

Minutes for April 24, 1956.

To: Members of the Board

From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, if you were present at the meeting, please initial in column A below to indicate that you approve the minutes. If you were not present, please initial in column B below to indicate that you have seen the minutes.

	A	B
Chm. Martin	<input checked="" type="checkbox"/> <u>mm</u>	_____
Gov. Szymczak	<input checked="" type="checkbox"/> <u>ms</u>	_____
Gov. Vardaman	<input checked="" type="checkbox"/> <u>W</u>	_____
Gov. Mills	<input checked="" type="checkbox"/> _____	_____
Gov. Robertson	<input checked="" type="checkbox"/> <u>R</u>	_____
Gov. Balderston	<input checked="" type="checkbox"/> <u>CCB</u>	_____
Gov. Shepardson	_____	<input checked="" type="checkbox"/> <u>less</u>

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, April 24, 1956. 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. Mills
Mr. Robertson

Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Johnson, Controller, and 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 stated:

Letter to Mr. Perrin, Federal Reserve Agent, Federal Reserve Bank of Minneapolis, reading as follows:

In accordance with the request contained in your letter of April 12, 1956, the Board of Governors approves the appointment of Mr. William J. Bell as Federal Reserve Agent's Representative at the Helena Branch, to succeed Mr. John L. Heath.

This approval is given with the understanding that Mr. Bell will be placed upon the Federal Reserve Agent's payroll and will be solely responsible to him or, during a vacancy in the office of the Federal Reserve Agent, to the Assistant Federal Reserve Agent, and to the Board of Governors, for the proper performance of his duties. When not engaged in the performance of his duties as Federal Reserve Agent's Representative he may, with the approval of the Federal Reserve Agent or, in his absence, of the Assistant Federal Reserve Agent, and the Vice President in charge of the Helena Branch,

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perform such work for the Branch as will not be inconsistent with his duties as Federal Reserve Agent's Representative.

It is noted that Mr. Bell will execute the usual Oath of Office which will be forwarded to the Board of Governors. Your advice with respect to the effective date of Mr. Bell's appointment will be appreciated.

Approved unanimously.

Letter to the Board of Directors, The Chase Manhattan Bank, New York, New York, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment by The Chase Manhattan Bank, New York, New York, of branches at 43 Exchange Place and 37 Wall Street, New York, New York, in the premises now occupied and operated as a part of the 11 Broad Street branch of The Chase Manhattan Bank, but soon to be separated therefrom by closing of a public corridor connecting the three buildings.

The Board also approves the establishment by The Chase Manhattan Bank of a branch at 770 Broadway, New York, New York, on the upper floors of the old Wanamaker building, provided the branch is established within six months from the date of this letter.

It is understood that these branches will carry on limited functions and that the activities conducted at these locations will be removed to the new main office building upon its completion.

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

Letter to the Board of Directors, Bank of Rockville Centre Trust Company, Rockville Centre, New York, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves

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the establishment by the Bank of Rockville Centre Trust Company, Rockville Centre, New York, of a branch at 3259-3261 Long Beach Road, in an unincorporated area of the Town of Hempstead, Nassau County, New York, known as South Ocean-side, provided the branch is established within six months from the date of this letter.

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

Letter to the Board of Directors, The Cleveland Trust Company, Cleveland, 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 at the northwest corner of Warrensville Center and Farnsleigh Roads, Shaker Heights, Ohio, by The Cleveland Trust Company, Cleveland, Ohio, provided the branch is established within nine months of the date of this letter and the approval of the State authorities is in effect as of the date the branch is established.

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

Letter to Mr. L. N. Shaw, Executive Vice President and Manager Overseas Division, The First National City Bank of New York, New York, New York, reading as follows:

Reference is made to your letter of April 9, 1956, to the Federal Reserve Bank of New York, regarding the Board's letter of April 28, 1955, authorizing The First National City Bank of New York to establish a branch in Jeddah, Saudi Arabia, and a branch in or adjacent to Dhahran, Saudi Arabia. Under the authority granted, your bank established a branch in Jeddah on December 31, 1955, but the rights granted to establish a branch in or adjacent to Dhahran automatically terminated on April 1, 1956.

You state that it is still your intention to establish a branch in or adjacent to Dhahran; that your bank purposely

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deferred opening in the Dhahran area until you had gained experience in the operation of your branch in Jeddah; and that, in the meantime, you are giving the necessary attention to the question of personnel, premises, etc. Your letter enclosed a formal application to the Board of Governors for permission to establish a branch in or adjacent to Dhahran.

You will recall that on July 29, 1944, the Board authorized The National City Bank of New York to establish branches in Dhahran and Ras Tanura, upon condition that the branches be actually established on or before July 15, 1945. At the request of the bank, an extension of the time until July 15, 1946, was granted by the Board. However, on June 14, 1946, the bank advised that it had decided to let the permission lapse.

From information received informally, it is understood that your bank does not intend to proceed immediately with the opening of a branch in, or near, Dhahran. Accordingly, until your plans have been formulated with regard to the opening of the branch, the Board will defer giving formal consideration to your request. When your plans have developed to the point where you can indicate the community in which you plan to establish the branch and are ready to proceed with the opening of the branch within a reasonable period of time, the Board will be pleased to have you resubmit your application for consideration.

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

Letter to the Presidents of all Federal Reserve Banks prepared in accordance with the understanding at the meeting on March 26, 1956, and reading as follows:

A recent article about a store operated at a Federal Reserve Bank for the benefit of its employees raised a question as to the extent of similar or related arrangements throughout the System.

Accordingly, it will be appreciated if you will furnish the following information, with respect to your Bank and each of its branches (if any), regarding stores or other buying arrangements operated for the benefit of employees:

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A. If there is a store operated for the benefit of employees by the Bank, the employees' club, or under some other arrangement--

1. What is the arrangement?

(Note--This inquiry is not intended to cover snack bars, candy or cigarette stands, or other arrangements providing refreshments for consumption on the premises.)

2. What is the extent and nature of the Bank's financial contribution, through employee time or otherwise, to the operations of the store?

3. What types of goods are handled?

4. What was the approximate amount of sales during the calendar year 1955?

B. If there are group buying arrangements, for the benefit of employees, sponsored by the Bank, the employees' club, or otherwise--

1. How are they sponsored?

2. What are the nature and extent of the arrangements?

3. Does the Bank contribute employee time or other support to these arrangements?

C. What is the extent, if any, of purchases for employees through the Bank's Purchasing Department?

Any comments you may care to make regarding the desirability or undesirability of stores or other buying arrangements operated for the benefit of employees would be appreciated.

Approved unanimously.

In a comment made in connection with approval of the appointment of Mr. Bell as Federal Reserve Agent's Representative at the Helena Branch,

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Governor Balderston said that while he had no question on this particular action, he would like to have Mr. Johnson's views on whether there was evidence that the salary levels at the Federal Reserve Bank of Minneapolis and the Helena Branch continued to be rather low in relation to progressive community wage rates.

Mr. Johnson responded that in his opinion the salary ranges in effect at the Minneapolis Bank were somewhat low, not only for employees but also at the officer level. He said that the Bank followed the practice of including in its community wage surveys a number of commercial banks which perhaps were not among the most progressive institutions in the area in respect to their salary policies. He also pointed out that with representation of those banks on the Reserve Bank's Board of Directors, there was likely to be some influence exerted in the direction of keeping the Reserve Bank salaries in a corresponding range.

Governor Balderston said that he thought this subject was one which it would be advisable for the Board to discuss further with the President of the Minneapolis Reserve Bank or with the Board of Directors, perhaps after the next rate survey that is scheduled for this summer.

Governor Robertson recalled that in previous discussions the Bank had contended that there was not a great deal it could do about the situation because of pressure from the local commercial banks. It was also the contention, he brought out, that the Reserve Bank was able to obtain

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competent personnel at the salary schedule which it maintained. He agreed with Governor Balderston that this was a subject which it would be appropriate to take up again with the management of the Minneapolis Bank whenever an appropriate opportunity presented itself.

There had been sent to the members of the Board copies of a draft of letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, reading as follows:

This is in response to your communication of April 20, 1956 enclosing a facsimile of the enrolled enactment of S. 1188, a bill "To amend section 5240 of the Revised Statutes, as amended, relating to the examination of national banks" and requesting the comments of the Board of Governors thereon for presentation with the report of your Bureau to the President.

In its present form, section 5240 requires the Comptroller of the Currency to examine every national bank at least twice in each calendar year. As amended by S. 1188, section 5240 would permit the Comptroller, in his discretion, to waive one such examination in any two-year period. The bill would also amend the provisions of section 5240 with respect to the fees assessed by the Comptroller to cover the expense of examinations of national banks and banks in the District of Columbia.

In letters to the Senate Banking Committee (April 25, 1955) and the House Banking Committee (February 3, 1956), copies of which are enclosed, the Board of Governors indicated its approval of S. 1188 in its form at those dates. Since the dates of those letters the bill has been amended in only one minor matter, which does not affect the Board's position.

Accordingly, the Board of Governors favors approval of the enrolled bill S. 1188.

Approved unanimously.

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Consideration was given to a memorandum from the Division of Personnel Administration dated March 27, 1956, which had been circulated to the members of the Board, discussing a proposed program for the recruitment of 1956 high school graduates to fill current and anticipated vacancies in stenographic and typing positions. The memorandum recommended:

1. That the Division of Personnel Administration be authorized to make fairly firm commitments for up to 15 stenographers or typists in Classification Group I or K, with the understanding that they will be subject to final approval by Governor Balderston, as now authorized by the Board;
2. That at the time of entrance on duty salaries of these employees, pending definite assignment to a specific vacancy, be absorbed by the Division of Personnel Administration; and
3. That should any school visited prefer tests, etc., being given at the Board's building, lunch be provided for groups of students being tested.

Following a statement by Mr. Johnson concerning the nature and objectives of the recruiting program, the recommendations contained in the memorandum were approved unanimously.

Governor Robertson inquired concerning the status of the proposal that the Federal Reserve Act be amended to permit member banks to count vault cash as part of their required reserves.

Chairman Martin stated that the matter had been presented to the Secretary of the Treasury, following a discussion with the Director

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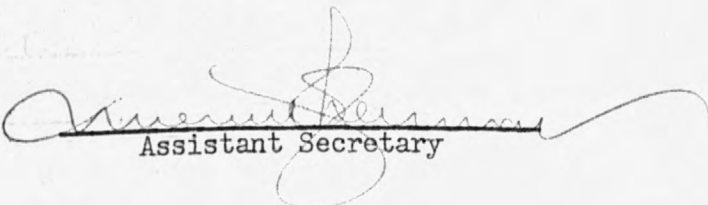
of the Bureau of the Budget, and that the views of the Treasury should be available within a matter of about 10 days.

Governor Robertson commented that the Economic Policy Commission of the American Bankers Association might suggest at its meeting with the Board on May 1, 1956, to discuss the Commission's study of reserve requirements that the vault cash matter be deferred pending formulation of an over-all proposal in regard to reserve requirements.

In discussing this point, Chairman Martin recalled that in talking with Mr. Sherman Adams of the American Bankers Association concerning the request of the Economic Policy Commission for a meeting with the Board, he informed Mr. Adams that the Board had already acted on the vault cash proposal.

The meeting then adjourned.

Secretary's Note: Pursuant to the request contained in a memorandum dated April 20, 1956, from Mr. Marget, Director, Division of International Finance, that Mr. Katz, Economist in that Division, be granted permission to speak on certain phases of the Canadian economy at a conference for corporation executives to be held by the School of Advanced International Studies (Johns Hopkins University) in Washington, D. C., on April 26, 1956, Governor Balderston today granted such permission on behalf of the Board.


Assistant Secretary