

FEDERAL RESERVE BANK
of
NEW YORK

(Circular No. 1190,
March 20, 1933.
Amending Circular No.
856, dated July 2, 1928,
and Circular No. 1005,
dated November 1, 1930.)

CASH AND NONCASH ITEMS DRAWN ON OR PAYABLE AT BANKS
NOT YET LICENSED BY THE SECRETARY OF THE TREASURY
TO REOPEN FOR PERFORMANCE OF USUAL BANKING FUNCTIONS

To Member and Nonmember Clearing Banks
in the Second Federal Reserve District:

We quote below Regulation No. 28, dated March 18, 1933, issued by the Secretary of the Treasury under the President's proclamations of March 6 and 9, 1933, declaring and continuing a bank holiday:

"Regulation 28

After the close of business on March 18, 1933, Treasury Regulation No. 6 and Treasury Regulation No. 10, as amended, shall be without force or effect to authorize any banking transaction therein referred to."

The texts of Regulations Nos. 6 and 10 which are revoked as of the close of business March 18, 1933, by Regulation No. 28 quoted above are contained in our Circular No. 1168, dated March 8, 1933.

Banking institutions not yet licensed by the Secretary of the Treasury to reopen for the performance of usual banking functions may, however, permit withdrawals from "Special Trust Accounts" which have been opened on their books in accordance with Regulation No. 7 issued March 8, 1933, for the receipt of new deposits. We quote below the text of Treasury Regulation No. 7.

"Deposits heretofore received by any banking institution pursuant to agreement or legislative authority providing for segregation and for repayment without restriction may be paid on demand. Any banking institution which was lawfully engaged in the business of receiving deposits prior to March 6, 1933, may create special trust accounts for the receipt of new deposits which shall be subject to withdrawal on demand without any restriction or limitation and shall be kept separately in cash or on deposit in Federal Reserve Banks or invested in obligations of the United States. Federal Reserve Banks may open special accounts on their books for their member banks and temporarily for 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."

Member banks and nonmember clearing banks are requested not to forward to us for collection (either as cash or noncash items) items drawn on or payable at banking institutions which have not yet been licensed by the Secretary of the Treasury to reopen for the performance of usual banking functions, unless such items are so marked as to indicate that they are drawn on "Special Trust Accounts" opened in accordance with Regulation No. 7. Items forwarded to us for collection which are drawn on such banking institutions and which are not so marked will, at our discretion, be either returned to sending banks or forwarded to the drawee institutions.

George L. Harrison,
Governor.

FEDERAL RESERVE BANK
OF NEW YORK

March 20, 1933.

To All State Member Banks in the
Second Federal Reserve District Not
Licensed to Resume Banking Operations:

For your information we quote below the text of a statement designated as Interpretation No. 12 which the Federal Reserve Board has advised us today has been issued by the Secretary of the Treasury. For convenience in reference we also quote below Regulation No. 27 to which Interpretation No. 12 refers.

Regulation No. 27 Regarding operations of unlicensed state member banks.

"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."

Interpretation No. 12

"Regulation No. 27 is interpreted to permit any banking institution acting thereunder to carry on such usual banking functions as may be essential to permit restricted withdrawals and payments authorized by such regulation, subject to all of the provisions and restrictions therein contained and except as otherwise prohibited."

George L. Harrison,
Governor.