

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, July 6, 1955. The Board met in the Board Room at 10:00 a.m.

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

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:

Memorandum dated June 24, 1955, from Mr. Sloan, Director, Division of Examinations, recommending that the resignation of Eugene M. Tangney, Assistant Federal Reserve Examiner in that Division, be accepted effective July 26, 1955.

Approved unanimously.

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

In accordance with the request contained in your letter of June 22, 1955, the Board approves the designation of Thomas Owens Keech as a special assistant examiner for the Federal Reserve Bank of Richmond.

Approved unanimously.

Letter to The Farmers National Bank of Sussex, Sussex, New Jersey, reading as follows:

The Board of Governors of the Federal Reserve System has given consideration to your supplemental

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application for fiduciary powers and grants you authority to act, when not in contravention of State or local law, as assignee, receiver, committee of estates of lunatics, 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 Jersey. The exercise of these powers, in addition to those heretofore granted to act as trustee, executor, administrator, registrar of stocks and bonds, and guardian of estates, shall be 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 Farmers National Bank of Sussex is now authorized to exercise will be forwarded to you in due course.

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

Letters to the Comptroller of the Currency, Treasury Department, Washington, D. C., (Attention: Mr. G. W. Garwood, Deputy Comptroller of the Currency), reading as follows:

Reference is made to a letter from your office dated May 27, 1955, regarding the proposal to convert the Gonzales State Bank, Gonzales, Texas, into a national banking association and requesting a recommendation as to whether or not the application should be approved.

The Gonzales State Bank has been a member of the Federal Reserve System since August 1935; and, based upon our information, as well as that supplied by the Federal Reserve Bank of Dallas, a favorable report can be made with respect to the factors usually considered in connection with such proposals. The Board of Governors, therefore, recommends 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.

Reference is made to a letter from your office dated February 2, 1955, enclosing photostatic copies of an

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application to organize a national bank at Gonzales, Texas, 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 an examiner for the Federal Reserve Bank of Dallas, discloses satisfactory findings with respect to the proposed capital structure and future earnings prospects of the bank. However, the management which has been selected does not appear to be as strong and experienced as needed in this situation, and some question exists as to the need for an additional banking facility in the community. While recognizing that this is a borderline case, it is believed that favorable consideration could be given to the proposal in view of the desirability of providing some commercial banking competition in the community. Accordingly, the Board of Governors recommends approval of the application provided arrangements are made for management satisfactory to your office.

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.

The files with reference to the application to organize a national bank at Gonzales, Texas, and the proposal to convert the Gonzales State Bank into a national banking association indicated that the two matters were related in the sense that the president of the State member bank, who vigorously opposed the establishment of another bank in Gonzales, appeared to feel that the conversion of his institution into a national bank might have some influence upon the decision of the Comptroller of the Currency with respect to granting another charter in the city.

Governor Shepardson stated that he had examined the files carefully, that the president of Gonzales State Bank, who is a director of the San Antonio Branch of the Federal Reserve Bank of Dallas, had discussed the matter with him as well as with various other parties, and

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that the State member bank appeared to be a well-operated institution. He thought there might be some question with regard to the standing of the organizers of the proposed national bank, that it would have been preferable if the application had been made by another group, but that on the whole there appeared to be no valid grounds for recommending against the establishment of a second banking institution in Gonzales. Governor Shepardson felt that the draft of letter to the Comptroller of the Currency properly included language which would condition a favorable recommendation on the provision that management was obtained for the new bank which was satisfactory to the Comptroller's Office.

The other members of the Board present indicated that their views were along the lines of those expressed by Governor Shepardson.

Thereupon, the letters to the
Comptroller of the Currency were
approved unanimously in the form
set forth above.

There was presented a request from Mr. Myrick, Assistant Director, Division of Bank Operations, for authority to travel to Detroit, Michigan, during the period from October 10 through 12, 1955, to attend, in his capacity as associate member of the Presidents' Conference Subcommittee on Machine and Tabulation Equipment, the Eighth Annual Meeting of the System and Procedures Association of America. The request also stated that attendance at the meeting would involve a registration fee of \$50.

Approved unanimously.

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Reference was made to the following draft of letter to Mr. Powell, President of the Federal Reserve Bank of Minneapolis, which had been circulated to the members of the Board prior to this meeting:

In accordance with your letter of May 5, 1955, the Board of Governors approves the following minimum and maximum salaries for the respective grades of the salary structure applicable to the Federal Reserve Bank of Minneapolis and its Helena Branch effective as of this date:

<u>Grade</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>
1	\$ 1,520	\$ 2,050
2	1,660	2,240
3	1,920	2,590
4	2,180	2,940
5	2,460	3,320
6	2,780	3,750
7	3,120	4,210
8	3,520	4,750
9	3,960	5,340
10	4,420	5,960
11	4,840	6,530
12	5,400	7,290
13	5,940	8,010
14	6,520	8,800
15	7,140	9,630
16	7,920	10,690

While the Board has approved the increase in your salary structure, it is concerned that this increase may be insufficient to place the midpoints of your structure in the third quarter bracket of the quality community market. This concern results from the feeling that the number of survey positions appears to be somewhat limited and thus may not reflect the market adequately. It also appears to be unduly weighted by positions in financial institutions. The Board therefore suggests that your Bank give continuing study to the local market with a view to extending this sample in future surveys to include a greater representation of positions from progressive firms.

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

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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 September 1, 1955.

In discussing the proposed salary structure, Mr. Sprecher said that the Board's staff had been concerned about several matters in analyzing the request of the Minneapolis Reserve Bank. One of these problems, the fact that the Helena wage market had not been surveyed at the time the request was received, was taken care of satisfactorily by a subsequent survey. Another question concerned the fact that under the proposed salary structure the Reserve Bank reportedly would attain a position only three per cent above the head office community wage market and one per cent above the Helena market. Since the head office survey was rather limited, this also created some doubt as to whether the proposed salary structure actually would place the Reserve Bank in the third quarter bracket of the quality community market, particularly since the survey appeared to be unduly weighted by positions in local banking institutions.

Mr. Sprecher said that the matters of concern to the Board's staff had been discussed with Mr. Mills, First Vice President of the Minneapolis Bank, when he was in Washington recently, that Mr. Mills expressed appreciation of the points which were raised, and that accordingly there was reason to believe that the Reserve Bank would at least consider taking

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additional steps to make certain that the Bank's salary structure was in line with progressive firms in the area. He also said that another wage survey, believed to be of a broader scope than the one on which the current proposal was based, was now under way, that the results should be available before too long, and that they might form a basis upon which the Minneapolis Reserve Bank would request a further adjustment in its salary structure. He concluded by saying that the Reserve Bank did not intend to make a large number of salary adjustments under the proposed salary structure so that another revision in the structure within a relatively short time would not have serious personnel implications.

The matter was discussed by the Board on the basis of the points raised by Mr. Sprecher and there was general agreement that it would be desirable for the Minneapolis Bank to expand the scope of its community wage surveys and to avoid giving undue weight to the salary scales of local financial institutions. However, since it appeared that the Reserve Bank did not intend to make widespread salary adjustments if the proposed structure were approved, it was felt that there would be no substantial objection to approving the structure even in the knowledge that another adjustment might be requested on the basis of the survey currently being conducted.

In the circumstances, unanimous approval was given to the letter to President Powell in the form set forth

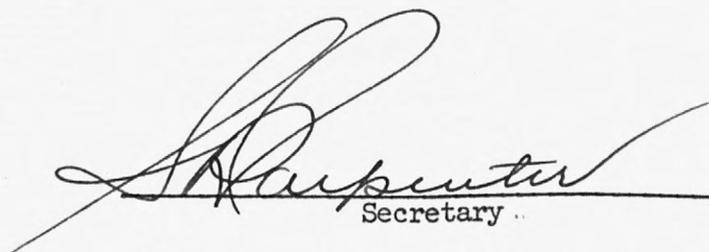
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above, with the understanding that the Board would continue to work with the Reserve Bank in an effort to encourage the development of a salary structure that was in harmony with the principles governing salary administration at the Federal Reserve Banks.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on July 1, 1955, were approved unanimously.

The meeting then adjourned.



Secretary ..