

At a regular meeting of the Federal Reserve Board held in the office of the Board on Friday, January 26, at 11 a. m.,

PRESENT:

Mr. Harding, presiding,	Mr. Miller,
Mr. Hamlin,	Mr. Williams,
Mr. Delano,	Mr. Willis, Secretary.
Mr. Warburg,	

The minutes of the meetings of the Board on January 24 and January 25 were read and, on motion, approved.

A letter from Assistant Secretary of State A. A. Adey with reference to the present position of exchange on Spain, was submitted to the Board for its information, and a copy of the cable actually transmitted to the American Ambassador at Madrid ordered filed, when received from the State Department.

A letter from Counsel with reference to agreements between national banks to reduce rates of interest on deposits, was read, and, on motion, the secretary directed to transmit a reply to Deputy Comptroller of the Currency Fowler who had raised the point, enclosing therein copy of

Counsel's statement.

A report of the Committee on Member and State Banks authorizing changes in capital stock, was approved as follows:

Applications for Surrender of Stock.

<u>District No. 6.</u>		<u>Shares</u>
First National Bank,	Cuthbert, Ga.	36
Citizens National Bank,	Rockmart, Ga.	<u>28</u> 64
<u>District No. 11.</u>		
State National Bank,	Durant, Okla.	<u>33</u> 33
<u>District No. 12.</u>		
Fresno National Bank,	Fresno City, Cal.	240
United States National Bank,	Azusa, Cal.	33
American National Bank,	Hillsboro, Ore.	<u>36</u> 309
Total.....		406

On motion the report of the Committee on Staff relative to salaries at the Federal Reserve Bank of Chicago, laid on the table at the last meeting of the Board, was taken up and considered. Mr. Miller moved to amend the report striking from it that part providing for an increase in salary of the Governor and Deputy Governor of the bank, leaving them the same as at present. On being put to a vote, the amendment was defeated, Mr. Miller being recorded in the affirmative. The question recurring on the report

of the Committee as a whole, it was, on motion, adopted, Mr. Miller being recorded in the negative.

The report of the Committee on Staff relative to salaries at the Federal Reserve Bank of Kansas City, laid on the table at the last meeting of the Board, was taken up, considered, and, on motion, adopted with power to the Executive Committee of the Board to frame a letter addressed to the bank expressing the Board's general view as to the situation there, and making it plain that the increase in salaries now provided for in accordance with the report of the Committee on Staff, is not intended as indicating approval to the management of the bank.

Governor Harding reported that he had just received from Honorable Carter Glass an inquiry over the telephone as to the Board's feeling with respect to a proposal to cut the balance required by the Board's amendments to the Federal Reserve Act to be held by country banks in reserve banks from seven to six per cent of their deposits. On being put to a vote, the Board's opinion was expressed as opposed to the change, in view of the elimination of the till money provision of the amendment, and the re-

sult was communicated by Governor Harding to Mr. Glass over the telephone.

The Secretary of the Board read the minutes of the meeting of the Committee on the Clayton Act held on January 26, and, on motion, the same were approved and the action therein set forth ratified.

Governor Harding having called for a report from the Committee on Operation of the Federal Reserve Bank of New York relative to statements made by former Examiner Charles Starek, Mr. Delano replied that the report having been recommitted late on the afternoon of January 25, the Committee was not in position to make a formal report. Governor Harding asked for a general informal statement of the situation, and Mr. Delano in reply reviewed the principal points contained in the Committee's original report, furnishing the Comptroller of the Currency, at the latter's request, with a transcript of the paragraph in Mr. Starek's letter which had been referred to the Committee for consideration and action. The paragraph was as follows:

"You have called me up repeatedly on this extra telephone from Washington when you desired to talk to me confidentially during the period of controversy with Mr. Paul Warburg of the Federal Reserve Board over the scope of the data to be furnished to the Federal Reserve Bank, and at other times when we thought we had reason to suspect that the regular office telephone, being listed in the telephone directory, was unsafe for confidential conversation and was being tapped by persons whose plans were inimical to yours."

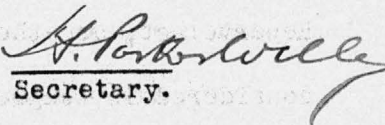
The Comptroller of the Currency having read the statement in question, informed the Board that he had never known of the existence of the private or extra telephone referred to by Mr. Starek, and consequently had never made use of it. The statement made by Mr. Starek, he said, was entirely without foundation. As for a controversy with Mr. Warburg with reference to data to be furnished to the Federal Reserve Bank of New York, he said he was unaware that any such controversy had ever existed. He had differed from the Board as to the scope and character of the material to be furnished by examiners to Federal reserve banks, but had regarded this as a difference of view between the Board as a whole and himself as the Comptroller. There had been no controversy or difference of any individual character. He then reviewed fully the history of his relations with Mr.

Starek, and the conditions which had led to the removal of the latter.

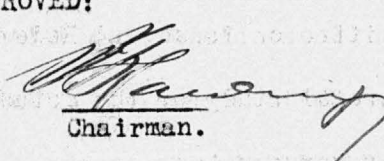
At the request of Mr. Warburg, the Secretary was directed to enter a minute setting forth the Comptroller's position with respect to Mr. Starek's statement quoted above.

On motion the Committee on Operation of the Federal Reserve Bank of New York was directed to look further into the whole question of the Board's relation to Mr. Starek, and make a report thereon.

On motion at 12.40 p. m. the Board adjourned to meet at eleven o'clock on Monday, January 29.


Secretary.

APPROVED:


Chairman.