

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, March 15, 1955. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Leonard, Director, Division of Bank Operations
Mr. Vest, General Counsel
Mr. Bethea, Director, Division of Administrative Services
Mr. Johnson, Controller, and Director, Division of Personnel Administration
Mr. Sprecher, Assistant Director, Division of Personnel Administration

Secretary's Note: Advice was received from the White House yesterday that by order dated March 11, 1955, the President designated Mr. Martin as Chairman of the Board of Governors for a term of four years from April 1, 1955, unless and until his service as a member of the Board shall have sooner terminated; and that by another order, also dated March 11, 1955, the President designated Mr. Balderston as Vice Chairman of the Board of Governors for a term of four years, unless and until his service as a member of the Board shall have sooner terminated.

The following matters, which had been circulated among the members of the Board, were presented for consideration and the action taken in each instance was as indicated:

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Memorandum dated March 8, 1955, from Mr. Carpenter, Secretary of the Board, recommending an increase in the basic salary of Beverly M. Murphy, Records Clerk in the Office of the Secretary, from \$3,190 to \$3,335 per annum, effective March 27, 1955.

Approved unanimously.

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

In accordance with the request contained in your letter of March 2, 1955, the Board approves the appointments of Matthew R. Ciancimino, George Apelian, Raymond E. Talbot, and Charles E. Vasoll as assistant examiners for the Federal Reserve Bank of New York. Please advise the dates upon which the appointments are made effective and also the salary rates.

The Board also approves the designations of Richard J. Schwindler, J. Franklin Thomas, Jr. and Donald J. Weber as special assistant examiners for the Federal Reserve Bank of New York.

Approved unanimously.

Letter to the Board of Directors, Lafayette Trust Company, Easton, Pennsylvania, approving, subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H, the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Philadelphia. The letter also contained the following special comment:

It appears that the trust company possesses certain powers which are not being exercised and which are not necessarily required in the conduct of a banking and trust business, such as the power to act as surety in certain circumstances. Attention is invited to the fact that if the trust company desires to exercise any powers not actually exercised at the time of admission to membership, it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before doing so. In this connection, the Board understands that there has been no change in the scope of the corporate powers exercised by the trust company since the date of its application for membership.

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

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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 March 4, 1955, and the Reserve Bank's favorable recommendation, the Board of Governors extends until September 21, 1955, the time within which The Ohio Citizens Trust Company, Toledo, Ohio, may establish a branch at Anthony Wayne Trail and Detroit Avenue, Maumee, Lucas County, Ohio.

Approved unanimously.

Letter to the Board of Directors, The Richland Trust Company, Mansfield, Ohio, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors approves the establishment of a branch by The Richland Trust Company, Mansfield, Ohio, in the vicinity of the intersection of Cook Road and Lexington Road, Maple Heights Allotment, Madison Township, Richland County, Ohio, provided the branch is established within six months from the date of this letter, and the approval given by the State Banking Department is still effective at the time the branch is established.

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

Letter to Mr. Armistead, Vice President, Federal Reserve Bank of Richmond, reading as follows:

Reference is made to your letter of March 4, 1955, advising of the proposed removal by The Bank of Virginia, Richmond, Virginia, of its branch on High Street to 600 Washington Street, Portsmouth, Virginia, a distance of approximately one and one-half blocks. It is understood that the change in location of this branch had been approved by the Federal Deposit Insurance Corporation and the State authorities, and the new building was under construction when the bank was admitted to membership on September 10, 1954.

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It appears that this change would constitute a mere relocation of an existing branch in the immediate neighborhood without affecting the nature of its business or customers served and, accordingly, the Board concurs in your view that the approval of the Board of Governors is unnecessary.

Approved unanimously.

Letter to the Board of Directors, First State Bank of Maple Park, Maple Park, Illinois, approving, subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H, the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago.

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

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

There is enclosed a copy of a letter dated February 18, 1955 to Mr. Vest from Mr. Royal L. Coburn, General Counsel of the Federal Deposit Insurance Corporation, together with photostatic copies of letters and certain advertisements sponsored by The German American Bank, Jasper, Indiana. The interlineations appearing on the advertisements were placed there apparently by the complaining bank.

You will note that particular objection has been made to the statement in the advertisements that the bank's "way of doing business has been fully approved by the United States Government."

It is suggested that you may consider it appropriate for your Bank to discuss with The German American Bank its advertising program, insofar as it relates to the Federal Reserve System for the purpose of eliminating any statements which may be considered misleading or improper.

Approved unanimously, with a copy to Mr. Coburn.

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There were presented telegrams to the Federal Reserve Banks of Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas approving the establishment without change by those Banks on March 10, 1955, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Prior to this meeting there had been circulated among the members of the Board a draft of letter to Mr. Williams, President of the Federal Reserve Bank of Philadelphia, reading as follows:

In accordance with the request outlined in your letter of February 18, 1955, the Board of Governors approves the following actions effective with the beginning of the first payroll period following the date of this letter:

1. The following minimum and maximum salaries for the respective grades of the salary structure applicable to the Federal Reserve Bank of Philadelphia.

<u>Grade</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>
1	\$1,530	\$2,070
2	1,745	2,355
3	2,020	2,730
4	2,355	3,175
5	2,690	3,640
6	3,090	4,170
7	3,490	4,730
8	3,950	5,320
9	4,410	5,920
10	4,830	6,520
11	5,250	7,150
12	5,880	8,000
13	6,500	8,800
14	7,140	9,600
15	7,870	10,600
16	8,600	11,600

The Board approves the payment of salaries to the employees, other than officers, within the limits

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specified for the grades in which the positions of the respective employees are classified. It is assumed that all employees whose salaries are below the minimum of their grades as a result of the structure increase will be brought within the appropriate range as soon as practicable and not later than May 1, 1955.

2. The payment of salary to the following part-time employees at the rates indicated.

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Catherine Bellas	Officers Waitress	\$1,702
L. F. Lohmuller	Officers Waitress	1,702
Reba L. McLaughlin	Officers Waitress	1,702
William S. Magee	Medical Director	5,292

3. The payment of salaries to the following officers for the period ending December 31, 1955, at the rates indicated, which are the rates fixed by your Board of Directors.

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Edward A. Aff	Assistant Cashier	\$ 9,500
Ralph E. Haas	Assistant Cashier	9,500
Henry J. Nelson	Assistant Cashier	10,000
Harry W. Roeder	Assistant Cashier	9,500

Please advise the Board as to the specific date on which these actions become effective.

At the request of the Board, Mr. Sprecher commented on various aspects of the matter, including the relationship of the present and proposed salary structures of the Philadelphia Reserve Bank to the community wage market. He also pointed out that while it was not customary under the present procedure to propose adjustments in the salaries of Reserve Bank officers except in connection with the annual budget presentation, the four salary increases recommended by the Philadelphia Bank were believed to be justified in order to keep the remuneration of the officers

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in question in appropriate relationship to non-official salaries at the Bank.

Thereupon, the letter to President Williams was approved unanimously.

Governor Robertson stated that at his request Mr. Goodman, Assistant Director of the Division of Examinations, took the occasion of last week's conference of officers in charge of the bank examination departments of the Federal Reserve Banks to discuss with representatives of each Bank the relationship of the salary structure for that Bank's examiners to those prevailing throughout the System. He requested that Messrs. Johnson and Sprecher confer with Mr. Goodman on the matter.

Governor Balderston suggested that at an appropriate time the proper committee of the Federal Reserve Banks be asked to consider the basis of salaries paid to part-time employees. The problem he had in mind was that if no differential was paid, the total compensation for part-time employment would be so meager as to make it hardly worth while for persons to accept such positions.

It was agreed that the point raised by Governor Balderston should be presented to the Federal Reserve Banks for consideration.

Pursuant to the understanding at the meeting on March 7, 1955, the following letter to Mr. Bryan, President of the Federal Reserve Bank of Atlanta, had been prepared and had been circulated to the members of the Board prior to this meeting:

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In your letter of December 3, 1954, and subsequent correspondence, you referred to the inadequacy of the air conditioning system at the Jacksonville Branch and the steps proposed for improvement. The matter and the causes of the unsatisfactory installation were further discussed at a recent meeting of the Board, attended by you, Mr. Patterson, and Mr. Baum, your consulting engineer engaged to review the situation.

The Board will interpose no objection to the expenditure by your Bank of approximately \$120,000 to expand the capacity of, and correct conditions in, the air conditioning system at the Jacksonville Branch building, in accordance with the program approved by the Directors of the Reserve Bank and referred to in your letter of December 3, 1954, and related correspondence. It is understood that this estimate does not include the cost of painting and redecorating incident to the work.

From the discussions at the meeting with the Board, it is understood that the Bank has taken steps to avoid, so far as practicable, similar failures in current building programs. In this connection, it is understood that arrangements have been, or will be made to employ local associate architects for the Birmingham and Nashville building projects, who will be expected, among other things, to strengthen the supervision of the construction work.

As a matter of general policy, the Board believes that it is appropriate to the responsibilities of Branch Directors and desirable as an operating procedure that the Boards of Directors of Federal Reserve Bank branches and their Building Committees be associated intimately with branch building projects, both in the planning and in the construction stages.

Approved unanimously.

There was presented for consideration a draft of telegram to Mr. Powell, President of the Federal Reserve Bank of Minneapolis, which had been circulated to the members of the Board along with memoranda from Mr. Leonard dated March 7, 1955, and other papers pertinent to a request

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of the Reserve Bank that the Board approve its calling for bids on an addition to, and alterations of, the head office building, based on plans and specifications which had been submitted by the Bank to the Board.

In commenting on the situation, Mr. Leonard stated that the plans were satisfactory to Mr. Persina, Consulting Architect to the Board, but that he and Mr. Persina had some reservations regarding the proposed procedure under which there would be eight separate contracts. He said that this matter had been discussed with President Powell and the Reserve Bank's architect during the recent meeting of the Presidents' Conference; that the Reserve Bank's directors favored such a procedure strongly since they contended that it would result in a saving; but that neither President Powell nor the architect favored the idea.

There was a discussion of the fixing of responsibility under such a procedure and of various difficulties which might be encountered, including those resulting from any jurisdictional strife or other labor problems. The members of the Board were inclined to question the advisability of having eight separate contracts but at the same time they recognized that the matter was one which fell largely within the area of responsibility of the Reserve Bank's Board of Directors. In the circumstances, it was suggested that the language of the telegram to President Powell be strengthened so as to make it clear to the Reserve Bank that in the Board's opinion the proposed procedure should be given careful consideration.

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Accordingly, unanimous approval was given to a telegram to President Powell in the following form:

Board will interpose no objection to your Bank's calling for bids for addition to, and alterations of, the Reserve Bank building on basis of final plans and specifications referred to in your letter of February 2, 1955.

In accordance with customary procedure, a summary report of bids should be forwarded to Board, together with recommendations of Bank as to acceptance.

It is noted that in addition to separate contracts for general work and elevators, specifications call for six other separate and independent contracts. Such a procedure has advantages of potential savings, but also has possibilities of increased costs, and the obvious disadvantages of lack of coordination and of centralized responsibility. These may be of particular significance in a program such as yours involving much alteration work. Board has been advised that similar arrangements have proved troublesome. Although Board urges reconsideration, responsibility for decision of matter is left with the Directors.

Mr. Leonard then withdrew from the meeting.

There had been circulated to the members of the Board a memorandum dated February 28, 1955, from Mr. Bethea, Director, Division of Administrative Services, recommending that the Board authorize that Division:

- (1) to accept on the Board's behalf a proposal dated February 4, 1955, submitted by the Westinghouse Electric Corporation, for the conversion of two elevators in the Federal Reserve Building (the freight elevator and single Constitution Avenue passenger elevator) to automatic operation at a revised price of \$24,004, an increase of \$4,004 over the amount previously authorized, and (2) to contract for any necessary additional work or materials as "extras" which cannot be determined prior to the actual work of

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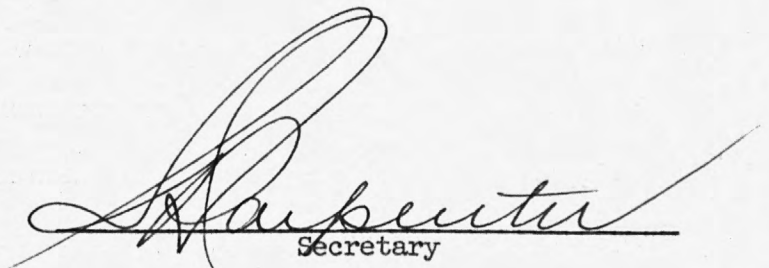
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dismounting existing equipment, at a cost not to exceed 10 per cent of the contract price.

Following a discussion, during which it was noted that the question of converting the bank of three elevators on the C Street side of the building to automatic operation would be considered after experience with the automatic operation of the freight elevator and the single passenger elevator on the Constitution Avenue side of the building, the recommendations contained in Mr. Bethea's memorandum were approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on March 10, 1955, were approved unanimously.

The meeting then adjourned.



Secretary