

The attached set of minutes of the meeting of the Board of Governors of the Federal Reserve System with the Presidents of the Federal Reserve Banks on September 27, 1956, which you have previously initialed, has been amended at the suggestion of the Secretary of the Presidents' Conference, to make certain changes in the doubled-spaced paragraphs on pages 2 and 3.

If you approve these minutes as amended, please initial below.

Chairman Martin

Governor Szymczak

Governor Vardaman

Governor Mills

Governor Robertson

Governor Balderston

Governor Shepardson

W  
M  
W  
R  
CCB  
SHS

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 September 27, 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><i>[Signature]</i></u>	_____
Gov. Szymczak	x <u><i>[Signature]</i></u>	_____
Gov. Vardaman	x <u><i>[Signature]</i></u>	_____
Gov. Mills	x <u><i>[Signature]</i></u>	_____
Gov. Robertson	x <u><i>[Signature]</i></u>	_____
Gov. Balderston	x <u><i>CCB</i></u>	_____
Gov. Shepardson	x <u><i>[Signature]</i></u>	_____

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 Thursday, September 27, 1956, at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
 Mr. Balderston, Vice Chairman  
 Mr. Szymczak  
 Mr. Vardaman 1/  
 Mr. Mills  
 Mr. Robertson  
 Mr. Shepardson

Mr. Carpenter, Secretary  
 Mr. Kenyon, Assistant Secretary

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

Messrs. Harris and Deming, First Vice Presidents of the Federal Reserve Banks of Chicago and St. Louis, respectively

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. Desirability of a uniform policy for distribution of new coins to collectors. In response to request from the Board of Governors in letter dated June 29, 1956, the Conference considered the question

1/ Withdrew from meeting at point indicated in minutes.

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of the desirability of a uniform System policy in the matter of distributing new coin to collectors. The Conference concurred in the recommendations of its Committee on Miscellaneous Operations as set forth in a report from its Subcommittee on Cash, Leased Wire and Sundry Operations dated August 15, 1956. In brief, it was the conclusion that the Reserve Banks should furnish coin only for use as a medium of exchange, and that the Reserve Banks should not distribute coin directly to coin collectors and dealers, and the recommendations in the committee report were directed toward establishment of a uniform System policy embracing such conclusions.

In presenting this topic, President Fulton said that the question had come up for consideration as a result of complaints from coin collectors and dealers with respect to practices of the Reserve Banks in distributing new coins. He indicated that it was the view of the Committee on Miscellaneous Operations, in which the Presidents concurred, that the policy of the Reserve Banks should be to furnish coin to the banks of their districts only for the purpose of being used as a medium of exchange, and that the Banks should not supply coins of specific mintage over the counter or otherwise to coin collectors and dealers. Mr. Fulton pointed out that the Subcommittee on Cash, Leased Wire and Sundry Operations had met with a representative of the Bureau of the Mint in the course of its consideration of this question, and that while the Mint met the demand of collectors to some extent through the sale of "proof sets" and "uncirculated Mint sets", the Mint had taken the position that it should not supply coin in quantities for speculative purposes. In view of this position, Mr. Fulton said that it was the view of the Presidents that it would be inappropriate for the Reserve Banks to establish a mechanism for supplying coin collectors as against the rest of the public.



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In response to a question by Governor Vardaman as to whether it would be feasible for the Federal Reserve Banks to refer inquiries to the Treasury, Chairman Leedy said that if the coin collectors were going to be satisfied it appeared that it would be necessary for the Mint to make some provision to take care of them. In view of the attitude of the Presidents, which he thought was correct, Mr. Leedy felt that the suggestion might be made to the Mint that it consider establishing some facilities for the collectors.

President Fulton supplemented Mr. Leedy's comments by saying that the Mint sometimes makes short runs and those coins immediately go to a premium. He said it was the feeling of the Committee on Miscellaneous Operations that if the Mint would eliminate the short runs a part of the problem would be solved. President Williams added that it was understood to be the practice of the Mint to refer coin collectors to the Federal Reserve Banks, which President Irons pointed out was inconsistent in light of Treasury regulations requiring the Reserve Banks to issue circulated coin rather than new coin as long as it is available.

The question was asked whether it was intended to inform the Mint of the conclusion reached by the Presidents on this matter. Chairman Leedy replied that a representative of the Mint had participated in the consideration leading to the conclusions in the matter, but that the views of the Conference should probably be transmitted to the Mint.

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2. Impact of credit restraint on small business. The Conference again took cognizance of the widespread statements suggesting that credit policies over the past year have unduly restricted credit availability to small business. Recognizing the possible adverse effect that this criticism might have upon the System, the Conference expressed the desire to discuss the matter with the Board for the purpose of exchanging views as to steps, if any, which should be taken by the System in the direction of developing specific information to answer such criticism.

President Hayes said that the impact on small business of the current policy of credit restraint had been given much thought at the Federal Reserve Bank of New York in view of the Bank's awareness of the substantial amount of criticism that had been expressed and the possible long-range effects of such criticism from the public relations point of view. There was some suggestion, he said, that section 13b of the Federal Reserve Act might provide a safety valve but it was the tentative conclusion that the Reserve Banks should be very reluctant to act under section 13b for purposes different from those for which the statute originally was provided. At the same time, it was thought that perhaps the System should develop more facts about the small business situation.

Mr. Hayes went on to say that a few days ago he sent to the Board a copy of an internal New York Bank memorandum regarding possible approaches to obtaining more data on the subject. The memorandum suggested several possibilities, including an appraisal of the activities

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of the Small Business Administration in an effort to ascertain what credit demands that agency could not legitimately satisfy. For this purpose, it was thought that perhaps information could be developed through the Council of Economic Advisers. He said that if the Board favored this idea, the Reserve Banks might want to pursue the matter to find out a little more about the demands that were not being met. In this connection, it seemed likely that the Small Business Administration would have some data that could be analyzed.

Another thought, President Hayes said, was that the System might collect data on small business loans that had been made in the recent period of credit restraint as compared with other periods, in order to refute accusations. In this connection, he noted that the Credit Policy Commission of the American Bankers Association expected to make a sample survey of the situation in the near future. Another possibility referred to by Mr. Hayes was that the bank relations personnel of the Reserve Banks could find out something about the loans that were not being made at the present time, since this was perhaps more important than information on the loans that had been made. The whole idea, he said, was merely that the subject be pursued from the standpoint of gathering more information as to whether or not a real need existed. He concurred in a comment by Governor Robertson that the method of approach would be important to avoid any impression on



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the part of the commercial banks that the Federal Reserve System was putting pressure on them to make loans.

Governor Robertson expressed the view that it would be desirable if the Reserve Banks could devise some practical method of building up a record regarding specific cases involving reports of inability to obtain credit. He suggested that there might be a study based on over-all figures concerning loans made, which would be supplemented by a few specific cases to point out the general nature of the problem.

Governor Mills expressed doubt whether the System would want to probe into the small business problem at a time when a policy of credit restraint had resulted in a screening of applications and greater selectivity on the part of banks in making loans. He felt that it might be inconsistent for the System to have produced a credit policy that in one sense was achieving the objectives it had sought and at the same time to appear to be criticizing the credit-granting institutions who had been affected by that policy. He also raised a question with regard to section 13b concerning the proper attitude of the System toward an existing statute which had now been brought to the attention of the business community through a statement made by a source outside the System. In his opinion, the System certainly should not enter into a widespread program of section 13b loans at present, but perhaps the Reserve Banks would want to give sympathetic attention to any applications or inquiries received in order to determine the justifiability of



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the application, to determine whether the applicant had actually been denied credit by a bank, and to ascertain whether the applicant could not be accommodated if he returned to the bank for another review of his application. He suggested that such a procedure might serve to assist creditworthy applicants and to make certain that other applicants were not deserving of credit accommodation.

President Hayes commented that he did not think the basic policy with respect to section 13b should be changed and that he wished to make it clear that his previous remarks were not intended to suggest action on the part of the System favorable to greater use of that section. Instead, he was referring purely to a gathering of factual information in order to learn more about the current situation. In such a study, he felt that every precaution should be exercised to avoid the impression of putting the slightest pressure on any bank.

Governor Mills said he was apprehensive that any inquiry by the Federal Reserve System might create the impression that in the System's view there was an inadequacy in the availability of credit to small business that should be corrected. He doubted that it would be possible to approach a commercial bank without unavoidably creating such an impression.

Following a further discussion which touched upon the statutory limitations surrounding the use of section 13b, Governor Balderston made a statement in which he emphasized the public relations nature of the

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current problem arising out of a misunderstanding of the nature and objectives of System credit policy. While he would not want to go so far as to issue interpretations on matters such as discount rate changes, he felt that there was much to be said for endeavoring to create an atmosphere of friendliness and being willing to listen to parties with special problems. He said that whenever credit demand outruns the supply, the marginal applicants are bound to get screened out and will feel aggrieved. While he felt that it would be inconsistent with current credit policy for the Federal Reserve to initiate by overt act a flow of loan applications to the Reserve Banks, he believed there were probably some creditworthy cases not being accommodated and that it was incumbent on the System to follow such cases. After suggesting certain possible courses of action, he went on to refer to the contention of the bankers on the one hand that they were not discriminating against small business and the complaints of would-be borrowers on the other hand, and he pointed out that this situation called for handling in the most discreet manner possible the sources of information on the borrowing side. What he was suggesting, he said, was a need for fact-finding which should be approached with the utmost care and delicacy.

Governor Vardaman said that he doubted whether any fact-finding inquiry could be regarded as internal and that he would hesitate to put the System in the position of checking on the Small Business Administration

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because the implication would be that a study was being made of the adequacy of that agency. He then said that the limitations in section 13b seemed to make it impractical to use that section to any large extent and that it should be made clear to the public and the banks that section 13b is applicable to only a few cases - so much so that its repeal had been recommended by the Board in the past. In principle, however, he did not think that the making of section 13b loans would necessarily be contrary to current System credit policy because they would be made in an effort to adjust the allocation of credit more equitably. He went on to comment regarding the dangers involved in a screening of commercial bank loan applications which eliminated all but the top-grade credits and expressed the opinion that nothing should be done which would encourage the banks to allocate their funds solely to applicants of the highest credit standing.

Chairman Martin then made a statement in which he expressed the view that this was one of the most important problems with which the System had to deal and that it was advisable, therefore, to have full discussion of all aspects of the matter and an opportunity to present all points of view. He said that in times like the present much thinking must be done on the role of the System and that although it would not be possible for any conclusive answers to appear at this meeting, it was well to have all viewpoints expressed. He saw a real need to explain to the public the true meaning of a "tight money policy" and



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the objectives of that policy, for he felt that widespread misunderstanding existed. He went on to say that in view of the volume of criticisms being received, the possibility of activating section 13b had been mentioned to the Board, which in his opinion had an obligation to consider the proposal fully. In the circumstances, the subject was discussed by the Board at length and various opinions were expressed by the individual members. In that discussion, it was recognized that the fact that section 13b is still on the books could not be ignored.

Returning to the general problem of improving public understanding of System policies, Chairman Martin said it must be remembered that for the first time in many years we were having a protracted period of credit restraint in a time of general prosperity. In summary, he felt that all of the Board members and Presidents should be thinking in terms of how best to explain the objectives of System policy and how that policy was affecting the majority of the people.

At the conclusion of the discussion, Chairman Martin suggested that this topic be dropped for the time being.

3. Planning and timing of requests for statistical data from commercial banks. The Conference discussed the multiplicity of requests for these data and an increasing reluctance on the part of commercial banks to supply the information. The Conference expressed the view that it would be desirable in each instance to carefully weigh the need for additional statistical data and the purpose it is intended to serve before initiating requests for such data, as well as to survey the machinery established within the System for clearing such requests.



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President Bryan stated that in view of the current and prospective needs of the System for statistical information in order to properly discharge its responsibilities, the Presidents were entirely sympathetic to the fact that the requests for data would be unusually large in number. At the same time, they had some feeling that the System was exhausting a vast reserve of good will by the constant flow of statistical surveys, some of them of great magnitude, which imposed a real burden on the respondents. It was felt, he said, that the surveys sometimes were initiated without careful regard to their timing and sometimes without sufficient regard to whether the material was actually needed in the discharge of the System's responsibilities. The Presidents were particularly sensitive on that point because they had been forced to call upon every element of prestige that could be mustered to obtain cooperation. They were also concerned about the method by which these surveys and other commitments of the System to obtain statistical information were approved and adopted; for example, the forthcoming survey of demand deposit ownership. In particular, the Presidents noted that a mechanism had been established by which they could give advice and express themselves on such matters, but which apparently there was a tendency to ignore. This, he said, was not intended to be spoken in a critical vein but was merely an observation of fact. In the circumstances, there was some opinion among the Presidents that perhaps the present mechanism should be revised to provide a more workable procedure.

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President Bryan went on to say that it was also of concern to the Presidents that they appeared to be less and less in control of their own research departments in view of a tendency for communications to by-pass the Presidents rather completely. He added that there had been some expressions to the effect that possibly instructions were being transmitted from time to time at the staff level that should actually come from the Board itself. He understood it to be the consensus of the Presidents that they would like to have an opportunity to discuss the subject with some designated member or committee of the Board with a view to working out mutually agreeable procedures.

Chairman Martin stated that the Board would take the matter under study and report to the Presidents.

Governor Vardaman withdrew from the meeting at this point.

4. Increase in maximum interest rates on time deposits.  
The Conference had before it the Board's letter of July 16, 1956, requesting the views of the Presidents with respect to amendment of Regulation Q to increase authorized maximum interest on time deposits as follows:

	<u>From</u>	<u>To</u>
Deposits having maturity of less than 90 days	1%	1-1/2%
Deposits having maturity of less than six months and not less than 90 days	2%	2-1/2%
Deposits having a maturity of six months or more	No change	

Ten Presidents favored moving the rates forward as indicated; four of the ten favored increases to 2 per cent and 2-3/4 per cent (instead of 1-1/2 per cent and 2-1/2 per cent) in the two categories of deposits. In

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view of the general increase in the level of interest rates since the existing schedule of rates on time and savings deposits was established by the Board of Governors, seven of the Presidents also indicated that they would favor adoption of a maximum rate of 3 per cent on time deposits of the maximum maturity and on savings deposits as well.

The Conference was also of the view that a study should be made of the whole field of regulating the payment of interest on time and savings deposits, with the view to determining the need or advisability of the detailed regulation with respect to permissible maximum rates of interest which may be paid on such deposits, as now apparently contemplated by statute.

President Hayes recalled that several months ago there was forwarded to the Board by the New York Reserve Bank, with a favorable recommendation, the request of two New York City banks that the maximum rates of interest on shorter-term time deposits be increased. He said that basically it was the view of the New York Bank that in the light of developments since the establishment of the current maxima in 1936 there was reason to approve the requested increases. Also, the Reserve Bank was aware of the fact that the time deposit problem at New York City banks was fairly acute, particularly with respect to time deposits of foreigners and municipalities, since the banks apparently would lose a substantial amount of such deposits as the result of higher rates obtainable from other investments. While it was felt that foreign central banks possibly should not be using time deposits as much as they had, it was also believed that neither the statutes nor the Board's regulations



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were written with any reference to that problem and therefore that they should not be used administratively in this context. He went on to say that the maximum rate on savings deposits was a more controversial and difficult subject with which to deal, such deposits being more closely related to long-term interest rates and not so directly affected by changes in short-term rates.

He then recalled that another New York City bank asked more recently for an increase to 2-3/4 per cent in the maximum interest rates applicable to time deposits with maturities of 90 days or longer, along with an increase to 2 per cent for such deposits having a maturity of less than 90 days. Under date of September 24, 1956, the New York Reserve Bank transmitted to the Board a recommendation that this request be granted in view of the change in money rates during the past few months.

President Hayes then summarized the views of the Presidents' Conference as set forth in the statement submitted to the Board in connection with this topic. In further comments, he said that although the New York Bank was of the opinion that action should be taken promptly, certain basic problems were involved from a longer-run point of view and the question was raised whether it would be advisable to suggest to the Senate Banking and Currency Committee, in connection with its current study of the Federal statutes governing financial institutions and credit, that consideration be given to whether the authority vested in the Board to fix maximum rates of interest should be mandatory or discretionary.



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There were also certain other questions which might be considered, including the question whether the present classifications applicable to time deposits should be changed. He said the Presidents' Conference felt that further study should be given to these fundamental questions.

Chairman Martin inquired whether it was felt that an increase in the maximum rates of interest on time and savings deposits would have any effect on the forthcoming Treasury financing, and the comments made in response to his question were generally to the effect that such action would have some, although not necessarily an important, effect on the financing. In this connection, President Hayes said that he would not like to see any action announced on the maximum interest rates until the October Treasury financing was out of the way.

At the Chairman's request, the Secretary of the Board then summarized the views of the Federal Advisory Council as stated at the joint meeting of the Board and the Council on September 18, 1956. The Council was in favor of the proposal stated in the Board's letter to the Presidents' Conference of July 16, 1956, particularly in view of the situation with regard to foreign-owned time deposits. However, the Council was strongly opposed to any change in the over-all maximum rates, feeling that an increase would result in unsound competition and that it would be difficult to reverse if the trend of interest rates turned down. There was also apprehension of a shift from demand deposits into short-term time

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deposits, and although keeping down the maximum rate on deposits having a maturity of less than 90 days would retard such a shift, it was believed at the same time that the rate on such funds should be kept in appropriate relationship to rates on time deposits having maturities from 90 days to six months. The Council was of the view that the maximum rate on savings deposits should be increased if the ceiling rate on time deposits was raised, but there was strong opposition to any increase in the maximum rate applicable to either kind of deposits.

Chairman Martin stated that the Board would consider the problem in the light of the information before it, including the views of the Federal Advisory Council and the Presidents.

5. Classification of savings deposit. The Conference had before it the Board's letter of July 23, 1956, asking the Presidents to review a form of "savings certificate" attached to the letter and consider whether a deposit evidenced by such a "savings certificate" would be eligible for classification as a savings deposit. It was the opinion of the Conference that the deposit in this case should not be construed as eligible for classification as a savings deposit.

President Powell said it was the view of the Presidents' Conference that the proposed "savings certificate" was largely in the form of a time certificate of deposit and that its use might tend to confuse the distinctions which the Board's Regulation Q, Payment of Interest on Deposits, seeks to preserve between savings and time deposits. He then

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referred to the statement of the Presidents in connection with the preceding topic that in their view a study should be made of the whole field of regulating the payment of interest on time and savings deposits. He said there was some opinion that the Board's regulations and interpretations on time deposits were perhaps a little too detailed since they seemed to represent an attempt to go beyond matters of substance and include details relating to the handling by banks of time and savings deposits.

Chairman Martin stated that the views of the Conference with respect to the proposed savings certificate were in accord with the views expressed by the Federal Advisory Council.

6. Dates for submission of annual budget and annual experience report. Present instructions of the Board of Governors require that annual budgets of the Reserve Banks and annual budget experience reports be approved by the Board of Directors and submitted to the Board of Governors no later than October 1 and March 1, respectively. In some banks the Boards of Directors meet during the second week of each month, and in such banks the present budgetary instructions make it necessary that the reports referred to be completed and submitted to the directors at the September and February meetings. By postponing these submission dates to October 15 and March 15, respectively, an additional month would be available for the preparation of the reports by the banks referred to. It was felt this would also result in minimizing overtime payments and the removal of pressure to meet the current deadlines, with accurate estimates being possible.

Following a statement by President Irons concerning the advantages to the Federal Reserve Banks that would result from the suggested change in the dates of submission of the annual budget and annual experience



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report, Chairman Martin said that the Board had discussed this matter and was agreeable to the suggestion.

7. Maximum interest rates on V loans. At the May Conference of Presidents it was agreed that banks were entitled to a higher return on V loans because of the expense of administration, and the recommendation was made that the guarantee and commitment fees be reduced rather than the primary rate increased. Information has subsequently been developed indicating that there is no disposition on the part of the Armed Services to reduce guarantee and commitment fees. Consequently, in order to adequately compensate banks for the additional administrative cost in handling V loans, and to take into account changes which have taken place in interest rates, the Conference agreed to request the Board to give consideration to increasing the maximum interest rates charged on these loans from 5 to 6 per cent.

President Fulton made a statement in amplification of the views of the Conference, following which Chairman Martin explained that the Board had approved an increase from 5 to 6 per cent in the maximum permissible rate of interest in June of this year after receiving favorable recommendations from the guaranteeing agencies. However, in view of the study being conducted by the President's Advisory Committee on Small Business, it was decided to check with the Chairman of that Committee before announcing the action. Opposition to the rate increase was expressed and subsequently the guaranteeing agencies reversed their recommendations. Chairman Martin said that perhaps the matter could be worked out in the not too distant future and that meanwhile the Board was continuing to consider all aspects of the problem.



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8. Changes suggested in the Federal Reserve Act and related statutes, in response to Board's wire of August 30, 1956. On the basis of information exchanged by members of the Conference with respect to changes suggested in the Federal Reserve Act and related statutes, in response to the Board's wire of August 30, 1956, it was apparent that studies were contemplated of many of the topics mentioned. It was the view of the Conference that it would be helpful to the members for such studies to be made by a committee of the Conference for later consideration by the Conference and for possible submission to the Board of Governors. It was agreed that the legislative committee should undertake such studies.

President Hayes pointed out that in the Board's telegram of August 30, 1956, the Reserve Banks were asked to submit by September 14 their suggestions for legislative amendments that might be submitted to the Senate Banking and Currency Committee in connection with that Committee's study, under the acting chairmanship of Senator Robertson, of the Federal statutes relating to financial institutions and credit. He said that the short period of time allowed made it necessary that the Banks confine themselves for the most part to suggestions for changes of a technical nature, but that the attention given to the matter uncovered many items of a more fundamental character that would require further study. Accordingly, the Presidents' Conference concluded that it would be desirable and helpful to have appropriate committees of the Conference undertake further studies under the general direction of the Committee on Legislation.

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In response, Chairman Martin and other members of the Board commented on the time limitation that had confronted the Board in preparing legislative suggestions to submit to the Committee by the first of October, a situation which was further complicated by a lack of definition of the scope of the Committee's study until recently. It was also stated that the items in the Board's initial submission to the Committee would comprehend mostly suggestions of a technical or noncontroversial nature, although there were a few which were borderline and some which were proposed by the Board at the last session of the Congress. The Presidents were assured that the comments from the Reserve Banks had proved very helpful.

After some further discussion, it was understood that copies of the documents sent to the Senate Committee would be sent to the Presidents, and the statement was made by Chairman Martin that the Board would be gratified to receive any comments and suggestions that the Reserve Banks may have before the submission by the Board of oral testimony at hearings early in November.

In this connection, Chairman Martin stated that the Conference should be alert to the fact that legislative proposals which would subject the Federal Reserve System to audit by the General Accounting Office would again be introduced during the next session of the Congress. He requested that the Presidents give thought to whether some plan could be worked out that would enable the System to shift to the offensive on this subject.

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9. Additional items of information arising out of the current Conference meeting. In addition to the foregoing 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 memorandum.
- a. The Conference approved the recommendation of the Committee on Fiscal Agency Operations that the present reimbursement rate of 26 cents per thousand pieces of unfit United States paper currency verified and destroyed be reestablished for the fiscal year ending June 30, 1957.
  - b. The Conference approved the recommendation of the Committee on Fiscal Agency Operations that the reimbursement rate for processing Federal Tax Depository Receipts be set at 10.8 cents per validated receipt for the fiscal year ending June 30, 1957, which represents a reduction from the 11 cent rate.
  - c. The Conference approved the following recommendations pertaining to revision of instructions of the Reserve Banks regarding telegraphic transfers of funds, which were contained in a report of meeting on June 4-6, 1956, of the Subcommittee on Cash, Leased Wire and Sundry Operations:
    - (1) That telegraphic transfers of bank balances from member banks to member banks be restricted to multiples of \$1,000 instead of bank balances of \$1,000 or over, in order to help prevent third party transfers being made as transfers of bank balances:
    - (2) That telegraphic transfers of funds from member banks for the account of nonmember clearing banks be continued subject to a charge approximating but not exceeding the commercial wire rate, such transfers to be restricted to transfers of bank balances in multiples of \$1,000 instead of \$100 as at present;



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- (3) That telegraphic transfers of funds from the account of nonmember clearing banks to member or nonmember clearing banks be discontinued.

The Conference also approved the recommendation in the report that the Reserve Banks revise their instructions regarding telegraphic transfers of funds to conform to the form proposed in Exhibit B of the report.

- d. The Conference accepted a report dated September 21, 1956, of the Special Committee on Emergency Operations presenting questions of policy which arose as a result of the participation by the Reserve Banks in the recent Civil Defense test exercise, Operation Alert 1956, and which require consideration by the Reserve Banks. The reports of the individual Reserve Banks covering their experiences during the recent exercise have also been exchanged, and the Conference agreed that these reports should be reviewed carefully by all the banks for the purpose of further developing the plans of the banks.
- e. The Chairman of the Special Committee on Studies of the Banking Structure reported on the progress which has been made in selecting persons in academic, banking, and economic fields to participate in a broad historical study of the economic environment of banking over recent years. He also discussed the consideration which has been given to obtaining staff for the project.
- f. Pursuant to recommendations in letter to the Chairman of the Conference dated September 20, 1956, from the Chairman of the Special Joint Committee on the IRCS Report of the Retirement System, the Conference approved -
  - (1) Use of the Retirement System's regular actuary and counsel in connection with the work of the Special Committee, and incurring necessary expenses incident thereto at the cost of the banks on a prorata basis,

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- (2) Use of the Subcommittee on Personnel of the Presidents' Conference and of official and nonofficial staffs of some or all of the banks in connection with the work of the Special Committee,
- (3) Interpretation of the Special Committee's assignment as including authority for making alternative recommendations if it should develop that approval of the IRCS recommendations in their entirety is not to be forthcoming.

There being no comment required on any of these items, this concluded the discussion of the topics submitted by the Presidents' Conference.

Governor Robertson presented a report on Operation Alert 1956 during which he brought out that certain changes in the rules under which the exercise was carried out, of which the Board was advised only on the eve of the exercise, handicapped Reserve Bank participation seriously, particularly because the security classification of certain basic documents made it impossible to transmit them to the Banks. He expressed appreciation of the cooperation of the Reserve Banks, especially under such circumstances, and then discussed the principal accomplishments of the exercise, problems that remained for consideration, and work being carried on at the present time in cooperation with other Government agencies. He believed that progress would continue to be made in reaching agreement on certain fundamental problems that were still awaiting solution.

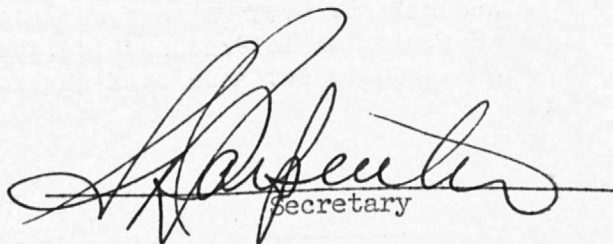
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It was understood that copies of the memorandum which formed the basis for Governor Robertson's comments would be sent to each of the Presidents.

Chairman Martin said that he hoped the Presidents would join with the Board in feeling that these joint meetings were "family meetings" and that they would not be reticent in offering any suggestions or criticisms or raising any problems that they might have. He added that the Board and the Presidents do not have too many opportunities to get together and that full discussion would be very helpful to all concerned in the conduct of System affairs.

The meeting then adjourned.



Secretary