

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, January 25, 1954. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Thurston, Assistant to the Board  
Mr. Allen, Director, Division of  
Personnel Administration  
Mr. Solomon, Assistant General Counsel  
Mr. Hackley, Assistant General Counsel

In a telephone conversation with Mr. Carpenter on January 22, 1954, Mr. Earhart, President of the Federal Reserve Bank of San Francisco, stated that Mr. Joseph Rosenblatt, a Board-appointed director of the Salt Lake City Branch, had been invited to become a director of First Security Corporation, of Ogden, Utah, a bank holding company, and raised the question whether Mr. Rosenblatt's service as a director of the bank holding company would be in conflict with the Board's policy against Board-appointed directors of Federal Reserve Bank branches serving as directors of commercial banks. President Earhart stated that Mr. Rosenblatt was aware of the Board's policy and that if he had to make a choice between serving as a director of the Salt Lake City Branch or as a director of First Security Corporation, he probably would choose to remain as a director of the Branch. Mr. Rosenblatt was reappointed as a Branch director for a two-year term beginning January 1, 1954.

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In a discussion of the matter, the view was expressed that service of a Reserve Bank branch director appointed by the Board as a director of a holding company engaged in the business of operating banks would be in conflict with the Board's policy. The view was also expressed that, in all the circumstances, including the fact that Mr. Rosenblatt was aware of the Board's policy and that his current term as a director of the Branch began only at the first of this year, he should tender his resignation as a director of the Salt Lake City Branch immediately if he should decide to accept membership on the board of First Security Corporation.

It was understood that the views of the Board would be transmitted informally to President Earhart by Mr. Carpenter.

There had been sent to the members of the Board, prior to this meeting, copies of a memorandum dated January 6, 1954, from the Division of Personnel Administration regarding the question whether the Board of Governors should authorize the Federal Reserve Banks to make payment to the beneficiary of any deceased officer or employee for earned but unused vacation. The action of the Presidents' Conference, by vote of 11 to 1, approving the recommendation of the Subcommittee on Personnel and the Committee on Personnel that such authority be requested, was discussed at the joint meeting of the Board and the Reserve Bank Presidents on December 15, 1953, at which time the Board indicated that it would take the matter under consideration and advise the Presidents of its decision.

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The memorandum from the Division of Personnel Administration discussed various aspects of the matter, including positions taken by the Board in the past. It recommended that the Board interpose no objection to such payments by the Federal Reserve Banks.

At the request of the Board, Mr. Allen commented on the reasons underlying the action of the Presidents' Conference, including the fact that at most, if not all, of the Federal Reserve Banks, an officer or employee is paid for unused vacation upon separation from service for any reason other than death. He brought out that a principal question involved was whether unused vacation should be considered an earned asset, and that 11 of the Reserve Bank Presidents took that position. Mr. Allen also summarized the differences between leave provisions of the Federal Reserve Banks and the Board and other Government agencies, along with the differences in provisions for benefits payable upon death.

In a discussion of the matter, the suggestion was made that a limitation be placed on the payment which the Federal Reserve Banks might make for unused leave, either by restricting the amount of leave for which payment could be made, by limiting payments to beneficiaries of employees, as distinguished from officers, or by providing only for payments to beneficiaries of persons earning less than a stated salary. The view was expressed, on the other hand, that limitations of the kind suggested would not be compatible with the theory that unused vacation represents an earned asset of the officer or employee.

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Mr. Solomon said that opinions differ as to whether unused vacation should be regarded as an earned asset or whether vacation leave is a privilege granted by an employer for the improvement of health and morale. He felt that the Board might reasonably decide, as a matter of policy, to authorize payment by the Federal Reserve Banks for unused vacation, with a limitation, if desired, on the amount of leave for which payment could be made, and that this position could be supported from a legal standpoint. It was also his opinion that the Board would not be required to provide for such payments on a retroactive basis.

No conclusions were reached as to what action should be taken by the Board, and it was understood that the matter would be considered further by the Board at another meeting.

Prior to this meeting there had been sent to the members of the Board copies of a memorandum dated January 5, 1954, from the Division of Personnel Administration with regard to the policy to be followed by the Board in respect to the transfer of leave where an individual previously employed by a United States Government agency enters the Board's service. On September 14, 1953, the Board approved certain modifications in its leave program as the result of passage of the July 2, 1953, amendment to the Annual and Sick Leave Act of 1951, but it deferred taking action regarding the transfer of leave, with the understanding that a staff recommendation on that subject would be submitted at a later date. For

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reasons stated, the memorandum from the Division of Personnel Administration recommended adoption of a policy whereby an individual employed by the Board must refund to the Board an amount equal to any unexpired portion of his annual leave, so that his leave account might be credited with the amount of such leave. To the memorandum was attached a memorandum dated November 18, 1953, from Mr. Hackley, Assistant General Counsel, indicating that the recommended procedure would be permissible from a legal standpoint.

During a discussion of the matter, members of the Board pointed out certain objections which might be raised to the proposed policy, including the fact that the requirement of a refund for the unexpired portion of an individual's annual leave might work a hardship on the prospective employee. Question was also raised whether it was necessary for the Board to adopt a fixed policy at this time, it being suggested that the cases involved probably would be few in number and that a decision could be deferred until a specific case was presented.

No conclusion was reached as to what policy should be adopted by the Board, and it was agreed to defer action pending further consideration of the matter at another meeting.

Pursuant to the understanding at the meeting of the Board on January 21, 1954, Governor Robertson and Mr. Vest attended a conference at the Reconstruction Finance Corporation on January 22 which was called for the purpose of discussing the proposed plan for the sale of certain

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RFC loans to commercial banks. (It was necessary for Governor Robertson to leave the meeting before its conclusion.) Subsequent to the meeting, Mr. Vest prepared a file memorandum under date of January 22 covering the principal points that were discussed, and that memorandum was read by Governor Robertson at this meeting of the Board.

There followed a discussion based on the memorandum, during which attention was called to a provision in the current draft of sales agreement between the RFC and the participating banks to the effect that certificates of interest representing participation in the loans might be assigned to a Federal Reserve Bank as collateral for an advance under section 10(b) of the Federal Reserve Act. Mr. Solomon said that at the request of Mr. Vest, who had gone out of the city on official Board business, he called a representative of the Reconstruction Finance Corporation on the telephone this morning and suggested that the reference to section 10(b) advances be eliminated from the sales agreement or, if left in, that it be made clear that advances under that section were available only to member banks.

Attention also was called to the statement made by Mr. Cravens, Administrator of the Reconstruction Finance Corporation, at the meeting on January 22 that a press statement announcing the plan was being prepared for release tomorrow. It was understood that an effort would be made to obtain an advance copy of the proposed release today and that Governor Szymczak would call President Young, Chairman of the Presidents' Conference Committee on Fiscal Agency Operations, and advise him of this development.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 22, 1954, 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>
Jean S. Glascock, Clerk-Stenographer	Bank Operations	Temporary indefinite	\$3,335
Rita Brinley, Clerk-Typist	Bank Operations	Temporary indefinite	2,950

Reinstatement following military leave

Reinstatement of William J. Powers, who had been on military leave since June 3, 1952, as an employee of the Board, with assignment to the position of Economist in the Division of Research and Statistics, with basic annual salary at the rate of \$5,435, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination.

Salary increases, effective January 31, 1954

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
John M. Culbertson, Economist	<u>Research and Statistics</u>	\$6,340	\$7,040
Eugene W. Lowe, Assistant Federal Reserve Examiner	<u>Examinations</u>	3,410	3,795

Approved unanimously.

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Letter to Mr. Stetzelberger, Vice President, Federal Reserve Bank of Cleveland, reading as follows:

In view of the circumstances outlined in your letter of January 15, 1954, and your favorable recommendation, the Board of Governors extends until July 27, 1954, the time within which The Colonial Trust Company, Pittsburgh, Pennsylvania, may establish a branch at the northwest corner of Grand and Nebraska Avenues, Neville Township, Allegheny County, Pennsylvania, as approved by the Board under date of July 27, 1953.

Approved unanimously.

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

The Board of Governors approves the appointments of Messrs. Walter Harnischfeger, Edward M. Kerwin, G. Barret Moxley, James L. Palmer, and John W. Evers as members of the Industrial Advisory Committee for the Seventh Federal Reserve District to serve for terms of one year each beginning March 1, 1954, in accordance with the action taken by the Board of Directors as reported in your letter of January 18, 1954.

Approved unanimously.

Telegram to Mr. Woolley, Vice President, Federal Reserve Bank of Kansas City, reading as follows:

Reurlet January 19, 1954. Board approves appointment of Joel R. Hill as assistant examiner for Federal Reserve Bank of Kansas City. Please advise effective date and salary rate.

Approved unanimously.

Letter to Mr. Earhart, President, Federal Reserve Bank of San Francisco, reading as follows:



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The Board of Governors approves the payment of salary to Mr. Eliot J. Swan as a Vice President of the Federal Reserve Bank of San Francisco for the period January 12, 1954, through December 31, 1954, at his present rate of \$12,000 per annum, which is the rate fixed by the Board of Directors as reported in your letter of January 13, 1954.

It is noted from your letter that when Mr. Swan and Mr. Symms have been assigned on a more permanent basis, revised pages of the official position descriptions will be forwarded to the Board of Governors.

Approved unanimously.

Letter to Mr. H. V. Prochnow, Secretary, Federal Advisory Council, Chicago, Illinois, reading as follows:

This letter is in reply to yours of January 14, 1954, with respect to the meeting of the Federal Advisory Council on February 14-16.

The Board Room will be available on Monday afternoon, February 15, for the meeting of the Council, and the usual arrangements have been made for luncheon for 14 in the Blue Room on February 16. The items referred to in the last paragraph of your letter will be sent to you at the Mayflower Hotel on the preceding Friday.

The Board would appreciate having the following items placed on the agenda for discussion at the meeting of the Board and the Council to be held on Tuesday, February 16:

1. The Board would like to have the comments of the members of the Council on the prospective business and economic situation during the next six months and the probable volume of bank loans during the period. What are the principal reasons for the large reduction in bank loans since the turn of the year?

2. What are the views of the Council with respect to the System's credit policy since the preceding meeting of the Council? Does the Council have any suggestions as to what the System's policies should be in the months immediately ahead? Does the Council foresee a

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situation in the near future which would call for a reduction in the discount rate or a further reduction in reserve requirements?

Approved unanimously.

Letter for the signature of the Chairman to Mr. William A. Lyon, Superintendent of Banks, State of New York, 270 Broadway, New York, New York, reading as follows:

This letter is in acknowledgment of yours of January 8 relating to the proposed amendments to the regulations of the Home Loan Bank Board having to do with the approval of branches and agencies of Federal Savings and Loan Associations.

The Board of Governors is aware that the amended regulations would provide that the operation of offices controlled by any chain, group, or affiliated financing institutions would be regarded as the operation of branches and that in New York State, for instance, this would be the basis for approval of the establishment by a Federal Savings and Loan Association of branches anywhere in the State.

In the past the Board has taken the position, in response to a request from the Congress, that the policy with respect to this matter should be prescribed by Congress as has been done in the case of branches of national banks, and that the Board would favor a bill which would authorize the establishment of branches by Federal Savings and Loan Associations if branches were expressly authorized to State Savings and Loan Associations by the laws of the particular State. This is still the Board's position and, if requested by a committee of Congress, the Board would again express that view.

However, the Board does not contemplate volunteering to the Home Loan Bank Board any views with respect to the proposed regulations.

Approved unanimously.

Memorandum dated January 19, 1954, from Mr. Allen, Director, Division of Personnel Administration, recommending that the following

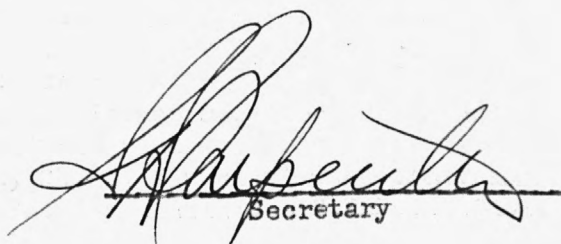
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members of the Board's staff be granted leave to attend the 1954 resident session of the Graduate School of Banking at Rutgers University, and that transportation and other expenses incident to their attendance be paid by the Board on the basis outlined in the Board's letter of February 26, 1953 (S-1489):

<u>Name</u>	<u>Title</u>	<u>Year of Attendance</u>
Dwight L. Allen	Director, Division of Personnel Administration	Third
J. N. Kiley, Jr.	Technical Assistant, Division of Bank Operations	First

Approved unanimously.

  
Secretary