

FEDERAL RESERVE BOARD

276

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-7888

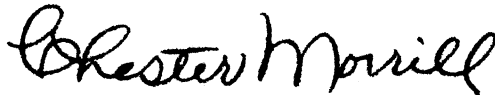
May 7, 1934.

SUBJECT: Respective Powers of State Authorities  
and the Secretary of the Treasury in  
the Supervision of State Member Banks.

Dear Sir:

There is inclosed for your information a copy of a letter written by the Secretary of the Treasury with reference to the respective powers of the State authorities and the Secretary of the Treasury in the supervision of State member banks in view of the President's Proclamation of March 6, 1933, declaring a holiday to be observed by all banking institutions in the United States, and of the subsequent Executive Orders and Proclamations relating thereto.

Very truly yours,



Chester Morrill,  
Secretary.

Inclosure.

TO ALL FEDERAL RESERVE AGENTS.

C O P Y

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X-7888-a

April 26, 1934.

Dear Sir:

The Federal Reserve Board has directed my attention to the last paragraph of your letter of February 14, 1934 to the Federal Reserve Agent at the Federal Reserve Bank of \_\_\_\_\_, relating to the \_\_\_\_\_ Trust Company of \_\_\_\_\_, \_\_\_\_\_, which is a member of the Federal Reserve System and has been licensed by the Secretary of the Treasury to perform its usual banking functions under the Executive Order of March 10, 1933. The last paragraph of your letter reads:

"In connection with your question as to what steps I have taken to correct this matter, may I point out to you that no information has reached me to the effect that the Secretary of the Treasury has as yet returned to the State supervisors the supervision of state member banks, the President's Proclamation of December 31, 1933, having been limited to a return to State Supervisors of control over state non-member banks."

The President's Proclamation of March 6, 1933 declared a national bank holiday to be observed by all banking institutions in the United States, including national banking associations, state banks which were members of the Federal Reserve System, and state banks which were not members of the Federal Reserve System. During this holiday, banking institutions were prohibited from exercising

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their normal banking functions except to the extent permitted by the Secretary of the Treasury, with the approval of the President. This bank holiday was extended by the President's Proclamation of March 9, 1933.

The Executive Order of March 10, 1933 authorized the Secretary of the Treasury to permit any member bank of the Federal Reserve System and any other banking institution organized under the laws of the United States to perform any or all of their usual banking functions. Said Executive Order of March 10, 1933 also authorized the appropriate authorities having supervision of nonmember state banks to permit such banks to perform any or all of their usual banking functions.

By Executive Order of March 18, 1933, state authorities having supervision of state member banks which had not been licensed by the Secretary of the Treasury to resume their usual banking functions, were authorized to appoint appropriate officials, under the laws of the respective states, to conserve the assets of such banks pending their liquidation under the state law. Said Executive Order of March 18, 1933 expressly forbade any member bank to reopen for the performance of its usual and normal functions, except under license from the Secretary of the Treasury issued pursuant to the Executive Order of March 10, 1933.

The power given to the Secretary of the Treasury to license state member banks to resume their normal functions is not deemed, however, to place the supervision of such licensed member banks under

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the jurisdiction of the Secretary of the Treasury, except in so far as such banks may in their operations violate the express terms of the licenses granted by the Secretary of the Treasury. In all other respects state member banks which have secured licenses from the Secretary of the Treasury are subject to the supervision of the state authorities and the Federal Reserve Board to the same extent as they were prior to the Proclamation of March 6, 1933.

Similarly, the liquidation and winding up of state member banks which have been taken over by state authorities in accordance with the Executive Order of March 18, 1933, are under the supervision of such state authorities except that such banks may not reopen for the performance of their usual and normal functions except under license of the Secretary of the Treasury.

State member banks which have neither been licensed to reopen for the performance of their usual and normal functions by the Secretary of the Treasury, nor taken over for liquidation by the state banking authorities, remain subject to the Proclamation of March 6, 1933, as extended by the Proclamation of March 9, 1933, and to the Regulations issued by the Secretary of the Treasury under authority of said Proclamations.

The Proclamation of December 30, 1933 removing nonmember state banks from the scope of the Proclamations of March 6, 1933 and March 9, 1933, and the Executive Order of March 10, 1933, and all Orders and Regulations pursuant thereto, was designed to supplement

the Executive Order of March 10, 1933, and to vest in the state authorities the duties with respect to nonmember state banks which had been delegated to them in said Executive Order. It was not applicable to state member banks, since the Secretary of the Treasury had retained in the Executive Order of March 10, 1933, and still retains the power to permit the performance by such banks of all or any part of their normal banking functions.

All banking institutions, including state member banks and state nonmember banks, remain subject to the prohibitions with respect to the hoarding and payment of gold and foreign exchange transactions contained in the Executive Order of March 10, 1933, as amended, the Proclamation of December 30, 1933, as amended, and the Executive Order of January 15, 1934.

It is hoped that this will remove any doubt which may exist in your mind as to the respective duties of the state authorities and the Secretary of the Treasury in connection with state member banks.

Very truly yours,

(Signed) Henry Morgenthau, Jr.

Secretary of the Treasury.

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 Commissioner of Banks,  
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