

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 June 18, 1957.

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>M</i></u>	
Gov. Szymczak	<u><i>S</i></u>	x <u><i>MS</i></u>
Gov. Vardaman	x <u><i>V</i></u>	
Gov. Mills	x <u><i>M</i></u>	
Gov. Robertson	x <u><i>R</i></u>	
Gov. Balderston	<u><i>B</i></u>	x <u><i>CCB</i></u>
Gov. Shepardson	x <u><i>CS</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 Tuesday, June 18, 1957, at 2:00 p.m.

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

Mr. Kenyon, Assistant Secretary

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

Mr. Mills, First Vice President, Federal Reserve Bank of Minneapolis

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

Before this meeting the Presidents had submitted a memorandum listing the topics that they would like to discuss with the Board. The topics, the statement of the Presidents with respect to each, and the discussion at this meeting were as follows:

1. Suggested statement of policy on Reserve Bank expenditures for membership dues. The Board's letter of May 3, 1957 to Chairman Leedy requested that the Presidents' Conference suggest a statement of policy with regard to expenditures for membership dues which could be adopted by the Board of Directors of the respective banks and approved by the Board of Governors. In response to this request the following proposed statement was presented to the Conference by the Committee on Bank and Public Relations. The Conference unanimously approved the statement and submits it to the Board of Governors for its consideration:

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Expenditures for membership dues should conform to the Board's policy on "Discretionary Expenditures" as set forth in #3187 of the Federal Reserve Loose-Leaf Service, and in determining whether such expenditures are appropriate the following guides should be followed:

1. Reserve Bank expenditures for memberships should be limited to those organizations whose purposes are directly related to the work of the Reserve Bank, or organizations in which the Bank should be represented, such as appropriate financial, business, and agricultural organizations. This principle applies regardless of whether the membership is in the name of the Bank or an individual.
2. Individual and Bank memberships in professional or other associations may be regarded as appropriate Bank expenditures if such memberships make possible participation by members of the Bank's staff in activities which are directly related to or are in furtherance of the work of the Bank, or if membership is necessary in order to have available for the use of Bank personnel libraries or other services or sources of information.
3. The number of memberships in the name of individual staff members of a Bank should not exceed a number reasonably related to the size of the Bank's staff assigned to work to which the organization's activity relates and should be consistent with the benefits resulting from membership in the particular organization.
4. Memberships in social, college, service and luncheon clubs should be personal expenditures, except that when the Board of Directors of a Reserve Bank makes a specific finding that membership in a service or luncheon club is of key importance to the role of the Reserve Bank in the community, the cost of such membership may be regarded as appropriate Bank expense.

Chairman Martin stated that the Board would consider the proposed statement of policy and advise the Presidents of its views.

2. Study of Float. The Conference had before it communication dated May 31, 1957, from the System Committee for the Study of Float with accompanying memorandum outlining program

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suggested by the Committee. The Conference was of the view that before proceeding with the investigation of the operational matters referred to in the report, it would be preferable to await a determination of the basic question referred to in part A.I. of the memorandum, i.e., the question of the importance of float fluctuations and float level in the administration of credit policy.

Chairman Leedy said that in making the procedural suggestion the Presidents had in mind that a considerable volume of work involved in the investigation of operational matters possibly could be avoided, depending on the conclusions reached with regard to the basic question referred to in part A.I. of the memorandum from the System Committee, and that it would therefore seem desirable if the first step could be a determination of the basic question.

Governor Robertson, speaking as Chairman of the System Committee, said that he would like to give some further thought to the question of Procedure and discuss the matter with the other members of the Committee (Presidents Erickson and Johns) before a final decision was made. While it might be that the suggested procedure was the most feasible arrangement, he was anxious that the Committee's study be carried through to completion as expeditiously as possible.

Agreement was expressed with the approach suggested by Governor Robertson. In this connection, Chairman Leedy pointed out that the Presidents would be in Washington frequently for meetings of the Federal Open Market Committee and that this would afford an opportunity for any further exploration of the matter that might be desired.



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3. Study of proposals for revisions of reserve requirements. At the March 1957 meeting of the Conference reference was made to the fact that in view of the ABA report on reserve requirements and other memorandums concerning reserve proposals which had circulated in recent months, the Presidents presumably would need to be prepared to take a position at some point, or at least should form a judgment as to the type of legislation which would be most desirable. It was suggested that the various reserve proposals be analyzed and that consideration be given to the question as to what further information might be needed to assist the Presidents in appraising the several proposals. The Conference asked the Committee on Legislation to review the various proposals which have been made for changes in reserve requirements of member banks and to report back to the Conference.

Mr. Irons presented a report dated June 7, 1957, of the Subcommittee on Legislation presenting the subcommittee's conclusions and recommendations following a review of five recent proposals for revising reserve requirements. It was the view of the Conference that the Subcommittee's report represented a constructive addition to the studies previously made. The Conference accepted the report and agreed that it should be submitted to the Board of Governors with the request that the Board review it, and that it be suggested to the Board that there be an early meeting between the Board and the Presidents for a discussion of the report.

Following comments by President Irons on the nature and scope of the study, Chairman Martin stated that the Board would be glad to receive the report and would endeavor to arrange for discussion of it with the Presidents at some mutually convenient time.

4. Review of employee fringe benefits (other than retirement) of the Reserve Banks. The Conference considered reports by its Committee and Subcommittee on Personnel dealing with two recommendations of Industrial Relations Counselors Service, Inc., in addition to those recommendations concerning the Retirement System. The Conference concurred in the IRCS suggestion that a post

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retirement death benefit should be provided and adopted the suggestion of the Personnel Subcommittee that the amount be \$1,000, that it be provided for all who effect service retirement, and those who effect special service retirement at age 60 or over with 25 years of service or more, and that the benefit be provided outside the Retirement System because of the taxability of the death benefits paid by the Retirement System.

The Conference also concurred in the IRCS suggestion that the hospital and surgical-medical benefits be made available to the same classes of retired employees and their families, but that the banks pay only two-thirds of the cost as in the case of employees in active service.

The Conference wishes it to be understood, however, that these recommendations are of considerably less importance than the pending proposed revision of the Retirement System, and expresses the hope that its concurrence in the IRCS recommendations for the purpose of completing consideration of the IRCS report will not be permitted to interfere with final disposition of the pending revision of the Retirement System.

After President Johns had reviewed the proposals, Chairman Martin stated that the Board would take the recommendations under consideration and would advise the Presidents of its views as promptly as possible.

5. Additional items of information arising out of current Conference meeting. In addition to the foregoing items, the following matters of possible interest were considered by the Conference. They are reported herein as a matter of information.
  - (a) Reimbursement rate for handling Federal tax receipts. Upon recommendation of the Committee on Fiscal Agency Operations, the Conference approved establishment of a rate of 11.07 cents per validated receipt as the basis for reimbursement for handling Federal tax depository receipts for the fiscal year ending June 30, 1958, and a rate of 11.26 cents per validated receipt

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for the fiscal year ending June 30, 1959, with the usual understanding that the rate will be reviewed from time to time and adjusted to reflect changes affecting operating cost.

- (b) Special Committee on Studies of the Banking Structure. Mr. Williams referred to the work of the five-man group from within the System which was assigned the task of summarizing and distilling the material submitted in connection with this project. He said that the work was progressing and that he expected a final report to be submitted by mid-July.
- (c) Reimbursement for hospital and medical service premium payments in behalf of Fiscal Agency employees. Reimbursement for these payments is presently limited to payments in behalf of employees whose salaries are reimbursable on a full-time basis from a single reimbursable account within the same calendar month. Under this plan, no reimbursement is obtained for payments in behalf of employees whose time is divided between two or more Fiscal Agency accounts, for instance, U. S. Savings bonds and Currency Verification and Destruction. The Conference approved a recommendation of the Committee on Fiscal Agency Operations under which reimbursement for these payments would be based on the bank-wide average per capita cost for hospital and medical service premium payments applied to the number of Fiscal Agency employees involved in each instance, which would permit recovery of payments in question without respect to the fact that an employee's time may be divided between two or more Fiscal Agency accounts.
- (d) Reimbursement for handling postal money orders. Upon recommendation of the Committee on Collections and Accounting the Conference approved a reimbursement rate of \$1.99 per thousand postal money orders processed for the fiscal year ending June 30, 1958, which represents an increase from a reimbursement rate of \$1.90 per thousand money orders for the current fiscal year.
- (e) Advisory services on mechanization of check handling. At the March 1957 meeting, the Conference authorized the Committee on Miscellaneous Operations to consider recommendations submitted by the Subcommittee on Electronics concerning an arrangement for advisory services in connection with the mechanization of check handling operations, and to take such action as it



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might determine was appropriate with respect to the recommendations, with the understanding that any arrangement approved by the Committee would be submitted to the Board of Governors for its consideration. Following discussions with several research organizations, the Subcommittee on Electronics, in a report dated April 4, 1957, recommended to the Committee on Miscellaneous Operations that arrangements be made with Stanford Research Institute to furnish the advisory services contemplated. The Committee on Miscellaneous Operations subsequently approved the Subcommittee's report and the Board of Governors concurred in the selection of Stanford Research Institute. Mr. Fulton reported at the current Conference that the New York Reserve Bank has since executed the contract for the services with Stanford Research Institute on behalf of all the Reserve Banks. A meeting has also been held of representatives of the twelve Reserve Banks and Stanford Research to develop a questionnaire which will be completed by all the Reserve Banks to provide Stanford Research with information to enable the group to undertake the initial phase of its assignment.

- (f) Rental rate charged government agencies for use of bank space. In a report dated June 7, 1957, the Subcommittee on Fiscal Agency Operations recommended elimination of the present limitation of \$2.50 per square foot per annum upon the rate charged government agencies for use of bank space, and proposed that reimbursement be based on the actual space maintenance cost with continuation of the present limitation of 100 square feet per employee. The Committee on Fiscal Agency Operations is in agreement that the \$2.50 rate is inadequate, and recommended that the Committee on Collections and Accounting be asked to review the present formula in the Accounting Manual for computing space costs, and suggest changes in the formula which might seem to be appropriate. With this specific information, the Committee on Fiscal Agency Operations will present a specific recommendation to the Conference with respect to the adjustment in the rate to be charged government agencies for use of bank space. The Conference approved the recommendation of the Committee on Fiscal Agency Operations.



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- (g) Reimbursement rate for verification and destruction of unfit U. S. Currency. The Conference has previously approved a reimbursement rate of 26 cents per thousand pieces of currency handled for the fiscal year ending June 30, 1957. Mr. Leach reported to the Conference that a joint study has been proposed of the cost of performing this operation on the present basis as contrasted with the cost of handling the work if it were turned back to the Treasury. He suggested, therefore, that the present rate of reimbursement be continued pending the completion of the study.
- (h) Emergency operations. Mr. Williams, Chairman of the Special Committee on Emergency Operations, presented a report from the Subcommittee on Emergency Cash Operations dated June 7, 1957, responding to an assignment from the Special Committee, given at the special session of the Conference on May 7, 1957, to suggest uniform language for inclusion in operating circulars or instructions issued to banks selected to act as Agents for the Reserve Banks in distributing currency during an emergency. Upon recommendation of the Special Committee, the Conference approved the Subcommittee report, but expressed concern that definite arrangements could not be proposed with respect to many of the major transactions involved in the agency arrangement, by reason of the fact that no policy decisions have been reached as to those questions, and voiced the hope that the Special Committee on Emergency Operations would press for a determination of those policies as promptly as possible.

With regard to items (a) and (d), Governor Mills inquired concerning the basis of estimating rates of reimbursement for future fiscal years. In this connection, he noted that the projections reflected increases in the rates of reimbursement.

President Leach responded that the estimated rates were based on projections made by each of the Federal Reserve Banks and that the introduction of operating improvements had heretofore permitted reduced rates of reimbursement for the respective operations. While the current

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projections indicated that it might not be possible to effect further operating improvements to the same extent as previously, he observed that existing interagency understandings would permit adjustment of the estimated rates of reimbursement at any time if circumstances should warrant.

In reply to a question by Governor Vardaman concerning the extent to which the advisory services of Stanford Research Institute mentioned in item(e) would be available to all of the Federal Reserve Banks, President Fulton called attention to the fact that this particular arrangement related only to advisory services in connection with the mechanization of check handling operations. Within this limited area, however, procedures were being set up, including arrangements for visits to all of the Reserve Banks, to assure that each Bank would have the benefit of the advisory services.

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

Emergency planning. Governor Robertson advised that interagency meetings were now in progress on a regular basis with a view to reaching mutual agreement on matters fundamental to emergency planning in the financial and economic area. He noted that success in reaching agreement on policy questions would facilitate the work of the Special Committee on Emergency Operations.

Governor Robertson also referred to plans being made for Operation

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Alert 1957, particularly with regard to Federal Reserve Bank participation, and said that a letter to the Reserve Banks on this subject was being prepared.

There followed a discussion of potential damage to the United States from nuclear attack and, with this background, the approach taken in the Federal Reserve staff paper on preattack planning for postattack financial and economic rehabilitation. For this discussion, several staff members from the Board and the Federal Reserve Banks joined the meeting.

Transcript of hearings of the Senate Finance Committee. Governor

Shepardson mentioned the possibility of obtaining for any interested Federal Reserve Bank, at a cost of \$125 per week, a transcript of the hearings being conducted by the Senate Finance Committee on Governmental monetary and financial policies. However, since the transcript would be voluminous and probably would contain quite a lot of material not of particular concern to the Federal Reserve System, he suggested a plan whereby the Board would purchase a single copy of the transcript and its staff would arrange for reproduction of those portions that appeared to be of interest. Copies of the excerpts could be made available to the Reserve Banks as well as the members of the Board if the Presidents so desired.

Following a brief discussion, it was understood that the plan suggested by Governor Shepardson would be followed.

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The meeting then adjourned.

Kenneth A. Kraybill  
Assistant Secretary