

A joint meeting of the Board of Governors of the Federal Reserve System and the Presidents of the Federal Reserve Banks was held at the Federal Reserve Building in Washington, D. C., on Wednesday, June 22, 1955, at 3:00 p.m.

PRESENT: Mr. Martin, Chairman
 Mr. Balderston, Vice Chairman
 Mr. Vardaman
 Mr. Mills
 Mr. Robertson
 Mr. Shepardson

Mr. Carpenter, Secretary
 Mr. Kenyon, Assistant Secretary

Messrs. Erickson, Sproul, Williams, Fulton, Leach, Bryan, Young, Johns, Powell, Leedy, Irons, and Earhart, Presidents of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco, respectively

Mr. Holland, Secretary of the Conference of Presidents of the Federal Reserve Banks

Before the meeting, there had been submitted to the Board a memorandum listing and commenting on the topics which the Presidents wished to discuss at this joint meeting. The topics, the statement of the Presidents with respect to each, and the discussion at this meeting were as follows:

1. Revision of general policy concerning separate salary structures for Federal Reserve Banks and branches. The Conference considered the Board's letter of May 31, 1955, concerning the desirability of formally departing from the general policy stated in the Board's letter of June 17, 1947,

6/22/55

-2-

for limiting the number of salary structures in a Federal Reserve District. The Presidents noted the current policy statement that a Bank and its branches should operate under the same salary structure "wherever reasonably feasible", and expressed the opinion that the administration of this policy had permitted an appropriate degree of flexibility in adapting Bank and branch structures to local salary levels. Accordingly, the Presidents felt there was no necessity for formal revision of the policy statement as currently phrased.

President Johns made a statement substantially as follows:

The Board of Governors has asked the Conference to consider only that part of the Board's policy statement of June 17, 1947, which says that wherever "reasonably feasible" a Reserve Bank and its branches should operate under the same salary structure. Other portions of that policy statement disclose a similar tendency to limit application of the principle of recognizing regional differentials in salary levels and reflecting them in salary structures.

Members of the Conference recall that in 1946-47 when the existing plan of salary administration was being installed, the principle of recognizing and reflecting regional wage and salary differentials was not universally accepted in the Federal Reserve System. The Reserve Banks unanimously accepted it and contended vigorously for it. But there was another view, held notably by the then Chairman of the Board of Governors, to the effect that all Reserve Bank employees should be under a single salary structure whether located in New York, San Francisco, Atlanta, Helena, Little Rock, or wherever. Ultimately the principle of recognizing regional differentials prevailed, but not without travail. The Board's 1947 policy statement on that subject refreshes memory on two points:

- (1) Acceptance of the principle of recognizing regional differentials was not accomplished without compromise at least of a semantic sort; and
- (2) There was in those days an assumption, in which even certain Reserve Bank people shared, that having only one salary structure in a district might somehow make for administrative convenience and possibly avoid danger of adverse effects on inter-office attitudes and morale.

6/22/55

-3-

A good deal of water has since gone under the bridge. In 8 or 9 years we have accumulated considerable experience in salary administration according to the adopted plan, and I like to think we have gained wisdom in that field. The record discloses that the principle of recognizing regional wage and salary differentials has not been much limited by the tone and provisions of the Board's 1947 policy statement. I have before me a document supplied by the Board's Division of Personnel Administration which shows that as of a date in late March, 1955, there were in effect, established by the Federal Reserve Banks and approved by the Board of Governors, 22 separate and different salary structures, not counting a 23rd and separate structure at New York for nonclerical employees, - 23 salary structures in all for 36 offices. It seems clear on the face of the record that the most important ingredient of System policy in this matter has turned out to be recognition of regional differentials.

It is worth pointing out, we think, that departure from the principle of regional differentials on the basis of reasonable feasibility requires a wholly desirable application of judgment to matters of relationship between salary structure and community rates. There is no disagreement, we think, on the proposition that this is a matter of judgment. How much difference in community rates can be tolerated in determining that it is "reasonably feasible" to establish a single salary structure? I do not know. Judgments on the relationship between structure and market are probably not to be based wholly on quantitative considerations. There may well be other aspects of each situation which are entitled to weight. In any event, "feasible" is not a rigid, unyielding word. Any attempt to define the permitted deviation of structure from market in too precise quantitative terms would necessarily be at the expense of judgment, which is the essence of salary administration, and would introduce rigidity, which in this field makes neither for good policy determination nor for good administration.

The Board's 1947 statement furnishes an appropriate and useful guide to the formulation of judgments in this matter, namely, by saying that salary structure midpoints should be "in the next to the highest quarter bracket of the quality community rate structure." We would be fearful of trying to do more than this by way of quantitative definition. It is believed that better and more satisfactory results will be forthcoming if decisions are left, within the established policy, to the initiating judgments of the Reserve Banks and the supervisory judgments of the Board of Governors.

6/22/55

-4-

The Conference recommends, therefore, that the existing policy statement be left unchanged. Accompanying this recommendation the Board is assured that the members of the Conference are committed to the principle of recognizing regional differentials and reflecting them in salary structures when considered significant in the exercise of sound judgment. It is also fair to say that with the accumulation of more and more experience there is less and less reliance on the assumption that having only one salary structure in a district makes for administrative convenience and prevents adverse effects on inter-office attitudes and morale. That assumption has not panned out.

Governor Balderston said that when the Board raised this question with the Presidents it felt that there might be some inconsistency in the fact that the 1947 letter had not been amended and the fact that more than twenty salary structures existed throughout the System. He expressed the opinion that the comments made by President Johns constituted a very good statement of the policy that might be followed and that it might obviate the necessity for amending the 1947 letter.

It was clear from the ensuing discussion that while the policy stated in the 1947 letter was intended to move in the direction of as few salary structures in a Federal Reserve District as possible, it was now the consensus of those present that a separate structure should be provided for a branch whenever that appeared to be desirable.

Chairman Martin stated that the Board would discuss the subject further and advise the Presidents of its conclusions.

2. Reserve Bank verification and destruction of unfit Federal Reserve notes. The Conference gave attention to the Board's letter of June 15, 1955 and the enclosed staff memorandum of June 9, 1955 with

6/22/55

-5-

respect to Reserve Bank verification and destruction of unfit Federal Reserve notes. It was generally felt that the System should at least not actively seek this responsibility. This opinion was reinforced by the judgment that the actual savings realized from the transfer of operations to the Reserve Banks could prove even smaller than estimated.

The Presidents were agreed that sufficient internal controls could be established to satisfy all reasonable auditing requirements pertinent to note verification and destruction operations. Nevertheless, there was an even division of opinion as to the general advisability of undertaking such activity, six Presidents feeling that the operation would be so easily misunderstood as to be conducive to unwarranted criticism. It was unanimously agreed, however, that if such operations were to be assumed the initiative should be allowed to rest with the Treasury and any verification and destruction activities should be undertaken on a fiscal agency basis.

Chairman Young stated that in addition to the diversity of opinion among the Presidents regarding the advisability of Reserve Bank verification and destruction of unfit Federal Reserve notes, there were also some reservations as to whether the savings that might be realized would be significant in amount. However, if the job should be given to the Reserve Banks, all of the Presidents felt that satisfactory internal controls could be devised to assure that the function would be conducted properly.

Chairman Martin responded that the Board would give the matter further consideration in terms of replying to the Treasury's letter of December 14, 1954, concerning the possible transfer of the function to the Federal Reserve Banks.

6/22/55

-6-

3. Fundamental review of Retirement System. The Conference approved the hiring of Industrial Relations Counselors Service, Inc. to make a fundamental review of the benefits provided by the Retirement System and other fringe benefits available to Federal Reserve personnel, to be conducted along the lines suggested in the outline submitted by IRCS to the Executive Committee of the Retirement System. The Conference authorized the payment of a fee of \$25,000, exclusive of special travel and subsistence expenses, to IRCS, the cost to be allocated among the Reserve Banks on the basis of number of active service members of the Retirement System as of the first business day in July, 1955.

President Bryan said that he had brought to the attention of the other Presidents the Board's letter to him of June 17, 1955, approving the retention of Industrial Relations Counselors Service, Inc. at the fee indicated, contingent upon similar approval by the Presidents' Conference. With reference to a statement in the Board's letter regarding the atmosphere in which recommendations resulting from the study would have to be appraised, he said that the Presidents appreciated the Board's statement and recognized that such recommendations would have to be considered in the light of the public character of the Federal Reserve System.

Chairman Martin noted that no action on the part of the Board was called for at this time.

4. Plans for emergency operations. The Conference considered and approved the June 8, 1955 report of the Special Committee on Emergency Operations and the June 17, 1955 supplemental report of that committee, outlining a general framework for plans for operations of the Federal Reserve Banks in case of emergency. It was expected that each Reserve Bank would proceed with detailed planning in its own area on the basis of the general principles as to emergency planning set forth in such reports.

6/22/55

-7-

President Sproul said it was understood that each Federal Reserve Bank would be expected to complete its own emergency plans by the end of the current calendar year. He also said that copies of the reports of the Special Committee would be made available to the Board and to the Chairman of the Federal Open Market Committee so that it might be seen how the plans outlined in the reports geared in with the plans of the Board and the Federal Open Market Committee.

5. Reserve Bank participation in development and operation of regional check clearing arrangements. The Conference considered the recommendations contained in the April 20, 1955 report of the Subcommittee on Collections regarding Federal Reserve Bank participation in the development and operation of regional check clearing arrangements. By general agreement, the recommendation concerning determination of a Reserve Bank's contribution to the expenses of such arrangements was revised to insure that such determination would be based upon the balance of advantages to be derived by the Reserve Bank rather than a relative weighing of the advantages to the Reserve Bank and to the participating commercial banks and their customers. In addition, some substantial reservations were expressed concerning the legality and general advisability of Reserve Bank contributions to assist in meeting the expenses of check clearing arrangements in those cases in which the Reserve Bank was not a participant. At the conclusion of discussion, however, the Conference by majority vote approved the subcommittee recommendations with the revision noted above.

President Erickson said that six of the seven recommendations in the Subcommittee report were agreed to by the Presidents' Conference. However, the seventh recommendation, having to do with Reserve Bank contributions toward the expenses of regional check clearing arrangements, found the Presidents in disagreement even though the recommendation was

6/22/55

-8-

phrased in rather general terms. Accordingly, that recommendation was revised in the manner indicated. After pointing out that one such regional check clearing arrangement was already in operation and that several others were being discussed, he said it seemed to some of the Presidents that where the circumstances were appropriate, due to such factors as volume and location, and where the check clearing arrangement was to the Reserve Bank's advantage, the Bank should contribute toward defraying the expenses.

Governor Mills stated that the Board's Division of Bank Operations had been making a study of this subject and that it would seem well for the Board to defer any comments until it had an opportunity to explore the matter further.

6. Lack of uniformity among Reserve Banks with respect to currency and coin services. The Presidents considered the May 13, 1955 report of the Subcommittee on Cash, Leased Wire and Sundry Operations presenting findings of its study of lack of uniformity in Reserve Bank cash services, as well as the June 20, 1955 report of the Committee on Miscellaneous Operations summarizing and commenting on the subcommittee report. The Conference accepted both reports, indicating its general agreement with the principles and recommendations set forth therein. In the case of the absorption of shipping charges on cash shipments to or from nonmember banks, it was agreed that all Reserve Banks currently following this practice would by September 1, 1955 initiate action to terminate such arrangements. With respect to other currency and coin services currently at variance with general System practices, it was agreed that the Reserve Banks involved would re-examine such services in the light of the considerations set forth in the committee and subcommittee reports.

6/22/55

-9-

President Earhart said that a number of differences were mentioned in the subcommittee report but that many of them were actually very minor, having to do with procedure rather than policy. Therefore, the summary report of the Committee on Miscellaneous Operations, copies of which were furnished to the members of the Board, covered only the significant variations in the services of the various Reserve Banks. He said it appeared that with the exception of wrapped coin service and reserve account adjustments in connection with currency shipments, substantial uniformity might develop. There seemed to be a fundamental difference of opinion regarding wrapped coin service, and as to reserve account adjustments in connection with currency shipments it appeared that uniformity perhaps would not be obtained unless the Board should decide to amend its outstanding letter (X-3953; January 25, 1924) which gives an option to the Federal Reserve Banks.

President Leach said that the Richmond Bank had a substantial number of agreements with nonmember banks to remit for checks at par in return for the absorption by the Reserve Bank of the cost of currency shipments in payment of cash letters. He felt that there should be a uniform System policy on the treatment of such expenses and he agreed fully with the decision of the Conference that the Reserve Banks should discontinue the absorption of these costs. He pointed out, however, that in the circumstances certain nonmember banks, at least in the Richmond District, might go off the par list.

6/22/55

-10-

Governor Mills referred to the practice on the part of Reserve Banks of supplying currency and coin to certain member banks by armored car and raised two questions -- first, whether the element of discrimination among member banks was a serious enough problem to warrant further study, and second, whether there was any reason to feel that the practice of providing door-to-door service might be questioned by member banks if they were criticized for rendering similar service to their customers. As to the first question, he recognized that practical considerations would make it difficult, if not impossible, to avoid the "discrimination". With respect to the second question, he pointed out that there is a vast difference in the relationships between (1) the Federal Reserve Banks and their member banks and (2) the relationships between member banks and their customers.

In commenting on the first question raised by Governor Mills, President Earhart said that the door-to-door service developed essentially out of an effort on the part of the Federal Reserve Banks to effect savings in their own operations and that this was still the governing factor. He also agreed with Governor Mills that such service for all member banks would not be practical. President Earhart stated that the second question had not been raised with the San Francisco Bank and, in this connection, he referred again to the fact that while the service was appreciated by the member banks who were accommodated, the practice was followed primarily as a matter of economy.

6/22/55

-11-

Chairman Young expressed the opinion that the questions raised by Governor Mills would not present any substantial problems to the Reserve Banks and said that if any inquiries should be made by member banks, he believed they could be dealt with satisfactorily.

7. Technical consultant on electronic processes for currency identification. At its February 28 - March 1, 1955 meeting, the Conference had authorized the Subcommittee on Electronics to retain Battelle Memorial Institute as a technical advisor on possible electronic processes for detection of counterfeit currency, providing that the costs of such services should be met out of the \$4,600 unexpended portion of the earlier Conference authorization for the employment of a technical advisor to the subcommittee. The subcommittee subsequently reported that proposed contract as negotiated with Battelle would involve a maximum expenditure of \$6,500, and the Conference approved the incurrence of this higher cost.

There was no discussion with regard to this topic, President Earhart stating that it had been included so that the Board would be kept abreast of developments.

8. Review of policies regarding reimbursable expenses. The Presidents reviewed and accepted the May 1955 report of the Subcommittee on Fiscal Agency Operations concerning variations in unit costs of major fiscal agency operations performed by the Reserve Banks. The Conference requested the Reserve Banks to study the report and introduce all economies that might prove feasible in the light of such study. In addition, the Conference approved the Subcommittee suggestion for a meeting of Reserve Bank fiscal agency representatives to discuss the report and make specific recommendations concerning various questions raised therein as to the scope and form of reimbursement.

6/22/55

-12-

President Leach said that although the Subcommittee's very comprehensive study indicated there were some variations in unit costs that could not be overcome, the report would be helpful in determining the reasons for differing costs. For that reason, each President would use the report as a basis for further study within his own Bank with a view to eliminating cost differences to the fullest extent possible. He went on to say that the work of the Subcommittee, supplemented by the studies at the individual Banks and the meeting of the Reserve Bank fiscal agency representatives, would lead to conclusions as to variations that cannot be overcome and that a statement of the results could be made available to the Treasury.

Chairman Martin said that the Board had no comment at this time but that further consideration would be given to the matter following the return of Governor Szymczak.

9. Procedure for supplementing retirement allowances in cases of involuntary separation from service before age 65. The Conference reviewed and approved the June 10, 1955 joint report of the Subcommittee on Personnel and the Special Subcommittee of Counsel on Personnel regarding procedures for supplementing retirement allowances in cases of involuntary separation of certain long-service employees before age 65. The conclusions and recommendations of that report as approved suggested certain appropriate revisions in the Board's letters S-741 and S-905, together with a recommended amendment to the Rules and Regulations of the Retirement System.

President Johns referred to the reasons for the recent amendment of the Rules and Regulations of the Retirement System of the Federal Reserve Banks which deleted the third paragraph of section 9 and to the

6/22/55

-13-

effects of that amendment. He understood that the reasons for the change did not call into question the motives for supplementing the retirement allowances of certain employees in cases of involuntary separation and said that consideration therefore was given to ways and means of making some provision which would enable the Reserve Banks to dispense with the services of persons whose usefulness had been impaired due to circumstances beyond their control. He stated that the conclusion had been reached that alternative methods for supplementing retirement allowances in such cases, other than through the Retirement System, appeared unsatisfactory. It was further concluded that it was essential that some procedure be available to the Banks so that such benefits might be provided, that the formula prescribed by the Board's letter S-741, was satisfactory, and that the matter could best be handled within the Retirement System. In the circumstances, a recommendation was made to the Conference that in case of involuntary separation of Reserve Bank personnel, including officers, 55 years or more of age with 25 years or more service, the individual would be entitled to receive (through the Retirement System) an additional pension benefit geared to the formula prescribed in S-741 except where the separation resulted from dishonesty, misconduct, or insubordination. With those exceptions, the application of the formula would be mandatory.

President Johns commented that this proposal had not been cleared with the Internal Revenue Service but that it had been submitted to Counsel for the Federal Reserve Retirement System, who was of the opinion that the provision in all probability would be satisfactory to the Internal Revenue

6/22/55

-14-

Service. Should the proposed amendment to the Rules and Regulations be approved by the Trustees of the Retirement System and the Board of Governors, President Johns said, some rewording of S-741 would be necessary since the authority given in that letter was permissive and prescribed a maximum, whereas the new procedure would involve the mandatory application of the formula. With regard to the Board's letter S-905, dated March 15, 1946, he said that since the procedures established therein obviously could not be followed, a revision of that letter also would be necessary.

Chairman Martin said that the Board would take the matter under consideration.

10. Reporting of loan data in member bank statements of condition. The Presidents gave attention to the Board's letter of April 19, 1955 concerning the reporting of loan data in member bank statements of condition, and reviewed the June 2, 1955 report of the Subcommittee on Bank Supervision addressed to the questions raised by the Board's letter. The Conference accepted the subcommittee report, concurring in its finding that the variations in record-keeping practices among banks, and especially among smaller institutions, made it advisable for each Federal Reserve Bank to develop its own procedures for promoting accuracy and convenience in member bank reporting. In recognition of some bank objections to reporting of loan information at each call date, the Conference suggested that the Board and the Comptroller might consider including a paragraph emphasizing the importance and usefulness of Schedule A data in the letters of transmittal of each call.

President Powell commented generally on this topic but there was no further discussion.

11. Appropriateness of certain expenditures by Federal Reserve Banks. The Presidents have given attention to Chairman Martin's letter of June 21, 1955 concerning the appropriateness of certain expenditures which

6/22/55

-15-

may be made by Federal Reserve Banks, and they are prepared to review this subject with the Board with the aim of reaching a more definite understanding with respect to such expenditures.

Chairman Young stated that the Presidents were sympathetic toward the objectives indicated in Chairman Martin's letter and that they would like to have further discussion of the matter with the Board.

Chairman Martin then made a statement in which he referred to the special status of the Federal Reserve System in relation to the budgetary and appropriations procedures of the Government and said that the System must earn its right to continue in such a status. He mentioned previous discussions of System expenditures at the meetings of the Chairmen's Conference in December 1952 and December 1953 and stated that the reports of examination of the Federal Reserve Banks occasionally disclosed certain expenditures in the area of entertainment which might be misconstrued. He pointed out that it is very difficult to distinguish between appropriate and inappropriate expenditures in many cases, and that, while it is necessary to follow judgment and the rule of reason, the Reserve Banks should avoid situations that could be questioned and cause embarrassment. More specifically, he said, it was the Board's feeling that whereas expenditures for luncheons and dinners in connection with directors' meetings and on other appropriate occasions are proper, this would not be true in the case of expenditures for such items as theatre and baseball tickets and for other entertainment having at best only a remote relationship to the purpose of the meeting.

6/22/55

-16-

Governor Robertson stated that most of the comments by the Board's examiners had to do with expenditures which were small in amount but which were of a type that might be criticized from the standpoint of the principle involved.

Governor Shepardson expressed the feeling that where there is a dinner program pertaining to the business of the System, it would seem to be in order to include the normal appurtenances to a good dinner but that the standards and dignity of the System are such that it is not necessary to inject various kinds of entertainment, either as a part of the dinner program or otherwise.

12. Review of protection facilities by the Federal Bureau of Investigation. The Conference was informed that not all Reserve Banks had been successful in recent attempts to elicit the cooperation of local offices of the Federal Bureau of Investigation in reviews of the adequacy of protection facilities at Bank and branch offices. The Conference noted that on an earlier occasion such reviews had been facilitated by Board contact with the Washington office of the Federal Bureau of Investigation and requested that the Board again assist in this matter by contacting appropriate FBI officials.

In a discussion of this matter, during which it developed that the question had been raised by the Federal Reserve Bank of Boston, it was stated that arrangements probably could be made along the lines suggested for any Federal Reserve Bank which desired such a review, but that consideration might also be given to an approach to the Secret Service, an organization which would have a particular interest in such surveys by virtue of the Reserve Banks' fiscal agency operations. Several of the Presidents

6/22/55

-17-

expressed themselves as favoring the suggested alternative and it was understood that if difficulties continued to be encountered by any Federal Reserve Bank, the Board would assist in any way that it could.

13. Additional items of information arising out of the current Conference meeting. In addition to the above items, on which action was taken, the following matters of possible interest to the Board were given attention by the Conference. They are reported as a matter of information in this agenda:

a. As a result of decisions by the American Bankers Association and the Association of Reserve City Banks to engage in further study of the June 15, 1954 report of the Joint Committee on Check Collection System, the Joint Committee was preparing a brief document commenting on the findings of the report and the additional objections raised at the associations' meetings. The commentary will be presented by the association representatives on the Joint Committee to their respective boards of directors in time for consideration and possible action at meetings in the fall.

b. The Conference approved the recommendations contained in the April 20, 1955 report of the Subcommittee on Collections concerning reimbursements for handling postal money orders. The recommendations called for revisions in the basic formula for computing reimbursement and a resultant reduction in the rate of reimbursement from \$2.77 to \$2.13 per thousand money orders handled, effective retroactive to October 1, 1954 and during fiscal year 1956.

c. The Conference approved by majority vote the June 7, 1955 joint letter report of the Subcommittee on Collections and the Subcommittee of Counsel on Collections concerning the collection status of insurance premium drafts drawn by insurance companies on the accounts of their policyholders. It was agreed that the American Bankers Association would be informed of the decision of the Reserve Banks to handle such items as cash items in so far as can be done and that thereafter the Reserve Banks would take such steps as seem desirable to promote the appropriate redesign of those items which cannot currently be handled as cash items.

6/22/55

-18-

d. The Conference reviewed the May 11, 1955 report of the Insurance Committee concerning revision of the Loss Sharing Agreement and of the Rules and By-laws of the Insurance Committee. In view of reservations concerning revised provisions for the sharing of losses and the assumption of certain risks due to nuclear reaction in time of peace, the report was referred to the Committee for further consideration of such provisions.

e. The Conference approved the recommendation contained in the May 19, 1955 letter report of the Subcommittee on Fiscal Agency Operations for the continuation through the first six months of fiscal 1956 of the current rate of reimbursement for verification and destruction of unfit Treasury currency of \$.25 per thousand pieces.

f. The Conference approved the recommendation contained in the May 19, 1955 and June 9, 1955 letter report of the Subcommittee on Fiscal Agency Operations for the continuation through the first six months of fiscal 1956 of the current rate of reimbursement for handling depositary receipts of \$.11 per validated receipt.

g. In view of the rapid progress of arrangements for the fundamental review of the Retirement System, the Conference approved the recommendation of the Committee on Personnel that the authorized interim survey of retirement and other benefits provided by competing employers be dropped.

h. The Conference considered at length the scope of the assignment to the Ad Hoc Subcommittee on Bank and Public Relations and authorized the Committee on Bank and Public Relations to draft a directive based upon the Conference discussion which would serve as a guide to subcommittee studies.

i. The Conference accepted the June 2, 1955 report of the Subcommittee on Bank Supervision presenting the results of its studies of certain issues relating to bank supervision with the request that the subcommittee pursue further its investigation of the use of Section 30 of the Banking Act of 1933 as an instrument of bank supervision and of the issuance of preferred stock by banks in other than emergency situations.

6/22/55

-19-

j. The Conference discussed the changing banking structure and altered competitive relationships arising out of the current activity in bank mergers and consolidations, expansion of branch systems, and developments in the bank holding company field. It was believed that the far-reaching significance of such movements might appropriately be pursued in studies conducted within the System. Because of the many ramifications of these trends, the Conference established a Special Committee on Studies of the Banking Structure, consisting of the Chairmen of the Committees on Bank Supervision, Bank and Public Relations, and Research and Statistics, to explore with informed personnel throughout the System the issues which any such studies might encompass.

There was no significant discussion of these topics except with respect to topic (j), having to do with the assignment given to the Special Committee on Studies of the Banking Structure, to which Presidents Williams, Powell, and Bryan had been appointed. President Williams said that the decision to establish the Committee grew out of a discussion of one of the studies referred to in topic (i) and a feeling on the part of the Presidents that the significance of changes in the banking structure deserved special study. He also said that the Committee hoped it might have the cooperation of the Board's Division of Examinations in this continuing study.

Chairman Martin said that the Board would be glad to give consideration to the matter.

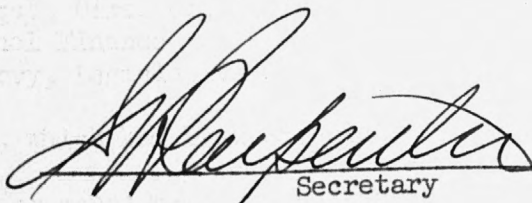
This completed the discussion of the topics submitted by the Presidents' Conference.

6/22/55

-20-

President Leach referred to the question of reimbursement of the Federal Reserve Banks for the handling of postmasters' deposits and reported receipt of a letter from the Bureau of the Budget to the effect that the Bureau had decided that the Reserve Banks should be reimbursed by the Post Office Department out of funds available to that Department. Reimbursement, he noted, would amount to about \$500,000 a year but the Post Office had indicated that the arrangement would result in a saving to that Department of some \$2 1/2 million a year.

Thereupon, the meeting adjourned.



Secretary