A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Tuesday, March 28, 1933, at 12:10 p.m.

PRESENT: Mr. Meyer, Governor
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Morrill, Secretary
Mr. McClelland, Assistant Secretary
Mr. Harrison, Assistant to the Governor
Mr. Wyatt, General Counsel.

The Committee considered and acted upon the following matters:

Letter dated March 27, 1933, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, stating that, subject to the approval of the Federal Reserve Board, the Executive Committee of the bank had established, effective immediately and until further notice, a rate of 5% per annum for all advances to nonmember State banks and trust companies under the provisions of section 404 of the Act of March 9, 1933, as amended by the Act of March 24, 1933.

The rate of 5% established by the executive committee of the New York bank was approved, effective March 27, 1933.

Memorandum dated March 27, 1933, from Mr. Smead, Chief of the Division of Bank Operations, recommending the appointment, for a period of three months beginning April 1, 1933, of Miss Edith Brooks (who has been employed since October 1931 by the System Committee on Branch, Group and Chain Banking) as a statistical clerk in the Division of Bank Operations with salary at the rate of $150 per month.

Approved.

Reply on March 27, 1933, approved by three members of the Board, to a letter dated March 18, 1933, from Mr. W. S. Logan, Deputy Governor...
and General Counsel for the Federal Reserve Bank of New York, referring to the Board’s telegram of March 17, 1933, approving a salary at the rate of $6,000 per annum for Mr. Todd G. Tiebout as assistant counsel at the bank subject to deductions in accordance with and during the period of the share-the-work plan of the bank, and stating that his discussions with Mr. Tiebout regarding salary were without reference to the share-the-work plan; that a salary of $6,000 represents a very substantial reduction from the salary received by Mr. Tiebout before coming to the Federal reserve bank; and that it will be appreciated if the Board will approve for Mr. Tiebout a salary of $6,000 without deduction under the share-the-work plan. The reply stated that, in view of the circumstances, the Board is agreeable to the proposed modification, and upon receipt of advice that the board of directors of the Federal Reserve Bank of New York has fixed Mr. Tiebout’s salary at the rate of $6,000 per annum without deductions in accordance with the share-the-work plan, the Board will approve his salary at that rate.

Approved.

The Assistant Secretary presented an excerpt from the minutes of the meeting of the board of directors of the Federal Reserve Bank of Dallas on March 16, 1933, stating that at that meeting Mr. C. N. Bassett, President of the State National Bank, El Paso, Texas, was appointed a director of the El Paso branch for the unexpired portion of the term ending December 31, 1934, to succeed Mr. E. M. Hurd, deceased.

Noted.
Letter dated March 23, 1933, from Mr. Newton, Chairman of the Federal Reserve Bank of San Francisco, advising that on March 11, 1933, the board of directors of the bank appointed Mr. Harold F. Slade as assistant cashier at the head office and, on March 16, subject to the approval of the Federal Reserve Board, increased his salary from $4,800 to $5,000 per annum.

The salary fixed by the board of directors for Mr. Slade was approved.

Letter to the Acting Comptroller of the Currency stating that, in accordance with the recommendation contained in his letter of March 23, 1933, the Federal Reserve Board approves a salary at the rate of $6,300 per annum for National Bank Examiner Raby L. Hopkins, assigned to the Seventh Federal Reserve District.

Approved.

Telegram to the Governors of all Federal reserve banks, approved by Assistant Secretary of the Treasury Douglas, and the Acting Comptroller of the Currency, advising that in connection with the word count of messages transmitted over the leased wires, referred to in the Board's letter of March 27, 1922, as amended by its letter of February 24, 1932, all messages addressed to Treasury officials, including the Comptroller of the Currency, in connection with banking holidays, emergency banking act, proclamations of the President, regulations of the Secretary of the Treasury, etc., are chargeable to the Treasury Department and should be included in item 3 of monthly telegraphic reports beginning with reports for the month of March, and that all telegrams addressed to the Board should be counted and reported as bank business.

Approved.
Telegram to Mr. Walsh, Federal Reserve Agent at Dallas, replying to a wire received from him regarding the return to the Robinson State Bank and Trust Company, Palestine, Texas, of the papers submitted in connection with the application of that institution for membership in the Federal Reserve System, and stating that, in view of the circumstances involved, the Board feels that the application and accompanying data has become a part of its permanent records and that it is requested that the usual papers be forwarded to the Board to complete its files. The reply also stated that in accordance with the advice contained in the agent's telegram of March 24, 1933, the Board will take no further action in this case.

Approved.

Telegram to the Governors of all Federal Reserve Banks, stating that inquiries have been received from Federal reserve banks regarding the policy and procedure to be followed in opening and maintaining separate deposit accounts for state officials in charge of State banks under the last sentence of section 206 of the Act of March 9, 1933; that the Board feels that it is desirable as far as practicable during the present banking situation for Federal reserve banks to cooperate with State officials who desire such accounts; that as these are trust funds, care should be exercised to guard against responsibility on the part of the Federal reserve banks for mingling them, and that therefore there should be a separate account for each bank from which any such deposit is received. The reply also stated that such accounts can be carried if desired in the name of the appropriate State officer in his official capacity for such bank; that if deposits are received from two or more banks whose affairs are being
handled by the same State official, a separate account should be main-
tained for each; but that if the funds of two or more banks whose affairs
are being handled by the same State official are deposited in another
bank and such other bank or State officer in charge thereof desires to
open one account with the Federal reserve bank for the deposit of such
funds without distinction with respect to banks from which the depositing
bank received them, the Federal reserve bank may carry such account in
the name of such depositing bank or appropriate State officer acting in
his official capacity for it. The telegram further stated that the Board
feels it is desirable during the present banking situation for Federal re-
serve banks to open separate accounts for nonmember as well as member
banks which are not in hands of conservators or other officials but which
desire to deposit segregated funds, and in good faith to clear through
such accounts to such extent as may be proper.

In connection with the above telegram Mr. Wyatt stated that it had
been submitted informally to and approved by Mr. Walden, Controller of the
Federal Reserve Bank of Richmond, Mr. Strater, Cashier of the Federal Re-
serve Bank of Cleveland, and Messrs. Sinclair, Parker and Dunn of Counsel
for the Federal Reserve Banks of Philadelphia, Atlanta and Chicago, re-
spectively, who are in Washington at the present time for the purpose of
working with representatives of the office of the Comptroller of the Curr-
ency and members of the Board's staff on questions arising in connection
with the handling of funds in the hands of conservators appointed to take
charge of the affairs of national banks.

The proposed telegram was approved.
At this point the Chairman joined the meeting, which continued as a meeting of the Federal Reserve Board.

The minutes of the meetings of the Federal Reserve Board held on February 18 and 25, 1933, were approved, the Chairman not voting.

The minutes of the meetings of the Executive Committee of the Federal Reserve Board held on February 23, 24, 27 and 28, 1933, were approved, and the actions recorded therein were ratified, the Chairman not voting.

Mr. Harrison referred to a letter dated March 22, 1933, received in the Governor's office yesterday afternoon from the Secretary of the Treasury with regard to the handling by Federal reserve banks in special deposit accounts of funds in the possession of conservators of member banks. He stated that the representatives of the Federal reserve banks referred to above, and members of the Board's staff, are working with representatives of the office of the Comptroller of the Currency on questions raised in the Secretary's letter and other related matters, and that, if satisfactory to the Secretary, a reply to his letter will be deferred until the consideration of these questions has been concluded. Mr. Woodin indicated that such a procedure would be satisfactory to him.

Mr. Ballantine, Under Secretary of the Treasury, and Mr. Goldenweiser, Director of the Board's Division of Research and Statistics entered the room.

Reference was made to the summary, dated March 15, 1933, prepared in the Board's Division of Examinations, of the report made by one of the Board's examiners of an investigation into certain irregularities in the handling of Government bond subscriptions in the fiscal agency department.
of the Federal Reserve Bank of Chicago.

Mr. James suggested that the report be referred to counsel for a recommendation as to whether the facts referred to therein warrant its submission to the Department of Justice.

Mr. Miller stated that, aside from the question of referring the matter to the Department of Justice for such action as the facts presented may require, there is a question as to what action the Federal Reserve Board will take from the standpoint of its responsibility in relation to the operation of the Federal Reserve Bank of Chicago, and that before action is taken by the Board all of the facts in the situation should be available for consideration. In this connection, Mr. Morrill called attention to the fact that a copy of the report of National Bank Examiner Beaton who participated in the investigation, particularly in so far as it related to the Continental Illinois National Bank and Trust Company of Chicago and other national banks involved, has not yet been received by the Board. Mr. Ballantine stated that a copy of that report will be furnished to the Board, and Mr. Morrill was requested to transmit to the Secretary of the Treasury a copy of the complete report of the investigation made by the Board's examiner.

Governor Meyer stated that, in matters involving possible violations of law, he would prefer to act under advice of the Board's General Counsel, and pointed out that the question of administrative action is one for determination by the Board. The discussion developed the general feeling that consideration of what administrative action should be taken by the Board need not be deferred until the question of referring the report to the Department of Justice has been determined.
It was suggested that the matters referred to in the report should be brought to the attention of the board of directors of the Chicago bank but, after discussion, it was the consensus that it would be better procedure first to have Governor McDougall and perhaps some of the others involved appear before the Board. In this connection, it was stated that the Governor of the Federal Reserve Bank of Chicago has been ill and that it is possible that he might not be able to come to Washington at this time for a discussion of the matter.

Mr. Hamlin stated that he desired to amend the motion made by him at the meeting yesterday, to read as follows:

"That the report which is before the Board be referred to Counsel for a recommendation as to whether it should be brought to the attention of the Department of Justice, as disclosing possible violations of Federal law."

Mr. Hamlin's amended motion was carried.

Mr. Morrill was then requested to call Governor McDougall on the telephone and, if possible, to arrange to have him meet with the Board on Thursday or Friday of this week, and, in the event he is still ill, to arrange to have Deputy Governor McKay meet with the Board on one of those dates.

It was also indicated that the Board may wish to have Mr. James Simpson, one of the directors of the bank, appear before the Board at a later date.

Mr. Ballantine again referred to the suggestion of the President of the United States that paragraph 2(e) be eliminated from the form of Executive Order, prohibiting the hoarding of gold, which was recommended by the Board on March 25, and outlined a number of reasons why it appeared to him that it would be advisable to retain in the order the paragraph in question.
After some discussion of the matter the meeting recessed at 1 p.m., reconvening at 3:15 p.m. as a meeting of the Executive Committee of the Federal Reserve Board, with the same attendance as at the morning session of the Executive Committee and, in addition, Mr. Goldenweiser.

Mr. Morrill stated that he had talked with Deputy Governor McKay at Chicago over the telephone, who had advised that Governor McDougal had not been at the bank since March 4, having suffered a nervous breakdown. Mr. Morrill also stated that, in view of that information, he had arranged with Mr. McKay to come to Washington to meet with the Board on Thursday morning. Accordingly, it was agreed that the Board would meet with Mr. McKay at 10:30 a.m. on Thursday, March 30.

Governor Meyer stated that Senator Glass is confined to his hotel by illness at the present time and that he will defer, until a more convenient time, a discussion with Senator Glass of the questions of policy involved in the applications for membership in the Federal Reserve System filed by the Lynchburg Trust and Savings Bank, Lynchburg, Virginia, and the Personal Loan and Savings Bank, Chicago, Illinois.

At this point Mr. Ballantine, Under Secretary of the Treasury, entered the room and stated that he had discussed further with the Solicitor General this afternoon the suggestion of the President of the United States that paragraph 2(e) be eliminated from the proposed executive order prohibiting the hoarding of gold; that the Solicitor General is fairly well satisfied with the form of order recommended by the Board, and feels that the order should not go beyond the anti-hoarding theory on which it is based; that if paragraph 2(e) is eliminated it will be difficult to include
in the definition of "hoarding", as contained in the order, the withholding of gold for the purpose of meeting obligations payable in gold when payment in gold is actually demanded; and, also, that if the paragraph is eliminated there will be a grave question as to the validity of the order. Mr. Ballantine outlined to the Board two changes in the form of order which had been suggested by the Solicitor General.

He also read a letter received by him under date of March 27, 1935, from Governor Harrison of the Federal Reserve Bank of New York advising that, in his opinion, the form of order recommended by the Board on March 25, 1935, is a great improvement over the tentative draft of March 22; that, in view of the large return flow of gold which has already taken place, an order against hoarding may seem much less necessary than a few weeks ago, but, assuming that it is advisable or necessary because of various other factors, the proposal in its present form is a consistent and workable one; that the proposed order, as now written, overcomes many of the practical difficulties which concerned him before, that there is no doubt that, by permitting obligors on gold contracts to obtain gold for payment when demanded, the order as now drawn has the important advantage of unequivocally preserving the integrity of gold contracts in form, even though section 3 provides for the immediate recapture of gold paid out for purposes not specifically excepted by the order itself; that this procedure has the merit of dealing with the matter of hoarding as contemplated by the law, and while legally protecting gold contracts in the interim, it leaves for future and more mature determination the broader and more substantial problems involved in unrestricted gold payments which is most important.
There followed a detailed discussion of the advisability of eliminating paragraph 2(e) from the proposed order and it was emphasized that the omission of the paragraph would involve the important question as to the effect of the order upon obligations payable in gold. Attention was again called to the fact that the major necessity for the order arises, not from any present condition in regard to the gold or currency position of the United States, but from the fact that the public generally has been given the impression by newspaper and other unofficial reports that an order has been or will be issued by the Treasury Department requiring the deposit of gold; that because of this publicity a large number of individuals deposited gold, which it might be held they should be permitted to have returned in the event an order requiring the delivery of all hoarded gold is not issued. The opinion was again expressed that, in these circumstances, the order, as issued, should not interfere with normal transactions to any greater degree than is necessary.

At the conclusion of the discussion the members of the Board present expressed their opinion that no change should be made in the form of order as recommended by the Board on March 25, 1933; Mr. Hamlin stating that he reserves the right, in the event paragraph 2(e) is eliminated from the order, to offer another suggestion which he has in mind. Mr. Miller stated that, while in his opinion it is not a very vital matter whether the paragraph is eliminated or not, it is more consonant with his views that the paragraph be left in, particularly in view of the Solicitor General's statements, referred to above.

Mr. Ballantine left the meeting at this point.

The Assistant Secretary presented a proposed telegraphic reply to
a telegram dated March 28, 1933, from Deputy Governor Rounds of the Federal Reserve Bank of New York, requesting authority to purchase from the Cranford Trust Company, Cranford, New Jersey, $50,000 of tax notes of the township of Cranford. The proposed reply stated that the Board authorizes the purchase, with the understanding that the warrants meet all requirements of Regulation E, except that the amount offered, together with the amount of $150,000 of such notes already held by the New York bank, exceeds 25% of the total outstanding warrants of the municipality.

Approved.

Mr. Morrill referred to a letter received by the Board from the wife of Geo. T. Jarvis, Assistant Cashier of the Detroit Branch of the Federal Reserve Bank of Chicago, whose resignation takes effect on April 1, 1933, and to a suggestion made by Mr. Hamlin that the Board reconsider the action taken by it at the meeting on January 25, 1933, and advise the Federal Reserve Bank of Chicago that the Board will permit the retention of Mr. Jarvis on the payroll of the Detroit branch with a reduction in his annual compensation equal to two weeks' salary and a warning that a repetition of the action which led to the request for his resignation would result in immediate dismissal. After discussion, it was decided that, in view of all the circumstances, the Board would not be justified in reconsidering its previous action and the Secretary was requested to prepare a sympathetic reply to the letter from Mrs. Jarvis.

Reports of Standing Committee dated March 28, 1933, recommending approval of the following changes in stock at Federal reserve banks:
Applications for ORIGINAL Stock:
District No. 7.
National Boulevard Bank of Chicago, Illinois
First National Bank in Casey, Illinois

Shares
420
18

Approved.

Thereupon the meeting adjourned.

Approved:

Secretary.

Governor.