

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, May 27, 1955. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Johnson, Controller, and Director,
 Division of Personnel Administration
 Mr. Sprecher, Assistant Director, Division of Personnel Administration
 Mr. Stetson, Personnel Technician,
 Division of Personnel Administration

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:

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

This refers to your letter of May 20, 1955, with respect to an arrangement for Mr. Robert Moody to spend a period of three or four weeks here at the Board for a course of training.

We should be very happy to arrange a training schedule for Mr. Moody much along the same lines as that developed for Mr. McCorvey in 1953. As it appears that you were satisfied with the previous schedule, Mr. Sprecher of our Division of Personnel Administration will arrange this schedule and as soon as completed will send you a copy for your suggestions and approval.

We are happy to hear that you and Mr. McCorvey felt the training was beneficial and will look forward to having Mr. Moody with us about the first of July.

Approved unanimously.

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Letter to the Board of Directors, The State Trust Company at Plainfield, New Jersey, Plainfield, New Jersey, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment of a branch by The State Trust Company at Plainfield, New Jersey, at 1115-1125 South Avenue, Plainfield, New Jersey, provided that (1) prior to the establishment of the branch the trust company's capital funds shall be increased by not less than \$300,000 through the sale of additional capital stock and (2) the branch is established within one year from the date of this letter.

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

Letter to Mr. A. A. Magnotta, Chairman of Incorporators, The Bank of Albion, Albion, Michigan, reading as follows:

Reference is made to your letter of May 23, 1955, requesting a further extension of thirty days in which to accomplish admission of The Bank of Albion to membership in the Federal Reserve System because of a delay in selling the requisite amount of capital stock.

In view of the circumstances set forth in your letter, the Board of Governors extends to June 27, 1955, the time within which admission of The Bank of Albion to membership in the Federal Reserve System, in the manner described in the Board's letter of January 25, 1955, may be accomplished.

It is requested that future correspondence relative to The Bank of Albion be sent to Mr. W. R. Diercks, Vice President, Federal Reserve Bank of Chicago, Chicago 90, Illinois.

Approved unanimously, with
a copy to the Federal Reserve
Bank of Chicago.

Letter to The Honorable H. E. Cook, Chairman, Federal Deposit Insurance Corporation, Washington, D. C., reading as follows:

Reference is made to your letter of May 19, 1955, concerning the application of First State Bank of

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Pierpont, Pierpont, South Dakota, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

No corrective programs have been urged upon the bank or agreed to by it which, in the opinion of the Board of Governors, would be considered desirable to incorporate as conditions to the continuance of deposit insurance.

Approved unanimously.

Letter to Mr. John D. Hospelhorn, Deputy Bank Commissioner, State Banking Department, Baltimore, Maryland, reading as follows:

This refers to your letter of May 16, 1955, concerning the recent identical amendments to the definitions of "savings deposit" in section 1(e) of Regulation D and section 1(e) of Regulation Q, effective May 16, 1955 (20 F. R. 3305).

Your question seems to be whether such amendments would permit a bank that maintained for its customer a "savings deposit" evidenced by a written receipt or agreement although not by a pass book, to pay a check against such a deposit drawn by the depositor payable to a third party, where the depositor was required by the deposit agreement to give 30 days' advance written notice of withdrawal. The answer is that it would not be permissible for the bank to pay the check and continue to classify the account as a "savings deposit."

The amendments in question require that withdrawals may be made "only through payment to the depositor himself but not to any other person whether or not acting for the depositor." Although the footnotes to the amendments state that "Payment may be made to the depositor over the counter, through the mails or otherwise," in the situation presented by your letter it appears that payment would not be made "to the depositor," but rather to a third party. The footnotes merely explain that the depositor would not necessarily have to go to the bank in person to make a withdrawal. For example, it would be permissible for the bank to make payment to the depositor by mailing him a check, or it would be permissible for the depositor to send a messenger to the bank and for the bank to deliver to the messenger a check payable to the depositor.

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Whether the particular deposit agreement is one with respect to which the bank merely reserves the right to require 30 days' advance written notice of withdrawal or is one which specifically requires 30 days' advance written notice of withdrawal, payment in the manner contemplated by your question would not be in conformity with the amendments in question.

It is hoped that the foregoing will be of assistance to you in connection with the recent amendments.

Approved unanimously.

There were presented telegrams to the Federal Reserve Banks of Boston, New York, Cleveland, Richmond, Atlanta, St. Louis, Minneapolis, Kansas City, and Dallas approving the establishment without change by the Federal Reserve Banks of Boston and St. Louis on May 23, and by the Federal Reserve Banks of New York, Cleveland, Richmond, Atlanta, Minneapolis, Kansas City, and Dallas on May 26, 1955, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Pursuant to the understanding at the meeting yesterday, further consideration was given to the request of the Federal Reserve Bank of Cleveland for approval of a revised salary structure applicable to the head office and branches, effective April 24, 1955.

Mr. Johnson stated that, as requested at yesterday's meeting, he discussed the upper grades in the proposed salary structure with Vice President Allen, who urged that the Reserve Bank be allowed to retain the maximums proposed for those grades so as to provide adequately for such persons on the staff as the principal economists and examiners. Mr. Allen,

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he said, pointed out that even the maximum fixed for the highest grade (\$11,050) would not provide much room for subsequent salary adjustments for some persons in the categories mentioned and also stated that it was not the intention of the Bank to use the top salaries as a springboard for increasing officers' salaries. Mr. Johnson added that the Board's staff had checked the maximums of the highest grades at certain other Reserve Banks which might be considered comparable to the Cleveland Bank for this purpose and had found them to be higher than those which were proposed at Cleveland.

Mr. Johnson went on to say that he discussed informally with Mr. Allen the fact that the structure proposed for the three offices would be about 12 per cent above the Cincinnati market, that the situation was recognized by the Cleveland Bank, that the Cincinnati Branch had been advised of the possibility that a separate structure would have to be established at the time of the next wage survey if the situation had not changed in the interim, that for the present it was the plan of the Cleveland Bank to handle the situation administratively by restricting the salaries paid to Cincinnati Branch personnel within the respective grades, and that there appeared to be a question as to whether some of the data obtained in Cincinnati during the wage survey measured the local situation satisfactorily.

With regard to the upper grades in the proposed salary structure, Governor Balderston said that on the basis of the statement made by Mr.

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Johnson, he would be willing to withdraw questions which he had raised earlier. He had concluded, additionally, that the sample of the community market for positions in these brackets was not sufficient to be meaningful, and he pointed out that at most Federal Reserve Banks the ranges for such positions have been arrived at by extrapolation rather than by attempting to obtain satisfactory evidence through salary surveys.

The other members of the Board indicated agreement with these views.

The discussion then turned to the question whether the situation disclosed by the Cleveland Bank's labor market survey would warrant the Board's requesting the Bank to adopt a separate salary structure for the Cincinnati Branch in view of the disparity between the wage market in that city and those in Cleveland and Pittsburgh. This matter was considered from the standpoint of the Board's letter to the Federal Reserve Banks dated June 17, 1947, which expressed the view that, wherever reasonably feasible, a Reserve Bank and its branches should operate under the same salary structure; and in the light of subsequent experience which tended to demonstrate the difficulty in attaining such an objective and at the same time maintaining a close relationship between the salary structures and local community wage levels.

It was the opinion of all of the members of the Board that the objective stated in the 1947 letter should be reexamined, but there was a difference of opinion concerning the action which should be taken with

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respect to the proposed Cleveland salary structure. Governors Balderston, Robertson, and Shepardson were inclined to feel that the proposed salary structure should be approved for application to the head office and the Pittsburgh Branch, but that the Reserve Bank should be requested to consider the desirability of establishing a separate structure for the Cincinnati Branch, with the understanding that the salary adjustments which the Reserve Bank wished to make effective April 24, 1955, could be made at Cincinnati under the present structure.

Governor Mills expressed the view that it would be better to approve the proposal submitted by the Cleveland Reserve Bank in entirety as being a step in the direction of correcting a situation at the Bank which had prevailed over a period of years, but with the firm suggestion that the Cincinnati structure be reviewed and the Board informed of the conclusions of the Reserve Bank. He pointed out that the question of establishing separate salary structures for branches probably had been given a great deal of thought throughout the System on various occasions and that no doubt there were arguments which could be cited for and against such a practice. In the circumstances, he suggested that it would be desirable for the Board to have the views of all of the Reserve Banks before deciding whether to change the general policy established in 1947.

Governor Szymczak felt that there were many practical considerations in the employee schedules and, therefore, the banks have gone in different directions depending upon the considerations of administration

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as well as other considerations important to the directors and officers of the bank. While it would seem that technically it is better to have different schedules for different offices of a Federal Reserve district depending upon the market, and normally that would seem to be the procedure to be followed, Governor Szymczak said, however, the matter should be placed on the agenda for the Presidents to consider from time to time and each district should adopt whatever schedule it thinks best from time to time. In other words, it may follow one uniform schedule at one time and a different schedule for each office at another time if it thinks this is desirable for over-all management and efficiency. The reasons are to be given, of course, and the Board can address itself to those reasons from time to time.

At the conclusion of a further discussion of the matter, during which Governor Szymczak withdrew from the meeting, it was understood that the staff would draft for the consideration of the Board (1) a letter to the Federal Reserve Bank of Cleveland which would approve the proposed salary structure in its application to the head office and the Pittsburgh Branch, but would request the Bank to consider the desirability of a separate structure for the Cincinnati Branch, and (2) a letter to Mr. Young, as Chairman of the Conference of Presidents of the Federal Reserve Banks, requesting that the question of separate salary structures for the different Reserve Banks and branches be placed on the agenda for the forthcoming meeting of the Presidents' Conference so that the Board might have the benefit of the Presidents' views.

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Reference then was made to the following draft of letter to Mr. Fulton, President of the Federal Reserve Bank of Cleveland, which had been circulated to the members of the Board:

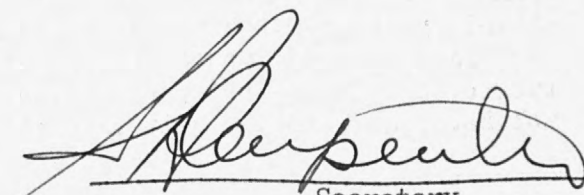
The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of Cleveland for the period from July 1, 1955 through December 31, 1955, at the rates indicated, which are the rates fixed by the Board of Directors as reported in your letter of May 13, 1955, with the exception of the salary as indicated for Mr. Laning, which is his present salary.

| <u>Name</u> | <u>Title</u> | <u>Annual Salary</u> |
|--------------------------|--------------------------|----------------------|
| <u>Head Office</u> | | |
| A. H. Laning | Vice President | \$17,750 |
| G. H. Emde | Cashier | 14,500 |
| Clyde Harrell | Assistant Vice President | 12,500 |
| George T. Quast | Assistant Chief Examiner | 10,000 |
| <u>Cincinnati Branch</u> | | |
| Walter H. MacDonald | Assistant Cashier | 8,000 |

Following a statement by Mr. Johnson concerning the proposed changes in the Bank's official staff, the letter was approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on May 26, 1955, were approved unanimously.

The meeting then adjourned.


Secretary