

4/3/53 Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, April 3, 1953.

PRESENT: Mr. Martin, Chairman  
 Mr. Szymczak  
 Mr. Evans  
 Mr. Robertson

Mr. Carpenter, Secretary  
 Mr. Sherman, Assistant Secretary  
 Mr. Kenyon, Assistant Secretary

Minutes of actions taken by the Board of Governors of the Federal Reserve System on April 2, 1953, were approved unanimously.

Telegrams to the Federal Reserve Banks of Boston, New York, Philadelphia, St. Louis, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Banks of Boston and St. Louis on March 30, by the Federal Reserve Bank of San Francisco on March 31, and by the Federal Reserve Banks of New York and Philadelphia on April 2, 1953, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated March 23, 1953, from Mr. Young, Director, Division of Research and Statistics, recommending the appointment of Faye B. Cohen as Clerk in that Division, on a temporary indefinite basis, with basic salary at the rate of \$3,030 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination and subject to the completion of a satisfactory employment investigation.

Approved unanimously.

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Memorandum dated March 23, 1953, from Mr. Young, Director, Division of Research and Statistics, recommending the appointment of Margaret F. Ebenfield as Clerk in that Division, on a temporary basis for a period of three months, with basic salary at the rate of \$2,950 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination and subject to the completion of a satisfactory employment investigation.

Approved unanimously.

Memorandum dated February 19, 1953, from Mr. Marget, Director, Division of International Finance, recommending the appointment of Gladys W. Willard as Clerk in that Division, on a temporary basis for a period of three months, with basic salary at the rate of \$2,950 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination and subject to the completion of a satisfactory employment investigation.

Approved unanimously.

Memorandum dated March 27, 1953, from Mr. Marget, Director, Division of International Finance, recommending the appointment of Mary John Katinas as Clerk-Stenographer in that Division, on a temporary indefinite basis, with basic salary at the rate of \$2,950

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per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination and subject to the completion of a satisfactory employment investigation.

Approved unanimously.

Memoranda recommending that the basic annual salaries of the following employees be increased in the amounts indicated, effective April 12, 1953:

<u>Date of Memorandum</u>	<u>Name and Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
	<u>Memorandum from Governor Szymczak</u>		
3/24/53	Virginia J. Ogilvie, Stenographer	\$3,410	\$3,535
	<u>Memorandum from Mr. Thurston, Assistant to the Board</u>		
3/30/53	Ruth E. Morris, Secretary to Mr. Fauver	4,035	4,295
	<u>Memorandum from Mr. Young, Director, Division of Research and Statistics</u>		
3/27/53	Dorothy D. Reeves, Secretary	4,545	4,705

Approved unanimously.

Letter to Mr. Neely, Chairman and Federal Reserve Agent, Federal Reserve Bank of Atlanta, reading as follows:

"In accordance with the request contained in your letter of March 26, 1953, the Board of Governors approves

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"the payment of salaries to the following members of the Federal Reserve Agent's staff at the rates indicated, effective April 1, 1953.

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
<u>Birmingham Branch</u>		
George W. Mason	Federal Reserve Agent's Representative	\$5,500
Hugh Moreland, Jr.	Federal Reserve Agent's Representative	5,600"

Approved unanimously.

Letter to Mr. Woolley, Secretary pro tem, Federal Reserve Bank of Kansas City, reading as follows:

"The Board of Governors approves the reappointments of Messrs. Mason L. Thompson, Thomas McNally, Harold F. Silver, and Albert R. Waters as members of the Industrial Advisory Committee for the Tenth Federal Reserve District each to serve for the remaining portion of the one-year term beginning March 1, 1953, in accordance with the action taken by the Executive Committee of the Board of Directors as reported in your letter of March 30, 1953.

"It is noted from your letter that the Board will be advised when Mr. Hall's successor is selected, which action, you indicate, probably will be taken at the next directors' meeting, or soon thereafter."

Approved unanimously.

Letter to The First National Bank of Midland, Midland, Texas, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in

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"any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Texas, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously, for  
transmittal through the Federal  
Reserve Bank of Dallas.

Letter to the Chairmen and Presidents of all Federal Reserve Banks,

reading as follows:

"In its letter of January 9, 1935, the Board stated its views with respect to the desirability of a rotation plan for directors of Federal Reserve Banks and branches and announced that as a matter of broad policy it would not reappoint directors who had completed six years of continuous service except Chairmen of the Federal Reserve Banks. A summary of these views was published in the Federal Reserve Bulletin for January 1935 along with a revision of the rules and regulations for selection of directors of branches of Federal Reserve Banks.

"While the Board concluded in 1942 (S-557 - S-557-a, F.R.L.S. 3131.1) to dispense with a fixed rule as to the length of service of Class C directors, it stated that it would adhere generally to the policy of rotation in their service. This decision reflected in part the fact that elections by member banks of Class A and Class B directors had followed a practice of rotation only to a limited extent, with the result that the 1935 limitation upon the length of service of Board-appointed directors had not been accompanied by a corresponding limitation upon the terms of elected directors.

"Over the years, member banks in some of the Federal Reserve Districts have voluntarily adopted procedures whereby

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"Class A and in some cases Class B directors are elected on a rotation basis. Recently the Board reconsidered the whole matter in the light of the existing situation and has adopted the following statement of policy with respect to future appointments of Class C directors:

Effective with appointments beginning January 1, 1954, the Board of Governors will follow a policy of rotation under which Class C directors will not be reappointed if they have served two full terms of three years each except that if a director, who has served more than three years as a Class A, B, or C, director, is then designated by the Board as Chairman and Federal Reserve Agent, he may serve not to exceed one full three-year term as Chairman and Federal Reserve Agent for a total of not to exceed three full terms as a director."

Approved unanimously.

Letter to the Presidents of all Federal Reserve Banks reading as follows:

"At the recent joint meeting of the Governors with the Presidents on March 5, 1953, it was understood that necessary steps would be taken to amend the Loss-Sharing Agreement so as to make effective amendments with respect to losses from fire and allied risks which had been under consideration by the Insurance Committee and the Conference of Presidents. Enclosed are two copies of the agreement incorporating amendments prepared by the Insurance Committee to give effect to the proposal as agreed upon by the Presidents. In order to bring the printed agreement up to date, it also incorporates the amendments with respect to losses from war risks which became effective April 17, 1952.

"Please execute both copies of the agreement and return one to the Board. The agreement will be effective when duly executed counterpart originals have been received from all Reserve Banks, and you will be advised by telegram at that time.

"Section VI(b) of the amended agreement provides that each Bank shall establish on its books a 'Reserve for Losses from Fire and Allied Risks' and shall credit to such account

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"an amount equal to its proportion of \$6,000,000 on the basis of Section 7 surplus and contingent reserves (in round figures of even ten thousands) as of December 31, 1952.

"The amount initially to be credited to this reserve by your Bank is indicated in the attached table, and the reserve should be established, with a corresponding charge made to Profit and Loss account, not later than ten days after the effective date of the agreement.

"The Board understands that at the Presidents Conference the feeling was expressed that this reserve for fire and allied risks should not be shown separately in published reports. The Chairman of the Committee on Miscellaneous Operations has also raised a question with respect to provision for replenishment of the reserves.

"So far as accounting goes, it would seem appropriate to treat the 'Reserve for losses from fire and allied risks' in much the same manner as the 'Reserve for registered mail losses.' Accordingly, on Form F. R. 34 it will be shown as a separate item in the RESERVES FOR CONTINGENCIES block. Pending the printing of the Form F. R. 34 for next year, the new reserve should be shown with appropriate notation in the space opposite the caption 'Reserves For Contingencies.'

"In the weekly condition statement and in the Bulletin tables this reserve, along with other reserves for contingencies, will be included in the item 'Other capital accounts.' For many years a detailed combined statement of condition of the Federal Reserve Banks has been published in the Board's Annual Report (Table 1). The Board does not believe that this procedure should now be changed. It is therefore contemplated that, consistent with that practice, in such statements the 'Reserve for losses from fire and allied risks' will be shown as a separate item along with the 'Reserve for registered mail losses' and 'All other' reserves for contingencies. This is the only place where the new reserve would be shown separately.

"As provided in the Loss-Sharing Agreement, losses on account of fire or allied risks will be charged currently against the reserve. It is contemplated that at the end of the year the reserve will be replenished by a transfer from profit and loss equal to the amount of losses charged to the reserve during the year.

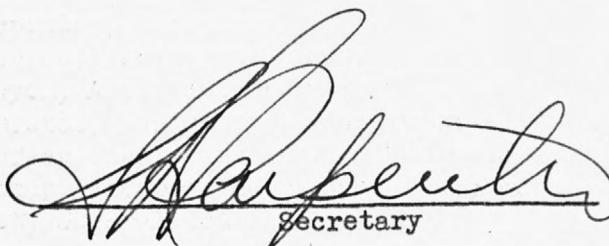
"In the statements of earnings and expenses of the Federal Reserve Banks the amount charged to profit and loss to establish

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"the 'Reserve for losses from fire and allied risks' will be included under 'Deductions from current net earnings' in the item 'Reserves for contingencies.' Amounts charged to profit and loss to replenish the reserve will be treated in the same manner."

Approved unanimously.



Secretary