

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, August 6, 1953. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Thurston, Assistant to the Board  
Mr. Sprecher, Assistant Director,  
Division of Personnel Administration  
Mr. Johnson, Controller

Governor Vardaman referred to the decision reached by the Board yesterday to request the Solicitor General to petition for a writ of certiorari in the Transamerica case, and stated that he had now decided to prepare a formal dissenting opinion and would like until Tuesday, August 11, to file the opinion.

Chairman Martin stated that there was no reason why Governor Vardaman should not file such a dissent but that he did not think it should be made public.

Governor Vardaman responded that the question whether his dissent should be made public was a decision for the Board to make but that he would wish to have it given to the Attorney General so that his views would be available when that office was considering whether to petition for a writ.

Chairman Martin said that he questioned the appropriateness of that procedure, that he did not think it desirable to operate in that manner

8/6/53

-2-

since the Board's request to the Solicitor General was not arguing the merits of the Transamerica case but was simply presenting background information and reasons why the Board felt it desirable to have a decision of the Supreme Court on the points of law involved.

Governor Vardaman stated that he had understood the letter to the Solicitor General would argue the points in the case, that if this were not to be done it might change his views, and that he would like to see the letter to be sent to the Solicitor General before deciding what course to follow. Governor Vardaman also said that he would like to discuss the matter further in executive session, and the Chairman stated that there was no objection to that procedure.

Chairman Martin referred to the discussion with four directors of the Federal Reserve Bank of New York on July 28, 1953 of the question of salary ranges for officers of that bank other than the President and First Vice President, concerning which there had been distributed to the members of the Board before this meeting a memorandum presenting statistical information for use in considering the request of the New York Bank directors that the Board approve the salary ranges as originally submitted by that Bank in its letter of June 19, 1953, rather than a maximum of \$28,000 for the top group of officers of that Bank which had been approved at the meeting of the Board July 9, 1953.

8/6/53

-3-

Governor Szymczak stated that at the meeting with the directors of the New York Bank on July 28, they indicated that it was not their intention to increase salaries of any of the officers of the New York Bank above the figure of \$28,000 per annum at the present time, but that they strongly urged that the Board approve a maximum of \$35,000 for the top group of officers as had been proposed originally by the directors. The reason advanced for this request, Governor Szymczak said, was that the higher maximum range, even though not to be applied immediately, would serve as an incentive to personnel in the Bank, not only in the top-officer group but particularly to younger officers, and would thus be of distinct help in retaining and developing the kind of personnel needed for top positions. Governor Szymczak also referred to the statistical comparison presented in the tabulations prepared in the Board's offices and stated that on the basis of the reasoning presented by the New York Bank directors, as well as the statistics given in the memorandum, he would recommend that the Board approve the salary ranges as originally submitted by the Federal Reserve Bank of New York, including a maximum of \$35,000 for the top group. A memorandum of the discussion with the New York directors has been placed in the Board's files.

Governor Vardaman stated that while the New York directors had stated they did not intend to exceed the figure of \$28,000 in fixing salaries

8/6/53

-4-

for officers in this group at the present time, it was clear that the directors did have in mind eventually increasing salaries to the \$35,000 level as men developed and as circumstances warranted such action. Thus, he said, by approving a range as high as \$35,000, the Board would be agreeing to use of that maximum at some future time, and he noted that this was satisfactory so far as he was concerned.

Thereupon, upon motion by Governor Szymczak, the Board approved a letter to Mr. Crane, Chairman, Federal Reserve Bank of New York, in the following form. On this action, Governor Evans voted "no":

"This letter is in confirmation of Chairman Martin's conversation with Mr. Treiber today in which he stated that in the light of the considerations set forth in your letter of June 19 and the discussion with members of your Board of Directors on July 28, 1953, the Board of Governors approves the following minimums and maximums for the officer salary groups at the Federal Reserve Bank of New York:

<u>Group</u>	<u>Minimum</u>	<u>Maximum</u>
A	\$23,000	\$35,000
B	18,000	27,000
C	14,000	21,000
D	11,000	16,000
E	9,500	13,500
F	8,000	11,500

"In approving these ranges it was understood from the discussion with your Directors that none of the immediately contemplated increases would exceed \$28,000 and that any increases beyond that amount in the future will depend on the development of officers and the circumstances existing at the time.

"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 the First Vice President."

8/6/53

-5-

Chairman Martin stated that he had received a letter from Arthur Andersen & Co. dated July 29, 1953, in response to his inquiry about the desirability of a "surprise" audit of the accounts of the Board, which subject had been brought up in discussions at earlier Board meetings with representatives of Andersen & Co. He said that the letter reiterated the view previously expressed by Andersen & Co. that because of the nature of the operations of the Board, the accounting procedures and internal control established and effectively operating, an audit on an annual basis (preferably to coincide with the calendar year which is the Board's business year) was often enough. Chairman Martin went on to say that Mr. Parkinson of Andersen & Co. had indicated that this reaffirmation of their earlier views was given after full consideration of the matter by the senior personnel of the firm. He stated, therefore, that if the Board had no objection he would proceed to negotiate with the firm of Arthur Andersen & Co. with respect to making a regular audit on an annual basis.

Chairman Martin was authorized by unanimous vote to arrange for an audit of the Board's accounts, to be made at the end of the calendar year 1953.

At this point Mr. Sprecher withdrew from the meeting.

Before this meeting there had been sent to the members of the Board a memorandum prepared by Mr. Johnson under date of August 4, 1953, with respect to the duties of the Controller. At Chairman Martin's request,

8/6/53

-6-

Mr. Johnson outlined and commented upon the content of the memorandum. During the ensuing discussion a change was suggested in the memorandum to make it clear that in the event of a difference of opinion between the Controller and the Chairman of the Board or another member specifically designated by the Board through whom the Controller would report, the Controller would have the right to present his views direct to the Board. Chairman Martin stated that this was agreeable to him and he emphasized the view that the outline was not intended to be a final document, but that it was in a form which could be used and modified as seemed desirable. He also emphasized that the entire arrangement in establishing the Office of the Controller was on a trial basis for an indefinite period.

Following the discussion, unanimous approval was given to the memorandum as changed during the meeting, as follows:

#### DUTIES OF THE CONTROLLER

"The occupant of the position of 'Controller', as established by the Board of Governors, shall be responsible solely to and report only to the Board through the Chairman or another Member specifically designated by it, except that the Controller shall have the right of appeal to the Board. With such assistance as is authorized by the Board from time to time, he shall perform the duties specified as follows and such other duties as shall be assigned to him by the Board.

1. The Controller shall be head of the 'Office of the Controller' consisting of the Controller, his secretary, and the nine employees now constituting the Fiscal Section of the Division of Administrative Services, as well as such assistance as is authorized by the Board from time to time.

8/6/53

-7-

"2. He shall be responsible for (a) the formulation of the Board's budget, including presentation to the Board, for its consideration, of the proposed consolidated budget together with his recommendations and appropriate comments; and (b) the execution of the budget, including periodic budget reports to the Board and to the various divisions. (See Attachment 'A' for detailed description of the duties covered by this paragraph.)

3. The Controller shall be held accountable for the receipt and disbursement of the Board's funds consistent with the rules and policies of the Board, including the ascertainment of the amounts of the assessments upon the Federal Reserve Banks for the expenses of the Board, the preparation of the payrolls, the administrative audit of vouchers and of the operations of the Cafeteria and concessions, and the issuance of checks to discharge the Board's obligations.

4. He shall maintain the Board's books of accounts and its payroll records, prepare periodic financial and leased wire statements, handle assessments upon the Federal Reserve Banks for reimbursement to the Treasury Department for printing, issue, and redemption of Federal Reserve notes, and submit special reports on fiscal operations as required.

5. The Controller shall be responsible for reviewing the day-to-day expenditures for nonpersonal services and, in consultation with the Division of Personnel Administration, shall scrutinize salary expenditures.

6. Throughout the year, the Controller shall conduct studies and analyses of expenditures in order to be in a position to advise the Board whether the most effective and economical procedures are being followed, having in mind the character and scope of the Board's activities. For example, he shall have in mind the desirability of eliminating duplication and any outmoded procedures and equipment; of assuring efficiency in the provision, use, maintenance, and replacement of equipment; and in the control and standardization of forms.

7. For the next six months the Controller shall be expected to perform the duties previously enumerated with the staff set forth heretofore; however, it is recognized that at present the regular accounting and disbursing functions of the Board require the full time of the employees of the Fiscal Section. Necessarily, a greater part of the required budget operations will have to be principally accomplished on overtime, as was necessary during the preparation of the budget for the year 1953. It would appear

8/6/53

-8-

"practical to continue such an arrangement for this period of time, after which personnel requirements can be reviewed. In the interim, it probably will be necessary to call upon the Stenographic Section of the Division of Administrative Services for typist and secretarial assistance similar to that now furnished by that Section for the Fiscal Section and for budget preparation.

8. Also, for the next six months, the Office of the Controller will occupy the space now used by the Fiscal Section and Room 1128, which is adjacent. It is understood that this room will be made available by the Division of Administrative Services upon the availability of other space for its present occupant. There will be no additional furniture required for this Office except for the Controller and his secretary, and it is understood that the Division of Administrative Services and the Secretary's Office will make available such furniture and equipment from the present offices of the Assistant Director of the Division of Administrative Services and the former Budget Officer as is possible.

9. To cover the expenses of the Office of the Controller during the remainder of 1953, it is recommended that the unexpended portion of the 1953 budget in the Division of Administrative Services for the Fiscal Section be transferred to the Office of the Controller. In addition, a sufficient amount should be transferred from the 1953 budget of the Office of the Secretary (which included provision for a Budget Officer and his secretary) to the budget of the Office of the Controller to provide for the personal services expenses of the Controller and his secretary and for the nonpersonal services expenses necessary to cover the preparation of the Board's 1954 budget. The amounts transferred would be subject to mutual agreement with the Director of the Division of Administrative Services and with the Secretary of the Board, respectively."

In this connection, there was presented a letter to the National Surety Corporation, 412-424 Woodward Building, Washington, D. C., regarding the Board's schedule bond No. 837151, reading as follows:

"The Board has created an 'Office of the Controller', the duties of this Office to include the handling of the Board's funds and accounts.

"Accordingly, you are requested to effect the following changes in the subject bond beginning August 1, 1953:



8/6/53

-9-

"Removals from Coverage

Liston P. Bethea, Director, Division of Administrative Services, \$25,000.

Joseph E. Kelleher, Assistant Director, Division of Administrative Services, \$25,000.

Additions to Coverage

Wayne A. Pollard, Assistant Chief, Fiscal Section, \$25,000.

John Kakalec, Accountant, Fiscal Section, \$25,000.

Increase in Coverage

Susie T. Oros, Accounting Clerk, Fiscal Section, from \$5,000 to \$25,000.

Change in Title

Edwin J. Johnson, from Assistant Director, Division of Administrative Services, to Controller, Office of the Controller. The amount of coverage is to remain at \$25,000.

"It is assumed that you will furnish us with an appropriate rider to be attached to the bond, together with the usual short forms of application to be completed and returned for your records.

"A voucher form for your use in submitting your bill covering the cost of this additional coverage is enclosed."

Approved unanimously, together  
with a letter to Mr. Leach, President,  
Federal Reserve Bank of Richmond, reading as follows:

"This is to advise you that the Board has created an 'Office of the Controller', the duties of this Office to include the handling of the Board's funds and accounts.

"Accordingly, you are authorized and requested beginning August 1, 1953, to honor checks drawn against the Board's 'General Fund' account when signed by Mr. S. H. Bass as Disbursing Officer, Miss Josephine E. Lally as Deputy Disbursing Officer, or Miss Susie T. Oros as an authorized signer, and countersigned by Mr. E. J. Johnson as Controller, or Messrs. Wayne A. Pollard or John Kakalec as authorized signers.

"You already have on file specimen signatures of Miss Lally and Messrs. Johnson and Bass. For inclusion in your files, the specimen signature of Mr. Pollard is provided below. Signatures of Miss Oros and Mr. Kakalec, who are absent from duty at the present time, will be forwarded upon their return."

8/6/53

-10-

All of the members of the staff then withdrew, and the Board went into executive session.

Following the executive session, the Chairman informed the Secretary that the Board had approved, effective today, a salary at the rate of \$10,500 per annum, for Mr. Johnson in his new position as Controller.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on August 5, 1953, were approved unanimously.

Memoranda from appropriate individuals concerned recommending personnel actions as follows:

Appointments, effective upon the date of assuming duties

<u>Name and title</u>	<u>Division</u>	<u>Type of appointment</u>	<u>Basic annual salary</u>
Paul B. Simpson, Acting Chief, Business Finance and Capital Markets Section	Research and Statistics	Temporary indefinite	\$9,600

Jane Donohoe, Clerk-Stenographer	Personnel Administration	Temporary indefinite	3,110
-------------------------------------	-----------------------------	-------------------------	-------

Salary increases, effective August 16, 1953

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
Bessie M. McCrae, Clerk	<u>Research and Statistics</u>	\$2,950	\$3,030

8/6/53

-11-

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
	<u>International Finance</u>		
Evelyn R. West, Clerk-Stenographer		\$2,950	\$3,030
	<u>Bank Operations</u>		
Harold F. Stone, Analyst		5,185	5,310
Esther W. Conover, Suprv., Reserve Bank Statement Unit		4,295	4,420
Helen A. Bennett, Clerk-Stenographer		3,255	3,335
	<u>Personnel Administration</u>		
Sylvia I. Clements, Secretary		4,420	4,545
Gena Gander, Secretary		3,660	3,785
	<u>Administrative Services</u>		
Mildred D. Spano, Stenographer		3,255	3,335
Joseph W. Wright, Photographer (Offset)		4,205	4,330

Transfer, effective August 10, 1953

Mary F. Miller, Clerk, Division of Research and Statistics, to the Division of International Finance, without change in her present salary of \$3,655 per annum.

Resignations, effective the dates indicated

Ruth B. Willard, Clerk-Stenographer, Division of Bank Operations, effective July 27, 1953.

8/6/53

-12-

Resignations, effective the dates indicated

E. J. Weeks, Sr., Assistant Foreman of Laborers, Division of Administrative Services, effective August 31, 1953.

Hugh T. Ladd, Offset Pressman, Division of Administrative Services, effective August 14, 1953.

Approved unanimously.

Memorandum dated August 3, 1953, from Mr. Bethea, Director, Division of Administrative Services, recommending, for reasons stated therein, that the Board authorize the employment in the Division of Administrative Services, Guard Force, of one additional chauffeur.

Approved unanimously.

Letter to the Board of Directors, Mountain Trust Bank, Roanoke, Virginia, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors of the Federal Reserve System approves the establishment and operation of a branch at the corner of Melrose Avenue and Lafayette Boulevard, N. W., Roanoke, Virginia, by Mountain Trust Bank, Roanoke, Virginia, provided the branch is established within six months of the date of this letter."

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

Letter to The First National Bank of Laramie, Laramie, Wyoming, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your supplemental application for

8/6/53

-13-

"fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics or in 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 Wyoming. The exercise of these powers, in addition to those heretofore granted to act as trustee, executor and administrator, shall 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 Kansas City.

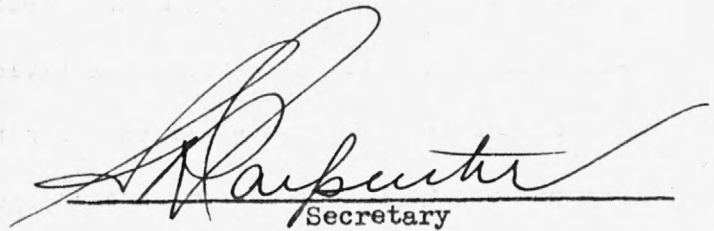
Memorandum dated July 20, 1953, from the Division of Examinations, stating that informal advice had been received from the Federal Reserve Bank of New York that Marine Midland Corporation had advised that Bank that it contemplated acquiring the First National Bank of Sherrill, Sherrill, New York, by having its subsidiary, Marine Midland Trust Company of Central New York, Syracuse, New York, take over the assets and assume the liabilities of the national bank. The memorandum stated that it was contemplated that a branch of Marine Midland Trust Company of Central New York would be established in Sherrill, that the national bank would be placed in liquidation, that it was not contemplated that the capital and surplus of Marine Midland Trust Company of Central New York would be increased in conjunction with the acquisition as a

8/6/53

-14-

result of which the capital and surplus of the absorbing bank would be less than the capital and surplus of the two banks prior to the absorption, and that consequently the reduction would require approval of the Board under Section 18(c) of the Federal Deposit Insurance Corporation Act. The memorandum commented on various effects of the proposed acquisition, noting that counsel for the Board advised that the Clayton Act was not involved in the expansion since there was to be no acquisition of stock, and recommended that the Board interpose no objection to the proposed acquisition if it was effected substantially in accordance with the understanding of the plan as informally submitted by Marine Midland Corporation to the Federal Reserve Bank of New York.

Approved, Governor Evans  
voting "no".

  
Secretary