

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, December 23, 1953. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Riefler, Assistant to the Chairman
Mr. Leonard, Director, Division of Bank Operations
Mr. Young, Director, Division of Research and Statistics
Mr. Allen, Director, Division of Personnel Administration

There was presented a request from Mr. Marget, Director, Division of International Finance, for authority to travel to St. Louis, Missouri, on February 11 and 12, 1954, to speak on February 11 at a dinner meeting to be held in connection with a central banking seminar being arranged by the Federal Reserve Bank of St. Louis and to address the directors of the Reserve Bank at their meeting on the same day.

Approved unanimously.

Prior to this meeting there had been circulated among the members of the Board a memorandum dated December 17, 1953, from the Division of Personnel Administration discussing an attached letter dated December 11 in which Mr. Erickson, President of the Federal Reserve

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Bank of Boston, advised that the Bank's board of directors at its meeting on December 7, 1953, voted, subject to the approval of the Board of Governors, to make a supplemental payment of about \$4,900 to the Retirement System of the Federal Reserve Banks to increase the retirement allowance to be paid to Vice President John J. Fogg following his retirement on January 1, 1954. Mr. Fogg attained retirement age in March 1952 but because of his close connection with the Reserve Banks building program, the Board of Governors approved his retention in service until the end of 1953.

At the request of the Board, Mr. Allen reviewed the circumstances of the case and stated reasons for and against approving the supplemental payment.

Chairman Martin said that President Erickson had spoken to him about the matter and felt quite strongly that the supplemental payment should be made, particularly in view of Mr. Fogg's outstanding service in connection with the building program of the Reserve Bank. He pointed out, however, that there might be many cases throughout the Federal Reserve System of a similar nature, and he expressed doubt whether the Retirement System should be used as an instrument for rewarding outstanding performance or for correcting inequities which might have existed prior to retirement.

Following a further discussion of the circumstances involved in Mr. Fogg's case, during

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which agreement was expressed by the other members of the Board present with Chairman Martin's view that it was unwise in principle to deviate from the general rules and regulations of the Retirement System, unanimous approval was given to a letter to President Erickson in the following form:

The Board of Governors has received your request, as set forth in your letter of December 11, 1953, that it approve your Bank's making a supplemental payment to the Retirement System in the amount of \$4,900 for the purpose of increasing the allowance to which Vice President John J. Fogg will be entitled following his retirement on January 1, 1954.

The Board has given this matter very careful consideration, particularly in the light of your recent conversation with Chairman Martin, and wishes to state its sympathy with the underlying reasons for the proposal. The Board is not unmindful of the fact that Mr. Fogg has made a marked contribution to your Bank, and to the System as a whole, by his willing efforts in behalf of the building program. It appreciates also the fact that Mr. Fogg has been with the Bank for a great many years and that, for the period since his attainment of retirement age, he has received no further credit toward his retirement allowance.

However, after discussing the factors which were considered by your directors in taking the action to supplement Mr. Fogg's retirement allowance, the Board has concluded that it would not feel justified in approving the proposed contribution.

In transmitting this decision, the Board wishes to make it absolutely clear that its action in no way reflects on Mr. Fogg or his past performance in the Federal Reserve System.

Consideration then was given to a letter dated December 9, 1953, from Mr. Hall, Chairman of the Federal Reserve Bank of Kansas City, requesting approval of the payment of salary, at rates specified, to

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Mr. P. A. Debus as Vice President in charge of the Omaha Branch, to Mr. U. S. Berry as Cashier of the Branch, and to Mr. Walter L. Pleiss as Assistant Cashier, all effective January 1, 1954, and to a letter dated November 27, 1953, from Mr. Leedy, President of the Kansas City Bank, requesting the Board's approval of the employment of Mr. L. H. Earhart, Vice President in charge of the Omaha Branch who retires at the end of 1953, in an unofficial capacity with salary at the rate of \$7,200 per annum. President Leedy's letter indicated that the Bank wished to retain Mr. Earhart to represent it in connection with matters having to do with the construction of an addition to the Omaha Branch building. The letter proposed his employment for a term of one year unless the branch addition was completed sooner and, in that event, to the date of completion. The letters from Messrs. Hall and Leedy had been circulated among the members of the Board prior to this meeting along with a memorandum dated December 16, 1953, from the Division of Personnel Administration, commenting on the requests made therein.

During a discussion of the proposal concerning Mr. Earhart, it was pointed out that information was not available as to how much time he would contribute or as to the exact nature of the duties he would perform. In the circumstances, Governor Robertson suggested that the Board approve the payment of salary to Messrs. Debus, Berry, and Pleiss as requested, but defer action with respect to Mr. Earhart and request the Kansas City Bank to provide more detailed information with regard to the

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proposed arrangement.

In accordance with the suggestion made by Governor Robertson, unanimous approval was given to a letter to Chairman Hall in the following form, with the understanding that President Leedy would be requested to furnish additional information concerning the proposed arrangement with Mr. Earhart:

The Board of Governors approves the payment of salary to the following officers for the period January 1, 1954 through December 31, 1954, at the rates fixed by your Board of Directors as reported in your letter of December 9, 1953.

<u>OMAHA BRANCH</u>		
<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
P. A. Debus	Vice President	\$12,500
U. S. Berry	Cashier	9,800
Walter L. Pleiss	Assistant Cashier	6,500

The Board notes that the salaries of Messrs. Pleiss and Debus will be brought up to the minimum of the groups to which their positions have been assigned within a reasonable length of time.

There were presented: (1) a letter dated December 16, 1953, from Mr. Russell L. Dearmont tendering his resignation as Class C director and Chairman and Federal Reserve Agent at the Federal Reserve Bank of St. Louis; (2) a letter dated December 17, 1953, from Mr. Brayton Wilbur tendering his resignation as Class C director and Chairman and Federal Reserve Agent at the Federal Reserve Bank at San Francisco; (3) a letter dated December 4, 1953, from Mr. Caffey Robertson tendering his resignation as a director of the Memphis Branch, Federal Reserve Bank of St. Louis; and (4) a letter dated December 14, 1953, from Mr. J. E. Corette tendering his resignation as a director of the Helena Branch,

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Federal Reserve Bank of Minneapolis.

The resignations were
accepted effective December 31,
1953.

Prior to this meeting there had been circulated among the members of the Board a memorandum dated December 21, 1953, from the Division of Bank Operations recommending that the Board authorize sending on January 4, 1954, without prior Board action on that day, the usual telegrams to the Federal Reserve Banks specifying the interest rates on Federal Reserve notes for the last quarter of 1953. The memorandum pointed out that in computing the payments for the first quarter of 1953 deductions totaling \$3 million were made from earnings representing one-half the pro rata shares of the proposed \$6 million reserve for losses from fire and allied risks, but that inasmuch as the amendment to the Loss Sharing Agreement to include these risks had not been approved, it was proposed to restore the \$3 million to distributable earnings for the last quarter. The memorandum also stated that appropriate deductions, estimated at about \$1 million in each case, would be made from the net earnings of the Federal Reserve Banks of Dallas and San Francisco before computing their interest payments to increase the surplus of those Banks to an amount equal to 100 per cent of subscribed capital stock.

There was a discussion of the status of the proposed amendment to the Loss Sharing Agreement to include losses from fire and allied risks, as reported at the joint meeting of the Board and the Presidents

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of the Federal Reserve Banks on December 15, 1953. During this discussion Governor Robertson referred to a statement made to him by Mr. Bryan, President of the Federal Reserve Bank of Atlanta, to the effect that eleven Reserve Banks would agree to participate in a loss sharing agreement covering fire and allied risks if the Board would also participate, and it was understood that Mr. Leonard would call President Bryan on the telephone to inquire further about this matter. The view was expressed, however, that the Board should not urge the Reserve Banks to proceed further with the proposal.

Thereupon, unanimous approval was given to the recommendation contained in the memorandum of December 21, 1953, from the Division of Bank Operations.

Mr. Leonard outlined certain proposed changes in the staff of Division of Bank Operations and stated reasons why he felt that these changes would be desirable from the standpoint of efficiency and effectiveness of the Division's work. There was a general discussion of the proposals made by Mr. Leonard but no conclusions were reached and it was understood that the matter would be discussed further in executive session.

Messrs. Riefler, Young, and Allen then withdrew from the meeting.

Mr. Leonard referred to a letter addressed to him under date of December 16, 1953, by Mr. Koppang, First Vice President of the Federal Reserve Bank of Kansas City, regarding a proposal to consolidate in the head office of the Kansas City Bank certain savings bond and tax activities

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now decentralized to the Bank's branches. With the letter was enclosed a copy of a letter concerning the matter which Mr. Koppang had written to Mr. Bartelt, Fiscal Assistant Secretary to the Treasury, on November 25, 1953. Mr. Koppang's letter of December 16 stated that on December 10 Mr. Bartelt advised by telegram that the Treasury favored the plan in view of the substantial savings indicated and asked to be advised when the changes would be effected. Mr. Koppang indicated that the activities involved would be transferred to the head office on a staggered basis, the work of the first branch to be transferred probably effective February 1, 1954, with the work of the other branches to be transferred later. The letter concluded by stating that unless the Bank heard from the Board to the contrary by January 1, 1954, the Bank would assume that the Board interposed no objection to the consolidations proposed.

The matter was discussed in the light of the movement several years ago, which the Board favored, toward decentralization of various operations from Reserve Bank head offices to branches, the basis on which the fiscal agency activities in question are handled in other Federal Reserve districts, and the estimated savings to the Treasury involved in the proposal made by the Federal Reserve Bank of Kansas City (somewhere between \$50,000 and \$75,000 a year).

At the conclusion of the discussion, it was agreed unanimously that in all the circumstances, including the savings

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which would result, no objection should be interposed by the Board to the proposed consolidation of fiscal agency activities as outlined in Mr. Koppang's letter.

It was understood that Mr. Leonard would so advise the Federal Reserve Bank of Kansas City informally.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on December 22, 1953, were approved unanimously.

Memorandum dated December 22, 1953, from Mr. Sloan, Director, Division of Examinations, stating that Grover C. Page, Assistant Federal Reserve Examiner in that Division, who is a member of the Bank Plan of the Retirement System of the Federal Reserve Banks, had submitted his application for retirement, effective January 1, 1954, and that the application had been approved by the Retirement System.

Noted.

Letter to the Board of Directors, Worcester County Trust Company, Worcester, Massachusetts, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Boston, the Board of Governors of the Federal Reserve System approves the establishment and operation of a branch on Lincoln Street in the Lincoln-Plaza Shopping Center, Worcester, Massachusetts,

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by Worcester County Trust Company, Worcester, Massachusetts, provided the branch is established within six months from the date of this letter.

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

Letter to Mr. Hill, Vice President, Federal Reserve Bank of
Philadelphia, reading as follows:

In view of the recommendation contained in your letter of December 11, 1953, the Board of Governors gives its prior consent to the Camden Trust Company, Camden, New Jersey, to retire \$400,000 of its preferred stock held by the Reconstruction Finance Corporation provided the retirement is also approved by the New Jersey State banking authorities. Please advise the Camden Trust Company accordingly.

It is understood that after this retirement certain directors of the Camden Trust Company will purchase the remaining \$1,000,000 of RFC preferred, and that after proposed amendments to the charter defining the rights of the preferred stock, the entire issue will be offered to common stockholders on a pro rata basis.

In this connection, it is noted from the bank's letter of November 24, 1953, that it contemplates continuing the "must" retirement every six months of \$50,000 of preferred stock, provided current earnings are sufficient. It may be advisable to remind the trust company of the provision of section 9 of the Federal Reserve Act which requires the prior consent of the Board of Governors before any reduction is made in the capital stock of a State member bank.

It is understood Counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken in effecting the retirement.

Approved unanimously.

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

Reference is made to your letter of December 16, 1953, transmitting a request of the Board of Directors of the Commercial State Bank of Melvin, Melvin, Illinois, for a waiver of the six months' notice of intention to withdraw from membership in the Federal Reserve System. It is understood that the bank has applied to the Federal Deposit Insurance Corporation for continuance of insurance of its deposits.

In accordance with the bank's request, the Board of Governors waives the requirement of six months' notice of withdrawal. Accordingly, upon surrender of the Federal Reserve Bank stock issued to the bank, you are authorized to cancel such stock and make appropriate refund thereon. Under the provisions of Section 10(c) of Regulation H, as amended effective September 1, 1952, the bank may accomplish termination of its membership at any time within eight months after notice of intention to withdraw was first given. Please advise when cancellation is effected and refund is made.

The certificate of membership issued to the bank should be obtained, if possible, and forwarded to the Board. The State banking authorities should be advised of the bank's proposed withdrawal from membership and the date such withdrawal becomes effective.

Approved unanimously.

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

This is to acknowledge your letter of November 23, 1953, and the accompanying memorandum, reporting the recent developments regarding the operations of the Clearing Bureau of the Nassau County Clearing House Association, Inc.

It is noted that the Board of Directors of your Bank has approved a second modification of the Bank's agreement with the Association to become effective at

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the end of the extended organization period December 31, 1953, through which the Reserve Bank will agree to a substantial increase in the basis for its reimbursement to the Bureau for the cost of operation of the check clearing arrangements.

It is understood that during the first half of 1954 the Reserve Bank will pay two-thirds of the total operating costs of the Clearing Bureau with the proviso that in no event will the Reserve Bank's share exceed \$9 per thousand items cleared exclusive of intrabank items, and that this is less than the cost to the Reserve Bank of handling the items if they were routed through the Reserve Bank.

The Board renews its hope that this check clearing experiment will prove successful.

Approved unanimously.

Letter to Mr. Williams, President, Federal Reserve Bank of Philadelphia, reading as follows:

Thank you for your letter of December 10 stating that your Bank has given consideration to the need for changes in the existing boundary lines of the Third Federal Reserve District.

It is noted your judgment is that changes in transportation facilities in your own and contiguous districts, as well as developments in the economies of these areas, have not been such as to warrant changes in existing geographic boundaries.

Approved unanimously.



Secretary