

Minutes for July 16, 1959

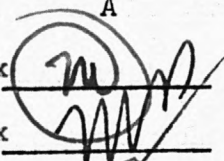
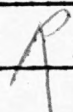

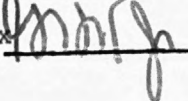
To: Members of the Board

From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

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></u>	_____
Gov. Szymczak	x _____	_____
Gov. Mills	x _____	_____
Gov. Robertson	_____	x <u></u>
Gov. Balderston	x <u>CCB</u>	_____
Gov. Shepardson	x <u></u>	_____
Gov. King	x <u></u>	_____

Minutes of the Board of Governors of the Federal Reserve System
on Thursday, July 16, 1959. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank Operations
Mr. Smith, Assistant Director, Division of Examinations

Standardization of check size and format (Item No. 1). A letter dated June 23, 1959, from an officer of the Union County Trust Company, Elizabeth, New Jersey, enclosed an editorial from the American Banker for June 17, 1959, which suggested in effect that the Federal Reserve establish regulations placing banks and bank customers on notice that, because of the mechanization of check handling, checks not standardized as to size and format would be subject to a certain penalty or discrimination. The author of the letter agreed with the suggestion and requested comments on the matter. Copies of the letter had been distributed to the Board along with a draft of possible reply which would refer to the numerous problems yet to be resolved in processing checks with electronic equipment and would suggest that any program to compel standardization of checks might be premature.

In discussion, attention was drawn to that portion of the proposed reply regarding a possible program to compel banks and their customers to

7/16/59

-2-

standardize checks and it was brought out that the authority of the Board to issue regulations such as contemplated by the editorial was not clear.

After consideration of this point, it was decided to strike the portion of the letter that might serve to raise the question of the Board's authority, and unanimous approval then was given to a letter in the form attached as Item No. 1.

In response to a question, Mr. Farrell stated that problems of check standardization were among those under active consideration by the Federal Reserve Banks in connection with mechanized check handling and that an early joint meeting of System representatives with representatives of the American Bankers Association was in prospect.

Budgets of the Reserve Banks for 1960 (Item No. 2). Pursuant to the understanding at the meeting on July 8, 1959, there had been distributed to the Board copies of a memorandum from Mr. Farrell dated July 14, 1959, submitting an outline of procedures recommended in connection with handling the analysis and consideration of the budgets of the Federal Reserve Banks for 1960. The proposed procedures reflected only minor differences from those followed in connection with the 1959 budgets. Also submitted with the memorandum was a draft of letter to the Presidents of the Federal Reserve Banks suggesting that informal discussion with each President of the significant aspects of contemplated budget proposals be held again this year and that such discussions be

7/16/59

-3-

scheduled in the month of August or in early September, perhaps in conjunction with visits by the Presidents to Washington on other business. The letter would request a reply indicating the matters that each President would consider it appropriate to discuss, as well as an indication of preference with regard to the time of the discussion.

It being brought out that the members of the Board committee (Governors Balderston, Mills, and King) should have latitude to bring up at their discretion matters other than those raised by the Presidents, agreement was reached on a minor change in the proposed letter to the Presidents that would serve to leave open such an opportunity.

Unanimous approval then was given to a letter to the Presidents of the Reserve Banks in the form attached as Item No. 2, along with the recommended procedures for analysis and consideration of the 1960 Reserve Bank budgets.

Mr. Farrell then withdrew from the meeting.

Appointment of Reserve Bank branch directors. A memorandum from Mr. Sherman, distributed under date of July 14, 1959, contained biographical information with respect to Howard E. Whitaker, Chairman of the Board of Mead Corporation, Dayton, Ohio, who had been suggested for consideration to fill an existing vacancy on the Board of Directors of the Cincinnati Branch of the Federal Reserve Bank of Cleveland.

After discussion, it was agreed unanimously to request the Chairman of the Cleveland Reserve Bank to ascertain whether Mr. Whitaker would accept

7/16/59

-4-

appointment, if tendered, as a director of the Cincinnati Branch for the unexpired portion of the term ending December 31, 1959, with the understanding that if he would accept, the appointment would be made.

Secretary's Note: It having been ascertained that Mr. Whitaker would accept the appointment if tendered, a telegram advising him of his appointment was sent on July 20, 1959.

A memorandum from Mr. Sherman dated July 9, 1959, which had been distributed to the Board, contained biographical information with respect to Dr. Robert W. French, Vice President of Tulane University, who had been suggested for appointment to fill an existing vacancy on the Board of Directors of the New Orleans Branch of the Federal Reserve Bank of Atlanta.

After discussion, it was agreed to request the Chairman of the Atlanta Bank to ascertain whether Dr. French would accept appointment, if tendered, as a director of the New Orleans Branch for the unexpired portion of the term ending December 31, 1961, and to confirm that Dr. French did not hold any political or public office that would make his appointment inconsistent with the resolution adopted by the Board on December 23, 1915.

Secretary's Note: In view of information received from the Atlanta Reserve Bank in response to the Board's inquiry concerning Dr. French, the matter of his possible appointment was considered further at the meeting on July 20, 1959, with the result indicated in the minutes of that meeting.

7/16/59

Following informal discussion of a matter that had arisen in connection with the forthcoming Treasury refunding operation, the members of the staff withdrew and the Board went into executive session.

Changes in Board's staff. The Secretary later was informed by Governor Shepardson that during the executive session the Board agreed to accede to a request from Elliott Thurston, Assistant to the Board, that he be relieved of his duties, effective July 31, 1959, with a view to arranging for retirement upon the expiration of his unused leave. It was understood that Mr. Thurston's services would be available to the Board at intervals between August 1, 1959, and the date that his actual retirement became effective.

Governor Shepardson also informed the Secretary that the Board had appointed Charles Molony to succeed Mr. Thurston as Assistant to the Board, effective August 1, 1959, with annual salary at the rate of \$17,500.

The meeting then adjourned.

Secretary's Notes: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board increases in the basic annual salaries of the following persons on the Board's staff, effective July 26, 1959:

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
	<u>Office of the Secretary</u>		
Mildred E. Pilger, Supervisor, Administrative, Subject, and FOMC Files		\$6,735	\$6,885

7/16/59

-6-

Salary increases, effective July 26, 1959 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Research and Statistics</u>			
Stephen H. Axilrod, Economist		\$10,130	\$10,370
Stephen P. Taylor, Economist		10,130	10,370
Charles A. Yager, Economist		10,130	10,370
J. Cortland G. Peret, Economist		7,750	7,990
<u>Examinations</u>			
Oda R. Johnson, Secretary		4,940	5,090

Governor Shepardson also approved today on behalf of the Board the following items affecting the Board's staff:

Transfers

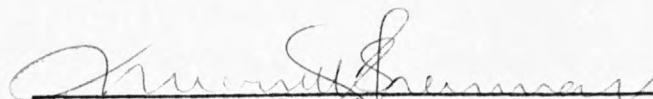
Anna S. Courtney, from the position of Secretary to the position of Supervisor, Recording and Stenographic Section, Division of Examinations, with an increase in her basic annual salary from \$5,390 to \$5,580, effective July 26, 1959.

Evelyn W. Edwards from the position of Secretary, Legal Division, to the position of Secretary, Division of Examinations, with an increase in her basic annual salary from \$5,390 to \$5,580, effective August 1, 1959.

Frances S. Bender, from Secretary (Budget Position #8) to Secretary (Budget Position #99) in the Division of Examinations, without change in salary, effective August 1, 1959.

Acceptance of resignation

Nancy R. Porter, Supervisor, Recording and Stenographic Section, Division of Examinations, effective July 24, 1959.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 1
7/16/59



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 16, 1959.

Mr. John V. Nostrand, Vice President,
Union County Trust Company,
142 Broad Street,
Elizabeth 4, New Jersey.

Dear Mr. Nostrand:

This is in reply to your letter of June 23, addressed to Chairman Martin, in which you concur with theories outlined in the recent editorial appearing in the American Banker, entitled "Check Standardization for Automation".

As you probably know, the mechanization of check handling with the help of electronic equipment is still in an experimental stage, with many serious problems yet to be overcome. The problems involved are being pursued by a number of organizations, and a Federal Reserve System committee is actively studying the differing systems offered by a number of manufacturers to sort and account for checks electronically. As yet the Federal Reserve Banks do not have any of this equipment, mainly because their operating requirements are different from those of commercial banks. However, arrangements are now under way for five pilot installations at different Federal Reserve Banks.

Lack of standardization of check size and format is one of the many problems involved in plans to process checks with electronic equipment. As you may know, the American Bankers Association has appointed a committee to work toward check standardization, and a Federal Reserve committee has been authorized to work with the ABA committee. It is not yet known what plan of action these committees will follow.

Thank you for giving the Board your comments on this problem.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 2
7/16/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 17, 1959.



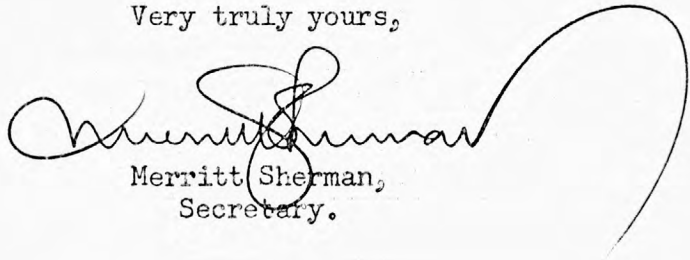
Dear Sir:

This refers to the Board's letter of August 6, 1958, in which it was suggested that it would be helpful if there were an opportunity to discuss informally with each President the significant aspects of contemplated budget proposals before the budgets were put in final form. It was requested at that time that prior to these discussions a letter be submitted outlining the matters to be discussed.

The Board suggests that the informal discussions be held this year in the month of August or in early September, perhaps in conjunction with visits by the Presidents to Washington on other business. The time may depend to some extent upon the budget schedule of your Bank.

In this light the Board would appreciate your sending a letter, as soon as you are able to do so, indicating the matters you wish to discuss, as well as your preference with regard to the time for the discussion.

Very truly yours,


Merritt Sherman,
Secretary.