

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, July 9, 1953. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Allen, Director, Division of
Personnel Administration

Reference was made to a memorandum dated July 8, 1953, from Mr. Young, Director, Division of Research and Statistics, to Chairman Martin to which was attached a letter signed jointly by the Managing Director of the International Monetary Fund and the President of the International Bank for Reconstruction and Development inviting Mr. Young to attend the Eighth Annual Meeting of the Boards of Governors of those institutions to be held in Washington, D. C., from September 9 to 12, 1953. In his memorandum, Mr. Young suggested that Chairman Martin might wish to bring this invitation to the attention of the Board for determination as to what policy should be followed with respect to Board representation at the Annual Meeting.

Following a discussion, during which it was brought out that certain other members of the Board's staff also had received invitations to attend the Annual Meeting, it was agreed that members of the staff receiving such invitations should feel free to accept and to attend such portions of the Annual Meeting as their work would permit.

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Chairman Martin referred to a letter dated June 30, 1953, from Mr. N. P. Black, President of the National Association of Supervisors of State Banks inquiring whether, since Chairman Martin would not be available, it would be possible for some other representative of the Board to speak at the annual meeting of the Association to be held in Philadelphia September 17-19, 1953. None of the other members of the Board was able to accept the invitation, and it was proposed that Mr. Sloan, Director of the Division of Examinations, be suggested as a speaker to represent the Board.

This suggestion was approved
unanimously.

There was presented a draft of letter for the signature of the Chairman to Mr. John M. Cabot, Assistant Secretary of State, reading as follows:

"In reply to your letter of June 12 regarding the Tenth Inter-American Conference which is scheduled to meet in March 1954, and your suggestion that the Board might wish to designate an officer to centralize responsibility for coordination of any work here regarding that Conference, I am pleased to inform you that the Board has designated Mr. Lewis N. Dembitz for this purpose. As you suggest in your letter, I am requesting Mr. Dembitz to get in touch directly with Ambassador Dreier regarding the work to be done on this subject."

Approved unanimously.

In its letter of May 29, 1953, to the Chairmen of all Federal Reserve Banks, the Board set forth the conclusions which it had reached

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after giving consideration to the policies to be followed with respect to salaries of officers of the Federal Reserve Banks and requested that the Board of Directors of each bank, except Atlanta and Minneapolis, fix and forward to the Board of Governors for approval in the light of the stated principles proposed salary ranges for officers below the President and First Vice President. The job evaluation and performance appraisal plans submitted by the Atlanta and Minneapolis Banks had not been approved by the Board at that time, but thereafter they were approved and those banks also were requested to submit proposed salary ranges for their officers. Subsequently, all of the Reserve Banks, except Atlanta and Dallas, had submitted the proposed salary ranges, which were reviewed by members of the Board's staff and by the Special Committee consisting of Governors Szymczak, Mills, and Robertson which had been requested by the Board to study and recommend a plan for administration of Reserve Bank officers' salaries.

Before this meeting charts showing the ranges submitted by the Federal Reserve Banks and as recommended by the Special Committee had been sent to the members of the Board. The Special Committee recommended a maximum salary of \$20,000 for the highest group of officers below the President and First Vice President at all of the Federal Reserve Banks except New York and Chicago. A maximum of \$28,000 was recommended at the Federal Reserve Bank of New York rather than \$35,000, as proposed by the Bank, and a maximum of \$23,000 at the Federal Reserve Bank of Chicago,

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as proposed by the Bank.

There was a general discussion of the proposed salary ranges and the reasons why the Special Salary Committee had concluded that its recommended maxima should be established. During the discussion, Messrs. Carpenter and Allen also stated the reasons why members of the Board's staff who had reviewed the proposed salary ranges were of the opinion that maxima of \$35,000 at New York, \$23,000 at Chicago, and from \$20,000 to \$22,500 at the remaining Banks would be appropriate.

At the conclusion of the discussion, the recommendations of the Board's Special Salary Committee were approved unanimously.

At this point Governor Mills withdrew from the meeting to keep an outside appointment, and consideration was given as to what advice of the above action should be given to the Federal Reserve Banks.

Before leaving the building to keep his appointment, Governor Mills returned to the room and stated that he had received a telephone call from Mr. Neely, Chairman of the Federal Reserve Bank of Atlanta, who said that the directors of that Bank had approved a proposed salary range for the Bank's officers providing a maximum of \$18,000 for the highest group of officers and that the proposed ranges were set forth in a letter from President Bryan dated July 8, 1953, together with proposed salaries for the individual officers. Governor Mills said that he told

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Chairman Neely of the Board's action establishing a maximum of \$20,000 at all Reserve Banks other than New York and Chicago, and that Chairman Neely thereupon requested that a maximum of \$20,000 rather than \$18,000 be approved in the case of the Atlanta Bank, with no other changes in the ranges for the several groups of officers as submitted by the Bank.

Governor Mills then withdrew from the meeting.

There was a further discussion of the advice to be given to the Reserve Banks to carry into effect the action of the Board approving the recommendations of its Special Salary Committee at the conclusion of which unanimous approval was given to letters to the Chairmen of the Federal Reserve Banks indicated in the following form:

Letter to the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, St. Louis, Kansas City, and San Francisco, except that the figure mentioned in the first paragraph of the letter to the New York Bank was \$28,000 rather than \$20,000

"The Board of Governors has considered the officer salary ranges which were submitted by you in response to its letter of May 29, 1953, and believes that at least for the initial period of operation of the new plan for administration of officers' salaries the top group of officers at your Bank should have a salary range with a maximum of not to exceed \$20,000. In taking this position, the Board has in mind that salary ranges approved at this time can be changed at any time that experience demonstrates the desirability of a change.

"In view of this decision your Directors undoubtedly will wish to recast the ranges for all of your officer groups in order that there may be a proper relationship between the various ranges. If after your Directors have reconsidered your salary ranges you will submit them again, the Board of Governors will be prepared to act promptly.

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"At the same time you may wish to submit the salaries now proposed for the individual officers of your Bank including the President and First Vice President.

"The Board recognizes that your Bank has given considerable time and thought to the development of a salary program. Should your Directors wish to do so, the Board will be glad to meet with you or a committee of your Directors for a full discussion of the reasons for the Board's views.

"Pending receipt of your revised ranges and salary proposals for individual officers, the Board of Governors approves payment of salaries to your officers at currently existing rates from July 1, 1953, until such time as new rates are approved under the new salary plan.

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

Letter to the Federal Reserve Bank of Atlanta

"In accordance with Mr. Bryan's letter of July 8, 1953, and Governor Mills' telephone conversation with you, the Board of Governors approves the following minimums and maximums for the officer salary groups at the Federal Reserve Bank of Atlanta:

<u>Group</u>	<u>Minimum</u>	<u>Maximum</u>
A	\$12,000	\$20,000
B	10,000	15,000
C	8,500	12,750
D	7,000	10,500

"Consideration will be given by the Board to the salaries for individual officers listed in President Bryan's letter of July 8, 1953, and you will be advised of the action taken. Should your Directors take any action with respect to the salary for the President and First Vice President, the Board would appreciate being informed so that salaries for all officers of your Bank can be considered at the same time. Pending approval of your salary proposals, the Board of Governors approves payment of salaries to your officers at currently existing rates from July 1, 1953, until such time as new rates become effective under the new salary plan.

"A copy of this letter is being sent to President Bryan."

Letter to the Federal Reserve Bank of Chicago

"The Board of Governors approves your job evaluation plan and the following minimums and maximums for the various officer groups which, according to Mr. Dawes' letter of June 5, 1953,

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"are the ranges approved by your Board of Directors:

<u>Group</u>	<u>Minimum</u>	<u>Maximum</u>
A	\$15,500	\$23,000
B	13,500	20,000
C	12,500	18,500
D	10,000	15,000
E	8,500	12,000

"In the light of your letter of June 4, 1953, the Board will accept the decision of your Directors with respect to the proposed classification for Vice President Meyer and Assistant Vice President Lindsten.

"In accordance with the Board's letter of May 29, it is understood that you will now forward to the Board for consideration salaries proposed for the individual officers of your Bank, including the President and First Vice President. Pending action on these proposals, the Board of Governors approves payment of salaries to your officers at currently existing rates from July 1, 1953, until such time as new rates are approved under the new salary plan.

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

Letter to the Federal Reserve Bank of Minneapolis

"The Board of Governors approves the following minimums and maximums for your officer groups which, according to your letter of July 1, are the ranges approved by your Board of Directors:

<u>Group</u>	<u>Minimum</u>	<u>Maximum</u>
A	\$13,000	\$20,000
B	10,000	15,000
C	8,000	12,000
D	6,000	9,000

"In accordance with the Board's letter of May 29, it is understood that you will now forward to the Board for consideration salaries proposed for the individual officers of your Bank, including the President and First Vice President. Pending action on these proposals, the Board of Governors approves payment of salaries to your officers at currently existing rates from July 1, 1953, until such time as new rates are approved under the new salary plan.

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

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No advice having been received from the Federal Reserve Bank of Dallas as to the salary ranges proposed for the officers of that Bank, unanimous approval was given to the following letter to Mr. Parten, Chairman of the Dallas Bank:

"Pending further developments in the plan for officers' salary administration, the Board of Governors approves payment of salaries to your officers at currently existing rates from July 1, 1953, until such time as new rates are approved under the new salary plan."

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on July 8, 1953, were approved unanimously.

Letter to Mr. Denmark, Vice President, Federal Reserve Bank of Atlanta, reading as follows:

"In accordance with the request contained in your letter of July 2, 1953, the Board approves the designation of Brown R. Rawlings, Jr. as a special examiner for the Federal Reserve Bank of Atlanta."

Approved unanimously.

Letter to Mr. Woolley, Vice President, Federal Reserve Bank of Kansas City, reading as follows:

"In accordance with the request contained in your letter of July 2, 1953, addressed to Mr. Sloan, the Board approves the appointment of Richard V. Garrett as an assistant examiner for the Federal Reserve Bank of Kansas City."

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"Please advise us of the date upon which the appointment of Mr. Garrett is made effective."

Approved unanimously.

Letter to Mr. Diercks, Vice President, Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors of the Federal Reserve System has considered the recommendation of the Executive Committee of your Bank, contained in your letter of July 3, 1953 and, pursuant to the provisions of Section 19 of the Federal Reserve Act, grants permission to National Bank of Albany Park in Chicago, Chicago, Illinois, to maintain the same reserves against deposits as are required to be maintained by banks located in reserve cities, effective as of the date of commencement of business by the subject bank.

"Please advise the bank of the Board's action in this matter, calling its attention to the fact that such permission is subject to revocation by the Board of Governors of the Federal Reserve System."

Approved unanimously.

Letter to the Federal Deposit Insurance Corporation, Washington, D. C., reading as follows:

"Pursuant to the provisions of section 4(b) of the Federal Deposit Insurance Act, the Board of Governors of the Federal Reserve System hereby certifies that The Bank of Atchison County, Rock Port, Missouri, became a member of the Federal Reserve System on July 2, 1953, and is now a member of the System. The Board of Governors of the Federal Reserve System further hereby certifies that, in connection with the admission of such bank to membership in the Federal Reserve System, consideration was given to the following factors enumerated in section 6 of the Federal Deposit Insurance Act:

1. The financial history and condition of the bank,
2. The adequacy of its capital structure,

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3. Its future earnings prospects,
4. The general character of its management,
5. The convenience and needs of the community to be served by the bank, and
6. Whether or not its corporate powers are consistent with the purposes of the Federal Deposit Insurance Act."

Approved unanimously.

Letter to Mr. Parten, Chairman, Federal Reserve Bank of Dallas,
reading as follows:

"The Board of Governors has reviewed the performance appraisal plan which was forwarded on June 11, 1953, and approves it as submitted.

"The Board appreciates your continued cooperation during the formulation of this program."

Approved unanimously, together
with the following letter to Mr.
Gilbert, President of the Federal
Reserve Bank of Dallas:

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

"We are also enclosing 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."

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

"The Board's letter of September 12, 1952, outlined a suggested procedure whereby advance payment would be made by the Federal Reserve Banks for the expenses of the Currency Redemption Division of the Office of the Treasurer of the United States in connection with the retirement of Federal Reserve currency.

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"Upon our receipt of replies from the Reserve Banks to the letter, the Treasurer was advised that the Federal Reserve Banks and the Board saw no objection to the proposal.

"A letter has now been received from the Office of the Treasurer stating that the procedure has been adopted and requesting payment for the estimated expenses of the first quarter of the fiscal year ending June 30, 1954. The attached statement shows the proration of the first advance totaling \$100,000. Please credit the amount of your Bank's payment to the Board's account with the Federal Reserve Bank of Richmond in the Interdistrict Settlement Fund clearing on July 14. The amount should be charged to the cost of redemption of Federal Reserve currency.

"Hereafter you will be advised of the quarterly assessments under code word CULDO, the definition of which is as follows:

Please credit Federal Reserve Bank of Richmond in Interdistrict Settlement Fund clearing on (A) for account of Board of Governors \$ (B) to cover your Bank's portion of estimated expenses of the Currency Redemption Division of the Office of the Treasurer of the United States in connection with the retirement of Federal Reserve currency for the next quarterly period and wire Richmond amount and purpose of credit.

"Please use the new code word CORRZ in notifying the Richmond Bank. The definition of CORRZ is:

We credit your account \$ _____ for account of Board of Governors for expenses Currency Redemption Division of the Office of the Treasurer of the United States."

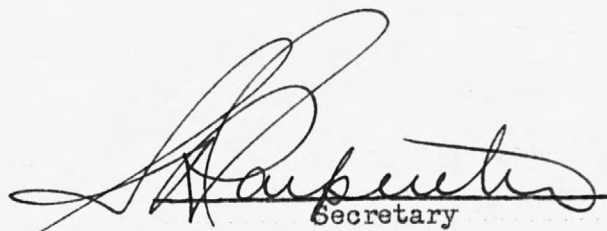
Approved unanimously. The proration of the assessment to cover estimated expenses for the period July - September, 1953, as shown in the attachment to the above letter, was as follows:

"Federal Reserve Bank	No. of pieces of F. R. Currency retired	Percentage of total for each Bank	Pro rata amount
Boston	8,783,643	6.5002	\$6,500
New York	30,901,741	22.8683	22,868
Philadelphia	10,078,271	7.4583	7,458
Cleveland	12,090,392	8.9473	8,947
Richmond	11,492,341	8.5047	8,505
Atlanta	7,178,664	5.3125	5,313

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Federal Reserve Bank	No. of pieces of F. R. Currency retired	Percentage of total for each Bank	Pro rata amount
Chicago	21,058,598	15.5841	\$15,584
St. Louis	7,529,341	5.5720	5,572
Minneapolis	2,523,760	1.8677	1,868
Kansas City	5,294,104	3.9178	3,918
Dallas	4,021,892	2.9763	2,976
San Francisco	14,176,286	10.4908	10,491
Total	<u>135,129,033</u>	<u>100.0000</u>	<u>\$100,000"</u>


Secretary