

DECLASSIFIED

Authority NND 30026

434.1(2)
470.3

December 24, 1936

Mr. Smead

Banks whose depositors surrendered

Mr. Kennedy

or waived a portion of their deposits.

Complying with your request that the information relating to banks whose depositors surrendered or waived a portion of their deposits furnished by the Federal Reserve banks in response to letter B-869 of January 19, 1933, be reviewed and if possible summarized for the Board's information, I have gone through our files on this subject carefully, but as you know the information furnished in response to B-869 was very incomplete, in many instances the reports were not clear, and in other instances the reports furnished do not square with other information we have on file.

The Board's letter B-869 of January 19, 1933, provided in part as follows:

"In addition to banks actually closed, which should be included either in the list of suspended banks or in the list of banks closed under special holidays declared by civil authorities, we should like to have a list of all banks which, during 1932, without actually closing, (1) obtained agreements from depositors to waive or surrender a portion of their deposits, or (2) with or without signed agreements of depositors, restricted demand deposit withdrawals in any way or time deposit withdrawals beyond the terms of their by-laws. It is realized, of course, that it is difficult to obtain complete data with regard to such banks, but we should like to have you submit as complete a list thereof as can be prepared from your records. The list should show, so far as practicable, the information called for by the attached form."

The form attached to letter B-869 provided for the following information:

F. R. DISTRICT _____

BANKS WHICH DURING 1932, WITHOUT ACTUALLY CLOSING, OBTAINED DEPOSITORS' WAIVER AGREEMENTS, OR WHICH RESTRICTED DEPOSIT WITHDRAWALS

Name and location of bank	Obtained depositors' waiver agreements	Demand deposit withdrawals restricted *	Time deposit withdrawals restricted beyond terms of by-laws*
	Effective date	Period during which effective	

*Either with or without signed agreements of depositors.

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Mr. Smead — 2.

Examples of the way in which some of the information was reported are shown on the attached sheet. It will be noted in the "effective date" column "yes" was reported in 12 cases. The word "probably" was reported in 7 cases. In 14 cases the date was shown with a question mark after it and in 3 cases merely a question mark was shown. In two cases banks were shown with "not known" in the date column. In 2 other cases banks were shown with "further information not available" in the date column and in numerous cases approximate dates were given.

The Cleveland district report shows more than 300 banks as having obtained waiver agreements, nearly all of which were obtained only a short time before the banking holiday, but it appears that the banks reported in the "waiver column" were actually banks that had deferred the withdrawal of deposits rather than banks whose depositors had surrendered a portion of their deposits. At least I have checked a number of the member banks included in the Cleveland district report against examination reports and at all of the banks that I checked the Examiner reported that no waiver had been made.

In the reply of the St. Louis district to letter B-869 the statement was made that:

"To our knowledge no bank in this district obtained depositors' waiver agreements, without actually closing."

However, previous letters on file from the St. Louis Federal Reserve bank report incidentally that certain named banks obtained depositors' waivers.

It appears (assuming the Cleveland district report is inaccurate) that deposit waivers were more common in the Chicago Federal Reserve district than in any other district. In that district 98 banks were listed in the reports furnished in response to letter B-869. In 62 cases all of the information called for by the form was given. In the other cases the information reported was not clear, in fact it is impossible in a number of instances to tell from the reports whether there was a waiver of deposits or whether the data in the "waiver" column was intended to refer to the "deferment" column. The Chicago district report is attached.

Even in the cases where all of the information called for in letter B-869 was reported there is no indication as to the amount of deposits waived, and it seems to me that such information is very important if banks whose depositors have waived deposits are to be considered in connection with bank suspension statistics.

In view of the fact that the information reported in response to B-869 was incomplete and as it appears that there were a number of inaccuracies in the reports, I suggest that we write no memorandum to the Board on the basis of the information already on hand, but that if additional information is later obtained on the subject that we then prepare a summary for the Board.

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Several examples of the way in which information was reported (in response to B-869 of January 19, 1933) regarding banks whose depositors waived a portion of their deposits.

Name and location of bank		Obtained depositors' waiver agreements
		Effective date
First National Bank	Cayuga, Ind.	Yes
Union City National Bank	Union City, Iowa	Yes
First National Bank	Clinton, Ind.	Yes
First Peoples State Bank	Traverse City, Iowa	Yes
First National Bank	Dana, Ind.	Yes
First National Bank	Manistee, Iowa	Yes
Citizens State Bank	Newport, Ind.	Yes
First National Bank	Plymouth, Iowa	Yes
R. H. Nixon & Co.'s Bank	Newport, Ind.	Yes
Perrysville Bank	Perrysville, Ind.	Yes
First National Bank	Russiaville, Ind.	Yes
American State Bank	St. Bernice, Ind.	Yes
American National Bank	Arlington, Iowa	Probably
Farmers Savings Bank	Clermont, Iowa	Probably
Elgin State Bank	Elgin, Iowa	Probably
Citizens State Bank	Hawkeye, Iowa	Probably
First National Bank	Hawkeye, Iowa	Probably
Maynard Savings Bank	Maynard, Iowa	Probably
State Bank of	West Union, Iowa	Probably
First National Bank	McGregor, Iowa	Feb. 2 ?
Farmers Savings Bank	Garber, Iowa	Feb. 2 ?
Farmers State Bank	Garnavillo, Iowa	Feb. 2 ?
Garnavillo Savings Bank	Garnavillo, Iowa	Feb. 2 ?
Clayton County State Bank	Guttenburg, Iowa	Feb. 2 ?
Guttenburg State Bank	Guttenburg, Iowa	Feb. 2 ?
Littleport Savings Bank	Littleport, Iowa	Feb. 2 ?
Luana Savings Bank	Luana, Iowa	Feb. 2 ?
State Bank of McGregor	McGregor, Iowa	Feb. 2 ?

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Name and location of bank		Obtained depositors' waiver agreements Effective date
Farmers State Bank	Monona, Iowa	Feb. 2 ?
Monona State Bank	Monona, Iowa	Feb. 2 ?
Farmers State Bank	St. Olaf, Iowa	Feb. 2 ?
Bank of Lake Leelanau	Lake Leelanau, Iowa	Apr. 6 ?
Leelanau County Bank	Northport, Iowa	Apr. 6 ?
Peoples National Bank	Bronson, Iowa	?
First National Bank	Wilson, N. C.	?
National Exchange Bank	Weston, W. Va.	?
The Bloomburg State Bank	Bloomburg, Texas	Not known
McAllen State Bank	McAllen, Texas	Not known
Citizens National Bank	Brownwood, Texas	Further information not available
First State Bank	Rochester, Texas	Further information not available
City National Bank	Dixon, Ill.	Prior to August 17
Dixon National Bank	Dixon, Ill.	Prior to August 17
First National Bank	Bakerton, Pa.	Sometime during 1932
First National Bank	Spangler, Pa.	Sometime during 1932

This file contained a transcript of a copyright-protected article that has been removed.

The citation for the original is:

“South Carolina Upheld on State Bank Law.” The Journal of Commerce, December 5, 1933.

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434, 1(2)

October 28, 1936

470-3 ✓

Mr. Smead

Mr. Horbett

Division of Bank Operations File

Pursuant to our conversation a couple of weeks ago, I asked Mr. Sweet of the Federal Reserve Bank of Chicago whether, upon his return to Chicago, he would ascertain to what extent the Federal Reserve bank had records available with respect to the waiver or surrender of a portion of deposits by depositors of member and nonmember banks. In order to illustrate the kind of information in which we were interested, I gave him a copy of the attached proposed table and extract from the proposed letter. Mr. Kennedy and I told Mr. Sweet that we did not want any compilations made at this time but simply wanted to learn informally to what extent the desired information was now available at the Federal Reserve bank with respect to national banks, State bank members and nonmember banks.

I understood from Mr. Sweet that he would let me know about the matter shortly after his return to Chicago. Mr. Garlock asked me last Saturday what progress we had made in obtaining the material. I told him that we had informally asked a representative of a Federal Reserve bank to let us know what was available and that upon receipt of this information we would decide whether or not we would request the Federal Reserve banks to make any compilation. Not having heard from Mr. Sweet I dropped him a note about the matter, copy attached, and you will note from his reply that they have written to the five State banking departments in the district for the purpose of ascertaining whether their records are in such shape that the information may be collected from them without much difficulty. Since the State banking departments have not actually been requested to furnish the data, I see no harm in merely asking them what is available. However, the Federal Reserve bank went beyond any suggestion that we made here to Mr. Sweet; we tried to make clear that at this time we simply wanted to know what was available at the Federal Reserve bank.

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Attachments.

DMC

JH

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Authority NND 30026

C
O
P
Y

Division of Bank Operations File

October 24, 1936

434.1(h)
General
470.3

Mr. John L. Sweet
Division of Research
Federal Reserve Bank of Chicago
Chicago, Illinois

Dear Mr. Sweet:

The question has been raised again as to whether we are likely to be able to collect any satisfactory information at this time with respect to waivers of deposits at national and State banks, both before the banking holiday as well as incident to re-organisation following the banking holiday. Quite likely you accumulated such a list of questions on your visit here that you have been unable to find time as yet to look into this matter. I shall appreciate it, however, if you will drop me a note as to whether you have had an opportunity to look into it and, if so, whether any appreciable amount of work would be involved in assembling the available data.

Very truly yours

J. E. Horbett, Ass't. Chief,
Division of Bank Operations.

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MEMORANDUM:

File

Mr. Stevens called me on the telephone twice today. In his first conversation, he stated that he had wired the Governor last night quoting the proclamation issued by the Governor. *Michigan* The proclamation, he stated, "threw a bombshell" into the situation and created considerable confusion, because the first part of the proclamation ordered the banks to open up tomorrow, and the latter part continued the holiday. Furthermore, the proclamation provided that the out of town correspondents of the Detroit banks in Michigan should be permitted to draw against their reserve balances with the Detroit institutions.

According to Mr. Stevens, the general impression is that the proclamation was the result of pressure from the out of Detroit banks. The Detroit Clearing House Association, he stated, had a meeting last night and considered the matter in all its aspects. They decided to refuse to permit withdrawals by correspondent banks against reserve balances, except on the same basis that other withdrawals are permitted, because of the danger of creating preferences. The Association issued the following statement which appeared in the Detroit papers this morning:

"We commend the Governor upon his decision to continue the bank holiday for the protection of all depositors until national and state legislation can clarify the situation. The Detroit Clearing House banks will make no further distribution for the time being, but will operate their holiday functions as during the past week. Everything possible will be done under the authority of the present law to lighten the inconvenience to the public."

Mr. Miller
Mr. J. 470.3
Mr. Horn
 February 22, 1933.
CW
470.3
Mr. McLaughlin
Mr. [unclear]
Mr. [unclear]
Mr. [unclear]

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Mr. Stevens said that the First National group is still considering the possibility of creating a new institution and that it is now awaiting a definite answer from the R. F. C. as to what it will do. In the meantime, the Guardian seems to be going around in circles and apparently has reached no definite conclusion.

In my second conversation with Mr. Stevens, he stated that the First National group this morning had a meeting with some of its larger depositors and that he understands that these depositors very willingly agreed to go along on the proposal to create a new bank. I asked Mr. Stevens what this meant. He replied that it meant that the depositors were willing to contribute to the capital of the new institution. The First National group is still, he stated, waiting for some reply from the R. F. C. as to what that organization will do.

Mr. Stevens had luncheon with 5 or 6 of the directors of the Guardian Trust Company. They knew what the First National Group was planning to do, and apparently felt that the Guardian Trust Company should take similar action. When they left the luncheon they stated that they were going to get the Board of Directors of the Guardian together this afternoon with the view of working out some definite and concrete plan for the creation of a new institution.

I asked Mr. Stevens whether the people in Detroit are counting on anything from the F. R. Bank of Chicago. He replied that the F. R. Bank had informed them that they could not make a loan under section 10a

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of the F. R. Act, and that nothing further had come up about the matter. I told him that I understood the other day from Mr. McKay that the Bank had made a commitment to take approximately \$5,000,000 of eligible paper from the First National, and inquired whether this commitment is still outstanding. He stated that he supposed it was still good. The First National, he stated has very little eligible paper, but he called attention to the fact that the F. R. Bank of Chicago already has taken a large amount of Governments from it. The Guardian Trust Company, according to Mr. Stevens, has practically no eligible paper.

F.R.B.
[Signature]

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Authority NND 30026*Mr. Ken*
FEDERAL RESERVE BOARD**WASHINGTON****ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD**February 4, 1933
B-876**SUBJECT: Monthly reports of bank holidays.**

Dear Sir:

It has been the custom to ask each Federal reserve bank by telegram, around the middle of each month, for a list of the holidays to be observed during the following month by the bank and by each of its branches (if any). The information thus obtained has been transmitted to all Federal reserve banks in a circular letter, with advice as to which Federal reserve banks and branches would be closed and would not, therefore, participate in the Gold Settlement Fund and Federal Reserve Note clearings. It has also been the custom, in connection with the compilation of the monthly statement of debits to individual accounts, to obtain similar information from the Federal reserve agents at the beginning of each year with respect to holidays observed in each state around the beginning and end of each month.

In order that the information for the above purposes may be supplied regularly and without special request, it will be appreciated if hereafter you will mail to the Board, not later than the fifteenth of each month, a list of all holidays scheduled to be observed by banks in your district in the following calendar month, giving the day, date,

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and nature of the holiday, and the states or cities in which it is to be observed. In the case of holidays to be observed by banks in Federal reserve bank or branch cities, please indicate in each case whether the Federal reserve bank or branch itself will be closed. The Board should be advised promptly by telegraph of any additional holidays that are declared after the submission of the original report, except special or "moratorium" holidays proclaimed by civil authorities for the purpose of enabling banks to reorganize or obtain depositors' waiver and/or deferment agreements, which are to be reported by Federal reserve agents in accordance with the provisions of the sixth paragraph of our letter of January 19, 1933. It will also be appreciated if statements covering the months of January and February, 1933, are mailed to the Board promptly upon the receipt of this letter.

Very truly yours,

Chester Morrill,
Secretary.

TO ALL GOVERNORS EXCEPT ST. LOUIS --
special letter to St. Louis

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FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

January 19, 1933
B-869

SUBJECT: Bank suspensions during 1932

Dear Sir:

It will be appreciated if you will kindly have the number of banks shown for your district in the attached preliminary statements of bank suspensions and reopenings during 1932 checked against your records, and advise us whether or not they are in agreement therewith. If any differences are found, kindly give the name, location, capital and deposits of each bank that should be added to or eliminated from the statements. The names of the banks included in the inclosed summary tables may be ascertained by referring to the lists of banks suspended and reopened, furnished you each month for checking purposes, as the summary is based on such monthly statements, after taking into account the corrections that are also shown therein.

The deposit figures for State banks, as given in the tables, include preliminary data for December in the case of most of such banks, and accordingly will be revised upon receipt of additional reports on form St. 6386b. If, however, the deposit

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figures for any state in your district, as shown in the attached statement, differ materially from corresponding figures compiled by your bank, it will be appreciated if you will furnish us a statement showing the deposits of each suspended State bank in the State. The deposit figures for national banks, in accordance with the arrangement described in our letter B-701 of March 4, 1932, were furnished by the Comptroller's office.

In compiling the Board's statistics of bank suspensions it has been our policy to include every bank closed either temporarily or permanently on account of financial difficulties, whether on a so-called moratorium basis or otherwise, unless the closing was under a special bank holiday declared by civil authorities. If a bank closed under a special holiday declared by civil authorities and remained closed only during such holiday or part thereof, it has not been included with bank suspensions in our records. In order, however, that there may be no doubt that the record for 1932 corresponds with this policy, it is requested that the monthly lists of bank suspensions during 1932 be checked in this respect.

On the basis of the data submitted in response to our telegram of November 3, 1932, TRANS 1524, the attached list has been prepared of banks in your district that closed during the period (or part thereof) of a special holiday declared by civil authori-

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ties, and it will be appreciated if this list is checked against the records of your bank. It will be noted that in a number of instances some of the data called for in the attached statement are not shown, and it is hoped that you will be able to supply the missing data in the case of each bank.

In addition to banks actually closed, which should be included either in the list of suspended banks or in the list of banks closed under special holidays declared by civil authorities, we should like to have a list of all banks which, during 1932, without actually closing, (1) obtained agreements from depositors to waive or surrender a portion of their deposits, or (2) with or without signed agreements of depositors, restricted demand deposit withdrawals in any way or time deposit withdrawals beyond the terms of their by-laws. It is realized, of course, that it is difficult to obtain complete data with regard to such banks, but we should like to have you submit as complete a list thereof as can be prepared from your records. The list should show, so far as practicable, the information called for by the attached form.

It will be appreciated if in the future you will furnish the Board wire advice of all banks closed under special holidays declared by civil authorities, as well as of suspensions and reopenings. Telegrams reporting bank suspensions should contain the word "suspended" and the date of suspension, and telegrams reporting banks closed under special holidays declared by civil

(B-869)

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authorities should contain the term "special holiday," the date of closing, and the dates of the beginning and ending of the holiday. Any extensions of the periods of such holidays should also be reported to the Board. In case a bank reported as having closed under a special holiday is later taken over by the banking department, it should, of course, be reported as having suspended. It is also requested that you furnish the Board with a monthly report, in the same form as requested herein for the year 1932, giving such information as may be available with regard to banks which during the month, without actually closing, obtained depositors' waiver agreements, or which, with or without signed agreements of depositors, restricted demand deposit withdrawals in any way or time deposit withdrawals beyond the terms of their by-laws.

As it is proposed to publish final figures on bank suspensions, for the year 1932, in the forthcoming February issue of the Federal Reserve Bulletin, it will be appreciated if you will advise us as early as convenient of any necessary changes in the figures shown in the attached statements of bank suspensions and reopenings.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

Inclosures.

(B-869

TO F. R. AGENTS AT SAN FRANCISCO AND CHICAGO -- KANSAS CITY, inclusive

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Authority NND 30026

F. R. DISTRICT _____

BANKS WHICH DURING 1932, WITHOUT ACTUALLY CLOSING, OBTAINED DEPOSITORS' WAIVER AGREEMENTS, OR WHICH RESTRICTED DEPOSIT WITHDRAWALS

Name and location of bank	Obtained depositors' waiver agreements	Demand deposit withdrawals restricted *	Time deposit withdrawals restricted beyond terms of by-laws*
	Effective date	Period during which effective	

*Either with or without signed agreements of depositors.

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Form No. 181

Office Correspondence

FEDERAL RESERVE
BOARDDate January 17, 1933 470.3To Mr. SmeadSubject: Banks operating under aFrom Mr. Horbettmoratorium

2-8495

If the letter to the Federal reserve agents is amended to include banks which restrict ^{ad} deposit withdrawals beyond the terms ^{of their} ~~bank~~ by-laws without obtaining the consent of the depositors, it will be necessary to add a number of banks to the lists already prepared for transmission to the agents. The number, however, is not very large, except perhaps in the Chicago district where, as I have frequently emphasized, it is utterly impossible to determine from Chicago's report just how to classify the banks. For this reason I have not even attempted to make a classification in the Chicago district, feeling that nothing that I might do would give you a better idea of the chaotic state of Chicago's report than an examination of the report itself. In the case of the other districts, the banks that ~~would~~ ^{might} have to be added if you finally do decide to amend the letter are as follows:

District 1Written notice on savings deposits, 60 days - 18 months

Berlin National Bank	Berlin, N. H.
City National Bank	"
Berlin Savings Bank & Tr. Co.	"
City Savings Bank	"
Fidelity Savings Bank	"

District 3

Gossip or unofficial information that some banks have limited withdrawals, but no list of such banks was furnished.

District 4

Checking account withdrawals limited to 5 per cent per month

First National Bank	Fleming, Ky.
First American Bank	Wilmore, Ky.

* In some of these cases the restrictions were probably within the by-laws.

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Mr. Smead - #2

District No. 5

In the case of this district the correspondence indicates that you authorized the Federal reserve agent to confine his report to member banks. Do you think, in view of this, that the Federal reserve agent, in response to the present letter will again confine his report to member banks? If so, we will of course be unable to furnish any reasonably complete statistics on the subject.

District 6

Banks restricted cash withdrawals for a time

First National Bank	Bristol, Tenn.
Peoples Bank	Biloxi, Miss.
First National Bank	"
First National Bank	Waynesboro, Miss.

Limited withdrawals to 20 per cent under a special provision of State law

Punta Gorda State Bank	Punta Gorda, Fla.
Bank of La Belle	
Lee County Bank & Trust Co.	Fort Myers, Fla.
Ft. Pierce Bank	" Pierce, Fla.
Exchange Bank	Tallahassee, Fla.
Bank of Everglades	
Farmers Bank	Vero Beach, Fla.

Restricted time deposits in accordance with required notes, and restricted amount withdrawable on demand deposits

Kentwood Bank	Kentwood, La.
Amite Bank & Trust Co.	Amite, La.
Independence Bank & Trust Co.	Independence, La.
Hammond State Bank & Trust Co.	Hammond, La.
Citizens National Bank	"
Merchants & Farmers Bank & Tr. Co.,	Ponchatoula, La.
Ponchatoula Bank and Trust Co.	"
Livingston Bank	Denham Springs, La.
Albany Branch Livingston Bank	Albany, La.

Districts No. 8-12

No banks to be added.

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January 4, 1933

Mr. Sneed

Banks operating under

Mr. Horbett

moratorium or holiday plan.

470.3

Attached hereto is a draft of a letter on bank moratoria which I assume you will want to go out as soon as practicable.

The difficulty that we have had in trying to draft something on the subject has been due, I believe, to the fact that we have been trying to decide what our policy should be with respect to statistical presentation of the data before we actually knew what the data would show. There can be little question that, from the standpoint of depositors, the effect of the reorganization of a bank under a moratorium or holiday plan is essentially the same as in the case of a reopening following suspension or receivership. That being true, it would appear offhand that the moratoria bank statistics should be combined with those relating to suspended banks, but here we encounter the difficulty that it is just about impossible -- at present -- to obtain definite information on the subject, not only with respect to state banks, but even as to national banks about which the Federal Reserve System certainly ought to know.

Under the circumstances, it seems to me that the only line of demarcation that can perhaps be observed ^{is} between ~~the~~ banks that close incident to a special holiday, and those that closed by action of boards of directors or supervisory authorities without such a holiday. Sooner or later it may be desirable to combine moratorium statistics with those of suspensions, but whether or not that will ever be done it certainly appears clear that we should gather whatever information can be obtained with respect to all closings.

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Mr. Sneed - #2

An important thing to be kept in mind, however, is that if the Federal Reserve Bank of Chicago cannot obtain fairly satisfactorily information with respect to bank moratoria, then there is no use trying to get it for other districts, in view of the fact that there appear to be 10 times as many banks operating on the moratorium plan in that district as in all of the other districts combined. This being true, I would suggest that you telephone either Mr. Stevens or Mr. Young and find out what are the chances of obtaining the names of nonmember banks concerned, the period during which each bank remained closed, whether the closing was incident to a holiday, and the beginning and ending dates of holiday.

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January 4, 1933

Dear Mr. Stevens:

In connection with the Board's circular letter B- of this date, the lists inclosed therewith, of banks that operated on a moratorium basis during 1932, do not, in the case of your district, cover nonmember banks, inasmuch as the data furnished by you in response to the Board's telegram of November 3, 1932, included only summary figures with respect to nonmember banks. Your records doubtless show the names of the nonmember banks included in your summary, and it is, therefore, requested that you furnish the same information with respect to each nonmember bank as is shown (or called for) with respect to member banks, so that we may determine in each case (1) whether the bank actually suspended, (2) whether it was closed only during a special holiday period, or (3) whether it reorganized, obtained depositors' agreements, etc., without actually closing.

It is realized that, due to the difficulty of obtaining information with respect to the closing of such banks, you may not at this time have sufficient data to permit of a definite grouping of the banks. It will be appreciated, however, if you will make the best grouping that can be made in the light of the information that you now have and furnish us with a preliminary statement, to be followed later by a statement giving definite information in the case of those banks for which that is not now available.

*See letter Jan 19/35
B-869*

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differ materially from corresponding figures compiled by your bank, it will be appreciated if you will call attention to the differences and furnish a statement showing the deposits of each suspended bank in the state as given by your records. The deposit figures for national banks, in accordance with the arrangement described in the Board's letter B-701 of March 4, 1932, were furnished by the Comptroller's office.

The Board's lists of bank suspensions have not included, so far as is known, banks that closed to depositors as a result of the declaration of a special holiday by civil authorities and remained closed only during such period (or a part thereof), unless such banks were placed in charge of supervisory authorities before the expiration of the period. In order, however, that there may be no doubt on this point, it is requested that the monthly lists of bank suspensions during 1932 be checked in this respect.

A list has been prepared of banks closed as a result of and only during the period (or a part thereof) of a special holiday, based on the data submitted in response to the Board's telegram of November 3, 1932, TRANS 1524. A copy of this list covering your district is inclosed for checking. It is also requested that the information called for by the box headings, with respect to the duration of the holiday and of the bank's closing, be obtained and furnished the Board if not already shown.

In addition, a list has been prepared of banks reported in response to the Board's telegram of November 3, 1932, as having operated under some form of moratorium, with respect to which the available information does not show clearly (1) whether the banks actually suspended, (2) whether they were closed only during a special holiday period, or (3) whether they reorganized, obtained depositors agreements, etc., without actually closing. In the case

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of each of these banks, it will be appreciated if you will obtain and submit the following information:

(1) Was a holiday declared by the civil authorities? _____

If so, give duration: From _____
To _____

(2) Was the bank closed to depositors at any time? _____

If so, give date of closing _____
" " resumption of business _____

(3) Was ^{the} bank taken over by supervisory banking authorities? _____

If so, give date on which taken over _____

(4) Was ^{the} bank taken over by another institution? _____

If so, by whom taken over and date _____

In view of the numerous closings of banks incident to specially declared holidays, the Board's statistics of suspensions and reopenings are ^{no} ~~longer fully representative for some parts of the country~~ ^{as heretofore of banking institutions as heretofore}. This situation is further aggravated by the fact that waiver agreements are often obtained from depositors without any actual closing of the bank, though such agreements, in some respects, have the same effect on depositors as if the bank had suspended. Although it appears impracticable to obtain definite and complete information with respect to banks closed in connection with specially declared holidays or banks reorganized without closing, due to the fact that banking authorities often are not aware of the facts or have not taken official cognizance thereof, it is believed important to collect whatever data can be obtained with respect to such banks. It is, therefore, requested that as soon as practicable after the end of each month, beginning with January 1933, you

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furnish the Board with a list of all banks closed to depositors during the month as a result of and only during the period (or a part thereof) of a special holiday declared by civil authorities, together with a list of banks closed under such circumstances which resumed operations during the month. In the case of each bank the report should give the beginning and ending dates of the holiday period and of any extensions thereof, *and the date the bank closed or resumed operations.*

As it is proposed to publish final figures on bank suspensions, for the year 1932, in the forthcoming February issue of the Federal Reserve Bulletin, it will be appreciated if you will call attention, as early as convenient, to any necessary changes in the figures shown in the attached statements of bank suspensions and reopenings.

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District 1 -- Boston

**BANKS CLOSED DURING 1932 AS A RESULT OF AND ONLY DURING THE PERIOD
(OR A PART THEREOF) OF A SPECIAL HOLIDAY DECLARED BY CIVIL AUTHORITIES**

Name and location of bank	Duration of holiday			Date bank closed	Date bank resumed operations
	Number of days	From	To		

None

**BANKS REPORTED AS HAVING OPERATED UNDER A MORATORIUM, WITH RESPECT TO
WHICH ADDITIONAL INFORMATION IS DESIRED.**

None

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Form No. 181

Office Correspondence

FEDERAL RESERVE
BOARDDate November 30, 1932To Mr. HorbattSubject: Banks operating on a moratoriumFrom Mr. Kennedy *mk*basis

2-8495

I have gone over the replies submitted by the various Federal reserve agents to the Board's TRANS wire 1524 regarding banks operating on a moratorium basis and have classified those banks which were reported to have stopped paying deposits for any period, as follows: (A list is attached hereto)

1. Banks closed as a result of public proclamation by state or local authority and not in Board's bank suspension records.
2. Banks closed on own account and not in Board's bank suspension records.
3. *Banks closed for which the* ~~Manner in which closing was brought about~~ *is* unknown and banks not in Board's bank suspension records.
4. Banks closed as a result of public proclamation by state or local authority and included in Board's bank suspensions records.

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BANKS CLOSED AS RESULT OF PUBLIC PROCLAMATION BY STATE OR LOCAL AUTHORITY AND
 NOT IN BOARD'S BANK SUSPENSION RECORDS

(In many instances there are banks in the cities where holidays have been declared that have not been reported to the Board as having taken advantage of the holiday. Those banks are listed in parentheses)

District No. 7

First National Bank (Busey's State Bank)	Urbana	Ill.	7-day holiday
Aurora National Bank	Aurora	Ill.	5-day holiday
Merchants National Bank	"	"	"
Old Second National Bank	"	"	"
First National Bank (Broadway Trust Company)-	"	"	"
Citizens National Bank (First Natl. Bank & Tr. Co.)	Chicago Heights	Ill.	7-day holiday
First National Bank	Fonda	Iowa	Holiday for waivers
Citizens National Bank (Franklin Co. State Bank) (Robinson Brothers Bank)	Hampton	Iowa	"
First National Bank (Iowa State Bank)	Hull	Iowa	Holiday for waivers
✓ First National Bank (Peoples Tr. & Svgs. Bk.) (Security Svgs. Bank) (State National Bank)	Iowa Falls	Iowa	"
First National Bank (American Tr. & Svgs. Bank) (LeMars Loan & Trust Co.) (LeMars Savings Bank)	LeMars	Iowa	Holiday for waivers
First National Bank (Farmers Savings Bank) (First Tr. & Svgs. Bank)	Remsen	Iowa	Holiday for waivers

District No. 8

Central Missouri Trust Co.	Jefferson City	Mo.	Feb. 15 to Feb. 23
First National Bank	"	"	"
Exchange National Bank	"	"	"
Cole County Bank	"	"	"

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BANKS CLOSED AS RESULT OF PUBLIC PROCLAMATION BY STATE OR LOCAL AUTHORITY AND
NOT IN BOARD'S BANK SUSPENSION RECORDS (CONT'D)District No. 8 - (Cont'd)

Farmers and Merchants Bank	Hermann	Mo.	July 22 to Aug. 22
Hermann Savings Bank	"		"
Peoples Bank	"		"
Wentzville Bank	Wentzville	Mo.	Sept. 6 to Oct. 7

District No. 9

Harmony State Bank	Harmony	Minn.	June 13 for 3 days
Peoples State Bank	"		"
First National Bank	"		"
National Bank of Dodge County	Kasson	Minn.	Oct. 10 for 1 week
National Farmers Bank	"		"
Citizens & Security Natl. Bank (Farmers-Merchants State Bank)	St. James	Minn.	Oct. 10-13 and 14
First National Bank (State Bank of Ceylon)	Ceylon	Minn.	July 9 to July 18

District No. 10

Monte Vista Bk. & Tr. Co.	Monte Vista	Colo.	{ Jan. 25 to Feb. 1
Wallace State Bank	"		{ Sept. 28 to Oct. 3
First State Bank	Hotchkiss	Colo.	Jan. 27 to Feb. 1
Yampa Valley Bank	Hayden	Colo.	Feb. 15 to Feb. 22

District No. 12

Twin Falls Bk. & Tr. Co.	Twin Falls	Idaho	Oct. 3 to Oct. 17 Extended to Nov. 1 Extended to Dec. 1
Inter-Mountain State Bank	Cascade	Idaho	30 day (from about Oct. 13)

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BANKS CLOSED AS RESULT OF PUBLIC PROCLAMATION BY STATE OR LOCAL AUTHORITY AND
NOT IN BOARD'S BANK SUSPENSION RECORDS (Cont'd)District No. 12 (Cont'd)

First Inland National Bank	Pendleton,	Oregon	Oct. 18 to Oct. 29 Extended to Nov. 10 Extended to Dec. 1
Maupin State Bank	Maupin	Oregon	Oct. 21 to Oct. 31 Extended to Nov. 9 Extended to Nov. 23 Extended to Dec. 24
Eastern Oregon Banking Co.	Shaniko	Oregon	Oct. 21 to Oct. 31 Extended to Nov. 15 Extended to Nov. 30
First National Bank	The Dalles	Oregon	Oct. 21 to Oct. 31 Extended to Nov. 15 Extended to Nov. 30
Arlington National Bank	Arlington	Oregon	Oct. 24 to Nov. 12 Extended to Nov. 30
First National Bank	Heppner	Oregon	Oct. 27 to Nov. 25
Farmers & Stockgrowers Nat. Bank	"	"	Nov. 1 to Nov. 26
First National Bank	Condon	"	Oct. 29 to Nov. 27
Carson Valley Bank	Carson City	Nev.	Nov. 1 to Nov. 12 Extended to Nov. 26 Extended to Dec. 18
Henderson Banking Company	Elko	Nev.	" " "
First National Bank	Elko	"	" " " Reopened Nov. 14
Churchill County Bank	Fallon	Nev.	" " "
Reno National Bank	Reno	"	" " "
Bank of Nevada Sav. & Tr. Co.	"	"	" " "
Riverside Bank	"	"	" " "
United Nevada Bank	"	"	" " "
(First National Bank)			
Bank of Sparks	Sparks	"	" " "
Tonopah Banking Co.	Tonopah	"	" " "
Virginia City Bank	Virginia City	"	" " "
Wells State Bank	Wells	"	" " "

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BANKS CLOSED AS RESULT OF PUBLIC PROCLAMATION BY STATE OR LOCAL AUTHORITY AND
NOT IN BOARD'S BANK SUSPENSION RECORDS (Cont'd)District No. 12 -(Cont'd)

First National Bank	Winnemucca	Nev.	Nov. 1 to Nov. 12, extended to Nov. 26, extended to Dec. 8
Battle Mountain Bank	Battle Mountain	Nev.	" " "
Farmers Bank	Minden	Nev.	" " " (Reopened Nov. 4)

BANKS CLOSED ON OWN ACCOUNT AND NOT IN BOARD'S BANK SUSPENSION RECORDS

District No. 7

First National Bank	Quincy, Mich.	"Suspended for waivers - Reopened"
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District No. 9

Citizens National Bank (Faribault State Bank & Tr. Co.) (Security National Bank & Trust Co.)	Faribault	Minn.	Oct. 29 to Nov. 3
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MANNER IN WHICH CLOSING WAS BROUGHT ABOUT UNKNOWN
(Banks not in Board's bank suspension record)District No. 8

First Bank & Trust Company	Macon	Mo.	Aug. 19 to Oct. 11
Bank of St. Peters	St. Peters	Mo.	Sept. 19 to Oct. 11
Bank of St. Paul	St. Paul	Mo.	Sept. 19 to Oct. 11
Bank of O'Fallon	O'Fallon	Mo.	Sept. 19 to Oct. 11
Farmers Bank	Treloar	Mo.	Sept. 27 to Oct. 19
Marthasville Bank	Marthasville	Mo.	Sept. 27 to Oct. 19

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MANNER IN WHICH CLOSING WAS BROUGHT ABOUT UNKNOWN
(Banks not in Board's bank suspension record)

District No. 10

Rio Grande State Bank	Del Norte	Colo.	Jan. 25 to Feb. 1
Farmers & Merchants Bank	Elmo	Mo.	Aug. 22 to Sept. 1

BANKS CLOSED AS RESULT OF PUBLIC PROCLAMATION BY STATE OR LOCAL AUTHORITY
AND INCLUDED IN THE BOARD'S BANK SUSPENSION RECORDS

DISTRICT NO. 8

Bank of Eldorado Springs	Eldorado Springs Mo.	Oct. 20
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*Remove from
record*

District No. 12

Bank of Kimberly (Telegram from San Francisco under date of November 10 states that this bank was taken over by State Banking Department for liquidation and was therefore included as a suspension)	Kimberly	Idaho	Oct. 3 to Oct. 17, extended 2 or 3 days; extended to Nov. 7, extended to Nov. 15
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Form No. 181

Office CorrespondenceFEDERAL RESERVE
BOARDDate November 16, 1932To Mr. SmeadFrom Mr. HorbettSubject: Banks operating on a moratorium basis, included and not included in "suspension" figures

... 2-8495

In many cases we cannot determine, from the information reported by the Federal reserve agents, whether banks operating on a moratoria basis were actually closed to depositors during any period of time. Following, however, are typical instances where the information indicates quite clearly that depositors could not withdraw any part of their deposits for some period of time:

SPECIAL "HOLIDAY" OR "MORATORIUM" DECLARED BY LOCAL AUTHORITIESA. Banks not included in Board's figures of suspensions.

(1) More than one bank in town.

Jefferson City, Missouri, District No. 8; ~~two~~ ^{three} state and two national banks, the only banks in town; one week moratorium; during moratorium the 2 national banks consolidated; originally reported by St. Louis as suspensions, but removed upon receipt of further data.

Hermann, Missouri, district No. 8; 3 state banks, the only banks in town; 1 month moratorium; during moratorium depositors made waiver and deferment agreements.

Aurora, Illinois, district No. 7; 4 national and 1 state bank; *all closed* the only banks in town; 5 day moratorium.

(2) Only one bank in town.

Wentzville, Missouri, district No. 8; 1 state bank; 1 month moratorium; conditions of resumption not known. *closed*

Fonda, Iowa, district No. 7; 1 national bank; "holiday for waiver." *closed*

~~Coopersville, Michigan, district No. 7; one state member,~~

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Mr. Smead - #2

B. Included in Board's suspension figures

- (1) Only one bank in town.

El Dorado Springs, Missouri, district No. 8; 1 state bank,
 length of moratorium not known. *closed*

Knowles, Oklahoma, district No. 10; 1 state bank; at the time
 we included this in our suspension figures, we had no in-
 formation that a holiday initiated the closing of the bank. *closed*

NO REPORT OF SPECIAL "HOLIDAY" OR "MORATORIUM"

A. Banks not included in Board's figures of suspensions.

- (1) Only one bank in town.

District No. 8 --

Macon, Mo.
 St. Peters, Mo.
 St. Paul, Mo.
 O'Fallon, Mo.
 Marthasville, Mo.
 Treloar, Mo.

District No. 7 --

Quincy, Michigan; "suspended for waivers -- reopened"

B. Included in Board's suspension figures.

- (1) Only one bank in town.

Milford, Michigan; district No. 7; 1 state member.

Three Rivers, Michigan; district No. 7; 1 national bank

STATE-WIDE HOLIDAY

Nevada is the only state in which a special state-wide holiday has been

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Mr. Smead - #3

declared. Of the 26 banks in Nevada (9 national and 17 state), 11 banks did not take advantage of the holiday proclamation. Of the 11 banks that did not take advantage of the proclamation, 6 were national and 5 state institutions. Of the 15 banks that did take advantage of the moratorium, 2 national and 10 state banks constituted the Wingfield chain.

None of the Nevada banks have been included in the Board's figures of bank suspensions. The proclamation provided for a suspension of all debt payments for a period of 12 days. Newspaper reports indicate that there has been an extension of the holiday.

As stated in my memorandum of November 12, the state of Michigan has provided for the operation of banks under "custodianship." Under this provision, if depositors holding 85 per cent of the bank's deposits join in a plan restricting the withdrawal of deposits or providing for the reorganization of the bank or the establishment of a new bank, the courts are empowered to put such an agreement into effect upon petition of the banking commissioner and after a hearing. Provision is also made for the appointment of a receiver to liquidate such assets as may be set aside for the benefit of dissenting depositors.

The "stabilization" scheme provided for by an amendment to the Wisconsin banking law is substantially similar to the Michigan custodian scheme, except that the bank continues to operate under its own management and no special provision is made for dissenting depositors.

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November 14, 1932

Mr. Smead

Banks operating on a moratorium

Mr. Norbett

basis

470.3

(Orig. sent to Mr. Merrill & Mr. Harrison
11-15-32)**CONFIDENTIAL**

A report has just been received from the Assistant Federal Reserve Agent at St. Louis on the above subject, and following is a summary of that report to supplement my memorandum of November 12.

Thirteen banks in the 8th Federal reserve district with deposits of \$12,508,000, all of them in Missouri, have operated on a moratorium basis at some time during the present year or are operating on such a basis at the present time, including 2 national banks with deposits of \$5,530,000 and 11 nonmember banks with deposits of \$6,978,000.

In the case of 3 of the 13 banks, agreements were obtained from the depositors for the waiver of part of the deposits and the restricted withdrawal of the remainder, and in 1 other case the moratorium was declared for the purpose of obtaining depositors' agreements to limit deposit withdrawals. In the remaining instances the banks stopped receiving and paying deposits for a period of time, but the conditions under which operations were resumed have not been reported.

In 2 cities the report specifically states that holiday proclamations were issued by local authorities -- Jefferson City for 8 days and Hermann for 1 month. In the remaining cities -- Macon, Wentzville, St. Peters, Marthasville, O'Fallon and Treloar -- no information is available at present as to how the moratoria were initiated.

Checks received by the Federal reserve bank on banks operating under moratoria were sent out for collection and remittance in the usual manner, and upon their return were sent back to the Federal reserve bank's endorser with the reported reason for non-payment.

JH/fce

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November 12, 1932

Mr. Smead

Banks operating on a moratorium
 basis

Mr. Horbett

CONFIDENTIAL

A total of 829 banks in the Chicago Federal reserve district and 106 in eight other districts have been operated under some form of moratorium during the present year, and most of them are still operating on that basis, according to information submitted by the Federal reserve agents in response to our telegram of November 3. No such banks were reported in the New York and Philadelphia districts, and no report has as yet been received for the St. Louis district.

Included in the total of 935 banks are 172 national banks, 55 state bank members and 708 nonmember banks. These figures do not, of course, include banks that suspended operations and later, incident to reopening, obtained depositors' agreements of waiver and/or deferment. Such arrangements are common in connection with reopenings.

Available statistics by districts and states are shown in an accompanying table.

Types of moratoria. Due to the difficulty of obtaining specific and official information on this subject, particularly with respect to nonmember banks, it is quite probable that in some districts more banks are operating under some form of moratorium than the Federal reserve agents have reported. For example, the Assistant Federal reserve agent at Minneapolis states they have been advised there are approximately 90 state banks in Minnesota and quite a number in South Dakota, Wisconsin and Michigan on a moratorium basis, with respect to which no information is as yet available. On the other hand, the available information also indicates that in some cases the moratorium amounts to no more than enforcing the requirement that

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Mr. Smead - #2

written notice be given in advance of the withdrawal of time deposits.

All of the moratorium plans provide for (1) the deferment or restricted withdrawal of deposits, or (2) the waiver or surrender of part of the deposits, or (3) both deferment and waiver. The agreements by depositors for deferment and/or waiver are commonly presaged on plans of reorganization, including adjustments in capital structure such as reduction of capital stock, contributions by directors, and assessments upon stockholders. There is probably a provision generally for the unrestricted withdrawal of new deposits, but the reports do not cover this point except in a very few instances. An indication of the various shades of moratorium plans may be had from the following tabulation for the Chicago Federal reserve district, where the bank moratorium is most common.

<u>Types of "Moratoria"</u>	<u>Number of member banks</u>	
1. All deposit withdrawals restricted	44	
2. Time deposit withdrawals restricted	33	33
3. Time deposit withdrawals permitted only on legal notices	22	
4. Time deposit withdrawals permitted only on legal notices and demand deposits restricted	4	
5. Time deposit withdrawals not permitted, others restricted	3	
6. Plan not known	<u>73</u>	
<u>Total member banks</u> operating under moratoria	179	
<u>Number of nonmember banks</u> operating under moratoria	650	
(Classification of type of moratoria not reported)		
Total	<u><u>829</u></u>	

*Includes 30 member banks that were reported to the Federal Reserve Board as "suspended," either at the time of the moratorium or later.

It will be noted that in 22 instances, in the Chicago district, the available information indicates that the moratorium consists only in requiring that the agreed written notice be given in advance of the withdrawal of time deposits.

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Mr. Smead - #3

In the other districts, where the moratorium is not so common, the information reported does not permit of a detailed classification as to types of moratoria. Following are the general types of moratoria in such districts:

	<u>Number of banks</u>
<u>Boston District</u>	
New Hampshire -- Time deposit withdrawals restricted	5
<u>Cleveland District</u>	
Kentucky -- All deposit withdrawals restricted	3
<u>Richmond District</u>	
North Carolina -- All deposit withdrawals restricted	1
West Virginia -- Deferment of time deposits; bank agreed, however, to advance sufficient funds to pay taxes on private property.	1
<u>Atlanta District</u>	
Florida -- All deposit withdrawals restricted to 20% for 90 days	7
Louisiana -- Time deposit withdrawals permitted only on written notices and demand deposit withdrawals restricted.	8
Mississippi -- All deposit withdrawals restricted	3
Tennessee -- All deposit withdrawals restricted	1
<u>Minneapolis District</u>	
South Dakota -- Waiver of portion of deposits and restricted withdrawals of remainder	1
Minnesota -- Ditto	3
All deposit withdrawals restricted	7
Plan unknown	9
Wisconsin -- All deposit withdrawals restricted	1
<u>Kansas City District</u>	
Colorado -- Deferment of deposit withdrawals	5
Oklahoma -- Deferment of deposit withdrawals	2
Missouri -- Plan unknown	1

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Mr. Smead - #4

<u>Dallas District</u>	<u>Number of banks</u>
Texas -- All deposit withdrawals restricted	21
Waiver of a portion of deposits, and restriction on withdrawals of remaining deposits	1
 <u>San Francisco District</u>	
Idaho -- Banks closed by proclamation of local authorities in order to work out plans under which they may resume operations	3
Oregon -- Banks closed by proclamation of local authorities in order to work out plans under which they may resume operations	8
Nevada -- Banks closed by proclamation of Acting Governor in order to work out plans under which they may resume operations	15

Methods by which moratoria are brought about. Although it is disturbed banking conditions that necessitate moratoria, they are initiated in various ways. In at least three states, for example, the moratorium has been provided for by special legislation. These states are Michigan, Wisconsin and Florida. In Louisiana advantage has been taken of an old statute. A brief statement of these provisions of state banking laws follows:

Michigan. An act passed at a special session of the 1932 state legislature provides for the operation of banks under "custodianship." Under this provision, if depositors holding 85 per cent of the bank's deposits join in a plan restricting the withdrawal of deposits or providing for the reorganization of the bank or the establishment of a new bank, the courts are empowered to put such an agreement into effect upon petition of the banking commissioner

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Mr. Smead - #5

and after a hearing. Provision is also made for the appointment of a receiver to liquidate such assets as may be set aside for the benefit of dissenting depositors.

Wisconsin. Extract from banking law, May 1, 1932, chapter 220, paragraph 220.07. "Whenever the commissioner of banking, with a view to stabilizing and readjusting the banking structure of any bank, shall approve a stabilization and readjustment agreement entered into between such bank and the depositors and unsecured creditors of such bank which shall represent eighty per cent of the amount of deposits and unsecured credits of such bank, then in such case, all other depositors and unsecured creditors shall be held to be subject to such stabilization and readjustment agreement to the same extent and same effect as if they had joined in execution thereof, and their claims shall be treated in all respects as if they had joined in the execution of such stabilization and readjustment agreement."

Florida. The Florida Legislature of 1931 enacted into a law a statute whereby a state bank, in the event it senses a run, can apply to the Comptroller of the State of Florida for permission to limit deposit withdrawals to 20% of each account for a period of 90 days.

Louisiana. The Commissioner of State Banks for Louisiana advised the Federal Reserve Bank of Atlanta that on May 9, 1932, nine banks in the strawberry section of that state availed themselves of the provision of Section 16, paragraph 1, of Act 179 of the General Assembly of Louisiana for 1902, restricting the payment of deposits.

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Mr. Smead - #6

In many cases the moratoria are preceded by the proclamation of special holidays. Only in Nevada, however, has the holiday been state wide. However, of the 26 banks in Nevada, 11 did not take advantage of the proclamation, and of the 15 banks that did take advantage of the moratorium, 12 constituted the Wingfield chain. A statement issued by the Acting Governor of Nevada at the time the holiday was declared contained the following:

"By proclamation I have just declared a business and banking holiday to, and including the 12th day of November, 1932. My reason for so doing is the conviction that business, banks, bank depositors and the entire people of the State of Nevada will be best protected by this action.

"While some of our banks are not to be considered as otherwise than sound in all particulars, those of our banking institutions which have particularly supported our agricultural interests are naturally most seriously affected by the collapse in prices of agricultural products which occurred about three years ago.

"Only very slight recovery in such prices has been realized and in the meantime, and before the price collapses, exceptionally adverse climatic conditions have further destroyed the ability of the live stock raisers and farmers to reduce their obligations to the banks.

"In fact, these banks, in the hope of carrying over to a period of better conditions, have been obliged to make further advances, largely for labor, feed and taxes.

"While this was going on, the public, with their incomes reduced, have been obliged to utilize their resources, represented by bank deposits. This has been clearly exemplified in the Wingfield chain of banks.

"Agriculture being our chief source of income, all other business in the State is, of course, seriously affected by these same conditions.

"The situation has at last been reached where the above conditions can no longer be met by ordinary banking methods, without reorganization. It has become necessary to call upon the public to understand the problem and to unite in an effort to solve it."

The proclamation of a special holiday by municipal authorities is a very common way of initiating moratoria. A record of the cities in which

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Mr. Sneed - #1

such proclamations have taken place, so far as reported, is given below:

Atlanta District

Waynesboro, Miss.

(Duration of holiday not reported)

Bristol, Tenn.

Ditto

Chicago District

Aurora, Ill.

Five day holiday

Champaign, Ill.

Seven day holiday

Chicago Heights, Ill.

Ditto

Urbana, Ill.

Ditto

Hampton, Iowa

Holiday for waiver

Hull, Iowa

Ditto

Iowa Falls, Iowa

Ditto

LeMars, Iowa

Ditto

Renssen, Iowa

Ditto

Minneapolis district

Harmony, Minn.

Three day holiday

Kasson, Minn.

Seven " "

St. James, Minn.

Two " "

Seylon, Minn.

Nine " "

Kansas City District

Monte Vista, Colo.

Six day holiday in Jan. 1932;

Five day holiday in Sept. 1932

Del Norte, Colo.

Six day holiday in Jan. 1932;

Five day holiday in Sept. 1932

Hotchkiss, Colo.

Six day holiday

Hayden, Colo.

Seven day holiday

Knowles, Okla.

(Duration of holiday not reported)

San Francisco District

Kimberly, Idaho

About 1-1/2 month holiday (including extensions)

Twin Falls, Idaho

Ditto

Cascade, Idaho

Thirty day holiday

Pendleton, Ore.

Twenty-four day holiday (including extensions)

Maupin, Ore.

Twenty " " " "

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Mr. Smead - #8

San Francisco District (Cont'd)

Shaniko, Ore.	Twenty-six day holiday (including extension)
The Dallas, Ore.	Ditto
Arlington, Ore.	Twenty day holiday (including extension)
Heppner, Ore.	Thirty " " " "
Condon, Ore.	Ditto

In many other cases the moratoria were proclaimed publicly by individual banks or by groups of banks, while in still other instances the moratorium was the result simply of action by the individual banks or groups of banks without public announcement. Such action, whether publicly announced or not, is often taken after the bank has, either overnight or over a week-end, obtained agreements from depositors for the deferment and/or waiver of deposits, i.e., without any cessation of operations during regular banking hours. In other cases the moratorium simply takes the form of a bank deciding to use its own judgment as to the conditions under which it will permit the withdrawal of deposits, without obtaining any agreements from depositors.

Collections by Federal reserve banks of items drawn on moratorium banks.

The Federal reserve banks report that when they receive items drawn on moratorium banks, such items are sent out for collection and remittance in the usual way and, if returned unpaid, the Federal reserve banks send them back to their endorsers with the reported reason for non-payment, except that in the case of the Colorado banks, items received by the Federal Reserve Bank of Kansas City were returned to endorsers with advice that the respective banks were in a period of moratorium, and the Missouri and Oklahoma

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Mr. Smead - #9

state banks were removed from the par list as soon as the Federal Reserve Bank learned that items were not being paid currently.

Comments of Federal reserve agents. Of interest in this connection are certain comments made by the Federal reserve agents in transmitting the information on this subject, as follows:

Chicago District

"The State Departments as well as the National Department are not officially recognizing these actions excepting in Michigan and Wisconsin, where laws have been passed recognizing certain forms of them. It is obvious, therefore, that we could not expect the State Departments to commit themselves in writing to a recognition of this situation by advising us as to the condition in each one of these banks and the nature of their action. There is no official notice of these moratoria because they are not officially recognized.

✓ "These moratoria vary in their nature greatly in different states and in different localities. In Michigan, as I have suggested, there has been a law passed providing for a custodianship during the period of reorganization, and in Wisconsin a law has been passed providing for what they call a "Stabilisation Scheme." I have heretofore written the Board about both of these actions and have sent copies of the laws. Beyond this, these moratoria all over the district may consist of refusals to pay by public proclamation (often signed by all the banks in the country or the local clearing houses), temporary public holidays, signed waivers by depositors, refusal to pay time deposits, running sometimes from one to five years, other various restrictions, frequently on a basis say of 5 per cent monthly on commercial deposits, refusals to pay in individual cases without public announcement, payment of only part of a depositor's demands by refusal of the bank to make full payment, and many other forms."

✓ "It is of course obvious that a number of banks which are in reasonably good condition have been forced to go on a moratorium by reason of their neighboring banks taking that action, and have done so reluctantly. Curiously, when a bank has gone on a moratorium which has tied up existing deposits over a period of years and, however, which contemplates that any new deposits will be subject to call, the reaction sometimes has been against the neighboring bank which has not gone on a moratorium, in the fear that it would later do so and the deposits thus be tied up there. We have heard of cases like this where a depositor had withdrawn money from a bank which was not on a moratorium and made his deposit in the bank which had gone through the reorganization and whose new deposits were not to be tied up."

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Mr. Smead - #10

Kansas City District

"...In this connection, the Missouri banking department advises that it has no records or definite information covering moratorium arrangements effected by individual banks, and that in fact the department prefers to have no official information on these cases, since it believes that official notice that a bank has ceased to operate as a going concern would place a legal responsibility on the banking department to close the bank in question."

Minneapolis District

"...This move was instigated by the state banks which were in trouble. No waiver of any portion of the deposits in the national bank was made. The national bank took this action in sympathy with the state banks, the purpose being for the deferment of deposits."

"...The two national banks did not ask depositors to make any waiver of any portion of the deposit liability. The national bank examiner advises that the national banks will not force the agreements with depositors except in case of absolute necessity."

"...The National _____ Bank did not need the cut in deposits, but agreed to the same cutting in sympathy with the other bank."

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CONFIDENTIAL**BANKS OPERATING ON A MORATORIUM BASIS**

(Figures relate to first 10 months of 1932, except in the Chicago district where they represent the situation as of September 26, 1932. The data probably are not complete nor fully comparable, particularly as to nonmember banks, because of difficulty in obtaining specific information)

F. R. District and State	Number of banks on moratorium basis				Deposits of banks on a moratorium basis			
	Total	National	St. member	Non-member	Total	National	State member	Nonmember
(In thousands of dollars)								
<u>Boston</u>								
New Hampshire	5	2	—	3	5,645	1,870	—	3,775
<u>New York</u>								
Penn								
<u>Philadelphia</u>								
Federal Reserve bank has been told that some banks in the coal regions have assumed the right to limit the amount they will pay to any one depositor. If, however, the banks are enforcing any limit on payments it does not apply to checks sent to them through the Federal reserve bank.								
<u>Cleveland</u>								
Kentucky	3	1	—	2	942	100	—	842
<u>Richmond</u>								
North Carolina	1	1	—	—	3,888	3,888	—	—
West Virginia	1	1	—	—	2,843	2,843	—	—
Total	2	2	—	—	4,731	4,731	—	—
<u>Atlanta</u>								
Florida	7	—	1	6	1,984	—	325	1,659
Louisiana	8	1	—	7	3,288	318	—	2,970
Mississippi	3	2	—	1	2,459	1,538	—	921
Tennessee	1	1	—	—	1,750	1,750	—	—
Total	19	4	1	14	9,481	3,606	325	5,550
<u>Chicago</u>								
Illinois	217	58	5	154		56,436	6,524	
Indiana	61	12	4	45	(Not available)	13,860	11,737	(Not available)
Iowa	252	34	3	215	available)	19,142	3,505	available)
Michigan	202	14	35	153		7,657	30,793	
Wisconsin	97	12	2	83		(Not available)		
Total	829	130	49	650		97,095	52,559	
<u>St. Louis</u>								
(Report not yet received)								
<u>Minneapolis</u>								
Minnesota	19	9	—	10	6,488	3,613	—	2,875
South Dakota	1	1	—	—	164	164	—	—
Wisconsin	1	1	—	—	902	902	—	—
Michigan	—	—	—	—	—	—	—	—
Total	21	11	—	10	7,554	4,679	—	2,875

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F. R. District and State	Number of banks on moratorium basis				Deposits of banks on a moratorium basis			
	Total	Nat- ional	St. member	Non- member	Total	National	State member	Nonmember

(In thousands of dollars)

<u>Kansas City</u> ✓								
Colorado	5	—	—	5	912	—	—	912
Missouri	1	—	—	1	85	—	—	85
Oklahoma	2	—	—	2	76	—	—	76
Total	8	—	—	8	1,073	—	—	1,073

<u>Dallas</u> ✓								
Texas	22	13	2	7	8,448	6,539	180	1,729

<u>San Francisco</u> ✓								
Idaho	3	—	2	1	1,543	—	1,432	111
Oregon	8	6	1	1	6,539	6,223	162	114
Nevada	15	3	—	12	21,755	8,287	—	13,468
Total	26	9	3	14	29,837	14,550	1,594	13,693

Total, All Districts except St. Louis								
	935	172	55	708	(Not available)	133,170	54,658	(Not available)

Total, All Districts except St. Louis
935 172 55 708

+ St. Louis	13	2		11	12,508	5,530		6,978
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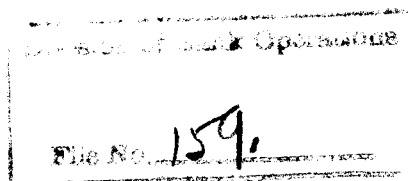
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Chicago Nov 1 1151am

Clerk

Washington.



Reference your wire concerning moratoria in Michigan recent law passed by special session legislature permits banks to suspend business and banking department with approval of court to appoint a custodian, custodian proceeds to secure waivers and agreements from depositors on a 60/40 or 50/50 basis reopening conditioned upon payment of 100 percent stockholders assessment securing signatures representing 85 percent of deposit liability and sufficient cash to pay all existing liabilities for borrowed money deposits placed to credit of customer are restricted for a period of three to five years in Wisconsin banks may be closed temporarily and stabilization agreement entered into between bank and depositors representing 80 percent of the amount of deposits all other depositors are held to the same extent and same effect as if they had joined in agreement it is customary to waive from 40 to 50 percent of deposits balance is restricted over period of 48 months a few of the national banks in our territory have entered into agreement with depositors over a five year period with no provision made for levying assessment on stockholders numerous banks are restricting withdrawals without any agreement whatsoever from depositors

McKay

104p

File

Mr. Horbett's sec. has file of correspondence on this subject with F.R. Banks, including a copy of this wire.

(Bank Changes file)

L.P.H.

This file contained a transcript of a copyright-protected article that has been removed.

The citation for the original is:

“Banking Moratoria in States Construed.” United States Daily, November 8, 1932.

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Form 148

4703

TELEGRAM
FEDERAL RESERVE BOARD
 LEASED WIRE SERVICE
 WASHINGTON

2-9454 GPO

November 3, 1932

✓ Curtiss, Boston	✓ Hoxton, Richmond	✓ Mitchell, Minneapolis
✓ Case, New York	✓ Newton, Atlanta	✓ McClure, Kansas City
✓ Austin, Philadelphia	✓ Stevens, Chicago	✓ Walsh, Dallas
✓ DeCamp, Cleveland	✓ Wood, St. Louis	✓ Newton, San Francisco

TRANS 1574. Please furnish statement showing name and location of each bank in your district which is now or has been at any time this year on so-called moratorium basis, stating in each case (1) whether brought about by holiday declaration of local authorities or in some other (specified) way, (2) whether for purpose of (a) readjusting capital structure, (b) defense of deposits, (c) surrender by depositors of a portion of deposits, (3) whether bank stopped receiving and paying deposits for any period and if so dates of cessation and resumption and conditions of resumption, and (4) conditions under which your bank continued to handle items on such banks, if it did so. Please mail such information unless there are only few such banks in your district as to which information can be wired.

SMZAD.

ELS:lsh

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Form No. 131

Office Correspondence

FEDERAL RESERVE
BOARDDate June 4, 1932To Mr. SmeadSubject: Banks closed temporarily pending
waivers of deposits, as a result
of specially declared holidays, etc.From Mr. Horbett

... 2-8495

Review of reports now in our files on bank closings during the present year shows the following instances where banks closed temporarily for the declared purpose of obtaining waivers of deposits for reorganization, or as a result of declaration of special local holidays.

Farmers Bank of Vero Beach, Bero Beach, Fla. Suspended February 5, 1932, reopened March 1, 1932.

The report of bank suspensions contains the following remarks: Sensing a run, about 90 days ago this bank invoked the provisions of the law allowing them to limit withdrawals to 20% for a period of 90 days. The officers were unable to liquidate fast enough during that period to lift the limitation and closed for the purpose of securing agreements from the depositors, freezing their accounts for a period of years and to reopen on a frozen basis. Plans are under way to reopen about March 1st. Capital remains the same. An appraisal of the assets did not show any impairment of the capital, consequently an assessment is not deemed necessary at this time. Certificates of deposit due November 7, 1935, issued to all depositors in lieu of their deposit accounts, with the agreement that payments will be made on the certificates from time to time as collections warrant.

Punta Gorda State Bank, Punta Gorda, Fla. Suspended April 19, 1932.

The report of bank suspensions contains the following remarks: Bank closed to enable it to avail itself of the law permitting banks to resume business on a frozen deposit basis upon consent in writing of depositors representing 75% of the aggregate deposits. Officers are now working on re-opening plans.

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Mr. Smead - #2

Farmers Savings Bank, Van Horne, Iowa. Suspended March 8, 1932, reopened March 11, 1932.

The report of bank suspensions contains the following remarks: The State Banking Department of Iowa refuses to give us any data regarding the suspension of this bank, saying "We wish to advise that this bank has not suspended business. Therefore, we cannot give you the information requested on form St. 6386b." "The two banks at Van Horne, Iowa, closed for four days to obtain waivers from depositors." Form St. 6386b covering the suspension of this bank was returned by the State Banking Department with the notation that the bank was not closed. We are in doubt as to whether the closing should be considered as in the nature of a moratorium, and are waiting for the State Banking Department monthly report to see how they are regarding it. Perhaps, however, you would like to advise us in the meantime.

Van Horne Savings Bank, Van Horne, Iowa. Suspended March 8, 1932, reopened March 11, 1932.

The report of bank suspensions contains the following remarks: The State Banking Department of Iowa refuses to give us any data regarding the suspension of this bank, saying "We wish to advise that this bank has not suspended business. Therefore, we cannot give you the information requested on form St. 6386b." "No assessment paid. We closed for four days and got waivers from all depositors. Our depositors signed 100%." Form St. 6386b covering the suspension of this bank was returned by the State Banking Department with the notation that the bank was not closed. We are in doubt as to whether the closing should be considered as in the nature of a moratorium, and are waiting for the State Banking Department monthly report to see how they are regarding it. Perhaps, however, you would like to advise us in the meantime.

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Mr. Smead - #3

Alcona County Savings Bank, Harrisville, Mich. Suspended April 19, 1932.

The report of bank suspensions contains the following remark: For reorganization.

Citizens Bank, Hebron, Indiana. Suspended January 12, 1932, reopened February 3, 1932.

The report of bank suspensions contains the following remarks: Other closings in the vicinity. "There has been no re-organization and no change in capital, surplus or undivided profits, or in any other particular. We closed to avoid a run on the 12th day of January and reopened on the 3rd day of February without any change in conditions whatever."

Citizens State Bank, Galveston, Indiana. Suspended January 23, 1932, reopened February 1, 1932.

The report of bank suspensions contains the following remarks: Not out of money or credit ... Closed as an act of self preservation. "No change in any way --- Just suspended a few days until audit was made and waivers signed to open on a restricted basis."

	City
Central Missouri Trust Co., Jefferson,	Mo.
Cole County Bank	"
Exchange National Bank	"
First National Bank	"

All closed on February 15, 1932 and all reopened on February 23 except the Exchange National which, on February 23, was absorbed by the First National.

The report on the suspension of these banks contains the following remarks: By agreement made by business men and bankers of Jefferson City the four banks were to remain closed during week of February 15 to 23rd in order to effect a consolidation of the Exchange National Bank and First National Bank, remaining banks reopened on February 23. (See form St. 6386-a for data on consolidation.)

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M. Smead - #44

The case of the Exchange National Bank, Jefferson City, Missouri, is one of the two cases this year (the other being the First National at Sheffield, Iowa on May 31) for which the Comptroller has failed to give us deposit figures, on the ground that the banks did not suspend. This is also the instance about which the Governor told you a week or so ago that a local holiday had been declared and ruled by the State Attorney General as properly declared. Prior to this advice of Governor Martin we knew nothing about the declaration of a local holiday in Jefferson City.

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Form No. 131

Office CorrespondenceFEDERAL RESERVE
BOARDDate April 20, 1932To Mr. SmeadSubject: Classification of banks closed temporarily by agreement of local business men and bankersFrom Mr. Horbett *JH*

2-8495

On February 15, 1932, the four banks in Jefferson City, Mo., two National banks and two nonmember banks, closed for a week, as the result of an agreement made by business men and bankers, in order to effect a consolidation of the Exchange National Bank and the First National Bank. On February 23, the Exchange National Bank (which absorbed the suspended First National) reopened, as did the two nonmember banks.

It is our policy, as you know, to class as a bank suspension every institution that is closed to depositors temporarily or permanently on account of financial difficulties. The only exceptions we have made to this practice are those cases where banks closed and reopened on the same business day, where it was felt that it would be stretching the definition too much to classify such a bank as suspended. In view of our policy, our bank suspension records now include the four banks in question, although they were not shown in our February preliminary list of suspensions; they were shown in the March list, as additions to February suspensions, as the result of St. Louis' letter of March 14, attached hereto.

As you know, we now receive deposit figures as of the date of suspension from the Comptroller's office covering all suspended national banks, but thus far we have not received these figures covering the Exchange National and First National Banks of Jefferson City, Mo., both of which remained closed for a period of 8 calendar days. I raised this question with Mr. Douglas of the Insolvent Banks Division of the Comptroller's office, and he said

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Mr. Smead - #2

that they had not treated these banks as suspensions. I explained our general policy to him, and suggested that if they decided to take exception to these two cases I would like to know about it as soon as possible so that we could reconcile the views of the two offices. Since then I have not heard from Mr. Douglas, and before inquiring further I would like to know whether you see any objection to our classification of these banks as suspensions.

Mr. Douglas said, when he talked to me about the matter, that the case of these banks was similar to banks that had closed for a few days as a result of declaration of a holiday by municipal authorities. I told him that I did not believe the two situations were parallel, inasmuch as in the case of the holiday, the banks had no choice but were compelled by local ordinance to close their doors. This happened, as you may recall, in Urbana, Ill., and Aurora, Ill. In Urbana there was one national bank and one nonmember bank, and in Aurora four national banks and one nonmember bank. None of these banks have been reported to us by the Federal Reserve Bank of Chicago as suspensions. Press dispatches in this regard are attached hereto.

This file contained a transcript of a copyright-protected article that has been removed.

The citation for the original is:

“Action in Urbana.” Time, February 1, 1932.

This file contained a transcript of a copyright-protected article that has been removed.

The citation for the original is:

"5-Day Moratorium Ends, Aurora Ill. At Work Again." New York Herald Tribune, January 28, 1932.