

(Circular No. 1189)

(March 19, 1933.)

REGULATIONS ISSUED BY THE SECRETARY OF THE TREASURY UNDER THE
PRESIDENT'S PROCLAMATIONS DECLARING AND CONTINUING A BANK HOLIDAY

To All Banking Institutions in the
Second Federal Reserve District:

For your information, and supplementing our previous circulars on this subject, we quote below the text of interpretation No. 11 which the Federal Reserve Board has advised us has been issued by the Secretary of the Treasury, under the President's proclamations of March 6 and 9, 1933, declaring and continuing a bank holiday. For convenience in reference we reprint regulation 12 to which interpretation 11 refers.

12 Regarding issuance of certificates against sound assets.

"Clearing house associations and other associations organized to provide an adequately secured medium of temporary exchange, are hereby permitted to issue certificates against sound assets of banking institutions, such certificates to be deliverable by each institution to its creditors and depositors on a pro rata basis, provided, however, that no such certificates shall be issued before Friday, March 10, 1933, without the consent of the Secretary of the Treasury addressed to the Clearing House or other association proposing to issue such certificates, and further provided that this permission may be revoked in the event that a national plan to meet the existing emergency is proposed by the Secretary of the Treasury if in his opinion the success of such plan would be inconsistent with the operation of the certificate plan."

Interpretation No. 11

"Regulation No. 12 is not to be construed as permitting a banking institution, open for normal and usual functions under license of the Secretary of the Treasury, to require depositors to accept clearing house certificates or other evidences of claims against assets for all or any part of any withdrawal requested."

The Federal Reserve Board has also informed us of an advice by the Comptroller of the Currency, which is given below following a reprint of Regulation No. 7, to which the advice refers.

7 Authorizing special trust accounts, etc.

"Deposits heretofore received by any banking institution pursuant to agreement or legislative authority providing for segregation and for repayment without restriction may be paid on demand. Any banking institution which was lawfully engaged in the business of receiving deposits prior to March 6, 1933, may create special trust accounts for the receipt of new deposits which shall be subject to withdrawal on demand without any restriction or limitation and

7 Authorizing special trust accounts, etc. (Continued)

shall be kept separately in cash or on deposit in Federal Reserve Banks or invested in obligations of the United States. Federal Reserve Banks may open special accounts on their books for their member banks and temporarily for nonmember banks and may receive in such special accounts the proceeds of new deposits received by such banking institutions. In making deposits with the Federal Reserve Bank pursuant to this regulation the depositing bank shall in the case of each deposit indicate to the Federal Reserve Bank by symbol or otherwise that the funds so deposited represent new deposits made under this regulation. Upon receipt of such deposits such Federal Reserve Bank shall credit the same in the special account of the depositing bank herein provided for and shall hold the same solely for the repayment to such bank. Federal Reserve Banks shall permit the withdrawal of any part or all of such new deposits by the depositing bank without restriction provided that the depositing bank shall in such order or request for withdrawal indicate to the Federal Reserve Bank by symbol or otherwise that such withdrawal is to be made from such special account, provided however that no banking institution shall pay out or permit the withdrawal of any gold or gold certificates."

"Office of Comptroller of Currency advises that, notwithstanding appointment of conservator for national bank under conservation act, deposits received by such bank prior to appointment of conservator in special trust accounts created under the provisions of regulation No. 7 of the Secretary of the Treasury issued March 6, 1933, may be withdrawn upon demand without restriction or limitation to the full extent of the amount of cash, Federal Reserve Bank balances and proceeds of United States obligations in which such deposits have been kept separate or invested in accordance with the provisions of said regulation No. 7."

We quote below the text of regulation No. 27, dated March 18, 1933, which the Treasury Department has advised us today has been issued by the Secretary of the Treasury under the President's proclamations of March 6, 1933, and of March 9, 1933, declaring and continuing a bank holiday, and the executive order of March 10, 1933.

Regulation 27

"Any state banking institution which is a member of the Federal Reserve System and which is not licensed by the Secretary of the Treasury to reopen for the performance of usual banking functions may, with the approval of the appropriate state authority having immediate supervision of such banking institution, permit withdrawals by depositors and make payments to creditors of such percentage of the amounts due to them (not exceeding 5 per cent) as it may determine, provided that at or before the time of such withdrawal or payment it shall set aside and make available for such purpose a fund for the benefit of and sufficient to pay to all depositors and creditors the percentage so determined.

"This regulation shall not in any way affect any right created by regulation No. 7 nor limit or restrict any payment thereby authorized.

Any right to authorize withdrawals or payments under the terms of this regulation shall terminate upon the appointment of any conservator, receiver or other appropriate state official taking charge of the affairs of such banking institutions."

Regulations Issued by the Secretary of the Treasury Under the (Circular No. 1189)
President's Proclamations Declaring and Continuing a Bank Holiday (March 19, 1933.)

As we are advised of the issuance of further regulations and interpretations by the Secretary of the Treasury under the President's proclamations declaring and continuing a bank holiday we will forward the text thereof to banking institutions in this district.

George L. Harrison,
Governor.