

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, April 7, 1955. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Sloan, Director, Division of Examinations
 Mr. Solomon, Assistant General Counsel

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

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

Effective April 10, 1955

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
	<u>Board Members' Offices</u>		
Ruth E. Morris, Secretary to Mr. Fauver		\$4,420	\$4,545
Henry Tidwell, Messenger		3,070	3,150
	<u>Research and Statistics</u>		
Ethel L. Evans, Statistical Assistant		5,245	5,370
Vivian C. Howard, Clerk		3,175	3,255

4/7/55

-2-

Salary increases, effective April 10, 1955 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Research and Statistics</u>			
Constance L. McKeague, Clerk		\$3,030	\$3,110
Dorothy D. Reeves, Secretary		4,830	4,955
<u>International Finance</u>			
A. Patricia Brown, Clerk-Stenographer		3,255	3,335
Jacquelyn Haas, Clerk		3,110	3,190
Yves Maroni, Economist		7,240	7,440
Mary F. Miller, Statistical Assistant		3,785	3,910
Floyd L. Whittington, Chief, Far Eastern Section		10,000	10,200
Gladys W. Willard, Clerk		3,110	3,190
<u>Examinations</u>			
John P. Donovan, Assistant Federal Reserve Examiner		4,330	4,455
Robert C. Griffin, Assistant Federal Reserve Examiner		3,410	3,535
<u>Administrative Services</u>			
Joseph W. Wright, Photographer (Offset)		5,096	5,345
Rudolph Reece, Laborer		2,910	2,990
Abner Thompson, Mail Clerk		2,910	2,990

4/7/55

Salary increases, effective April 10, 1955 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
	<u>Office of Defense Loans</u>		
Dorothy Mae Drayer, Clerk-Stenographer		\$3,175	\$3,255
<u>Effective April 24, 1955</u>			
	<u>Administrative Services</u>		
Bruce M. Unger, Sergeant, Guard Force		3,815	3,895

Approved unanimously.

Memorandum dated April 4, 1955, from Mr. Bethea, Director, Division of Administrative Services, recommending that the temporary (two-month) appointment of Raymond Eason, Cafeteria Laborer in that Division, be extended for one additional day, that is, through March 31, 1955.

Approved unanimously.

Letter to Mr. Angney, Assistant Vice President, Federal Reserve Bank of Boston, reading as follows:

In accordance with the request contained in your letter of April 1, 1955, the Board of Governors approves the payment of salary to Mr. Franklin P. Hall, Industrial Economist, for a further period to September 1, 1955, at his present rate of \$6,500 per annum.

Approved unanimously.

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

In accordance with the request contained in your letter of April 1, 1955, the Board approves the designation of the following as special assistant examiners for

4/7/55

-4-

the Federal Reserve Bank of Cleveland:

J. P. Rupert

C. R. Moore

A. M. Hill

Approved unanimously.

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

In accordance with the request contained in your letter of March 29, 1955, the Board approves the appointment of James S. Bicknell, as an assistant examiner for the Federal Reserve Bank of Chicago. Please advise as to the date upon which the appointment is made effective.

It is noted that Mr. Bicknell is indebted to The Rosebush State Bank, Rosebush, Michigan, a nonmember bank, in the amount of \$4,600, secured by a mortgage on his residence in which he has a very substantial equity, with obligation to terminate on October 6, 1955. It is assumed that he will not be authorized to participate in any examination of The Rosebush State Bank, Rosebush, Michigan, until his indebtedness to the bank has been liquidated or otherwise eliminated.

Approved unanimously.

Letter to The Keene National Bank, Keene, New Hampshire, reading as follows:

The Board of Governors of the Federal Reserve System has given consideration to your supplemental application for fiduciary powers and grants you authority to act, when not in contravention of State or local law, as assignee, receiver or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of New Hampshire. The exercise of these powers, in addition to those heretofore granted to act as trustee, executor, administrator, and registrar of stocks and bonds, shall be

4/7/55

-5-

subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers which The Keene National Bank is now authorized to exercise will be forwarded to you in due course.

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

Letter to the Board of Directors, The Peoples Bank of Dayton,
Dayton, Ohio, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System approves the establishment of a branch in the vicinity of 3550 South Dixie Drive, Moraine Township, Montgomery County, Ohio, by The Peoples Bank of Dayton, provided (a) that prior to the establishment of the branch the capital structure of the bank is increased by not less than \$250,000 through the sale of additional common stock and (b) the branch is established by September 7, 1955.

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

Letter to the Board of Directors, Metairie Savings Bank & Trust
Company, Metairie, Louisiana, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Atlanta, the Board of Governors of the Federal Reserve System approves the establishment of a branch by the Metairie Savings Bank & Trust Company, Metairie, Louisiana, in the Azalea Gardens Shopping Center on Jefferson Highway above Shrewsbury Road, provided the existing branch on Jefferson Highway near Harlem Street is simultaneously discontinued and the change in location is accomplished within one year from the date of this letter. It is understood the branch will occupy leased premises to be constructed at the new address by a corporation organized by the directors.

4/7/55

-6-

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

Letter to the Comptroller of the Currency, Treasury Department,
Washington, D. C., (Attention: Mr. L. A. Jennings, Deputy Comptroller
of the Currency), reading as follows:

Reference is made to a letter from your office dated
November 3, 1954, enclosing photostatic copies of an ap-
plication to organize a national bank at Morgantown,
Pennsylvania, and requesting a recommendation as to whether
or not the application should be approved.

A report of investigation of the application made by
an examiner for the Federal Reserve Bank of Philadelphia
discloses that the organization committee would agree to
provide more capital for the bank, inasmuch as the origi-
nal proposal of \$75,000 appeared to be inadequate. Our
informant feels that at least \$150,000 of capital funds
should be required if a bank is to be organized in Morgan-
town. The prospects for profitable operations of the bank
are poor at the present time and it appears that consider-
able time will elapse before there is sufficient growth
and expansion of business in the area to justify the es-
tablishment of an independent bank. For that reason, it
appears that the application is premature. Moreover, the
proposed directors and active management of the bank ap-
pear to lack the desired experience needed to operate the
bank successfully. In view of these unfavorable factors,
the Board of Governors does not feel justified in recom-
mending approval of the application.

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.

Letters 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 the letter from your office
dated January 5, 1955, enclosing photostatic copies of
an application to organize a national bank in Washington,
D. C. under the title of "Republic National Bank of Wash-
ington" and requesting a recommendation as to whether or
not the application should be approved.

4/7/55

-7-

On the basis of information contained in a report of investigation of the application made by an examiner for the Federal Reserve Bank of Richmond, it appears that the proposed capital structure of the bank may be adequate for the volume and type of business available in the area in which the bank is to be located, but would not place it in a position to compete very successfully with the larger institutions in the city. It is questionable whether sufficient business is available to permit profitable operation; whether the management is sufficiently experienced to operate the bank satisfactorily; and whether a need exists for the additional banking facilities in the area. In view of these unfavorable factors, the Board of Governors has concluded that it would not be justified in recommending approval of the application.

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

Reference is made to a letter from your office dated January 17, 1955, enclosing photostatic copies of an application to organize a national bank at Baileys Cross Roads, Virginia, and requesting a recommendation as to whether or not the application should be approved.

The report of investigation of the application, made by an examiner for the Federal Reserve Bank of Richmond and covering the factors usually considered in connection with such applications, indicates that the proposed capital of the bank would be adequate but that sufficient provision has not been made to take care of losses from operations during the first two years. It appears that the bank might have difficulty in attracting sufficient business to assure profitable operations; that the capabilities of the management to supervise the operations properly are open to question, and that the present banking facilities appear to be serving the legitimate needs of the trade area. In view of these unfavorable factors, the Board of Governors does not feel justified in recommending approval of the application.

4/7/55

-8-

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 for the signature of Mr. Vest, General Counsel, to Mr. Johns, President, Federal Reserve Bank of St. Louis, reading as follows:

This refers to your letter of March 31, 1955, in which you state that the Presidents' Conference has referred to its Personnel Committee the matter of working out and suggesting to the Board of Governors some revision of previous Board letters relating to separation allowances in involuntary termination cases, and that it is desirable that Mr. Solomon be one of a Subcommittee of Counsel being created to provide legal assistance to the Personnel Subcommittee studying this matter. It is entirely agreeable to us that Mr. Solomon serve in the capacity indicated, and he will be very glad to be of any assistance that he can. He will, of course, await further advices as to when he will be needed and what will be desired of him.

Approved unanimously.

At the meeting on April 5, 1955, consideration was given to a draft of letter to the Presidents of all Federal Reserve Banks dealing with the practice on the part of some member banks of listing the names of honorary directors or members of advisory boards along with the names of duly elected directors in advertising material under a single caption in a manner which did not distinguish between the elected directors and the others. The draft of letter suggested that banks following such a practice be requested to identify clearly the elected directors, if they considered publication of combined lists to be desirable. Since it appeared that no means of enforcement would be available against banks which

4/7/55

-9-

ignored the Board's request, some of the members of the Board questioned whether the letter should be sent, and the matter was deferred for further consideration when Governor Robertson was present.

Governor Robertson said that while he realized there was no legal authority to enforce such a request on the part of the Board, it was his opinion that if the letter were sent and the views of the Board were made known, few banks would refuse to comply. This was particularly true, he felt, because of the fact that the Office of the Comptroller of the Currency had sent a letter to the District Chief National Bank Examiners stating views similar to those which would be contained in the proposed letter from the Board. Experience had shown, Governor Robertson said, that whenever a bank supervisory agency made a request that was justifiable and proper, the subject banks complied.

In response to an inquiry as to whether an S-letter to all Federal Reserve Banks was needed inasmuch as the problem had come to the Board's attention from the St. Louis area, Governor Robertson said that the practice in question was not confined to that area, that it was growing, and that the Board's position should be made known before there was a further spread of the practice. In reply to a question by Chairman Martin, Governor Robertson said that he would have no reluctance about sending the proposed letter simply because certain banks could choose to ignore the request without fear of legal action.

Following further discussion,
unanimous approval was given to

4/7/55

-10-

the letter to the Presidents of all Federal Reserve Banks in the form submitted to the Board, which was as follows:

It has been brought to the attention of the Board of Governors that some banks having an Advisory Board or Honorary Directors make a practice of listing the names of such Honorary Directors or members of Advisory Boards with the names of duly elected directors in advertising material under a single caption such as "Directors and Members of Advisory Board" without distinguishing between members of the respective bodies.

It is understood that Honorary Directors and members of Advisory Boards have no managerial powers, do not vote at directors' meetings and have no function other than to offer their advice to the officers of the bank and the Board of Directors.

Because of the difference in their functions and their status the Board of Governors feels that the names of the members of Advisory Boards or Honorary Directors should not be listed under a single inclusive caption in advertising material with names of duly elected directors without clearly indicating the exact status of each person listed. It is felt that the public should be able readily to ascertain the individuals duly elected by the shareholders as directors and charged with responsibility as such. To indicate that the status of such directors is the same as that of members of Advisory Boards or persons serving in an honorary capacity would appear to misrepresent the facts.

It is realized that Advisory Boards usually serve in relation to designated branches and that publication of combined lists as referred to herein is relatively unusual. If such lists are published by State member banks, however, it is suggested that the position of the Board be brought to the attention of the publishing bank and that it be requested to clearly identify elected directors if publication of combined lists is considered desirable.

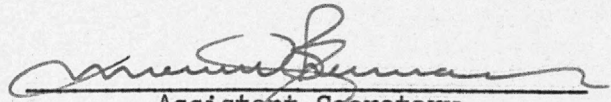
Minutes of actions taken by the Board of Governors of the Federal

4/7/55

-11-

Reserve System on April 6, 1955, were approved unanimously.

The meeting then adjourned.


Assistant Secretary