

Minutes for December 13, 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

Gov. Szymczak

Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

The image shows handwritten initials and signatures on lines next to the names of the board members. The initials are: Martin (M), Szymczak (S), Mills (M), Robertson (R), Balderston (CB), Shepardson (CS), and King (K).

1/ Meeting with Presidents of the Federal Reserve Banks.

A joint meeting of the Board of Governors of the Federal Reserve System and the Conference of Presidents of the Federal Reserve Banks was held at the Federal Reserve Building in Washington, D. C., on Tuesday, December 13, 1960, at 12:45 p.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary

Messrs. Erickson, Hayes, Bopp, 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. Dunne, Secretary of the Conference of Presidents of the Federal Reserve Banks

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

1. Expansion of Leased Wire System. The Conference accepted and approved the November 1, 1960 report of the Subcommittee on Cash, Leased Wire, and Sundry Operations (1) reviewing Western Union and American Telephone & Telegraph proposals for expansion of the leased wire system and (2) recommending acceptance of the American Telephone & Telegraph proposal (viz., expansion of the present system and continuance of present line speed at an additional monthly rental cost of approximately \$5,200, plus a nonrecurring charge of approximately \$32,525).

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Discussion of this topic was limited to a statement by President Fulton in which he summarized the reasons for the study of expansion of the leased wire system and the factors underlying the recommendation of the Subcommittee on Cash, Leased Wire, and Sundry Operations which was approved by the Presidents' Conference.

- 2. Records. The Conference accepted and approved the November 10, 1960 report of the Subcommittee on Retention and Disposal of Records setting out recommendations on (1) establishment of definite periods for retention of records for which indefinite periods are now prescribed, (2) reduction of minimum retention periods for certain records, (3) review of retention periods prescribed for certain examination reports, (4) personnel records, and (5) remittance letters.

The Conference noted that its action with respect to recommendation "3" merely transmitted to the Board of Governors suggestions of certain Reserve Banks to the Subcommittee relating to records of bank examination departments.

Since this item appeared to be self-explanatory, there was no discussion of it.

- 3. Major Medical Insurance--Retired Personnel. The Conference received the November 28, 1960 report of the Subcommittee on Personnel recommending (1) inclusion under major medical coverage of (a) regular retirees, (b) special service retirees who retired at age 60 with 25 years' service, and (c) disability retirees, (2) that both (i.e., pre-August 1959 and post-August 1959) retired groups be so included, (3) that the System pay two-thirds and the covered retiree one-third of premium cost, and (4) that the Subcommittee continue to observe the field of major medical insurance. Based on a supplementary Subcommittee suggestion, endorsed by the Personnel Committee, the Conference unanimously approved in principle the foregoing recommendation for inclusion of all retirees indicated except current disability retirees under System major medical insurance. (Future disability retirees would be included.)

President Bryan commented briefly on this subject and noted that the details of the proposal were set forth in the report of the Subcommittee

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on Personnel, a copy of which had been placed in the hands of the Board's staff.

4. Retail Trade Statistics. Messrs. Sherman and Roosa reviewed the current status of the retail trade statistics program in the light of the October 28, 1960 progress report of the Committee of Five and the Reserve Bank research departments' responses thereon. After discussion, the Conference voted:
 - (1) To authorize Messrs. Sherman and Roosa to take appropriate steps toward elimination of reports not mentioned in the progress report, with authority to continue any report, otherwise scheduled for elimination, on a cost basis or otherwise, provided that the strictly interim character of any reimbursable arrangements was made clear to the stores served;
 - (2) To encourage the Bureau of the Budget to request appropriation for development of trade statistics by the Commerce Department in accordance with principles developed in the progress report;
 - (3) To endorse continued development by the Committee of Five (paralleling the Budget Bureau request and ultimate Commerce action) of a comprehensive program including:
 - (a) Temporary continuance of Federal Reserve data program to be scaled down as Commerce program expands;
 - (b) As studies for improvement of coverage and statistical reliability are completed and with full report to Subcommittee of Presidents' Conference Committee on Research and Statistics and advice to the Conference Committee on Research and Statistics, implementation of new program by Committee of Five with maximum reliance on staff of Commerce Department and full consultation and advice with technical staffs of Board and Reserve Banks; and

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- (c) Discussion by Federal Reserve representatives of possible purchase of data by the System from Census, with the understanding that the Conference would give sympathetic consideration to the purchase of data needed for System purposes.

After referring to the status of the work of the Committee of Five, as set forth in its progress report of October 28, 1960, President Irons said the Presidents' Conference recognized that the System's representatives on the Committee of Five should have some leeway to negotiate and to work in cooperation with the trade and the Government agencies involved. Accordingly, the intent of the action taken by the Conference yesterday was to attempt to provide such leeway.

President Irons then reviewed and commented briefly on the several parts of the action taken by the Conference. With respect to the authorization to the System representatives on the Committee of Five to agree to continue any report, otherwise scheduled for elimination, provided the interim character of any reimbursable arrangements was made clear to the stores served, he indicated that the Presidents felt it would be inadvisable to stir up opposition on the part of the trade over some relatively minor report. With respect to the possible purchase of data by the System from the Census Bureau, it was anticipated by the Presidents that there might be instances in which the Census Bureau would be willing to go part of the way in collecting data but it would be found that additional data were essential for System purposes. In view of such a possibility, the Conference did not wish to bind the hands of the System

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representatives on the Committee of Five; that is, to prevent them from considering and negotiating for the purchase of the essential data. Therefore, the Conference indicated that it would give sympathetic consideration to any such proposal. It was understood, of course, that the System representatives on the Committee of Five would not have authority to commit the System.

5. Elimination of 75 Per Cent Limitation on Normal Retirement Allowance in Certain Cases. The Conference approved the recommendation of the Retirement Committee proposing that the Rules and Regulations of the Retirement System be amended to give a retired member the benefit of any required contributions made in excess of the amount which, together with the pension portion of his retirement allowance, would provide the maximum retirement allowance permitted by Section 3, Subdivision (8) of the Rules and Regulations.

Mr. Mangels did not vote on this proposal.

Chairman Johns stated that this matter had been placed on the agenda at the request of the Chairman of the Board of Trustees of the Retirement System of the Federal Reserve Banks and that the change recommended by the Retirement Committee would be similar in effect to a recent change in the provisions of the Civil Service Retirement System. After explaining the nature of the recommendation, Chairman Johns said it was his understanding that if the Board of Governors also should approve the proposal, the Chairman of the Board of Trustees would move promptly to submit an appropriate amendment of the Rules and Regulations of the Retirement System to the Trustees for adoption.

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It appeared to the Presidents, Mr. Johns said, that the recommended change in the Rules and Regulations would be justified to correct an apparent inequity. The number of cases up to the present time was small, and it did not appear that there would be any substantial number of such cases in the future. President Mangels did not vote on the proposal because he might be one of those affected by the recommended change in the Rules and Regulations.

6. 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. Collection Matters. Mr. Mangels briefly reviewed matters discussed by the Subcommittee on Collections at its November 15-16, 1960 meeting, with particular reference to prospective revisions in handling postal money orders and proposed Treasury issuance of magnetically encoded paper checks. He noted that a final Subcommittee report on these and other matters would be distributed shortly.

b. November 10, 1960 Report of the Subcommittee on Cash, Leased Wire, and Sundry Operations.

Maintenance of Confidential Content of Certain Messages. The Conference accepted the recommendation that Reserve Banks review internal procedures on sending, receiving, and distributing wires in the light of a list of suggested safeguards.

First Class Mail Shipment of Negotiable Coupons and Bonds. The Conference deferred action on the recommendations concerning Reserve Bank receipt and dispatch of such valuables by ordinary mail pending discussion of the question by the Committee on Miscellaneous Operations with the Post Office Department.

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Extension of Simplified Test System on Wire Transfers of Funds. The Conference approved the recommendation that the simplified test word be extended to all transfers to nonbank payees and to wire credits for noncash collections. (Messrs. Mangels, Mills, and Bryan voted against such approval.)

c. Check Mechanization Program. The Conference accepted and approved the November 21, 1960 report of the Subcommittee on Electronics submitting (1) current information regarding the pilot test program, (2) a summary of the position taken in the August 1960 Subcommittee report on additional equipment and on the subsequent advice to manufacturers of indefinite deferment of further System orders for high-speed equipment, (3) review of current proposals and recommendations (a) that no further action be taken now to schedule deliveries of high-speed equipment and (b) that installation of a nominal number of additional encoding devices be authorized, and (4) evaluation of pilot test equipment.

The Conference also received an oral report on the program from Mr. H. H. Kimball, Subcommittee Chairman.

d. Training and Development in Use of Computers. The Conference (1) accepted the November 21, 1960 report of the Subcommittee on Systems and Procedures submitting suggestions for training and development of operating and planning officers responsible for computer installations in Reserve Banks and (2) approved its recommendation that a meeting of such officers be held. Mr. Fulton announced that such meeting would be held at the Federal Reserve Bank of Cleveland in January.

The Conference also concluded that it would be desirable that computer conferences and seminars involving Reserve Bank personnel be cleared through the Chairman of the Conference Committee on Miscellaneous Operations.

e. Leased Wire Charges. The Conference requested the Committee on Miscellaneous Operations to study and report on use of a flat charge for wire transfers of funds, unrelated to commercial charges, so as to achieve maximum consistency with tariffs governing leased wire operations.

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f. Coin Shortage. Mr. Fulton distributed, and briefly reviewed, a summary of Reserve Bank replies to questions concerning rationing of coin during 1960.

g. State Banking Legislation. The Conference agreed with Mr. Allen's suggestion that the Subcommittee on Legislation give consideration to the scope and nature of legislation of a type recently adopted in Michigan permitting banks (1) to purchase stock in service organizations and (2) to grant employee stock options.

h. NABAC Dues. Mr. Bopp submitted, and the Conference approved, the draft of a letter to be sent F. Byers Miller, Executive Director of NABAC, stating that Reserve Banks would agree to a uniform Federal Reserve dues schedule of \$300 per head office and \$25 per branch.

Chairman Johns noted that these topics were presented primarily as items of information, that a number of them were described in more detail in subcommittee reports that would be available to the Board, and that the items would also be covered in the minutes of the Presidents' Conference.

With respect to acceptance by the Presidents' Conference of the recommendation, referred to under item 6(b), that the Reserve Banks review internal procedures for sending, receiving, and distributing wires in the light of a list of suggested safeguards, Chairman Johns stated in reply to a question that the procedures to be reviewed covered the whole area of confidential messages.

In reply to a question whether the statement in item 6(c) should be interpreted to mean that the Reserve Banks were going to mark time on acquiring additional high-speed equipment for the processing of checks, Chairman Johns said that until the five pilot installations had been

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operated sufficiently to permit evaluation of the equipment the Federal Reserve Banks would not take steps to acquire additional equipment. However, the installation of some additional encoding devices had been authorized.

The meeting then adjourned.

A handwritten signature in cursive script, appearing to read "Anthony J. ...", is written over a horizontal line. Below the line, the word "Secretary" is printed in a serif font.

Secretary