

A special meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, July 5, 1927, at 3:15 p.m.

PRESENT: Governor Crissinger
 Mr. Miller
 Mr. James
 Mr. Cunningham
 Mr. McIntosh
 Mr. Noell, Assistant Secretary
 Mr. McClelland, Assistant Secretary

PRESENT ALSO: Mr. Newton, Federal Reserve Agent,
 Mr. Agnew, Counsel,
 Federal Reserve Bank of San Francisco
 Mr. Gilbert, Supervisor of Examinations

Mr. Newton reported that following the meeting this morning, he communicated with Mr. Robinson, Chairman of the Board of Directors of the Pacific Southwest Trust and Savings Bank of Los Angeles, for the purpose of securing first hand information with respect to the status of plans for the reorganization of that institution. He reported that during their conversation Mr. Robinson advised him that arrangements have already been made to pay into the bank up to \$8,000,000 of new money for the removal of losses and whatever doubtful assets may be deemed necessary, and that an additional \$2,000,000 can be obtained if needed. Mr. Newton also reported that in the reorganization Mr. Robinson proposes to replace every officer of the bank involved in the apparent criminal violations disclosed by the recent examination. Mr. Newton stated that the capital reorganization would be effected immediately, but that the changes in personnel would require a longer time but could be completed, in Mr. Robinson's opinion, by the middle of August or the first of September.

Messrs. Newton, Agnew and Gilbert then withdrew from the room.

After discussion, Mr. James submitted and moved adoption of the following resolution:

"Whereas, the Federal Reserve Board is of the unanimous opinion that the apparent irregularities and violations

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of law by officers, directors and employees of the Pacific Southwest Trust and Savings Bank of Los Angeles, which were brought to the attention of the Board through the analysis made by Mr. Gilbert of the report of the last examination of the bank, should be reported by the Federal Reserve Agent at San Francisco to the local United States District Attorney, and by the Federal Reserve Board to the Department of Justice;

"Whereas, under date of June 14, 1927, the Federal Reserve Agent at San Francisco was instructed to report these apparent criminal violations to the United States District Attorney at Los Angeles at the earliest practicable time and to forward to the Board a copy of his report in duplicate, in order that the Board might transmit a copy to the Department of Justice;

"Whereas, on June 29, 1927, the Board, at the request of the Federal Reserve Agent at San Francisco, authorized him to defer making said report until he could confer with the Board;

"Whereas, it has been reported to the Board by the Federal Reserve Agent that arrangements for the complete reorganization and rehabilitation of the affairs of the Pacific Southwest Trust and Savings Bank are under way with every prospect of prompt completion;

"Whereas, other information developed and presented to the Board by the Federal Reserve Agent creates the belief that precipitate action might be very undesirable at this time;

"Therefore, Be it Resolved, That with the distinct understanding that the apparent irregularities and criminal violations shall be reported to the United States District Attorney and the Department of Justice, the time at which such reports are made be left to the discretion of the Federal Reserve Agent and his associates at the Federal Reserve Bank of San Francisco."

A detailed discussion of the resolution ensued, during which Mr. Miller, moved, as a substitute for Mr. James' motion, that the Board instruct the Federal Reserve Agent at San Francisco to keep in close touch with developments and advise the Board with regard to reporting to the United States District Attorney at the earliest practicable moment the apparent criminal violations by certain officials of the Pacific Southwest Trust and Savings Bank.

Mr. Miller's substitute motion was put by the Chair and lost, the members voting as follows:

Governor Crissinger, "no"
 Mr. James, "no"
 Mr. Cunningham, "no"
 Mr. Miller, "aye"
 Mr. McIntosh, "aye"

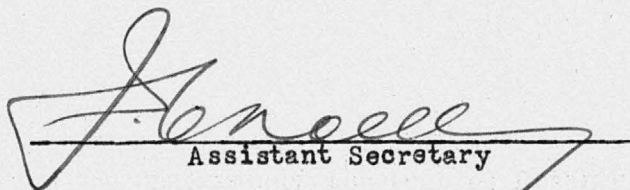
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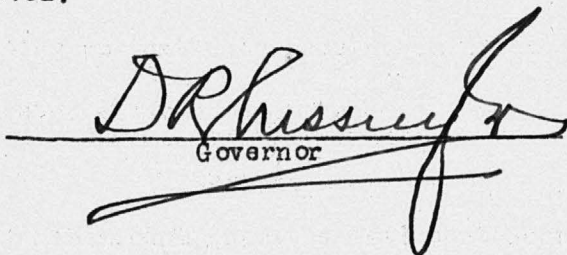
After further discussion, Mr. James' motion was put by the chair and carried, the members voting as follows:

Mr. Miller, "aye"
Mr. James, "aye"
Mr. McIntosh, "aye"
Governor Crissinger, "no"
Mr. Cunningham, "no"

The meeting adjourned at 4:00 p.m.


Assistant Secretary

Approved:


Governor