

To: Members of the Board

From: Office of the Secretary

Attached is a copy of the minutes of the meeting of the Board of Governors of the Federal Reserve System with the Presidents of the Federal Reserve Banks held on May 9, 1956.

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>MM</u>	_____
Gov. Szymczak	x <u>MS</u>	_____
Gov. Vardaman	_____	x _____
Gov. Mills	x _____	_____
Gov. Robertson	x <u>R</u>	_____
Gov. Balderston	x <u>CB</u>	_____
Gov. Shepardson	x <u>CS</u>	_____

5/9/56 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, May 9, 1956, at 2:00 p.m.

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

Mr. Carpenter, Secretary
 Mr. Kenyon, Assistant Secretary

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

Mr. Harris, First Vice President of the Federal Reserve Bank of Chicago

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

The Presidents had submitted to the Board earlier a memorandum listing and commenting on the topics which they 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. Fundamental review of Retirement System. The Conference had before it the Board's letter of April 24, 1956, relating to the evaluation of the Retirement System study, as proposed in Mr. Bryan's

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letter of March 28, 1956. In view of the Board's feeling that it would be undesirable for Board members to be members of an evaluating committee, the Conference indicated the feeling that a seven-man committee, including two directors, two president trustees, two elected trustees, and the Chairman of the Retirement Committee would be the best alternate to the nine-man committee originally proposed by the Special Committee on Study of the Retirement System. Accordingly, the Conference authorized the Chairman to appoint two president trustees to such an evaluating committee if the Board of Trustees concurs in the thought that an evaluation committee so composed is adequate and appropriate to the task.

In commenting on this matter, President Bryan said that the Board of Trustees of the Retirement System had authorized the new Chairman of that group (Mr. John A. O'Kane of the Federal Reserve Bank of San Francisco) to appoint two elected trustees to the evaluating committee. It was his understanding that the actual appointments had not yet been made by Mr. O'Kane. He also reported that the Chairman of the Presidents' Conference had appointed Messrs. Johns and Mangels to serve as the president trustees on the committee.

Chairman Martin stated that the Board of Governors was now in the process of selecting two Federal Reserve Bank directors for appointment to the evaluating committee.

2. Determination of Dishonesty, Misconduct, or Insubordination Within the Meaning of Amendment to Section 3 of the Rules and Regulations of the Retirement System. The Conference considered the question raised in the Board's letter of April 12, 1956, as to what would constitute dishonesty,

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misconduct, or insubordination within the meaning of Amendment to Section 3 of the Rules and Regulations of the Retirement System. It was the consensus of the Conference that the terms in question are not susceptible of precise definition, and that the determination in each case would require attention to the surrounding circumstances. Therefore, the Conference agreed that applicability of the Amendment in each case should be resolved through review of the attending facts by the Board and the bank involved.

After referring to the position taken by the Internal Revenue Service which resulted in the Amendment to Section 3 of the Rules and Regulations of the Retirement System, President Johns commented that the introduction of the words "dishonesty, misconduct, or insubordination" was intended to satisfy the requirements of the Internal Revenue Service under the law and at the same time leave to the Federal Reserve Banks such an area of discretion as would be compatible with those requirements. He pointed out that under the previous procedure, as set forth in the Board's letter S-741, dated March 17, 1944, relating to involuntary separation from service of employees 55 years or more of age with at least 25 years' service, authority was given to the Federal Reserve Banks in terms under which they could supplement the retirement allowance, within quantitative limitations, as they might decide. Under the recent amendment the supplementation became mandatory unless dishonesty, misconduct, or insubordination is found to be present.

It appeared to the Presidents, Mr. Johns said, that perhaps dishonesty and insubordination came closer to having precise meanings than

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misconduct. However, the Presidents doubted their ability to define any of these words in such a way as to provide for all time that one case would be within the meaning and another would not, because application of the rule to different sets of facts would be difficult. Furthermore, any attempt to arrive at a rigid definition would impair the degree of discretion and judgment which these words were deliberately intended to provide.

It was the view of the Presidents, Mr. Johns said, that as a matter of good personnel administration it would be better to work out any questionable cases on the basis of the facts, and that the good judgment of the Reserve Bank concerned and the Board of Governors could be depended upon, within the framework of the Rules and Regulations, to settle each case as it developed. The problem cases, he felt, would be rare.

Governor Robertson inquired whether a procedure would be permissible under the law which contained an understanding that questionable cases would be brought to the Board's attention before action was taken.

In another inquiry along the same lines, Governor Mills asked President Johns whether in his opinion a procedure such as Governor Robertson mentioned would be apt to revive the questions of discrimination which led to the adoption of the amendment to the Rules and Regulations of the Retirement System.

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Responding first to Governor Mills' question, President Johns said the Internal Revenue Service presumably was aware that in any case that might arise the amendment to the Rules and Regulations would necessitate a factual determination by the management of the Federal Reserve Bank concerned. In the absence of a showing that the determination had been made capriciously or in such a manner as to suggest discrimination between classes of employees, he thought that the danger referred to by Governor Mills would be remote.

With regard to Governor Robertson's inquiry, Mr. Johns felt that a procedure of referring doubtful cases to the Board of Governors before action was taken would not raise any questions because the Internal Revenue Service understood the nature of the Board's supervisory responsibilities.

Chairman Martin then indicated that a letter would be sent to the Federal Reserve Banks specifying the procedure to be followed in bringing questionable cases to the attention of the Board.

3. Report of Joint Committee on Check Collection System. The Conference discussed appropriate System action with respect to the June 15, 1954, Report of Joint Committee on Check Collection System in light of the failure of the Reserve City Bankers Association to act on the report at its April 1956 meeting at Boca Raton. Having in mind the prior approval of the report by the American Bankers Association and the Federal Reserve System, and the relatively favorable reaction to the report by

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Reserve City Bankers in the New England area, the Conference approved a suggestion that steps to implement the report be undertaken as a pilot operation in the Boston District. It was anticipated that these implementing actions would be carried forward by the Reserve City Bankers of the area in consultation with the American Bankers Association and the Federal Reserve Bank of Boston.

President Erickson said that in view of the indications that bankers in the First District were favorably inclined toward the report of the joint committee, he had in mind getting in touch with a member banker in Boston to find out whether he was still interested in effectuating the recommendations. If so, the banker would talk with others in the area to see whether they would want to go forward on a voluntary basis. If the bankers were agreeable and there was no objection from the American Bankers Association, a progress report on the pilot operation would be made at the next meeting of the Presidents' Conference.

Governor Mills commented that the position of the Federal Reserve System with respect to the study appeared to have been very seriously misunderstood in some quarters as an effort on the part of the System to preempt the function of the correspondent banks. In view of that situation, he suggested that any effort on the part of the System to encourage implementation of the report might be construed as action in the direction of putting into effect a program that one important group of bankers had found unpalatable. Therefore, he questioned the advisability of a pilot operation such as had been suggested. He was

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inclined to prefer an approach whereby matters would be allowed to "ride along" for a while, with piece-meal implementation of the report should requests be received from individual banks. In summary, it was his opinion that any action which raised a suspicion that the Federal Reserve System as such was endeavoring to encourage the adoption of the report would tend to congeal sentiment against it.

In response to a statement by President Erickson that he might be in receipt of requests from banks to act under the report, Governor Mills said that he would distinguish between such requests and an effort to interest a number of banks on a group basis.

In a further discussion of the matter, Chairman Leedy said it was the general view of the Presidents' Conference, after a rather thorough discussion of the whole problem, that inasmuch as the System and the American Bankers Association had approved the report and the recommended procedures would effect substantial savings in the banking system and expedite the collection of checks, the Reserve Banks were under some obligation to try in some manner to salvage the work that had been done. In this connection, the Presidents understood that opposition within the Association of Reserve City Bankers was not at all uniform. While the Reserve Banks would not want to pursue any course of action that would cause widespread feeling among correspondent banks, the situation in the Boston District was such that this apparently would

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not develop; and if the pilot operation could be carried out successfully, the results might cause dissenting banks in other areas to change their point of view.

President Johns discussed reasons why the recommendations in the report were not likely to be effectuated in the St. Louis District, despite any formal approvals of the joint committee report, due to opposition from certain larger banks in the area. By the same token, he could not see why, in a district like Boston, where the large correspondent banks evidently wanted to effectuate the report, they should be bound not to do so because of opposition elsewhere.

President Sproul suggested that the System had a responsibility to the public as well as to the banking system to improve the check collection system in any way possible. After reviewing the manner in which the report of the joint committee was developed, he said that to leave the study unimplemented because of a small bloc of opposition would seem not only to cast doubt upon the good faith of those who initiated the study but fail to recognize a responsibility to the public and the banking system as a whole.

President Leach commented that the System had approved the procedures recommended in the report as practices that it would like to see put into effect. Having given this approval, it would be difficult to refuse if banks came to the Reserve Bank and requested action along the

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lines recommended. At the same time, it would seem preferable if the initiative could come from the commercial banks instead of the System in view of the attitude that had been mentioned.

Chairman Martin stated that in view of the difference of opinion that had been expressed regarding the advisability of the pilot operation, the Board would consider the matter further and advise the Presidents of its views.

4. Maximum interest rates on V-loans. The Conference gave its attention to the question raised in the Board's telegram of May 3, 1956, regarding the advisability of increasing the maximum permissible interest rate on V-loans from 5 to 6 per cent, or adjusting downward guarantee and commitment fees. There was general agreement that the present rate and fee schedules are not a deterrent to the extension of this type of credit at this time. However, it was the view of the Conference that in light of the prevailing higher market rate structure, servicing banks are entitled to a greater return on their loans either in the form of a higher rate or by a reduction in the fees.

The views of the Presidents, as set forth in their statement, were reported by Chairman Leedy and it was understood that the Board would take them into consideration in its further study of the subject.

5. Maximum interest rates payable on time and savings deposits. The Conference considered the question raised in the Board's telegram of April 30, 1956, concerning the advisability of increasing maximum interest payments under Regulation Q on time and savings deposits. The Conference discussed a variety of reasons for and against increasing rate maximums, which can be summarized as follows:

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Reasons for

- a. Increases during recent years in return offered by alternative savings opportunities have weakened the commercial banks' competitive position, and the banks should be allowed, if they choose, to make a commensurate increase in the rates they offer.
- b. Under a competitive banking system, the market should control the return on savings and time deposits; not the credit regulating authorities.
- c. Present rates of return on high-grade investments are well above the level of any probable increase in the maximum legal rates, reducing the pressure on banks to choose riskier types of investments to cover higher interest costs.

Reasons against

- a. Raising maximum rates might be construed as System pressure for an increase in payments on time and savings accounts at all member banks whether they could afford to do so or not.
- b. There is little general demand for higher interest rates as evidenced by the relatively few banks who are currently paying the maximum rates permitted by Regulation Q.
- c. Higher permissible rates might instigate undesirable banking practices stemming from a search for higher earning assets to offset higher interest outlays.
- d. A higher level maximum rate may affect the Treasury's savings bond program.

At the conclusion of the discussion the Presidents were evenly divided regarding the advisability on balance of increasing maximum permissible rates on time deposits. On the other hand, there was near

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unanimity that an increase in the maximum permissible rates on savings deposits was not called for at this time.

Following a resume of the Presidents' views by Chairman Leedy, Governor Robertson inquired why some of the Presidents favored increasing the maximum permissible rate of interest on time deposits but did not favor raising the maximum rate on savings deposits.

President Sproul replied that the reasons presented to the Conference, in which he concurred, were to the effect that the present maximum rate on savings deposits is not proving a deterrent to the continuation of commercial banks in the savings deposit business, as shown by the fact that most banks are not paying the maximum rate. With regard to time deposits, banks are up against the ceilings; and in view of the change in the structure of interest rates generally, they would seem to need some relief or there would be a gradual deterioration in their position.

One could get into the whole question, Mr. Sproul said, of whether a regulatory body should fix rates of this sort. However, this had been determined by the Congress and the Board had been given the rate-fixing responsibility. In the circumstances, an increase in the maximum rates on time deposits would seem to be a reasonable compromise between doing nothing and giving the banks freedom to do what their own situation would suggest and competitive conditions might demand in the

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absence of a regulatory requirement. If banks were to move to the ceiling on savings deposits, the same situation would present itself in respect to such deposits.

In response to a further inquiry from Governor Robertson, President Sproul said that the Conference did not have available complete statistics on the number of member banks now paying the maximum rates on time deposits. President Leach said that in the Richmond District, there were only eight member banks paying the maximum rate on savings deposits, while 65 were paying the maximum on time deposits. President Erickson indicated that the situation was the reverse in the Boston District because of competition for savings deposits from mutual savings banks and others.

Governor Robertson then asked whether competition was the principal reason why banks had gone to the maximum on time deposits.

In response, President Sproul said that the competition was with the attractiveness of the Treasury bill market. He then stated that the question with which the Board appeared to be faced was one of whether rates fixed in 1936 were intended to be maximums for all time, regardless of changes in the structure of interest rates, or whether the Board intended to administer its authority with some degree of flexibility.

6. Standard Factors Corporation study. The Conference gave its attention to the Board's request that it consider the survey recently released by

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Standard Factors Corporation which suggested that credit policies over the past year have affected credit availability to smaller businesses to a greater extent than to larger businesses.

From preliminary investigation made by the Federal Reserve Bank of Chicago and from the contents of the study itself, it appeared to the Conference that the study is a flimsy statistical structure which, however, probably contains some germs of truth in that any general program of credit restraint is likely to bear somewhat more heavily on small business than on big business, largely because of differences in credit worthiness and established customer relationships. The implications of this go far beyond the narrow questions of fact which are involved, however. They encompass the whole question of the advantages of big business in our economy, which include other things than the availability of bank credit, and the incidence of quantitative and impersonal credit controls which rely on the commercial banking system to allocate credit to its final uses. These are matters of general concern to the Federal Reserve System, but of direct concern primarily to the Congress, because of the broad social and political questions involved. It was the consensus of the Conference that in the circumstances, it would seem appropriate to determine insofar as possible the methods and procedures used in the study under discussion, and to be prepared to meet attacks based on the study by reference to these facts and to the general problem of incidence of a restrictive credit policy.

President Leedy stated that according to available information the organization which conducted the survey for Standard Factors Corporation appeared to have no standing as a recognized agency for the accumulation of statistical data. Therefore, it seemed questionable whether the survey was carried out on such a basis as to produce data worthy of

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serious consideration. Aside from that, however, the feeling of the Presidents was that it is virtually certain, when a policy of credit restraint is being pursued, that the policy will to some extent recognize the size of credit applicants. Basically, the extension of credit is determined upon standards of credit-worthiness, and the fact that large concerns have established lines of credit and continuing relationships with banks gives them some advantage over other borrowers. However, there appeared to be no evidence in the various Reserve districts, he said, that small business was being treated unfairly as a result of the current policy of credit restraint.

Regarding the question whether a survey should be undertaken to develop the facts fully, Mr. Leedy said it was brought out in Conference discussion that such a survey would present some difficulties. A survey of business loans by banks was made only recently and plans were under way for an agricultural loan survey in June. Also, there was a question whether a survey could be made in time to have any purpose if it were intended to answer the Standard Factors survey. For these and related reasons, the Presidents would not want to recommend such a survey.

After Chairman Leedy had read the last sentence of the statement on this topic which was submitted by the Presidents' Conference, Chairman Martin inquired whether the Conference had come to any conclusions as to the procedures that might be appropriate to obtain better information on the methods and procedures used in the Standard Factors survey.

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Chairman Leedy responded that there had been no discussion regarding procedures. However, the Federal Reserve Bank of Chicago had prepared a brief report concerning the origin of that survey and the standing of the organization that conducted it.

Mr. Harris stated that copies of the report would be made available to the Board along with any further information that the Reserve Bank might obtain along these lines.

7. Review of employee relations expenses. In a letter presented to the Conference Chairman on January 10, 1956, the Board suggested a System review of employee relations expenses to determine whether the variation in such costs on a per capita basis reflected a consistent approach in the maintenance of an adequate employee relations program. This question was considered by the Subcommittee on Personnel and the personnel officers of the Reserve Banks, in the course of which comprehensive reports on the activities at each bank and proposed expenditures for 1956 were reviewed in light of the System's basic document on the philosophy, aims, and scope of personnel administration (Coleman Studies, April 1953). On the basis of its review, the Subcommittee expressed the belief that there is no one best personnel program to fit all Reserve Banks, and especially did not wish to suggest that there is some per capita cost that is "about right" for the banks. The Conference accepted and concurred in the findings of the Subcommittee.

President Johns said that although he hesitated to attempt a resume of the comprehensive report submitted by the Subcommittee on Personnel, in substance it was the view of the Subcommittee, in which

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the Conference concurred, that the objectives of the employee relations programs at the Federal Reserve Banks had been adequately stated in the Coleman Committee report in 1953. In the circumstances, a restatement of those objectives was not believed to be necessary. He also said that the Presidents were not prepared to recommend that it would be advisable to compile a list of permitted or proscribed activities in this field. Rather, it was their belief that in the interest of sound personnel administration and bank management it would be preferable to allow the directors and officers of each Reserve Bank, subject to the supervision of the Board of Governors, to appraise the Bank's own situation in the light of community practices and other factors and determine a desirable course.

Mr. Johns went on to say that costs on a per capita basis admittedly showed a fairly wide range throughout the System and that such a situation raised certain questions. He thought there was some reason to compare per capita costs for the purpose of determining the propriety of particular activities or employee relations programs, but that in general the differences should be regarded as a caution signal indicating the need for inquiry and consideration.

Mr. Johns said that in the light of the data made available through the study of the Subcommittee on Personnel regarding employee relations costs at each Reserve Bank, it was the view of the Conference

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that each Bank should re-examine its employee relations programs to determine anew the appropriateness of its various activities. Through such re-examination, it might be that some narrowing of the per capita cost differences would result. As previously indicated, however, the Presidents had not undertaken to prepare any list of permitted or proscribed activities and they felt that it would perhaps be undesirable to attempt such a compilation.

Chairman Martin withdrew from the meeting at this point to fulfill an engagement of long standing.

8. Separate salary structures for nonclerical hourly wage rate employees. In response to the Board's letter of November 23, 1955, the Subcommittee on Personnel met on January 16-17, 1956, to consider the question whether it is desirable for the Reserve Banks to have separate salary structures for "certain nonclerical, hourly wage rate jobs," and presented its views with respect to the question in a report dated January 20, 1956. The Conference accepted, agreed to, and concurred in the findings of the Subcommittee which indicated that the need for separate salary structures for nonclerical hourly wage rate employees is not demonstrated, and therefore, is not recommended.

The substance of the matter, President Johns said, was that after consideration of the special situation in Chicago which involves the Reserve Bank's conforming to collective bargaining rates for some nonclerical employees, and after consideration of the situation in New York City where a special schedule has been established for the non-clerical staff, it was the conclusion of the Subcommittee on Personnel,

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in which the Presidents' Conference concurred, that there was no need, and that it perhaps would be undesirable, to prescribe separate salary structures as a requirement for all Reserve Banks. He brought out that this was not to be construed as criticism of the separate structure at New York, since the Conference believed that the establishment of this structure was appropriate in the light of the situation in that city. The Conference felt that the situation in Chicago was being dealt with adequately without the establishment of a separate structure for nonclerical employees, and at the other Reserve Banks there did not appear to be any major problems in this regard. Therefore, it was the view of the Presidents that the situation should be handled at each Reserve Bank in the light of the Bank's own circumstances, with the understanding that any problems would be worked out between the particular Bank and the Board of Governors.

9. Development of currency sorting and counting machine. The Conference approved a recommendation in report dated April 9, 1956, of the Subcommittee on Electronics, that a contract be entered into with Battelle Memorial Institute at a cost not to exceed \$20,000 for further research and development of an automatic means for determining genuineness of currency for incorporation into currency sorting and counting machines.

President Fulton made a statement in which he said that it was the feeling of the Presidents that a machine for the mechanical handling and sorting of currency would not be of too much benefit to the Reserve

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Banks unless it included a device to detect counterfeit currency. An indication having been received from the Battelle Memorial Institute that it might be possible to develop such a device, a two-phase program for further experimentation was now contemplated. Should the first phase of the program, estimated to cost about \$6,500, produce satisfactory results, the second part of the project would then be undertaken. In the circumstances, the Conference had authorized the Federal Reserve Bank of New York to enter into a contract with Batelle Memorial Institute at a cost not to exceed \$20,000, with the understanding that the expense would be allocated among the Federal Reserve Banks.

Governor Balderston commented that no action on the part of the Board would appear to be necessary and President Fulton agreed, stating that the matter had been placed on the agenda for the joint meeting for the purpose of informing the Board concerning the most recent developments.

10. Study of Federal funds market. The Conference took note of the growing activity by banks and others in trading Federal funds. This development has broadened the national character of the market, and helped to make it a relatively reliable indicator of degrees of pressure in the money market for the country as a whole. Some Federal Reserve Banks have already begun to make studies of this market development within their own Districts, and it was deemed desirable to pool these efforts and to extend them to a

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technical or descriptive study of the structure for effecting transactions in Federal funds. Accordingly, the Conference suggested the establishment of a committee consisting of staff members of the various Federal Reserve Banks, and such representatives of the Board's staff as the Board might deem appropriate, to undertake a study of the arrangements for, and the uses and volume of, operations in Federal funds by banks and others.

Chairman Leedy said that this study would represent the first phase of the project suggested by President Sproul at the meeting of the Federal Open Market Committee earlier today. As stated at that time, the second part of the study, which presumably would be carried out under the direction of the Open Market Committee, would deal with the relationships between the demand for Federal funds and System open market policy. He said that before instituting the first phase of the study, the Presidents would like to have the views of the Board.

President Sproul indicated that the first part of the study might be conducted by a committee of the Presidents' Conference, and that it was hoped that the Board might designate a person or persons from its staff who would work with the committee.

Governor Balderston said that the Board would consider naming a member or members of its staff to work with those designated by the Presidents' Conference.

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11. Additional items of information arising out of current Conference meeting. In addition to the above items, 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. The report of the Subcommittee on Collections dated May 2, 1956, was considered. The Conference gave its approval to the Subcommittee recommendation that--
- (1) The cost of processing mutilated money orders be removed from the basic formula for computing the reimbursement rate, and
 - (2) That the reimbursement rate for the fiscal year ending June 30, 1957, be set at \$1.90 per thousand money orders handled.
- b. The Conference approved the recommendation that the report of the Subcommittee on Cash, Leased Wire and Sundry Operations dated March 9, 1956, covering meeting held January 16-19, 1956, be accepted, except for the recommendation that the Reserve Banks revise their circular letters covering use of wire transfer facilities by member and nonmember banks, as proposed in Exhibit A of the report. The latter phase was referred back for further consideration of the provision for use of wire transfer facilities by non-member clearing banks, and clarification of terminology used in various sections of the report regarding dollar amount of individual transfers to be handled for member banks.
- c. The Conference accepted the Report of the Subcommittee on Fiscal Agency Operations dated April 20, 1956, covering meeting held April 17-18, 1956, discussing reasons for variations in unit costs in Fiscal Agency operations and outlining improvements that

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have been made in these operations. The Conference authorized the Chairman of the Fiscal Agency Committee to write the Treasury Department outlining in a general way the contents of the report.

- d. The Conference indicated its agreement with recommendation contained in the report of the Subcommittee on Personnel, dated January 20, 1956, that it is not necessary or desirable at this time to have a uniform System policy granting maternity leave.
- e. The Conference received the report dated February 15, 1956, of the Subcommittee on Bank Supervision on the subject of issuance of preferred stock by commercial banks in nonemergency situations. The Subcommittee will submit at a later date a supplemental report on the use of Section 30 of the Banking Act of 1933 as an instrument of bank supervision.
- f. The Conference received a report on the progress of emergency planning in the Reserve Banks and recent developments in other areas of emergency planning involving the preparedness of the financial community as a whole in event of emergency.
- g. The Chairman of the Special Committee on Studies of the Banking Structure reported on the progress which has been made in the organization and selection of personnel for a broad historical study of the economic environment of banking over the past few decades to serve as background for qualitative judgment of recent structural changes.

There was no discussion of any of these items except that with respect to item (e), Governor Mills inquired whether copies of the reports by the Subcommittee on Bank Supervision could be made available to the Board.

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Following a statement by Chairman Leedy that this was the intention, President Powell described the nature of the work accomplished by the Subcommittee and the work remaining to be undertaken. He and Mr. Leedy brought out that in requesting the studies the Presidents' Conference did not have in mind that any position would be taken with respect to the reports. Therefore, the Conference had not undertaken to endorse or approve the recommendations in the report concerning the issuance of preferred stock by commercial banks.

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

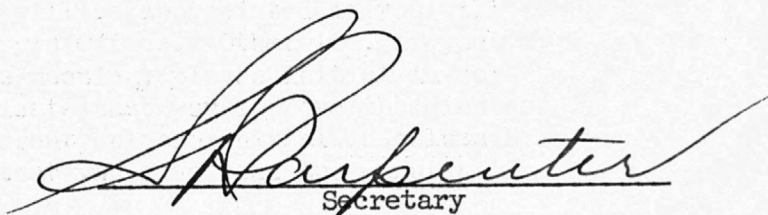
Governor Balderston reported, as a matter of information, that the Board met on May 1, 1956, with the Economic Policy Commission of the American Bankers Association to discuss informally the Commission's current study of member bank reserve requirements. After outlining the salient features of the Commission's proposal, he said that the study was well prepared, in his judgment, but that it did not deal specifically with the difficult problems involved in effectuating the changes in reserve requirements which were proposed. He went on to say that at this stage the Commission's study was of an informal nature and that at the meeting with the Board, the Commission was given a memorandum from Mr. Thomas, Economic Adviser to the Board, covering a number of

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questions concerning various aspects of the proposal. It was understood that with this memorandum in hand the Commission would continue its deliberations and that there would be further discussions with the Board. He emphasized that to date nothing of a formal nature had been placed before the Board and that in fact the Commission's study had not been distributed outside the group's own membership.

The meeting then adjourned.


Secretary