

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, August 28, 1953. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Szymczak, Acting Chairman
Mr. Evans
Mr. Vardaman
Mr. Robertson

Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Leonard, Director, Division of
Bank Operations
Mr. Vest, General Counsel
Mr. Myrick, Assistant Director,
Division of Bank Operations

Mr. Leonard referred to House of Representatives Report #276, 83d Congress, First Session, dated April 17, 1953, submitted by the Committee on Appropriations in explanation of the First Independent Offices Appropriations Bill, 1954, particularly that portion of the report which stated that the Committee had requested the General Accounting Office and General Services Administration to make a survey of electrical business machines used throughout the Government service with a view to determining whether such equipment was being used sufficiently to warrant continued rental or, where machines were not used full time, to submit recommendations as to the use of such machines by other agencies or by activities within the same agency. The report indicated that the Committee felt that substantial savings could be effected as a result of the survey.

Mr. Leonard said he understood from a representative of the Treasury Department that the General Accounting Office was making that part of the

8/28/53

-2-

survey relating to punch-card equipment, bookkeeping machines, and electronic computers and had prescribed a report form calling for both machine and personnel information. He also understood that the General Accounting Office contemplated on-site surveys. The Treasury Department representative had inquired informally whether the Board had any views as to the manner in which the Treasury should report the equipment used in connection with fiscal agency operations performed by the Federal Reserve Banks and for which rental is paid directly by the Treasury or through reimbursement to the Reserve Banks.

In this connection, Mr. Leonard drew attention to the Board's letter of December 19, 1946, to the Presidents of all Federal Reserve Banks (S-947, F.R.L.S. #5771), particularly the last paragraph which states that: "If any representatives of Government departments or agencies undertake to make examinations or inspections of the records of the Federal Reserve Banks other than those directly related to Fiscal Agency operations or to check, determine, or discuss Fiscal Agency expenses of the Banks, it is assumed that before acceding to the request your Bank will take up the matter with the Committee on Fiscal Agency Operations and Reimbursable Expenses and with the Board of Governors in accordance with the agreement reached at the June 11, 1946, joint meeting of the Presidents and the Board."

During a discussion which followed, Mr. Leonard referred to the comprehensive reports made by the Federal Reserve Banks to the Treasury

8/28/53

-3-

Department regarding the electrical business machines used by the Banks in reimbursable fiscal agency operations. He pointed out that the Treasury had in its possession or could obtain from the Reserve Banks all information necessary to make a detailed report to the General Accounting Office and that no question had been raised as to the inability of the Treasury to obtain such information. The informal inquiry from the Treasury Department, he said, was on the basis that inasmuch as the Federal Reserve System was involved, the Treasury wished to know whether the Board would have any comments as to the manner in which the Treasury should report and, particularly, whether the Federal Reserve System would have any objection to representatives of the General Accounting Office visiting the Federal Reserve Banks and looking into the machine installations at the Banks for which the Treasury pays rental either direct or through reimbursement.

The Board took the position that this matter involved questions between the General Accounting Office and the Treasury Department and that the Federal Reserve should not oppose or obstruct in any way the survey of fiscal agency operations by the General Accounting Office.

It was suggested, therefore, that the Treasury Department be advised informally by Mr. Leonard that while that Department would, of course, have to decide on the manner of reporting equipment used at the Federal Reserve Banks in performing fiscal agency operations, the Federal Reserve would cooperate in furnishing any information which might be desired relating to such operations and would have no objection if the Treasury Department, at

8/28/53

-4-

the request of the General Accounting Office, should wish to arrange for on-site surveys of such equipment at the Federal Reserve Banks by the General Accounting Office. It was also suggested that in view of the provisions of letter S-947, a letter should be sent to the Presidents of all Federal Reserve Banks advising them of the survey and the nature of the comments made informally to the Treasury Department.

These suggestions were approved
unanimously.

During the course of the foregoing discussion, Governor Evans expressed the view that it would be desirable for the Board again to consider, as it had done at times in the past, whether the Federal Reserve Banks should undertake to perform fiscal agency operations on a nonreimbursable basis. Certain advantages which might result from such an arrangement were mentioned, along with reasons given in the past in support of the position that the practice should not be instituted.

Governor Robertson suggested that a letter be sent to the Chairman of the Conference of Presidents of the Federal Reserve Banks stating that the Board would like to have a discussion of this matter with the Presidents at the joint meeting scheduled for September 24, 1953.

This suggestion was approved
unanimously.

Governor Vardaman referred to the suggestion which he had made at an informal meeting of the Board on August 18, 1953, that the Board should

8/28/53

-5-

instruct the Federal Reserve Banks to cut in half all United States currency being processed for destruction at the Reserve Banks, with the understanding that the Reserve Banks would absorb the additional expense involved in this operation.

There was a discussion of this suggestion but no conclusions were reached and it was agreed that the matter should have further consideration at a meeting when all of the members of the Board were present.

Governor Vardaman also referred to the request made at the informal meeting on August 18, 1953, that Mr. Vest prepare for the consideration of the Board a memorandum commenting on the authority of the Board to supervise operations performed by the Federal Reserve Banks as fiscal agents, along with a draft of amendment to the law which would clarify the Board's supervisory authority.

Mr. Vest stated that such a memorandum and draft of amendment to the law had been prepared and placed in circulation among the members of the Board. He then commented on the views expressed in the memorandum.

Governor Evans stated that a representative of the Treasury Department had called him on the telephone to say that the Department was preparing to inspect the procedures being followed at the Federal Reserve Banks in the verification and destruction of United States currency and that the Treasury Department representative inquired whether the Board would like to have a member of its staff accompany the Treasury personnel assigned to make these inspections.

8/28/53

-6-

The matter was discussed at some length in the light of the benefits which might be gained by having a member of the Board's staff accompany the group as an observer and the alternative of having independent inspections made by a member or members of the Board's staff.

At the conclusion of the discussion, it was agreed unanimously that the Treasury Department should be advised that the Board would be glad to have a member of its staff accompany the Department's representatives. This action was taken with the understanding that the selection of the member of the Board's staff was left to Mr. Leonard, that the staff member's sole function would be that of an observer, and that a full report of his observations would be made to the Board.

There were presented telegrams to the Federal Reserve Banks of Cleveland, Richmond, Atlanta, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of St. Louis on August 24, by the Federal Reserve Bank of San Francisco on August 25, and by the Federal Reserve Banks of Cleveland, Richmond, Atlanta, Minneapolis, Kansas City, and Dallas on August 27, 1953, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Mr. Vest referred to the discussion at the meeting of the Board on August 26, 1953, concerning a telegram dated August 25 from Mr. Wilbur,

8/28/53

-7-

Chairman of the Federal Reserve Bank of San Francisco, regarding participation of Bank of America National Trust and Savings Association in the forthcoming elections of a Class A and Class B director at the Reserve Bank. Mr. Vest stated that pursuant to the decision of the Board following consideration of the matter, he talked by telephone with Mr. Earhart, President of the San Francisco Bank, and advised him of the Board's views. He said President Earhart stated that it was customary to write letters to all non-voting banks in the Transamerica group, and in other holding company groups, to advise them why a nomination blank was not being sent to them and that it was also the practice to send a circular regarding the election to all member banks in the district, whether or not they participated in past elections. In view of the Board's position, President Earhart proposed to send to Bank of America a copy of the circular informing all banks of the forthcoming elections but he would not send a nomination blank to Bank of America and would not send a letter such as that which would be sent to all other non-voting banks in holding company groups. Should Bank of America raise a question, President Earhart would propose to say that a nomination blank had not been sent in view of the existing situation and the position taken by the Board in the past, and if Bank of America requested a nomination blank or made an issue of the matter, the Federal Reserve Bank would then submit the matter to the Board for consideration.

Thereupon the meeting adjourned. During the day the following

8/28/53

-8-

additional actions were taken by the Board with all of the members except Chairman Martin and Governor Mills present:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on August 27, 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>
Edward R. Fry, Economist	Research and Statistics	Temporary indefinite	\$4,330
Richard M. Kirby, Economist	International Finance	Temporary indefinite	5,435
Virginia Johns, Clerk-Stenographer	Bank Operations	Temporary indefinite	3,335
Thomas E. Gilmore, Laborer	Administrative Services	Temporary (two months)	2,420
Agnes G. Beavers, Charwoman	Administrative Services	Temporary (two months)	2,420

Changes in status of appointments

Margaret R. Hauser, Clerk-Typist, Division of Research and Statistics. From temporary (three months) to temporary indefinite, with no change in basic annual salary at the rate of \$3,110, effective August 28, 1953.

Joyce T. Fones, Clerk-Typist, Division of Research and Statistics. From temporary (three months) to temporary indefinite, with no change in basic annual salary at the rate of \$2,950, effective at the expiration of her temporary appointment.

8/28/53

-9-

Changes in status of appointments (Continued)

David W. Southard, Laborer, Division of Administrative Services. From temporary (two months) to temporary indefinite, with no change in basic annual salary at the rate of \$2,420, effective at the expiration of his temporary appointment.

Salary increases, effective August 30, 1953

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Office of the Secretary</u>			
Jean F. Stockwell, File Clerk		\$3,190	\$3,270
<u>Research and Statistics</u>			
Marie Butler Leven, Economist, Editorial		7,840	8,040
Mary R. Lynch, Clerk		3,415	3,495
C. T. Breckenridge, Clerk		3,255	3,335
<u>Examinations</u>			
Louise S. Anderson, Special Assistant Federal Reserve Examiner		3,910	4,035
<u>Bank Operations</u>			
Mabel E. Wike, Statistical Clerk		3,110	3,190
<u>Personnel Administration</u>			
Marjorie Kidd, Clerk-Stenographer		3,190	3,270
<u>Administrative Services</u>			
Helen M. Capozio, Utility Clerk		3,535	3,660
Leroy H. Cooley, Telegraph Operator		3,910	4,035

8/28/53

-10-

Salary increases, effective August 30, 1953 (Continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Administrative Services</u>			
Lura Jean Mull, Typist		\$2,750	\$2,830
Hiram H. Florea, Guard		3,150	3,230
Constance Richardson, Charwoman		2,770	2,840
Dorothy Mosher, Charwoman		2,700	2,770
William M. Canney, Operator, Tabulating Equipment		3,175	3,410
Beverly A. Carter, Senior Mail Clerk		3,430	3,535
Charles R. Norris, Mail Clerk		3,230	3,350
William H. Drake, Assistant Head Messenger		3,112	3,230

Office of Defense Loans

Dorothy M. Drayer, Clerk-Stenographer		2,950	3,030
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Office of the Controller

Joseph H. Hoyle, Payroll Clerk		3,910	4,045
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Transfer and salary increase, effective August 30, 1953

David W. Southard, Laborer, Division of Administrative Services, to the position of Chauffeur, Division of Administrative Services, with an increase in basic annual salary from \$2,420 to \$2,750.

Salary adjustment, effective August 30, 1953

Fletcher E. Brown, Messenger, Division of Administrative Services. Basic annual salary adjusted from \$3,150 to \$3,032

8/28/53

-11-

Salary adjustment, effective August 30, 1953 (Continued)

pursuant to the understanding in connection with the Board's action of February 13, 1953, transferring Mr. Brown to the Division of Administrative Services as Operator (Mimeograph), that because the salary he was receiving at the time was in excess of the maximum of the job to which he was transferred, his salary would be continued for a period of six months, at which time it would be brought in line with the duties he was then performing.

Approved unanimously.

Letter to the Board of Directors, The County Trust Company, White Plains, New York, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of New York the Board of Governors approves the establishment and operation of a branch by The County Trust Company, White Plains, New York, on the south side of Pleasantville Road near Underhill Road in the Village of Briarcliff Manor, Westchester County, New York, provided the branch is established within one year from the date of this letter.

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

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

Referring to your letter and recommendation of August 25, 1953, the Board of Governors further extends until March 10, 1954, the time within which the Genesee County Savings Bank, Flint, Michigan, may establish the branch on Davison Road near Dort Highway within the city limits of Flint, Michigan, as approved by the Board under date of September 10, 1952.

Approved unanimously.

8/28/53

-12-

Letter to Mr. Pondrom, Vice President, Federal Reserve Bank of Dallas, reading as follows:

Reference is made to your letter of August 14, 1953, submitting the application of the Del Rio Bank & Trust Company, Del Rio, Texas, for permission to exercise limited powers as guardian. In view of the Reserve Bank's recommendation and the information submitted, the Board of Governors of the Federal Reserve System grants the applicant permission, under the provisions of its condition of membership numbered 1, to exercise the fiduciary powers requested as guardian in the Estate of Presley Seal Skiles, Non Compos Mentis, and in the Estate of Mary Alice Jackson, Virginia Jackson, Betty Jean Payne, Charlie Payne, Jr., Helen V. Payne, and Julia Ann Payne, Minors.

It is understood that the approval of State authorities will be obtained, if necessary.

You are requested to advise the Del Rio Bank & Trust Company of the Board's action.

Approved unanimously.

Letter to the Comptroller of the Currency, Treasury Department, Washington, D. C., (Attention: Mr. W. M. Taylor, Deputy Comptroller of the Currency) reading as follows:

Reference is made to a letter from your office dated July 20, 1953, enclosing photostatic copies of an application to organize a national bank at Kewanee, Illinois, and requesting a recommendation as to whether or not the application should be approved.

We have received a report of investigation of the application made by a representative of the Federal Reserve Bank of Chicago setting forth information with respect to the factors usually considered in connection with such applications. It appears that the convenience and needs of the community might be served better with an additional banking institution and that profitable operations might be attained after the first two years. However, the capital structure and management of

8/28/53

-13-

the proposed bank are not regarded as being entirely satisfactory, and it is questionable whether or not this proposal has the proper local sponsorship to insure successful operations. Accordingly, the Board does not feel that it would be justified in recommending favorable consideration of the application.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office, if you so desire.

Approved unanimously.

Letter to the Comptroller of the Currency, Treasury Department, Washington, D. C., (Attention: Mr. G. W. Garwood, Deputy Comptroller of the Currency) reading as follows:

Reference is made to a letter from your office dated May 18, 1953, enclosing photostatic copies of an application to organize a national bank at Jeffersonville, Indiana, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation of the application made by a representative of the Federal Reserve Bank of St. Louis indicates that no great need exists for an additional bank in the community; that it is questionable whether or not the group sponsoring the bank would be able to obtain sufficient support to insure successful operation of the institution; and that no definite arrangements have been made for experienced management. In view of these unfavorable factors, the Board would not recommend approval of the application.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office, if you so desire.

Approved unanimously.

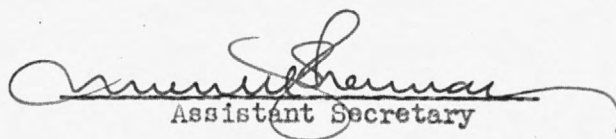
Memorandum dated August 25, 1953, from Governor Robertson recommending, for reasons stated, that the Board authorize the expenditure of such amounts as might be necessary to reimburse outside

8/28/53

-14-

instructors (i.e., those who are not employees of one of the three Federal bank supervisory agencies) in the forthcoming School for Examiners (to be conducted by the Inter-Agency Bank Examination School) for their actual necessary travel expenses, including transportation (i.e., hotel and living expenses and transportation to, from, and while in Washington, D. C., in connection with the assignment).

Approved unanimously.


Assistant Secretary