

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Thursday, January 26, 1933, at 12:05 p. m.

PRESENT: Governor Meyer
Mr. Hamlin
Mr. Miller

Mr. Morrill, Secretary
Mr. McClelland, Assistant Secretary
Mr. Harrison, Assistant to the Governor.

The Committee considered and acted upon the following matters:

Telegrams dated January 25, 1933, from the Chairmen of the Federal Reserve Banks of Boston and Kansas City advising that at meetings of the boards of directors on that date no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Telegraphic reply on January 25, 1933, approved by five members of the Board, to a telegram of that date from Deputy Governor Rounds of the Federal Reserve Bank of New York requesting authority for a further advance in accordance with the provisions of section 10(b) of the Federal Reserve Act to the Pelham National Bank, Pelham, New York, in the amount of \$15,000, for a period of ninety days, with interest at the rate of 5% per annum, and on the security of municipal obligations with a margin of at least 25%; Deputy Governor Rounds stating that the bank is still experiencing withdrawals resulting from the closing of the First National Bank in Mamaroneck, and is in need of additional funds. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended.

Approved.

Telegraphic reply on January 25, 1933, approved by five members of the Board, to a telegram of that date from Governor Calkins of the Federal

1/26/33

-2-

Reserve Bank of San Francisco requesting authority for an advance in accordance with the provisions of section 10(b) of the Federal Reserve Act to the Capital National Bank, Sacramento, California, in the amount of \$500,000, with interest at the rate of 5% per annum, payable on demand, and on the security of bonds and customers' notes with a total value of \$969,000; Governor Calkins stating that the advance is desired to meet an active run on the bank resulting from the suspension of the California National Bank, the California Trust and Savings Bank, both of Sacramento, and five banks in neighboring towns. The telegram also stated that the bank has lost \$4,000,000 in deposits since December 31, 1932, and, although the situation is well in hand, the Federal Reserve Bank of San Francisco expects to request authority to make advances to the Capital National Bank under section 10(b) up to a total of \$1,000,000 as a precautionary measure. The reply stated that the Board authorizes the advance in the amount of \$500,000 subject to the terms and conditions recommended, and that in the event the advance is not repaid nor demand for payment made within 90 days from January 25, 1933, the matter should again be brought to the Board's attention.

Approved.

At this point Mr. Wyatt, General Counsel, joined the meeting.

Letter dated January 25, 1933, from the Federal Reserve Agent at Chicago reporting that it was discovered on January 18, 1933, that Mr. D. A. Jones, Assistant Deputy Governor in charge of the Fiscal Agency Department of the Federal reserve bank, had been participating in profits made through manipulations, conducted by himself and a junior officer of

1/26/33

-3-

the Continental-Illinois National Bank and Trust Company of Chicago, in connection with the redemption and issue of Government securities through the Fiscal Agency Department of the Federal reserve bank; that the resignation of Mr. Jones was immediately requested and accepted by the executive committee of the Federal reserve bank on January 20; that a complete audit of the Fiscal Agency Department is now under way and it would appear that the bank has suffered no loss as a result of the transactions; that the matter was discussed with counsel, particularly with respect to whether it is of a character which should be reported to the Department of Justice; and that it was thought advisable for Mr. Charles B. Dunn, of counsel, to go to Washington to discuss the matter with the Board's Counsel.

Mr. Morrill stated that Mr. Dunn is in Washington today and has discussed the situation with him and Mr. Wyatt, and that they feel that, before any other action is taken a complete and thorough investigation should be conducted at the Federal Reserve Bank of Chicago and the Continental-Illinois National Bank and Trust Company and in any other direction which may seem desirable after further information has been developed. Mr. Morrill also suggested that Mr. Paulger, Chief of the Division of Examinations, who is in Kansas City today, might be able to return via Chicago to Washington for the purpose of making such preliminary investigation of the matter as seems to him to be desirable.

At the conclusion of the ensuing discussion, the Secretary of the Board was requested to communicate with Mr. Paulger and to request him, if possible, to stop off at Chicago, on his way to Washington, for the purpose indicated.

1/26/33

-4-

Letter dated January 24 from the Governor of the Federal Reserve Bank of New York, replying to the Board's letter of January 19, 1933, with regard to a proposed trip of Governor Harrison to Europe in the near future. The reply reviewed the consideration which had been given by Governor Harrison and informally by some of his directors to such a trip and stated that up to the time the reply was made the directors had made no definite decision as to whether the advantages of Governor Harrison's going to Europe in the near future outweigh the possible disadvantages.

The Secretary was requested, in acknowledging the above letter, to state that the Board assumes that if and when the directors of the New York bank reach any conclusion in the matter referred to, Governor Harrison will communicate with the Board further.

Reference was made to the discussion which took place at the meeting on January 6, 1933, when the budget of the Board for the year 1933 was approved with no changes in salary rates from those previously in effect, but with the understanding that further consideration would be given to certain cases involving unusual circumstances. It was pointed out that because of the deaths during 1932 of Messrs. W. M. Inlay and C. W. Hanford, who were not replaced in the organization, it became necessary for Mr. J. C. Noell to assume additional responsibilities and duties. It was also pointed out that because of the resignation in November, 1932, of Mr. R. H. Brett, Federal reserve examiner, who had been the senior field examiner under Mr. Drinnen, it became necessary for Mr. R. F. Leonard to assume additional responsibilities and duties as the senior member of the field force under Mr. Drinnen's direction. In view of the circumstances of each of these cases which, in the opinion of the Board warranted special con-

1/26/33

-5-

sideration, the salary of Mr. Noell as Assistant Secretary and Fiscal Agent was fixed at the rate of \$7,100 per annum and that of Mr. Leonard as Federal reserve examiner at the rate of \$6,500 per annum, both effective on this date.

Reports of Standing Committee dated January 25, 1933, recommending approval of the following changes in stock at Federal reserve banks:

<u>Applications for SURRENDER of Stock:</u>	<u>Shares</u>	
<u>District No. 4.</u>		
First National Bank, Dayton, Pennsylvania. (Decrease in surplus)	15	
Peoples-Pittsburgh Trust Company, Pittsburgh, Pa. (Decrease in surplus)	<u>1,694</u>	1,709
<u>District No. 11.</u>		
Texas Bank & Trust Company, Brownsville, Texas. (Insolvent)	79	79
	<u>Total</u>	<u>1,788</u>

Approved.

Report of Standing Committee dated January 24, 1933, recommending approval of the following Clayton Act application:

Mr. Barton P. Turnbull, for permission to serve at the same time as director of the Dunbar National Bank of New York, New York, and as director and officer of the Summit Trust Company of Summit, New Jersey.

Approved.

Thereupon the meeting adjourned.

Claster Morie
Secretary.

Approved:

Augustine
Governor.