

FEDERAL RESERVE BANK OF NEW YORK

February 24, 1933.

Dear Governor Meyer:

In order to protect certain banks in New Jersey a law was recently introduced and passed in that state authorizing the supervisor of banks, whenever in his judgment circumstances warrant, to permit banks to defer payment of a specified portion of their deposits for such time as he may determine. Such banks may accept new deposits which will not be subject to restrictions but shall be payable in full upon demand.

So far as we have been informed, this law has been availed of by only one institution in our district, the _____ Trust Company of _____, New Jersey, a member bank. The enclosed photostatic copy (a) of a circular issued under date of February 21, 1933 by the _____ Trust Company to its depositors quotes the New Jersey Act of Assembly #195, known as the "Altman Bill" and notifies its depositors that it is availing itself of the permission granted by the Commissioner of Banking and Insurance to operate under the provisions of the act as of the close of business Tuesday, February 21, 1933. Also enclosed are the following:

- (b) Photostatic copy of letter, February 23, 1933, from the _____ Trust Company to Mr. L. F. Sailer, deputy governor of this bank, notifying us that the trust company is operating under the New Jersey Act of Assembly #195, and instructing that all deposits from the beginning of business Thursday, February 23, 1933, be kept separate and apart from the general assets of the company and maintained in liquid funds.
- (c) Copy of letter from Mr. Sailer to the _____ Trust Company, under date of February 24, 1933.

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- (d) Copy of letter from the Deputy Commissioner of the Department of Banking and Insurance, New Jersey, State of New Jersey, to Mr. R. M. Gidney, assistant deputy governor of this bank, enclosing
- (e) Copy of a letter which the department is sending to certain of its institutions re Chapter 27 of the Laws of 1933.

All of the foregoing is sent you so that you may be kept currently informed of what is taking place along the lines of recent legislation which affects banks in our district.

At this juncture it appears probable that only those banks which have practically no liquid resources will avail themselves of the provisions of this act, so that it is difficult to say just what its effect on the public mind will be.

I understand that Mr. Logan has furnished you with copies of the *Robinson bill passed by the Assembly of the State of New York on January 31, 1933.

Faithfully yours,

(Signed) J. H. CASE
Chairman.

Honorable Eugene Meyer,
Governor, Federal Reserve Board,
Washington, D. C.

enclosures (5)

*This bill became law on February 21, 1933, by signature of the Governor.

C O P Y

(A)

_____ TRUST COMPANY
_____, N. J.

TO OUR DEPOSITORS:

February 21, 1933.

The Legislature and the Governor of the State of New Jersey, have deemed it advisable to enact the following bill to safeguard the depositors and banking structure of the State of New Jersey:

An Act concerning banks, trust companies and savings banks.

Be it enacted by the Senate and General Assembly of the State of New Jersey:

The Commissioner of Banking and Insurance is hereby authorized and empowered in addition to all other powers, whenever in his judgment the circumstances warrant it, to authorize any and all banks, trust companies and savings banks under his jurisdiction.

(a) To extend for a period of ninety days, and for a further period if he deems it expedient, payment of any time accounts where notice of withdrawal has been given or may hereafter be given.

(b) To authorize the postponement for any length of time of the payment of any proportion of the deposits in demand accounts of any individual, firm or corporation as he may deem necessary and expedient, to be determined by him according to the ability of any bank, trust company or savings bank to pay such withdrawals.

(c) To authorize all such banks, trust companies and savings banks to thereafter receive new deposits which shall be segregated from the old deposits, and said new deposits shall not be subject to the restrictions or limitations herein or that may hereafter be imposed by the Commissioner of Banking and Insurance, pursuant to the provisions herein, and said new deposits shall be invested in such liquid assets as may be approved by the Commissioner of Banking and Insurance in order that banks, trust companies and savings banks may at all times have sufficient funds to meet the demands on such new deposits in accordance herewith.

(d) Whenever the Commissioner of Banking and Insurance shall authorize and empower any bank, trust company or savings bank to act under the provisions of this act, he is hereby empowered to make and adopt such rules and regulations as he may deem proper for the protection of the institution and may require daily reports in detail touching their financial condition.

This act shall take effect immediately.

STATEMENT

The design of the above act is to permit the Commissioner of Banking and Insurance to make rules and regulations for the purpose of protecting not only the bank but its depositors.

The following statement was issued by Charles H. Plenty, president of the New Jersey Bankers Association, in explaining the purpose of the emergency bank bill:

"The Altman bill, passed by the New Jersey Legislature, Monday, February 20, 1933, is a law somewhat similar to that of New York State, and permits the Bank Commissioner where in his judgment a bank may have too large a percentage of frozen assets, to afford such bank a reasonable time to pay its deposits by requiring such depositors to present a ninety-day notice of intentions to withdraw savings accounts, and permitting checking depositors to withdraw such percentage of their deposits as in his judgment liquid assets would permit.

"The object of the bill is to safeguard the depositors in a perfectly solvent bank where under present business conditions, inability to convert frozen assets into cash might cause the closing of such institution.

"I have been asked to make this statement that there may be no misapprehension as to the purpose of this new law."

The _____ Trust Company has been granted permission by the Commissioner of Banking and Insurance to operate under the provisions of the above act as of the close of business Tuesday, February 21, 1933.

Your cooperation and consideration is solicited.

(B)

_____ TRUST COMPANY
_____, N. J.

February 23, 1933.

L. F. Sailer, Esq.,
Deputy Governor,
Federal Reserve Bank of New York,
New York, N. Y.

Dear Sir:

The _____ Trust Company is operating under New Jersey Act of Assembly #195, known as the "Altman Bill" and, under that Act, all deposits from the beginning of business Thursday, February 23, 1933, shall be kept separate and apart from the general assets of the Company, and maintained in liquid funds.

It is the intention of the _____ Trust Company to maintain all funds received from depositors in the Federal Reserve Bank, and we wish to open this account as -

"The _____ Trust Company of _____, New Jersey, operating under Act of Legislature #195, New Jersey - Approved February 21, 1933."

This account, being distinguished as above outlined, we request that the Federal Reserve Bank advise the _____ Trust Company that no part of this new account will ever be considered as subject to any loans or discounts that the _____ Trust Company now has or might in the future have with the Federal Reserve Bank.

Thanking you for your cooperation, we remain

Very truly yours,

President.

CHF/n-MPC

(C)

February 24, 1933.

_____,
President, _____ Trust Company,
_____, New Jersey.

Dear Sir:

Receipt is acknowledged of your letter of February 23, 1933, advising us that the _____ Trust Company is operating under New Jersey Act of Assembly #195, known as the "Altman Bill" and that, under that Act, all deposits from the beginning of business Thursday, February 23, 1933, will be kept separate and apart from the general assets of the Company, and maintained in liquid funds.

As requested by you we have opened a new account designated -

"The _____ Trust Company of _____, New Jersey,
Operating Under Act of Legislature #195, New Jersey -
Approved February 21, 1933."

We agree that funds accepted for deposit in this account will not be applied by us in payment of any loans or discounts heretofore made by us to or for the _____ Trust Company, or to the payment of any loans or discounts hereafter made by us to or for the _____ Trust Company the proceeds of which are not credited to the above account.

Yours very truly,

L. F. SAILER,
Deputy Governor.

C O P Y

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(D)

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE
TRENTON

February 23, 1933.

Mr. R. M. Gidney, Assistant Deputy Governor,
Federal Reserve Bank of New York,
New York, N. Y.

Dear Mr. Gidney:

As promised you over the telephone this morning,
I am enclosing herewith a copy of the letter which we are
sending to certain of our institutions re Chapter 27 of the
Laws of 1933.

Very truly yours,

(Signed) V. D. Peer,
Deputy Commissioner.

Enc

C O P Y

X-7351-e

(E)

STATE OF NEW JERSEY

DEPARTMENT OF BANKING AND INSURANCE

TRENTON

Gentlemen:

Pursuant to the power in me vested as Commissioner of Banking and Insurance under the terms of Chapter 27, Laws of 1933 and deeming the circumstances to warrant it in your instance, your institution is hereby authorized to operate commencing , in accordance with the provisions of the said act with the following restrictions and conditions:-

- (a) To restrict the withdrawal for a period of ninety days of all deposits as shown by your books as of the close of business excepting school savings and club accounts and such accounts as are held preferred by statute.
- (b) To continue to receive new deposits which shall be segregated from the old deposits and said new deposits and the income therefrom shall be invested in such liquid assets as may be approved by the Commissioner of Banking and Insurance in order that the institution may at all times have sufficient funds to meet the demand of such new deposits in accordance herewith.

In view of the authority herein conferred the following rules and regulations are imposed while operating under this act:

- (1) No dividends shall be paid to stockholders.
- (2) No payment of fees to directors or committees.
- (3) No new loans of any kind or character may be made.
- (4) That the interest payments on the deferred deposits be continued as heretofore.
- (5) That the Commissioner shall be supplied bi-monthly with a complete statement of the institution's financial condition.
- (6) That as soon as possible during the above mentioned ninety day period, there shall be made available to all depositors a pro rata portion of their accounts, such percentage to be approved by the Commissioner upon application to him by the institution.

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- (7) The costs of protests occasioned by this authorization shall be borne by the institution in all cases where depositors' accounts are sufficient to meet checks presented.
- (8) That the authority herein conferred may only receive further extension upon the approval of the Commissioner upon application to him at least ten days prior to the expiration of the term specified.
- (9) From time to time the Commissioner reserves the right to change or alter in any way deemed advisable by him the rules and regulations above enumerated.

Please acknowledge receipt.

Very truly yours,

Commissioner.

Received 2/24/33