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 9, 1958.

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	
Gov. Szymczak	x	
Gov. Vardaman 1/		x
Gov. Mills	x	
Gov. Robertson	x	
Gov. Balderston	x CCB	
Gov. Shepardson	x Colls	

1/ In accordance with Governor Shepardson's memorandum of March 8, 1957, these minutes are not being sent to Governor Vardaman for initial.

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, September 9, 1958, at 1:45 p.m.

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

Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant Secretary
Mr. Leonard, Director, Division of Bank Operations

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

Mr. Nye, 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. Recommendations for reducing the level of and fluctuations in float. The Conference had before it report of the Subcommittee on Collections dated August 11, 1958, presenting the results of its study of the System's check collection functions and operations with a view to developing recommendations in three general areas aimed at reducing the level of and fluctuations in float:

   a. Role of the Federal Reserve System in the check collection process. The Committee on Collections and Accounting

recommended, and the Conference adopted, the following statement of policy:

In the interest of the public and the banking system of the country, the Federal Reserve Banks and Branches should continue to:

(1) Provide the most efficient check collection system practicable for member and nonmember clearing banks, and Government agencies, desiring to avail themselves of it; and

(2) Encourage the use of those channels of check collection which will most expeditiously effect collection of checks.

The Presidents also reaffirmed the view that:

(1) Direct routing should continue to be encouraged.

(2) Transportation costs on direct-sent letters should continue to be reimbursed to the sender by the Federal Reserve Bank.

(3) Regional clearing arrangements are a constructive improvement in the speed and efficiency of handling checks and should be encouraged, but Federal Reserve Banks should not take the initiative in their formation. Federal Reserve Banks should be willing to furnish counsel and advice, and technical assistance if necessary, but should contribute to the cost only on the basis of an appraisal of the relative advantages to be derived by the Reserve Bank.

b. Desirability of a change in time schedules to provide a maximum of 3-day rather than 2-day deferment. Mr. Mangels summarized the data developed on this topic in the Subcommittee report and stated that the Committee on Collections and Accounting, by a 2 to 1 vote, concurred in the conclusions and recommendations of the Subcommittee, as follows:

Because (1) approximately two-thirds of all float is the result of unrealistic time schedules, (2) existing schedules automatically result in at least 1 day's float with respect to all inter-office country items, (3) the rise in float far exceeds the "reasonable increase" contemplated in 1939 and 1951 when schedules were shortened,

and (4) the shorter schedules have not resulted in the expanded use of System check collection facilities by member banks which they were intended to achieve, it is recommended:

(1) That no change be made in the 2-day schedule for country items payable in own zone, or for country items sent direct to drawee banks in other territories;

(2) For items drawn on banks in other Federal Reserve cities, deferment be based on collection time; i.e., 1 day, 2 days, or 3 days;

(3) For country items payable in other than own zone, credit be deferred 3 days (except for items sent direct to drawee banks in other zones);

(4) For direct-sent items, deferment be 1 day, 2 days, or 3 days, depending on collection time.

There followed a considerable discussion of this matter, with a decided difference of opinion being indicated among the Presidents. The Conference then voted (7 for, 5 against) to adopt the recommendation of the Subcommittee as set forth above. The Conference also wished to be recorded as recommending, in the event the deferment schedule change is officially adopted, that appropriate action be taken to offset its effect on bank reserves, with thorough consideration being given to the possibility of reducing reserve requirements.

c. Review of operating practices of the Federal Reserve Banks looking toward a reduction in float. The Committee on Collections and Accounting recommended, and the Conference adopted, the following statement of policy on holdover:

In accord with System aims of minimizing float and furthering the prompt collection of checks, it is recommended that each Reserve Bank fix its closing hours for the receipt of items, and make changes in the number of its staff and machines, so as substantially to eliminate holdover. On days when holdover may exist all items held over should be processed the following business day.

Following introductory comments, Chairman Erickson called upon Mr. Mangels, Chairman of the Committee on Collections and Accounting, who recalled that the Subcommittee work resulted from agreement at the meeting of the Federal Open Market Committee on February 11, 1958, that studies should be continued looking toward recommendations in three general areas with a view to reducing the level of and fluctuations in float. He then reviewed the recommendations developed as the result of those studies, which were set forth in the topic of the memorandum submitted by the Presidents' Conference. Mr. Mangels noted that in 1950, prior to the establishment of the two-day maximum deferment schedule, daily float averaged $521 million and that when the two-day maximum became effective in January 1951 it was expected that float would increase only a nominal amount, perhaps not in excess of an additional $180 million per day. In the ensuing 7 years, the number of items handled by the System increased about 50 per cent and the dollar value was up about 18 per cent, but float increased to over $1 billion daily average in 1957, an increase of 100 per cent. In April 1957 a report on float estimated that about 62 per cent of all check collection float resulted from deferment schedules. After noting that one reason for reducing the maximum deferment to two days was to reduce sorting requirements in an effort to encourage more use of the System's check collection facilities, Mr. Mangels pointed out that in 1938, when a reduction in deferment time was being considered, 48-1/2 per cent of the member and nonmember clearing banks were using the System's facilities, while in 1958 only 41-1/2 per cent of such banks

were using them. Although more banks were now using the System for collecting immediate credit items, fewer were using the deferred credit facilities, which indicated that the increase in the use of the System's check collection service had not materialized to the extent hoped for in 1938. He also commented that it was estimated that a change in maximum deferment from two to three days would have reduced the average 1957 float by $400 million. He went on to say that about 38 per cent of float results from a variety of operating practices, that according to the report of the Subcommittee on Collections there had been a gratifying reduction in float, other than deferment float, as a result of corrective actions by the Reserve Banks, that an ad hoc committee had been appointed to study operating practices other than those leading to holdover float, and that its report would be submitted later.

With further reference to the recommendation for changing the existing time schedule, Mr. Mangels observed that, as the Presidents' statement indicated, the Committee on Collections and Accounting was divided and the vote within the Presidents' Conference itself showed seven Presidents in favor of the recommendation and five against. Those who favored adoption of the recommendation agreed with the points raised by the Subcommittee and also brought out some other points during the discussion. First, there was a feeling that a deferment schedule which is not proper should be corrected in as fair a way as possible, and there was a feeling that the two-day maximum

deferment was not proper. Second, it was felt that a reduction of average float by $400 million a day would be a step forward. Third, while a three-day deferment might not be realistic in all cases, certainly it was much more so than the two-day schedule. Although electronic equipment and the general use of air transportation might have some bearing on the problem, those Presidents favoring the recommendation felt that these developments were looking quite far into the future and, moreover, that in any event, they might not be sufficient to reduce the collection time by one day. Mr. Mangels went on to say that section 19 of the Federal Reserve Act requires reserve balances to be net balances of collected funds, and that in extending float credit averaging over $1 billion a day the System is doing so on an unsecured basis. If, on the other hand, a member bank comes to the discount window, it is required to put up collateral. There was some difference of opinion, he said, regarding the possible bank reaction to a change of this kind. Some of the Presidents felt it was an action that would create unfavorable bank relations, but others felt that this would not be a serious factor, particularly if some offsetting action such as a reduction of reserve requirements were taken when the new schedule was put into effect.

Mr. Leedy, speaking as the member of the Committee on Collections and Accounting who had voted against adopting the recommendation of the Subcommittee, said that to him the movement was in the wrong direction. The System, he said, ought to be attempting to shorten the actual time for collection of checks rather than placidly sit to one side and say that it would

take more time than it heretofore has taken. In his opinion there was at least one area not yet explored which provided some good possibilities. As he understood it, the purpose of lengthening the deferment was to ease the task of those within the System who make estimates of float, and in his view the banking system generally was not going to understand why the change in maximum deferment should be made in order to serve the convenience of the System. Aside from that, he said, there was some question among the Presidents opposing the recommendation as to whether there is real importance in attempting always to offset temporary fluctuations that occur in reserve positions on account of float. In substance, it was the view of these Presidents that adoption of the recommendation would represent paying too great a price for achieving the purpose for which the recommendation was made. They realized the value of having more accurate figures, but at the same time they pointed out that this would just reduce the problem that exists in connection with making the estimates; it would not eliminate float or fluctuations therein. Mr. Leedy felt that the System would tend to stigmatize itself if it made an admission that the Reserve Banks could not operate their check collection departments as efficiently as the commercial banks, and in this connection he noted that many commercial banks with a large number of correspondents have an arrangement for charging checks to their accounts in order to make those checks immediately collectible. In the

case of country member banks, he said, the check collection function is of real importance. Therefore, he felt that the System would be in danger of losing some member banks if the correspondent banks should attempt to make an issue of this. Also, the attractiveness of membership to nonmember banks would be adversely affected. Referring further to the longer-range possibility which he had mentioned as worthy of exploration, Mr. Leedy said that member banks might agree with the Reserve Banks that items drawn on them could be charged to their reserve accounts, thus eliminating remittance by draft. Thus it would not be necessary to go through the process of getting a remittance draft and having that collected before completing payment.

In summary, Mr. Leedy said that to him the schedule change recommended by the Subcommittee would be a step backward, one which would not be at all to the credit of the System.

After some discussion of the area that Mr. Leedy had suggested as worthy of exploration and a comment by Chairman Erickson on the reduction in float brought about as a result of corrections in operating practices, Governor Mills commented that there appeared to be two problems involved. With regard to the volume of float, he agreed that there was every good reason to attempt to reduce the volume. The other problem was the Federal Reserve System's responsibility to provide the most expeditious check collection system. He was fearful that adoption of the recommendation would be, as Mr. Leedy had termed it, a step backward and would militate against the expeditious collection of checks for several reasons. For instance, if the smaller banks, particularly, had to make additional sorts of their

checks, the problem of holdover would be thrown back from the Federal Reserve Banks onto the originating banks and this would tend to deter the prompt collection of checks even more. This would also result in more direct sending of checks on the part of country banks who would no longer find the service of the Reserve Banks as useful as they had before. He was apprehensive that the change in schedule would be a real source of irritation to member banks but, more importantly, that it would retard the collection of checks beyond the actual period that they are now outstanding.

Mr. Allen said that he shared the view expressed by Governor Mills. Regardless of the merits of the situation, it seemed to him that a change at this time would be very unfortunate, particularly with mechanical improvements in the offing.

In further discussion Mr. Hayes asked Mr. Mangels whether in his view there was substantial merit in the point raised by Governor Mills about the possibility that this proposal would lead to an increase in holdover, and the latter replied that this was a difficult question to answer. While some additional sorting would be required, he was not inclined to feel that this would be a great problem. A small bank, he said, would still have the opportunity to deposit items unsorted, to which Mr. Deming added that most of them already send their items to correspondent banks.

Governor Shepardson then inquired with respect to the effect of adoption of the recommendation from the standpoint of reducing fluctuations in float as opposed to reducing the volume of float, and Chairman Erickson commented that the fluctuations would not be as great dollar-wise, although percentagewise they might be even greater than at present.

On this point Mr. Deming added that if float were attacked on all fronts--if its causes were minimized--the result would be not only to reduce the total amount but also to reduce the fluctuations substantially. If one attacked the problem of holdover float alone and reduced the total, there might be just as much variation; and the same thing might be true if one reduced deferment schedule float and nothing else. However, if the matter were approached on all sides and float were cut down as much as possible, the result would be to reduce not only the volume of float but also fluctuations, except those arising from weather conditions.

The discussion then turned to the bank relations problem and Chairman Erickson, after commenting on the high percentage of banks in the First Reserve District using the Reserve Bank's check collection facilities, said he feared that the System would lose members since a lot of banks would go to their correspondent banks rather than to the Federal Reserve. They would be thinking in terms of the cost of System membership, and correspondent banks would say that they would give them immediate check collection credit, so certain banks might follow that procedure in an attempt to save money.

Mr. Leach commented that the problem mentioned by Mr. Erickson might be offset to a substantial degree if the change in deferment schedule were tied in with a reduction of reserve requirements, while Mr. Hayes expressed the opinion that the change might not be a major factor affecting membership in the System. He felt that most banks were thinking in terms of reserve requirements and immobilized cash and that this was a secondary consideration. Mr. Hayes also referred to Mr. Leedy's statement concerning the purpose of the recommendation and said that he regarded the purpose as a broader one; namely, to reduce the amount, and hence the volume, of fluctuations in a major area of Federal Reserve credit.

Governor Robertson said that if this proposal were approved by the Board it seemed to him that the matter of timing would come into the picture and that the change should be put into effect at a time when there was a need for absorbing excess reserves. He asked if the Presidents would be inclined to think that the Board should take into consideration the timing factor and that the deferment schedule change should be put into effect only with advance notice. Mr. Mangels replied that if action were taken only on the deferment time the giving of notice would be important, but that if such action were to be joined with a reduction of reserve requirements the Board might not want to give advance notice. Governor Robertson then stated that he would be satisfied if the Presidents agreed that the matter of timing should be considered.

Mr. Deming commented that most float credit benefits city banks. If the change in deferment schedule could be tied in with a reduction in

central reserve city and reserve city bank reserve requirements, it would be possible to minimize the adverse public relations factor, avoid a sharp reduction in reserves, and at the same time accomplish the larger purpose of reduced reserve requirements. This would not be quite as true if the System tied the deferment schedule change to an action on vault cash because the incidence of vault cash action would be mainly in the country banks.

With regard to the statement of policy on holdover, Governor Mills commented that this was another issue that could be a source of irritation to member banks. He did not recall a single report of a conference between Federal Reserve Bank officials and representatives of the Association of Reserve City Banks that did not include an appeal for a later rather than an earlier closing hour. The Federal Reserve Banks, he said, are under great pressure to get their work out and the member banks are, perhaps wrongfully, not sympathetic to the Reserve Banks' problem. If the closing hour were to be advanced in Federal Reserve Bank cities, there would be a storm of protest because that would be contrary to the wishes and thinking of the member banks.

It was then indicated that the Board would take under consideration the recommendations approved by the Presidents' Conference.

2. Additional items of information arising out of current Conference meeting. In addition to the foregoing matter, the following items of possible interest to the Board were considered by the Conference. They are reported herein as a matter of information.

   a. The Conference approved the joint report of the Subcommittee on Collections and the Subcommittee

of Counsel on Collections dated August 11, 1958, including recommendations incident to the use of electronic check processing equipment that (1) the Federal Reserve Banks adopt a uniform format of endorsement stamp, 2 inches by 3/4 inches in size; (2) a 2-1/2 x 4 inch space be allocated on the reverse side of checks for the endorsements of country banks, city correspondent banks, and Federal Reserve Banks; (3) the Subcommittee on Collections be authorized to inform the American Bankers Association of such action taken by the Federal Reserve System and to request the ABA to explore the possibility of similar action by banks planning to use electronic equipment, to encourage banks to take such action, to seek the cooperation of clearing houses in accepting an abbreviated form of endorsement and in eliminating from endorsements presented through their exchanges the words "or through the _____ Clearing House", and to solicit the cooperation of office equipment manufacturers in the program; and (4) to alleviate present difficulties resulting from overstamping of endorsements, the Federal Reserve Banks proceed promptly to adopt and use a uniform colored ink for imprinting their endorsements, and the ABA be requested to encourage country banks and city (correspondent) banks, respectively, to adopt and use for imprinting their endorsements distinctive and uniform colored inks different from that to be used by Federal Reserve Banks.

b. Subject to subsequent approval by the Board, the Conference approved the recommendations contained in the joint report of the Subcommittee on Collections and the Subcommittee of Counsel on Collections dated August 11, 1958, concerning eliminating protest of cash items or reducing number of items requiring protest. The report contained the following recommendations:

(1) that the "uniform instructions" regarding protest in the circulars of the Federal Reserve Banks relating to the collection of cash items be amended to provide for protest of dishonored cash items of $1,000 or over instead of $500.01 or over, and that if such recommendation is approved by the Committee on Collections and Accounting, the Conference of Presidents and the Board of Governors, the

Subcommittee on Collections be instructed to inform the Bank Management Commission of the American Bankers Association that the Federal Reserve Banks are prepared to make such change provided the American Bankers Association agrees to recommend to its member banks that their general transit instructions be changed in like manner;

(2) that if such change is made in the "uniform instructions" contained in the Federal Reserve Bank circulars relating to the collection of cash items, concurrently the paragraph relating to protest practice in absence of instructions contained in the Federal Reserve Bank circulars relating to the collection of noncash items be amended to provide for the protest of dishonored items of $1,000 or over instead of $500.01 or over;

(3) that the Subcommittee on Collections be authorized, if and when it deems it appropriate to do so, to discuss with the Bank Management Commission of the American Bankers Association and obtain its views on further amending the "uniform instructions" contained in the Federal Reserve Bank circulars relating to the collection of cash items to provide in effect that items which are inland bills of exchange in any amount should not be protested and that only dishonored items which are foreign bills of exchange in excess of a stated amount should be protested; and

(4) that the Subcommittee on Collections, in consultation with the Subcommittee of Counsel on Collections, be requested to discuss with the Bank Management Commission of the American Bankers Association the desirability of and possible programs for amending the negotiable instruments laws of the several states so as to define an inland bill of exchange as one which is, or on its face purports to be, both drawn and payable within the continental United States as in the case of the California statute, or within the states and territories of the United States or the District of Columbia as in the case of the Uniform Commercial Code.

c. The Committee on Fiscal Agency Operations recommended, and the Conference approved, the report of the Subcommittee on Fiscal Agency Operations dated August 28, 1958, concerning decentralization of the custody of College Housing and Public Facility securities of the Housing and Home Finance Agency. The report suggests that steps be taken to put the decentralization program into effect, utilizing only the head offices and branches of Federal Reserve Banks located in regional office cities as custodian-agents of the Federal Reserve Bank of Richmond, but authorizing all Federal Reserve Banks and branches to act as custodian-agent if the need arises. Approval of the decentralization program was subject to the understanding that satisfactory arrangements be worked out between the Federal Reserve Bank of Richmond and other Federal Reserve Banks regarding reimbursement for expenses, use of branch facilities in lieu of head office facilities, etc.

d. Mr. Fulton reported that the Chairman of the Subcommittee on Cash, Leased Wire and Sundry Operations had been informed by a representative of American Telephone and Telegraph Company that AT&T is petitioning the Federal Communications Commission for an increase of approximately 36 per cent in the leased wire rate. This would amount to an increase of some $12,300 in the monthly amount paid by the Federal Reserve System. Mr. Fulton reported further that Western Union is applying for a somewhat larger increase in rate than AT&T.

e. With respect to the program for mechanization of check handling operations, Mr. Fulton reported that the Subcommittee on Electronics has received bid proposals from a number of equipment manufacturers in response to invitations sent out earlier this year, and that the bids will be evaluated by the Subcommittee in the near future.

There was no significant discussion with respect to the foregoing items. On the items where certain recommendations had been approved by the Presidents' Conference subject to subsequent approval by the Board of Governors, it was understood that the Board would take the recommendations under consideration and that the Presidents would be advised.

At this point Mr. Fulton presented the following additional item of information arising out of the Conference meeting:

> At a meeting of the Subcommittee on Collections in November 1957, the need for transmitting notification of all changes in the status of banks by wire advice was questioned. Based on results of a subsequent study conducted by the Subcommittee on Collections in January 1958, the Committee on Miscellaneous Operations recommended that the statement approved by Conference of Presidents in October 1937, that wire advices should be used for notification to other Reserve Banks of all changes in the status of banks be changed to provide that wire advices be used only for notification of bank closings, openings, or changes in par status and that all other notifications of changes in the status of banks be made by mail advice. The Conference concurred in the recommendation of the Committee on Miscellaneous Operations.

2. Additional items of information arising out of the current Conference meeting (continued)

f. At the suggestion of Mr. Johns, Chairman of the Committee on Personnel, the Conference deferred until its next meeting consideration of the Board's letter dated February 19, 1958, and related material, concerning benefits provided employees entering military service, pending receipt of a complete report of the background facts from the Subcommittee on Personnel.

g. The Conference reviewed the progress being made in the several Federal Reserve districts in carrying on negotiations with cash Agent banks and check Agent banks under the emergency operations program. In the light of problems being encountered in selecting Agent banks in some of the districts, uncertainty as to the degree of flexibility permitted the Reserve Banks in working out Agent arrangements, and questions as to pre-emergency dispersal of cash, it was the sense of the meeting that this topic should be discussed with the Board at the joint meeting with a view to clarifying the problems reported.

At the beginning of this discussion, for which Mr. Allison, Special Consultant to the Board, joined the meeting, Mr. Hayes, as Chairman of the

Special Committee on Emergency Operations, outlined at the request of Chairman Erickson the problems which the Presidents would like to have discussed, as set forth in the memorandum submitted by the Presidents' Conference. In the course of his comments, Mr. Hayes said that the main difficulty reported in the selection of check Agent banks involved the problem of an intense competitive feeling, a reluctance to see one bank appointed on the basis that the appointment might be used in competitive advertising. The situation appeared to vary as between districts; in the Second District the Reserve Bank had completed negotiations with Agent banks and the point had not been raised. In the discussion of this matter by the Presidents yesterday the Special Committee on Emergency Operations had expressed the view that negotiations need not necessarily be conducted with any single bank, that if it was more workable to name a clearing house, to follow a rotation policy, or to provide an emergency clearing group or some similar arrangement the Committee would suggest that that be done. As to cash Agent banks, the Committee recognized that a different problem would be involved, but it might be possible to rotate the arrangement if necessary. This would mean, of course, that if pre-emergency dispersal of cash was contemplated it would be necessary to move the cash.

Mr. Hayes said that he had also brought the Presidents up to date on the thinking of Mr. McCloy, Chairman of the Advisory Committee on Commercial Bank Preparedness, as expressed in a recent letter to Mr. Cooper, Chairman of the Banking Committee on Emergency Operations. In this letter Mr. McCloy expressed concern about certain unresolved problems

of national policy that constituted impediments to parts of the preparedness program. Nevertheless, it was understood that Mr. Cooper was proceeding with a booklet on the collection of checks so as to have it in readiness for distribution.

Mr. Hayes said the Special Committee on Emergency Operations recommended to the Presidents that in spite of the recognized difficulties the Reserve Banks move ahead in the best manner possible. In the Committee's opinion it would be a mistake to refer problems involving relations with Agent banks back to a committee for further study.

Governor Robertson stated that Mr. Hayes had covered the matter very well, both in terms of the broad scope of the program and the flexibility that should be used in working it out in any area. Mr. Leonard then commented that it had been assumed at the Board that flexibility was inherent in the program.[1] With respect to the policy problems referred to in Mr. McCloy's letter, he related that progress was now being made in the form of a national plan for civil defense and defense mobilization which reflected the recent merger of the Office of Defense Mobilization and the Federal Civil Defense Administration and was scheduled for release on or about the first of October. From an advance copy of the plan that had been made available to Mr. Allison, Mr. Leonard described to the meeting some of the points which were pertinent to planning in the area of money and credit.[2] In further comments he called attention to the emphasis being placed on better cooperation in planning at the local, State, and Federal levels.

1/ Subsequently some changes were made in the plan, which is still in process of revision.

2/ The point is covered in Section III of the June 17, 1955, Supplemental Report of the Special Committee on Emergency Operations.

Following some discussion on the basis of Mr. Leonard's comments, Mr. Hayes turned to the question of pre-emergency dispersal of cash and said that uncertainty developed among the Presidents yesterday as to whether this would be Bank cash or Agent's cash. If the latter, there were some questions about the legality of the procedure and the willingness of the Agent to undertake the risks involved. Post-meeting discussion with Vice President Kimball of the New York Bank revealed it to be the latter's impression, Mr. Hayes said, that it was to be left to each Reserve Bank to decide whether to plan for pre-emergency dispersal of cash. The majority view appeared to be against relying on wholesale delivery from one central point post-emergency.

Mr. Leonard said that, as he recalled it, the Committee reports contained neither a recommendation for nor against pre-emergency dispersal of cash. There are, however, certain instructions to the effect that any Bank wishing to make pre-emergency distribution should refer the matter to the Board and get approval for such distribution.[1/]

Mr. Hayes recalled the statement having been made in an early committee report that any money that went out should be Bank money and not Agent's money.[1/] He added that the New York Bank, in its planning for an actual emergency, had always proceeded on the basis that money going out from the central point would be issued currency and not Agent's cash.

Mr. Irons suggested the desirability of ascertaining, before deciding upon Agent bank cities, the status of such cities from the standpoint of their being regarded as critical target areas. He said that

1/ See page 4 of the June 1955 report referred to previously.

it had been found impossible to obtain such information through local authorities.

Governor Robertson then indicated that, upon request, the Board would be glad to attempt to get the desired information for an interested Reserve Bank.

Mr. Hayes stated that, as Chairman of the Committee on Emergency Operations, he had expressed to the Presidents the hope that doubts, in the minds of those Presidents having doubts, could be sufficiently resolved so that they would feel ready to move along. He would be glad to help in any way possible, and he knew that Governor Robertson would also.

In response to a question by Mr. Johns about the degree of flexibility available to the Reserve Banks in the absence of specific provisions for flexibility in the program documents, Governor Robertson commented that any apparent lack of flexibility reflected weaknesses in drafting rather than intent. He said the Banks should feel free to use the greatest amount of flexibility in devising means whereby checks could be cleared. Anything that the Banks could do to put something into effect would be all to the good.

At this point Mr. Young, Director, Division of Research and Statistics, Board of Governors, joined the meeting.

Retail trade statistics. At the request of the Presidents, Mr. Young reviewed the status of discussions with the Bureau of the Budget and the Bureau of the Census to determine what the latter agency might be willing to do in the area of collecting retail trade statistics if the

Federal Reserve System should withdraw from the field. While it had been made clear that the Census Bureau found substantial obstacles in the way of an enlarged statistical program because of institutional, financial, and conceptual reasons, it was understood that the Bureau intended to submit a plan for consideration by the end of this month. The plan might be less than desired, and bargaining would then be in order. In the discussions some mention had been made of possible System financial assistance, but thus far not in any detail.

Federal funds study. In reply to a question by Chairman Erickson, Mr. Young said that the committee that prepared the Federal funds study had now completed a redraft of it which would be available shortly, and that a System staff committee had been appointed to review the revised draft. Following such review, consideration would be given to the question of publication of the study.

The meeting then adjourned.

Kenneth A. Kenyon
Assistant Secretary