

7/15/53 Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, July 16, 1953. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Thurston, Assistant to the Board
 Mr. Riefler, Assistant to the Chairman
 Mr. Thomas, Economic Adviser to the Board
 Mr. Leonard, Director, Division of
 Bank Operations
 Mr. Vest, General Counsel
 Mr. Young, Director, Division of
 Research and Statistics
 Mr. Hexter, Assistant General Counsel
 Mr. Cherry, Legislative Counsel
 Mr. Daniels, Chief, Reserve Bank Operations
 Section, Division of Bank Operations

Chairman Martin referred to a request received from the Senate Banking and Currency Committee for a report on S. 2332, a bill cited as the "Gold Redemption Act of 1954". The bill, which was introduced by Senator Bridges, would provide for the coinage of gold and convertibility of currency into gold. Chairman Martin stated that he understood it was unlikely there would be any action taken on the bill during the present session of Congress.

Mr. Cherry stated that this was his understanding, but that Mr. Dixon, Clerk of the Senate Banking and Currency Committee, had stated it was difficult to predict when hearings might be held on the bill since considerable interest in having some action was being shown by certain members of the Senate.

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Governor Robertson stated that, as he understood it, the Board in the past has taken the position that convertibility of currency into gold was undesirable and that the present provisions of law in this respect should not be changed. If this was to be the Board's position at this time, Governor Robertson felt the material prepared at Congressman Patman's request in 1952 in connection with the report of the Patman Subcommittee would furnish material for use in response to an inquiry. Governor Robertson raised the question, however, whether the Board might wish to restudy the matter to determine what, if any, change should be made in the Board's position and recommended in the law.

Messrs. Young, Thomas, and Riefler commented on the proposal and there followed a general discussion during which Mr. Marget, Director, Division of International Finance, joined the meeting.

At the conclusion of the discussion, it was agreed unanimously that members of the staff under the direction of Mr. Young, be requested to study the matter with a view to submitting a memorandum to the Board as a basis for further discussion.

Messrs. Marget and Cherry withdrew from the meeting at this point.

Before this meeting there had been sent to the members of the Board a memorandum from Governor Robertson, dated July 15, 1953, regarding the classification of member banks for the purpose of electing Class A and Class B directors, reading as follows:

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"Some time ago I was asked to review the existing formula which was suggested by the Board in 1934 as a guide for the classification of banks for the purpose of electing Reserve Bank directors. The review was to be with a view to submitting any changes which I felt would be desirable for the Board's consideration. Various possibilities have been considered, but I have none to suggest as an improvement over the present guide.

"Due to the growth of individual banks over the years, there is a gradual movement of banks from Group 3 to Group 2, and, to a smaller extent, from Group 2 to Group 1. In 1943 and again in 1949, the Federal Reserve Banks were asked to review the classifications for their districts and submit recommendations. It would seem desirable that another general review be made shortly after the first of the year.

"I recommend that, as a preliminary to such a review, the matter be discussed with the Presidents at their conference towards the end of the year. This would afford an opportunity for a discussion with the Presidents of guiding principles.

"I also recommend that the changes in classification proposed by the Federal Reserve Bank of Philadelphia, which have been held pending this study, be approved. The principal effect of the changes would be to reduce from 101 to 44 the number of banks in Group 1. One of the arguments advanced for such a change is that the inclusion in Group 1 of a number of relatively small banks along with the largest banks, as is the case under the present classification, denies officers of the smaller banks in Group 1 opportunity of becoming a Federal Reserve Bank director. This argument does not appeal to me. However, I feel that a basic purpose of the classification is to group together, so far as possible, banks of similar interests; it seems that the proposed changes would be an improvement along this line.

"The Federal Reserve Bank of San Francisco has recommended that no change be made in classification for this year's election. I recommend that the Bank be advised that no such change will be made."

In amplifying the comments contained in his memorandum, Governor Robertson stated that at this time he was not prepared to suggest any change in the existing formula which would clearly represent an improvement over the present guide, which he understood had been in effect for

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almost twenty years and admittedly was less than perfect. His feeling was that the purpose of the provision in the Federal Reserve Act was to have banks grouped so that those having as nearly similar interests as possible could elect directors to represent them. He did not feel that the grouping should be for the purpose of enabling certain individuals or persons from particular cities to become directors of Federal Reserve Banks.

Governor Vardaman felt that revision of the formula might have the incidental effect of promoting rotation of directors but suggested that the Board consider proposing an amendment to the Federal Reserve Act which would make mandatory a rotation of directors through limiting to a specified number of years the period a director might serve.

Chairman Martin suggested that this discussion be limited to the question whether there should be a change in the existing formula for grouping member banks and that the matter of a possible amendment to the Federal Reserve Act to further rotation of Class A and B directors be taken up whenever other possible amendments to the law were considered by the Board.

Following further discussion, the recommendations in Governor Robertson's memorandum were approved unanimously, together with letters to the Federal Reserve Banks of Philadelphia and San Francisco as follows:

Letter to the Federal Reserve Bank of Philadelphia

"This refers to your letter of April 7 amending your letter of February 19, 1953, concerning the proposed

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"reclassification of member banks in your District for purposes of electing Class A and Class B directors. Action on the proposal was deferred pending a general study of the classification of member banks for electoral purposes.

"The Board has considered the matter, and in accordance with your recommendation has changed the classification of member banks in the Third District for the purpose of electing Class A and Class B directors, as follows:

<u>Group</u>	<u>Banks with Capital and Surplus of:</u>
1	\$2,000,000 and over
2	Over \$425,000 but less than \$2,000,000
3	\$425,000 or less"

Letter to the Federal Reserve Bank of San Francisco

"In accordance with the consensus of the Directors of the Federal Reserve Bank of San Francisco, as reported in your letter of May 14, 1953, the Board of Governors is making no change at this time in the classification of member banks in your District for the purpose of electing Class A and Class B directors. A reply to your letter was deferred pending a general study of the classification of banks for electoral purposes.

"It is noted that your directors feel that a reclassification now might be construed as an effort to influence the outcome of the nomination and election of a Group 2 director effective January 1, 1954, and that a reclassification will be given further consideration following the year-end election.

"The Board would appreciate being advised of the results of next year's consideration of the matter and of any recommendations for changes in classification that you may then deem desirable for providing a better relationship between the number of banks in Group 2 and in Group 3."

Thereupon the meeting adjourned. During the day the following additional actions were taken by the Board with all of the members except Governors Evans and Mills present:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on July 15, 1953, were approved unanimously.

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

"Reference is made to your letter of July 3, 1953, advising of the various actions taken by the Board of Directors with respect to the payment of salaries to the officers of the Federal Reserve Bank of New York and the Buffalo Branch. In a separate letter you were advised of the approval by the Board of Governors of the payment of officers' salaries subsequent to June 30, 1953.

"In accordance with the action taken with respect to Mr. O. Ernest Moore, the Board of Governors approves the payment of salary to him in lieu of vacation for the period July 1 through July 12, 1953, at the rate of \$12,250 per annum, which is the rate he was receiving on June 30, 1953, the effective date of his resignation.

"The Board of Governors also approves for the period beginning August 1, 1953, the payment of salaries to the following officers at the rates indicated, which are the rates they were receiving on June 30, 1953.

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Todd G. Tiebout	Vice Pres. and Gen. Counsel	\$20,000
John J. Clarke	Assistant General Counsel	15,000
Arthur H. Willis	Secretary	10,000
Gregory O'Keefe, Jr.	Assistant Secretary and Assistant Counsel	9,000"

Approved unanimously.

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 appointment of Albert C. Chase as an assistant examiner for the Federal Reserve Bank of New York. Please advise as to date upon which the appointment is made effective and as to salary rate.

"The Board also approves the designation of Frank X. Kayser, an assistant examiner who was transferred to the Analysis Division of the Bank Examinations Department on May 28, 1953, as a special assistant examiner for the Federal Reserve Bank of New York."

Approved unanimously.

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Letter to Mr. Peterson, Vice President, Federal Reserve Bank of St. Louis, reading as follows:

"In accordance with the request contained in your letter of July 7, 1953, the Board approves the appointments of William Howard Archer and Arvie Melvin Carr, at present assistant examiners, as examiners, and the appointments of Joseph Peter Haupt and Casper B. LeFort, Jr., as assistant examiners for the Federal Reserve Bank of St. Louis. Please advise as to the dates upon which the appointments are made effective and as to salary rates.

"It is noted that Mr. Haupt has an unpaid balance of \$6,910.60 on a \$7,600.00 F. H. A. home mortgage serviced by the Schuermann Loan and Investment Company of St. Louis, and held by the Farmers and Mechanics Savings Bank of Minneapolis, Minnesota. As this is a nonmember bank in the Ninth Federal Reserve District, no objection will be interposed to the loan.

"It is also noted that Mr. LeFort owes \$8,500 on a G. I. loan, original amount \$9,500, held by the First National Bank in St. Louis. The approval of the appointment of Mr. LeFort is given with the understanding that the loan will be transferred to some lender other than a bank."

Approved unanimously.

Letter to the Board of Directors, The Springfield Safe Deposit and Trust Company, Springfield, Massachusetts, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of Boston, the Board of Governors approves the establishment and operation of a branch at the Corner of Willow and Stockbridge Streets, Springfield, Massachusetts, by The Springfield Safe Deposit and Trust Company, provided the branch is established within six months after the date of approval by the Massachusetts Board of Bank Incorporation."

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

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Letter to the Board of Directors, Bay City Bank, Bay City, 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 at the Southwest Corner of Midland Avenue and Dean Street, Bay City, Michigan, by the Bay City Bank provided (a) formal approval is issued by the appropriate State authorities, and (b) the branch is established within one year after the date of this letter."

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

Letter to Mr. Coleman, Chairman, Federal Reserve Bank of Chicago,
reading as follows:

"The Board of Governors has reviewed the Officers' Salary Administration Plan which was forwarded on June 5, 1953, and which was further clarified by Mr. Young's letter of July 8, 1953, and approves it as submitted.

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

Approved unanimously, with
a copy to Mr. Young, President,
Federal Reserve Bank of Chicago.

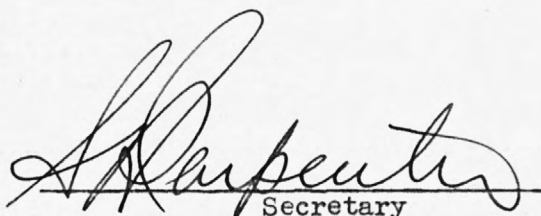
Letter to Mr. Knoke, Vice President, Federal Reserve Bank of New York, reading as follows:

"This refers to your letters of April 17 and July 3, 1953, and their enclosures, concerning the proposal to establish and operate at your bank a gold bar pool in which the United States and foreign central banks and others would participate, in lieu of the present practice of earmarking specific gold bars. The proposal was the subject of a discussion at a meeting on June 23 attended by representatives of your bank, Governor Szymczak, and members of the Board's staff.

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"As a first step in connection with this proposal, it is understood that you wish to have an exploratory discussion of the matter with the Treasury Department, at which representatives of your bank and of the Board of Governors will be present. This is to advise that the Board of Governors sees no objection to such an exploratory discussion, with the understanding that the Board will have an opportunity to review the matter further in the light of the outcome of such discussion before the matter is taken up with the State Department or with the other participants in the proposed gold pool."

Approved unanimously.



Secretary