

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, October 5, 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. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Johnson, Controller, and Director,
Division of Personnel Administration
Mr. Horbett, Associate Director, Division
of Bank Operations
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:

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

In accordance with the request contained in your letter of September 26, 1955, the Board approves the designation of Mr. Donald Robert Whisnant as a special assistant examiner for the Federal Reserve Bank of Atlanta for the purpose of participating in the examinations of State member banks only.

Approved unanimously.

Letter to Mr. Mills, First Vice President, Federal Reserve Bank of Minneapolis, reading as follows:

Reference is made to your letter of September 22, 1955, advising of the increased benefits and costs approved by the the Discount Committee of your Board of Directors in connection with the agreement with the Minnesota Hospital Service Association.

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The Board of Governors interposes no objection to the assumption of the increased expense involved in the adoption of the modified plan as described in your letter, with the understanding that payments by the Federal Reserve Bank of Minneapolis will not exceed two-thirds of the cost of the hospitalization and surgical benefits of your group hospitalization program.

Approved unanimously.

Letter to the Board of Directors, The Central Bank Company, Lorain, 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 Village of Avon, Ohio, near the intersection of Highways Nos. 254 and 611, Lorain County, Ohio, by The Central Bank Company, Lorain, Ohio, provided that prior to the establishment of the branch the bank's capital is increased to an amount sufficient to meet the requirements of the Federal Statutes, the branch is established within one year from the date of this letter and the approval of the State authorities is in effect at that time.

It is understood that a program recommended to the stockholders of the bank for the readjustment of its capital structure includes the sale of additional common stock to produce \$260,000.

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

Letter to Mr. Walter F. Ryan, Clearance Office, Division of Statistical Standards, Bureau of the Budget, Washington, D. C., reading as follows:

We are enclosing two copies of your form 83 and of a draft of form F.R. 105 that we expect to have the State member banks use in submitting reports of condition at the forthcoming year-end call date. We understand the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation expect to use a similar form.

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The face of the proposed form has been revised only by the deletion of memoranda item 32, Obligations subordinated to claims of depositors and other creditors not included in liabilities, the renumbering of items 33(a) and 33(b), and changes in the reference numbers to Schedule A at item 6 and memoranda item 33.

The Board's letter of February 2, 1955 to the Reserve Banks, copies of which were sent to Mr. Crowder on February 8, informed them that consideration was being given to certain changes in the call report of condition and related instructions, and requested comments and suggestions on the proposals. The principal revisions at that time consisted of rephrasing and redefining the consumer loan items; however, several suggestions were received for additional improvements and advantage has been taken of this opportunity to make them.

The only additional change in the condition report has been to rearrange the items in the loan schedule, as indicated in the attached form, with no basic change in any of the items. The reasons for this approach, which was suggested by two of the Federal Reserve Banks in the light of their experience in ironing out reporting errors of member banks, are that there are three broad segregations of loans in Schedule A: (1) by security, in the case of real estate loans; (2) by type of borrowers, in the case of loans to banks and to farmers; and (3) by purpose, in the remaining categories of loans. With the rearrangement, it is felt that the banker can approach the problem of loan classification by starting with real estate loans, loans to banks, and loans to brokers and dealers in securities, where there is little chance of error. Other loans for purchasing and carrying securities and loans to farmers are the next items involving relatively little chance of misclassification. Thus, by the process of elimination, the margin of error should be reduced and the task of reporting made easier.

Approved unanimously.

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

We are currently engaged in revising form F.R. 105, Report of Condition, and the related instruction pamphlet, form F.R. 105a. This revision includes rewording the second paragraph of BRANCHES, page 2, form F.R. 105a, to read:

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"A separate report should be submitted (also on form F.R. 105) as of the date of the last call in the calendar year covering each branch located in a foreign country or a dependency or insular possession of the United States, also as of the midyear call covering each branch located in a dependency or insular possession. The information called for in Schedule A, Loans and Discounts, and in Schedule B, United States Government Obligations, need not be supplied in the case of branches located in foreign countries, but should be supplied in the case of branches located in dependencies and insular possessions. In the bank's consolidated report on form F.R. 105, the aggregate of net amounts due from its branches in foreign countries and dependencies or insular possessions should be included in 'other assets,' and the aggregate of the net amounts due to its branches in foreign countries and dependencies or insular possessions should be included in 'other liabilities.'"

The effect of this revision is to reduce the number of reports required of State member banks operating foreign branches and to insure that the required reports of both national and State member banks are on comparable forms.

It is understood that the Comptroller of the Currency will adopt the same policy with respect to reports of branches of national banks located in foreign countries and dependencies or insular possessions. At present, the Comptroller's Office requires complete reports on form 2130 as of the last call in the calendar year for each such branch, also as of the midyear call covering each branch located in a dependency or insular possession; the midyear reports are obtained for the Federal Deposit Insurance Corporation's use in compiling statistics of assets and liabilities of banks and branches in United States dependencies and possessions.

Since no useful purpose would be served by withholding this amendment until publication of the revised instructions, it is suggested that the four State member banks concerned be advised of the revision, effective at the next call date.

Approved unanimously.

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

This will acknowledge receipt of your letter of September 26 advising that you now propose to proceed with the program for improving the elevator situation in the head office building, which was authorized two years ago but which was deferred for the time being because of budgetary considerations.

The Board appreciates the cooperation of the management of your Bank in the revision of the 1954 budget, one of the results of which was the deferment of the elevator program.

The authorization for the program contained in the Board's letter of October 2, 1953, is still in effect. It is noted that the cost of the program is now estimated at approximately \$256,000 and that appropriate provision is being made for the program in the 1956 budget.

Approved unanimously.

Mr. Horbett then withdrew from the meeting.

There were presented requests from Messrs. Thomas, Economic Adviser to the Board, Marget, Director, Division of International Finance, and Kenyon, Assistant Secretary, for authority to travel to New York, New York, to attend a meeting of the Staff Group on Foreign Interests to be held at the Federal Reserve Bank of New York on October 7, 1955.

Approved unanimously.

In a letter dated May 31, 1955, the Board approved a new salary structure for employees at the head office and Pittsburgh Branch of the Federal Reserve Bank of Cleveland but requested that the Bank consider the desirability of establishing a separate salary structure for the

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Cincinnati Branch which would reflect more closely the wage market in that city. A separate Cincinnati Branch structure was submitted with the Reserve Bank's letter of September 8, 1955, and in a memorandum dated September 23, 1955, which had been circulated to the members of the Board, the Division of Personnel Administration recommended approval.

Mr. Johnson stated that the structure now proposed for the Cincinnati Branch appeared to conform to the principles discussed by the Board in connection with its approval of the structure applicable to the head office and Pittsburgh Branch. He brought out that on the average this structure would be about 8 per cent above the community wage market (whereas the structure originally proposed would have been approximately 12 per cent above that market) and that in the grades where most of the employees are classified, the proposed structure would be about 5 per cent above the market.

Thereupon, unanimous approval was given to a letter to Mr. Fulton, President of the Federal Reserve Bank of Cleveland, reading as follows:

In accordance with the request of your Bank as outlined in your letter of September 8, 1955, the Board of Governors approves the following minimum and maximum salaries for the respective grades of a salary structure to be applicable to the Cincinnati Branch of the Federal Reserve Bank of Cleveland, effective immediately:

<u>Grade</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>
1	\$1,950	\$2,574
2	2,080	2,704
3	2,210	2,990
4	2,418	3,198
5	2,626	3,562

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<u>Grade</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>
6	\$2,886	\$3,822
7	3,146	4,238
8	3,432	4,680
9	3,822	5,070
10	4,160	5,564
11	4,472	6,032
12	4,940	6,656
13	5,460	7,332
14	6,058	8,242
15	6,812	9,308
16	7,774	10,426

The Board approves the payment of salaries to the employees, other than officers, within the limits 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 minimums 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 January 1, 1956.

Reference was made to a memorandum submitted by the Division of Personnel Administration under date of September 21, 1955, which had been circulated to the members of the Board, suggesting a program for recognition of persons having long service in the employ of the Board of Governors.

In commenting on the matter, Mr. Johnson said that such a program had been contemplated for several years, funds had been provided in the 1955 budget of the Division of Personnel Administration, and the Division envisaged the presentation of awards beginning early next year if the Board approved the program.

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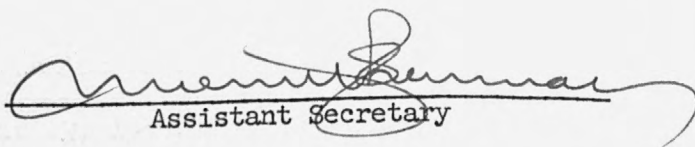
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During a discussion which ensued, the members of the Board present indicated that they were favorably disposed to the recognition of service in an appropriate manner. Attention was called, however, to the possibility of unfavorable reaction on the part of employees to any program which was not carefully thought out and administered, and it was also pointed out that, once instituted, a program of this kind could hardly be discontinued. In the circumstances, it was agreed that further consideration should be given to the matter at a meeting when all of the members of the Board could be present.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on October 4, 1955, were approved unanimously.

Minutes of the joint meeting of the Board of Governors and the Presidents of the Federal Reserve Banks held on October 4, 1955, were approved unanimously.

The meeting then adjourned.


Assistant Secretary