

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, November 4, 1953. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Thurston, Assistant to the Board
 Mr. Leonard, Director, Division of
 Bank Operations
 Mr. Daniels, Chief, Reserve Bank Operations Section, Division of Bank Operations

Governor Robertson referred to the discussion at the meeting on October 27, 1953, regarding the application of the Equitable Security Trust Company, Wilmington, Delaware, to establish a branch in a proposed shopping center to be located in Newark, Delaware, and stated that, pursuant to the understanding at that meeting, he had a discussion with Mr. Russell E. Shearer, Acting Assistant to the Chairman of the Federal Deposit Insurance Corporation, regarding this application and the application of the Newark Trust Company, Newark, Delaware, an insured nonmember bank, for a branch in a shopping center to be located about two miles from the location where the Equitable Security Trust Company desired to establish its branch. Governor Robertson said he asked Mr. Shearer to review the situation to see whether, in the circumstances, both applications should be granted, notwithstanding the fact that a six-month limitation

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would have to be renewed in each case, or whether both applications should be denied for the present and both banks should be required to wait until the construction of the shopping centers had reached the point where the branches could be brought into operation within a six-month period. Later, Governor Robertson said, Mr. Shearer advised that the Federal Deposit Insurance Corporation was requesting the Newark Trust Company to furnish detailed information with respect to the possible opening date of its proposed branch and an understanding was reached that the Board and the Federal Deposit Insurance Corporation would handle the respective applications on approximately the same basis, with each agency keeping the other fully advised as to developments.

In the circumstances, Governor Robertson recommended that the following letter be sent to Mr. Hill, Vice President of the Federal Reserve Bank of Philadelphia, and that a copy of the letter be sent to the Federal Deposit Insurance Corporation:

Reference is made to your letter of August 31, 1953, submitting an application of the Equitable Security Trust Company, Wilmington, Delaware, for the Board's permission to establish a branch in Newark, Delaware, and your subsequent letter of October 5th. It is the Board's policy to refrain from approving the establishment of branches which cannot be placed in operation within a period of six months. The Board does not endeavor to use the six-month rule as an arbitrary inflexible instrument, but deviations from it must be justified on the basis of the facts presented.

In this case, the proposed branch is to be located in a shopping center which, as yet, is purely in the blueprint stage. The examiner who made the original investigation with respect to this application states in his report that no temporary or permanent financing arrangements have been completed to cover the cost of the construction, although it is indicated that there is a

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probability the applicant bank will become the source of such financing. It is indicated that at least a year will expire before the shopping center is constructed, if it is constructed.

We understand the Delaware law was amended just last March to limit branch permits to six months, which is somewhat similar to the Board's own policy, but that the State Supervisor has granted a permit in this case with an understanding that it will be extended from time to time.

In view of the facts aforementioned, the Board does not feel that it can approve the application at this time, notwithstanding the possibility that the bank will be placed in a disadvantageous position as a result thereof with respect to obtaining space in the proposed shopping center. The Board feels that a case has not been made which would justify a waiver of its position regarding the time within which a branch must be placed in operation after approval for the establishment of a branch has been given.

You should advise the applicant that the Board will be glad to reconsider this case at such time as permanent financing arrangements have been made and the construction has reached the stage where it is possible to estimate with some accuracy when the branch, if granted, could be opened for business.

Approved unanimously.

At this point Mr. Vest, General Counsel, entered the room.

Further consideration was given to the matter of selection of a site for the proposed new building of the Louisville Branch of the Federal Reserve Bank of St. Louis, reference being made particularly to the discussion at the meeting of the Board on October 21, 1953, when Mr. Johns, President of the St. Louis Reserve Bank, was present, along with Mr. Weigel, Vice President and Secretary of the Bank, and Mr. Arthur F. Schwarz, of the architectural firm of Russell, Mullgardt, Schwarz, Van Hoefen.

Governor Evans, who was not present at the meeting on October 21, commented that a decision to erect a new building at 5th and Market Streets, the location of the present branch building, would represent a departure

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from the proposal that, whenever possible, building sites should be selected which are away from the center of the financial district so that space may be available for the purpose of providing ample parking facilities and otherwise facilitating services to member bankers throughout the branch territory. Although he did not feel that the Board should interpose objection to a decision on the part of the Reserve Bank to erect a new building at 5th and Market Streets if the directors of the Bank and the Louisville Branch concluded that this course would be most desirable in the light of all the circumstances involved, Governor Evans suggested that the Board, in advising the Reserve Bank, point out that this would represent a deviation from the proposal referred to above.

During a discussion of the relative merits of the two building sites considered by the Reserve Bank and branch directors for the new Louisville Branch building (the other site being located at 6th Street and Broadway) it was noted that President Johns was to be in Washington on November 6 to attend a meeting of the executive committee of the Federal Open Market Committee. It was suggested, therefore, that Governor Evans and Mr. Leonard discuss the matter further with President Johns at that time.

This suggestion was approved
unanimously.

Consideration also was given to the proposed building program at the head office of the Federal Reserve Bank of Chicago, the discussion being based on a memorandum which Mr. Leonard submitted to Governor Evans

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under date of September 28, 1953. This memorandum, copies of which had been sent to the other members of the Board at Governor Evans' request, reviewed the steps which had been taken in the consideration of various proposals to solve the problem of providing additional space for the operations of the Chicago Bank.

At the conclusion of a discussion of possible alternatives, including the establishment of additional branches or facilities in cities in the Seventh Federal Reserve District to reduce the volume of operations at the head office, it was suggested that Chairman Coleman, Deputy Chairman Prall, President Young, and First Vice President Harris be invited to discuss the matter with the Board at some date within the near future.

This suggestion was approved
unanimously.

Mr. Daniels then withdrew from the meeting and Messrs. Thomas, Economic Adviser to the Board; Young, Director, Division of Research and Statistics; and Dembitz, Assistant Director, Division of International Finance, entered the room.

Mr. Leonard, who had made a preliminary report at the meeting on October 30, 1953, concerning the proposal of the Treasury and Post Office Departments that the Federal Reserve Banks, as fiscal agents, handle deposits of surplus funds from United States postmasters, discussed further developments in connection with this matter. He said that at his suggestion Mr. Bartelt, Fiscal Assistant Secretary of the Treasury, had been in

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touch by telephone with President Young, Chairman of the Presidents' Conference Committee on Fiscal Agency Operations; that he (Mr. Leonard) had sent President Young a copy of his memorandum of October 29, 1953, regarding the meeting which he attended in Mr. Bartelt's office on October 28; and that President Young, through Mr. Hodge, General Counsel of the Chicago Reserve Bank, had suggested that copies of the memorandum be sent to the Presidents of all Federal Reserve Banks.

Mr. Leonard also reported that under date of October 29, Mr. C. R. Hook, Jr., Acting Postmaster General, sent a letter to the Secretary of the Treasury requesting that the Treasury Department make arrangements with the Federal Reserve Banks to take over this function as fiscal agents of the Government, and that Mr. Bartelt, in a letter to President Young dated November 3, asked whether arrangements could be made for a test operation at one Federal Reserve Bank (Philadelphia, Richmond, or Atlanta) beginning December 1. In a postscript to his letter, Mr. Bartelt stated that he had just learned that the Postmaster General had called Under Secretary of the Treasury Folsom on the telephone and asked that test installations at Philadelphia, Richmond, and Atlanta all be put into effect on December 1, if possible.

Mr. Leonard stated that Mr. Bartelt advised him of these latest developments yesterday by telephone, stating that the Treasury Department would write direct to the three Federal Reserve Banks concerned and might

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send a representative to the Banks to discuss the proposal. Mr. Leonard said that, in view of recent discussions in which the Board expressed the feeling that matters of this nature should be handled on a System basis, he suggested to Mr. Bartelt that a copy of his letter to President Young be sent to the Board for transmittal to the Reserve Banks. Mr. Leonard also reported that he had received today a letter from President Young stating that he felt there should be discussion of the proposal at a System committee level before any pilot operation was instituted.

Following a discussion, it was understood that copies of Mr. Leonard's memorandum of October 29 and Mr. Bartelt's letter of November 3 to President Young would be sent to the Presidents of all Federal Reserve Banks preliminary to a meeting of representatives of the Treasury Department, the Post Office Department, the Board, and the Federal Reserve Banks.

Mr. Leonard then withdrew from the meeting.

Prior to this meeting there had been circulated among the members of the Board a memorandum from Mr. Thomas, dated October 28, 1953, regarding plans being made for the Fourth Meeting of Technicians of Central Banks of the American Continent, to be held in Washington and New York during the two weeks beginning May 3, 1954, pursuant to the invitation extended jointly by the Board and the Federal Reserve Bank of New York at the time of the Third Meeting, which was held in Havana, Cuba, in 1952.

At the request of the Board, Mr. Thomas made a statement regarding the circumstances under which the invitation was extended, the nature of

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the meetings, and the status of the plans for the 1954 Meeting. There followed a discussion of the matter during which question was raised regarding the expenses, estimated at \$22,000, which it was proposed would be borne by the Board, including an estimated \$11,500 for printing 1,000 copies of the proceedings of the meeting.

At the conclusion of the discussion, it was understood that the matter of the expenses involved in connection with the 1954 Meeting would be considered further following the return of Chairman Martin.

Messrs. Thomas, Young, and Dembitz then withdrew from the meeting.

Reference was made to recent discussions by the Board, in executive session, of developments with respect to the selection of a President of the Federal Reserve Bank of Dallas. Governor Evans suggested that Governor Szymczak discuss with Chairman Martin the desirability of a letter from the latter to Mr. Parten, Chairman of the Dallas Bank, which would state the Board's position with respect to the appointment. Such a letter, Governor Evans felt, might be useful in further discussions of the matter by the directors of the Dallas Bank. It was understood that Governor Szymczak would discuss Governor Evans' suggestion with Chairman Martin.

All of the members of the staff except Messrs. Thurston and Vest then withdrew from the meeting.

Following the meeting, Governor Szymczak informed the Secretary that Governor Vardaman had raised a question as to the authority under which Mr. Allen, as Personnel Security Officer, had sent to all members

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of the Board and its staff a memorandum dated November 4, 1953, asking that they sign a statement as to whether they are now or ever have been a member of, or affiliated with, or in sympathetic association with, any subversive group.

The circumstances under which the memorandum was distributed were discussed and it was agreed by the members of the Board present that the statements returned by the members of the staff to Mr. Allen should be turned over to Chairman Martin when he returns, after which consideration would be given by the Board to what, if any, further action should be taken.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on November 3, 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>
Lelia V. Dieffenbauch, Clerk	Research and Statistics	Temporary indefinite	\$3,415
Elinore G. Magee, Clerk	Research and Statistics	Temporary indefinite	3,030
Peter Black, Laborer	Administrative Services	Temporary (two months)	2,552

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Change in status of appointment

Virginia B. Bowen, File Clerk, Office of the Secretary. From temporary (six months) to temporary indefinite, with no change in her basic annual salary at the rate of \$3,110, effective November 4, 1953.

Extension of temporary appointment

James R. Richey, Cafeteria Laborer, Division of Administrative Services. Extension of temporary appointment for additional period of two months, with no change in his basic annual salary at the rate of \$2,552, effective at the expiration of his present appointment.

Transfer

Anna Mary S. Riden, Library Assistant, Division of Research and Statistics, to Clerk, Division of Administrative Services, with no change in her present basic annual salary at the rate of \$3,255, effective as of the date she reports for duty in the Division of Administrative Services.

Salary increases, effective November 8, 1953

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Board Members' Offices</u>			
Virginia J. Ogilvie, Stenographer		\$3,660	\$3,785
<u>Research and Statistics</u>			
Gerald F. Millea, Administrative Assistant		6,140	6,340
Mary Jane Harrington, Economist		5,060	5,185
Rita I. Ryhal, Clerk		3,910	4,035
A. Jane Moore, Economist		5,060	5,185
<u>Examinations</u>			
M. Patricia McShane, Clerk-Typist		3,415	3,495

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<u>Salary increases, effective November 8, 1953</u>		(continued)	
<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Bank Operations</u>			
Patricia B. Ivie, Secretary		\$4,035	\$4,160
Pearle E. Randour, Statistical Clerk		3,910	4,035
<u>Administrative Services</u>			
Arthur S. Myers, Electrician-Operating Engineer		3,935	4,240
Arad B. Shipp, General Mechanic-Operating Engineer		3,680	3,835
Helen L. Sweeney, Clerk		3,575	3,655
Saul Clanton, Gardener		2,712	2,830

Approved unanimously.

Letter to the Board of Directors, The Colonial Trust Company,
Pittsburgh, Pennsylvania, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System hereby gives its written consent to the proposed absorption of The First National Bank at Wilkinsburg, Wilkinsburg, Pennsylvania, by The Colonial Trust Company, Pittsburgh, Pennsylvania, as required under Section 18(c) of the Federal Deposit Insurance Act, provided:

(1) The Colonial Trust Company will increase its surplus \$1,000,000 by a transfer from undivided profits of \$500,000 at the time of the absorption and a transfer of an additional \$500,000 from undivided profits not later than December 31, 1953; however, in event the absorption should be delayed until after December 31, 1953, then \$1,000,000 shall be transferred from undivided profits to surplus at the time the absorption is effective;

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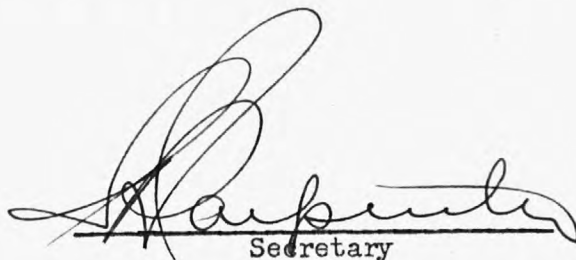
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(2) The banking house, furniture and fixtures and all securities acquired by The Colonial Trust Company from the national bank are not carried on the books of The Colonial Trust Company at amounts in excess of the depreciated tax value for income tax purposes for banking house and furniture and fixtures, and the market value of the securities at the time of the absorption; and

(3) That the absorption be completed within six months from date of this letter.

The Board also approves the establishment and operation by The Colonial Trust Company of branches at 701 Penn Avenue, Wilkinsburg, Pennsylvania, and 4114 William Penn Highway, Borough of Monroeville, Pennsylvania, provided the absorption of The First National Bank at Wilksburg is effected and formal approval of the establishment of the branches is obtained from the appropriate State authorities.

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



Secretary