

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, January 29, 1954. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Vest, General Counsel
Mr. Allen, Director, Division of
Personnel Administration
Mr. Cherry, Legislative Counsel
Mr. Fauver, Assistant to Mr. Thurston

Pursuant to discussion at the meeting on January 12, 1954, and on the basis of replies to telegrams sent following that meeting to the Chairmen of all Federal Reserve Banks, the following draft of letter proposed to be sent over Chairman Martin's signature to each new Federal Reserve Bank and branch director was presented for consideration:

For some time the Board has been aware that it would benefit from knowing Reserve Bank directors better. Conversely, we believe it would be helpful to directors to have first-hand knowledge of the Board's operations. As a first step, the Board is inviting you and others who became Reserve Bank or Branch directors for the first time this year to meet in Washington on February 25.

We are planning a one-day working conference in which the Board and its staff will discuss informally the responsibilities of the System and how these responsibilities are carried out. The program will start promptly at 10 a.m., include lunch, and be over by 4 p.m. This should make it possible for most to be back at their desks the next morning if they wish.

1/29/54

-2-

This is in no sense a "command" performance. We realize that some directors will have conflicting commitments and we would appreciate knowing by wire whether you plan to attend. We shall be glad to arrange hotel accommodations if you will provide us with your travel plans.

The Board is looking forward with a great deal of interest to this meeting, realizing that as a first attempt it is largely experimental. We would appreciate any suggestions you may have regarding topics that would be most useful to you.

Approved unanimously, together
with the following telegram from
Chairman Martin to the Chairmen of
all Federal Reserve Banks:

Remytel January 13. Board appreciates views expressed in your subsequent replies. We regret it did not seem feasible to include both old and new directors at this time. Key-stone of program involved keeping group small enough to enable discussion by all present. Board will keep in mind possibility of meeting for all directors later in year.

Letters of invitation to attend meeting in Washington on February 25 being sent to new head office and branch directors today with information copies to you and the president of your bank. A copy of this wire is also being sent to the president of your bank for his information.

Mr. Fauver then withdrew from the meeting.

At the meeting on December 4, 1953, it was suggested that the staff prepare a draft of statement for submission to the Congress, either in the Board's 1953 Annual Report or otherwise, which would explain the nature of the situation with respect to possible proceedings against bank holding companies under the Clayton Antitrust Act, such as the recent proceeding against Transamerica Corporation, and make clear the obstacles in the way of such proceedings under the statute. A draft of such a statement had been prepared and sent to the members of the Board with a covering memorandum from Mr. Vest dated January 18, 1954. The statement discussed briefly the Transamerica case, the court interpretation of the law, and some of the

1/29/54

-3-

practical difficulties in the way of such proceedings where banks are involved. Mr. Vest's memorandum, however, stated certain reasons why the staff questioned the desirability of submitting such a statement to the Congress, and it suggested the possibility of substituting a brief factual statement reporting developments during 1953 in the Trans-america case.

There was a general discussion of the draft, the objectives sought to be accomplished by submitting a statement of this nature to the Congress, and the interpretation which might be placed on any statement comprising more than a factual account of developments in the Trans-america case. It was the consensus that it would be appropriate to advise the Congress of the Board's views, as the result of experience with the Transamerica case, concerning the apparent ineffectiveness of the Clayton Act in the banking field, and that the question was principally one of wording such a statement in a way that would not be misinterpreted. Accordingly, several suggestions for changes in the statement were offered, and at the conclusion of the discussion it was understood that Mr. Vest would submit a revised draft in the light of the comments made at this meeting.

Under date of January 14, 1954, there was sent to the members of the Board a draft of the record of Board policy actions during 1953, for inclusion in the 1953 Annual Report. Subsequently, under date of January 26, 1954, there was distributed a revised draft of entry relating to the Board's approval on January 15, 1953, of an increase in the Federal Reserve Bank discount rate.

1/29/54

-4-

Certain questions were raised at this meeting with respect to the proposed entry covering the January 15, 1953, action, and with respect to the recording of absentee votes under the procedure adopted by the Board in connection with the policy record for the 1948 Annual Report. It was understood that the draft of policy record would be discussed further at a meeting when all of the members were present and that in the meantime there would be prepared for the Board's consideration an alternative draft containing a revised entry on the January 15, 1953, action and showing votes cast by the members of the Board who were present when the various actions were taken, along with supplementary statements, where requested, indicating the position which other members of the Board would have taken had they been present.

On December 23, 1953, the Board declined a request by the Federal Reserve Bank of Boston for permission to make a supplemental payment of approximately \$4,900 to the Retirement System of the Federal Reserve Banks to increase the retirement allowance of Vice President John J. Fogg, who attained age 65 in March 1952 but did not retire from active service until the end of 1953. Subsequently, Mr. Erickson, President of the Boston Bank, discussed the matter further with the individual members of the Board, and the Board's action was reconsidered at this meeting on the basis of President Erickson's comments.

It was noted that according to President Erickson the Boston Bank had gained the impression that it could not increase Mr. Fogg's salary during the period he remained in active service after having reached age 65. Mr.

1/29/54

-5-

Allen said he had been unable to ascertain how this impression might have been conveyed to the Boston Bank. He added, however, that a review of the records disclosed that the Reserve Bank had recommended no salary increase for Mr. Fogg for 23 months before he became 65 years of age, although increases had been recommended for other officers of the Bank during that period.

At the conclusion of a discussion of the circumstances surrounding Mr. Fogg's case and the principles which should be followed generally in considering any requested deviations from the rules of the Retirement System, it was agreed unanimously that the Board would not be justified in changing the position which it took on December 23, 1953. It was understood that Chairman Martin would so advise President Erickson informally.

There was a further discussion of the question, previously considered at the meeting on January 25, 1954, as to whether the Federal Reserve Banks should be authorized to make payments to the beneficiaries of deceased officers and employees on account of earned but unused vacation. No conclusions were reached and it was understood that the discussion would be continued at a meeting when all of the members of the Board were present.

Further consideration then was given to the question, which was the subject of discussion at the meeting on January 25, 1954, as to the policy which the Board might adopt with respect to the transfer of leave standing to the credit of an individual previously employed by an agency of the United States Government who enters the Board's employ.

1/29/54

-6-

Discussion of the policy that had been suggested in a memorandum of January 5, 1954, from the Division of Personnel Administration, indicated certain administrative difficulties which might be encountered if that policy were adopted. In the circumstances, including the fact that the cases involved probably would be few in number, it was suggested that the Board might refrain from adopting any fixed policy, with the understanding that each individual case would be handled on the basis of the facts involved.

This suggestion was approved
unanimously.

There were presented telegrams to the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas stating that the Board approves the establishment without change by the Federal Reserve Bank of St. Louis on January 25 and by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, Minneapolis, Kansas City, and Dallas on January 28, 1954, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Pursuant to a procedure previously agreed upon by the Board, representatives of Arthur Andersen and Company accompanied the Board's field examining staff on the 1953 examination of the Federal Reserve Bank of Chicago for the purpose of reviewing the adequacy of the examining procedures. When payment of the fee for the audit firm's services was approved by the Board on April 24, 1953, it was understood that a similar review would be made in

1/29/54

-7-

connection with the 1954 examination of the Federal Reserve Bank of New York.

Governor Robertson stated at this meeting that he had been in touch with representatives of Arthur Andersen and Company and that the audit firm would be agreeable to undertaking a review of the 1954 examination of the Federal Reserve Bank of New York.

Governor Robertson was authorized to complete the necessary arrangements with Arthur Andersen and Company.

Reference was made to an informal request by Representative Busbey, of Illinois, that the Board make available to him the services of Mr. Van Devanter, Administrative Assistant in the Division of Personnel Administration, so that Mr. Van Devanter might assist him in his duties as chairman of an appropriations subcommittee by reviewing certain classification or job description sheets covering positions in the Department of Health, Education, and Welfare. Pursuant to a similar request by Mr. Busbey last year, Mr. Van Devanter's services were made available to him.

It was stated that Mr. Van Devanter believed he could accomplish the task on a part-time basis over four or five days without serious interference with his duties at the Board. It was also stated that according to Representative Busbey the work was not of a nature which would require Mr. Van Devanter to pass judgment, no responsibility for Mr. Van Devanter's work would rest on the Board, and no reference would be made to Mr. Van Devanter's services or his connection with the Board.

1/29/54

-8-

Following a discussion, it was agreed unanimously that Mr. Van Devanter's services should be made available to Representative Busbey on the basis requested.

All of the members of the staff then withdrew and the Board went into executive session.

Thereafter, the Chairman informed the Secretary that during the executive session the Board gave consideration to a question which had been raised by Mr. Young, Director of the Division of Research and Statistics, and which had been discussed informally by the Board, as to whether Mr. Young should continue to serve as a member of the Research Advisory Board of the Committee for Economic Development; and that the Board approved Mr. Young's continuing to serve as a member of the Research Advisory Board, it being understood that such service was rendered without compensation.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 28, 1954, were approved unanimously.

Memoranda from appropriate individuals concerned recommending that the basic annual salaries of the following employees be increased in the amounts indicated, effective January 31, 1954:

1/29/54

-9-

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Research and Statistics</u>			
Marjorie C. Capps, Clerk-Stenographer		\$3,335	\$ 3,415
Helen R. Dyer, Librarian		5,185	5,310
Cecil Melanson, Draftsman		3,575	3,655
Maurice H. Schwartz, Economist		6,540	6,740
Edwin J. Swindler, Economist		5,060	5,185
Helmut F. Wendel, Economist		5,060	5,185
Ramsay Wood, Economist		9,800	10,000
<u>Examinations</u>			
J. M. Poundstone, Assistant Federal Reserve Examiner		4,870	4,995
C. P. Sturges, Assistant Federal Reserve Examiner		5,560	5,685
<u>Administrative Services</u>			
Robert H. Craft, Operator (Key Punch)		3,110	3,190
<u>Office of the Controller</u>			
John Kakalec, Accountant		5,060	5,185

Approved unanimously.

Letter to Mr. Quackenbush, Manager, Bank Examinations Department,
Federal Reserve Bank of New York, reading as follows:

Reference is made to your letter of January 18, 1954,
submitting the request of the Manufacturers Trust Company,

1/29/54

-10-

New York, New York, for an extension of time within which it may establish a branch at the northwest corner of Francis Lewis Boulevard and Hillside Avenue, Holliswood, Queens County, New York.

It is noted that the building in which the branch is to be located will be completed in about four weeks but that the trust company will not be in a position to open the branch until at least four months after that date. On the basis of this information and in accordance with the Reserve Bank's recommendation, the Board of Governors extends from April 29, 1954, to June 15, 1954, the time within which the Manufacturers Trust Company, New York, New York, may establish a branch at the location stated above. We understand that the street address of the branch will be 205-19 Hillside Avenue, Holliswood, Queens County, New York.

Approved unanimously.

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

Reference is made to your letter of January 18, 1954, enclosing copy of letter from the American State Bank, Lansing, Michigan, advising of the proposal to move its East Michigan Avenue Branch from one corner of Michigan Avenue and Fairview Street to the opposite corner of that intersection.

We concur in your view that this proposal constitutes a mere relocation of an existing branch in the immediate neighborhood without affecting the nature of its business or customers served, and therefore, the approval of the Board of Governors is not necessary.

In memorandum dated September 2, 1953, covering your conference with President Elsesser of the American State Bank regarding the bank's unsatisfactory capital position, it was indicated that Mr. Elsesser expected a reduction of risk assets and a substantial improvement in capital by the end of the year. It is suggested that current figures be obtained from the bank for the purpose of determining the improvement reflected, if any. It is noted that the bank proposes to expend \$147,000 for land and building to house the branch at the proposed new location, and that you have suggested that further consideration be given to the sale of additional capital at this time. Please keep the Board advised of any progress in improving the capital position of the bank.

Approved unanimously.

1/29/54

-11-

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

Receipt is acknowledged of your letter of January 12, 1954 stating that at the annual meeting of the stockholders of the First State Bank of Green's Bayou, Houston, Texas on January 5, 1954, the proposal to increase the capital of the bank by the sale of \$50,000 of common stock did not receive the necessary two-thirds majority vote. You suggest expulsion proceedings under section 9 of the Federal Reserve Act.

It seems fairly evident that the vote at the annual meeting was the management's attempt to comply with the request for additional capital contained in the Board's letter of December 22, 1953, and that no further action is now planned. However, the Board's letter asked to be advised "within 90 days" of the steps which would be taken to raise the additional capital, and the 90 days has not yet expired.

Accordingly, it would seem that the proper procedure would be to ascertain from the bank whether any additional advice may be expected within the 90 days as to steps which will be taken to comply with the Board's request. You may advise the bank that the reason for the inquiry is that the Board does not wish to take action prematurely on the assumption that its request is not going to be complied with.

If you should have any discussion of the matter with Mr. Falkner, Texas State Banking Commissioner, it will be appreciated if you will keep the Board informed.

Approved unanimously.

Telegram to Mr. Millard, Vice President, Federal Reserve Bank of San Francisco, reading as follows:

Reurlet January 18, 1954, Board of Governors gives its consent under applicable provisions of Section 18(c) of the Federal Deposit Insurance Act to the absorption of The First National Bank of Los Gatos by American Trust Company, San Francisco, California, provided the banking house, furniture and fixtures acquired from the national bank are not placed on the books of the American Trust Company at amounts in excess of depreciated value computed for Federal income tax purposes. Board of Governors also approves establishment and operation of a branch in Los Gatos in the premises now occupied by the

1/29/54

-12-

national bank, provided (a) the absorption of The First National Bank of Los Gatos is completed substantially in accordance with the program submitted to the Reserve Bank, and (b) the branch is established by June 22, 1954. It is understood Counsel for the Reserve Bank will review and satisfy himself as to legality of all steps taken in effecting absorption and establishing the branch. Usual letters follow.

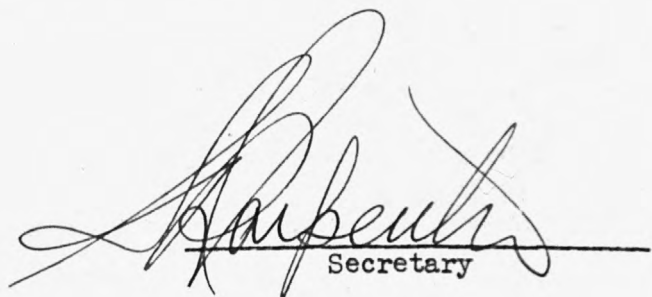
Approved unanimously.

Telegram to Mr. Berge, Assistant Federal Reserve Agent, Federal Reserve Bank of Boston, reading as follows:

As requested in your telegram of January 28, Board authorizes the Federal Reserve Agent's Department of your Bank to disclose or permit the disclosure of the unpublished information described in your telegram to the representatives of the Federal Bureau of Investigation, to representatives of the appropriate Federal prosecuting authorities, and to the Federal District Court for the District of Massachusetts. In view of infrequency of such cases Board is not issuing general authorization on the subject at this time.

Approved unanimously.

Secretary's Note: The unpublished information referred to by Mr. Berge concerned the receipt and issuance of Federal Reserve notes which were involved in a larceny committed in Danvers, Massachusetts, on March 25, 1952.



Secretary