

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, July 27, 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. Shepardson

Mr. Carpenter, Secretary  
 Mr. Sherman, Assistant Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Sloan, Director, Division of Examinations  
 Mr. Johnson, Controller, and Director, Division of Personnel Administration  
 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 July 31, 1955:

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
	<u>Research and Statistics</u>		
John M. Culbertson, Economist		\$ 7,570	\$ 7,785
Ramsay Wood, Economist		10,750	10,965
	<u>Personnel Administration</u>		
Barbara Anne Huey, Personnel Clerk		4,075	4,210

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Salary increases, effective July 31, 1955 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Administrative Services</u>			
Benjamin Berry, Foreman Operator (Mimeograph)		\$3,640	\$3,682
Bricen Barnes, Operator (Mimeograph)		3,432	3,474
Daniel F. Lane, Operator (Mimeograph)		3,203	3,286
Edward L. Hargett, Operator (Mimeograph)		3,203	3,286
James T. Stewart, Mail Clerk		3,215	3,300

Approved unanimously.

Memorandum dated July 21, 1955, from the Division of Personnel Administration stating that because of the local transit strike the Division of Administrative Services had temporarily changed the hours of the night char and labor force from 5:15 p.m.-1:15 a.m. to 4 p.m.-12 midnight, resulting in a reduction of one hour and 15 minutes in the night differential earned by the affected employees. The memorandum recommended that during this temporary period the Board pay the same amount of night differential as would have been paid had the usual hours of duty remained unchanged.

Approved unanimously.

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

Thank you for your letter of July 11, 1955, advising that it is planned that Mr. John Exter, Vice President in charge of Foreign Functions, is to attend the annual meetings of the International Monetary Fund and International Bank for Reconstruction and Development to be held in Istanbul in September 1955, which was mentioned in your letter of February 7, 1955.

Approved unanimously.

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

In accordance with the request contained in your letter of July 19, 1955, the Board approves the appointment of James Philip Giacobello, as an assistant examiner for the Federal Reserve Bank of Philadelphia. Please advise as to the date upon which the appointment is made effective.

Approved unanimously.

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

In accordance with the request contained in your letter of July 14, 1955, the Board approves the designation of Samuel Franklin Morast, Jr. as a special assistant examiner for the Federal Reserve Bank of Atlanta for the purpose of participating in the examination of State member banks only.

Approved unanimously.

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

Reference is made to the information submitted in your letter dated July 14, 1955, concerning the proposed removal of a branch of The Marine Trust Company of Western New York, Buffalo, New York, from 286 Delaware Avenue, Buffalo, New York, to Delaware Avenue and Tracy Street, a distance of 240 feet.

Since it appears that this move would constitute a mere relocation of an existing branch in the immediate neighborhood without affecting the nature of business or customers served, we concur in your opinion that the approval of the Board of Governors is unnecessary.

Approved unanimously.

Letter to the Board of Directors, Guaranty Bank & Trust Company, Hammond, Louisiana, approving, subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H and the following

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special condition, the bank's application for membership in the Federal Reserve System and stock in the Federal Reserve Bank of Atlanta:

Prior to admission to membership, such bank shall increase its common capital stock from \$125,000 to not less than \$250,000.

The letter also contained the following paragraph and, in addition, provided a period of 90 days within which membership might be accomplished:

The Board of Governors also approves the retention of the branches which are at present operated by the bank at Amite, Kentwood, and Ponchatoula, Louisiana.

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

Letter to the Citizens National Bank of Downers Grove, Downers Grove, Illinois, reading as follows:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, 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 Illinois, the exercise of all such rights to 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 Citizens National Bank of Downers Grove is now authorized to exercise will be forwarded to you in due course.

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



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Letter to Mr. Koppang, First Vice President, Federal Reserve Bank of Kansas City, reading as follows:

This refers to your letter of June 30, 1955, enclosing a letter from the law firm of Watson, Ess, Marshall & Enggas on behalf of the City National Bank and Trust Company of Kansas City, Missouri, requesting a ruling from the Board of Governors as to whether the funds of affiliated cemetery corporations, for which the national bank acts as trustee, may be invested collectively. It is stated that the trust instrument authorizes and empowers the trustee, in its sole and absolute discretion, "to combine all or any part of the funds of this trust with those of any other trust or trusts, of which it is the Trustee and which has been created by any other corporation affiliated with Memorial Gardens Service Company". It is also provided that under each trust all investments of the Trustee shall be subject to the general supervision of a "finance committee" appointed by the Trustor-corporation.

The answer to this question does not depend upon a ruling from the Board of Governors, as section 10(c) of Regulation F, as recently amended, sets forth clearly that trust funds may not be collectively invested unless they comply with the two exceptions therein provided. The letter states that the parties do not wish these funds to be collectively invested as a "common trust fund" in accordance with section 17 of Regulation F, and therefore the first exception is inapplicable. The funds of these cemetery corporations do not qualify as "a pension, profit-sharing, or stock bonus plan", so the second exception also is inapplicable.

The question whether the trustee has broad powers of management and investment, or whether such broad powers are lodged in a special committee, is not material in this connection. Even if the trust instrument required the national bank to invest collectively the funds of the affiliated cemetery corporations, the bank could not do so under the present provisions of Regulation F unless it commingled them in a common trust fund operated pursuant to section 17.

As previously stated, the answer to the question does not depend upon a ruling by the Board, and therefore there would seem to be little benefit to be gained from an oral discussion

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between representatives of the bank and of the Board. However, the Board and its staff are always willing to discuss the question of whether a regulation should be amended.

Please advise the firm of Watson, Ess, Marshall & Enggas as to the Board's views.

Approved unanimously.

Governor Vardaman raised questions concerning the policy followed in granting permission to exercise trust powers, the number of banks not using their authority to exercise trust powers, and the protection afforded to trust funds not invested in such a way as to be protected by Federal deposit insurance.

Mr. Sloan said that the Division of Examinations had been giving thought to problems of the nature referred to by Governor Vardaman and that in processing applications for trust powers, the Federal Reserve Banks had been pointing out to applicant banks the obligations involved in conducting trust activities.

The suggestion was then made that the Division of Examinations review various problems in the trust field at a meeting of the Board in the near future.

There was agreement with this suggestion.

At the meeting on June 28, 1955, consideration was given to a request of the Bank of Tokyo of California, San Francisco, California, to establish a branch in Gardena, California, but action was deferred at the

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suggestion of Governor Vardaman until the views of the Department of State could be obtained. In a letter dated July 18, 1955, Mr. Samuel C. Waugh, Assistant Secretary of State, advised that the Department perceived no objection to approval of the application from the foreign relations point of view. The file on the matter was then recirculated to the members of the Board.

Governor Vardaman said that his concern was based on the security aspects involved in permitting foreign interests to establish and operate banks in this country which could serve as "listening posts", and that he felt a matter of policy was involved which was of sufficient importance to warrant consideration on a high level within the Government.

The other members of the Board present indicated that from a banking standpoint they saw no objection to the establishment of the proposed branch at Gardena, and it was pointed out that the applicant bank could, if it so desired, withdraw from membership in the Federal Reserve System and establish the branch without obtaining the Board's approval. With regard to the general problem of security referred to by Governor Vardaman, the other members of the Board indicated that they had not given a great deal of thought to the matter and that they had no fixed views at this time.

At the conclusion of the discussion, Chairman Martin suggested that action on the application to establish a branch at Gardena be deferred

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until the meeting on Monday, August 1, when Governors Mills and Robertson could be present.

There was agreement with this suggestion.

Reference was made to a memorandum dated July 21, 1955, from the Office of the Controller submitting a draft of proposed amendments to the Board's travel regulations and recommending that the amended regulations be approved. The memorandum pointed out that a bill had been passed amending the Travel Expense Act of 1949, that this bill was now awaiting the President's signature, that the legislation would make certain changes in the Government's travel regulations which it seemed appropriate to recognize in the Board's travel regulations, and that this would afford an opportunity to make certain other changes of a minor nature in the Board's regulations.

At the request of the Board, Mr. Johnson reviewed the principal changes which would be made in the Board's travel regulations. Among other things, he brought out that a per diem allowance of not to exceed \$12 was recommended for all persons traveling on official business of the Board (except Board members), that the prevailing per diem differential for members of the official staff therefore would be eliminated, that the allowance for use of a privately owned automobile on official business would be increased from 7 cents a mile to 10 cents a mile, and that the use of roomettes would be permitted without a certification that a lower berth was unavailable.



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The proposed changes were discussed and the comment was made that the allowance of 10 cents a mile for use of a privately owned automobile might lead to undue use of automobiles in preference to public transportation. No objection was interposed to the suggested allowance, however, in view of a statement by Mr. Johnson concerning the administrative restrictions placed upon the use of privately owned automobiles in connection with official travel.

Thereupon, the amended travel regulations were approved unanimously in the following form, with the understanding that they would become effective as of the date that the revised Government travel regulations become effective:

Reimbursement for expenses of persons traveling on official business of the Board within the limits of the continental United States shall be as follows:

1. Members of the Board shall be allowed either (a) actual necessary transportation expenses and a per diem in lieu of subsistence not to exceed \$15 or (b) their actual necessary travel expenses. Members of the Board shall also be allowed reasonable expenses for telephone, telegraph, cable and radio service, and for miscellaneous expenses, including stenographic and other clerical service, when such expenditures are necessary for the transaction of official business while in a travel status.
2. Heads or assistant heads of divisions of the Board's staff (who shall include Assistants to the Chairman or the Board, the Economic Adviser to the Board, the Legislative Counsel, the Adviser on Economic Research, and the Chief Federal Reserve Examiner) upon specific authorization of the Board shall be allowed either (a) actual necessary transportation expenses and a per diem in lieu of subsistence not to

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exceed \$12 or (b) their actual necessary travel expenses.

3. All other employees of the Board, with the approval of the head of the division, and other persons traveling on official business of the Board, including applicants for positions traveling at the Board's expense, pursuant to proper authorization shall be allowed (a) actual necessary transportation expenses and a per diem in lieu of subsistence not to exceed \$12 or (b) upon specific authorization of the Board their actual necessary travel expenses.

4. For the purposes of paragraphs 1, 2, and 3 above, the term actual necessary transportation expenses includes the cost of all necessary official travel by railroad, air-line, steamer, bus, streetcar, taxicab, automobile and other means of conveyance. In the case of railroad travel, it also includes a standard lower berth, roomette, or seat in a sleeping or chair car, except that a superior Pullman accommodation obtainable in connection with a single fare may be allowed when notation is made on the travel voucher that, at the time reservation was made, this was the lowest priced first-class accommodation available.

Persons referred to in paragraphs 1 and 2 above may be allowed any Pullman accommodations obtainable in connection with a single fare, and when a single bedroom is not available, any member of the Board may be allowed the extra expense necessary to enable him to obtain Pullman accommodations, cost of which does not exceed that of a compartment.

This item also includes reasonable expenditures for the ordinary incidentals to transportation which are not covered by the definition of per diem in lieu of subsistence, such as cost of baggage transfer; official telegraph, telephone, radio and cable messages relating to transportation; and the usual taxicab, streetcar or bus fares from or to transportation terminal and place of abode or business while in a travel status. In addition to the actual taxicab fare, reimbursement may be allowed for tip of 10¢ cents where the fare is \$1 or less or 10% per cent of the fare increased to the next multiple of 5 cents where the fare exceeds \$1. When claimed such tip shall be shown as a separate item in the expense voucher.

When authorized to use a privately owned automobile in official travel, the traveler may be allowed mileage at a rate not to exceed 10 cents per mile in lieu of actual operating expenses.

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When savings can be effected by the purchase of round trip or special rate tickets, they shall be obtained.

Extra expense incurred by persons referred to in paragraphs 2 and 3 above by reason of travel on extra-fare trains and planes, or unusual means of conveyance, will be allowed only when the travel voucher is accompanied by a satisfactory showing of the necessity therefor, or that the cost thereof, less the amount of subsistence allowance saved by more expeditious travel and the amount of salary of the traveler for the time thus saved, does not exceed the standard cost of rail and Pullman or airline fare between the points of travel.

5. For the purposes of paragraphs 1, 2, and 3 above, the term per diem in lieu of subsistence includes all meals; lodgings; personal use of room during daytime; all fees and tips to waiters, porters, baggagemen, bellboys, hotel maids, etc.; telegrams and telephone calls reserving hotel accommodations; laundry; cleaning and pressing of clothing; and transportation between places of lodging or where meals are taken and places of duty.

When meals are included in the cost of passage ticket on vessels, per diem in lieu of subsistence will not be allowed while traveler is on shipboard, but for such period he will be reimbursed on the basis of actual necessary travel expenses.

When a member of the Board's staff finds it necessary to take leave of absence on account of illness while in travel status, he may be allowed (with the approval of the Board in the case of those referred to in paragraph 2, and with the approval of the head of the division in the case of other employees) per diem in lieu of subsistence during such absence, except that for employees referred to in paragraph 3 if the illness extends beyond one week, the traveler may be allowed per diem in lieu of subsistence for such additional period as may be fixed by the Board.

6. For the purposes of paragraphs 1, 2, and 3 above, the term actual necessary travel expenses includes all actual necessary expenditures covered by the definitions of (a) actual necessary transportation expenses and (b) per diem in lieu of subsistence. The items of expense shall be shown in detail in the travel voucher and shall be supported by satisfactory receipts.

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When hotel or other accommodations are shared by the traveler, the fact should be stated in his expense voucher and he may claim an amount not to exceed the cost of single occupancy of such accommodations.

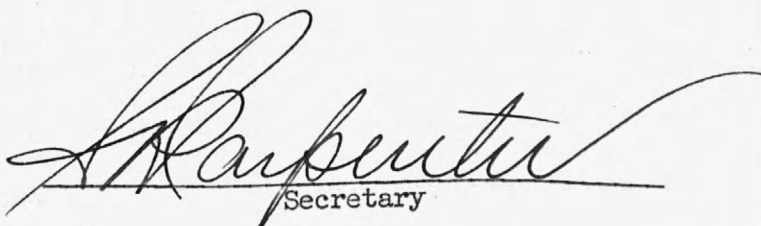
7. Whenever any travel at the Board's expense is contemplated by employees a memorandum in a form provided for the purpose shall be submitted in advance of the trip to the Board or division head, whichever is necessary to comply with paragraphs 2 and 3, for approval.

8. With regard to reimbursement for expenses of persons traveling on official business of the Board outside the limits of the continental United States and to traveling expenses not specifically covered by these regulations, the provisions of the standardized Government travel regulations as amended shall apply.

Secretary's Note: Pursuant to the above action, the revised Board travel regulations were made effective July 28, 1955.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on July 25, 1955, were approved unanimously.

The meeting then adjourned.

  
Secretary