

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 1063]
[October 15, 1931]

The National Credit Corporation

To All Banks in the Second Federal Reserve District:

The Organization Committee of The National Credit Corporation mailed to each Clearing House Association last evening copies of the plan of organization and operation of The National Credit Corporation, together with a supply of subscription blanks.

As you have no doubt observed from the daily press, The National Credit Corporation is being organized by the bankers of the country at the suggestion of the President for the purposes stated in the plan. For your convenience and in order to facilitate your prompt consideration of your subscription to the funds of the Corporation, there is enclosed herewith a copy of the plan together with a subscription blank which you may send to Mr. Mortimer N. Buckner, 100 Broadway, New York City, who is the director of the Corporation representing the Second Federal Reserve District.

GEORGE L. HARRISON,
Governor.

PLAN
OF ORGANIZATION AND OPERATION
OF
THE NATIONAL CREDIT CORPORATION

(Dated October 14, 1931)

A corporation has been organized under the laws of the State of Delaware called The National Credit Corporation. The Corporation has a nominal capital consisting of twelve shares of capital stock of the par value of \$100. each.

It is to have the usual corporate officers and a Board of Directors of twelve, one from each of the twelve Federal Reserve Districts, with the usual powers of directors and provision for an Executive Committee. Each Director is to subscribe to one share of stock and the shares are to be deposited with the Governor of the Federal Reserve Bank of New York.

Purposes of the Corporation.

The National Credit Corporation (hereinafter called the Corporation) has been organized primarily for the purpose of aiding and assisting banks throughout the United States to utilize their resources and credit so as to further the stabilization of financial and economic conditions and to enable them better to serve their respective communities.

The main function of the Corporation will be to lend or advance funds to banks or groups or associations of banks, upon such terms and conditions as shall be determined by the Board of Directors or Executive Committee. The Corporation may function directly or through a sub-

sidiary or subsidiaries, all of whose stock will be owned by the Corporation.

The Corporation is to be authorized to issue up to \$1,000,000,000 principal amount of Gold Notes (hereinafter called Notes). Interest upon the Notes will be payable only if earned, and when and as ascertained and declared by the Board of Directors.

Method of Operation.

Banks throughout the United States will be requested to subscribe to the Notes at par in a principal amount equal to 2% of their respective net demand and time deposits as of the call last preceding the date hereof, not exceeding an amount equal to 10% of their capital and surplus. This should provide at least the fund requested by the President of the United States. Subscriptions will be payable in instalments, on call of the Board of Directors, when and as required. Notes are to be issued from time to time to the principal amount of the instalments paid.

It is contemplated that one or more groups or associations of banks will be formed in each Federal Reserve District. Each group or association will be composed of the banks subscribing to the Notes, within the area covered by the group or association. These groups or associations are intended to provide the desired unity of action by the subscribing banks in the same area in effecting necessary loans to members requiring the same, from funds to be advanced by the Corporation on the pro rata liability of the other members. Each Director of the Corporation is to undertake the responsibility of organizing the groups or associations within his Federal Reserve District. The area covered by and the composition of each group or association and the agreement forming the same are to be approved by the Corporation. Each such group or asso-

ciation is to have its own Loan Committee which is to pass upon the loans requested by any of its own members and upon the security therefor.

The articles of agreement of each group or association will contain suitable provisions regulating the pro rata liability of its members for the repayment of advances made by the Corporation to such group or association. They will provide that no member shall be liable for the obligation of any other member. The liability of each member other than the borrowing member for the repayment of such advances shall be several and shall be in the proportion that the amount of the Note subscription of each such member bears to the aggregate of the Note subscriptions of all the members of such group or association, other than the borrowing member. The interest of each member in any loan made by the group or association to any member and in the security therefor shall be in like proportion. This proportion may change as the number of the members of the group or association changes. The proportion applicable at the time the obligation is incurred, however, shall govern. No group or association shall incur any obligation for advances by the Corporation beyond the aggregate amount of the Note subscriptions of the members of such group or association, unless the members of such group or association shall themselves determine otherwise by a percentage vote to be specified in the agreement under which such group or association is formed. Such specified percentage is to be subject to approval by the Director of the Corporation of the Federal Reserve District in which such group or association is located. Any member who has paid the entire amount of its Note subscription shall, in respect of its obligation for advances by the Corporation incurred by or through the group or association of which it is a member and not discharged through the application

of the security therefor, have the option to liquidate such obligation in whole or in part by surrendering for cancellation Notes at par, without interest except to the extent previously declared by the Board of Directors and unpaid. Note subscribers shall have the right to anticipate full payment of their subscriptions.

When a loan is approved by the Loan Committee of any such group or association, the note of the borrowing bank and the security therefor, together with the note of the group or association (of which the borrowing bank is a member) in a like amount, shall be forwarded to the Corporation or delivered to its authorized agent with a request for the advance. If the same be approved by the Corporation, there will then be advanced to the group or association the amount of the loan. The group or association in turn will advance the amount to the borrowing bank. The note of the borrowing bank and the security therefor shall be security for the payment of the note of the group or association. This latter note will contain appropriate reference to the above mentioned pro rata liability of the members of the group or association in respect of such note, in accordance with the articles of agreement of the group or association.

The Notes of the Corporation will, subject to the payment of the expenses and other liabilities of the Corporation, have behind them all of the assets of the Corporation, which will consist principally of

- 1: The notes of the various groups or associations limited by the pro rata liability of their respective members as aforesaid, secured by
 - (a) The notes of the borrowing banks;
 - (b) The security furnished by the borrowing banks.
- 2: The cash on hand from time to time.

Additional Subscriptions.

In addition to subscriptions from banks as above provided, the Corporation may receive for its corporate purposes, subscriptions to Notes from other sources to which, however, loans are not available.

Character of Notes.

The Notes will be issued under an Agreement and will be payable one year from their date with the right to the Corporation to one or more extensions of the date of maturity not exceeding in the aggregate three additional years, but are subject to earlier redemption at the option of the Corporation at their face amount plus interest as provided in the Agreement. Notes will carry interest if earned at a rate up to but not exceeding 6% per annum, payable until maturity, only out of the surplus and net income of the Corporation when and as ascertained and declared by the Board of Directors. The Notes will be issued in registered form only and will be authenticated by a bank or trust company as Agent. The Notes and the Agreement under which they are issued will contain such other terms and provisions as shall be approved by the Board of Directors of the Corporation.

Office.

It is contemplated that the Corporation or its principal subsidiary will have its main office in the City of New York.

Forms.

Agreements, subscriptions, notes and other instruments required by the plan will be provided by the Corporation and forms will be furnished on application therefor.

SUBSCRIPTION AGREEMENT

To the Board of Directors of

The National Credit Corporation:

In order to comply with the request of the President of the United States, it is understood that The National Credit Corporation, a corporation organized and existing under the laws of the State of Delaware proposes to offer for subscription by the banks throughout the country an issue of its Gold Notes not exceeding \$1,000,000,000. These Notes are payable one year after their date with the right to the Corporation to one or more extensions of the date of maturity, not exceeding in the aggregate three additional years. They bear interest up to but not exceeding 6% per annum, payable only if earned and when and as ascertained and declared by the Board of Directors and are redeemable by the Corporation at any time in whole or in part at their face amount plus accrued and unpaid interest on the basis aforesaid.

The undersigned in consideration of similar subscriptions by others, hereby agrees with the Corporation to subscribe and hereby subscribes to said Notes at par in the principal amount set opposite its signature hereto, said amount being equal to either (a) 2% of the net demand and time deposits of the undersigned as of the date of the call last preceding October 14, 1931, namely, _____, 1931 or (b) 10% of the capital and surplus of the undersigned, whichever is less.

This subscription will be payable in instalments on the call of the Board of Directors of the Corporation, as and when required, of which call the Corporation shall give five days' written notice. Notes are to be issued and delivered to the undersigned in temporary or definitive form from time to time to the principal amount of the instalments paid.

Dated: October _____, 1931.

NAME	ADDRESS	AMOUNT OF NOTES SUBSCRIBED FOR
.....	\$.....
By	
.....		
Authorized officer.		

Note: The foregoing should be executed in duplicate by an authorized officer and the amount of subscription should be filled in in figures and the date of the last call should be filled in. The duplicate executed copies together with a certified copy of resolution of the Board of Directors or Executive Committee of the subscribing bank authorizing the subscription should be sent to The National Credit Corporation, in care of the Director of said Corporation from the Federal Reserve District in which the subscribing bank is located. A list of the Directors with their addresses is set forth in the letter from the Organization Committee, dated October 14, 1931, transmitting this subscription blank.

THE NATIONAL CREDIT CORPORATION

NEW YORK CITY, October 14, 1931.

In accordance with the statement of President Hoover of October 7, 1931, The National Credit Corporation has been incorporated under the laws of Delaware for the purpose of aiding and assisting banks throughout the United States to utilize their resources and credit so as to further the stabilization of financial and economic conditions and to enable them better to serve their respective communities. There is enclosed herewith the Plan (dated October 14, 1931) of the organization and operation of the Corporation.

The following bankers, one from each of the twelve Federal Reserve Districts, have agreed to act as Directors of the Corporation:

- DANIEL G. WING,
Chairman, First National Bank, Boston.
- MORTIMER N. BUCKNER,
Chairman, New York Trust Company, New York.
- LIVINGSTON E. JONES,
President, First National Bank, Philadelphia.
- ARTHUR E. BRAUN,
President, Farmers Deposit National Bank, Pittsburgh.
- JOHN M. MILLER, JR.,
President, First and Merchants National Bank, Richmond.
- JOHN K. OTTLEY,
President, First National Bank, Atlanta.
- GEORGE M. REYNOLDS,
Chairman Executive Committee, Continental Illinois Bank & Trust Company, Chicago.
- WALTER W. SMITH,
President, First National Bank, St. Louis.
- EDWARD W. DECKER,
President, Northwestern National Bank, Minneapolis.
- W. S. McLUCAS,
Chairman, Commerce Trust Company, Kansas City.
- NATHAN ADAMS,
President, First National Bank, Dallas.
- FRANK B. ANDERSON,
Chairman, the Bank of California National Association, San Francisco.

The Corporation will offer for subscription an issue of its Gold Notes in an aggregate principal amount not to exceed \$1,000,000,000. Each bank and trust company in the United States, in compliance with the request of the President, is being asked to subscribe to these Notes in a

principal amount equal to 2% of its net demand and time deposits as of the last call prior to October 14, 1931, not exceeding an amount equal to 10% of its capital and surplus. It is believed that this should provide at least the fund requested by the President.

The Comptroller of the Currency has stated that national banks may invest in the obligations of the Corporation up to their legal limit, which is ten per cent. (10%) of their capital and surplus.

There is also enclosed herewith subscription blanks in triplicate (one for your files). You are requested to execute the same in duplicate in the principal amount on the basis above mentioned and return the same to The National Credit Corporation in care of the Director of said Corporation from your Federal Reserve District. Subscriptions will be payable in installments as called for by the Board of Directors of the Corporation, as and when required.

The President of the United States has said:

"I consider that it is in the national interest, including the interest of all individual banks and depositors, that all the banks of the country should support this movement to their full responsibility. It is a movement of national assurance and of unity of action in an American way to assist business, employment and agriculture."

Your prompt and whole-hearted cooperation is anticipated.

Very truly yours,

MORTIMER N. BUCKNER,

Chairman,

CHARLES S. McCAIN,

HARRY E. WARD,

GEORGE W. DAVISON,

HERBERT P. HOWELL,

GORDON S. RENTSCHLER,

Organization Committee.