

The minutes of the joint meeting of the Board of Governors and the Presidents' Conference on March 22, 1960, which you have already initialed, have been revised in certain respects pursuant to suggestions received from members of the Presidents' Conference. If you approve the minutes as revised, please initial below.

Page 5 Addition of footnote
Pages 6-7 Revision of comments by Mr. Irons
Page 10 Revision of comment by Mr. Erickson
Pages 10-11 Revision of comments by Mr. Deming
Page 11 Addition of footnote

(References are to page numbers of revised minutes.)

Chm. Martin

Gov. Szymczak

Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

Minutes for March 22, 1960.

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. 1/

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, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin	<u>mw</u>
Gov. Szymczak	<u>[Signature]</u>
Gov. Mills	<u>[Signature]</u>
Gov. Robertson	<u>[Signature]</u>
Gov. Balderston	<u>ccB</u>
Gov. Shepardson	<u>[Signature]</u>
Gov. King	<u>[Signature]</u>

1/ Meeting with Presidents of the Federal Reserve Banks.

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, March 22, 1960, at 3:10 p.m.

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

Mr. Sherman, Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Noyes, Director, Division of Research
 and Statistics

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. Dunne, Secretary of the Conference of Presidents of the Federal Reserve Banks

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

1. Leased Wire System. The Conference (a) adopted and approved the March 4, 1960, report of the Subcommittee on Cash, Leased Wire, and Sundry Operations, which analyzed and recommended acceptance of a proposal by the American Telephone and Telegraph Company for three additional circuits in the Leased Wire System and the reassignment of various stations thereon, (b) granted such Subcommittee a continuing authority to approve additional expenditures of \$2,500 for annual installation costs and \$2,500 yearly aggregate of monthly service

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costs in connection with continuous operational adaptation of the Leased Wire System without further reference to the Conference, and (c) authorized the Subcommittee to undertake a study and submit recommendations on possible revisions of mechanics and procedures to safeguard appropriately the security of confidential information transmitted by leased wire.

An explanatory statement concerning the actions taken by the Presidents' Conference was made by President Fulton, and there was no further discussion of this topic.

2. Depository Receipt of Estimated Taxes of Individuals. Mr. Leach led a discussion of this topic at the Conference meeting as a preliminary to consideration by the Board and Presidents at the joint meeting.

Chairman Martin reported discussions with the Secretary and Under Secretary of the Treasury which suggested to him that the Federal Reserve System should have a thorough understanding of the issues involved and a good position on which to stand, recognizing that the Secretary of the Treasury probably had legal authority to order the Federal Reserve Banks to perform functions incident to the receipt of payments against estimated taxes of individuals if he chose to exercise that authority.

Chairman Johns reported that the Presidents were still unanimously of the opinion that it would be undesirable for the Federal Reserve Banks to perform such services, for the reasons discussed by the Presidents and the Board of Governors at the joint meeting on July 7, 1959. The Presidents recognized that the Reserve Banks probably could not refuse

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to perform such duties, if so ordered, but suggested expressing to the Secretary of the Treasury the view that an undertaking of these duties would not be in the best interests of the Federal Reserve System and probably, at least in the long run, not in the best public interest.

President Leach commented concerning information obtained by President Mangels from local Internal Revenue sources to the effect that the Treasury could perform this function effectively and inexpensively, although in earlier Treasury-Federal Reserve discussions the Fiscal Assistant Secretary of the Treasury had taken a different position. President Leach agreed with the view that it would be inadvisable to raise the question of legal authority, but that the Federal Reserve should express as strongly as possible to the Treasury its belief that the handling of estimated taxes of individuals would not be an appropriate function for a central bank.

Mr. Hayes suggested that, if the Treasury could not be dissuaded, a basis for compromise might lie in agreement upon some amount below which the Treasury would not ask the Federal Reserve Banks to handle tax payments by individuals. As an alternative, the Treasury might be willing to specify that payments be made by taxpayers to commercial banks rather than the Federal Reserve Banks, on the basis that the Treasury has a legitimate interest in the handling of tax and loan accounts. 1/

In further discussion, President Fulton summarized a conversation with representatives of the Internal Revenue Service in the Cleveland

1/ Subsequent to recirculation of these minutes to the Board, the New York Bank advised that Mr. Hayes would prefer that lines 4 and 5 of this paragraph read as follows: "...payments by individuals; that is, the Treasury might be willing to specify that payments in excess of a fixed amount (e.g. \$75) be made by taxpayers to commercial banks rather...."

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area which substantiated the impression gained by President Mangels that the availability of additional manpower would make it possible for the Treasury to handle this function effectively. Although Federal Reserve Bank expenses presumably would be reimbursable from the Treasury if the Reserve Banks were required to undertake these duties, apparently it was considered easier for the Treasury to obtain funds for the purpose of reimbursement than to obtain funds for additional personnel.

Chairman Martin then inquired whether the Presidents' Conference would be agreeable to assisting in the preparation of a letter to the Secretary of the Treasury for the purpose of putting the problem in proper perspective, and it was understood that President Leach would represent the Conference in the preparation of such a letter.

3. Personnel. The Conference received the report of the Subcommittee on Personnel (set out in the February 24-25, 1960, Subcommittee minutes) and adopted the following conclusions concerning the topics indicated:

- a. Supplemental Retirement Benefits. The Conference approved in principle the Subcommittee recommendation that supplemental retirement benefits be provided some 620 Reserve Bank employees who retired before qualifying for Social Security, such benefits to be paid along the general lines suggested by Plan II of the November 25, 1958, Retirement Committee report but subject to (i) further review of beneficiary options and cost and (ii) appraisal of System obligation to personnel qualifying, post-retirement, for Social Security in other employment, both to be determined by a subsequent conference of the (Conference) Personnel and (System) Retirement Committees. (President Irons voted against approval of such benefits.)

- b. Post-Retirement Death Benefit. The Conference approved the majority (3-2) Subcommittee recommendation that a post-retirement death benefit not be provided. (Mr. Hayes voted in favor of such a benefit.)

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c. Major Medical Retired Personnel. The Conference approved the Subcommittee recommendation that major medical coverage not be provided at this time for retired personnel, but noted that its action was based on current considerations and subject to re-opening in the future. (Mr. Mangels voted against approval of the Subcommittee recommendation.)

d. Travel Accident Insurance. The Conference unanimously approved the majority (4-1) Subcommittee recommendation that accident insurance not be provided Reserve Bank personnel in travel status but that each Bank re-examine its exposures and benefits in the light of possible adjustment of any inequities through amendment of major medical or compensation coverages. 1/

President Bryan reviewed the recommendations of the Subcommittee on Personnel and the actions taken thereon by the Presidents' Conference, pointing out particularly that although the recommendation on supplemental benefits for Reserve Bank employees who retired before qualifying for Social Security had been approved in principle by the Conference, the action was contingent upon obtaining certain additional information which would be submitted to the Board by the Committee on Personnel, either direct or through the Conference.

President Hayes, who had voted in favor of providing a post-retirement death benefit, expressed the opinion that such a provision would be in line with the general practice in most communities. In this

1/ Changed in final minutes of Presidents' Conference to read:
 ". . . in travel status at this time but that each Bank re-examine all employee exposures and existing benefits with particular reference to possible adjustment of service-connected disability benefits as may be (a) immediately available under workmen's compensation arrangements and (b) ultimately desirable and obtainable through amendment of the System's major medical policy."

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connection, he noted that a favorable recommendation was contained in the report on the Retirement System of the Federal Reserve Banks made several years ago by Industrial Relations Counselors Service. He also pointed out that a recommendation for the provision of such a benefit had been made on two occasions by the Presidents' Conference. In neither case was the recommendation concurred in by the Board of Governors, but the reasons for the Board's position had not been fully explained.

4. Retail Trade Statistics Program. The Conference reviewed current developments in the proposed termination of the retail trade statistics program, preliminary to discussion of this topic with the Board of Governors.

In response to a comment by Chairman Martin that the Board would appreciate having the views of the Conference on how best to proceed from this point, in view of the apparent failure of the Department of Commerce to obtain an appropriation for the Census Bureau in its budget for fiscal 1961 and in view of the opposition expressed by the trade to a transfer of the responsibility for collecting department store statistics from the Federal Reserve to the Census Bureau, President Irons said it was the general thinking of the Conference that some action should be taken to get the matter off dead center. He then outlined a possible procedure which would be substantially as follows:

The Federal Reserve System would reaffirm a position that it is committed to the policy of terminating the collection and distribution of department store data as soon as arrangements can be effected to transfer the responsibility to the Bureau of the Census; moreover, that in the event such arrangements, including a mutually satisfactory program, cannot be effected within a reasonable period of time, the

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System intends to re-examine the existing department store statistical series with a view to modification and reduction to the extent deemed necessary by the System for purposes of monetary and credit policy analysis and determination.

Following such a policy reaffirmation, the System should propose the prompt formation of a small high-staff level committee consisting of representatives of the Board of Governors, the Federal Reserve Banks, the department store industry, and the Bureau of the Census. Such a committee should be comprised of not more than two members from the industry, two members from the Bureau of the Census, two members from the Reserve Banks, and two members from the Board of Governors. Such a committee of eight members, comprised of high-staff level persons, should be able to work out a program acceptable to all parties involved. Any program developed by this committee would be submitted to the committee's principals for final consideration.

The aforementioned committee should canvass the essential needs for department store and retail trade data by the System for monetary and credit purposes, by the department store industry for operating purposes, and by the Bureau of the Census for national statistical purposes, and should determine whether and to what extent such data can appropriately be collected and distributed by the Bureau of the Census with appropriated funds. The committee also should direct its attention to the modernization and improvement of retail trade, as well as department store, statistical series. As an outcome of its considerations, the committee should be able to present a well-rounded optimum program to its principals for consideration and ultimate submission to the Congress in support of an appropriation of funds in the budget for fiscal 1962. The committee should also consider the cost of such a program and the part of such cost that should appropriately be carried by the Bureau of the Census with funds appropriated by the Congress and by the department store industry and the System as direct purchasers of required data from the Bureau of the Census.

It is recommended that the System's position regarding this matter, as reflected in the preceding three paragraphs, be communicated to the proper persons in the department store industry and the Bureau of the Census as soon as practicable by the Chairman of the Board of Governors on behalf of the System as a whole.

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5. Demand Deposit Classification under Commercial Bank Record Automation. The Conference reviewed without final conclusion the March 16, 1960, memorandum (and attachments) of the Banking and Credit Policy Committee proposing a classification of demand deposits as a guide to commercial banks setting up systems for automation of record keeping.

In connection with this subject, which was referred to the Presidents' Conference by the System Research Advisory Committee, Chairman Johns and President Allen explained that there had not been sufficient time for the members of the Conference to study the matter in detail or to discuss it with personnel of the respective Banks. Consequently, no conclusion was reached by the Conference, although there was general agreement in principle that a classification would be desirable and that it would be helpful if as many banks as possible were to use the same classification system.

President Irons said it was the understanding of the Conference that the proposed classification was to be sent, with an appropriate letter, to all member banks, which raised the question whether distribution to all member banks would be necessary or advisable. In the Eleventh District, for example, it seemed doubtful whether more than a relatively small proportion of the banks would be interested at this time. Also, there was some thought that it might be desirable for representatives of the Federal Reserve System to confer with representatives of the American Bankers Association and the Reserve City Bankers Association.

In response to a question, President Irons said that Reserve Bank personnel were quite closely in touch with the extent to which automation of record keeping was in process in the respective districts and that it

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would seem appropriate to proceed on a basis whereby Reserve Bank representatives would enter into discussion of the proposed classification with those banks where automation was taking place.

6. Survey of Interest Rates on Time and Savings Deposits. The Conference reviewed the March 18, 1960, memorandum of Mr. Noyes of the Board's staff with respect to the proposed survey.

President Allen pointed out that the proposed survey called for use of a reporting form that would simply inquire as to the highest rate paid by the reporting bank on time or savings deposits. This raised the question whether useful information would be forthcoming, because many smaller banks might have outstanding a few time certificates of deposit on which a higher rate was being paid than on savings deposits. One possibility would be to change the form so as to include one question on the rate paid on savings deposits and a second question on the highest rate paid on time and savings deposits. Another possibility would be to ask only for the rate paid on savings deposits. A more fundamental question had to do with the advisability of making any survey of this kind at the present time.

President Hayes favored making such a survey but leaving the form of the questionnaire to the discretion of each Reserve Bank for decision in the light of the circumstances in its particular area.

After comments by Mr. Noyes regarding the thought of the Board's staff to keep the survey form as simple as possible in order to encourage a good response, President Irons expressed the hope that the Reserve Banks

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would not be expected to follow up with those banks that did not respond voluntarily. In this connection, Mr. Noyes added the comment that an approach to the Federal Deposit Insurance Corporation with regard to a survey of nonmember insured banks would be contemplated if it were decided to undertake a Federal Reserve survey.

Mr. Erickson expressed the view that if such a survey was intended to get a response that would be informative, it would be necessary to have the form returned in a sealed envelope.

7. Collection of Abbreviated Reports of Condition of Branches of Commercial Banks in Connection with June 1960 Call. In preliminary consideration of this topic, the Conference concluded (a) that it was unable to come to a positive recommendation regarding this proposal without more information than it had at its disposal, (b) that such information might be developed fairly quickly by a small ad hoc subcommittee of examination personnel selected mainly from districts having large branch concentration, and (c) while such information might be developed quickly, the June 30, 1960, date for the prospective branch call might prove to be unrealistic.

President Deming stated that the Committee on Bank Supervision was unable to reach a positive recommendation on this matter in the absence of more information than was available to it. The Committee considered it desirable to obtain more information concerning ability of banks to report meaningful data on their branches and felt that such information could be developed fairly quickly under the leadership of a subcommittee of examination personnel. However, it was thought that the June call date might be unrealistic. Some opinion held that advance notice to the banks would be necessary to get any meaningful data on

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branches, and if this were the case, and if the June call were to be a surprise, it might further impede adequate data collection.

President Deming then discussed developments in the area of centralized bookkeeping and the difficulties that such procedures might impose in furnishing branch data. For further comment in this regard, he turned to President Mangels, who discussed the types of branches being operated in the Twelfth District and the centralized accounting procedures used by one large member bank. He understood that in some cases banks were not particularly concerned about the figures on individual branches, since their interest was more in terms of the over-all development of the bank's operations. President Mangels also suggested that the publication of branch data might have the effect of encouraging branch applications from competing banks.

President Hayes commented on a sample survey conducted by the New York Reserve Bank which brought out the difficulties involved in obtaining a meaningful breakdown by branches, principally because of centralized bookkeeping procedures. The survey suggested that branch data were not always available on a continuous basis, that some advance notice of a call for such data might be important, that an end-of-month date would probably present the least difficulty. 1/ 2/

Mr. Noyes withdrew from the meeting at this point.

1/ The Board subsequently requested its staff to consider an alternative approach to the collection of branch data, and the establishment of the ad hoc subcommittee suggested by the Presidents therefore was not necessary.

2/ Subsequent to recirculation of these minutes to the Board, the New York Bank advised that Mr. Hayes would suggest adding this sentence: "Mr. Hayes said that there would be a definite advantage in getting these data once a year on a regular basis, and suggested they be asked for, after due notice, in connection with the year-end call which, traditionally, is as of the last business day of December."

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8. Additional Items of Information Arising Out of Current Conference Meeting. In addition to the foregoing matters, the following items of possible interest to the Board were considered by the Conference. They are reported herein as a matter of information.

a. Joint Report, dated February 29, 1960, of the Subcommittee on Collections and the Subcommittee of Counsel on Collections. The Conference accepted the captioned report containing the indicated recommendations and other action on the following topics:

- (i) Promotion of the common machine language for checks by encouraging preprinting of the transit number-routing symbol

(a) Dispatch of two draft letters to the Reserve Banks, one outlining the (Collections) Subcommittee program and the other tendered as a guide for Reserve Bank letters requesting commercial bank cooperation in the A.B.A. program.

(b) Conclusion that the uniform "check routing symbol" paragraph of Reserve Bank circulars should be revised (along lines to be submitted subsequently) to mention the desirability of certain magnetic ink imprinting of routing information.

- (ii) A.B.A. Bank Management Commission assignment of transit numbers

Agreement (a) that Commission policy (of assigning only one transit number to a bank's head office and each branch thereof, the latter only on bank request) should be continued and (b) that present check sorting practices of Federal Reserve offices (sometimes geared to use of more than one transit number by a banking office) are reasonable, with uniformity therein being neither desirable nor practicable.

- (iii) Distinctive transit numbers for travelers' checks

Conclusion that there was no objection to a proposal for separate transit numbers of travelers' checks of major issuers (provided specified conditions were met) but pointing out certain practical difficulties and suggesting an alternative solution.

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(iv) American Express items

Agreement that a Reserve Bank should not adopt, if requested, an American Express proposal involving Reserve Bank presentation for immediate payment of sealed packages of American Express travelers' checks and money orders to local paying agent banks with subsequent shipment to New York where proving and processing of the items would be accomplished.

(v) Noncash operating practices and procedures

Agreement (a) that the summary of Reserve Bank replies to the August 1959 noncash questionnaire, while a valuable reference source, was primarily informational and that no attempt should be made to seek noncash procedural uniformity in all respects, and (b) that certain changes of uniform language in the Reserve Bank operating letters were desirable, such changes to be drafted by the Subcommittee of Counsel and reviewed by both Subcommittees for subsequent submission to the Conference.

(vi) "Headache" checks

Conclusion (a) that it would soon be desirable to emphasize, as an incident of electronic processing, the necessity of special or noncash handling of headache checks, and (b) that to this end the Subcommittees should study further (i) possible amendments to Regulations J and G and the Reserve Bank collection circulars (to be drafted subsequently by the Subcommittee of Counsel in the light of its appraisal of legal remedies) and (alternatively) (ii) the issuance of an appropriate announcement by the Board of Governors.

b. Loss Sharing Agreement and Regulation D. Pending submission of a formal report, the Conference was informed of a telegraphic progress report, dated March 16, 1960, from the Chairman of the Insurance Committee advising that a majority of that Committee's Subcommittee of Counsel is of the opinion (1) revision of Regulation D was not intended to determine and should not be construed as determining title of money shipments in transit; (2) revision of Regulation D has not changed or affected the status under the Loss Sharing Agreement

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of money shipments in transit; (3) contracts with member banks, pursuant to the Loss Sharing Agreement, are not contracts of insurance but are agreements to assume specified risks of loss; and (4) there would appear to be no conflict between the revision of Regulation D and the legal concept of the Loss Sharing Agreement.

c. Check Mechanization Program. The Conference accepted and approved the March 2, 1960, report of the Subcommittee on Electronics (modified in certain particulars by the Subcommittee Chairman's supplementary letter of March 15, 1960) recommending:

- (i) Installation at various Federal Reserve offices of
 - (a) 123 encoding devices to support the five basic pilot installations, and (b) 48 encoding devices to support mutual encoding programs with commercial banks.
- (ii) Authorization of the Subcommittee:
 - (a) to determine the allocation of orders for encoding devices among the same manufacturers supplying them for the basic installations, i.e., Burroughs, IBM, NCR, and NDP;
 - (b) to reallocate devices among the various Federal Reserve offices if the need arises; and
 - (c) to arrange (pursuant to the policy approved by the Conference of Presidents in December 1959) further installations of encoding devices as and when Federal Reserve Banks report the need of such devices to support mutual encoding programs with commercial banks.
- (iii) Extension for one year beginning April 1, 1960, of the arrangements for the services of Stanford Research Institute as technical adviser.

d. Currency Mechanization. The Conference authorized the Subcommittee on Electronics, to the extent permitted by the priority of the check mechanization program, to review current development of paper-handling, electro-mechanical devices in the light of practical adaptability to the currency operations of Federal Reserve Banks.

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e. Verification and Destruction of Currency. Mr. Leach made a progress report on the work of the System Ad Hoc Committee on this subject.

f. Involuntary Retirement. The Conference accepted the March 4, 1960, memorandum of Mrs. Frank to Mr. Rozell reviewing and summarizing involuntary retirements supplemented under Section 3(2)(c) of the Rules and Regulations of the Retirement System.

g. Cash Agent Indemnification. The Conference received a joint progress report, dated March 9, 1960, from the Chairmen of the Subcommittee of Counsel on Emergency Operations and of the Insurance Committee advising that, as a result of a conference with representatives of the Surety Association of America, (1) the Association had been formally asked to state its position on (a) the effect on Form 6 (commercial bank) blanket bond of cash agent indemnity, (b) whether resulting prejudice, if any, to such bond would be waived, and (c) the premium cost, if any, for waiver, and (2) the Association had been requested to quote rates for special insurance covering risks of loss to money on cash agent premises, with similar request being made to Marsh & McLennan, Inc., for like rates of non-Association insurers.

h. Meeting of Emergency Planning Officers. The Conference approved a proposal for a meeting of emergency planning officers to be held this spring (possibly in the week of April 18) for consideration, among other things, of problems involved in OPAL-1960 and of developments in Government emergency planning in economic and monetary fields.

i. Currency and Coin Service. The Conference unanimously accepted and concurred in the conclusions of its Special Committee to Review the Rationale of System Policy on Cash Services (a) that the System can subscribe to the rationale set forth in the report of the Subcommittee dated February 29, 1960, and that present practices contribute to the achievement of the following desirable objectives:

- (1) Present practices are in the public interest in that they contribute substantially to maintaining suitable supplies of currency and coin readily available at the point of demand with the member banks, which hold approximately 85 per cent of all commercial bank deposits, constituting the logical channel through which the public is served;

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- (2) Present practices encourage membership in the Federal Reserve System;
- (3) Present practices equalize, insofar as may be practicable, the services offered by the Federal Reserve Banks to offices of member banks;

and (b) that further consideration of rationale be deferred until there are new developments which make re-study desirable, such as further implementation of the vault cash bill or progress of emergency planning with important effects on cash holdings of banks.

j. Loss Sharing Agreement.

- (i) The Conference authorized appointment of a special committee of Presidents to conduct a basic re-examination of the Loss Sharing Agreement in the light of its possible discontinuance or material simplification in the context of present needs and circumstances.
- (ii) The Conference concluded that the hazards of fire and related risks should be covered by self-insurance or purchased insurance, as elected by the individual Reserve Bank, rather than by the Loss Sharing Agreement.

k. Vault Cash and Deferred Availability. The Conference tabled the February 16, 1960, memorandum of Mr. Mangels entitled "Freeing of Vault Cash for Reserve Purposes," which proposed that the Conference consider recommending to the Board of Governors (1) that central reserve city, reserve city, and country banks be permitted, respectively, to count as reserves, vault cash in excess of 1/4, 1, and 2-1/2 per cent of net demand deposits, and (2) that such release of vault cash be offset by extending the maximum deferment of cash items to three days.

l. Election of Officers. The Conference re-elected President Delos C. Johns and President Malcolm Bryan as Chairman and Vice Chairman, respectively, for the ensuing year and approved the re-appointment of Gerald T. Dunne as Secretary for the same term.

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With respect to the foregoing items, Chairman Johns commented that the minutes of the Conference and the underlying documents, such as Subcommittee reports, would be available to the Board and its staff, and that the Conference would be glad to supply such additional information as might be requested by the Board on any of the topics.

With respect to topic 8k, relating to a memorandum from President Mangels entitled "Freeing of vault cash for reserve purposes," Chairman Johns commented, in response to a question by Governor Szymczak, that the Conference had discussed the proposal to allow additional vault cash to be counted as reserves, with the action offset by extending the maximum deferment for cash items to three days, and that certain views were stated in opposition to increasing the maximum deferment. Accordingly, as the minutes of the Conference meeting would reveal, the memorandum was tabled.

President Hayes added the comment that the Federal Reserve Banks were actively engaged at present in attempting to promote the check mechanization program. They would have to lean most strongly on large city correspondent banks, and banks in that category would suffer most from an increase in maximum deferment. In his opinion, therefore, a question of timing was involved.

This concluded the discussion of the topics that had been listed on the agenda for this meeting.

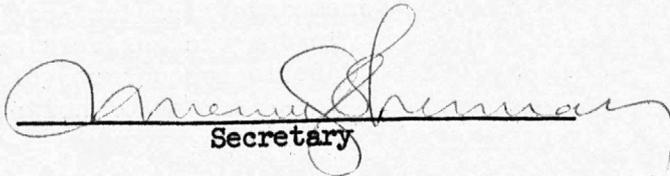
It was agreed that the next meeting of the Presidents' Conference would be scheduled for June 13-14, 1960, with a joint meeting of the Board and the Presidents on the latter date.

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Chairman Johns called attention to the desirability of submitting topics for consideration by the Presidents' Conference as far in advance of Conference meetings as possible in order that the Presidents might have adequate opportunity to study such matters and be in a position to offer sound judgment on them.

The meeting then adjourned.


Secretary