

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, July 15, 1953. The Board met in the Board Room at 10:00 a.m.

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

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

Governor Robertson stated that it appeared from the confidential memorandum written in connection with the report of examination of the Federal Reserve Bank of Kansas City as of April 23, 1953, that the Bank had not made much progress in correcting weaknesses in management personnel which had been a subject of discussion at meetings of the Board on September 9, September 25, and December 10, 1952, and which were referred to in a memorandum which he (Governor Robertson) had prepared under date of September 24, 1952, following a discussion of the problem with President Leedy, of the Kansas City Bank. Governor Robertson went on to say that he did not know whether President Leedy was working on the management problem at this time and he suggested that at an appropriate time the matter be discussed by the Board with both President Leedy and Chairman Hall of the Kansas City Bank.

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Chairman Martin referred to the comment he had made at the meeting on July 14, 1953, to the effect that it would be desirable for the Board to arrange meetings with the Presidents and the Chairmen of the individual Federal Reserve Banks at which such problems as that referred to by Governor Robertson could be taken up, and he suggested that such meetings should be held later this year.

Following further discussion, it was agreed that no action should be taken with respect to the management situation at the Kansas City Bank at this time, but that the matter should be taken up with Chairman Hall and President Leedy the next time they are in Washington.

At this point Governor Vardaman joined the meeting.

In accordance with the discussion at yesterday's meeting, there had been sent to each member of the Board a copy of a letter from Mr. Bryan, President of the Federal Reserve Bank of Atlanta, dated July 8, 1953, submitting salaries fixed by the directors of that Bank for individual officers of the Bank for the period July 1 to December 31, 1953. The letter was accompanied by brief comments, prepared in the Division of Personnel Administration, with respect to five officers for whom it was proposed to make salary increases of \$2,000 or more per annum and by a chart which showed the current and proposed salaries in relation to the minima and maxima of the salary ranges approved for the Atlanta Bank by the Board on July 9, 1953.

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During a discussion, all of the members of the Board who were present indicated they would vote to approve the salaries fixed by the Atlanta Bank's directors. However, Governor Vardaman noted that the salary proposed for the Chief Examiner was \$9,500 per annum, and he expressed the view that the salary for a person carrying the responsibilities of a Chief Examiner should be higher if the person was fully qualified for the position.

Governor Robertson agreed with the general position indicated by Governor Vardaman. He also commented briefly on certain changes being made in the supervision of the examination function at the Atlanta Bank under Vice President Denmark, adding that he felt that under the circumstances the salary proposed for the Chief Examiner was appropriate at this particular time.

Thereupon, unanimous approval was given to a letter to President Bryan in the following form:

"The Board of Governors has approved the payment of salaries to the following officers of the Federal Reserve Bank of Atlanta and its Branches, effective as of your established pay period beginning nearest July 15, through December 31, 1953, at the rates indicated, which are the rates fixed by the Board of Directors as reported in your letter of July 8, 1953.

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
<u>Head Office</u>		
V. K. Bowman	Vice President	\$15,000
J. E. Denmark	Vice President	12,500
Harold T. Patterson	Vice President and General Counsel	16,000

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<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
<u>Head Office</u>		
L. B. Raisty	Vice President	\$12,000
Earle L. Rauber	Vice President and Director of Research	12,500
S. P. Schuessler	Vice President	13,000
E. C. Rainey	Cashier	10,000
J. H. Bowden	Assistant Vice President	10,500
C. R. Camp	Assistant Vice President	10,000
F. H. Martin	Assistant Vice President	8,750
I. H. Martin	Assistant Vice President	8,500
J. E. McCorvey	Assistant Vice President	9,000
R. E. Milling	Assistant Vice President	8,500
Charles T. Taylor	Assistant Vice President	9,500
Fred I. Breck	Assistant Cashier	8,500
R. M. Stephenson	Chief Examiner	9,500
Dowdell Brown, Jr.	Assistant Counsel	8,500
DeWitt Adams	General Auditor	9,000
<u>Birmingham Branch</u>		
John L. Liles, Jr.	Vice President	12,000
H. C. Frazer	Assistant Manager	10,500
H. J. Urquhart	Cashier	7,500
Melvin McIlwain	Assistant Cashier	6,500
<u>Jacksonville Branch</u>		
T. A. Lanford	Vice President	14,500
T. C. Clark	Assistant Manager	10,000
J. W. Snyder	Cashier	9,000
C. Mason Ford	Assistant Cashier	8,500
<u>Nashville Branch</u>		
R. E. Moody, Jr.	Vice President	12,000
E. R. Harrison	Assistant Manager	10,500
L. W. Starr	Cashier	9,000
Stuart H. Magee	Assistant Cashier	7,000
<u>New Orleans Branch</u>		
E. P. Paris	Vice President	16,500
M. L. Shaw	Assistant Manager	12,000
W. H. Sewell	Cashier	9,500
L. Y. Chapman	Assistant Cashier	7,500

"It is noted from your letter that the salary of R. M. Stephenson, Chief Examiner, has been fixed at the rate of \$10,000 per annum, effective when he is transferred to the New Orleans Branch as Assistant Manager. The Board also approves payment of salary at this rate, effective at the time

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"indicated, and will appreciate your informing it of the date of the transfer."

Before this meeting there had been sent to the members of the Board copies of a letter dated July 13, 1953, from Mr. Gilbert, President of the Federal Reserve Bank of Dallas, submitting for the approval of the Board proposed salaries for officers of that Bank other than the President and First Vice President, as fixed by the directors of that Bank on July 9, 1953. Mr. Gilbert's letter also submitted proposed salary ranges under the salary administration plan for four officer groups other than the President and First Vice President, the maximum for the top group being \$22,000 per annum.

In a comment on the proposed salary ranges, the Secretary noted that the action of the Dallas directors at their meeting on July 9 was taken without knowledge of the decision by the Board of Governors on July 9, 1953, that the maximum for the range of salaries for officers other than the President and First Vice President should not exceed \$20,000 per annum; accordingly, some recasting of the ranges, at least the maximum for the top officer group, would be necessary.

Governor Robertson stated that he had reviewed the proposed salaries, that all of them were well within the ranges proposed by that Bank, and that they no doubt would still be within the ranges as they probably would be modified with a \$20,000 limit. There followed a general discussion during which it was suggested that, under the circumstances,

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the Board approve the salaries as proposed in Mr. Gilbert's letter.

Mr. Sprecher raised the question whether it would be desirable to approve the salaries as fixed by the directors of the Dallas Bank without waiting to hear whether the Bank would wish to make any changes as a result of further consideration of salary ranges in the light of the Board's action of July 9, 1953.

During a discussion of the point raised by Mr. Sprecher it was the consensus that since the salaries proposed appeared to be conservative, the Board would be willing to approve all of the salaries at the rates indicated in Mr. Gilbert's letter of July 13, 1953, but that if the directors of the Dallas Bank wished to make changes in any of the proposed salaries after giving further consideration to the ranges to be established, the Board would be glad to consider the matter. It was suggested that Mr. Sprecher call President Gilbert on the telephone and advise him of the Board's views so that he might ascertain as promptly as possible whether the Bank wished to change any of the salaries as fixed at the directors' meeting on July 9.

Thereupon, unanimous approval was given to the salaries for officers of the Federal Reserve Bank of Dallas as listed in Mr. Gilbert's letter of July 13, 1953, effective with the beginning of the pay roll period starting nearest to July 15, 1953, with the understanding that advice of this action would be sent to the Dallas Bank unless word was received that the directors of the Bank wished to reconsider and change individual salaries on the basis of revised

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ranges to be submitted for the four officer groups.

Secretary's note: Mr. Sprecher talked by telephone with President Gilbert on July 15, 1953, informing him of the above views, and President Gilbert advised Mr. Sprecher by telephone on July 16 that he had communicated with the available members of the Dallas Board of Directors, including the Chairman of the Personnel Committee, and that it was their view that no changes should be made in the salaries that had been fixed for individual officers of the Bank as set out in Mr. Gilbert's letter of July 13 even though some adjustment would be made in the salary ranges to bring the maximum within the \$20,000 limit which the Board had indicated it would approve. In addition, Deputy Chairman Smith of the Dallas Bank called Chairman Martin on the telephone and stated that the available directors of the Dallas Bank, having been advised by Mr. Gilbert of the Board's views with respect to the maximum salary range, would like to have approval of the salaries for the individual officers as fixed by the directors on July 9 and recorded in Mr. Gilbert's letter of July 13. Accordingly, the following letter was sent to Mr. Gilbert under date of July 17, 1953:

"The Board of Governors has approved the payment of salaries to the following officers of the Federal Reserve Bank of Dallas and its Branches, effective as of your established pay period beginning nearest July 15, through December 31, 1953, at the rates indicated, which are the rates fixed by your Board of Directors as reported in your letter of July 13, 1953.

<u>"Name</u>	<u>Title</u>	<u>Annual Salary</u>
<u>Head Office</u>		
E. B. Austin	Vice President	\$15,500
J. L. Cook	Vice President and Cashier	12,000
Watrous H. Irons	Vice President	16,000

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<u>"Name</u>	<u>Title</u>	<u>Annual Salary</u>
<u>Head Office</u>		
L. G. Pondrom	Vice President	\$15,000
Harry A. Shuford	Vice President and General Counsel	13,000
Mac C. Smyth	Vice President	12,500
Morgan H. Rice	Assistant Vice President and Secretary	11,700
E. H. Berg	Assistant Cashier	8,400
Howard Carrithers	Assistant Cashier	9,600
Herman W. Kilman	Assistant Cashier	8,900
T. W. Plant	Assistant Cashier	8,900
W. D. Waller	Assistant Cashier	8,900
N. B. Harwell	Chief Examiner	9,000
George F. Rudy	Assistant Counsel	6,800
G. R. Murff	General Auditor	14,000
<u>El Paso Branch</u>		
C. M. Rowland	Vice President	10,700
A. E. Russell	Cashier	8,100
T. C. Arnold	Assistant Cashier	6,900
<u>Houston Branch</u>		
W. H. Holloway	Vice President	13,500
H. K. Davis	Cashier	9,300
B. J. Troy	Assistant Cashier	8,000
<u>San Antonio Branch</u>		
W. E. Eagle	Vice President	12,500
A. E. Mundt	Cashier	8,400
F. C. Magee	Assistant Cashier	7,200

"The Board has previously approved the payment of salary to Mr. R. B. Coleman, Vice President, for the period June 1, 1953, through December 31, 1953, at his present rate of \$15,000 per annum, less the pension portion of his retirement allowance.

"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.

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"It is understood from your telephone conversation on July 16 with Mr. Sprecher of the Board's Division of Personnel Administration that your Directors will wish to consider recasting the ranges for your officer groups as listed in your letter of July 13, in order that there may be a proper relationship between the 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."

Mr. Sprecher withdrew from the meeting at this point, and the following members of the staff entered the room:

- Mr. Riefler, Assistant to the Chairman
- Mr. Vest, General Counsel
- Mr. Sloan, Director, Division of Examinations
- Mr. Hostrup, Assistant Director, Division of Examinations
- Mr. Masters, Assistant Director, Division of Examinations
- Mr. Benner, Assistant Director, Division of Examinations
- Mr. Thompson, Federal Reserve Examiner

At the meeting of the Board on July 1, 1953, members of the staff of the Division of Examinations presented a review of part of the work of that Division, and at this meeting the members of the staff of that Division who were present reviewed the remainder of the functions performed by the Division of Examinations.

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 14, 1953, were approved unanimously.

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Letter to Mr. Wiltse, Vice President, Federal Reserve Bank of New York, reading as follows:

"In accordance with the request contained in your letter of July 13, 1953, the Board approves the appointments of John P. Armbruster and John C. Kruer, at present assistant examiners, as examiners for the Federal Reserve Bank of New York.

"Please advise as to the dates upon which the appointments are made effective and as to salary rates."

Approved unanimously.

Letter to Mr. Armistead, Vice President, Federal Reserve Bank of Richmond, reading as follows:

"In accordance with the request contained in your letter of July 9, 1953, the Board approves the designation of Roger P. Schad and W. Raymond Singleton, Jr., as special assistant examiners for the Federal Reserve Bank of Richmond."

Approved unanimously.

Letter to Mr. Alex Berger, Jr., 4605 Lindell Boulevard, St. Louis, Missouri, reading as follows:

"This refers to your letter of July 1, 1953 in which you ask whether the Board of Governors 'has ruled on the interlocking directorate and officers of' the Mercantile Trust Company of St. Louis, Missouri, and the Mercantile-Commerce National Bank in St. Louis. You stated that you are a stockholder in the Mercantile Trust Company.

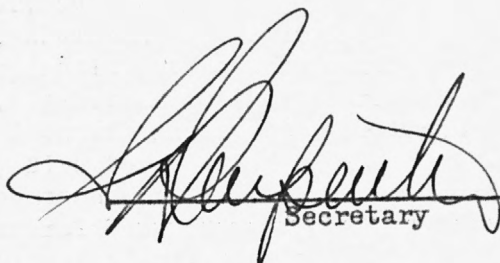
"On the basis of information furnished to the Board of Governors by the Federal Reserve Bank of St. Louis, it appears that the interlocking relationships existing between the two banking institutions named above are not prohibited by section 8 of the Clayton Act or the Board's

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"Regulation L, but are within one of the express exceptions provided in that Act and the regulation."

Approved unanimously, with a copy to Mr. Johns, President, Federal Reserve Bank of St. Louis.


Secretary