Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, November 24, 1953. The Board met in the Board Room at 10:20 a.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Leonard, Director, Division of Bank Operations
Mr. Vest, General Counsel
Mr. Hackley, Assistant General Counsel

There was presented a request that Mr. Allen, Director, Division of Personnel Administration, be authorized to travel to Kansas City, Missouri, and St. Louis, Missouri, during the period December 2-4, 1953, to review the work of the personnel departments of the Federal Reserve Banks of Kansas City and St. Louis.

Approved unanimously.

Prior to this meeting there had been circulated among the members of the Board a memorandum dated November 4, 1953, from Mr. Horbett, Assistant Director, Division of Bank Operations, concerning the triennial designation of central reserve and reserve cities, effective March 1, 1954, pursuant to the rule adopted by the Board on December 19, 1947. Governor Robertson and other members of the Board had requested that the matter be discussed at a meeting, and subsequently there had been sent to the members of the Board for further review copies of Mr. Horbett's memorandum and related papers, including a draft of letter to the Federal Reserve Banks, together with copies of the entry from the record of policy actions in the Board's 1947 Annual Report discussing the adoption of the present formula for the classification of central reserve and reserve cities.

At the request of the Board, Mr. Leonard reviewed the development and adoption of the formula and actions taken thereunder in 1948 and 1951. Mr. Leonard's comments were followed by a discussion of the operation of the formula and the desirability of requiring that all member banks (exclusive of banks in outlying sections authorized to carry reduced reserves) must join in a request that a reserve city designation be continued when it would otherwise be terminated under the formula.

At the conclusion of the discussion, unanimous approval was given to a letter to the Presidents of all Federal Reserve Banks in the following form:

This refers to the rule prescribing standards of classification of reserve cities and providing for a triennial designation of such cities, adopted by the Board on December 19, 1947. The rule appears on pages 86-87 of the Board's 1947 Annual Report.

As a basis of the action which the Board will take under the rule effective March 1, 1954, the enclosed table has been prepared showing total deposits, total demand deposits, and interbank demand deposits of member banks in reserve cities other than Federal Reserve Bank and Branch cities, and in nonreserve cities with a large volume of interbank demand deposits, together with two interbank demand deposit ratios. The figures of deposits are averages of call dates October 10, 1951 to June 30, 1953, inclusive. For comparative purposes, interbank demand deposits ratios are also shown for the period December 31, 1948 to June 30, 1950.

As you will observe from the table, no additional reserve cities will be designated, and the reserve city designation of each of the following nine cities will be continued, effective March 1, 1954, only if all member banks in the city (exclusive of any member bank in an outlying district of such city permitted by the Board of Governors to maintain reduced reserves) request continuation of the designation as provided under the rule for classification of reserve cities:

Lincoln, Nebraska	St. Joseph, Missouri
Sioux City, Iowa	Topeka, Kansas
Cedar Rapids, Iowa	Pueblo, Colorado
Kansas City, Kansas	Dubuque, Iowa
Toledo, Ohio	

Please advise each member bank (exclusive of any member bank permitted to carry reduced reserves) in any of the above cities in your District as to the situation. As provided in the rule, a request for continuation of the reserve city designation should be accompanied by a certified copy of a resolution of the bank's board of directors authorizing such request and be received by the Federal Reserve Bank not later than February 15, 1954.

It will be appreciated if you will forward to the Board as promptly as convenient all requests received by your Bank from the member banks for continuance of the reserve city status. Should any such requests be received too late to permit their being forwarded to reach the Board by February 16, 1954, it is requested that you advise the Board by wire of the receipt of such requests.

In response to appropriate inquiries you may, in your discretion, give out the information contained herein regarding the indicated redesignations and terminations.

Messrs. Leonard, Vest, and Hackley then withdrew from the meeting.

Reference was made to the practice instituted pursuant to action of the Board on September 27, 1951, whereby identification cards are sent each year to Federal Reserve Bank and branch directors, Presidents and other officers of Federal Reserve Banks and branches whose names are listed in the Federal Reserve Bulletin, and the members and secretary of the Federal Advisory Council. Question was raised as to whether there was justification for continuing the practice.

Following a discussion of the matter, during which various views were expressed, Chairman Martin suggested that no action be taken at this time but that the comments of the Chairmen and Presidents of the Federal Reserve Banks be obtained during the conferences of the two groups in December.

Chairman Martin's suggestion was approved unanimously.

The Board then went into executive session, after which the Secretary was informed by the Chairman that during the session unanimous approval was given to the following letter to Mr. Parten, Chairman of the Federal Reserve Bank of Dallas, which had been prepared for Chairman Martin's signature in accordance with suggestions made in the course of informal discussions at earlier meetings of members of the Board:

This will refer to our conversations and correspondence, especially your letter of November 13th, with respect to the selection of a President of the Federal Reserve Bank of Dallas.

As you know, the appointment of a President of a Federal Reserve Bank is a dual responsibility, since the statute provides that he shall be appointed by the Board of Directors with the approval of the Board of Governors. It is the responsibility of the Directors to make a full canvass of possible appointees and to select the best qualified man available for the appointment. The appointment is for a term of five years, and because of the importance of the position, the approval of the Board of Governors cannot be lightly given.

Whenever the Board feels that a person proposed for appointment as President does not have the qualifications necessary for the position, it is its duty to disapprove.

When Mr. Gilbert was reappointed President in 1951, the Board indicated that it would be willing to approve the reappointment of Mr. Gentry with the clear understanding that he would resign when Mr. Gilbert retired, and that the question whether Mr. Gentry was continued as First Vice President would depend on whether the new President wanted him in that office. You later informed the Board that Mr. Gentry was entirely willing to resign as First Vice President, to take effect with the retirement of Mr. Gilbert, as he (Mr. Gentry) took the commendable position that the President of a Federal Reserve Bank should have a voice in the selection of the First Vice President and he would not want to serve in that capacity if he were not acceptable to the President.

While we appreciate very much the service which Mr. Gentry has given the System over many years, we continue to be of the opinion that he is not qualified to provide the leadership necessary to enable the Federal Reserve Bank of Dallas to take its proper place as part of the central banking system of the United States and that, therefore, in the best interests of the Federal Reserve System his appointment to the presidency should not be approved.

There have been rumors that two or more members of the Board of Governors seek appointment as President of the Dallas Bank. These rumors are utterly false. Each member of the Board has stated that he is not interested in the job and would decline to accept the appointment if it were tendered to him.

Your letter indicates the possibility that members of your Board might wish to meet with the Board of Governors in Washington. We would welcome such a meeting in order that each of us - all members of the same team - might appreciate more fully the basis of our respective views.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on November 23, 1953, were approved unanimously.

Telegram to Mr. M. Moss Alexander, President, Missouri-Portland Cement Company, St. Louis, Missouri, prepared pursuant to action taken at the meeting on November 16, 1953, and reading as follows:

Board of Governors has appointed you Class C director of the Federal Reserve Bank of St. Louis for three-year term beginning January 1, 1954, has designated you Chairman and Federal Reserve Agent at the Bank for the year 1954, and has fixed your compensation as such on uniform basis fixed for same position at other Federal Reserve Banks, i.e., at same amount as aggregate of fees payable during same period to any other director for attendance corresponding to yours at meetings of board of directors, executive committee, and other committees of board of directors.

Your acceptance by collect telegram will be appreciated.

The Board will issue later a press statement on appointments of directors at all Federal Reserve Banks and Branches. It would be appreciated if announcement of your appointment could be deferred until release of Board statement.

Approved unanimously.

Telegram to Mr. Caffey Robertson, President, Caffey Robertson Company, Memphis, Tennessee, prepared pursuant to action taken at the meeting on November 16, 1953, and reading as follows:

Board of Governors has appointed you as Class C director of Federal Reserve Bank of St. Louis effective January 1, 1954, for unexpired portion of term ending December 31, 1955, and will be pleased to have your acceptance by collect telegram.

As you know, the Board will issue later a press statement on appointments of directors at all Federal Reserve Banks and Branches. It would be appreciated if any announcement of your appointment could be deferred until release of Board's statement.

Approved unanimously.

Telegram to Mr. Leslie N. Perrin, Director, General Mills, Inc., Minneapolis, Minnesota, prepared pursuant to action taken at the meeting on November 16, 1953, and reading as follows:

Board of Governors of the Federal Reserve System has appointed you Class C director of Federal Reserve Bank of Minneapolis for three-year term beginning January 1, 1954, and will be pleased to have your acceptance by collect telegram.

It is understood that you will relinquish all commercial bank affiliations and dispose of any bank stock you may own in order to qualify as Class C director.

The Board will issue later a press statement on appointments of directors at all Federal Reserve Banks and Branches. It would be appreciated if any announcement of your appointment could be deferred until release of Board's statement.

Approved unanimously.

Telegram to Mr. Phillip I. Welk, Vice President, Preston-Shaffer Milling Company, Walla Walla, Washington, prepared pursuant to action taken at the meeting on November 20, 1953, and reading as follows:

Board of Governors of the Federal Reserve System has appointed you director of the Portland Branch of the Federal Reserve Bank of San Francisco for two-year term beginning January 1, 1954, and will be pleased to have your acceptance by collect telegram.

It is understood that you are not a director of a bank and do not hold public or political office. Should your situation in these respects change during the tenure of your appointment, it will be appreciated if you advise the Chairman of the Board of Directors of the Federal Reserve Bank of San Francisco.

Board will issue later a press statement on appointments of directors at all Federal Reserve Banks and Branches. Would be appreciated if any announcement of your appointment could be deferred until release of Board's statement.

Approved unanimously.

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

In accordance with the request contained in your letter of November 13, 1953, the Board of Governors approves the payment of salaries to Frank Biess and Wilhelm Lange, Night Janitors, at the rate of $3,877 per annum, which is $367 in excess of the maximum established for the grade in which their jobs are classified.

Approved unanimously.

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

This refers to your letter of October 23, 1953, requesting an interpretation by the Board of the language contained in section 8 of Regulation F that a committee of directors shall "at least once during each period of twelve months" make or have made an audit of the trust department of each national bank.

The specific question is whether this provision means that such audits must be made at intervals of not more than twelve months or may be made at least once during each calendar year.

The language "at least once during each period of twelve months" also appears in section 6(c) of Regulation F, relating to the review of trust assets by trust investment committees, and in section 17(c)(3) of Regulation F, relating to audits of common trust funds. It is the Board's opinion that the correct interpretation of this language in each instance is that not more than twelve months shall elapse without the required action being taken.

Approved unanimously, with the understanding that copies of the letter would be sent to the Presidents of all Federal Reserve Banks for their information.

Secretary