Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, May 21, 1953. The Board met in executive session in the Board Room at 10:30 a.m.

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

Following the executive session, the Secretary was informed by the Chairman that the following actions had been taken:

Consideration was given to the existing policy, as set forth in the Board's action on November 10, 1949, supplementing the Board's action on February 4, 1947, regarding the payment by the Board of the cost of dinners given in connection with certain conferences held in Washington involving Board and Federal Reserve Bank personnel, and it was agreed that the Board would discuss at a later date what, if any, change should be made in the existing policy.

Consideration was given to the appointment of Mr. Franz Schneider, Executive Vice President of the Newmont Mining Corporation, New York, New York, as Class C director of the Federal Reserve Bank of New York for the unexpired portion of the term ending December 31, 1955, and it was agreed that Mr. Crane, Chairman of the New York Bank, should be requested to ascertain and advise the Board whether Mr. Schneider would accept the appointment if tendered.
Consideration was given to a memorandum dated May 18, 1953, from Governor Evans relating to invitations received by certain members of the Board's staff to be the guests of the American Bankers Association at the Annual Convention of the Association to be held in Washington September 20-23, 1953, and it was agreed that inasmuch as the convention was to be held in Washington this year any member of the staff who so desired should feel free to accept the invitation with the understanding that he might attend such of the sessions of the convention as his work would permit.

The Board approved acceptance by Governor Robertson of an invitation he had received to make a talk before the Trust Division of the American Bankers Association during the Annual Convention of the Association in September.

After a discussion of the policy that should be followed in the future with respect to the salaries of Presidents and First Vice Presidents of the Federal Reserve Banks, the special committee consisting of Governors Szymczak, Mills, and Robertson that had been working on matters relating to the administration of Reserve Bank officers' salaries was requested to prepare a draft of statement of policy that would be considered by the Board at the meeting on Monday, May 25.
Consideration also was given during the executive session to the plans for administration of salaries of officers below the level of President and First Vice President which had been submitted by the Federal Reserve Banks in response to letters sent by the Board and the Special Committee of which Governor Szymczak was Chairman. The plans had been reviewed by the appropriate members of the Board's staff and by representatives of the firm of Booz, Allen, and Hamilton, which had been retained by the Board as consultant in connection with its work on the plans. It was the view of the staff and the consultants that the plans of job evaluation submitted by the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, St. Louis, Kansas City, Dallas, and San Francisco were adequate and contained all of the necessary elements of a sound procedure, that the job evaluation plan of the Chicago Reserve Bank could be accepted subject to clarification of a question related to the classification of two positions at the Bank, and that the performance appraisal plans submitted by the Federal Reserve Banks of Boston, New York, Philadelphia, Richmond, St. Louis, Kansas City, and San Francisco were also adequate and should be approved by the Board at this time. It was not contemplated that action would be taken at present with respect to the job evaluation and performance appraisal plans of the Atlanta and Minneapolis Banks.
for the reason that further information was to be received from those Banks with respect to their plans. Written statements of the performance appraisal plans of the Federal Reserve Banks of Cleveland, Chicago, and Dallas had not yet been received.

Unanimous approval was given to letters to the Chairmen of all Federal Reserve Banks other than Atlanta and Minneapolis which contained paragraphs in the following form, except that the uniform paragraphs in the letters to the Federal Reserve Banks of Cleveland, Chicago, and Dallas related only to their plans for job evaluation and the second uniform paragraph in the letter to the Federal Reserve Bank of Chicago was changed as indicated below:

"The Board of Governors has reviewed the job evaluation and performance appraisal plans which were forwarded on ______, 1953. It is evident that your Bank has put a large amount of work into the development of these plans, and we appreciate the efforts and the speed with which the job was completed. The Board of Governors approves the plans as submitted.

"It will not be necessary for you to resubmit your plans after formal action by your directors. When your directors have given their official approval, the next step will be the fixing of official salary ranges for the various groups. The Board of Governors is now considering the question of the salaries of the President and the First Vice President and the maximum salary of the range applicable to the top group of officers. As soon as these decisions are made, you will be informed in order that the salary ranges for each group and individual salaries within the groups may be established and forwarded to the Board of Governors for its consideration."
"Experience gained in the administration of the plans will in all probability suggest modifications from time to time in the various plans. In this connection, it is believed that the Board and the Reserve Banks will benefit from a periodic exchange of views as to the methods of evaluation and the manner in which the plans are administered.

"Your willingness to cooperate in the difficult task of developing executive compensation and appraisal plans is appreciated.

"A copy of this letter is being sent to the President of your Bank."

The letters to the Federal Reserve Banks of Cleveland, Chicago, and Dallas contained the following additional paragraph:

"It is noted that your plan of performance appraisal has not yet been completed. It is assumed that as soon as this plan has been worked out a statement with respect to it will be forwarded to the Board of Governors."

The letters to the Federal Reserve Banks of Boston, Cleveland, Chicago, and Kansas City also contained paragraphs reading as follows:

**Letter to the Federal Reserve Bank of Boston**

"It is noted that your Bank has elected to use five officer groups in your evaluation plan, whereas other Federal Reserve Banks of comparable size have four groups. It is understood that the use of five groups results from the present distribution of officer responsibilities. As individuals and assignments change, it may be possible to distribute the responsibilities in such a way that the number of groups may be reduced to four."

**Letter to the Federal Reserve Bank of Cleveland**

"In order that the Board's records may be complete in every detail, it will be appreciated if you will furnish us
"the material mentioned in the enclosed attachment to this letter. An informal letter giving this information will be sufficient for our purposes."

Letter to the Federal Reserve Bank of Chicago

"The Board of Governors is now considering the question of the salaries of the President and the First Vice President and the maximum salary of the range applicable to the top group of officers. As soon as these decisions are made, you will be informed in order that the salary ranges for each group and individual salaries within the groups may be established and forwarded to the Board of Governors for its consideration.

"In order that the Board's records may be complete in every detail, it will be appreciated if you will furnish us the material mentioned in the enclosed attachment to this letter."

Letter to the Federal Reserve Bank of Kansas City

"In order that the Board's records may be complete in every detail, it will be appreciated if you will furnish us the material mentioned in the enclosed attachment to this letter. An informal letter giving this information will be sufficient for our purposes."

Pursuant to the letter to the Chairman of the Federal Reserve Bank of Chicago referred to above, unanimous approval also was given to a second letter to Chairman Coleman reading as follows:

"In a separate letter addressed to you today, the Board approved your officer job evaluation plan, subject to certain comments which follow.

"On one or two occasions in the past, the Board of Governors has discussed with the Chicago Bank the general level of the salaries of certain officers. Particular attention was directed to the position occupied by Mr. Lindsten and the seemingly high salary he was receiving in relation to his responsibilities."
"It is noted that under your job evaluation plan, the position occupied by Vice President Meyer is placed in the next to the highest group and that occupied by Assistant Vice President Lindsten is placed in the next to the lowest group. From the responsibilities currently assigned these positions, it appears difficult to justify placing them as high in the groups as is proposed. In this connection, it is noted your consultant was apparently of the opinion that these positions were over-rated.

"It would be appreciated if your directors would review these proposed classifications and give us the benefit of your comments with respect to them."

Unanimous approval also was given to a letter to the Presidents of all Federal Reserve Banks except Atlanta and Minneapolis in the following form:

"There is enclosed a copy of a letter from the Board of Governors which was mailed today to your Chairman.

"There are also enclosed an excerpt taken from a letter written to the Board by Booz, Allen & Hamilton, the firm retained as consultants in connection with consideration by the Board of the Banks' evaluation and performance appraisal plans, and specific comments on your plan made by the same firm. This material is sent to you in the thought that you would be interested in having available the comments made on your plan."

The meeting then adjourned. During the day the following additional actions were taken by the Board with all of the members present:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on May 20, 1953, were approved unanimously.

Memorandum dated May 18, 1953, from Mr. Sloan, Director, Division of Examinations, recommending that Harry J. Meyer, an examiner for the Federal Reserve Bank of New York, William D. Kendrick,
an assistant examiner for the Federal Reserve Bank of New York, and Albert C. Chase and Beekman C. Slack, special assistant examiners for the Federal Reserve Bank of New York, be appointed by the Board of Governors as examiners for the purpose of participating in an examination of First of Boston International Corporation, a corporation operating under agreement with the Board pursuant to the provisions of Section 25 of the Federal Reserve Act.

Approved unanimously.

Memorandum dated May 20, 1953, from Mr. Sloan, Director, Division of Examinations, recommending that the resignation of Dorothy L. Saunders, Secretary in that Division, be accepted, effective as of the close of business May 29, 1953.

Approved unanimously.

Memorandum dated May 18, 1953, from Mr. Marget, Director, Division of International Finance, recommending that Edward Ames, Economist in that Division, be permitted to teach a course in Intermediate Economic Theory at The American University on Tuesday and Thursday evenings during the first half of the summer semester, with compensation in the amount of $300.

Approved unanimously.

Letter to Mr. Williams, President, Federal Reserve Bank of Philadelphia, reading as follows:
"The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of Philadelphia for the period May 18, 1953, through June 30, 1953, at the rates indicated, which are the rates fixed by the Board of Directors as indicated in your letter.

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Annual Salary</th>
</tr>
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<tbody>
<tr>
<td>Joseph R. Campbell</td>
<td>Assistant Vice President</td>
<td>$8,655</td>
</tr>
<tr>
<td>Zell G. Fenner</td>
<td>Chief Examiner</td>
<td>$9,915</td>
</tr>
</tbody>
</table>

"The Board of Governors also approves the appointment of Mr. Joseph R. Campbell as an Examiner for the Federal Reserve Bank of Philadelphia, effective May 18, 1953."

Approved unanimously.

Letter to the Board of Directors, Security Bank, Lincoln Park, Michigan, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors approves the establishment and operation of a branch on the west side of Roosevelt Road, between Cleveland Avenue and Garfield Avenue, in the city of Allen Park, Michigan, provided the capital structure of your bank is increased by the sale of $200,000 of new common stock at not less than $300,000 and that the branch is established within twelve months from the date of this letter."

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

Letter to the Board of Directors, American Trust Company, San Francisco, California, reading as follows:
"Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors of the Federal Reserve System approves the establishment of a branch on Alum Rock Avenue in the vicinity of its intersection with White Road, Santa Clara County, California, by American Trust Company, San Francisco, California, provided the branch is established within six months of the date of this letter."

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

Letter to the Honorable R. M. Gidney, Comptroller of the Currency, Washington, D. C., reading as follows:

"This is in further reference to Mr. Jennings' letter of February 2l, 1953, concerning the application of section 32 of the Banking Act of 1933, as amended, to the service of Mr. Donald M. Liddell, Jr., as a director of the National State Bank of Elizabeth, New Jersey, and also as vice president of Templeton & Liddell Fund, Inc., an open-end investment company. By our letter to Mr. Jennings of March 4, 1953, it was stated that an investigation into the matter was being undertaken. A report of the Federal Reserve Bank in this connection has now been received.

"From the information submitted, it appears that Templeton & Liddell Fund, Inc., New York City, was formed in 1948 (as Templeton, Dobbrow & Vance Fund Corp.) and that, from the beginning, management and investment advisory services have been supplied to the Fund by Templeton, Dobbrow & Vance, Inc., New York City, a registered investment adviser. The purpose of the Fund has been stated to be 'to take care of funds of individuals who wished to make use of the investment counsel service furnished by Templeton, Dobbrow and Vance, Inc., but whose investment accounts were too small to warrant the usual fee', and 'to provide an easy way to invest surplus and small family funds of the investment counsel company and its employees'. By the fall of 1950 the Fund had assets of approximately $105,000 and about 20 stockholders."
"It appears further that by mid-1952 Templeton & Liddell Fund, Inc., had become a registered investment trust. This step was stated to have been taken in order that the Fund should 'be able to sell shares freely and in order to take advantage of the income tax regulations granting special treatment to regulated investment trusts'. It was also stated that in order 'to cease to be a personal holding company, the investment trust sold during the latter part of July, 1952, following registration, sufficient additional shares to new stockholders to bring the percentage of the stock held by the largest five family groups to just under 50% of the total'. These sales, however, did not bring about any material change in the type of stockholder. The stockholders of the Fund appeared to continue to constitute, briefly, officers and employees of Templeton, Dobrow & Vance, Inc., members of their families and friends, and certain clients of the investment adviser with small amounts of funds available for investment. By September, 1952, the Fund had outstanding 2,166 shares held by 58 stockholders.

"In March 1953 it was pointed out that the Fund had grown substantially in recent months. The market value of its assets was about $403,589, it had approximately 60 stockholders who held total outstanding shares of about 2,819. It was stated that such growth was 'due largely to the fact that clients' of Templeton, Dobrow & Vance, Inc., 'whose accounts were below the theoretical minimum handled by' that company 'have been encouraged to sell their stocks and purchase shares of the Investment Trust so that they would obtain supervision at a lower cost' than the minimum fee charged for investment advisory service. Again it appeared that there had not been any material change in the type of stockholder.

"From the information submitted in connection with this matter it appears further that in 1951 the Fund stated that 'It is not contemplated that shares of the investment trust ... will ever be sold publicly in the usual sense of the word.' In 1952, it was stated that 'No sales campaign has been put on'; and, in March 1953, it was stated that 'No effort is made to sell stock of the company publicly and no expense has ever been incurred for advertising'. An officer of the Fund recently stated that the Fund 'would not be in favor of' selling shares to the general public."
"It appears also that no commission or loading charge has ever been made on sales and, under the present prospectus, no loading charge can be made. The Fund has stated also that 'Theoretically, redemptions are effected at 2% below asset value but every redemption to date has been effected at asset value by sale to a new stockholder'. It was stated also that, since the inception of the Fund, 'expenses charged against the earnings, exclusive of income, franchise, and transfer taxes and exclusive of interest on bonds purchased, have amounted to $350,83, most of which represented expenses in connection with registration. The cost to Templeton, Dobbrow & Vance, Inc., including postage, stationery and the time of employees, probably has exceeded $7,000'. Also it appears that, to date, no management or advisory fee has been charged the Fund by Templeton, Dobbrow & Vance, Inc., although such a charge is authorized.

"As Mr. Jennings pointed out in his letter of February 24, 1953, the Board has taken the position (1951 Federal Reserve Bulletin, page 645) that the activities of the ordinary open-end investment trust are such that section 32 is applicable. However, the Federal Reserve Bank of New York, which has made a careful study of this case, has reached the conclusion that section 32 is not applicable, for reasons which may be summarized by saying that it does not believe that the Fund is an open-end investment trust of the usual kind. The Reserve Bank's conclusion is based primarily upon the small number of stockholders, the fact that they are officers and employees of Templeton, Dobbrow & Vance, Inc., members of their families and friends, and clients whose accounts are below the theoretical minimum handled by the investment counsel company; the fact that no effort or money has been expended in selling the stock of the Fund, the fact that sales and redemptions have been at asset value without any loading charge or deduction; and the fact that Templeton, Dobbrow & Vance, Inc., have never charged a management or advisory fee but, on the contrary, have absorbed almost all of the expenses of the Fund.

"It is a close question whether section 32 is applicable in the circumstances of this matter. However, in view of the considerations pointed out by the Federal Reserve Bank of New York, which has been following this case very carefully, and
"in the light of all of the other facts in the case, the Board does not feel that the evidence is sufficiently clear to support a definite conclusion at this time that the interlocking directorate in question is prohibited. We are, however, requesting the Federal Reserve Bank to continue to watch the matter carefully and to ascertain and advise the Board of the facts in the case at the end of this calendar year, with the statement that if there has then developed any material change in the situation involving an increase in volume of sales of shares, an increase in number of shareholders, a broadening of the classification of shareholders, efforts to make sales, or the making of charges by the Fund, it seems probable that the facts would then be such as to require the conclusion that the relationship is prohibited. The Board will, of course, advise you in the event that there is any material change of this kind."

Approved unanimously.

Statement for publication in the Federal Register reading as follows:

"NOTICE
Title 12 - BANKS AND BANKING
CHAPTER II - FEDERAL RESERVE SYSTEM
SUBCHAPTER A - BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
RULES OF ORGANIZATION
Miscellaneous Amendments
"The Rules of Organization (formerly contained in 12 CFR, Part 261) have been amended in the following respects:
1. Effective April 29, 1953, the Board discontinued the Office of the Solicitor and the Board's Rules of Organization were amended so as to delete the subsection relating thereto.
2. Effective April 29, 1953, the duties of the Office of the Solicitor were transferred to the Legal Division and the subsection relating thereto was amended to read as follows:
Legal Division is headed by the Board’s General Counsel. It advises and assists the Board with respect to legal matters, including, among other things, litigation, and preparation of, or assistance on, regulations, orders, opinions and other documents or correspondence of legal or semi-legal character.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
(Seal) (Signed) S. R. Carpenter
S. R. Carpenter, Secretary.

Approved unanimously.

Secretary