

Minutes for November 5, 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	x <u>M</u>	_____
Gov. Szymczak	x <u>[Signature]</u>	_____
Gov. Vardaman	x <u>[Signature]</u>	_____
Gov. Mills	x <u>[Signature]</u>	_____
Gov. Robertson	x <u>R</u>	_____
Gov. Balderston	x <u>CCB</u>	_____
Gov. Shepardson	x <u>[Signature]</u>	_____

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, November 5, 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. Fauver, Assistant Secretary
 Mr. Thurston, Assistant to the Board
 Mr. Thomas, Economic Adviser to the Board
 Mr. Young, Director, Division of Research and Statistics
 Mr. Masters, Director, Division of Examinations
 Mr. Cherry, Legislative Counsel
 Mr. Solomon, Assistant General Counsel
 Mr. Hostrup, Assistant Director, Division of Examinations
 Mr. Thompson, Supervisory Review Examiner, Division of Examinations

Items circulated to the Board. The following items, which had been circulated to the members of the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

	<u>Item No.</u>
Letter to the Federal Reserve Bank of Philadelphia approving an adjustment in the Bank's salary structure for officers.	1
Letter to Union Bank & Trust Co. of Los Angeles, Los Angeles, California, approving the establishment of a branch in temporary quarters at Rexford Drive and Wilshire Boulevard, Beverly Hills, California, until permanent branch quarters at the location previously approved by the Board are completed. (For transmittal through the Federal Reserve Bank of San Francisco)	2

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Application of Baystate Corporation. Pursuant to the understanding reached at the meeting of the Board yesterday following discussion of the application of Baystate Corporation, Boston, Massachusetts, for approval of the acquisition of up to 60 per cent of the voting stock of Union Trust Company of Springfield, Springfield, Massachusetts, a vote was taken at this time on the application.

The vote resulted in the application being approved, Messrs. Martin, Balderston, Vardaman, and Mills voting for approval and Messrs. Szymczak, Robertson, and Shepardson voting against approval. Governor Robertson indicated that he wished to place on record a statement supporting his dissent. This action on the application contemplated that appropriate documents implementing the decision would be prepared by the staff for the Board's consideration.

Letter to Congressman Multer regarding reserve requirements (Item No. 3). Pursuant to the understanding at the meeting of the Board yesterday, there had been distributed to the members of the Board a revised draft of letter to Congressman Multer in response to his letter of October 24, 1957, urging the Board to equalize reserve requirements of member banks in central reserve and reserve cities.

Following a brief discussion, unanimous approval was given to a letter to Congressman Multer in the form attached as Item No. 3.

Request for report on S. 2824. There had been distributed to the members of the Board a draft of letter to Senator Fulbright, Chairman

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of the Committee on Banking and Currency, in response to the request contained in his communication of August 22, 1957, for a report on S. 2824, a bill which would amend the Employment Act of 1946 to make the stabilization of the cost of living one of the explicit and primary aims of Federal economic policy.

The Secretary reported that the Secretary of the Federal Advisory Council had advised in a letter dated November 1, 1957, that a member of the Council had suggested including a discussion of this bill as one of the agenda items for the joint meeting of the Board and the Federal Advisory Council on November 19, 1957.

When Mr. Cherry stated, in response to a question by Chairman Martin, that it would not be necessary to transmit a reply to Senator Fulbright's letter until the beginning of the next session of Congress in January 1958, the Chairman suggested that consideration of the proposed reply be deferred until after the meeting of the Board with the Federal Advisory Council.

There was unanimous agreement with this suggestion.

Application of Northwest Bancorporation (Items 4, 5 and 6).

Pursuant to the discussion at yesterday's meeting of the Board, there had been distributed to the members of the Board copies of a memorandum from Messrs. Thurston and Solomon dated November 4, 1957, with further reference to the application of Northwest Bancorporation for approval of the acquisition of stock of the proposed Northwestern State Bank, Rochester Minnesota. The memorandum set forth the manner in which it

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was proposed that the positions of the individual members of the Board would appear at the end of the Statement issued in connection with the decision on this application. The memorandum also presented a draft of possible press statement to which copies of the Statement and Order would be attached.

With reference to the policy to be followed by the Board in cases involving the denial of applications under the Bank Holding Company Act, the Secretary commented that if the Board were to adopt a policy of publishing the statement containing its reasons for denial, which in some cases might involve questions such as unsatisfactory management or inadequate capital, this might reflect unfavorably on the applicant. He suggested that everything essential from the standpoint of due process and adequate publicity could be accomplished if the order were published and a statement of reasons for disapproval sent to the applicant. In this connection, he pointed out that the Board makes decisions continually in other fields of bank supervision, and that in such cases no publicity is given by the Board to its decision despite the fact that the effect of the decision from the standpoint of the public interest often would appear to be greater than the effect of some decisions under the Bank Holding Company Act. It was his thought, therefore, that a policy of full disclosure might create difficulties that could be avoided if only the order was made public.

Mr. Thurston said that he could envisage the possibility of some cases arising which would have to be treated a little differently

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from a procedural standpoint than contemplated in connection with the application of Northwest Bancorporation, and he expressed the view that the Board should not state publicly anything which would be harmful to an applicant. However, he felt that such cases would be rare exceptions. In general, he favored the principle of full disclosure and therefore he would be inclined to go ahead on the basis of the proposal contained in the distributed memorandum, recognizing that there might be cases where caution would be indicated in the choice of language.

Chairman Martin noted that care in the use of language might tend in itself to defeat the principle of full disclosure. He thought that the Board should recognize clearly what was involved in following that principle, and if such a policy were followed he would be somewhat inclined to favor setting forth the facts clearly in each case.

In further discussion, Governor Balderston inquired whether there were known to be any bank holding companies whose management situation was such that it might cause the Board to deny an application under the Bank Holding Company Act. When no affirmative response was made, he observed that new companies might of course be formed. It was also pointed out that the management of existing bank holding companies could change at any time.

Governor Robertson pointed out that parties other than the applicant might be interested in a decision to deny an application. For example, parties interested in establishing a bank in the Rochester area might feel that they were precluded from so doing if they did not

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know why the application of Northwest Bancorporation had been denied. In such circumstances, they might postpone taking action for a period of time during which the need for a bank would become more urgent and Northwest Bancorporation might renew its application.

With regard to the setting forth of votes in the Board's Statement, agreement was expressed with the method proposed, and the language used, in the memorandum from Messrs. Thurston and Solomon.

Consideration then was given to the question of timing the issuance of the press statement and advising the applicant. After some discussion of this point, it was agreed that the Statement and Order should be given to the applicant simultaneously with release of the press statement.

Secretary's Note: Copies of the Statement and Order and the press statement issued by the Board pursuant to the action which had been taken on the application and the procedural understandings which were reached are attached hereto as Items 4, 5, and 6, respectively. As contemplated by the Board's action, the Order was sent to the Federal Register for publication and copies of the Statement and Order were sent to the applicant and other appropriate parties.

All of the members of the staff except Messrs. Carpenter, Fauver, and Young then withdrew from the meeting.

Appointment of Chairmen, Deputy Chairmen, and directors at Federal Reserve Banks and branches. As agreed on September 16, the Board then moved to the consideration of the appointment of directors of the Federal Reserve Banks and branches for terms beginning January 1,

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1958, and of the designation of Chairmen and Federal Reserve Agents and the appointment of Deputy Chairmen for the coming year. Prior to the meeting of the Board memoranda had been distributed by Mr. Fauver dated May 28, September 13, October 29, and October 31 to serve as background for the Board's discussion.

The Chairman suggested that consideration at this meeting be limited to the memorandum of October 31 which provided a list of directors whose terms expire at the end of 1957 and who are eligible for reappointment under the Board's current policy relating to the length of service of directors. After a discussion the following persons were reappointed by unanimous vote as Class C directors of the respective Federal Reserve Banks indicated, each for a term of three years beginning January 1, 1958:

<u>Name</u>	<u>Bank</u>
Robert C. Sprague	Boston
Forrest F. Hill	New York
Frank J. Welch	Cleveland
D. W. Colvard	Richmond
Henry G. Chalkley, Jr.	Atlanta
Bert R. Prall	Chicago
O. B. Jesness	Minneapolis
Joe W. Seacrest	Kansas City
Robert J. Smith	Dallas
Philip I. Welk	San Francisco

The following persons were reappointed by unanimous vote as directors of the respective Federal Reserve Bank branches indicated, each for a term of three years beginning January 1, 1958:

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<u>Name</u>	<u>Branch</u>
W. Bay Irvine	Cincinnati
John C. Warner	Pittsburgh
Clarence R. Zarfoss	Baltimore
J. Wayne Reitz	Jacksonville
John A. Hannah	Detroit
Philip Davidson	Louisville
A. E. Hohenberg	Memphis
John C. Flanagan	Houston
Alex R. Thomas	San Antonio

The following persons were reappointed by unanimous vote as directors of the Federal Reserve Bank branches indicated, each for a term of two years beginning January 1, 1958:

<u>Name</u>	<u>Branch</u>
Aksel Nielsen	Denver
Davis D. Bovaird	Oklahoma City
James L. Paxton, Jr.	Omaha
Robert J. Cannon	Los Angeles
Warren W. Braley	Portland
Joseph Rosenblatt	Salt Lake City

The following persons were designated as Chairmen and Federal Reserve Agents at the Federal Reserve Banks indicated for the year 1958 and the compensation of each as Chairman and Federal Reserve Agent was fixed on the uniform basis for the same position at all Federal Reserve Banks, i.e., the same amount as the aggregate of the fees payable during the same period to any other director for attendance corresponding to his at meetings of the board of directors, executive committee, and other committees of the board of directors:

<u>Name</u>	<u>Bank</u>
Robert C. Sprague	Boston
John E. Bierwirth	New York

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<u>Name</u>	<u>Bank</u>
Henderson Supplee, Jr.	Philadelphia
Arthur B. Van Buskirk	Cleveland
John B. Woodward, Jr.	Richmond
Walter M. Mitchell	Atlanta
Bert R. Prall	Chicago
Pierre B. McBride	St. Louis
Leslie N. Perrin	Minneapolis
Raymond W. Hall	Kansas City
Robert J. Smith	Dallas
A. H. Brawner	San Francisco

The following persons were appointed as Deputy Chairmen of the Federal Reserve Banks indicated for the year 1958:

<u>Name</u>	<u>Bank</u>
James R. Killian, Jr.	Boston
Forrest F. Hill	New York
Joseph H. Thompson	Cleveland
Alonzo G. Decker, Jr.	Richmond
Harllee Branch, Jr.	Atlanta
J. Stuart Russell	Chicago
O. B. Jesness	Minneapolis
Joe W. Seacrest	Kansas City
Hal Bogle	Dallas
Y. Frank Freeman	San Francisco

The foregoing actions were taken with the understanding that in each case the appointment was made subject to a check by Chairman Martin with the Chairman of the Federal Reserve Bank concerned and that announcement of the appointments would not be made by the Board until such time as the check had been completed. It was also understood that the Chairman would consult with Chairman Bierwirth of the Federal Reserve Bank of New York regarding the likelihood that the Board would not be disposed to appoint Mr. Forrest F. Hill as a successor to Mr. Bierwirth although they were at this time continuing his appointment as Deputy Chairman,

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there being some question raised concerning the desirability of Reserve Bank director affiliations with major foundations such as the Ford Foundation with which Mr. Hill became associated after he was appointed a Class C director.

With respect to those positions for which the incumbent directors were ineligible for reappointment, it was understood that Mr. Fauver would continue to supply the Board with biographical information about those persons suggested as possible replacements.

At this point Messrs. Carpenter, Fauver, and Young withdrew from the meeting.

Management and system survey (Items 7 and 8). Following the meeting Governor Shepardson informed the Secretary that on Friday of last week he distributed under confidential cover to the members of the Board two memoranda dated November 1, 1957, and entitled "Management and System Survey" and "Lester B. Knight & Associates' Proposal for Implementation of Survey Recommendation." These two memoranda are attached to these minutes as Items 7 and 8. Governor Shepardson advised that during the executive session today the Board approved unanimously the recommendations contained in the first memorandum except for paragraphs IIB1 and 2 and with the addition of the words "acceptance and" to the full sentence in paragraph IIIC so that the recommendation will read: "I recommend that all other recommendations be referred to the appropriate Divisions for study and recommendation as to acceptance and methods of implementation."

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The Board also approved the recommendations contained in the memorandum relating to the implementation of survey recommendation, it being understood that Governor Shepardson would work out with Lester B. Knight & Associates and submit to the Board an arrangement for carrying out the recommendation that the training course in work simplification for selected members of the Board's staff be set up on a shorter basis, possibly seven or eight days, with provision for extension if interest and results seem to warrant it.

The meeting then adjourned.

Secretary's Notes: Governor Shepardson today approved on behalf of the Board a letter to the Federal Reserve Bank of New York approving the appointment of Paul C. Zorn as examiner and Morton B. Erenstein and James J. Stahl as assistant examiners. A copy of the letter is attached hereto as Item No. 9.

Pursuant to the recommendation contained in a memorandum dated November 1, 1957, from Mr. Johnson, Director, Division of Personnel Administration, Governor Shepardson today approved on behalf of the Board acceptance of the resignation of Elvira Ann Peterson, Substitute Nurse, effective November 4, 1957.


Secretary

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

Item No. 1
11/5/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 5, 1957

Mr. William J. Meinel, Chairman,
Federal Reserve Bank of Philadelphia,
Philadelphia 1, Pennsylvania.

Dear Mr. Meinel:

The Board of Governors has approved, effective January 1, 1958, the adjustments proposed by you in the minimums and maximums of the salary structure of the Officers' Salary Administration Plan of the Federal Reserve Bank of Philadelphia, as follows:

<u>Group</u>	<u>Minimum</u>	<u>Maximum</u>
A	\$16,000	\$22,500
B	13,000	19,000
C	10,500	15,500
D	9,000	13,000

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

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

Item No. 2
11/5/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 5, 1957



Board of Directors,
Union Bank & Trust Co. of Los Angeles,
Los Angeles, California.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors approves the establishment by Union Bank & Trust Co. of Los Angeles, Los Angeles, California, of a branch in temporary quarters at Rexford Drive and Wilshire Boulevard, Beverly Hills, California, provided the branch operations at this location will be discontinued simultaneously with the opening of the branch on the south side of Wilshire Boulevard between El Camino and Beverly Drive, Beverly Hills, California, as approved by the Board on September 27, 1957.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 3
11/5/57

OFFICE OF THE CHAIRMAN

November 5, 1957



The Honorable Abraham J. Multer,
House of Representatives,
Washington 25, D. C.

Dear Mr. Multer:

This letter is in response to yours of October 24, 1957, urging the Board to equalize reserve requirements of banks in central reserve and reserve cities.

As you state, the function of the Federal Reserve is to assure a money supply adequate to the needs of the economy, and the aim of System policy is always to do that in a manner that is as equitable as possible and is permitted by law with respect to individual banks and the various sectors of the economy.

At the present time there are two parts to this problem, (1) the formulation of appropriate credit policies through the use of instruments provided by existing law, and (2) possible changes in the law. With respect to the first part of the problem, we want to assure you that all of the factors which enter into the consideration of changes in monetary and credit policy, including those set forth in your letter, are being watched closely by the Board and the Federal Open Market Committee. This does not mean to say what the last paragraph of your letter stated you do not want, namely, that we are studying the matter; rather, it is to say that the Board constantly keeps in touch with economic and financial developments and endeavors to adjust current credit policies in accordance with changing circumstances.

The second part of the problem particularly with respect to changes in the law relating to reserve requirements, is a matter concerning which there have been a number of suggestions. The proposed changes involve several difficult questions. One of these is whether, from the standpoint of equity, it would be appropriate to release reserves by reducing reserve requirements of central reserve city banks to the level of reserve city banks without at the same time changing the law so as to permit the removal of other inequities in the present system of reserve requirements such as the exclusion of vault cash from reserves.

Sincerely yours,

Wm. McC. Martin, Jr.

Item No. 4
11/5/57

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

In the Matter of

the Application of
NORTHWEST BANCORPORATION
for Approval of Acquisition
of Voting Shares of proposed
NORTHWESTERN STATE BANK,
ROCHESTER, MINNESOTA.

STATEMENT AND ORDER

This matter comes before the Board on the application of Northwest Bancorporation, Minneapolis, Minnesota, dated March 29, 1957, filed pursuant to the provisions of section 3(a)(2) of the Bank Holding Company Act of 1956, for prior approval of the acquisition by it of direct ownership of 1,450 shares of a total of 1,500 voting shares of the Northwestern State Bank, Rochester, Minnesota, a proposed new institution.

After full consideration of the facts in this case, as set forth in the application and as outlined herein, the Board has concluded that the features favorable to the proposed acquisition are outweighed by those which appear unfavorable, and that consequently the application should be denied.

Factual Background

The applicant, Northwest Bancorporation, is a bank holding company located in Minneapolis, Minnesota. On December 31, 1956, it controlled 45 subsidiary banks in Minnesota with aggregate deposits

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of \$980 million, and 30 subsidiary banks, with aggregate deposits of \$669 million, in the States of Iowa (4 banks), Montana (7 banks), Nebraska (5 banks), North Dakota (9 banks), South Dakota (4 banks) and Wisconsin (1 bank).

The city of Rochester, Minnesota, has a population of about 35,000 and is presently served by three banks: the First National Bank, the Northwestern National Bank, and the Olmsted County Bank and Trust Company. On December 31, 1956, the First National Bank had deposits of \$17,876,000, Northwestern National Bank had deposits of \$14,388,000, and Olmsted County Bank and Trust Company had deposits of \$15,042,000. First National Bank is a subsidiary of First Bank Stock Corporation of Minneapolis (a bank holding company), Northwestern National Bank is a subsidiary of the applicant bank holding company, and Olmsted County Bank and Trust Company is not a subsidiary of a bank holding company.

The proposed site of the new bank is approximately 1-1/4 miles from the business center of Rochester, where the three existing banks are situated. The new bank would be located within the principal area of growth in and adjacent to the city, in which area there has been and evidently will be further considerable expansion in industry, commerce, and housing.

As indicated by the foregoing, at the present time two of the three banks in Rochester are subsidiaries of bank holding companies

and those two banks hold about two-thirds of the deposits of the banks in that city. If the applicant acquired control of the stock of the proposed Northwestern State Bank, as it desires to do, three of the four banks in Rochester would be subsidiaries of bank holding companies, the applicant would control two of those four banks, and the applicant presumably would be in a strong position to increase its relative proportion of the banking business of the community.

Statutory Provision

Section 3(c) of the Bank Holding Company Act (12 U.S.C. 1842(c)) provides:

"In determining whether or not to approve any acquisition . . . under this section, the Board shall take into consideration the following factors: (1) the financial history and condition of the company or companies and the banks concerned; (2) their prospects; (3) the character of their management; (4) the convenience, needs, and welfare of the communities and the area concerned; and (5) whether or not the effect of such acquisition . . . would be to expand the size or extent of the bank holding company system involved beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking."

Discussion

There obviously can be no precise formula to describe the relative weight or significance to be accorded the facts under each of the five factors in section 3(c). Moreover, each of those factors will often involve a variety of considerations which may have widely differing strength in different situations. Of necessity, each case must be determined on the basis of a careful judgment in the light

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of all the relevant circumstances. The legislative history of the Act makes it clear, however, that Congress attached special importance to the fourth factor dealing with "convenience, needs, and welfare" and the fifth factor bearing on the "size or extent" of a bank holding company system and the relationship thereof to adequate, sound, and competitive banking and the public interest.

In the present case, the information relevant to the first three factors in section 3(c) appears to be generally favorable to the application.

On the other hand, the facts relevant to the fourth and fifth factors are partially favorable and partially unfavorable to the application.

Any consideration of facts relevant to the fourth factor -- "the convenience, needs, and welfare of the communities and the area concerned" -- necessarily raises difficult questions of degree. In the present case it appears that a bank established in approximately the location of the proposed bank probably would not lead to an over-banked situation and probably would serve a useful purpose. However, presently existing "needs" do not appear to be of a high order of intensity, and the "convenience" and "welfare" of the community and area do not appear to be heavily dependent on the early establishment of a bank at about the proposed location. Furthermore, even if facts relating to "convenience, needs, and welfare" in a particular case were strongly favorable to the establishment of a proposed new bank, they would not necessarily be equally favorable to a bank holding

company's acquisition of stock of the new bank. The two actions are related but they are not the same; and the acquisition of stock is the action for which the Board's prior approval is sought under the Bank Holding Company Act.

Bank holding companies often have the available resources, and therefore the ability, to act more quickly than a group of individuals in endeavoring to establish a new bank in an area which gives promise of supporting a successful banking operation. Such early establishment of a bank, and the acquisition of its stock by a bank holding company, may benefit the community in some respects. On the other hand, such an entry into an area by a bank holding company bank may, in some circumstances, "expand the size or extent" of the bank holding company system in such a manner or to such a degree as to have a strong tendency to preclude later entry by a bank which is not controlled by a bank holding company. It is apparent that in such a situation control of a bank by a bank holding company would run counter to the considerations stated in the fifth factor and should not be approved unless there are considerations favorable to the application that are sufficient to offset such adverse circumstances.

In the judgment of the Board such an adverse situation exists in the present case and outweighs the favorable features of the proposed acquisition of stock. Accordingly, the Board concludes that the application should be denied, and it so orders.

Voting for this action: Vice Chairman Balderston
and Governors Szymczak, Robertson, and Shepardson;
voting against this action: Governors Vardaman
and Mills; absent and not voting: Chairman Martin.

UNITED STATES OF AMERICA

Item No. 5

11/5/57

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

In the Matter of

the Application of
NORTHWEST BANCORPORATION
for Approval of Acquisition
of Voting Shares of proposed
NORTHWESTERN STATE BANK,
ROCHESTER, MINNESOTA

ORDER

There having come before the Board the application of Northwest Bancorporation, Minneapolis, Minnesota, dated March 29, 1957, under section 3(a)(2) of the Bank Holding Company Act of 1956, for prior approval of the acquisition by it of direct ownership of 1,450 voting shares of a total of 1,500 voting shares of Northwestern State Bank, Rochester, Minnesota, a proposed new institution, and it appearing, after due consideration thereof pursuant to the requirements of the Bank Holding Company Act of 1956, that such application should be denied,

IT IS ORDERED,

That the application of Northwest Bancorporation, Minneapolis, Minnesota, under section 3(a)(2) of the Bank Holding Company Act of 1956, for the Board's prior approval of the acquisition by Northwest Bancorporation of direct ownership of 1,450 voting shares of a total of 1,500 voting shares of Northwestern State Bank, Rochester, Minnesota, a proposed new institution, shall be, and the same hereby is, denied.

This 5th day of November 1957.

By order of the Board of Governors.

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

(SEAL)
Washington, D.C.
November 5, 1957.

Item No. 6
11/5/57

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For immediate release

November 6, 1957

Attached are copies of a Statement and Order issued by the Board of Governors of the Federal Reserve System in the matter of the application, under section 3 of the Bank Holding Company Act of 1956, of Northwest Bancorporation, Minneapolis, Minnesota, with respect to voting shares of the proposed Northwestern State Bank, Rochester, Minnesota.

Attachments

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date November 1, 1957

To Members of the Board
From Governor Shepardson

Subject: Management and System Survey

This survey presents a penetrating and constructive analysis of the organization and methods of operation of the Board's staff. Some of the suggestions have obvious merit and can be implemented promptly, some are complete in themselves while others are given as typical of changes that might be made in operating procedures in several areas of the Board's work, some have merit in principle but will need adaptation to fit limitations of personnel, space or other factors, and some are not in accord with current Board policy.

With these thoughts in mind, I submit the following recommendations on broad categories of suggestions rather than on an item-by-item basis.

I. Organization

A. While the appointment of an Executive Director, with the proposed authority and responsibility, would relieve the Board Member charged with supervision of internal operations of a big load, I think it would be an unwise move for several reasons: (1) It would tend to create a barrier between heads of Divisions and the Board; (2) It would result in a downgrading of certain Divisions with attendant demoralizing effects on personnel concerned; (3) It would delegate more authority than would be appropriate, particularly in the appointment and dismissal of members of the official staff. I do not recommend this change.

B. The recommendation for an Organization and Systems Planning Officer has merit and is recommended in principle. It would appear, however, that the size of the Board's staff and operations would not warrant a separate officer for this purpose, and that duties proposed for such an officer are an appropriate responsibility of the Controller's office. I agree with the recommendation for a budget officer and the improvement of the budget process as suggested. I doubt however if this would be a full-time job. I, therefore, recommend that the Office of Controller be made a full-time assignment and that either the Controller or Assistant Controller be assigned the duties of Budget and Planning Officer.

To: Members of the Board

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C. I further recommend that:

1. The objectives of the proposed reorganization of the Office of the Secretary and the Divisions of Bank Operations, Examinations, Administrative Services, and Personnel be approved in principle but that implementation be made a matter for study and recommendation by the Divisions concerned.
2. The question of administrative officers of the several Divisions be considered on an individual Division basis since there is not equal need for such officers in all Divisions.
3. The stenographic section be transferred from Administrative Services to the Office of the Secretary.

II. Approval of Bank Applications (Chapter II)

A. I recommend that recommendations on preparation, processing, and review of material for Board action be approved in principle and referred to the Division for study and implementation.

B. In the matter of Board approvals, I recommend that:

1. Such noncontroversial matters as (a) extension of time to establish a branch, (b) proximate relocation of a branch, or (c) increased investment in banking premises be referred to one Board Member for approval and entry in the Minutes unless in his judgment a particular case should be called to the attention of the Board.
2. All applications affecting banking structure continue to be circulated to the whole Board but that the routing slip be changed so that each Board Member would indicate either approval or desire for Board discussion. If all members present, including at least a quorum, indicate approval, the Secretary would be authorized to enter the action in the Minutes of the day that circulation is completed. However, if any Member indicated desire for Board discussion, the matter would be placed on the agenda for a Board meeting.

To: Members of the Board

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III. Procedures and Management

A. Quality Control (Item 9, Chapter III)

I recommend that:

1. Actual quality standards not be reduced.
2. Careful analysis be made of the quality of raw data received to the end that efforts toward complete accuracy in work done at the Board not be nullified by errors inherent in the raw data which cannot be discovered.

B. Budget Management (Chapter VII)

I recommend that:

1. The budget be improved as suggested to formulate a better work program.
2. Administrative accounts records be discontinued in the Divisions and that the Controller's office maintain adequate records to provide Divisions with needed information for budget administration.
3. Division allotments not be discontinued but that the Controller and Division of Administrative Services make a study of budget items that might more appropriately be carried as Board rather than Division items.
4. Representation allowances not be provided but that Division heads be authorized to sign luncheon tickets for official guests and that the Controller be required to submit monthly reports of such guests to the Board Member in charge of internal affairs if that be deemed desirable.

C. All other recommendations

I recommend that all other recommendations be referred to the appropriate Divisions for study and recommendation as to methods of implementation.

- #### IV. I recommend that the Controller be given responsibility for expediting the implementation of these recommendations and of coordinating the studies of suggestions involving two or more Divisions.

(Signed) Charles N. Shepardson

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 8
11/5/57

Date November 1, 1957

Office Correspondence

To Members of the Board
From Governor Shepardson

Subject: Lester B. Knight & Associates'
Proposal for Implementation of
Survey Recommendation

The attached copy of Mr. Fite's letter of October 16, 1957 sets forth three suggestions for further services which his organization might render:

1. A training course in work simplification for selected members of the Board's staff.
2. On-the-job supervision and implementation of recommended changes in messenger and mail activities.
3. Assistance in organizing an Organization and Systems Planning Office, and recruiting certain officer personnel.

There would seem to be a real advantage in the first suggestion. From the interest manifested by the staff, I believe they would be stimulated and assisted in this study and implementation of recommendations for changes in operations and procedures. I recommend, however, that the training program be set up on a shorter basis, possibly seven or eight days, with provision for extension if interest and results seem to warrant it.

I recommend that we not accept the second proposal because I believe that our own staff can implement the desirable portions of the mail and messenger recommendation.

I recommend that we not use Mr. Fite's services in recruiting officer personnel unless it is the Board's decision that we should look outside our own staff for needed personnel.

If these recommendations are approved, it should be with the understanding that the estimates for Mr. Fite's services would be adjusted accordingly.

In this connection, I am prepared and would like to submit my recommendations for filling pending vacancies in our staff.

(Signed) Charles N. Shepardson

Member • Association of Consulting Management Engineers, Inc.

LESTER B. KNIGHT & ASSOCIATES, INC.

549 West Randolph Street, Chicago 6, Illinois • Telephone ANdoyer 3-3800

October 16, 1957

Cable: Knighteng Chicago

Please reply to
917 15th Street, N.W.
Washington 5, D. C.
Tel. Republic 7-7939

Governor Charles N. Shepardson
Board of Governors of the Federal Reserve System
Washington 25, D. C.

Dear Governor Shepardson:

Pursuant to our recent conversation, we are writing this letter to suggest a program for the implementation of our recent Management and Procedures Survey of the Office of the Board of Governors of the Federal Reserve System. As we discussed, the high degree of receptivity to the majority of the suggestions resulting from this study found among the operating officials and staff makes this a most timely moment to move ahead to realize the benefits which we believe will accrue from their adoption.

Inasmuch as some of our principal findings have to do with the desirability of increasing the management skills of some categories of Board personnel we believe the next logical steps to be:

1. A training course in work simplification for selected categories of Board personnel.
2. Day-by-day on-the-job direction of the personnel of the mail and messenger activities in the installation of recommended changes.
3. Assistance in organizing an Organization & Systems Planning Office, recruiting personnel for this office and assistance in other management recruitment problems.

Work to be Performed

Specifically the work involved would consist of the following:

1. Work Simplification Program
 - A. It is proposed that a class of 10 to 15 members of the staff of the Office of the Board of Governors be given the course of instruction in Office Work Simplification described in accompanying Exhibit I. "Outline of a Program of Work Simplification for the Staff of the Office of the Board of Governors of the Federal Reserve System"
 - B. The categories of personnel to participate would include the administrative officers of each division, personnel engaged in Federal Reserve Bank

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Surveys in the Division of Bank operations and selected first-line operating supervisors in whatever proportion is deemed most suitable.

2. Installation of changes in mail handling and messenger activities
 - A. Design and install new messenger runs
 - 1) Work out pattern intra-divisional service to be provided by division personnel.
 - 2) Prepare lists of types of mail and stops at which it is to be delivered.
 - 3) Installation of routing indicator and testing and revision of preliminary run schedules.
 - B. Rearrange mail room and dispose of mail room publications and supplies
 - 1) Define all mail room activities and review and prescribe equipment required for each.
 - 2) Supervise re-layout of mail room.
 - 3) Revise handling of publication orders in mail room.
 - C. Revise and install mail sorting procedures
 - 1) Installation and training of a routing clerk.
 - 2) Experimentation and training in sorting enroute.
 - D. Prepare written standard operating procedures as basis for continuing independent operation by mail room personnel.
 - 1) Mail and messenger procedures including schedule of messenger runs and stops.
 - 2) Lists of types of mail by divisions and offices receiving.
 - 3) Instructions for System indicating division addressees by subject on incoming mail.
3. Organization and Staffing of an Organization and Systems Planning Office and other Management Recruitment Assistance
 - A. The service to be provided in connection with organization of an Organization and Systems planning office would consist of drafting a functional statement spelling out clearly in detail the duties and responsibilities of such an office and its relationships to other offices and Divisions of the Board; laying out a work program for one year which would consist of a list of projects recommended to be undertaken under the leadership of this office arranged in priority order; blocking out in a general way working procedures to be followed by this office in discharging its continuing responsibilities for forms registration and control and for developing and publishing the various types of administrative and operating manuals recommended in our report.

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B. The recruitment assistance to be provided would comprise the following activities:

- 1) Preparation or review and revision of job descriptions for the positions of Organization Planning Officer, Director, Division of Administrative Services and Chief, Budget Section.
- 2) Preparation of a Panel of Names of candidates for each Position whom we feel would be qualified.
- 3) Preparation of a list of contacts and recruitment sources which could be used by Personnel Division in a wider canvas.
- 4) Conduct as many interviews and references checks as time permits.

Cost of Providing Services Described

To conduct a work simplification program in accordance with the training outline attached hereto as Exhibit 1 and to provide general supervision of the installation of new mail and messenger procedures would involve 15 man days of the time of a Lester B. Knight & Associates, Inc. Vice President. To direct the installation of the new mail handling procedures in the detail stipulated in the outline of this work set forth in item 2 above would involve 20 days of the time of a Lester B. Knight engineer. Consequently, the cost of this work on our customary basis of charges would be \$5,500.

The assistance in organization and recruitment outlined in Item 3 which we believe to be an equally useful but separable activity could be rendered at an additional cost of \$1,750. We believe most requirements which might lead to out-of-pocket expenses on the part of our personnel can be supplied by the Board directly. Hence, we are including as an expense allowance only a taken amount of \$100 to meet completely unforeseen contingencies. We are prepared then to render the services described herein for an amount not to exceed \$7,350.

Our method and basis of billing will be the same as under our earlier engagement.

Yours sincerely,

LESTER B. KNIGHT & ASSOCIATES, INC.
 Consulting Engineers

Harry H. Fite

Harry H. Fite
 Vice President & Washington Manager

OUTLINE OF OFFICE WORK SIMPLIFICATION PROGRAM

FOR SELECTED STAFF MEMBERS

Office of the Board of Governors
of the
Federal Reserve System

- I. Presentation of Program to Top Management & Program Arrangements
- II. Introduction to Clerical Work Simplification for Trainee Group
 - A. Problem of Increasing Clerical Cost and Shortage of Clerical Personnel
 - B. Why it is necessary to enlist "down-the-line" participation to cope with paperwork problem. Role of the First-Line Supervisor.
 - C. Identification of tools of Work Simplification to be covered in this Program
 1. Work Distribution Analysis
 2. Work Flow Analysis
 3. Work Volume Analysis
 4. Forms Analysis and Design
 5. Office and Work Place Layout
 - D. Relationship of an Operator Work Study Program to Staff Work
 - E. Work Simplification in relation to electronic data processing applications
 - F. Responsibility of Top Management
- III. Learning Session Number One - Work Distribution Analysis
 - A. What is Work Distribution Analysis. What it reveals that is not revealed by other techniques
 - B. How to Prepare a Work Distribution Chart
 - C. How to analyze a Work Distribution Chart
- IV. Laboratory Session Number One
 - A. Application of Work Distribution Analysis to Practical Problems of the Organization
 - B. "On the Site" assistance and criticism by the Instructor
- V. Learning Session Number Two - Work Flow Analysis
 - A. What is Work Flow Analysis - Its Contribution
 - B. How to Prepare a Work Flow Chart
 - C. How to Analyze a Work Flow Chart

- VI. Laboratory Session Number Two
 - A. Application of Work Flow Analysis to Practical Problems of the Organization
 - B. "On the Site" Assistance and Criticism by the Instructor
- VII. Learning Session Number Three
 - A. What is Work Volume Analysis
 - B. Tools and Techniques of Work Volume Analysis
- VIII. Laboratory Session Number Three
 - A. Application of Work Volume Analysis to Problems of Organization
 - B. "On the Site" Assistance by Instructor
- IX. Learning Session Number Four - Principles of Forms Analysis and Design
 - A. How study of Forms Contributes to Improvement of Clerical Routines
 - B. Principles of Analyzing effectiveness of Forms
 - C. Designing Forms
- X. Laboratory Session Number Four
 - A. Practical Application of Forms Analysis and Design to Work of the Organization
 - B. "On the Site" Assistance by Instructor
- XI. Office Layout - Learning Session Number Five
 - A. Principles of Office Layout and Work Place Layout
 - B. Charting Analytical Techniques
- XII. Laboratory Session Number Five
 - A. Practical Application of principles, techniques to the work of the Organization
 - B. "On the Site" Assistance by Instructor
- Round-Up Period - 3 days - Combining Products of the Use of Each Tool into Final Improvements
 - A. Work Redistribution
 - B. Job Re-engineering
 - C. Re-layout of Work Space
 - D. Writing up Final Results - Documentation of Finding and Recommendations
 - E. Presenting and Selling to Top Management

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

Item No. 9
11/5/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 5, 1957



CONFIDENTIAL (FR)

Mr. R. B. Wiltse, Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Wiltse:

In accordance with the request contained in your letter of October 30, 1957, the Board approves the appointment of Paul C. Zorn as an examiner and Morton B. Erenstein and James J. Stahl as assistant examiners for the Federal Reserve Bank of New York. Please advise as to the date upon which the appointments are made effective.

It is noted that Mr. Stahl is indebted to The Franklin National Bank of Franklin Square, Franklin Square, New York, in the amount of \$196.46. Accordingly, the Board's approval is given with the understanding that he will not participate in any examinations of The Franklin National Bank of Franklin Square until his indebtedness has been liquidated or otherwise eliminated.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.