensed to reopen by the Secretary of the Treasury, which account is referred to herein as the "Conservator's Depositary Account."

This account may be utilized for the following purposes:

- (a) As an account in which to maintain funds for current operating purposes, including salaries, supplies, and other items of expense.
- (b) For the collection, for the account and at the instance of depositors, of checks and other cash items drawn on nonpar banks which will not be accepted by the Federal reserve bank as well as any non-cash items which the Federal reserve bank will not handle. Such collections will be undertaken by the depositary at the instance of the conservator, but for the account and as agent of the owners or holders of such items. When and as the conservator may receive actual payment of such items, the proceeds may, with the acquiescence or upon the direction of the depositors, be placed in special segregated accounts to the credit of the depositors and then transferred to the conservator's special account with the Federal reserve bank.
- (c) For deposit therein of collections effected by the conservator from assets of the bank and for the deposit of cash and of checks or other items belonging to the bank.
- (d) For collection, at the instance and for the account of others, of checks or other items, whether cash or noncash, left or placed with the conservator for that purpose.

The conservator shall make transfers from time to time from the depositary account to the conservator's general account with the Federal reserve bank described on page \_\_\_\_\_ of these instructions, of such excess of collected funds as will not be needed in this account for current operating purposes.

Withdrawals from this account may be made by the conservator for any purpose authorized herein.

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Chapter V

ASSISTANTS TO CONSERVATORS.

The Conservator may appoint a competent person or persons to serve as his assistant or assistants. An assistant to a conservator shall have the right to sign in the name and on behalf of the conservator checks drawn on any account mentioned herein, to the extent and under the circumstances herein authorized, as well as to perform such other purely ministerial duties and functions of a routine nature and not involving the exercise of discretion, as the conservator may from time to time delegate and authorize.

The name of any such assistant shall upon appointment be promptly certified to the Comptroller of the Currency and to the Federal reserve bank and the conservator's depositary bank. When notifying the Federal reserve bank and depositary bank of the appointment of any such assistant, the conservator shall furnish them respectively with a specimen signature of such assistant.

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CERTAIN SECTIONS OF INSTRUCTIONS OF THE COMPTROLLER OF THE CURRENCY TO  
CONSERVATORS OF NATIONAL BANKS.

356 Renewal of Bills Receivable

Conservators are authorized, when, in their discretion, they may deem it advisable, to renew or extend maturing paper held unpledged by the banks in their charge for not exceeding thirty days from and after maturity. In cases of such renewal or extension, care should be exercised to see that no parties liable thereon are discharged. Makers and indorsers should sign and indorse the renewal notes and the same should otherwise be of the tenor of the original obligations except as to dates and maturities and except also in the case of renewals and extensions (a) that principal of such obligations may be reduced and (b) that additional collateral or security may be obtained.

No renewal or extension can be granted without the payment of interest due on the renewed or extended obligation and/or prepaid upon a discount basis on such obligation; but no collateral is to be released except with the consent of this office.

Notes or other evidences of debt pledged for the payment of the bank's obligations may, when sent to conservators in trust for the purpose, be renewed or extended upon such terms and under such conditions as are hereinbefore set out in respect of unpledged notes and upon such further terms and conditions not inconsistent herewith as may be agreed upon by the pledgee. Before renewing or extending any such pledge note, conservators must secure the written consent of the pledgee to such renewal or extension, unless such consent is given at the time the notes are forwarded to conservators for the purpose of re-

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newal or extension in whole or in part or for collection.

Conservators are authorized and empowered to forward renewal notes and extended notes to the pledgees entitled thereto, and the indorsement by the conservator of such notes made in the name and on behalf of the pledgor bank shall bind the latter and its assets to the same extent as, but to no greater extent than, the pledgor bank was bound on and by the original obligation. Payments made on account of principal and/or interest on pledged paper should be forwarded to the pledgees entitled thereto. ( *Steading* )

402 Bank's Old Reserve Account.

The conservator should make no remittances or transfers for credit to bank's old reserve account and should draw no drafts whatever against such old account. The Federal reserve bank may be requested to make transfers to the conservator's special account, described below, of funds which have been credited to the bank's old reserve account but which the conservator has definitely determined to represent segregated deposits and which should have been credited to a special account in the Federal reserve bank. Where the bank in the hands of a conservator is not indebted to the Federal reserve bank or where the old reserve balance exceeds the amount of the indebtedness to the Federal reserve bank, the Federal reserve bank may be requested to make transfers of such excess amount to the conservator's general account, described below, with the authorization of the Comptroller of the Currency.

These transfers to the conservator's special account or general account may not be made by drafts or checks drawn by the conservator, but must be made with the consent of the Federal reserve bank under special arrangements agreed to by it.

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403 Conservator's Special Account.

If the conservator has been authorized to accept new deposits which are not subject to any limitation as to payment or withdrawal, to be segregated as provided in section 206 of the Bank Conservation Act, the funds received pursuant to such authority may be deposited in the Federal reserve bank of the district in which such bank is located in a special account in the name of the conservator which account may be styled substantially as follows:

" \_\_\_\_\_ Conservator's Special Account  
(Bank and address)

\_\_\_\_\_ (Conservator) \_\_\_\_\_ "

The conservator may deposit with the Federal reserve bank in this account cash, Government checks, checks and other cash items which the Federal reserve bank can collect at par.

The Federal reserve bank may receive and handle all cash items deposited in this account subject to the terms and conditions of Regulation J of the Federal Reserve Board and of such bank's current circular regarding the collection of cash items.

The Federal reserve bank will not be expected to give credit for such checks and other cash items in accordance with its published time schedules which are used in giving credit to member banks, but may increase the time of credit availability in such time schedules by a number of days estimated to be suffi-

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cient to obtain mail advice of non-payment of such items. The conservator, however, should bear in mind that all such items are received by the Federal reserve bank subject to final payment and that withdrawals of deposits represented by such checks and other cash items should not be permitted by the conservator until sufficient time has elapsed to permit of the collection of such items in accordance with the foregoing provisions. The conservator may be held accountable for any loss resulting from the payment of such deposits in violation of these instructions.

The conservator may accept maturing notes, drafts, Government obligations and other non-cash items for collection and for credit when collected to the special segregated accounts of depositors. The Federal reserve bank may receive and handle such non-cash items for collection and credit on its books to the conservator's special account, in accordance with its non-cash collection circular. The conservator will be advised of such credit in each instance and should not permit any withdrawals of deposits represented by such non-cash items until he has received such advice.

All deposits by the conservator in the conservator's special account at the Federal reserve bank and all non-cash items sent to the Federal reserve bank for collection and credit of the conservator's special account should be marked so as to indicate clearly to the Federal reserve bank that such items are for the

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credit of such special accounts.

All items sent to the Federal reserve bank by the conservator for credit to this account, whether cash items or non-cash items, should be indorsed, "Pay to the Order of the Federal Reserve Bank of \_\_\_\_\_ for credit to Conservator's special account

\_\_\_\_\_ (Bank and address)

By \_\_\_\_\_  
(Conservator)

All prior indorsements guaranteed."

The conservator may draw drafts against this special account at the Federal reserve bank (a) in payment of checks or drafts drawn by depositors against such special segregated deposits when presented to him by other banking institutions; (b) in order to provide himself with cash with which to pay such depositors; or (c) to provide depositors in such segregated accounts with drafts for exchange purposes.

All drafts against such account should be signed by the conservator and otherwise identified in such manner as to show clearly the account to which they should be charged.

If the bank which is in conservatorship accepted new deposits withdrawable without restriction pursuant to agreement or under State legislation, gubernatorial proclamation or Presidential proclamation and opened and maintained a special account with the

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Federal reserve bank, representing such new deposits, the Federal reserve bank should be requested to transfer the balance now carried in such special account to the Conservator's Special Account at the Federal reserve bank.

404. Conservator's General Account.

Funds received by the conservator in connection with his conservatorship from any source other than from special segregated deposits referred to above may be deposited in the Federal reserve bank of the district in which such bank is located in a general account in the name of the conservator which account may be styled substantially as follows:

" \_\_\_\_\_ Conservator's General Account  
(Bank and address)

\_\_\_\_\_ (Conservator) "

Any collections made by the conservator upon the unpledged assets of the bank while in conservatorship may be deposited in this general account.

The conservator may deposit with the Federal reserve bank in this account cash, Government checks, checks and other cash items which the Federal reserve bank can collect at par.

The Federal reserve bank may receive and handle all cash items deposited in this account subject to the terms and conditions of Regulation J of the Federal Reserve Board and of such bank's current circular regarding the collection of cash items.

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The Federal reserve bank will not be expected to give credit for such checks and other cash items in accordance with its published time schedules which are used in giving credit to member banks, but may increase the time of credit availability in such time schedules by a number of days estimated to be sufficient to obtain mail advice of non-payment of such items. The conservator, however, should bear in mind that all such items are received by the Federal reserve bank subject to final payment.

The conservator may deposit in such general account maturing notes, drafts, Government obligations and other non-cash items for collection and for credit when collected. The Federal reserve bank may receive and handle such non-cash items for collection and credit on its books to the conservator's general account, in accordance with its non-cash collection circular, and the conservator will be advised of such credit in each instance.

All deposits by the conservator in the Conservator's General Account at the Federal reserve bank and all non-cash items sent to the Federal reserve bank for collection and credit of the Conservator's General Account should be marked so as to indicate clearly to the Federal reserve bank that such items are for the credit of such general account.

All items sent to the Federal reserve bank by the conservator for credit to this account, whether cash items or non-cash items,

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should be indorsed, "Pay to the Order of the Federal Reserve Bank  
of \_\_\_\_\_ for credit to Conservator's General Account

\_\_\_\_\_ (Bank and address)

By \_\_\_\_\_  
(Conservator)

All prior indorsements guaranteed."

The conservator may withdraw funds from this general account  
only when and as authorized by the Comptroller of the Currency.

All drafts against such account should be signed by the conservator and otherwise identified in such manner as to show clearly the account to which they should be charged.

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405. Conservator's Depositary Account.

In addition to a Special Account and General Account maintained with the Federal reserve bank, the conservator may open an account with a national or State member bank, licensed to reopen by the Secretary of the Treasury, which account is referred to herein as the "Conservator's Depositary Account."

This account may be utilized for the following purposes:

- (a) As an account in which to maintain funds for current operating purposes, including salaries, supplies, and other items of expense.
- (b) For the collection, for the account and at the instance of depositors, of checks and other cash items drawn on nonpar banks which will not be accepted by the Federal reserve bank as well as any non-cash items which the Federal reserve bank will not handle. Such collections will be undertaken by the depositary at the instance of the conservator, but for the account and as agent of the owners or holders of such items. When and as the conservator may receive actual payment of such items, the proceeds may, with the acquiescence or upon the direction of the depositors, be placed in special segregated accounts to the credit of the depositors and then transferred to the conservator's special account with the Federal reserve bank.
- (c) For deposit therein of collections effected by the conservator from assets of the bank and for the deposit of cash and of checks or other items belonging to the bank.
- (d) For collection, at the instance and for the account of others, of checks or other items, whether cash or noncash, left or placed with the conservator for that purpose.

The conservator shall make transfers from time to time from the depositary account to the conservator's general account with the Federal reserve bank described on page \_\_\_\_\_ of these instructions, of such excess of collected funds as will not be needed in this account for current operating purposes.

Withdrawals from this account may be made by the conservator for any purpose authorized herein.

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Chapter V

ASSISTANTS TO CONSERVATORS.

The Conservator may appoint a competent person or persons to serve as his assistant or assistants. An assistant to a conservator shall have the right to sign in the name and on behalf of the conservator checks drawn on any account mentioned herein, to the extent and under the circumstances herein authorized, as well as to perform such other purely ministerial duties and functions of a routine nature and not involving the exercise of discretion, as the conservator may from time to time delegate and authorize.

The name of any such assistant shall upon appointment be promptly certified to the Comptroller of the Currency and to the Federal reserve bank and the conservator's depositary bank. When notifying the Federal reserve bank and depositary bank of the appointment of any such assistant, the conservator shall furnish them respectively with a specimen signature of such assistant.

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CERTAIN SECTIONS OF INSTRUCTIONS OF THE COMPTROLLER OF THE CURRENCY TO  
CONSERVATORS OF NATIONAL BANKS.

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352. Renewal of Bills Receivable. 74-1396

Conservators are authorized, when, in their discretion, they may deem it advisable, to renew or extend maturing paper held unpledged by the banks in their charge for not exceeding thirty days from and after maturity. In cases of such renewal or extension, care should be exercised to see that no parties liable thereon are discharged. Makers and indorsers should sign and indorse the renewal notes and the same should otherwise be of the tenor of the original obligations except as to dates and maturities and except also in the case of renewals and extensions (a) that principal of such obligations may be reduced and (b) that additional collateral or security may be obtained.

No renewal or extension can be granted without the payment of interest due on the renewed or extended obligation and/or preparation upon a discount basis on such obligation; but no collateral is to be released except with the consent of this office.

Notes or other evidences of debt pledged for the payment of the bank's obligations may, when sent to conservators in trust for the purpose, be renewed or extended upon such terms and under such conditions as are hereinbefore set out in respect of unpledged notes and upon such further terms and conditions not inconsistent herewith as may be agreed upon by the pledgee. Before renewing or extending any such pledged note, conservators must secure the written consent of the pledgee to such renewal or extension, unless such consent is given

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the time the notes are forwarded to conservators for the purpose of renewal or extension in whole or in part or for collection.

Conservators are authorized and empowered to forward renewal notes and extended notes to the pledgees entitled thereto, and the indorsement by the conservator of such notes made in the name and on behalf of the pledgor bank shall bind the latter and its assets to the same extent as, but to no greater extent than, the pledgor bank was bound on and by the original obligation. Payments made on account of principal and/or interest on pledged paper should be forwarded to the pledgees entitled thereto.

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Federal Reserve System - Leased Wire

April 1, 1933

Dunlop  
Minneapolis

Retel March twenty eighth STOP Treasury advises unlicensed member bank  
cannot issue drafts in payment of five per cent redemption fund charges

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Re DWB off INT  
CWB