

Minutes for July 10, 1957

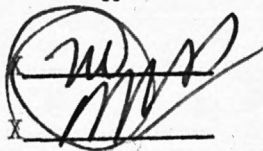

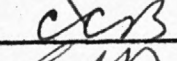
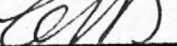
To: Members of the Board

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		_____
Gov. Szymczak	X _____	_____
Gov. Vardaman	X _____	_____
Gov. Mills	X _____	_____
Gov. Robertson	X 	_____
Gov. Balderston	X 	_____
Gov. Shepardson	X 	_____

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, July 10, 1957. 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. Shepardson

Mr. Carpenter, Secretary  
 Mr. Sherman, Assistant Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Thurston, Assistant to the Board  
 Mr. Thomas, Economic Adviser to the Board  
 Mr. Johnson, Controller, and Director, Division of Personnel Administration  
 Mr. Hackley, General Counsel  
 Mr. Masters, Director, Division of Examinations  
 Mr. Sprecher, Assistant Director, Division of Personnel Administration  
 Mr. Solomon, Assistant General Counsel  
 Mr. Hostrup, Assistant Director, Division of Examinations

Testimony regarding the proposed "Financial Institutions Act of 1957". Pursuant to the understanding at the meeting on July 8, 1957, there had been distributed to the members of the Board copies of a revised draft of testimony to be given by Chairman Martin on July 15, 1957, before the House Banking and Currency Committee concerning the proposed "Financial Institutions Act of 1957". As requested at the meeting on July 8, the revised draft emphasized more strongly that the Board was thoroughly in accord with the objectives of the pending legislation and

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believed that enactment of such a codification of the banking laws would be in the public interest. In this connection, the statement would express the hope that the adverse comments on a few provisions of the proposed legislation would not be construed as indicating lack of wholehearted general approval. In other respects, the revised draft was not different in substance from the draft previously considered by the Board.

During a discussion of the proposed statement, Governor Szymczak suggested, in connection with the recommendation for a statutory provision which would make fiscal agency operations of the Federal Reserve Banks specifically subject to supervision and regulation by the Board, that the testimony be expanded to bring out that at present several such operations are by law subject to the Board's supervision and regulation. Agreement was expressed with this suggestion.

There being no other suggestions for changes in the statement, it was agreed unanimously that the testimony would be presented in a final form satisfactory to Chairman Martin.

Letter from Congressman Patman. With a letter addressed to Chairman Martin under date of July 8, 1957, Congressman Patman, a member of the House Banking and Currency Committee, submitted a list of questions concerning the operations of the Federal Reserve System in connection with the forthcoming hearings on the proposed "Financial

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Institutions Act of 1957". In the letter, copies of which had been distributed to the members of the Board, Mr. Patman recognized that the preparation of answers to some of the questions would require a substantial amount of time. He suggested, however, that many of the questions could be covered in testimony at the time of Chairman Martin's appearance before the Committee on July 15.

In discussion, the Board reviewed the nine questions and noted that the drafting of complete answers would in most cases require considerable time and work. In certain instances, the information desired was not available at the Board's offices and would require the compilation of data at the Federal Reserve Banks. It was also noted that much of the desired information was in fact irrelevant from the standpoint of consideration of the proposed Financial Institutions Act.

In this connection, Chairman Martin said he had now received advice that Congressman Patman would like to have him appear at the hearings for as long as five days. It appeared likely that Mr. Patman's questioning would cover a wide area, and for testimony related specifically to the Financial Institutions Act the Committee would like to have Governor Robertson and Mr. Hackley available.

During the discussion, Governor Mills suggested that, in view of the irrelevance of Mr. Patman's questions to consideration of the

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proposed legislation and the amount of work that would be necessary to provide full answers, any immediate responses be brief and limited to information readily available. At the time of the hearings, the impossibility of providing complete answers in the available time could be pointed out. It could also be stated, however, that if Mr. Patman in his judgment considered it necessary to have exhaustive answers to the questions, the Board would undertake to obtain the information, although a substantial amount of time would be required.

There was general agreement that the approach suggested by Governor Mills would be appropriate and question was raised whether it seemed necessary to attempt to present even brief answers to the questions by the date of Chairman Martin's appearance before the Banking and Currency Committee. In favor of having statements available at that time to the extent that information was readily available, it was pointed out that this would provide a better basis for testimony than to rely entirely on verbal comment. Accordingly, it was suggested that concise comments in response to as many of the questions as possible be prepared by the Board's staff within the limitations presented by the time factor and the availability of information, with the understanding that steps would be instituted to compile the remaining data for subsequent transmittal to Mr. Patman if he should so request.

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The suggested procedure was approved unanimously and Mr. Carpenter was requested to coordinate staff work on the preparation of answers to the questions raised by Mr. Patman.

Mr. Thurston then withdrew from the meeting.

Retention in service of certain Federal Reserve Bank employees beyond normal retirement dates. In connection with the pending changes in the Bank Plan of the Retirement System of the Federal Reserve Banks and requests from Federal Reserve Banks to retain certain employees in active service beyond normal retirement dates in order that they might gain the additional benefits to be derived from these changes, question was raised at the meeting of the Board on June 28, 1957, concerning the practice followed generally by the Federal Reserve Banks during recent months with respect to the temporary retention of employees reaching normal retirement age.

To clarify the factual situation, certain information was requested from the Retirement System office. In response to that request, the Secretary of the Retirement System addressed a letter to Mr. Sprecher under date of June 28 listing by Banks the members of the Bank Plan who retired in the period from January 17, 1957, to and including April 1, 1957. Copies of this letter had been sent to the members of the Board along with copies of a memorandum from the Division of Personnel Administration dated July 9, 1957, submitting a list of retirees under the Bank Plan since April 1, 1957.

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It was understood from the Retirement System office that the persons listed in the July 9 memorandum had been given the choice of staying in active service until the effective date of the changes in the Bank Plan but had retired in spite of this opportunity.

Discussion of the subject brought out that the information obtained from the Retirement System office did not answer conclusively the question whether any members of the Bank Plan had retired in recent months without an opportunity to remain in active service, if they so desired, long enough to qualify for the additional benefits that would be available pursuant to the pending changes in the Bank Plan. This information, it was pointed out, would have to be obtained from the respective Federal Reserve Banks in the light of the history of individual cases. Accordingly, it was suggested that the Division of Personnel Administration proceed to obtain such information from the Reserve Banks.

There was unanimous agreement with this suggestion.

The members of the staff withdrew from the meeting at this point and the Board went into executive session.

Paperwork management survey (Item No. 1). In a memorandum dated July 8, 1957, copies of which had been distributed to the other members of the Board at his request, Governor Shepardson discussed the possibility of retaining the firm of Lester B. Knight & Associates, Inc., Chicago, Illinois (with offices in New York and Washington) to conduct a survey of the Board's paperwork. A proposal to make such a

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survey was contained in a letter addressed to Governor Shepardson under date of June 25, 1957, by Mr. Harry H. Fite, Vice President and Washington Representative of the Knight firm, which outlined the scope of the work to be performed, the operating approach to be followed, and the estimated cost of such a study. With regard to cost, the letter estimated that a study of the kind proposed would involve 60 to 65 man days of work by senior personnel, including liberal participation by an officer of the firm, over a period of eight to ten weeks, so that the charges for staff time at the firm's normal commercial billing rate were estimated at from \$9,300 to \$10,250. The firm would also expect reimbursement of actual out-of-pocket expenses for items such as travel and local transportation, telephone and postage, extraordinary stenographic and clerical assistance, etc. However, if the Board were to furnish working space and normal clerical assistance, it was felt that \$500 would be a liberal estimate for this expense.

In submitting the letter as a basis for discussion, Governor Shepardson expressed the view in his memorandum that a survey of paperwork of the Board's organization by an outside consultant would be worth while. He felt, however, that such a survey should deal only with the origin and handling of paperwork necessary to the carrying on of present functions and should not be concerned with whether or not the Board should be performing various functions. Also, while he believed that the general limits of the survey should be defined



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at the outset, it appeared that there should be enough flexibility to permit extension of specific fields of inquiry if, in the judgment of the Board, that seemed desirable as the work progressed.

The memorandum expressed the feeling that such a survey should not include calls to or contacts with the Federal Reserve Banks by the consulting firm.

Following the executive session, the Secretary was informed by Governor Shepardson that the proposal contained in his memorandum that the survey be made had been approved unanimously by the Board. A copy of the letter sent to Lester B. Knight & Associates, Inc., pursuant to this action is attached to these minutes as Item No. 1.

The meeting then adjourned.

Secretary's Notes: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson approved on behalf of the Board on July 8, 1957, the following items affecting the Board's staff:

#### Appointment

Barbara E. Schriver as Clerk in the Division of Research and Statistics, with basic salary at the rate of \$3,415 per annum, effective the date she assumes her duties.

#### Salary increase

Increase in the basic annual salary of Philip D. Faber, Supply Clerk in the Division of Administrative Services, from \$3,555 to \$3,640, effective July 14, 1957.

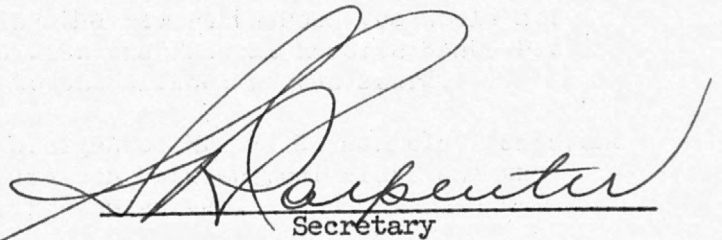
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On July 9, 1957, Governor Shepardson approved on behalf of the Board a letter to the Federal Reserve Bank of Chicago approving the designation of James M. Currie as special assistant examiner. A copy of the letter is attached hereto as Item No. 2.

Governor Shepardson today approved on behalf of the Board the following letters, copies of which are attached hereto under the respective item numbers indicated:

	<u>Item No.</u>
Letter to the Federal Reserve Bank of Cleveland approving the appointment of James P. Kilkenny as assistant examiner.	3
Letter to the Federal Reserve Bank of San Francisco approving the designation of certain named individuals as special assistant examiners for the purpose of participating in examinations of State member banks.	4

  
Secretary

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BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 1  
7/10/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 10, 1957



Mr. Harry H. Fite, Vice President  
and Washington Representative,  
Lester B. Knight & Associates, Inc.,  
917 - 15th Street, N. W.  
Washington, D. C.

Dear Mr. Fite:

Confirming Governor Shepardson's conversation with you this afternoon, this letter is to inform you that the Board has accepted the proposal contained in your letter of June 25, 1957 for a study of the office systems and procedures and paperwork management practices of the Board's organization. This proposal was accepted as presented in your letter with the understanding that in making the survey of the Board's organization and preparing the report thereon you would not call upon or communicate with the Federal Reserve Banks but would limit your survey to the offices of the Board.

The Board has designated Mr. M. B. Daniels, Assistant Controller, to serve as liaison between your staff and the Board's organization during the survey.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.

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BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 2  
7/10/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 9, 1957

Mr. W. R. Diercks, Vice President,  
Federal Reserve Bank of Chicago,  
Chicago 90, Illinois.

Dear Mr. Diercks:

In accordance with the request contained in your letter of July 3, 1957, the Board approves the designation of James M. Currie as a special assistant examiner for the Federal Reserve Bank of Chicago.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 3  
7/10/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 10, 1957



Mr. Paul C. Stetzelberger, Vice President,  
Federal Reserve Bank of Cleveland,  
Cleveland 1, Ohio.

Dear Mr. Stetzelberger:

In accordance with the request contained in your letter of July 5, 1957, the Board approves the appointment of James P. Kilkenny as an assistant examiner for the Federal Reserve Bank of Cleveland. Please advise as to the date on which the appointment is made effective.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 4  
7/10/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 10, 1957



Mr. R. H. Morrill, Vice President,  
Federal Reserve Bank of San Francisco,  
San Francisco, California.

Dear Mr. Morrill:

In accordance with the request contained in your letter of June 28, as supplemented by your telegram of July 8, 1957, the Board approves the designation of the following named individuals as special assistant examiners for the Federal Reserve Bank of San Francisco for the purpose of participating in examinations of State member banks only:

E. E. Bernstein	C. F. Lind	J. M. Davis
E. S. Bishop	E. M. Lund	C. P. Ellsworth, Jr.
W. Bobzien	D. V. Masten	H. A. Erne
D. S. Booth	D. B. Meeker	R. E. Heydenreich
G. A. Bruce	H. O. Miegel	E. J. Hickman
M. J. Buckley, Jr.	W. E. O'Donnell, Jr.	G. R. Kelly
A. S. Carella	E. M. Raplee	W. M. Konzen
W. A. Craig	L. E. Reilly	O. P. Larson
W. B. DeVries	R. Retallick	J. S. Leisinger
A. W. Dorny	J. M. Roach	A. B. McCarthy
T. A. Flowers	J. D. Staricco	H. C. McClung
R. F. Gee	G. Virta	J. H. McConnell
J. H. Gilmour	J. E. Walsh	E. V. Miller
C. Habel	J. B. Williams	W. H. Moss
H. J. Hallmeyer	L. Willour	R. E. Newton
E. F. Helfrich	L. W. Zidek	H. C. Oakley
W. H. Hutchins	D. Anderton	T. C. Payne
L. C. Jensen	D. Barsch	L. J. Piano
J. J. Kunz, Jr.	C. L. Blackburn	R. M. Podesta
R. G. Lambert	J. E. Blevins	O. R. Poole
W. G. Landell	S. L. Brown	G. R. Sherman
L. Lenz	E. Castanares	A. R. Szevery
W. H. Lewis	C. O. Clark	W. W. Taylor, Jr.

Mr. R. H. Morrill

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P. N. Truelson	E. V. Risberg	R. D. Jones
E. L. Boyer	D. L. Stone	W. A. Kind
E. H. Brueckner	M. M. Cannon	L. L. Lee
D. C. Carlson	M. J. Coulam	J. G. Lynch
J. F. Danaher	G. C. Harwood	R. W. McGee
H. L. Edwards	M. D. Martin	H. W. Pennington
J. E. Farrell	R. E. Meyer	D. L. Staley
R. P. Foster	H. J. Rogers	J. M. Start
J. E. Frandsen	A. E. Stephens	G. F. Turman, Jr.
D. H. Goetz	A. J. Berg	R. G. Woodman
A. T. Goodwin	H. P. Franzel, Jr.	H. L. Young
E. T. Opdenweyer	J. E. Gross	

The Board also approves the designation of the following as special assistant examiners for the Federal Reserve Bank of San Francisco for the purpose of participating in examinations of State member banks except the bank listed immediately above their names:

American Trust Company, San Francisco, California

A. G. Conte	E. E. Livingston	R. Maurer, Jr.
D. B. Drinkall	R. P. Luthy	A. Pascual

Tracy-Collins Trust Company, Salt Lake City, Utah

L. C. Grundvig

The Continental Bank and Trust Company, Salt Lake City, Utah

D. W. Sheets

Authorizations heretofore given your Bank to designate these individuals as special assistant examiners are hereby cancelled.

Appropriate notations have been made in our record of the names to be deleted from the list of special assistant examiners.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.