

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, July 26, 1954.

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

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary

Request from Mr. Masters, Assistant Director, Division of Examinations, for authority to travel to Charlottesville, Virginia, during the period September 1-3, 1954, to accept an invitation to lecture before the 1954 session of the Trust Section of the Virginia Bankers School.

Approved unanimously.

Memorandum dated July 22, 1954, from Mr. Young, Director, Division of Research and Statistics, recommending that the Board authorize the appointment of Dr. Ruth P. Mack, economist and member of the staff of the National Bureau of Economic Research, as a consultant during 1954, for work on the department store trade statistics studies being conducted by the System Subcommittee on Department Store Statistics, on a temporary contractual basis, with compensation at the rate of \$50 per day for each day worked for the Board, either in Washington or outside the city, plus a per diem in lieu of subsistence of \$15 per day for amount of time spent in a travel status in connection with her assignment, and transportation expenses in accordance with the Board's travel regulations applicable to an Assistant Director. It was understood that, for purposes of travel, Dr. Mack's headquarters would

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be either New York City or Thetford, Vermont, dependent upon the particular point from which she travels in order to perform the consultant work proposed. The memorandum also stated that it was expected that Dr. Mack's services would not be needed for more than 30 days during 1954, and she probably would be engaged for a considerably less number of days.

Approved unanimously.

Telegram to Mr. Latham, Vice President, Federal Reserve Bank of Boston, reading as follows:

Retel July 21, Board approves designation George K. Graw as Special Assistant Examiner for Federal Reserve Bank of Boston for purpose of rendering assistance in examinations of all State member banks.

Approved unanimously.

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

In accordance with the request contained in your letter of July 21, 1954, the Board approves the designation of John F. Pierce as a special examiner, and of James E. Grossman, Joseph M. O'Connell, James R. Perry, and Robert L. Russell as special assistant examiners for the Federal Reserve Bank of New York.

Approved unanimously.

Letter to the Chairmen of all Federal Reserve Banks reading as follows:

The March 17, 1953 Report of the Special Committee on Officers' Salary Administration contained a recommendation that the data supporting the annual budgets of the Reserve Banks include a list of proposed official salaries for the ensuing year. As indicated in the Board's letter of May 24, 1954 (S-1534), such a procedure would necessitate that officers' salaries for the budget year be fixed by the Board of Directors prior to October 1 of the previous year.

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Following discussions at the recent Presidents' Conference, Mr. Johns, Chairman of the Committee on Personnel, asked that the provisions for fixing the individual salaries by October 1 be modified. He advocated a later date on two grounds: the undesirability of fixing the salaries so far in advance of the effective date, and the fact that the October 1 dead line might require the Directors to consider salary matters as early as July or August.

In view of the representations made, the Board of Governors extends to November 15 the date for submission of salaries of individual officers as fixed for the forthcoming year by the Board of Directors.

One of the major points in the plan developed by the Special Committee on Officers' Salary Administration for a more systematic approach to the fixing and approving of officers' salaries was the integration of such matters with budgetary procedures. The Board of Governors concurs in this view. Accordingly, in deferring the date for submission of salary proposals for individual officers, it does so upon the assumption that the budget provisions for officers' salaries will have full and specific consideration by the Directors.

The modified arrangements concerning submission of salary proposals, along with other procedures originally contained in the letter of May 24, 1954 (S-1534), are set forth below.

1. The amount provided in the annual budget for officers' salaries should be supported by a statement indicating the policy upon which the budget total was determined, and which will govern the fixing of individual salaries. This statement should also include any other information helpful in explaining a significant difference between the amount budgeted and expenses during the current year for this purpose.
2. Salaries of officers to be effective January 1 of the forthcoming year should be fixed by the Board of Directors in time for the proposals to reach the Board of Governors not later than November 15 of the current year.
3. The list of such proposals should show for each officer: name, proposed title, present and proposed annual salary, and salary group; together with comments that seem pertinent concerning a proposed salary adjustment.
4. The proposals should also include a statement explaining any significant difference between

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the total amount that was included in the budget for officers' salaries and the total proposed as of January 1 of the budget year-- i.e., the total shown on the list referred to in paragraph 3 above.

5. To the limited extent that it may be felt necessary to request approval of individual salary changes after the annual approval of salaries by the Board, the request should include the information called for in paragraph 3 above and the effect of the proposed changes on the budget. Requests for changes in salary ranges should contain a statement of the reasons for the proposed changes.
6. Whenever an officer is assigned to another position, his title or salary group is changed, or a major change is made in his duties, please advise the Board of Governors. In such instances, also please furnish a revised description of the officer's duties and responsibilities as early as convenient.
7. In order that information of the Board of Governors may be current, please furnish a copy of the Bank's organization chart whenever it is revised.

This letter supersedes and cancels the Board's letter of May 24, 1954 (S-1534, F.R.L.S. #9090.1).

Approved unanimously, with  
copies to the Presidents of all  
Federal Reserve Banks.

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

Reference is made to your letter of July 20, 1954, submitting request of the Grosse Pointe Bank, Grosse Pointe, Michigan, for an extension of time in which to establish a branch at 93 Kercheval Avenue, Grosse Pointe Farms, Michigan.

In view of the circumstances outlined in your letter and your favorable recommendation, the Board of Governors extends until October 13, 1954, the time within which the branch may be established.

Approved unanimously.

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Letter to the Comptroller of the Currency, Treasury Department, Washington, D. C., (Attention: Mr. W. M. Taylor, Deputy Comptroller of the Currency) reading as follows:

Reference is made to a letter from your office dated June 23, 1954, enclosing photostatic copies of an application to organize a national bank at Salem, Virginia, and requesting a recommendation as to whether or not the application should be approved.

Information contained in a report of investigation of the application made by a representative of the Federal Reserve Bank of Richmond discloses favorable findings with respect to the proposed capital structure of the bank, its future prospects, and character of its management. However, it is indicated that the community has adequate banking facilities to take care of its present and prospective needs and that the organization of the proposed bank would adversely affect two independent banks in Salem. Therefore, the Board of Governors recommends that the application be disapproved.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office, if you so desire.

Approved unanimously.

Letter to Mr. Bryan, President, Federal Reserve Bank of Atlanta, reading as follows:

This is in reply to your letter of July 15 regarding the possible transfer of your Records Center under the Security Files Program from the Birmingham Branch to a location on the campus of the Alabama Polytechnic Institute at Auburn, Alabama. You state that an advantageous location on the campus is available and that the total annual cost of operating the Center there should not run in excess of \$7,500.

As you point out, some of the other Federal Reserve Banks have such centers in points other than in another Federal Reserve office.

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The Board considers it important that Federal Reserve Banks take the necessary steps to facilitate continuation of operations in the event of emergency. A basic part of such a program is the maintenance of duplicate essential records. The proposed establishment of a center for such purposes at a place other than at one of the branches seems altogether reasonable and the necessary expense appropriate.

The choice of a location for such a center is primarily a matter for the determination of the Bank, and the Board will interpose no objection to the location of your Bank's Center on the campus at Auburn.

Approved unanimously.

Letter to Mr. Robert H. Armstrong, Armstrong Associates, 12 East 41st Street, New York, New York, reading as follows:

This refers to your letter of July 16, 1954, addressed to Mr. Hexter, requesting written material as to the criteria and policies of the Board with respect to the consideration of applications by State member banks for permission to establish branches.

There is enclosed a copy of the Board's Regulation H, section 8 of which deals specifically with the establishment of branches by State member banks.

Apart from this regulation, the Board has no written material on this subject and considers each case on an individual basis. Before reaching a decision, the Board obtains information as to (1) reasons for the establishment of the branch, such as expansion of business, better service for bank's customers, or to relieve crowded conditions in present quarters; (2) location of the proposed branch, estimated population of the community or area to be served, distance from head office and nearest branches of applicant bank, and distance from other financial institutions; (3) economic character of community, need for banking facilities, competitive situation, and whether establishment of branch will tend to create a monopoly or an undesirable competitive advantage in relation to other banks in the area; and (4) prospects for profitable operations of the proposed branch.

Approved unanimously.

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Telegrams to the Presidents of all Federal Reserve Banks stating that the Board has established under authority of the fourth paragraph of section 16 of the Federal Reserve Act the rate of (see column 1 below) per cent per annum interest for the preceding three calendar months on \$ (see column 2 below) daily average of outstanding Federal Reserve notes of the Reserve Bank in excess of gold certificates pledged with the Federal Reserve Agent as collateral security; and that an interest payment of \$ (see column 3 below) should be credited to the Treasurer's General Account on July 27, 1954.

	(1)	(2)	(3)
Boston	1.4387	\$994,550,254	\$3,567,348.22
New York	2.4212	3,220,502,197	19,440,292.40
Philadelphia	1.5339	1,127,317,405	4,311,136.64
Cleveland	1.5787	1,523,476,837	5,996,308.83
Richmond	1.3436	1,203,854,542	4,032,668.65
Atlanta	1.3896	961,018,155	3,329,430.28
Chicago	2.0298	2,638,484,264	13,352,306.24
St. Louis	1.2765	841,865,876	2,679,243.92
Minneapolis	1.3922	469,362,262	1,629,139.69
Kansas City	1.5902	741,422,848	2,939,451.12
Dallas	2.2347	472,335,608	2,631,591.31
San Francisco	2.4229	1,335,917,478	8,069,816.32

Approved unanimously.

Memorandum dated July 26, 1954, from Mr. Leonard, Director, Division of Bank Operations, reading as follows:

As a result of an audit, made by Mr. M. M. Washburn, Auditor for the Comptroller of the Currency, of Federal Reserve notes held by the Comptroller, Mr. Birge, Chief, Federal Reserve Issue and Redemption Division, has recommended certain changes for additional security in the vault in which the notes are held. The vault, known as the "Federal Reserve Vault," is in the Bureau of Engraving and Printing Annex Building.

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The proposal is to install grille doors at the entrances of the two bays in the vault in which the \$50 and \$100 Federal Reserve notes are stored and to install some additional shelving, at a total estimated cost of approximately \$800.

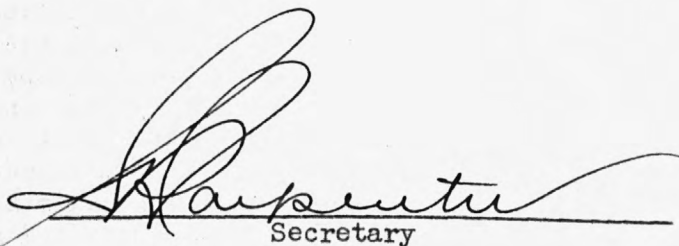
The cost would be included in the expenses of the Federal Reserve Issue and Redemption Division of the Office of the Comptroller of the Currency, which are prorated among the Federal Reserve Banks.

I consider the expense to be an appropriate one and one which, in fact, could be made without reference to the Federal Reserve Board, the reference being a matter of courtesy.

Mr. Birge has submitted the proposal in the attached memorandum to the Deputy Comptroller of the Currency, and it has been approved by Mr. Taylor, Deputy Comptroller of the Currency. The memorandum provides for indication of approval by the Division of Bank Operations.

If there is no objection, I shall return the memorandum with approval noted.

Approved unanimously.



Secretary